

**THE HENRY SMITH CHARITY**  
**Registered Charity 230102**

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

## Contents

Chair's Review	1
Report of the Trustees	2
Report of the Auditors	18
Financial Statements	21

## Chair's Review

In 2023 we gave £47m in grants, primarily through our Improving Lives and Strengthening Communities programmes. These two programmes, which together constitute our 2017 Main Grants strategy, awarded almost £43m in grants, a record year for us. Our smaller, more historic and specialised programmes awarded grants of £4m, consistent with previous years. Our 2024 budget will allow us to increase our funding to more than £50m.

As an independent funder in a world of growing complexity and need, it is vital that we maximise our impact. For this reason we launched a strategic review in late 2022, aiming to refresh our strategic framework and our grant-making approach, in light of learning from our own grant-making, from grant-holders and from the wider sector within which we operate. We aim to complete our strategic review in 2024 and implement changes in 2025.

To enable our strategic review, which is being carried out alongside our business-as-usual grant-making, we added modestly to the capacity of the staff team. We continue to see an increasing number of grant applications, and increased complexity in the management of ongoing grants, reflecting the continuing very difficult environment faced by our applicants, our grant-holders and ultimately the beneficiaries of our support. I am extremely grateful to the team for their hard work, skill, and passion in managing this challenging work, and look forward to the implementation of our strategic review enabling them to see greater impact from their efforts.

We have enjoyed excellent investment performance over recent years, but 2023 was a challenging year, with the backdrop of higher inflation and US equity market performance driven by a very narrow range of US stocks (the "Magnificent Seven"). Our active portfolio managers struggled to meet their benchmarks and our total portfolio returns of 4% were more than 5% behind benchmark for 2023. Over longer periods our diversified, actively managed portfolio has outperformed its benchmarks by a significant margin and we continue to keep our approach under review, to ensure that our strategies are robust and well implemented and that the portfolio is equipped to deliver long term returns.

Finally, I should like to thank my fellow Trustees for their support and commitment, shown in their generosity with time, skills and experience. My particular thanks goes to Vivienne Dews, our previous Chair, along with Piers Feilden, Emir Feisal and Paul Hackwood; they each served for ten years before retiring from the Board in early 2024.

William Sieghart, Chair

# Report of the Trustees

## Trustees

J Asquith	A Beeforth
B Colgrain	E Davies
V Dews (retired January 2024)	E Feisal (retired January 2024)
P Feilden (retired January 2024)	J Garrill
M Granger	P Hackwood (retired January 2024)
B Kernighan	B Nahl
F Rahman	G Roberts
W Sieghart (appointed July 2023)	N Pollock (appointed April 2024)

## Registered Office

65 Leadenhall Street, London, EC3A 2AD

## Website

[www.henrysmithcharity.org.uk](http://www.henrysmithcharity.org.uk)

## Chief Executive

A Shukla

## Charity Registration

230102

**Bankers:** Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ

**Solicitors:** SNR Denton LLP, One Fleet Place, London, EC4M 7WS  
Veale Wasbrough Vizards LLP, 24 King William Street, London, EC4R 9AT

**Auditor:** Crowe U.K. LLP, 55 Ludgate Hill, London EC4M 7JW

**Investment Custodian:** Northern Trust, 50 Bank St, London, E14 5NT

**Investment Advisers:** Cambridge Associates, 80 Victoria Street, London, SW1E5JL

**Property Advisers:** JLL, 33 Cavendish Square, London, W1A 2NF  
Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

# Report of the Trustees

## Overview

---

### Introduction

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and bequest upon his death in 1628. Since then, the charity has honoured the spirit of Henry Smith's Will, working to combat disadvantage and meet the challenges and opportunities facing people in need throughout the UK. Nearly four centuries after we were first established, The Henry Smith Charity is one of the largest grant-making charities in the UK.

The Henry Smith Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. We achieve this by providing funding to reduce social and economic disadvantage. Our grantees are at the core of our mission and work.

The charity is registered in England and Wales and governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

### Guiding Principles

The Charity has adopted a set of guiding principles which outline how we aim to work as an organisation. They guide our activity, serve as a reference for our ongoing work, and help to ensure that our actions are consistent with our aspirations. These principles underpin all our grant making activities.

- We aim to continue the legacy of philanthropy established by our founder Henry Smith;
- We focus on those social problems where there is an opportunity for our money to make a difference;
- We endeavour to maximise the effectiveness of our funding;
- We seek to be responsive to demand;
- We aim to maintain a rational, pragmatic approach; and
- We aim to be as helpful as possible to those we seek to assist.

### Trustees

The Charity is required to have between ten and twenty Trustees. The Trustees are listed on page 1 of this report. New Trustees serve up to two terms of five years each, with provision in exceptional cases for a third term of up to five years. Trustees are appointed following a formal recruitment process, including an assessment of the Charity's needs and the mix of skills and experience on the Board. A structured induction programme is provided for all for new Trustees. Board effectiveness is maintained and ensured through regular reviews of both Board and individual Trustee performance, and Trustee training is provided as needed.

# Report of the Trustees

## Decision Making

The Board is responsible for all major policy decisions and for approving strategy and objectives. It meets four times a year. Main grants are approved by the Board, but significant decision-making authority is also delegated to the following committees and others:

- Decisions in respect of some of the Charity's smaller grant programmes are delegated to Trustee Committees or appointed staff, with recommendations and decisions being reported to the Board.
- The Governance and Nominations Committee is responsible for ensuring good governance of the charity.
- The Remuneration Committee is responsible for determining the Chief Executive's and Senior Managers' remuneration.
- The Investment Committee is responsible for investment policy, asset allocation, fund selection and performance monitoring.
- The Finance and General Purposes Committee is responsible for budgeting and financial management, organisational policies, staff remuneration, audit and risk management.

Day to day operational activities are delegated to the Chief Executive and members of the senior management team, comprising the Head of Finance & Resources, Head of Grants, Head of Grants Administration and Head of Learning & Evaluation, under a formal schedule of delegations.

## Statement of Organisational Purpose

In 2019 we developed a statement of organisational purpose: ***'To use our resources to help people and communities at a time of need and to bring about positive change.'*** This informs and guides our decision making across the organisation.

## The Charity's objects and activities for the public benefit

The Charity is constituted as two funds, the Main Fund and the Estates Fund. The objects of the Main Fund of the Henry Smith Charity have been changed at various points over the years, while maintaining the spirit of Henry Smith's original bequest. The objects as currently agreed with the Charity Commission are as follows:

- For the relief of the poor kindred of Henry Smith;
- For hospitals, hospices and other forms of residential care or provision of health care for those who are sick or in need and for other institutions providing medical assistance for those in financial need;
- For the relief of poor, aged or sick persons and their spouses, widows, widowers and dependants;
- For the relief of poor, aged or sick members of the clergy and their spouses, widows, widowers and dependants;
- For the relief, rehabilitation and training of disabled persons including disabled ex-Servicemen and war widows;
- For any medical research;
- For the promotion of moral welfare or social service;
- For the relief and rehabilitation of those persons who are or have been slaves or serfs and their dependants who are in need or distress or for preventing their seizure;
- For the costs of property to be used as accommodation for poor persons; and
- For the relief and maintenance of godly preachers or otherwise for the furtherance or promotion of knowledge and religion.

# Report of the Trustees

The objects of the Estates Fund of the Henry Smith Charity are as follows:

- For the relief of poor, aged or infirm persons or advancing in life such persons in specified, historic parishes;
- For the benefit of hospitals or convalescent homes in the specified, historic parishes;
- For the relief of poor, aged or infirm or advancing in life such persons elsewhere in England and Wales; and
- For the benefit of hospitals or convalescent homes elsewhere in England and Wales.

The Charity's objects provide the framework within which more detailed funding priorities are set; these priorities will change from time to time as needs change and the funding landscape shifts. ***Current priorities for the Charity's grant programmes are set out on the Charity's website.***

In summary, the Charity aims to bring about lasting change to people's lives, helping them to benefit from and contribute to society. This is achieved by funding organisations that work with people to reduce social and economic disadvantage.

## Public Benefit

Trustees have considered the Charity Commission guidance on public benefit when planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is considered before a grant is awarded and monitored. This enables Trustees to be confident that the Charity has, through its wide range of grantees, achieved significant public benefit for a number of vulnerable groups across the UK. A diverse range of public benefit is provided by the hundreds of charities we support each year, as they work to alleviate need and distress, and help people lead more fulfilling lives. A summary of our grant making in 2023 is set out below illustrating the work we have supported.

## Diversity, Equity and Inclusion

As a charity working to reduce social and economic disadvantage, the values of Diversity, Equity and Inclusion (DEI) are central to the ethos of The Henry Smith Charity. We believe that these values should be reflected throughout our whole organisation and everything we do. This includes working to address social inequity in all its forms including racial injustice and discrimination.

We recognise that this will not be achieved without self-awareness and work on our part. We are therefore committed to measuring, monitoring and publishing our progress in these areas.

We collect DEI data from all Main Grant applicants using the DEI Data standard, an independent standard developed in order to better understand funding flows to groups or communities experiencing structural inequities. This enables us to better understand our applicants and grant holders and helps us make more informed decisions about our grant making strategies and approaches.

In time we plan to contribute this learning to the wider charitable sector through the 360Giving platform, to provide greater transparency and accountability regarding the reach and impacts of our funding.

Internally we have established a DEI working group and engaged an expert consultant to work with us on a project to define our understanding of DEI as relating to our mission and to develop a shared understanding across the organisation. We are now considering how this should be applied across our work, and aligning this with our wider strategy.

# Report of the Trustees

## Grant Making Programmes

We awarded grants through the following programmes during the year.

Programme	Overview
Main Grants	Grants for organisations that work to reduce social and economic disadvantage. Main grants are divided into two separate programmes, Improving Lives and Strengthening Communities, with separate priorities and guidelines.
Strategic Grants	Grants identified proactively, supported by the evidence and learning from our responsive programmes. These grants are not restricted to proven work or direct service delivery and may involve significant elements of innovation, awareness raising and/or systemic change.
County Grants	Grants for smaller organisations working with disadvantaged people and communities in certain English counties with which the Henry Smith Charity has a historical connection.
Holiday Grants	Grants for recreational trips and holidays for groups of children aged 13 and under in the UK who are disabled or disadvantaged.
Parishes Grants	Grants for local organisations, mainly based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in specified parishes but currently also including parishes located in some of the most deprived areas in the UK as highlighted by the indices of deprivation.
Clergy and Christian Projects	Grants to support projects that explicitly promote the Christian faith in the UK.
Kindred Grants	Grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Grants are awarded on a means-tested basis.

Grants totalling £46.4million were awarded as follows:

Programme	Total Funding Committed
Main Grants	£42,663,000
County Grants	£455,000
Holiday Grants	£312,000
Parishes Grants	£982,000
Clergy and Christian projects	£1,325,000
Kindred Grants	£1,274,000
Less: cancelled/refunded grants	(£565,000)
<b>Total Grant Awards</b>	<b>£46,446,000</b>

A full list of the grants we made to organisations over the last year along with the detailed criteria for each grant programme is available on our website [www.henrysmithcharity.org.uk](http://www.henrysmithcharity.org.uk)



# Report of the Trustees

## Achievements and Performance – Main Grants

£42,663,000

Our Main Grants Strategy comprises two programmes: Improving Lives and Strengthening Communities. Each programme has its own priorities, funding guidelines, criteria and application information. In 2023, we made 268 grants – 216 Improving Lives grants and 52 Strengthening Communities grants. For the 2023 grant rounds we received 1,513 applications in total, an increase of over 20% from the previous year.

	Improving Lives	Strengthening Communities	Total
Total number of applications	1,228	285	1,513
Total number of grants	216	52	268
Success rate	18%	18%	18%

Almost all grants were for three years and the average total grant award was £159,000, a 14% increase on the previous year. The average Improving Lives grant was £163,000. The average Strengthening Communities grant was £144,000.

Continuation grants (repeat grants made to applicants who we currently fund) accounted for 32% of all Main Grants, lower than previous years.

### Improving Lives

Through the Improving Lives grant programme, we support charitable organisations across the UK to help people for whom other sources of support have failed, been inappropriate or are simply not available. This is our largest funding programme, through which we distribute most of our funds. In 2023, we made **216 Improving Lives grants** in response to **1,228 applications**.

The Improving Lives programme has six funding priorities, which describe the work we fund and how we want to bring about change for the most disadvantaged people in the greatest need. During the application process grantees must demonstrate how the outcomes they deliver meet one or more of these priority areas:

- **Help at a Critical Moment** - Helping people to rebuild their lives following a crisis, critical moment, trauma or abuse;
- **Positive Choices** - Helping people, whose actions or behaviours have led to negative consequences for themselves and others, to make positive choices ;
- **Accommodation / Housing Support** - Enabling people to work towards or maintain accommodation;
- **Employment and Training** - Supporting people to move towards or gain employment;
- **Financial Inclusion, Rights & Entitlements** - Supporting people to overcome their financial problems and ensure they can claim their rights and entitlements; and
- **Support Networks & Family** - Working with people to develop improved support networks and family relationships.

### Strengthening Communities

The Strengthening Communities programme supports small grassroots organisations working in the most deprived areas of the UK (measured by national indices of multiple deprivation). Smaller organisations rooted in their communities play a vital role in supporting people to make positive changes, and we support these organisations to create lasting solutions for both individuals and their communities.

# Report of the Trustees

In 2021 we promoted our Strengthening Communities Programme in areas of the UK where the levels of applications were lower and updated the criteria for the programme to fund organisations physically located within, or immediately next to the most deprived areas, with the aim of reducing the number of ineligible applications. These two measures have resulted in an increase in applications and grants and in 2023, we made **52 Strengthening Communities grants** in response to **285 applications**.

## Cause Areas Supported

Cause area	% of Grants addressing this cause area
Black and Minority Ethnic Communities	7%
Carers	3%
Children and Young people	21%
Disability	4%
Disadvantaged Communities	32%
Domestic and Sexual Abuse	13%
Family Services	10%
Homelessness	4%
Learning Disabilities	4%
LGBTQ	4%
Mental Health and Wellbeing	15%
Older People	4%
Prisoners and Ex-Offenders	1%
Refugees and Asylum Seekers	7%
Sex Work, Trafficking and Modern Slavery	2%
Substance Misuse and Dependency	2%

We are a broad, responsive grant maker, supporting people with a range of different, and sometimes intersecting needs. The table highlights the groups of people and needs supported by applicants and grant holders; grant holders frequently support more than one group or need so many of our grant awards will fall within more than one category.

## Geographical Distribution

As a UK-wide responsive funder running an open grant programme, we seek to make grants across the UK. The table below shows the number of grants made and applications received in the year split by geographical area.

We find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK. We continue to review the geographical spread of our grant making to ensure that we are receiving applications from all areas of the UK and that our grant making is targeted to need; this includes work to promote the Charity in areas with relatively fewer applications.

## Report of the Trustees

Geographical area	Grants	Applications
Crown Dependency	0	1
East Midlands	16	78
East of England	17	83
London	53	227
National	11	114
North East	14	73
North West	33	168
Northern Ireland	5	40
Scotland	26	152
South East	24	188
South West	22	115
Wales	8	59
West Midlands	15	109
Yorkshire and the Humber	24	106
<b>Total</b>	<b>268</b>	<b>1,513</b>

### Grant Assessment

We assess the quality of applications against a wide variety of different criteria to ensure that we are achieving our charitable objectives and that we are making robust, transparent and consistent funding decisions.

Assessment of applicant organisations is divided into the following headings:

- Vision, mission and strategy
- Integration into the community
- Financial Eligibility
- Budgeting and fundraising
- Governance

Assessment of the service(s) provided is divided up into the following headings:

- Need for the service
- Description of the service
- Is it clear how the service is making a difference?
- Service impact
- How 'significant' is the difference?
- Monitoring & evaluation quality
- Ability to deliver
- Is the work delivered as intended?

Once an application has passed the initial paper-based assessment, a Grants Manager or Volunteer Visitor will make an assessment visit. This enables us to assess the need for the project, ensure the organisation's management and governance are fit for purpose, confirm that the project is sustainable, and the outcomes are both realistic and achievable.

# Report of the Trustees

## Grant Holders' Progress Reports

Once a grant has been approved, grant holders report back to us on their progress annually for the duration of their grant. They report on the numbers of people they helped, activities delivered, beneficiary outcomes, organisational developments, external changes that have affected their work, their financial performance and outlook for the year ahead. They also provide beneficiary case studies.

These reports provide valuable information on issues our grant-holders are facing, and on progress of work supported by our grants.

## Learning and Evaluation

In line with the wider voluntary sector we need to understand the impact of our work. We require those applying to us to demonstrate the outcomes they are achieving and believe we should apply the same rigour to ourselves. This is a challenge, as our grants cover a wide range of services and groups to relieve poverty, deprivation and disadvantage.

We monitor the outcomes of all grants through our progress reporting process. We examine the specific outcomes that organisations have achieved in terms of the number of people they work with and the benefit they provide. We monitor our grantmaking throughout the year but also carry out a detailed annual review to confirm our understanding of who and what we are funding. We analyse applications and grants made and use the data to inform our policy-making and future planning. This continues to be particularly important for understanding the changing environment within which our grant holders work.

We also gather insight and learning from the wider sector to inform our grantmaking. We carry out a series of internal reviews looking at the context, needs and issues in each of the major sectors we fund. This work gathers learning to inform our Improving Lives and Strengthening Communities grants assessments and feeds into longer term policy and strategy development. We also identify opportunities for strategic funding where our funding could have a magnified impact. Over the last year we continued to develop our internal learning log for collecting learning and using it systematically to inform our decision making.

## Achievements and Performance – Other Programmes

### County Grants

£455,000

Historically, the County Grants programme has supported the work of small organisations and charities in eight counties with which the Henry Smith Charity has a historical connection. A decision was made in 2021 to phase out the programme, to focus funding more directly into areas of the greatest need, with programmes in specific counties closing on the retirement of the Trustees with responsibility for these areas. The Leicestershire fund closed in 2023.

Grants support work with people experiencing social and/or economic disadvantage (people with disabilities, for example) and work to address problems in areas of high deprivation. Grants range from £2,000 to £20,000. Grant recommendations are made by County Trustees, using their local knowledge to assess the merit of applications, and considered for approval at the quarterly Board meetings.

In 2023, 32 grants were awarded across two counties and were used for organisation running costs, salaries, project costs, or one-off small capital expenditure such as building refurbishment or equipment.

County	Grant Number	Grant Amount
Kent	23	£287,000
Leicestershire	9	£168,000

# Report of the Trustees

## Holiday Grants

£312,000

The Holiday Grants programme provides one-off grants for short holidays and recreational trips for groups of children aged 13 and under who are disabled or disadvantaged. During the year we made 133 grants. Grants ranged between £500 and £2,750 and were made to schools, youth groups, not for profit organisations and charities. It is important to us that no child be excluded on financial grounds from a trip we are supporting, and all grants are awarded on this condition.

## Clergy and Christian Projects

£1,325,000

The Clergy and Christian Projects grants programme has several elements and during the year grants were awarded as follows:

Programme	Grant Amount
Grants to support individual clergy, managed through Church of England dioceses	£669,000
Grants to Christian Projects that explicitly promote the Christian faith in the UK	£656,000

We value projects that set out to nurture and grow people's journey in Christian faith and grow churches, and only support work that comes from a Church of England context, or is fully ecumenical. All applications must explicitly address one or more of the following priorities:

1. Meeting the spiritual needs of older people, including those with dementia.
2. Reaching out to people unconnected with churches, especially young people and young families, by nurturing their spiritual interest and well-being.
3. Projects which support and care for Anglican clergy at times of acute need.

## Kindred

£1,274,000

In line with Henry Smith's will, which included a legacy to help members of his family in financial need, we award grants to individuals who are descendants of the sister of Henry Smith or adopted by a descendant. Our Kindred grant making goes directly to address financial need among the descendants of Henry Smith and grants are awarded on a means-tested basis. A free confidential Helpline is also provided as an alternative means of assistance. More than 2,500 kindred are registered with us and over 200 people received financial support in 2023.

## Parishes

£982,000

The parish scheme is a separate fund within the endowment, representing just over 2% of our assets. Under the scheme we distribute annual grants of between £2,000 and £20,000 to over 150 entities, based broadly on an allocation set out by the Trustees of Henry Smith's will for the relief of poverty in particular parishes. These entities then use the money for the relief of poverty within their designated parishes, and report annually how the money was used. We also awarded grants in a modest number of parishes outside the scope of the original scheme, in areas with high levels of deprivation, and continued to offer the opportunity for parishes to apply for supplementary grants to meet additional needs in their area.

The entities include local ecclesiastical parishes, specially established local Henry Smith Charities and larger grant making organisations such as Trust for London and Cripplegate Foundation. In 2023 we made approximately 200 grants intended to support 15,000 beneficiaries.

# Report of the Trustees

## Plans for Future Development

---

The Charity is currently carrying out an organisation-wide strategic review, with the active participation of staff, Trustees, Volunteer Visitors and other key stake-holders. Faced with a world of growing need and complexity, we want to ensure that our work continues to be relevant and that we maximise the impact of our funding and resources. We plan to announce initial outcomes of our review later in 2024, with full detail and implementation following in 2025.

We will close our Main Grants programme to new applicants during 2024, to give space for the development and implementation of our new strategy, but will continue to provide funding for existing grant-holders whose grants end before the new strategy is implemented, and will explore opportunities for partnership funding. With our smaller grant programmes continuing to run as normal, we anticipate making awards totalling more than £60m in 2024.

We continue to develop and embed a shared understanding of DEI across the organisation, led by our Chief Executive and Senior People & Culture Manager, and are working to refresh our organisational Culture & Values. This work will be closely aligned with our strategic review.

Finally, we continue to build our communications resources and activities, and will be reviewing our Charity brand in the context of our strategic review.

## Financial Review

---

### Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. These assets are the primary funding source for the Charity, so the performance of investments over the long term is vitally important to the sustainability of the Charity, and the impact it can make through the grants it awards.

The Charity operates a Total Return approach to investment, with power to spend both income and capital, provided the core endowment of the fund is maintained. The Charity has power under its Scheme to invest in stocks, shares, funds, securities and other property. The Trustees have appointed professional investment advisors, who advise on investment policy and strategy, asset allocation, manager selection and performance.

### Investment Policy

The investment portfolio has the primary long-term objective of maximising sustainable spending from the portfolio in order to support grant-making. The secondary long-term objective is to maintain the real value of the fund in perpetuity after spending. The Charity currently aims to spend 4% per annum of the portfolio in grant-making over the long-term and the portfolio has a goal of returning an annual 4% real return over a rolling 5 year period.

It is recognised that in order to achieve the primary objective of sustaining a 4% spending rate over the long term, there will be periods of short-term volatility of investment returns. The investment strategy seeks to build a diversified portfolio that minimises the impact of short-term fluctuations. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short-term losses are possible.

# Report of the Trustees

The Charity also recognises that there are several other forms of risk beyond short term volatility that need to be managed as part of the ongoing oversight of the portfolio. These risks include the prudent management of liquidity, the level of exposure to non-Sterling denominated assets, the level of overall leverage in the portfolio and risks associated with investing alongside investors with different goals.

## ESG and Carbon

The Charity adopted the following policy in relation to Environmental, Social and Governance (ESG) issues, and has communicated the policy to all fund managers with whom it invests.

- We take ESG factors into account when we select new managers and when assessing existing managers.
- We also review our direct equity investments held via index-tracking funds to assess which companies we may wish to exclude/engage with.
- We apply a materiality lens to the observations and judgements that we make.

The Trustees have excluded from our directly held investment portfolio companies who have significant involvement (greater than 10% of turnover) in the production or retailing of alcohol or tobacco, gambling or predatory lending. Companies with any involvement in the production or sale of indiscriminate weaponry are also excluded.

During the year we carried out an ESG analysis of our public equity and hedge fund portfolios, and we are pleased to report that all our public equity managers have implemented ESG policies, which are integrated into their investment approach and lead to engagement with portfolio companies regarding ESG issues. Almost all our hedge fund managers have ESG policies in place

We also carried out a Carbon analysis of the public equity portfolios. The portfolio exposure to fossil fuel producers is less than 50% of the exposure of the benchmark indices, and the weighted average carbon intensity for all the companies held in the public equity portfolios is 60% of the carbon intensity of the benchmark indices. We will continue to review our portfolio exposures and consider our approach to carbon on a regular basis.

## Asset Allocation and Strategy

Approximately 60% of the investment portfolio was allocated to growth assets during the year, to provide longer term returns, with the remaining allocation invested in diversifying assets. Further details are given in note 9 to the accounts.

## Total Return Approach to Investing

The Charity operates a Total Return approach to investments, with freedom to invest the entire endowment with the aim of maximising total returns regardless of whether those returns accrue by way of income or capital growth. Over the long term the investment portfolio has a target annualised return of CPI +4%; over shorter periods we assess performance against a blended benchmark comprising benchmarks for the individual asset classes in which we invest.

## Investment Returns for 2023

Investment returns, net of fees, were over £80m. Total returns for the portfolio for the year were 4.0% (2022: -6.0%), just over 5% behind the portfolio benchmark. Over the last 5 years the portfolio has exceeded its long-term benchmark of CPI + 4% by 0.8% per annum. Portfolio performance over the last two years has struggled, with high inflation over the last two years and equity benchmark performance in 2023 driven by a very narrow range of stocks; over longer periods the portfolio has continued to outperform.

# Report of the Trustees

## Investment Costs

The Charity aims to maintain transparency over the total fees paid on investments and regularly reviews manager fees to ensure they are matched by performance. All investment performance is reported net of fees to enable us to monitor this closely and take corrective action where necessary.

We spent £15.8m (2022: £12.6m) on our investment fees and costs. Our investments in alternative assets such as hedge funds are more expensive than traditional long-only investments, but over time we have obtained excellent returns with lower volatility, which have more than compensated for the additional fee costs.

Fee costs comprise ongoing fees generally set as a fixed percentage of the investment value and additional fees payable only if performance thresholds and hurdles are exceeded. The performance-related fees for our alternative investment assets amounted to £3.2m of the total expenditure.

## Issuance of long-term loan notes

In early 2022 the Charity took the opportunity of exceptionally low long-term borrowing costs to issue £100m in 50-year loan notes, with a fixed interest rate of 2.75% and full repayment of capital due in 2072.

This was carried out based on detailed analysis from the Charity's investment advisor, showing that investment of the £100m proceeds across the investment portfolio for the full 50 years would enable the Charity both to increase its annual distributions and see an increased portfolio value in 50 years' time. The Trustees were satisfied that the risks were demonstrably very low, and the expected benefit, while taking the long-term to fully accrue, will prove to be material.

## “Core Endowment” (endowment funds)

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making. The Trustees also monitor the value of endowment funds compared to an inflation-adjusted measure of the Core Endowment, recognising the need to maintain the Charity's spending power in real terms.

The Charity's current policy is to transfer each year from the endowment funds, into the Main Unrestricted and Estates Restricted funds, 4.0% of the total value of the endowment as averaged over the previous 5 years (referred to as the “Distribution Rate”); these funds are then available for grant making and operations. These transfers are funded over time by the total investment returns achieved by the Charity's endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return.

In addition, the Trustees agreed in 2021 to distribute an additional up to £100m over ten years, in light of strong historic investment performance. With advice from Cambridge Associates this additional amount has been assessed as affordable while preserving the long-term funding capacity of the Endowment. Including the commitment for 2024 noted below, a total of just over £50m has now been committed from this allocation.

The movements in Unapplied Total Return for 2023 are shown in note 7 to the accounts. The Charity transferred £45.4m into the Main Unrestricted and Estates Restricted funds for its annual distribution, calculated at a 4.0% Distribution Rate, and an additional £4.6m to accommodate agreed additional grant spending. For 2024 the Trustees have agreed a transfer of £47.2m calculated at a 4.0% Distribution Rate plus an extra £19.3m for additional grant spending.

At 31 December 2023, the endowment funds of £1.3bn were well in excess of the Core Endowment.



# Report of the Trustees

## **Reserves (grant-making funds)**

The Main Unrestricted fund balance was nil throughout the year, with the Charity withdrawing funds from the Endowment as required for grant-making.

The Estates Restricted fund is used solely for grants under the Parish programme, with reserves of £1.0m at the year-end.

## **Risk Management**

The Trustees formally review risk on an annual basis as well as when issues arise, and during the year adopted a new risk management framework to enable more effective risk management. The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

One of the key risks identified is that of substantial investment losses, which would reduce the amount of funding available over the longer-term and hence the Charity's impact; to address this the Charity has a diversified investment portfolio and actively manages a range of risks, including performance, liquidity, currency and other risks, which should minimise the potential for long term losses. The investment portfolio continues to be resilient, and saw positive returns in 2023.

The Charity actively monitors a range of current risks, including the ongoing impact of the cost-of-living crisis, and wider economic and political events. Risks include business continuity in the event of disaster or other business interruption, and a policy and action plan are in place to manage this risk.

The Charity continues to monitor the performance of grants and the level of applications, given the turbulent environment which charities face. The level of grant applications remains strong but manageable. The Charity is currently undergoing a Strategic Review, aiming to ensure that its grant-making approach remains relevant and is designed to maximise impact.

Safeguarding is a key risk area, and a safeguarding policy and training plan are in place.

Data Protection and the GDPR legislation remain important priorities. Key areas have been addressed, and work is ongoing to ensure compliance as the Charity's activities develop over time.

The Charity continues to monitor staff wellbeing, aiming to provide a supportive and safe working environment, along with specific support and tools where this can benefit individuals.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation to ensure it meets its responsibilities.

## **Preparation of the Accounts on a Going Concern Basis**

The Charity's normal practice is to distribute no more than 4% of assets annually calculated on a five-year rolling basis. On occasion, the Charity may make additional distributions, in which case an assessment of affordability and long-term sustainability is carried out, with advice from its investment advisor.

Total assets at 31 December 2023 were well in excess of the £276 million "core endowment" which must be preserved. The Trustees continue to consider the Charity to be a going concern and to prepare the accounts on this basis.

# Report of the Trustees

## Remuneration of Key Management Personnel and Staffing

The Trustees consider the Board of the Charity and the Senior Leadership Team (the Chief Executive, Head of Grants, Head of Grants Operations, Head of Learning & Evaluation, and Head of Finance & Resources) as comprising the key management personnel of the charity, in charge of directing and controlling the charity and running and operating the charity on a day-to-day basis.

No Trustees are remunerated by the Charity. Remuneration for the Senior Leadership Team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are also reviewed against other grant-making charities of a similar size and activity, to ensure remuneration is fair and not out of line with that generally paid for similar roles.

## Conflicts of Interest

From time to time the Charity makes grants to organisations with whom one or more of its Trustees is connected, typically as a Trustee or member of staff. The Charity takes steps to ensure that decisions on these grants are made at arms-length, and in accordance with its policies for dealing with potential conflicts of interest

## Fundraising

The Charity has no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

## Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

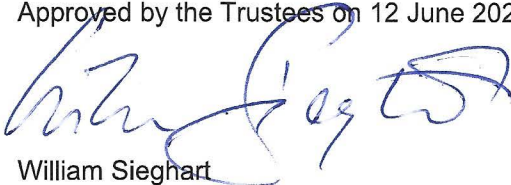
## Report of the Trustees

### Disclosure of information to auditors

In so far as the Trustees are aware:

- There is no relevant audit information of which the Charity's auditors are unaware.
- The Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information

Approved by the Trustees on 12 June 2024

A handwritten signature in blue ink, appearing to read 'William Sieghart', is written over the printed name and title.

William Sieghart  
Chair

# **Independent Auditor's Report to the Trustees of The Henry Smith Charity**

## **Opinion**

We have audited the financial statements of The Henry Smith Charity ('the Charity') for the year ended 31 December 2023 which comprise the Statement of Financial Activities, Charity Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2023 and of the Charity's income and receipt of endowments and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

## **Other information**

The Trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# **Independent Auditor's Report to the Trustees of The Henry Smith Charity**

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustee's report; or
- sufficient and proper accounting records have not been kept by the parent charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of the trustees**

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

## **Independent Auditor's Report to the Trustees of The Henry Smith Charity**

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Charity for fraud.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Finance and General Purposes Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### **Use of our report**

This report is made solely to the Charity's Trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

*Crowe U.K. LLP*

**Crowe U.K. LLP**  
Statutory Auditor

London

1 July 2024

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

## Statement of Financial Activities for the Year Ended 31 December 2023

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
<b>INCOME</b>						
Investment income (note 3)	-	1,011	-	13,435	14,446	11,894
Other income	-	-	-	2	2	2
Transfer to income (note 7)	48,984	-	1,022	(50,006)	-	-
<b>TOTAL INCOME</b>	<u>48,984</u>	<u>1,011</u>	<u>1,022</u>	<u>(36,569)</u>	<u>14,448</u>	<u>11,896</u>
<b>EXPENDITURE</b> (note 4)						
Expenditure on raising funds (investment costs)	-	2,750	-	13,011	15,761	12,643
<b>Charitable activities</b>						
Grant-making	48,984	-	790	-	49,774	68,060
<b>TOTAL EXPENDITURE</b>	<u>48,984</u>	<u>2,750</u>	<u>790</u>	<u>13,011</u>	<u>65,535</u>	<u>80,703</u>
Gains/(losses) on investment and currency assets (note 9)	-	5,946	-	82,095	88,041	(96,357)
<b>NET MOVEMENT IN FUNDS</b>	<u>-</u>	<u>4,207</u>	<u>232</u>	<u>32,515</u>	<u>36,954</u>	<u>(165,164)</u>
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2023</b>	-	(3,180)	806	1,224,070	1,221,696	1,386,860
<b>TOTAL FUNDS AT 31 DECEMBER 2023</b>	<u>-</u>	<u>1,027</u>	<u>1,038</u>	<u>1,256,585</u>	<u>1,258,650</u>	<u>1,221,696</u>

The notes on pages 24 to 35 form part of these accounts.

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the year and there is no difference between the results for the year stated above and their historical cost equivalents.

## Balance Sheet as at 31 December 2023

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2023 Total £'000	2022 Total £'000
<b>FIXED ASSETS</b>						
Tangible Fixed Assets (note 8)	42	-	-	-	42	129
Investments (note 9)	60,007	101,027	-	1,256,908	1,417,942	1,383,980
<b>Total Fixed Assets</b>	<b>60,049</b>	<b>101,027</b>	<b>-</b>	<b>1,256,908</b>	<b>1,417,984</b>	<b>1,384,109</b>
<b>CURRENT ASSETS</b>						
Debtors (note 10)	260	-	-	578	838	790
Cash at bank	12,853	-	1,099	-	13,952	14,484
	<b>13,113</b>	<b>-</b>	<b>1,099</b>	<b>578</b>	<b>14,790</b>	<b>15,274</b>
<b>CREDITORS</b>						
Amounts falling due within one year (note 11)	(46,881)	-	(61)	(901)	(47,843)	(44,537)
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>	<b>(33,768)</b>	<b>-</b>	<b>1,038</b>	<b>(323)</b>	<b>(33,053)</b>	<b>(29,263)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>26,281</b>	<b>101,027</b>	<b>1,038</b>	<b>1,256,585</b>	<b>1,384,931</b>	<b>1,354,846</b>
<b>CREDITORS</b>						
Amounts falling due after one year (note 12)	(26,281)	(100,000)	-	-	(126,281)	(133,150)
<b>NET ASSETS</b>	<b>-</b>	<b>1,027</b>	<b>1,038</b>	<b>1,256,585</b>	<b>1,258,650</b>	<b>1,221,696</b>
<b>FUNDS</b>						
Main Endowment Fund	-	-	-	1,229,905	1,229,905	1,197,007
Estates Endowment Fund	-	-	-	26,680	26,680	27,063
Main Unrestricted Fund	-	-	-	-	-	-
Loan Notes Designated Fund	-	1,027	-	-	1,027	(3,180)
Estates Restricted Fund	-	-	1,038	-	1,038	806
<b>TOTAL FUNDS AT 31 DECEMBER 2023</b>	<b>-</b>	<b>1,027</b>	<b>1,038</b>	<b>1,256,585</b>	<b>1,258,650</b>	<b>1,221,696</b>

Approved by the Trustees on 12 June 2024 and signed on their behalf by:




William Sieghart  
Chairman

Ben Kernighan  
Trustee

The notes on pages 24 to 35 form part of these accounts.



## Cashflow Statement for the Year Ended 31 December 2023

	2023 £'000	2022 £'000
<b>Net cash used in operating activities (note 16)</b>	<b>(56,379)</b>	<b>(42,849)</b>
<b>Cash flows from investing activities</b>		
Investment Income received	14,777	11,949
Payments for Investment Management and advice	(9,989)	(11,092)
Purchase of tangible fixed assets	(4)	(50)
Cash withdrawn from fixed asset investments to fund operating costs	51,063	34,565
Repayment of social investments	-	8
<b>Net cash provided by investing activities</b>	<b>55,847</b>	<b>35,380</b>
<b>Change in cash and cash equivalents in the year</b>	<b>(532)</b>	<b>(7,469)</b>
Cash and cash equivalents at 1 January 2023	14,484	21,953
<b>Cash and cash equivalents at 31 December 2023</b>	<b>13,952</b>	<b>14,484</b>

### Reconciliation of net debt

	Cash at bank £'000	Long-Term Bond £'000	Total Net Debt £'000
Balance at 1 January 2023	14,484	(100,000)	<b>(85,516)</b>
Cashflows	(532)	-	<b>(532)</b>
<b>Balance at 31 December 2023</b>	<b>13,952</b>	<b>(100,000)</b>	<b>(86,048)</b>

The notes on pages 24 to 35 form part of these accounts.

# Notes to the Accounts

## 1. CHARITY INFORMATION

The Charity (registered no. 230102) is a public benefit entity established in the UK as a Trust governed by a Scheme of the Charity Commissioners dated 5 October 2000. It operates from its principal place of business, 65 Leadenhall Street, London EC3A 2AD.

## 2. ACCOUNTING POLICIES

### Basis of Preparation

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Charities Act 2011.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the previous Statement of Recommended Practice: Accounting and Reporting by Charities effective from 1 April 2005 which has since been withdrawn.

Trustees have considered the impact of the external environment on the Charity's activities and resources. The impacts on investment performance and grant making activities have been reviewed and included in our risk management framework. These factors have been considered alongside relevant forecasts and budgets and trustees are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

### Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all of the Charity's objects. The Estates Endowment Fund may only be used to support charitable activities in specified, historic parishes in England. The assets of both funds are pooled and managed as a single investment portfolio; investment returns are allocated in proportion to the Funds' asset values. The Estates Restricted Fund reflects funds made available from the Estates Endowment Fund for grant-making which are not yet spent. The Loan Notes Designated Fund represents the current valuation of £100m raised through issuing loan notes in 2022 and invested in the Charity's investment portfolio, less the £100m creditor balance repayable in 2072.

The Charity also holds funds to cover the costs of managing legacy activities related to the Equitable Charitable Trust. Once these legacy activities are completed any remaining funds will be made available for grant-making. At 31 December 2023 £170k was held within endowment funds for this purpose.

### Income

Dividends are recognised as receivable when a security is listed as ex-dividend. Income from fixed interest investments is recognised when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank or investment fund. Other investment income is recognised when notified as payable to the Charity by the relevant fund managers.

### Expenditure

Liabilities are recognised as expenditure when there is a legal or constructive obligation committing the Charity to the expenditure. Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been approved by the Trustees, the recipients have been notified and there are no further terms and conditions to be fulfilled within the control of the Charity. In these circumstances there is a valid expectation by the recipients that they will receive the grant.

# Notes to the Accounts

## **Expenditure on raising funds**

Expenditure on raising funds includes the direct costs paid to service providers for managing the investment assets, the direct costs of activities including staff salaries and other expenditure, and an allocation of related support costs. Support costs are allocated according to an estimate of the proportional usage across different activities supported, generally on a staff time basis.

## **Charitable activities**

The cost of charitable activities consists of grants awarded, the direct costs of grant making activities including staff salaries and other expenditure, and an allocation of related support costs.

## **Investments**

Marketable investment assets are included in the financial statements at their fair values, either at closing market prices (listed investments) or through independent valuation (unlisted direct property) or from valuations provided by the investment manager (unlisted hedge funds, private equity and indirect property). Cash held for investment purposes is included within investments. The Charity enters into forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. All investment and currency gains and losses are recognised as incurred.

## **Pensions**

The Charity operates a defined contribution scheme. Contributions payable to the scheme are included as expenditure in the period in which the Charity receives the related services from the employees.

## **Irrecoverable VAT**

Irrecoverable VAT is included in the Statement of Financial Activities or Fixed Assets within the expenditure to which it relates.

## **Fixed assets**

Leasehold improvements are included at cost and depreciated on a straight-line basis over the remaining term of occupation of the Charity's premises. Fixtures, fittings and equipment are included at cost and depreciated on a straight-line basis over 3 years. The cost of assets includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

## **Operating leases**

Rental costs of operating leases where the Charity is a lessee are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases where the Charity is a lessor is recognised on a straight-line basis over the term of the relevant lease.

## **Key judgements and assumptions**

In the application of the charity's accounting policies, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

## Notes to the Accounts

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods. The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Valuation of investment properties – these are stated at their estimated fair value based on professional valuations as disclosed in note 9. Commercial Property valuations are prepared by applying an investment yield to the appropriate rental income stream, having regard to the individual asset fundamentals, including inter alia, location, lease length and tenant covenant strength. The relevant investment yield and rental values are determined principally through the use of comparative data.

Valuations for Rural Estates properties let on Assured Shorthold, Farm Business or protected residential tenancies are calculated by applying a discount to the vacant possession value to reflect the degree to which vacant possession is not immediately available. Valuations for properties let under the Agricultural Holdings Act 1986 are prepared by making an assessment of the estimated rental value of the properties, as compared to the current rent passing, and applying to the estimated rental value a valuation yield to reflect the individual characteristics of the property.

Valuation of private equity investments – these are stated at their estimated fair value based on valuations carried out by the fund managers.

### Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors.

Investments held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure.

### 3. INVESTMENT INCOME

	2023 £'000	2022 £'000
Equities	3,470	4,551
Fixed Income	4,657	761
Property	6,319	6,582
	<b>14,446</b>	<b>11,894</b>

## Notes to the Accounts

### 4. EXPENDITURE

	Expenditure on Raising Funds £'000	Grant- making £'000	Governance £'000	Total 2023 £'000	Total 2022 £'000
<b>Grants awarded (note 5)</b>	-	46,446	-	46,446	64,901
<b>Direct costs</b>					
Direct property costs	2,032	-	-	2,032	1,986
Investment management, administration and advice	13,543	-	-	13,543	10,476
Staff costs (note 6)	100	1,320	96	1,516	1,326
Auditors' remuneration*	-	-	51	51	48
Other costs	-	205	103	308	376
	<u>15,675</u>	<u>47,971</u>	<u>250</u>	<u>63,896</u>	<u>79,113</u>
<b>Support costs</b>					
Staff costs (note 6)	30	793	13	836	751
Premises and office services	56	723	24	803	839
	<u>86</u>	<u>1,516</u>	<u>37</u>	<u>1,639</u>	<u>1,590</u>
<b>Total expenditure</b>	<u><b>15,761</b></u>	<u><b>49,487</b></u>	<u><b>287</b></u>	<u><b>65,535</b></u>	<u><b>80,703</b></u>

\* - in the current and previous year the auditors' remuneration was solely for audit services.

### 5. GRANTS AWARDED

	2023 £'000	2022 £'000
Grants to organisations	45,053	63,648
Grants to individuals	1,958	1,583
Grants returned or cancelled	(565)	(330)
<b>Total Grants Awarded</b>	<u><b>46,446</b></u>	<u><b>64,901</b></u>

Further analysis of our main grant awards is given in the Trustees' Report and a full listing of grants awarded to organisations is available on our website ([www.henrysmithcharity.org.uk](http://www.henrysmithcharity.org.uk)). This information has not been audited.

### 6. STAFF COSTS

	2023 £'000	2022 £'000
Wages and salaries costs	1,844	1,624
Social security costs	210	193
Pension costs	200	172
Other benefits	97	88
	<u>2,351</u>	<u>2,077</u>

## Notes to the Accounts

The average number of employees

Generating Funds	1	1
Grant-making	38	36
Governance	1	1
<b>Total</b>	<b>40</b>	<b>38</b>

The number of employees with emoluments greater than £60,000

£130,000-£140,000	1	-
£110,000-£120,000	-	-
£100,000-£110,000	1	-
£90,000-£100,000	-	1
£80,000-£90,000	-	-
£70,000-£80,000	2	2
£60,000-£70,000	3	1

No pension contributions were outstanding at the year end.

A termination payment of £29,394 was made to one member of staff during the year (2022: nil) and is included within wages and salaries costs.

Total remuneration for key management personnel for the year amounted to £549,000 (2022: £530,000). Expenses reimbursed to key management personnel for the year amounted to £4,570 (2022: £2,993).

### 7. MOVEMENT IN UNAPPLIED TOTAL RETURN

The overall movement in unapplied total return in the year was as follows:

	2023 £'000	2022 £'000
<b>Unapplied total return at 1 January 2023</b>	<b>948,070</b>	<b>1,110,041</b>
Add: Income received	13,437	11,756
Less: Expenditure on raising funds	(13,011)	(10,433)
Less : Investment gains/(losses)	82,095	(95,247)
Unapplied total return before transfer to income	1,030,591	1,016,177
Less: transfer to income	(50,006)	(68,047)
<b>Unapplied total return at 31 December 2023</b>	<b>980,585</b>	<b>948,070</b>
Add: core endowment	276,000	276,000
<b>Endowment assets at 31 December 2023</b>	<b>1,256,585</b>	<b>1,224,070</b>

The Charity is permitted to adopt a total return approach to its investments by Order of the Charity Commissioners for England and Wales dated 20<sup>th</sup> December 2006.

## Notes to the Accounts

### 8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2023	306	258	564
Additions	4	-	4
Disposals	(50)	-	(50)
Cost at 31 December 2023	<u>260</u>	<u>258</u>	<u>518</u>
Accumulated depreciation at 1 January 2023	192	244	436
Depreciation charged in the year	36	4	40
Accumulated depreciation at 31 December 2023	<u>228</u>	<u>248</u>	<u>476</u>
<b>Net Book Value at 31 December 2023</b>	<b><u>32</u></b>	<b><u>10</u></b>	<b><u>42</u></b>
Net Book Value at 31 December 2022	<u>114</u>	<u>15</u>	<u>129</u>

### 9. INVESTMENTS

	2023 £'000	2022 £'000
Listed Investments	397,830	336,401
Unlisted Investments	742,490	778,119
Investment Properties	199,201	206,951
Cash and other balances	78,421	62,509
<b>Total Investments</b>	<b><u>1,417,942</u></b>	<b><u>1,383,980</u></b>

The movement in market value of investments (excluding cash and other balances) was as follows:

	2023 £'000	2022 £'000
<i>Listed Investments</i>		
Market Value at 1 January 2023	336,401	410,156
Investment (losses)/gains net of fees	27,527	(41,690)
Additions	41,496	95,942
Disposals	(7,593)	(128,007)
<b>Market Value at 31 December 2023</b>	<b><u>397,830</u></b>	<b><u>336,401</u></b>

## Notes to the Accounts

### *Unlisted Investments*

Market Value at 1 January 2023	778,118	686,642
Investment (losses)/gains net of fees	48,489	(51,308)
Additions	20,155	220,920
Disposals	(104,272)	(78,135)

<b>Market Value at 31 December 2023</b>	<b>742,490</b>	<b>778,118</b>
---	----------------	----------------

### *Investment Properties*

Market Value at 1 January 2023	206,951	215,772
Investment gains/(losses) net of fees	9,009	(8,106)
Additions	-	-
Disposals	(16,759)	(715)

<b>Market Value at 31 December 2023</b>	<b>199,201</b>	<b>206,951</b>
---	----------------	----------------

Total gains were made up as follows:	2023	2022
	£'000	£'000

(Losses)/gains on investment assets	85,024	(99,734)
Other currency (losses)/gains	3,017	3,377

<b>Investment and currency (losses)/gains</b>	<b>88,041</b>	<b>(96,357)</b>
---	---------------	-----------------

The market value of listed investments at the year-end was £303m (2022: £337m). None of these were UK-only investments (2022: Nil).

At 31 December 2023 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling liability of £2.3 million. These contracts were entered into to mitigate the currency risk of being a UK based charity while holding global equity and hedge fund assets in local currencies. These foreign exchange forward contracts have all been revalued at the applicable year-end rates and the resulting unrealised losses are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2024 to 30 June 2024.

The Charity's direct holdings in property were valued at 31 December by currently Registered RICS Valuers employed by the Charity's property advisers, and in accordance with the RICS Valuation – Professional Standards (January 2014) published by the Royal Institution of Chartered Surveyors.

The Charity has committed to fund up to a further £87m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio, and from distributions from private equity funds.



## Notes to the Accounts

### 10. DEBTORS

	2023 £'000	2022 £'000
Rents receivable	195	525
Other debtors	-	264
Prepayments	643	1
	<b>838</b>	<b>790</b>

### 11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £'000	2022 £'000
Grants payable	46,654	42,849
Accruals	860	1,384
Rental income in advance	329	284
	<b>47,843</b>	<b>44,537</b>

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2023	284
Released to income in the year	(284)
Deferred in the year	329
Balance carried forward at 31 December 2023	<b>329</b>

### 12. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2023 £'000	2022 £'000
Grants payable	26,281	33,075
Accruals and provisions	-	75
Fixed-term bond issuance	100,000	100,000
	<b>126,281</b>	<b>133,150</b>

The Charity received £100m from a bond issued on 10 March 2022 to Metropolitan Life Insurance Company and Metlife Insurance K.K. The Charity will pay annual interest of 2.75% and the balance is repayable in full in 2072.

# Notes to the Accounts

## 13. MATURITY OF FINANCIAL LIABILITIES

	2023 £'000	2022 £'000
In one year or less, or on demand	47,843	44,537
In more than one year, but not more than two years	20,824	27,058
In more than two years, but not more than five years	5,457	6,092
In more than five years	100,000	100,000
	<b>174,124</b>	<b>177,687</b>

The movement in grants payable during the year was as follows:

	2023 £'000	2022 £'000
Grants payable at 1 January 2023	75,944	53,679
Grants awarded	47,012	65,231
Cancelled grants	(565)	(330)
Payments made	(49,456)	(42,636)
<b>Market Value at 31 December 2023</b>	<b>72,935</b>	<b>75,944</b>

## 14. RELATED PARTY TRANSACTIONS

Expenses of £5,843 (2022: £6,223) were reimbursed to four Trustees during the year to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

Two grants totalling £224,300 were awarded to Citizens Advice South Somerset in 2022, for whom Piers Feilden, a Trustee of the Henry Smith Charity during the year, is a volunteer advisor. £53,250 of the grants were paid in 2023 and £139,250 was outstanding at year end.

The charity made use of the services of Carter Jonas of which Mark Granger (Trustee) was Chief Executive, advising on vacating the existing offices at 65 Leadenhall Street London EC3A 2AD, totalling £3,180 for the year. Cushman & Wakefield of which George Roberts (Trustee) is Chief Executive has assisting the charity with the new office search, totalling £9,000 for 2023.

## 15. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in March 2024. Rental payments amounted to £103,000 in 2023 and are contracted to be £47,750 per quarter until the end of the lease term.

At year-end the Charity held rental leases on its investment properties under which payments are receivable until lease expiry or term of notice as follows:

Year	Payments receivable in year £000
2024	281
2025	1,691
2026	566
2027 and subsequently	37,130

## Notes to the Accounts

The total payments receivable under rental leases at 31 December 2023, until expiry or term of notice for all leases, was £39.7 million.

### 16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2023 £'000	2022 £'000
Net movement in funds	36,954	(165,164)
Investment losses/(gains)	(85,861)	96,357
Investment income and deposit interest	(14,447)	(11,894)
Investment management and advice	13,011	12,462
Depreciation	41	50
Decrease/(Increase) in debtors	(48)	1
(Decrease)/Increase in creditors	(3,849)	21,962
Currency gains/(losses)	(2,180)	3,377
<b>Net cash flow from operating activities</b>	<b>(56,379)</b>	<b>(42,849)</b>

# Notes to the Accounts

## 18. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
<b>INCOME</b>						
Investment income (note 3)	-	140	-	11,754	11,894	11,000
Other income	-	-	-	2	2	-
Transfer to income (note 7)	67,087	-	960	(68,047)	-	-
<b>TOTAL INCOME</b>	<u>67,087</u>	<u>140</u>	<u>960</u>	<u>(56,291)</u>	<u>11,896</u>	<u>11,000</u>
<b>EXPENDITURE</b> (note 4)						
Expenditure on raising funds (investment costs)	-	2,210	-	10,433	12,643	11,095
<b>Charitable activities</b>						
Grant-making	67,103	-	957	-	68,060	42,102
<b>TOTAL EXPENDITURE</b>	<u>67,103</u>	<u>2,210</u>	<u>957</u>	<u>10,433</u>	<u>80,703</u>	<u>53,197</u>
(Losses)/gains on investment and currency assets (note 9)	-	(1,110)	-	(95,247)	(96,357)	226,918
<b>NET MOVEMENT IN FUNDS</b>	<u>(16)</u>	<u>(3,180)</u>	<u>3</u>	<u>(161,971)</u>	<u>(165,164)</u>	<u>184,721</u>
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2022</b>	16	0	803	1,386,041	1,386,860	1,202,139
<b>TOTAL FUNDS AT 31 DECEMBER 2022</b>	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>

# Notes to the Accounts

## 19. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Loan Notes Designated Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2022 Total £'000	2021 Total £'000
<b>FIXED ASSETS</b>						
Tangible Fixed Assets (note 8)	129	-	-	-	129	129
Investments (note 9)	62,886	96,820	-	1,224,274	1,383,980	1,419,649
Programme Related Investments (note 10)	-	-	-	-	-	8
<b>Total Fixed Assets</b>	<u>63,015</u>	<u>96,820</u>	<u>-</u>	<u>1,224,274</u>	<u>1,384,109</u>	<u>1,419,786</u>
<b>CURRENT ASSETS</b>						
Debtors (note 11)	265	-	-	525	790	846
Cash at bank	13,424	-	1,060	-	14,484	21,953
	<u>13,689</u>	<u>-</u>	<u>1,060</u>	<u>525</u>	<u>15,274</u>	<u>22,799</u>
<b>CREDITORS</b>						
Amounts falling due within one year (note 12)	(43,554)	-	(254)	(729)	(44,537)	(32,023)
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>	<u>(29,865)</u>	<u>-</u>	<u>806</u>	<u>(204)</u>	<u>(29,263)</u>	<u>(9,224)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	33,150	96,820	806	1,224,070	1,354,846	1,410,562
<b>CREDITORS</b>						
Amounts falling due after one year (note 13)	(33,150)	(100,000)	-	-	(133,150)	(23,702)
<b>NET ASSETS/(LIABILITIES)</b>	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>
<b>FUNDS</b>						
Main Endowment Fund	-	-	-	1,197,007	1,197,007	1,357,887
Estates Endowment Fund	-	-	-	27,063	27,063	28,154
Main Unrestricted Fund	-	-	-	-	-	16
Bond Issue Designated Fund	-	(3,180)	-	-	(3,180)	-
Estates Restricted Fund	-	-	806	-	806	803
<b>TOTAL FUNDS AT 31 DECEMBER 2022</b>	<u>-</u>	<u>(3,180)</u>	<u>806</u>	<u>1,224,070</u>	<u>1,221,696</u>	<u>1,386,860</u>