

FUTURE OF RUSSIA FOUNDATION
TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

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FUTURE OF RUSSIA FOUNDATION

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FUTURE OF RUSSIA FOUNDATION

**LEGAL AND ADMINISTRATIVE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | |
|----------------------------------|---|
| Trustees | Baroness Kennedy Kate S Mallinson S.J.P. Trust Corporation Limited |
| Bankers | Northern Trust 50 Bank Street Canary Wharf London E14 5NT |
| Independent Auditors | Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE |
| Investment advisers | Windmill Hill Asset Management Limited Windmill Hill Silk Street Waddesdon Aylesbury Bucks HP18 0JZ |
| Registered Address | 14 St James's Place London SW1A 1NP |
| Registered company number | 04529663 |
| Registered charity number | 1093811 |

FUTURE OF RUSSIA FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2016

The Trustees present their annual report and the financial statements for the year ended 31 December 2016.

Constitution and objects

The Foundation was incorporated in England and Wales as a company limited by guarantee on 9 September 2002 under the registered number 04529663. It is a registered charity, with the registered charity number 1093811, and is managed by the Trustees, who are also the directors of the company. The Trustees have the power to delegate day to day administration and investment activities to suitably qualified individuals and organisations. The Trustees are appointed by the members of the company. Additional Trustees may be appointed by the Trustees and their appointment be ratified at the subsequent Annual General Meeting.

The Foundation's objects are:

- the advancement of the education of children and young people in Russia and other countries of Eastern Europe;
- the advancement of education of the public in the history, arts, music and language of Russia and other countries in Eastern Europe; and
- to promote such other purposes for the benefit of the public throughout the world as deemed by English Law to be charitable.

The Trustees confirm that they have regard to the Charity Commission's guidance on public benefit and consider each year how it meets the public benefit objectives outlined in section 4 of the Charities Act 2011. They are satisfied that the Future of Russia Foundation meets the requirements and conforms with the Act's definition of a charity meeting all elements of the two key principles.

Organisation

Details of the Trustees serving since the last Trustees' report are as follows:

| | |
|----------------------------------|------------------------|
| Baroness Kennedy | (Appointed 9 May 2016) |
| Kate S Mallinson | (Appointed 9 May 2016) |
| Lord Rothschild OM GBE | (Retired 9 May 2016) |
| Tim Osborne | (Retired 9 May 2016) |
| S.J.P. Trust Corporation Limited | |

Statement of Trustees' responsibilities

The Trustees (who are also the directors of the Future of Russia Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 judgements and estimates that are reasonable and prudent;

Statement of Trustees' responsibilities continued

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

Activities, achievements and performance

During the year to 31 December 2016 the Trustees approved funding amounting to £525,117 (2015: £223,840) to a range of institutions for scholarship funding. The Trustees are awarding grants and providing funding to support educational initiatives, scientific and cultural projects which foster talent among Russians and Eastern Europeans looking to expand their horizons outside Russia.

The total market value of the Foundation's investment portfolio at 31 December 2016 was £14,566,929 (2015: £13,520,667). The investment portfolio returned 13.3% over the financial year compared with 16.0% for the portfolio's composite benchmark.

Reserves policy

The assets of the Foundation are held largely in the form of an expendable endowment. The original donation of £10,000,000 is held as an expendable endowment with the aim of preserving the capital value in order to generate future income. The unrestricted income fund represents the balance of interest earned on the expendable endowment for the Trustees to spend on charitable activities.

The adequacy of the reserves is reviewed annually.

Grant making policy

To support educational initiatives, scientific and cultural projects which foster talent among Russians and Eastern Europeans looking to expand their horizons outside Russia.

Financial review

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|--|--|--|
| Income for the period: | | |
| Investment income | - | - |
| Expenditure for the period: | | |
| Expenditure on raising funds | 90,644 | 81,257 |
| Expenditure on Foundation activities | 559,371 | 230,530 |
| Total expenditure | 650,015 | 311,787 |
| Net gains on investments for the period | 1,766,669 | 1,361,497 |
| Total net assets of the Foundation increased by | 1,116,654 | 1,049,710 |

Investment policy

The Trustees are holding the funds in accordance with professional advice obtained from Windmill Hill Asset Management Limited.

Risk Management

The Trustees are responsible for establishing and monitoring internal control systems within the Foundation. The major risks which may impact the activities of the Foundation have been reviewed during the year and the Trustees are satisfied that the systems of financial controls currently in place is adequate, whilst recognising that they are designed to manage rather than eliminate risk. Internal controls are reviewed on an ongoing basis as part of the day-to-day risk management process within the Foundation.

The key risk area within the Foundation lies with its investments. The Trustees have established an investment policy to manage their investment risk and investment management reports are reviewed regularly by the Trustees.

Key management personnel

The Trustees consider the Board of Trustees as comprising the key management personnel of the charity responsible for directing and controlling the day to day operations. All Trustees give of their time on an unremunerated basis.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the Trustees on 11 July 2017



S.J.P Trust Corporation Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of the Future of Russia Foundation for the year ended 31 December 2016 set out on pages 7 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard FRS 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the charity's state of affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income 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 Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2016

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

- adequate accounting records have been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the trustees were not entitled to take advantage of the small companies exemption in preparing the Trustees' Annual Report and the Strategic Report.

Saffery Champness LLP

Cara Turlington (Senior Statutory Auditor)
For and on behalf of

Saffery Champness LLP
Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London
EC4V 4BE

Date: *20 July 2017*

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

FUTURE OF RUSSIA FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | Unrestricted funds – Income 2016 £ | Expendable endowment 2016 £ | Total 2016 £ | Total 2015 £ |
|--|------|--|--|------------------------|------------------------|
| Income from Investments | | - | - | - | - |
| Total Income | | - | - | - | - |
| Expenditure on raising funds | | 15,289 | 75,355 | 90,644 | 81,257 |
| Expenditure on Foundation activities | 3 | 559,371 | - | 559,371 | 230,530 |
| Total Expenditure | 4 | 574,660 | 75,355 | 650,015 | 311,787 |
| Net (expenditure) before gains | | (574,660) | (75,355) | (650,015) | (311,787) |
| Net gains on investment | | 300,113 | 1,466,556 | 1,766,669 | 1,361,497 |
| Net income/(expenditure) | | (274,547) | 1,391,201 | 1,116,654 | 1,049,710 |
| Net movement in funds for the Period | | (274,547) | 1,391,201 | 1,116,654 | 1,049,710 |
| Balances brought forward at 31 December 2015 | | 2,134,892 | 11,239,205 | 13,374,097 | 12,324,387 |
| Balances carried forward at 31 December 2016 | 7 | 1,860,345 | 12,630,406 | 14,490,751 | 13,374,097 |

The Statement of Financial Activities includes all gains and losses recognised in the period.

All income and expenditure derive from continuing activities.

The notes on pages 9 - 12 form part of the financial statements.

FUTURE OF RUSSIA FOUNDATION

BALANCE SHEET
AS AT 31 DECEMBER 2016

| | Note | Unrestricted funds – Income £ | Expendable endowment £ | 2016 £ | 2015 £ |
|---|------|--|------------------------------|-------------------|-------------------|
| Fixed assets | | | | | |
| Investments | 5 | 1,936,523 | 12,630,406 | 14,566,929 | 13,520,667 |
| | | <u>1,936,523</u> | <u>12,630,406</u> | <u>14,566,929</u> | <u>13,520,667</u> |
| Current assets | | | | | |
| Cash at bank | | - | - | - | - |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Creditors: amounts falling due within one year | 6 | 76,178 | - | 76,178 | 146,570 |
| | | <u>76,178</u> | <u>-</u> | <u>76,178</u> | <u>146,570</u> |
| Net current / (liabilities) | | <u>(76,178)</u> | <u>-</u> | <u>(76,178)</u> | <u>(146,570)</u> |
| Net assets | | <u>1,860,345</u> | <u>12,630,406</u> | <u>14,490,751</u> | <u>13,374,097</u> |
| Financed by: | | | | | |
| Funds | 7 | 1,283,023 | 9,896,137 | 11,179,160 | 11,728,789 |
| Revaluation Reserve | | 577,322 | 2,734,269 | 3,311,591 | 1,645,308 |
| | | <u>1,860,345</u> | <u>12,630,406</u> | <u>14,490,751</u> | <u>13,374,097</u> |

The notes on pages 9 - 12 form part of the financial statements.

The financial statements were approved by the Trustees on 11 July 2017



S.J.P. Trust Corporation Limited
Company Registration No: 04529663

1 Company Information

The Foundation was incorporated in England and Wales as a company limited by guarantee on 9 September 2002 under the registered number 04529663. It is a registered charity, with the registered charity number 1093811, and is managed by the Trustees, who are also the directors of the company.

2 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with 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 (FRS 102) issued on 16 July 2014 as amended on 2 February 2016 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

The Foundation meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Income

Investment income is accounted for on a receivable basis.

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

c) Expenditure

Expenditure is included on an accruals basis.

Expenditure on raising funds include those costs of administering the Foundation's investments and consist of Investment management fees, custody fees and bank charges.

Expenditure on Foundation activities includes the payment of grants, professional and administration fees and auditor/Independent examiner fees.

Governance costs include those costs of administering the Foundation as a legal entity.

d) Grants and donations

Grants and donations payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, and therefore recognised as expenditure when the conditions attached are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as an expense.

e) Investments

All investments are currently held as cash deposit or in the WHAM Endowment Fund and are included at fair value at the year end.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

f) Fund accounting

The original donation of £10,000,000 is held as an expendable endowment with the aim of preserving the capital value in order to generate future income. The unrestricted income fund represents the balance of interest earned on the expendable endowment for the Trustees to spend on charitable activities.

g) Going concern

After reviewing the Foundation's forecasts and projections, the Trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. The Foundation therefore continues to adopt the going concern basis in preparing its financial statements.

3 Expenditure on Foundation activities

| | 2016 £ | 2015 £ |
|---|-------------------|-------------------|
| Grants to institutions – Scholarship funding | 525,117 | 223,840 |
| Professional and administration fee | 3,000 | 4,500 |
| Auditor/Independent examiner fee | 3,320 | 2,460 |
| Foreign Exchange differences | 27,844 | - |
| Sundry Expenses | 90 | (270) |
| | <u>559,371</u> | <u>230,530</u> |
| Additional reconciliation of grants payable | 2016 £ | 2015 £ |
| Grant commitments accrued at 1 January 2016 | 136,600 | 121,552 |
| Grant commitments made during the year | 525,117 | 223,840 |
| Grants paid in the year | <u>(589,067)</u> | <u>(208,792)</u> |
| Grant commitments accrued at 31 December 2016 | <u>72,650</u> | <u>136,600</u> |
| Grant commitments falling due in less than one year | 72,650 | 136,600 |
| Grant commitments falling due in more than one year | - | - |
| | <u>72,650</u> | <u>136,600</u> |
| Grant commitments | 2016 £ | 2015 £ |
| Institute of Modern Russia | 344,732 | - |
| Royal College of Music | 118,385 | 103,440 |
| St Anthony's College, Oxford | - | 35,000 |
| Balliol College, Oxford | - | 35,000 |
| Royal Academy of Music | 25,000 | 25,000 |
| Melos Sinfonia | - | 21,900 |
| The Open Trust | 25,000 | - |
| University of Oxford | 12,000 | - |
| Other grants | - | 3,500 |
| Grant offered in the year to 31 December 2016 | <u>525,117</u> | <u>223,840</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

4 Total Expenditure

| | Unrestricted funds Income 2016 £ | Expendable endowment £ | Total Year ended 31 December 2016 £ | Total Year ended 31 December 2015 £ |
|---|--|------------------------------|---|---|
| Expenditure on Foundation activities | | | | |
| Grants made | 525,117 | - | 525,117 | 223,840 |
| Professional and administrative fee | 3,000 | - | 3,000 | 4,500 |
| Auditor/Independent examiner fee | 3,320 | - | 3,320 | 2,460 |
| Foreign exchange losses | 27,844 | - | 27,844 | - |
| Sundry Expenses | 90 | - | 90 | (270) |
| | <u>559,371</u> | <u>-</u> | <u>559,371</u> | <u>230,530</u> |
| Expenditure on raising funds | | | | |
| Investment management fees | 13,689 | 67,435 | 81,124 | 74,689 |
| Custody Fees | 1,600 | 7,920 | 9,520 | 6,462 |
| Bank charges | - | - | - | 106 |
| | <u>15,289</u> | <u>75,355</u> | <u>90,644</u> | <u>81,257</u> |
| Total Expenditure | <u>574,660</u> | <u>75,355</u> | <u>650,015</u> | <u>311,787</u> |

No remuneration or reimbursement of expenses was received by the Trustees in the period (2015: Nil).

5 Fixed Assets

| | 2016 £ | 2015 £ |
|---|-------------------|-------------------|
| Market value at 31 December 2015 | 13,520,667 | 12,448,182 |
| Sales proceeds on disposal | (664,000) | (240,000) |
| (Decrease) in investment cash | (53,993) | (48,978) |
| Investment gains/(losses) for the year - realised | 97,972 | 21,646 |
| - unrealised | 1,666,283 | 1,339,817 |
| | <u>14,566,929</u> | <u>13,520,667</u> |
| Market value at 31 December 2016 | <u>14,566,929</u> | <u>13,520,667</u> |
| Historical cost at 31 December 2016 | <u>11,255,338</u> | <u>11,875,344</u> |

Analysis of market value at 31 December 2016

| | 2016 £ | 2015 £ |
|-------------------------------------|-------------------|-------------------|
| Collective investment funds | 14,545,863 | 13,445,609 |
| Cash on deposit awaiting investment | 21,066 | 75,058 |
| | <u>14,566,929</u> | <u>13,520,667</u> |

The unrestricted fund holds investments totalling £1.9 million with £12.6 million held in the Endowment fund. Of the total value of investments shown above, £14.5 million is in an overseas fund.

6 Creditors – Amounts falling due within one year

| | 2016 | 2015 |
|---------------------------|---------------|----------------|
| | £ | £ |
| Other creditors | 3,528 | 9,970 |
| Grant commitments accrued | <u>72,650</u> | <u>136,600</u> |
| | <u>76,178</u> | <u>146,570</u> |

7 Funds

The Income Fund represents the balance of income from all sources after deduction of donations and other necessary expenditure.

The Expendable Endowment Fund represents all the other assets of the Foundation. The original donation of £10,000,000 is held as expendable endowment with the aim of preserving the capital value in order to generate future income.

8 Related Party Transactions

During the year, the Future of Russia Foundation was invoiced for investment management fees of £81,124 (2015: £74,689) by Windmill Hill Asset Management Limited. One of the Directors of the corporate trustee, S.J.P Trust Corporation Limited, serves as a Director of Windmill Hill Asset Management Limited.

During the year, the Future of Russia Foundation was invoiced for accounting and administration fees of £3,000 (2015: £nil) by J Rothschild Services Limited. A number of the Directors of the corporate trustee, S.J.P Trust Corporation Limited, serve as Directors of J Rothschild Services Limited.