

# The Henry Smith Charity

founded in 1628

---

## **Annual Report & Financial Statements For the Year Ended 31st December 2017**

**THE HENRY SMITH CHARITY**  
Registered Charity 230102

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

# Contents

Chairman's Review	1
Report of the Trustees	2
Report of the Auditors	14
Financial Statements	17

# Chairman's Review

2017 was a busy year for the charity with the launch of a new strategy for our main grants programme in early October. This followed considerable reflection and discussion regarding the values of our organisation and where we should be prioritising our grantmaking.

We have decided to focus our main grants on two programmes. Our Improving Lives programme focuses on making an impact in six priority areas through funding work with clear evidence of effectiveness and outcomes, while our Strengthening Communities programme focuses on supporting small community based organisations working to help people in the most deprived areas of the country. Both programmes fit with our goal of working to bring about lasting change in people's lives, helping them to benefit from and contribute to society. We have been pleased with the response to our new strategy and website but will be monitoring it closely over the coming months.

Important elements of our grantmaking strategy review are to bring more knowledge and expertise to our grantmaking and to assess more accurately our own impact as an organisation. With this in mind we are reviewing our internal processes and how best to learn from our grantmaking. We are investing in our staff team to enable us to increase our own effectiveness and impact.

While reviewing our main grants strategy we continued our regular grantmaking awarding £31.1m of grants in 2017 (2016: £28.6m) with £27.8m awarded for 321 grants under the main grant scheme (2016: £24.7m for 308 grants).

Our investments generate the resources to fund our grantmaking, and we had another good year. Total returns of 9.8% were ahead of our long-term performance target of 8.1%, calculated at RPI +4%. Returns have exceeded their long-term target by an average of 0.9% p.a. over the last 5 years. It is particularly pleasing that our endowment passed the significant landmark of £1 billion in total assets for the first time in the Charity's history.

In 2017 we saw the retirement of two trustees, Merlyn Lowther and Gracia McGrath. Merlyn served for 18 years, chairing the Investment Committee for eight years as well as serving on our grantmaking and other committees. Gracia served as a trustee for five years, including serving on our grantmaking committee, and during that time brought to us her considerable expertise and knowledge of the voluntary sector and in particular of working with children and young people. We thank them both for their huge contributions.

I would, of course also like to extend my thanks to my fellow Trustees, our volunteer assessment visitors, the Community Foundations and to our staff, all of whom have contributed to a successful year.

My final reflection, in a year when we have launched a new grantmaking strategy, is about our purpose and our values. We aim to make life better for those most in need of support in our society. We can only do this through funding the work of dedicated organisations around the country, who work tirelessly towards this end, and it is to them that we should really give our thanks.

Diana Barran  
Chairman

# Report of the Trustees

## Trustees

D Allam	M Giedroyc	P R V Maxwell
D Barran	P Hackwood	G M McGrath
B Biddell	J P Hordern	(retired 8 <sup>th</sup> June 2017)
Lady Colgrain	V Y Hunt	A McNair Scott
V Dews	M V Lowther	
E Feisal	(retired 7 <sup>th</sup> December 2017)	
P Feilden	N G H Manns	

D Allam and V Dews are also Directors of Henry Smith Trading Limited, the wholly owned subsidiary of the Charity.

## Registered Office

65 Leadenhall Street, London, EC3A 2AD

## Website

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

## Director

N Acland

N Acland is also a Director of Henry Smith Trading Limited, the wholly owned subsidiary of the Charity.

## Charity Registration

230102

## Bankers

Bank of Scotland, 8 Lochside Avenue, Edinburgh, EH12 9DJ

## Solicitors

SNR Denton LLP, One Fleet Place, London, EC4M 7WS  
DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE

## Auditor

Crowe Clark Whitehill LLP, 10 Salisbury Square, London EC4Y 8EH

## Investment Custodian

Northern Trust, 50 Bank St, London, E14 5NT

## Investment Advisers

Cambridge Associates, 80 Victoria Street, London, SW1E5JL

## Property Advisers

LaSalle Investment Mgt, 33 Cavendish Square, London, W1A 2NF  
Savills UK Ltd, Stuart House, City Road, Peterborough, PE1 1QF

# Report of the Trustees

The Trustees present their annual report and financial statements for the year ended 31 December 2017. The financial statements have been prepared in accordance with the accounting policies set out beginning on page 20.

## **Structure, governance and management**

The Henry Smith Charity was established from a gift of land given during the lifetime of Henry Smith, and a bequest upon his death in 1628. It is a charity registered in England and Wales, number 230102, governed by a Scheme of the Charity Commissioners dated 5 October 2000 which came into effect on 1 January 2001.

The Charity is required to have between ten and twenty Trustees. 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. Trustee induction includes meeting the office staff, being briefed on procedures, and addressing any training needs they may have.

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

- Decisions in respect of some of the Charity's smaller grant programmes are delegated to trustee sub-committees with grants awarded then being reported to the Board
- The Governance and Nominations Committee is responsible for ensuring good governance of the charity. The current governance arrangements were formally reviewed and updated in 2013 and we are in the process of carrying out a further review during 2018
- The Remuneration Committee is responsible for determining the Director's and Senior Managers' remuneration
- The Investment Committee is responsible for investment policy, asset allocation and performance monitoring
- The Finance and General Purposes Committee is responsible for planning, budgeting and performance monitoring, organisational policies, staff remuneration, audit and risk management

Board effectiveness is maintained and ensured through regular reviews of both Board and individual Trustee performance.

Day to day operational activities are delegated to the Director and members of the senior management team, under a formal schedule of delegations.

Trustees welcome the introduction of the new Charity Governance code and while considering that the Henry Smith Charity existing governance arrangements comply with the Code in most respects, are considering where the Code might highlight helpful improvements that can be made. Any significant changes made will be considered under the current review of governance and reported in due course in the Charity's Annual Report.

# Report of the Trustees

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

The Charity is constituted as two funds, the Main Fund and 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 stated 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; and
- 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.

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

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

## **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.

- 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
- We aim to be as helpful as possible to those we seek to assist

## **Our Grants programmes**

We awarded grants through a number of different grants programmes during the year, which operate as follows:

### ***Main Grants programme***

In 2017 our Main Grants Programme continued to be for grants of £10,000 p.a. or over. These were revenue grants of up to three years for core costs (including salaries and overheads), or the running costs of a specific project (including staffing costs).

In October 2017 we issued a new strategy and guidelines, replacing this programme with our Improving Lives and Strengthening Communities programmes. The first grants applied for and assessed under the new programmes were awarded in March 2018.

# Report of the Trustees

## ***County Grants programme***

Our County Grants programme supports the work of small organisations and charities in eight counties with which the Henry Smith Charity has a historical connection. The eight counties are Gloucestershire, Hampshire, Kent, Leicestershire, Suffolk, Surrey, East Sussex and West Sussex. To be eligible to apply for a County Grant, the organisation's annual income must be below £250,000, unless the organisation is working county-wide, in which case its income must be below £1 million.

Grant recommendations are made by County trustees who use their local knowledge to assess the merit of applications; currently the Suffolk scheme is administered by the local Community Foundation. County grant recommendations are approved at the quarterly Board meeting

## ***Small Grants in the North East of England***

Our Small Grants Programme was a time-limited programme operating in the North East of England. This programme was administered by the Community Foundation for Tyne & Wear and Northumberland. We closed this programme at the end of 2017.

## ***Holiday Grants for Children***

One off grants of up to £2,500 for organisations, schools, youth groups etc. specifically for holidays or outings for children under the age of 13 who are disabled or who live in areas of high deprivation.

## ***Kindred Grants***

We award 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, and in addition access to a free confidential Helpline is provided as an alternative means of assistance.

## ***Parish Grants***

The parish scheme is a separate fund within the endowment, representing approximately 2% of our assets. Grants are made to local organisations in a number of parishes, based broadly on an allocation set out by the trustees of Henry Smith's will for the relief of poverty in particular parishes. Local organisations make grants within each parish and report back annually on how the funds were spent.

## ***Christian Projects***

The Christian Projects grant programme provides grants to support projects that explicitly promote the Christian faith in the UK. In addition, financial assistance is provided to clergy through the Church of England dioceses and awards are made to fund bursaries for ordinands.

## **Our new Improving Lives and Strengthening Communities programmes**

In 2017 we completed a review of strategy for our Main Grants programme, which resulted in the establishment of a new Main Grants Strategy under which are two new programmes, Improving Lives and Strengthening Communities, superceding the existing Main Grants Programme. The first grants applied for and assessed under the new programmes were awarded in March 2018.

Under the first programme, Improving Lives, applicants have to demonstrate outcomes under six priority areas:

- Help at a Critical Moment
- Positive Choices
- Accommodation and Housing Support
- Employment and Training
- Financial Inclusion, Rights and Entitlements
- Support Networks and Family

Under the second programme, Strengthening Communities, we focus on small grassroots-based organisations working in the most deprived communities around the UK where outcomes will relate both to impact on the community as a whole and individuals supported.

# Report of the Trustees

Under both programmes, grants awarded are for £20,000-£60,000 p.a. for up to three years. These are revenue grants of up to three years for core costs (including salaries and overheads), or the running costs of a specific project (including staffing costs).

## Grant Assessment and Evaluation

In order to ensure that we are achieving our charitable objectives we assess applications from charitable organisations against specific criteria including:

- Demonstration of clear need for the work
- Evidence of impact/social benefit from the work
- Capacity of the organisation to deliver the service in terms of expertise and sustainability

Once an application, under either the Improving Lives or Strengthening Communities programme has passed the initial paper based assessment, an assessment visit will take place. This enables us to assess the need for the project, ensure the organisation's management and governance are fit for purpose, and confirm that the project is sustainable and the outcomes are both realistic and achievable.

We monitor grants through progress reports provided by the funded organisations setting out the results against the original objectives. For 'strategic' grants a more formal evaluation is usually required, often in the form of an independent review.

## Developing the understanding of the impact of our grant-making

In line with the voluntary sector as a whole we are increasingly aware of the need to demonstrate and quantify the impact of our work. Making a positive difference to peoples' lives is at the heart of what we do, but this impact is a result of the work of our grantees

We have always funded organisations dependent on the assessment of their work, but over the years have increased our requirements for organisations to demonstrate the outcomes their work is achieving. We believe that we should apply the same rigour to the monitoring of our own impact. This is a particular challenge as our grants range across a very wide range of services and groups to relieve poverty, deprivation and disadvantage across the UK.

Assessing outcomes and impact is at the heart of our new strategy for our Improving Lives and Strengthening Communities Programmes. We systematically examine the specific outcomes that organisations are aiming to achieve in terms of the number of people they work with and the benefit they provide.

We are monitoring grants awarded under our new strategy against these outcomes, and over time will be able to build up information on the activities supported and outcomes achieved, and to report on the impact of our grantmaking and the overall effectiveness of our grantmaking.

As we build our knowledge and learning both from our own grantmaking and other external sources we will apply this to our decisions in order to ensure that the effectiveness of our grantmaking is constantly improving. In order to help us achieve this we have appointed a new member of our senior management team with specific responsibility for learning and evaluation.

## Public benefit

The Trustees have had regard to the guidance published by the Charity Commission under section 4 of the Charities Act 2011 in 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.

# Report of the Trustees

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 grantmaking in 2017 is set out below illustrating the work we have supported through organisations around the country working with various groups of people and also details of our grantmaking supporting individuals through some of our smaller programmes.

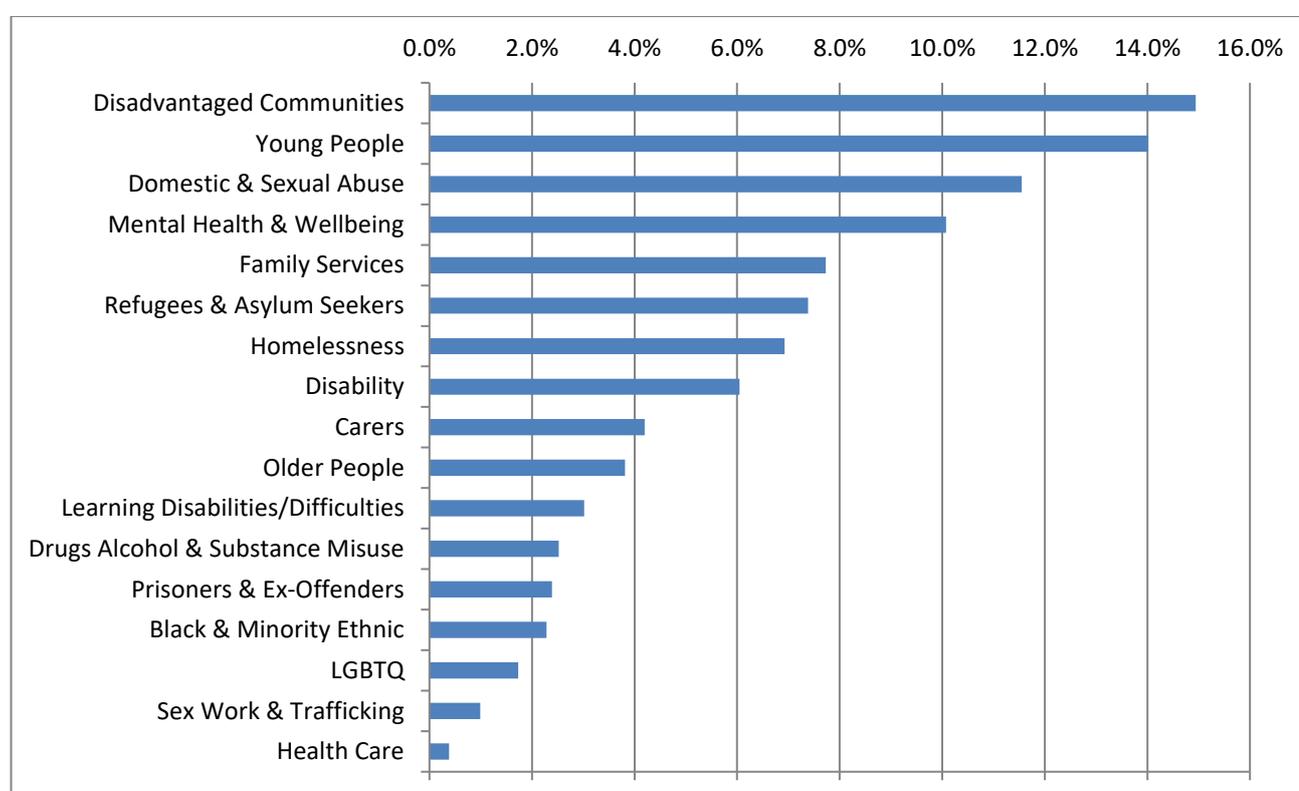
## Grants awarded in 2017

We awarded grants totalling £31.1m in 2017 across our grant programmes as follows:

**Main Grants - £27.8m.** We received around 1,500 applications and awarded just over 320 grants.

## Funding by programme area – Main Grants

Within our Main Grants programme, which comprised over 80% by value of our grantmaking, we funded a variety of programme areas. The highest demand continued to be for grants related to young people, mental health & wellbeing, domestic & sexual abuse and disadvantaged communities.



To illustrate our funding the following are some examples of the type of work we prioritise for support through our grants, within our programme area classifications:

### **Black, Asian and Minority Ethnic**

Culturally appropriate services for Black, Asian and Minority Ethnic communities; including those that promote integration and access to mainstream services.

### **Carers**

Advice and support; including respite services for carers and those who are cared for, and educational opportunities for young carers.

### **Disability**

Rehabilitation, support services, training and advocacy for people who are disabled.

# Report of the Trustees

## ***Disadvantaged Communities***

Support services for communities in areas of high deprivation; including furniture recycling projects, debt advice services and community centres.

## ***Domestic and Sexual Abuse***

Advice, support and secure housing projects for families affected by domestic abuse or sexual abuse.

## ***Drugs, Alcohol and Substance Misuse***

Rehabilitation and support services for people affected by, or at risk of, drug and/or alcohol dependency, and projects providing support to their families

## ***Family Services***

Support services for families in areas of high deprivation.

## ***Homelessness***

Advice, support and housing services for homeless people and those at risk of homelessness.

## ***Learning Disabilities/Difficulties***

Rehabilitation, support services, training and advocacy for people with learning disabilities and/or learning difficulties.

## ***Lesbian, Gay, Bisexual, Transgender or Questioning***

Advice, support and counselling services for people who are Lesbian, Gay, Bisexual, Transgendered or Questioning.

## ***Mental Health and Wellbeing***

Advice and support services for people experiencing mental health problems, and projects that promote positive mental health.

## ***Older People***

Residential, health and emotional support services, such as befriending services and day care centres.

## ***Prisoners and Ex-offenders***

Rehabilitation and resettlement services for prisoners and/or ex-offenders; including education and training projects that improve employability, and projects that provide support to prisoners' families.

## ***Sex Work and Trafficking***

Advice and support services for sex industry workers; including advice on housing support and personal health, escaping exploitation and exiting sex work.

## ***Refugees and Asylum Seekers***

Advocacy, advice and support services for refugees and asylum seekers, and projects that help promote integration.

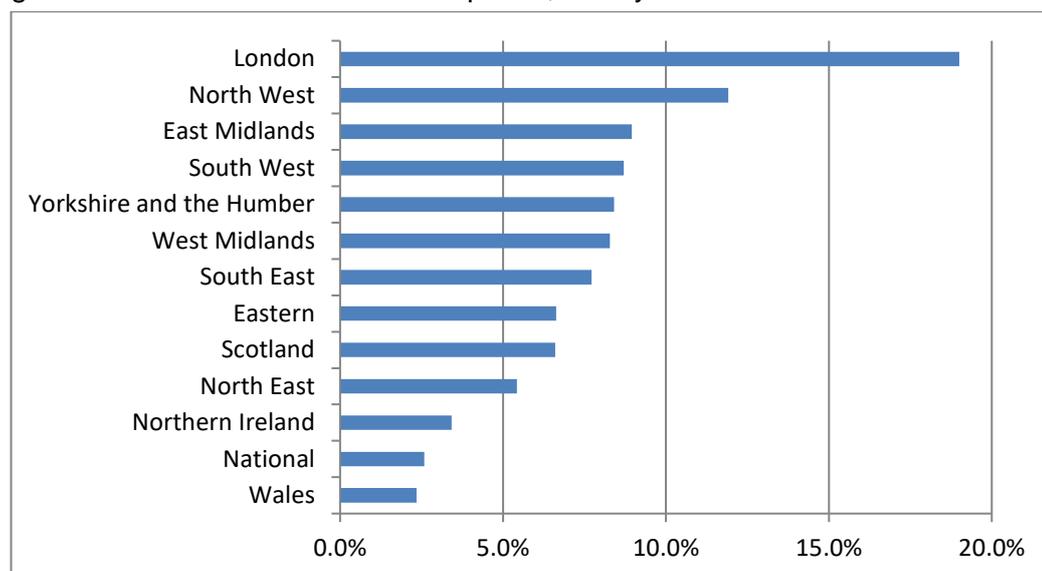
## ***Young People***

Projects and services that help maximise the potential of young people who experience educational, social and economic disadvantage; including young people in, or leaving, care.

# Report of the Trustees

## Funding by geographical region area – Main Grants

We funded organisations across the UK, but continue to find that much of the work meeting the greatest need is within the most deprived, mainly urban areas of the UK.



## Other Grantmaking Programmes

### **County Grants – £1,215k**

130 grants were awarded across the eight counties to organisations working to relieve poverty, deprivation and disadvantage broadly in line with our main grant objectives.

### **Clergy and Christian Projects - £917k.**

£552k was distributed, via Church of England dioceses, to individual clergy to meet specific financial needs and enhance their wellbeing. This fund assisted both members of the clergy and their families. The balance of £364k was spent to fund bursaries for ordinands and to support Christian projects.

### **Kindred - £255k.**

Our Kindred grantmaking goes directly to address financial need among the descendants of Henry Smith and this year we assisted over 100 individuals with grants.

### **Parishes - £551k**

Under the Parishes scheme, where local organisations distribute our funds to individuals for the direct relief of financial need, as well as supporting local charitable activity, grants awarded assisted individuals and small charitable organisations in over 150 different locations.

### **Holiday Grants - £200k**

Our children's holiday grant scheme contributed towards holidays for around 5,700 children ranging from days out up to week long stays in activity centres. These grants are paid to organisations working in deprived areas or with specifically disadvantaged children and are made conditional on no child being excluded from a holiday on financial grounds.

### **Small Grants - £150k.**

This programme has come to an end after four years. The Tyne and Wear Community Foundation administered it with delegated authority to award one year grants of up to £10,000 in line with our grantmaking objectives. We felt this to be the most useful way to bring to bear local expertise in an area of need where funding sources had diminished following the financial crisis.

# Report of the Trustees

## 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 long-term 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 income and/or capital. 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 in particular advise on investment policy and strategy, asset allocation and the performance of managers.

## 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% 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 business cycle (3-5 years).

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 losses. Given the portfolio's strategic asset allocation and investment strategy it is understood that potential short term losses are possible (in the order of losses up to 10-15% within a year, during a normal market cycle).

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 monitoring process of the portfolio. These risks include the careful 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.

## Asset allocation and strategy

70% of the investment portfolio is allocated to growth assets, 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.

## Investment returns for 2017

Investment returns, net of fees, were just over £90m. Total returns for the portfolio for the year were +9.8%, 1.7% ahead of the long term benchmark of RPI + 4%. Portfolio performance has exceeded this benchmark over the last 3 years.

## Investment costs

£12.3m (2016: £10.4m) was spent on our investments, of which over 50% was for management of investments in alternative assets. These are more expensive than traditional long-only investment, but over time we have enjoyed good investment returns with lower volatility, which has more than compensated for the additional fee costs.

We aim to maintain transparency over the total fees paid on our investments and regularly review manager fees to ensure they are matched by performance. As we aim for good value, all investment performance is monitored net of fees. The majority of investment fees are charged internally within the investment funds; fees paid in cash were much lower at £4.4m (2016: £4.0m).

# Report of the Trustees

## “Core Endowment”

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. For internal purposes the value of endowment funds is also compared to an inflation-adjusted measure of the Core Endowment.

The Charity’s current policy is to transfer each year into unrestricted and 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.

The movements in Unapplied Total Return for 2017 are shown in note 7 to the accounts. The Charity transferred £31.4 million into unrestricted and restricted funds, calculated at a 4.0% Distribution Rate. For 2018 the Trustees have agreed a transfer of 4.0%, amounting to £33.8 million. At 31 December 2017, the endowment funds of £1,009m were in excess of the Core Endowment.

## Reserves

The Charity funds expenditure from investments, and has the freedom to spend both income and capital, provided the core endowment of the fund is maintained. The Trustees have agreed that an amount of funds made available for grant-making should be retained in reserve, held as unrestricted and restricted funds, equal to at least one year’s costs of running the office. This target amounted to £2.0 million at 31 December, and the Charity’s unrestricted and restricted funds of £1.4 million and £0.4 million respectively (out of total funds of £1,011 million) were slightly below this figure. During 2017 the Charity intends to increase reserves towards the target level.

The Charity holds cash balances to manage fluctuations in cash flow, and as a reserve against private equity capital calls and currency hedging settlements. The Trustees review liquidity quarterly and reserves annually, and are satisfied that the Charity is in a position to meet all its current and anticipated future commitments.

## Risk Management

The Trustees formally review risk on an annual basis as well as when issues arise. The Trustees also meet the auditors during the year to discuss recommendations arising from their annual audit, which inform our approach.

The Trustees have reviewed areas of potential risk for the Charity and concluded that there are sufficient controls in place across the organisation.

One of the key risks identified is that of substantial investment losses, which would reduce the amount of money available for grant-making over the longer-term and hence the impact of the Charity through the grants it awards; to address this the Charity has a diversified investment portfolio and processes in place to monitor cash flow and spending, which should minimise the potential for long term losses.

Another key risk is business continuity in the event of a disaster; a policy and action plan have been adopted to ensure adequate control of this risk. Safeguarding is another risk area that has been highlighted recently, and a safeguarding policy for the Charity has been introduced.

Work has been ongoing with regards to Data Protection and the GDPR legislation. Key areas have been addressed, and work is ongoing to ensure full compliance across the Charity’s activities.

# Report of the Trustees

## **Preparation of the accounts on a going concern basis**

The Charity distributes no more than 4% of assets annually, including in 2017, and its total assets at 31 December 2017 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.

## **Remuneration of key management personnel**

The Trustees consider the Board of the Charity and the senior management team (the Director, Head of Grants Team, Head of Grants Administration Team and Head of Finance) 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 management team is reviewed annually, with salary increases determined in light of inflation rates and affordability. Salary increases and remuneration levels are 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.

## **Trading subsidiary and fundraising**

The Charity established a trading subsidiary in 2016, Henry Smith Trading Ltd, to manage the grant-making services it provides to the Trusthouse Charitable Foundation. These services are provided by a separate staff team housed within the Charity.

The subsidiary is wholly owned by the Charity, with a share capital of £100, but the results of the subsidiary are not consolidated within these accounts as the overall impact on the financial statements is immaterial. For the first full trading year to 31<sup>st</sup> December 2017 the trading subsidiary had income of £160k and expenditure of £143k. The subsidiary donated its profit of £17k under Gift Aid to the Charity, leaving nil net assets at 31 December 2017.

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

## **Grant-making strategy review and plans for future developments**

The first stage of our grant-making strategy review was completed in 2017, and new grant-making guidelines for the Main Grants programme were published in October 2017. These aim to focus our grant-making more clearly onto those areas where we can make the most difference through the grants we award.

From 2018 we have been receiving applications under our new guidelines; over time we will be assessing the impact of the new guidelines and considering what further development of our grant-making is required.

## **Other developments**

During 2017 the Charity transferred its investment administration operations to its custodian, Northern Trust. This change is intended to reduce the risk of administration errors and the consequent risk of loss.

# Report of the Trustees

## 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.

Approved by the Trustees on 13<sup>th</sup> June 2018

Diana Barran  
Chairman

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

## **Opinion**

We have audited the financial statements of The Henry Smith Charity for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 19, including a summary of 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2017 and of the group's incoming resources and application of resources, 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 group 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

## **Other information**

The trustees are responsible for the other information. 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## **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 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient 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 trustees**

As explained more fully in the trustees' responsibilities statement set out on page 13, 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 group's and the parent 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 151 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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.

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.

### **Crowe Clark Whitehill LLP**

Statutory Auditor

**London**

Date: 22<sup>nd</sup> June 2018

Crowe Clark Whitehill 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 2017

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2017 Total £'000	2016 Total £'000
<b>INCOME</b>					
Investment income (note 3)	-	-	12,419	12,419	12,444
Other income	26	1	126	153	396
Transfer to income (note 7)	30,690	710	(31,400)	-	-
<b>TOTAL INCOME</b>	<u>30,716</u>	<u>711</u>	<u>(18,855)</u>	<u>12,572</u>	<u>12,840</u>
<b>EXPENDITURE</b> (note 4)					
Expenditure on raising funds	-	-	12,296	12,296	10,405
<b>Charitable activities</b>					
Grant-making	31,569	551	-	32,120	29,527
<b>TOTAL EXPENDITURE</b>	<u>31,569</u>	<u>551</u>	<u>12,296</u>	<u>44,416</u>	<u>39,932</u>
Gains on investment and currency assets (note 9)	-	-	89,974	89,974	138,150
<b>NET MOVEMENT IN FUNDS</b>	<u>(853)</u>	<u>160</u>	<u>58,823</u>	<u>58,130</u>	<u>111,058</u>
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2017</b>	2,260	216	950,336	952,812	841,754
<b>TOTAL FUNDS AT 31 DECEMBER 2017</b>	<u>1,407</u>	<u>376</u>	<u>1,009,159</u>	<u>1,010,942</u>	<u>952,812</u>

The notes on pages 20 to 31 form part of these accounts.

All income and expenditure derives 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 2017

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2017 Total £'000	2016 Total £'000
<b>FIXED ASSETS</b>					
Tangible Fixed Assets (note 8)	75	-	-	75	51
Investments (note 9)	30,563	-	1,009,672	1,040,235	978,723
Programme Related Investments (note 10)	-	-	90	90	83
<b>Total Fixed Assets</b>	<b>30,638</b>	<b>-</b>	<b>1,009,762</b>	<b>1,040,400</b>	<b>978,857</b>
<b>CURRENT ASSETS</b>					
Debtors (note 11)	573	-	452	1,025	1,556
Cash at bank	4,390	499	-	4,889	3,979
	4,963	499	452	5,914	5,535
<b>CREDITORS</b>					
Amounts falling due within one year (note 12)	(21,251)	(123)	(1,055)	(22,429)	(23,090)
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>	<b>(16,288)</b>	<b>376</b>	<b>(603)</b>	<b>(16,515)</b>	<b>(17,555)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
	14,350	376	1,009,159	1,023,885	961,302
<b>CREDITORS</b>					
Amounts falling due after one year (note 13)	(12,943)	-	-	(12,943)	(8,490)
<b>NET ASSETS</b>	<b>1,407</b>	<b>376</b>	<b>1,009,159</b>	<b>1,010,942</b>	<b>952,812</b>
<b>FUNDS</b>					
Main Endowment Fund					
Estates Endowment Fund	-	-	986,385	986,385	928,913
Main Unrestricted Fund	-	-	22,774	22,774	21,423
Estates Restricted Fund	1,407	-	-	1,407	2,260
	-	376	-	376	216
<b>TOTAL FUNDS AT 31 DECEMBER 2017</b>	<b>1,407</b>	<b>376</b>	<b>1,009,159</b>	<b>1,010,942</b>	<b>952,812</b>

Approved by the Trustees on 13<sup>th</sup> June 2018 and signed on their behalf by:

Diana Barran  
Chairman

Vivienne Dews  
Trustee

The notes on pages 20 to 31 form part of these accounts.

## Cashflow Statement for the Year Ended 31 December 2017

	2017 £'000	2016 £'000
<b>Net cash used in operating activities (note 17)</b>	<b>(31,136)</b>	<b>(24,650)</b>
 <b>Cash flows from investing activities</b>		
Investment Income received	13,352	12,613
Payments for Investment Management and advice	(5,280)	(4,178)
Purchase of tangible fixed assets	(36)	(52)
Cash withdrawn from fixed asset investments to fund operating costs	24,017	15,641
Purchase of social investments	(7)	35
<b>Net cash provided by investing activities</b>	<b>32,046</b>	<b>24,059</b>
<b>Change in cash and cash equivalents in the year</b>	<b>910</b>	<b>(591)</b>
Cash and cash equivalents at 1 Jan 2017	3,979	4,570
<b>Cash and cash equivalents at 31 December 2017</b>	<b>4,889</b>	<b>3,979</b>

The notes on pages 20 to 31 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 received relevant forecasts and budgets and are not aware of any material uncertainties surrounding the Charity's ability to continue as a going concern.

During 2016 a trading subsidiary, Henry Smith Trading Limited, was established with a share capital of £100, company number 10153657 and registered address at 65 Leadenhall St, London, EC3A 2AD. This subsidiary company is wholly owned by the Charity. The results of the trading subsidiary are not consolidated as the impact on the financial statements is immaterial.

### Funds

The Charity's Funds include two permanent endowments. The Main Endowment Fund may be used to support all 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.

### 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. Other income includes fees for administration services provided to Henry Smith Trading Limited and is recognised in line with the service provided. 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 2017 £151k was held within endowment funds for this purpose.

### 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.

### 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.

# Notes to the Accounts

## 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 4 years. Assets below £1,000 in cost are not capitalised. 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 that are considered to be relevant. Actual results may differ from these estimates.

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.

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

## Notes to the Accounts

### 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

	2017 £'000	2016 £'000
Equities	5,892	5,626
Fixed Income	371	528
Property	6,156	6,290
	<u>12,419</u>	<u>12,444</u>

### 4. EXPENDITURE

	Costs of Generating Funds £'000	Grant- making £'000	Governance £'000	Total 2017 £'000	Total 2016 £'000
<b>Grants awarded (note 5)</b>	-	<b>30,932</b>	-	<b>30,932</b>	28,141
<b>Programme-related-investments costs</b>	-	<b>(419)</b>	-	(419)	(88)
<b>Direct costs</b>					
Direct property costs	1,010	-	-	1,010	875
Investment management, administration and advice	11,145	-	-	11,145	9,305
Staff costs (note 6)	105	612	49	766	757
Auditors' remuneration	-	-	35	35	34
Other costs	-	166	11	177	189
	<u>12,260</u>	<u>31,291</u>	<u>95</u>	<u>43,646</u>	<u>39,213</u>
<b>Support costs</b>					
Staff costs (note 6)	5	304	12	321	312
Premises and office services	31	400	18	449	407
	<u>36</u>	<u>704</u>	<u>30</u>	<u>770</u>	<u>719</u>
<b>Total expenditure</b>	<u>12,296</u>	<u>31,995</u>	<u>125</u>	<u>44,416</u>	<u>39,932</u>

## Notes to the Accounts

### 5. GRANTS AWARDED

	2017 £'000	2016 £'000
Grants to organisations	30,288	27,194
Grants to individuals	807	1,360
Grants returned or cancelled	(163)	(413)
<b>Total Grants Awarded</b>	<b>30,932</b>	<b>28,141</b>

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. This information has not been audited.

### 6. STAFF COSTS

	2017 £'000	2016 £'000
Wages and salaries costs	865	851
Social Security costs	86	96
Pension costs	100	96
Other benefits	36	26
	<u>1,087</u>	<u>1,069</u>

The average number of employees

Generating Funds	1.50	2.75
Grant-making	18.75	17.00
Governance	0.75	0.75
<b>Total</b>	<b>21.00</b>	<b>20.50</b>

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

£110,000-£120,000	1	1
£70,000-£80,000	1	1
£60,000-£70,000	1	1

No pension contributions were outstanding at the year end.

Total remuneration for key management personnel for the year amounted to £376,000 (2016: £379,000).

## Notes to the Accounts

### 7. MOVEMENT IN UNAPPLIED TOTAL RETURN

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

	2017 £'000	2016 £'000
<b>Unapplied total return at 1 January 2017</b>	<b>674,336</b>	<b>561,881</b>
Add: Income received	12,545	12,810
Less: Costs of generating funds	(12,296)	(10,405)
Add: Investment gains	89,974	138,150
Unapplied total return before transfer to income	764,559	702,436
Less: transfer to income	(31,400)	(28,100)
<b>Unapplied total return at 31 December 2017</b>	<b>733,159</b>	<b>674,336</b>
Add: core endowment	276,000	276,000
<b>Endowment assets at 31 December 2017</b>	<b>1,009,159</b>	<b>950,336</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.

### 8. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2017	98	257	355
Additions	35	1	36
Cost at 31 December 2017	133	258	391
Accumulated depreciation at 1 January 2017	87	217	304
Depreciation charged in the year	8	4	12
Accumulated depreciation at 31 December 2017	95	221	316
<b>Net Book Value at 31 December 2017</b>	<b>38</b>	<b>37</b>	<b>75</b>
Net Book Value at 31 December 2016	11	40	51

## Notes to the Accounts

### 9. INVESTMENTS

	2017	2016
	£'000	£'000
Listed Investments	405,350	403,373
Unlisted Investments	400,436	374,476
Investment Properties	179,066	173,608
Cash and other balances	55,383	27,266
<b>Total Investments</b>	<b>1,040,235</b>	<b>978,723</b>

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

	2017	2016
	£'000	£'000
<i>Listed Investments</i>		
Market Value at 1 January 2017	403,373	377,728
Investment gains net of fees	45,164	71,591
Additions	25,824	35,760
Disposals	(69,011)	(81,706)
<b>Market Value at 31 December 2017</b>	<b>405,350</b>	<b>403,373</b>

<i>Unlisted Investments</i>		
Market Value at 1 January 2017	374,476	304,001
Investment gains net of fees	34,753	56,569
Additions	52,199	66,210
Disposals	(60,992)	(52,304)
<b>Market Value at 31 December 2017</b>	<b>400,436</b>	<b>374,476</b>

<i>Investment Properties</i>		
Market Value at 1 January 2017	173,608	172,555
Investment gains net of fees	4,984	1,694
Additions	589	-
Disposals	(115)	(641)
<b>Market Value at 31 December 2017</b>	<b>179,066</b>	<b>173,608</b>

Total gains were made up as follows:	2017	2016
	£'000	£'000
Gains on investment assets	92,404	135,856
Other currency gains	(2,430)	2,294
<b>Investment and currency gains</b>	<b>89,974</b>	<b>138,150</b>

## Notes to the Accounts

The market value of listed investments at the year-end was £405m (2016: £403m). None of these were UK-only investments (2016: Nil). The historical cost of listed investments was £230m (2016: £228m).

At 31 December 2017 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling asset of £5.4 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 gains are included within the overall value of the investments above. The settlement date for the contracts ranged from 31 January 2018 to 30 June 2018.

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 £88.5 m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio.

The Charity holds 100 ordinary shares, comprising 100% of the share capital, in Henry Smith Trading Limited whose registered office is at 65 Leadenhall St, London, EC3A 2AD. During the year Henry Smith Trading made a profit of £17,000 on income of £160,000 and expenditure of £143,000. The net profit of £17,000 will be donated to the Charity under Gift Aid, leaving nil net assets in Henry Smith Trading Limited.

### 10. PROGRAMME RELATED INVESTMENTS

The Charity had programme related investments valued at 31 December 2017 as follows:

	2017 £'000	2016 £'000
Venturesome Development Programme	29	43
Social Impact Partnership (Peterborough prison)	61	40
	<u>90</u>	<u>83</u>

The movement in value for the year was as follows: £'000

<b>Value at 1 January 2017</b>	<b>83</b>
Less: repayments of capital	(410)
Add: revaluation	417
	<u>90</u>
<b>Value at 31 December 2017</b>	<b>90</b>

## Notes to the Accounts

### 11. DEBTORS

	2017 £'000	2016 £'000
Rents receivable	428	1,335
Other debtors	72	67
Prepayments	525	154
	<b>1,025</b>	<b>1,556</b>

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

	2017 £'000	2016 £'000
Grants payable	20,424	21,890
Accruals	1,448	904
Rental income in advance	557	296
	<b>22,429</b>	<b>23,090</b>

Movements in rental income in advance were as follows:

Balance brought forward at 1 January 2017	296	
Released to income in the year	(296)	
Deferred in the year	557	
	<b>557</b>	
Balance carried forward at 31 December 2017	<b>557</b>	

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

	2017 £'000	2016 £'000
Grants payable	12,726	8,279
Accruals and provisions	217	211
	<b>12,943</b>	<b>8,490</b>

### 14. MATURITY OF FINANCIAL LIABILITIES

	2017 £'000	2016 £'000
In one year or less, or on demand	22,429	23,090
In more than one year, but not more than two years	9,948	8,206
In more than two years, but not more than five years	2,874	142
In more than five years	121	142
	<b>35,372</b>	<b>31,580</b>

## Notes to the Accounts

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

	2017 £'000	2016 £'000
Grants payable at 1 January 2017	30,169	28,141
Grants awarded	31,095	28,554
Cancelled grants	(163)	(413)
Payments made	(27,951)	(26,113)
<b>Market Value at 31 December 2017</b>	<b>33,150</b>	<b>30,169</b>

### 15. RELATED PARTY TRANSACTIONS

Expenses of £4,930 (2016: £3,239) were reimbursed to nine Trustees during the year (2016: five) to cover travel and other related costs incurred by them in fulfilment of their duties. £3,538 was incurred by the Charity on behalf of one Trustee for costs of travel to the USA to meet private equity and venture capital firms (£3,215 in 2016). The Trustees received no remuneration during the year or in the previous year.

A final grant instalment of £10,000 paid during the year to Hereford Cathedral Perpetual Trust, of which Mr N G H Manns, a Trustee of The Henry Smith Charity, was a Trustee in 2017

A subscription of £10,800 was paid during the year to the Association of Charitable Foundations, of which Mr N Acland, Director of The Henry Smith Charity, is a Trustee.

During the year costs of £53k from the Charity were recharged to Henry Smith Trading Limited in relation to its management and administration. Amounts due to the Charity at 31 December 2017 were £54k, including gift aided profits of £17k which will be paid to the Charity in 2018. D Allam and V Dews, Trustees of The Henry Smith Charity, and N Acland, Director of The Henry Smith Charity, are also Directors of Henry Smith Trading Limited.

### 16. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in March 2026. Rental payments amounted to £191,000 in 2017 and are contracted to be £220,000 per annum from February 2017 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
2018	1,364
2019	1,109
2020	280
2021	1,548
2022	1,899
2023 and subsequently	33,674

The total payments receivable under rental leases at 31 December 2017, until expiry or term of notice for all leases, was £39.9 million.

## Notes to the Accounts

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

	2017 £'000	2016 £'000
Net movement in funds	58,130	111,058
Investment gains	(89,974)	(138,150)
Investment income and deposit interest	(12,445)	(12,474)
Investment management and advice	12,155	10,180
Depreciation	12	25
(Increase)/decrease in debtors	(376)	131
Increase in creditors	3,792	2,286
Currency (losses)/gains	(2,430)	2,294
<b>Net cash flow from operating activities</b>	<b>(31,136)</b>	<b>(24,650)</b>

### 18. FINANCIAL INSTRUMENTS

At year-end the Charity held financial assets at amortised cost of £5.4 million (2016: £5.4 million), financial assets at fair value through income or expenditure of £861.1 million (2016: £805.2 million) and financial liabilities at amortised cost of £35.0 million (2016: £31.1 million).

During the year the Charity's income, expenditure and net investment gains for financial assets at fair value was £6.3 million, £11.3 million and £85.0 million respectively (2016: £6.1 million, £9.3 million and £136.4 million).

During the year the Charity's income for financial assets at amortised cost was £0.1 million (2016: £0.1 million).

## Notes to the Accounts

### 19. STATEMENT OF FINANCIAL ACTIVITIES FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2016 Total £'000
<b>INCOME</b>				
Investment income	-	-	12,444	12,444
Other income	29	1	366	396
Transfer to income	27,470	630	(28,100)	-
<b>TOTAL INCOME</b>	<b>27,499</b>	<b>631</b>	<b>(15,290)</b>	<b>12,840</b>
<b>EXPENDITURE</b>				
Expenditure on raising funds	-	-	10,405	10,405
<b>Charitable activities</b>				
Grant-making	28,948	579	-	29,527
<b>TOTAL EXPENDITURE</b>	<b>28,948</b>	<b>579</b>	<b>10,405</b>	<b>39,932</b>
Gain on investment and currency assets	-	-	138,150	138,150
<b>NET MOVEMENT IN FUNDS</b>	<b>(1,449)</b>	<b>52</b>	<b>112,455</b>	<b>111,058</b>
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2016</b>	<b>3,709</b>	<b>164</b>	<b>837,881</b>	<b>841,754</b>
<b>TOTAL FUNDS AT 31 DECEMBER 2016</b>	<b>2,260</b>	<b>216</b>	<b>950,336</b>	<b>952,812</b>

## Notes to the Accounts

### 20. BALANCE SHEET FOR PRIOR YEAR

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Endowment Funds £'000	2016 Total £'000
<b>FIXED ASSETS</b>				
Tangible Fixed Assets	51	-	-	51
Investments	28,911	-	949,812	978,723
Programme Related Investments	-	-	83	83
<b>Total Fixed Assets</b>	<b>28,962</b>	<b>-</b>	<b>949,895</b>	<b>978,857</b>
<b>CURRENT ASSETS</b>				
Debtors	115	-	1,441	1,556
Cash at bank	3,632	347	-	3,979
	<b>3,747</b>	<b>347</b>	<b>1,441</b>	<b>5,535</b>
<b>CREDITORS</b>				
Amounts falling due within one year	(21,959)	(131)	(1,000)	(23,090)
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>	<b>(18,212)</b>	<b>216</b>	<b>441</b>	<b>(17,555)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>10,750</b>	<b>216</b>	<b>950,336</b>	<b>961,302</b>
<b>CREDITORS</b>				
Amounts falling due after one year	(8,490)	-	-	(8,490)
<b>NET ASSETS</b>	<b>2,261</b>	<b>216</b>	<b>950,336</b>	<b>952,812</b>
<b>FUNDS</b>				
Main Endowment Fund	-	-	928,913	928,913
Estates Endowment Fund	-	-	21,423	21,423
Main Unrestricted Fund	2,260	-	-	2,260
Estates Restricted Fund	-	216	-	216
<b>TOTAL FUNDS AT 31 DECEMBER 2016</b>	<b>2,260</b>	<b>216</b>	<b>950,336</b>	<b>952,812</b>