

**THE HENRY SMITH CHARITY**  
Registered Charity 230102

**ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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# Chairman's Review

In 2014 applications for grants rose by some 8%, but, at £27million, the total of our grants remained at a similar level to 2013. All the charities which we are able to support continue to face increasing needs for their services and higher costs, so this makes the selection of which organisations to fund more difficult. In light of these tougher funding choices we continued to explore how we can improve the evaluation of the information we receive from applicants in order to improve our grant making decisions. We are beginning to see the benefit of this process, although there is more work to be done in this area.

We made further proactive 'strategic' grants to complement our generally reactive programme. During the year the Trustees gave their support to three grants: one to improve the quality of life for older people in Care Homes and two grants within our strategic grants programme to support children and young people at risk of child sexual exploitation.

Our investments performed in line with expectations and, as well as funding our grant spending, enabled the charity's assets to grow by £54 million to a total value of £839 million at the year end. This represents a significant real-term increase. We hope this may allow Smiths to increase spending in future years, although in the current environment our return target of 4% over inflation is demanding.

During the year we completed the research and production of the book "**Henry Smith; his life and legacy**". Written by Lucy Lethbridge and Tim Wales, the book is a colourful history of the charity since 1628. It shows how generations of Trustees, while remaining faithful to the wishes of our founder, have adapted to a contemporary context. We were delighted to see the book published in early 2015.

The year saw the retirement of two long-standing Trustees, Marilyn Gallyer and Carola Godman Irvine. Both contributed hugely to the charity through their work on our grant distribution committees, Finance and General Purposes Committee and the Board. My sincere thanks go to them both. I am pleased to welcome two new Trustees to the board, Bella Colgrain and David Allam, both of whom have extensive experience of the voluntary sector. We look forward to their contribution over the coming years.

My thanks go to my fellow Trustees, our volunteer assessment visitors, the Community Foundations with whom we work and to our staff all of whom have made their contribution to a successful year. Our head of grants, Amelia Fitzalan-Howard left after ten years with Smiths. Her knowledge and experience of charities and her role in the management team was of exceptional value and we wish her well in her new post as chief executive of the Rayne Foundation.

The charity sector has changed significantly over recent years. Many more charities are now dependent on government contracts, delivering a service for a local authority, and all face the challenge of higher cost, more regulation and more scrutiny. Increasingly the role of grant makers is not just providing funds but also ensuring that the grants are effective in achieving value for money.

Finally this is my last annual review as, after thirty-three years as a Trustee and the last seven as Chairman, I have decided it is time for me to retire from Smiths. I have hugely enjoyed my involvement with Smiths. It is a wonderful charity and my long association with it is something of which I am very proud. It is extraordinary to think that over my time as a Trustee we have made grants of over £500 million to organisations helping those most in need in our society. I am delighted that the board has appointed Diana Barran as my successor. She has an ideal blend of experience having worked in the investment business as well as having founded and run an operational charity. I wish her every success in taking Smiths forward over the coming years and as much enjoyment in the role as I have had.

James Hambro,  
Chairman

## Reference and Administrative Information

### Trustees

D Allam  
(appointed 27 November 2014)  
Mrs D Barran  
Mrs B Biddell  
Lady Colgrain  
(appointed 27 November 2014)  
Ms V Dews  
E Feisal  
P Feilden

Miss M J Gallyer  
(retired 11 September 2014)  
M Giedroyc  
Mrs C Godman Irvine  
(retired 27 November 2014)  
J D Hambro  
P Hackwood  
J P Hordern  
Mrs V Y Hunt

Ms M V Lowther  
N G H Manns  
PRV Maxwell  
Mrs G M McGrath  
Mrs A McNair Scott  
T J Millington-Drake  
M R Newton  
Sir Richard Thompson  
(retired 14 April 2015)

### Registered Office

65 Leadenhall Street, London, EC3A 2AD

### Website

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

### Director

Nick Acland

### Charity Registration

230102

### Bankers

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

### Solicitors

SNR Denton LLP, One Fleet Place, London, EC4M 7WS  
Berwin Leighton Paisner, London Bridge, London, EC4R 9HA

### Auditor

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

### Investment Advisers

Cambridge Associates, 80 Victoria Street, London, SW1E5JL

### Property Advisers

LaSalle Investment Mgt, 33 Cavendish Square, London, W1A 2NF  
Smiths Gore, 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 2014. The financial statements have been prepared in accordance with the accounting policies set out on page 15.

## 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 registered charity, 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. Since the governance review of 2008 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 on the nomination of the Archbishop of Canterbury, following a formal recruitment process culminating in a recommendation from the Trustees made in the light 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. Significant decision making authority is also delegated to the following committees:

- Several different Grants Committees are responsible for decisions in respect of the Charity's various grant programmes.
- The Governance and Nominations Committee is responsible for ensuring good governance. Current governance arrangements were established following a full-scale review in 2008, and were reviewed and updated in 2014.
- 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.

## 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.

# Report of the Trustees

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

- For the relief of poor, aged or infirm 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.

## **Grant-making policy**

The Charity aims to fulfil its objects by providing a sustainable and growing grant-making programme, supporting a wide variety of charitable projects and organisations across the UK.

The Charity's policy on grant-making is primarily reactive with the aim of selecting the best projects from applications received.

The Charity aims to achieve the maximum possible beneficial social impact from its grant-making. We like to fund organisations which have real difficulty getting funding elsewhere and which demonstrate evidence of effective work meeting a compelling need. For this reason many of the grants are to fund smaller organisations and those without public appeal.

We try not to over-burden applicants with requests for information but we have to balance this with the need to satisfy ourselves that a grant will be effectively used. Our network of volunteer Visitors allows us to meet most charities face-to-face, a key element in our assessments. We are willing to take risks and rely on backing good people and organisations. We regard ourselves as a 'light-touch', very broad, generalist and predominantly reactive grant maker. We typically fund for three years to give a degree of stability and continuity. We are happy to make grants towards general running costs as this is sometimes the most helpful type of funding to the applicant.

## **Grant-making objectives and achievements**

We awarded grants totalling £27.4m in 2014. These grants were made across various grant programmes as follows:

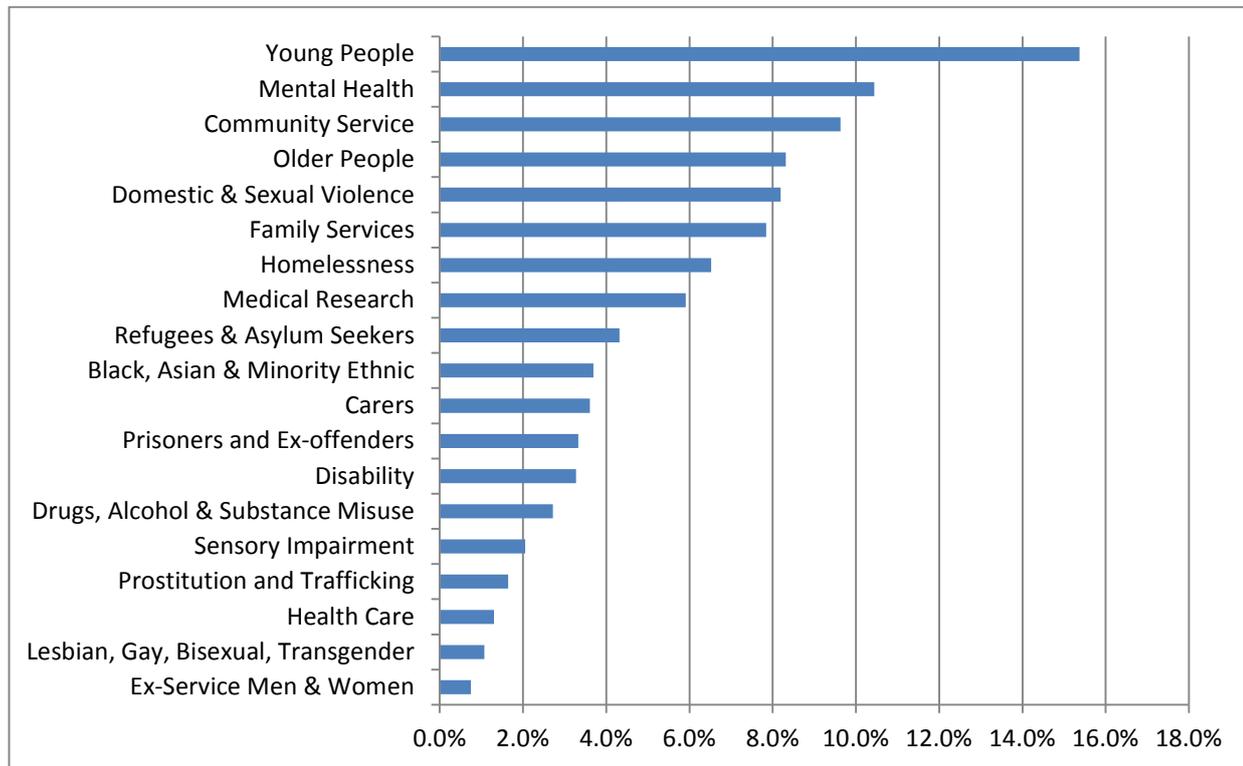
### ***Main Grants - £24.0m***

Over 80% of grant-making expenditure is made through the Charity's main grants programme, which makes grants of £10,000 and above. In 2014 £24.0m was spent under this scheme. We received about 1,700 applications in the year and awarded 301 grants with an average size of approximately £80k over 3 years.

Within these figures the Trustees also awarded three 'strategic' grants; two were additional grants made in the area of combatting Childhood Sexual Exploitation, which is a current strategic grants area, and one was a grant aiming to improve the quality of life for older people in Care Homes. These grants are more proactively made, have specific learning objectives and seek to make some systemic change to the environment rather than funding the delivery of a specific service over a period of time.

# Report of the Trustees

We funded a variety of grants across our programme areas, with the highest demand continuing to be for grants related to young people, mental health or community service activities.



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.

## **Community Service**

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

## **Disability**

Rehabilitation, support services, training and advocacy for people who are disabled; this includes people with learning disabilities as well as physical disabilities.

## **Domestic and Sexual Violence**

Advice, support and secure housing projects for families affected by domestic violence or sexual violence. Perpetrator programmes can be considered where organisations have secured, or are working towards, Respect accreditation. We are particularly interested in services which can demonstrate their outcomes measurement such as data collected through the CAADA Insights programme.

## **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.

# Report of the Trustees

## **Ex-Service Men and Women**

Support and residential care services for ex-service men and women and their dependents.

## **Family Services**

Support services for families in areas of high deprivation.

## **Healthcare**

Residential, health and outreach services, such as home care support. NHS operated services will not normally be funded and nor will core medical staff. In the case of applications from Hospices, priority is given to requests for capital expenditure.

## **Homelessness**

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

## **Lesbian, Gay, Bisexual and Transgender**

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

## **Mental Health**

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. Priority will be given to projects in areas of high deprivation and those where rural isolation can be demonstrated.

## **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.

## **Prostitution and Trafficking**

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

## **Refugees and Asylum Seekers**

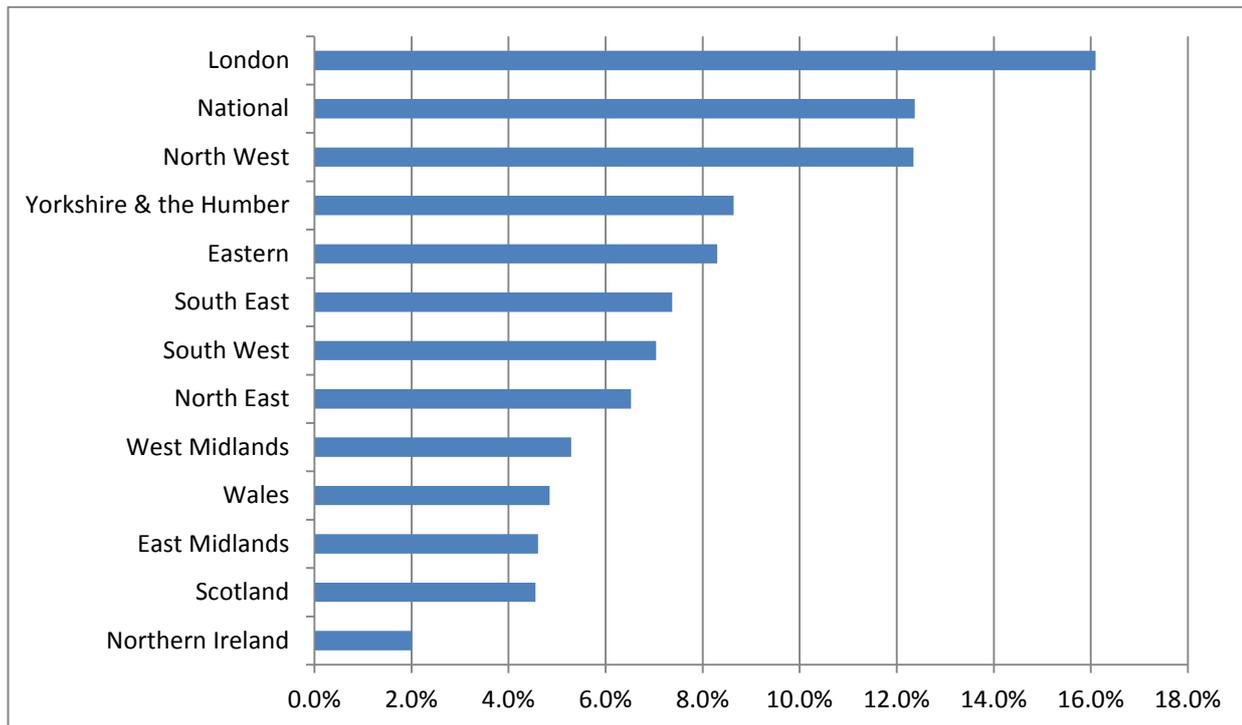
Advocacy, advice and support services for refugees and asylum seekers, and projects that help promote integration.

## **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

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.



## **Kindred - £613k**

Support of the Kindred is the Charity's primary object. In 2014 we made 182 grants to just over 110 kindred, all on a means-tested basis. In 2013 approval was received from the Charity Commission to widen the scheme to include adopted and illegitimate kindred. While this has resulted in a number of new registrations this has not resulted in a significant increase in grant spend.

## **Clergy - £611k**

£434k was distributed to clergy (priority being given to clergy with dependants) through the Church of England dioceses. £45k was spent to fund bursaries for ordinands while the balance of £131k was spent to support various Christian projects giving particular priority to the spiritual needs of the elderly and cognitively impaired.

## **County Grants – £1,212k**

The county scheme runs in Gloucestershire, Hampshire, Leicestershire, East Sussex, West Sussex, Surrey, Kent and Suffolk. 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. The guidelines for the county grant scheme are the same as for the main grant scheme although there is a limit on size of the grant and size of the charity.

# Report of the Trustees

## ***Small Grants - £150k***

The current Small Grants scheme opened in 2014, with £150k to be distributed in the northeast through the Community Foundation Serving Tyne and Wear and Northumberland.

## ***Parishes - £594k***

The parish scheme is a separate fund within the endowment, representing just over 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 have been spent.

## ***Holiday Grants - £200k***

The grants are awarded for recreational activities for groups of deprived children. The maximum payment is £2,500 and will typically be for a residential trip to an activity centre for inner city primary school children or a trip to the seaside.

# Report of the Trustees

## Grant Assessment and Evaluation

In order to ensure that we are achieving our charitable objectives we inform applicants via our website of the type of projects we like to fund and give guidelines of what applications should cover. We are then able to assess each application against specific criteria including:

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

Once an application has passed the initial paper based assessment for main grants further information will be requested and an assessment visit will take place. The purpose of this process is to confirm that there is a need for the project, that the organisation's management and governance is fit for purpose, that the project is sustainable and the outcomes are both realistic and achievable.

Before releasing annual payments for multi-year grants we require progress reports demonstrating the achievement of satisfactory results against the original objectives.

For 'strategic' grants a more formal evaluation is required, often in the form of an independent review which is submitted to the Board of Trustees.

## Public benefit

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. Further direct benefit is provided to the poor kindred and clergy to whom we make grants to alleviate poverty and need.

The Trustees have had regard to the Charity Commission's general guidance on public benefit in planning future activities, setting grant-making policies and in making grants. The positive social impact anticipated from each grant is weighed up before an award is made and then monitored as described above. This process enables Trustees to be confident that the Charity has, through its wide range of grantees, achieved significant, and very diverse, public benefit for a number of vulnerable groups across the UK.

## 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; 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.

We also consider the sustainability of the organisations we fund and the risk of the projects to which we make grants both in terms of the likelihood of them achieving their objectives and the resulting impact.

# Report of the Trustees

## Investments

The Henry Smith Charity is a permanent endowment, with assets held in perpetuity. 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 aims to spend 4% of the portfolio in grant-making, so the portfolio has a goal of returning an annual 4% real return over a business cycle (3-5 years).

It is recognized 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 split into equal weightings of inflation and deflation protection assets. The Charity carries out a detailed review of asset allocation every three years, with an annual update. Further details are given in note 8 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 2014

Investment returns were around £100m, with sizeable gains on equity-type assets and property. Total portfolio performance was almost 5% ahead of the long term benchmark of RPI + 4%, and has exceeded this benchmark over the last 3 years.

Growth Assets	+10.3%
Inflation Hedges	+6.4%
Deflation Hedges	+5.8%
<b>Total Portfolio</b>	<b>+10.3%</b>
RPI + 4% benchmark	+5.6%

# Report of the Trustees

## Investment portfolio changes

We continued to build our private equity portfolio, with £28m of capital invested during the year. This portfolio is now providing significant levels of distributions, with £17m returned during the year.

We consolidated the actions we began in late 2013 to separate our hedge funds into two distinct categories, and from 1 January 2014 they have been managed as two separate portfolios. One portfolio aims to produce returns similar to equity markets but with lower volatility, while the other portfolio aims to produce returns uncorrelated with equities.

## Investment costs

£11.1m (2013: £12.4m) was spent on managing our investments; we moved some hedge fund investments into lower-fee funds in 2013 and 2014; also lower hedge fund returns in 2014 led to a significant reduction in performance fees.

Over 50% of investment costs relate to 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 to regularly review manager fees to ensure they continue to be matched by performance.

The majority of investment fees are charged internally within the investment funds; fees paid in cash were much lower at £4.0m (2013: £3.7m). As we aim to get good value from our managers, all investment performance is monitored net of fees.

## “Core Endowment”

Under the Total Return approach, the Charity monitors the value of endowment funds compared to the Core Endowment. This is fixed at £276m, representing the value of the endowment as at 31 December 1991; for internal purposes the value of endowment funds is also compared to an inflation-adjusted measure of the Core Endowment.

At 31 December 2014, the endowment funds of £833m were substantially 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 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.

# 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 27 May 2015

James Hambro

Chairman

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

We have audited the financial statements of The Henry Smith Charity for the year ended 31 December 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 16.

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).

This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011. 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.

## **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement, the Trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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 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 and Chairman's Review 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2014, and of its 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.

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

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustees is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; 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.

**Crowe Clark Whitehill LLP**  
**Chartered Accountants and Statutory Auditor**  
**London**

**Date: 28 May 2015**

Crowe Clark Whitehill is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011

## Statement of Financial Activities for the Year Ended 31 December 2014

	Main Unrestricted Fund £'000	Estates Restricted Fund £'000	Main Endowment Fund £'000	Estates Endowment Fund £'000	2014 Total £'000	2013 Total £'000
<b>INCOMING RESOURCES</b>						
Investment income (note 2)	-	-	11,023	254	11,277	10,315
Deposit interest	49	1	-	-	50	79
Other income	-	-	213	5	218	227
Investment Return allocated as income (note 6)	26,390	610	(26,390)	(610)	-	-
<b>TOTAL INCOMING RESOURCES</b>	<b>26,439</b>	<b>611</b>	<b>(15,154)</b>	<b>(351)</b>	<b>11,545</b>	<b>10,621</b>
<b>RESOURCES EXPENDED</b> (note 3)						
Costs of generating funds	-	-	10,870	222	11,092	12,312
<b>Charitable Activities</b>						
Grant-making	27,843	594	-	-	28,437	28,160
<b>Total Charitable Activities</b>	<b>27,843</b>	<b>594</b>	<b>-</b>	<b>-</b>	<b>28,437</b>	<b>28,160</b>
Governance costs	120	-	-	-	120	149
<b>TOTAL RESOURCES EXPENDED</b>	<b>27,963</b>	<b>594</b>	<b>10,870</b>	<b>222</b>	<b>39,649</b>	<b>40,621</b>
<b>NET (OUTGOING)/INCOMING RESOURCES FOR THE YEAR BEFORE OTHER RECOGNISED GAINS &amp; LOSSES</b>						
	<b>(1,524)</b>	<b>17</b>	<b>(26,024)</b>	<b>(573)</b>	<b>(28,104)</b>	<b>(30,000)</b>
Gain on investment and currency assets (note 8)	-	-	80,022	1,842	81,864	99,329
<b>NET MOVEMENT IN FUNDS</b>	<b>(1,524)</b>	<b>17</b>	<b>53,998</b>	<b>1,269</b>	<b>53,760</b>	<b>69,329</b>
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 JANUARY 2014</b>	<b>7,519</b>	<b>231</b>	<b>759,824</b>	<b>17,470</b>	<b>785,044</b>	<b>715,715</b>
<b>TOTAL FUNDS AT 31 DECEMBER 2014</b>	<b>5,995</b>	<b>248</b>	<b>813,822</b>	<b>18,739</b>	<b>838,804</b>	<b>785,044</b>

The notes on pages 17 to 23 form part of these accounts.

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

## Balance Sheet as at 31 December 2014

	Note	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	7	53	82
Investments	8	863,085	808,814
Programme Related Investments	9	253	350
<b>Total Fixed Assets</b>		863,391	809,246
<b>CURRENT ASSETS</b>			
Debtors	10	1,327	1,202
Cash at Bank		2,812	3,244
		4,139	4,446
<b>CREDITORS</b>			
Amounts falling due within one year	11	(20,317)	(21,203)
<b>NET CURRENT LIABILITIES</b>		(16,178)	(16,757)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		847,213	792,489
<b>CREDITORS</b>			
Amounts falling due after one year	12	(8,409)	(7,445)
<b>NET ASSETS</b>		838,804	785,044
<b>FUNDS</b>			
Main Endowment Fund		813,822	759,824
Estates Endowment Fund		18,739	17,470
Main Unrestricted Fund		5,995	7,519
Estates Restricted Fund		248	231
		838,804	785,044
Total Funds	14	838,804	785,044

Approved by the Trustees on 27 May 2015 and signed on their behalf by:

James Hambro

Vivienne Dews

Chairman

Trustee

The notes on pages 17 to 23 form part of these accounts.

## Cash Flow Statement for the Year Ended 31 December 2014

	2014 £'000	2013 £'000
Net outgoing resources	(28,104)	(30,000)
Adjustments to exclude investment income and non-cash items (a)	(3,219)	(415)
<b>Net cash outflow from operating activities</b>	<b>(31,323)</b>	<b>(30,415)</b>
Investment income received	10,455	10,684
<b>Net cash inflow from investment income</b>	<b>10,455</b>	<b>10,684</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(2)	(12)
Purchase of fixed asset investments	(87,388)	(143,982)
Proceeds from sale of fixed asset investments	89,869	188,182
Net write-down of social investments	172	65
<b>Net cash inflow from capital expenditure and financial investment</b>	<b>2,651</b>	<b>44,253</b>
<b>Management of liquid resources</b>		
Decrease/(increase) in cash and short term deposits (investment assets)	17,785	(24,157)
<b>Net cash (outflow)/inflow from liquid resources</b>	<b>17,785</b>	<b>(24,157)</b>
<b>(Decrease)/increase in cash (b)</b>	<b>(432)</b>	365
<b>(a) Adjustments to exclude investment income and non-cash items</b>		
Investment income and deposit interest	(11,327)	(10,394)
Depreciation	31	32
(Increase)/decrease in debtors	(194)	614
Increase/(decrease) in creditors	78	(50)
Investment fees deducted through units	7,095	9,082
Currency gains/(losses)	1,098	301
<b>Total adjustments to exclude investment income and non cash-items</b>	<b>(3,219)</b>	415
<b>(b) Decrease in cash and short-term deposits</b>		
Cash and short-term deposits at 1 Jan 2014	3,244	2,879
(Decrease)/increase in cash	(432)	365
<b>Cash and short-term deposits at 31 December 2014</b>	<b>2,812</b>	3,244

The notes on pages 17 to 23 form part of these accounts.

# Notes to the Accounts

## 1. 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, revised 2005 and the Charities Act 2011. The accounting policies have been consistently applied. Minor changes have been made to the allocations within some of the comparative amounts to bring these in line with the current year.

### **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.

### **Incoming resources**

Incoming resources are recognised when the Charity has entitlement to the resources, it is certain that the resources will be received and the monetary value of the incoming resources can be measured with sufficient reliability. Dividends are recognised as receivable when a security is listed as ex-dividend. Other income includes fees for administration services provided to the Trusthouse Charitable Foundation and Equitable Charitable Trust.

### **Resources expended**

Liabilities are recognised as resources expended 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.

### **Cost of generating funds**

The cost of generating funds includes the direct costs paid to service providers for managing the investment assets, the direct costs of generating funds including staff salaries and other expenditure, and an allocation of related support costs.

### **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.

### **Governance costs**

The cost of governance consists of statutory audit and legal fees, Trustees' expenses and costs relating to the public accountability of the Charity and its compliance with regulation and good practice, the direct costs of governance including staff salaries and other expenditure, and an allocation of related support costs.

### **Investments**

Marketable investment assets are included in the financial statements at market value, 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 on an accruals basis.

### **Irrecoverable VAT**

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

## Notes to the Accounts

### 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

Costs of operating leases are charged to the SOFA on a straight-line basis over the lease term.

## 2. INVESTMENT INCOME

	2014 £'000	2013 £'000
Equities	5,246	4,814
Fixed Income	909	797
Property	5,122	4,704
	<u>11,277</u>	<u>10,315</u>

## 3. EXPENDITURE

	Costs of Generating Funds £'000	Grant- making £'000	Governance £'000	Total 2014 £'000	Total 2013 £'000
<b>Grants awarded (note 4)</b>	-	<b>27,168</b>	-	<b>27,168</b>	27,001
<b>Programme-related-investments costs</b>	-	<b>172</b>	-	<b>172</b>	140
<b>Direct costs</b>					
Investment management	10,632	-	-	10,632	11,866
Investment advice	134	-	-	134	143
Staff costs (note 5)	233	506	41	780	716
Auditors' remuneration	-	-	33	33	31
Other costs	-	137	23	160	160
	<u>10,999</u>	<u>27,983</u>	<u>97</u>	<u>39,079</u>	<u>40,057</u>
<b>Support costs</b>					
Staff costs (note 5)	20	202	10	232	224
Premises and office services	73	252	13	338	340
	<u>93</u>	<u>454</u>	<u>23</u>	<u>570</u>	<u>564</u>
<b>Total expenditure</b>	<u>11,092</u>	<u>28,437</u>	<u>120</u>	<u>39,649</u>	<u>40,621</u>

## Notes to the Accounts

### 4. GRANTS AWARDED

	2014 £'000	2013 £'000
Grants to organisations	26,342	25,939
Grants to individuals	1,048	1,130
Grants returned or cancelled	(222)	(68)
<b>Total Grants Awarded</b>	<b>27,168</b>	<b>27,001</b>

Further analysis of our main grant awards is given in the Trustees' Report and a full grants listing is available on our website. This information has not been audited.

### 5. STAFF COSTS

	2014 £'000	2013 £'000
Wages and salaries costs	802	741
Social Security costs	87	79
Pension costs	92	84
Other benefits	31	36
	<b>1,012</b>	<b>940</b>

The average number of employees calculated on a full-time basis

Generating Funds	4.0	4.0
Grant-making	13.0	12.0
Governance	0.5	0.5
<b>Total</b>	<b>17.5</b>	<b>16.5</b>

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

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

Pension contributions for employees with emoluments greater than £60,000 amounted to £31,422 (2013: £30,254). No pension contributions were outstanding at the year end.

### 6. FUND TRANSFERS FOR GRANT-MAKING

The Charity's current policy is to transfer each year into unrestricted and restricted funds, 4% of the total value of the endowment as averaged over the previous 5 years (referred to as the "Distribution Rate"); these funds are then available for grant making and operations. These transfers are funded over time by the total investment returns achieved by the Charity's endowment. The Trustees review the Distribution Rate from time to time and adjust as necessary to take account of prevailing rates of investment return. In 2014 the Charity transferred £27.0 million into unrestricted and restricted funds, calculated at the 4% Distribution Rate. For 2015 the Trustees have agreed a transfer of 3.75%, given current uncertainty over likely future investment performance.

## Notes to the Accounts

Under the Total Return approach, the Charity must ensure that the value of total endowment funds does not fall below the Core Endowment. The Core Endowment is fixed at £276m, representing the value of the endowment as at 31 December 1991. Endowment funds in excess of the Core Endowment are known as the Unapplied Total Return; these are the accumulated returns from which the Charity may make funds available for grant-making.

The overall movement in unapplied total return in 2014 was as follows:

	2014 £'000
<b>Unapplied total return at 1 January 2014</b>	<b>501,294</b>
Add: Income received	11,495
Less: Costs of generating funds	(11,092)
Add: Investment gains	81,864
Unapplied total return before transfer to income	<u>583,561</u>
Less: transfer to income	(27,000)
<b>Unapplied total return at 31 December 2014</b>	<b>556,561</b>
Add: core endowment	276,000
<b>Endowment assets at 31 December 2014</b>	<b>832,561</b>
Total funds at the end of year comprised the following:	
	£000
Endowment funds	832,561
Unrestricted and restricted funds	6,243
<b>Total funds</b>	<b>838,804</b>

### 7. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost at 1 January 2014	85	216	301
Additions	2	-	2
Cost at 31 December 2014	<u>87</u>	<u>216</u>	<u>303</u>
Accumulated depreciation at 1 January 2014	67	152	219
Depreciation charged in the year	9	22	31
Accumulated depreciation at 31 December 2014	<u>76</u>	<u>174</u>	<u>250</u>
<b>Net Book Value at 31 December 2014</b>	<b>11</b>	<b>42</b>	<b>53</b>
Net Book Value at 31 December 2013	<u>18</u>	<u>64</u>	<u>82</u>

## Notes to the Accounts

### 8. INVESTMENTS

	2014	2013
	£'000	£'000
Equities (L)	269,848	280,027
Private Equity	127,595	89,149
Hedge Funds	144,675	129,254
Property	174,366	154,545
Inflation Hedges (L)	61,644	59,517
Fixed Interest (L)	66,965	60,544
Cash and other balances	17,992	35,778
<b>Total Investments</b>	<b>863,085</b>	<b>808,814</b>

The movement in market value of investments was as follows:

	2014	2013
	£'000	£'000
Market Value at 1 January 2014	808,814	738,911
Investment gains	80,766	99,028
Net disinvestments from the portfolio	(26,495)	(29,125)
<b>Market Value at 31 December 2014</b>	<b>863,085</b>	<b>808,814</b>

Total gains were made up as follows:

	2014	2013
	£'000	£'000
Gains on investment assets (see above)	80,766	99,028
Other currency gains/(losses)	1,098	301
<b>Investment and currency gains</b>	<b>81,864</b>	<b>99,329</b>

The market value of listed investments (L) at the year end was £398m (2013: £400m). None of these were UK-only investments (2013: nil). The historical cost of listed investments was £281m (2013: £304m).

At 31 December 2014 the Charity had nine foreign exchange forward contracts open in eight currencies, with a notional sterling liability of £7.4 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 2015 to 30 June 2015.

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 £80m of capital calls from private equity funds. These calls will be funded from the sale of liquid assets across the investment portfolio.

# Notes to the Accounts

## 9. PROGRAMME RELATED INVESTMENTS

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

	2014 £'000	2013 £'000
Venturesome Development Programme	210	336
Social Impact Partnership (Peterborough prison)	43	14
	<b>253</b>	<b>350</b>

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

<b>Value at 1 January 2014</b>	<b>350</b>
Add: additions	75
Less: provisions made	(172)
<b>Value at 31 December 2014</b>	<b>253</b>

## 10. DEBTORS

	2014 £'000	2013 £'000
Dividends receivable	143	286
Rents receivable	441	367
Other debtors	95	450
Prepayments	648	99
	<b>1,327</b>	<b>1,202</b>

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

	2014 £'000	2013 £'000
Grants payable	19,342	20,398
Accruals and deferred income	975	805
	<b>20,317</b>	<b>21,203</b>

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

	2014 £'000	2013 £'000
Grants payable	8,374	7,410
Accruals and deferred income	35	35
	<b>8,409</b>	<b>7,445</b>

## Notes to the Accounts

### 13. MATURITY OF FINANCIAL LIABILITIES

	2014 £'000	2013 £'000
In one year or less, or on demand	20,317	21,203
In more than one year, but not more than two years	7,854	7,192
In more than two years, but not more than five years	555	253
	<b>28,726</b>	<b>28,648</b>

### 14. ANALYSIS OF FUNDS

	Fixed Assets £'000	Investments £'000	Net Current Liabilities £'000	Creditors > 1 year £'000	Total £'000
Main Endowment Fund	-	814,007	(185)	-	813,822
Estates Endowment Fund	-	18,739	-	-	18,739
Main Unrestricted Fund	53	30,592	(16,241)	(8,409)	5,995
Estates Restricted Fund	-	-	248	-	248
	<b>53</b>	<b>863,338</b>	<b>(16,178)</b>	<b>(8,409)</b>	<b>838,804</b>

### 15. RELATED PARTY TRANSACTIONS

Expenses of £1,119 (2013: £321) were reimbursed to 4 Trustees during the year (2013: two) to cover travel and other related costs incurred by them in fulfilment of their duties. The Trustees received no remuneration during the year or in the previous year.

A payment of £100,000 was made during the year to CAADA, of which Mrs D Barran, a Trustee of The Henry Smith Charity, is Chief Executive.

A payment of £51,100 was made during the year to Chance UK (Islington), of which Mrs G M McGrath, a Trustee of The Henry Smith Charity, is Chief Executive.

A payment of £37,500 was made during the year to Action on Addiction, of which Mr T Millington-Drake, a Trustee of The Henry Smith Charity, is Principal Consultant and Mrs V Y Hunt, a Trustee of The Henry Smith Charity, is Trustee.

A payment of £38,000 was made during the year to Kainos Community, of which Mr P Feilden, a Trustee of The Henry Smith Charity, is a Trustee.

### 16. OPERATING LEASE COMMITMENTS

At year-end the Charity held a lease for its premises expiring in November 2016. Rental payments amount to £116,000 per year.