

THE BAY TREE CHARITABLE TRUST

ANNUAL REPORT AND ACCOUNTS

31ST DECEMBER 2020

PAYNE HICKS BEACH
Solicitors
10 New Square
Lincoln's Inn
London WC2A 3QG

THE BAY TREE CHARITABLE TRUST

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ADMINISTRATIVE INFORMATION ABOUT THE CHARITY, THE TRUSTEES AND THEIR ADVISORS

<u>TRUSTEES</u>	:	I.M.P. Benton Miss E.L. Benton P.H. Benton
<u>PRINCIPAL ADDRESS</u>	:	The Bay Tree Charitable Trust PO Box 53983 London SW15 1VT
<u>CHARITY REGISTRATION NUMBER</u>	:	1044091
<u>AUDITOR</u>	:	Buzzacott LLP 130 Wood Street London EC2V 6DL
<u>BANKERS</u>	:	Quilter Cheviot Senator House 85 Queen Victoria Street London EC4V 4AB
<u>INVESTMENT MANAGERS</u>	:	Quilter Cheviot One Kingsway London WC2B 6AN
<u>SOLICITORS AND ADMINISTRATORS</u>	:	Payne Hicks Beach 10 New Square Lincoln's Inn London WC2A 3QG

TRUSTEES' REPORT - 31ST DECEMBER 2020

The trustees present their statutory report together with the accounts of The Bay Tree Charitable Trust for the year ended 31st December 2020.

The accounts have been prepared in accordance with the accounting policies set out on pages 15 to 18 of the attached accounts and comply with the charity's trust deed, applicable laws, accounting standards (United Kingdom Generally Accepted Accounting Practice), and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), second edition (October 2019).

GOVERNANCE, STRUCTURE AND MANAGEMENT

Governance

The Bay Tree Charitable Trust is governed by a trust deed dated 1st December 1994. The charity is registered under the Charities Act 2011, Charity Registration Number 1044091.

The statutory power of appointment of trustees by the continuing trustees applies.

The names of the trustees who served during the year are set out as part of the administrative information on page 1 of this Annual Report and Accounts. Brief biographical details are given below:

I.M.P. Benton

Mr. Benton is related to the settlor and was appointed a trustee on 15th December 1994.

Miss E.L. Benton

Miss Benton is related to the settlor and was appointed a trustee on 22nd October 2002.

P.H. Benton

Mr. Benton is related to the settlor and was appointed a trustee on 22nd October 2002.

On agreeing to their appointment, the trustees are thoroughly briefed by their co-trustees on the history of the trust, the day-to-day management, the responsibilities of the trustees, the current objectives and future plans.

Trustees' responsibilities statement

The trustees are responsible for preparing the trustees' report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law in England and Wales requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity at the year end and of its income and expenditure during that year. In preparing accounts, giving a true and fair view the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);

TRUSTEES' REPORT - 31ST DECEMBER 2020

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

- Make judgements and estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the accounts comply with the Charities Act 2011, applicable Charity (Accounts and Reports) Regulations 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.

Structure and management reporting

The trustees are ultimately responsible for the policies, activities and assets of the charity. They meet annually to review the developments with regard to the charity, its grant giving activities and make any important decisions. When necessary, the trustees seek advice and support from the charity's professional advisers including investment managers, solicitors and accountants. The day to day management of the charity's activities, and the implementation of policies, is delegated to the Private Client Department of Payne Hicks Beach. The Department ensures that grant applications are processed and presented to the trustees as appropriate; it administers payments and keeps the books and records of the charity.

At their meetings the trustees review the investment performance, and the investment managers attend the meetings to update the trustees in detail on the portfolio. The trustees review the proposals for grants to be made and approve such grants as appropriate.

Risk management

In line with the requirement for charity trustees to undertake a risk assessment exercise and report on the same in their annual report, the trustees have looked at the risks the charity currently faces and have reviewed the measures in place, or needing to be put in place, to deal with them. In addition to the risks associated with COVID-19 (see below), the trustees have identified three main areas where risks may occur:

- Governance
- Operational
- Financial

Governance looks at the continuity of trusteeship, the skills and background of the trustees and the policies of regular meetings of the trustees to review their aims and activities.

Operational looks at the risk inherent in the delegation of statutory and legal requirements of the charity, its management and secretarial functions and delegation of certain of those functions, and its grant giving activities.

TRUSTEES' REPORT - 31ST DECEMBER 2020

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Financial risks include those inherent in delegation of investment management and custody to an independent investment manager, the financial record keeping of the charity, its investment policy, audit and review procedures.

Having assessed the major risks to which the charity is exposed, in particular those relating to its investments and its finances, the trustees believe that by ensuring controls exist over key financial systems, incorporating the systems and controls implemented by Payne Hicks Beach, and by delegating the investment management function to investment managers, subject to regular monitoring, including periodic reviews of performance against benchmarks, they have established effective systems to mitigate those risks. In reaching this conclusion, the trustees have considered the impact on the charity of the COVID-19 pandemic.

The keys risks faced by the charity, as identified by the trustees, are described below together with the principal ways in which they are mitigated.

The charity's principal asset comprises listed investments, the value of which is dependent on movements in UK and world stock markets. The investments are managed by reputable investment managers who adhere to a policy agreed by the trustees. The trustees meet twice a year with the investment managers and the manager's performance and that of the portfolio are monitored. The investment strategy is assessed regularly to ensure it remains appropriate to the charity's needs - both now and in the future.

The charity carries out its objectives by providing grants to institutions that are also UK registered charities, whose objects comply with the charity's criteria. There is a risk that a grant provided by the charity may not reach the intended recipient and/or may be used for purposes not consistent with the charity's objects. Whilst the trustees are mindful of their own obligation to ensure that the charity benefits the public generally, they take some assurance from the fact that recipients of grants are themselves regulated to ensure that they operate for the public benefit.

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES

Activities and specific objectives

The trustees operate a grant giving policy, providing funds for such charitable object or institution as the trustees think fit.

All appeals should be by letter containing the following:

- Aims and objectives of the charity
- Nature of appeal
- Total target if for a specific project
- Contributions received against target
- Registered Charity Number

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

- Any other relevant factors

Letters should be accompanied by a set of the charitable organisation's latest report and full accounts and should be addressed to:

The Bay Tree Charitable Trust
P.O. Box 53983
London SW15 1VT

No applications from individuals are considered.

The trustees aim to make grants totalling a minimum of £120,000 per annum in accordance with the guidelines set out in the grant giving policy above.

Objectives and activities for the public benefit

The trustees confirm that they have referred to the guidance contained in the Charity Commission's guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities and setting the grant making policy for the year.

The Trust carries out these objectives by providing grants to institutions that are also UK registered charities, whose objects comply with the Trust's criteria. Whilst the trustees are mindful of their own obligation to ensure that the Trust benefits the public generally, they take some assurance from the fact that recipients of grants are themselves regulated to ensure that they operate for the public benefit.

Potential recipients of grants are identified by the trustees individually in areas where it is perceived that public benefit will be achieved. The opportunity to benefit is not restricted in any way except that grants are restricted to bodies registered in the UK, not least to facilitate the trustees being able to follow up on the efficacy of the grants made. In all other respects grants are not limited in any way except that the recipients should have a charitable need.

The trustees therefore consider that the Trust's activities are for the benefit of the public generally.

Key management

The trustees comprise the key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis. All trustees give of their time freely and no trustee received any remuneration in the year. Details of trustees' expenses and remuneration and any related party transactions are disclosed in note 5 to the accounts. As noted above, the day or day management of the charity's activities, and the implementation of policies, is delegated to the Private Client Department of Payne Hicks Beach.

Investment policy

The charity has a portfolio of listed investments with a market value as at 31st December 2020 of £6,426,142.

TRUSTEES' REPORT - 31ST DECEMBER 2020

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

There are no restrictions on the charity's power to invest. The trustees have instructed the investment managers to refrain from purchasing investments in companies connected with armament manufacture or distribution. The investment strategy is agreed between the trustees and the investment managers, and is regularly reviewed. This is the subject of a policy statement which has been completed by the trustees and forms an integral part of the agreement with the investment manager to provide investment management services.

The more significant principles in the statement are:

- that the investment manager shall maintain a balance of capital and income growth which over the long term will endeavour to maintain the real value of assets.
- that the performance will be reviewed by reference to a customised benchmark of 20% FT Government All Stocks, 10% IPD Property, 10% Hedge Funds and 60% FTSE 'A' World (Sterling Based). The trustees feel the portfolio is structured approximately in line with the benchmark.

The investment manager is invited to attend each formal meeting of the trustees to provide a report on the performance of the portfolio, comparison against the benchmark and general market issues. The trustees' investment policy was fully updated on 16th December 2013 and reviewed on the 10th October 2019 and required no amendment.

ACHIEVEMENTS AND PERFORMANCE

Review of activities

Total investment income received in the year amounts to £87,157, which equates to a yield of 1.35% (based on the market valuation of the investment assets at the year end).

The trustees awarded grants totalling £150,000 during the year in accordance with the charity's grant giving policy set out above. A detailed list of all grants made in the year is included in the Appendix on page 23.

The trustees feel that their objectives have been adequately met this year.

However, the trustees are aware that there are external factors, which could affect the achievements of their objectives as a significant part of the charity's assets are made up of investments and cash, the result of which are dependent on the general performance of the UK and overseas stock markets. As noted above under risk management, in order to minimise this, the trustees have set prudent investment policies and place reliance on the investment manager to monitor and advise on the necessary investment changes and suitable asset allocation. These actions have been particularly relevant given the issues arising from COVID-19.

Investment performance

During the year the charity's investment assets achieved an income yield of 1.35% (based on the valuation of investment assets at the year end) and a capital increase of 7.72%. The investment managers continued to invest in accordance with the trustees' investment policy as reviewed and set out earlier in this report. At the end of the year the charity's portfolio of investments comprised of 10% UK fixed interest stocks, 2% charity and property funds, 88% UK equities and unit trusts.

TRUSTEES' REPORT - 31ST DECEMBER 2020

ACHIEVEMENTS AND PERFORMANCE (continued)

In view of the current volatility in financial markets, the trustees are satisfied with the performance of the investments and are satisfied that their investment objectives will be met over the medium term.

FINANCIAL REVIEW

Results for the year

A summary of the year's results can be found on page 12 of this report and accounts.

During the year ended 31st December 2020, total income amounted to £87,157 (2019 - £150,121), being income arising from the charity's investments and cash deposits.

The trustees made grants to 6 institutions totalling £150,000 (2019 - £140,000). After accounting for grant administration costs of £12,150 (2019 - £8,482) and the governance costs of £2,352 (2019 - £2,280), this brought total expenditure to £164,502 (2019 - £150,762).

There were investment gains during the year of £461,046 (2019 - £941,318).

This results in a net increase in funds during the year of £383,701 (2019 - £940,677).

Reserves policy and financial position

Reserves policy

The charity is operated as a grant giving charity, and the trustees' policy is to administer the investment assets on an absolute return basis and seek to distribute approximately £120,000 in each financial year (subject to regular review).

Financial position

The balance sheet shows total funds of £6,409,105. The unrestricted fund comprises amounts which ultimately are free reserves but which are held by the trustees for investment so as to ensure the continued generation of income in future periods, thereby helping to safeguard the long term existence of the charity and the achievement of its objectives. The size of the unrestricted fund sustains and supports the levels of donations which the trustees wish to maintain and enhance over time. The trustees consider free reserves to be adequate but not excessive in the light of the charity's reserve policy set out above.

FUTURE PLANS

The trustees do not anticipate any significant changes to the charity or its activities over the next two to five years. It is their intention to meet the following objectives:

- To ensure the investment performance achieves the criteria set by them so that there are sufficient funds to meet their grant giving policies.
- To continue to make grants at a similar, if not higher level.

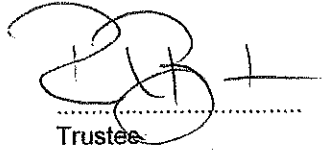
In response to the COVID-19 outbreak, the charity is proactively reviewing grant making activities to ensure continued support to beneficiaries.

TRUSTEES' REPORT - 31ST DECEMBER 2020

FUTURE PLANS (continued)

The trustees have reviewed the risks that COVID-19 poses to the charity and concluded that the charity is in a strong financial and operational position and can continue to support beneficiaries now and for the foreseeable future.

Signed on behalf of the trustees:


.....
Trustee

.....
Trustee

.....
Trustee

Approved by the trustees on: 7th October 2021

INDEPENDENT AUDITOR'S REPORT - 31ST DECEMBER 2020

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE BAY TREE CHARITABLE TRUST**

OPINION

We have audited the accounts of The Bay Tree Charitable Trust (the 'charity') for the year ended 31st December 2020 which comprise the statement of financial activities, the balance sheet, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- give a true and fair view of the state of the charity's affairs as at 31st December 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

The trustees are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT - 31ST DECEMBER 2020

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE BAY TREE CHARITABLE TRUST**

OTHER INFORMATION (Continued)

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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 Act 2011 requires us to report to you if, in our opinion:

- the information given in the trustees' report is inconsistent in any material respect with the accounts; or
- sufficient accounting records have not been kept; or
- the accounts 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, the trustees are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

INDEPENDENT AUDITOR'S REPORT - 31ST DECEMBER 2020

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE BAY TREE CHARITABLE TRUST**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ACCOUNTS (Continued)

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- We ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the charity and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011) and those that relate to data protection (General Data Protection Regulation).
- We identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of the charity's administrators as to their knowledge of actual, suspected and alleged fraud; and
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- Tested authorisation controls on expenditure items, ensuring all expenditure was approved in line with the charity's financial procedures; and
- Performed substantive testing on grant expenditure to ensure the expenditure incurred complied with the funding agreements

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation;
- Reading the minutes of meetings of those charged with governance; and
- Enquiring of the charity's administrators as to actual and potential litigation and claims.

INDEPENDENT AUDITOR'S REPORT - 31ST DECEMBER 2020

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
THE BAY TREE CHARITABLE TRUST**

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ACCOUNTS (Continued)

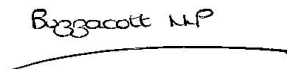
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and administrators and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the charity's trustees, as a body, in accordance with section 145 of the Charities Act 2011 and with regulations made under section 154 of that Act. 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.



Buzzacott LLP
Statutory Auditor
130 Wood Street
London EC2V 6DL

21 October 2021

Buzzacott LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31ST DECEMBER 2020

<u>Total 2019</u> <u>£</u>		<u>Notes</u>	<u>Total 2020</u> <u>£</u>
	INCOME FROM:		
	Investments		
119,979	Investment income	1	87,059
17	Interest receivable		74
30,125	Donations	2	-
-	Tax repayment supplement		24
<hr/>			<hr/>
150,121	TOTAL INCOME		87,157
<hr/>			<hr/>
	EXPENDITURE ON:		
	Charitable activities		
150,762	Promoting and enhancing charitable work	3	164,502
<hr/>			<hr/>
150,762	TOTAL EXPENDITURE		164,502
<hr/>			<hr/>
	NET EXPENDITURE BEFORE INVESTMENT (LOSSES)		(77,345)
(641)			
	Investment gains/(losses)		
(1,332)	Realised	7	(9,635)
942,650	Unrealised	7	470,681
<hr/>			<hr/>
940,677	NET INCOME AND NET MOVEMENT IN FUNDS		383,701
	RECONCILIATION OF FUNDS		
	Total funds brought forward at 1st January 2020		6,025,404
5,084,727			<hr/>
	Total funds carried forward at 31st December 2020		6,409,105
<hr/>			<hr/>
6,025,404			

All recognised gains and losses are included in the above statement of financial activities.

All of the charity's activities derived from continuing operations during the above two financial years.

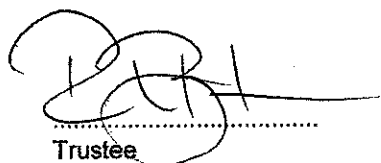
THE BAY TREE CHARITABLE TRUST

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BALANCE SHEET - 31ST DECEMBER 2020

<u>2019</u>		<u>Notes</u>	<u>2020</u>
£	£		£
	<u>FIXED ASSETS</u>		
6,032,490	Listed Investments	7	6,426,142
	<u>CURRENT ASSETS</u>		
	15,320 Debtors	8	64
	92,504 Cash at bank and in hand	9	93,501
107,824	Total current assets		93,565
	<u>LIABILITIES:</u>		
	Creditors: Amounts falling due		
(114,910)	within one year	10	(110,602)
(7,086)	<u>NET CURRENT LIABILITIES</u>		(17,037)
<u>6,025,404</u>	<u>NET ASSETS</u>		<u>6,409,105</u>
	<u>TOTAL FUNDS OF THE CHARITY</u>		
	Unrestricted Income Funds		
<u>6,025,404</u>	General Fund		<u>6,409,105</u>

Approved by the trustees and signed on their behalf by:


Trustee

.....
Trustee

.....
Trustee

Date of Approval: 7th October 2021

PRINCIPAL ACCOUNTING POLICIES - 31ST DECEMBER 2020

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These accounts have been prepared for the year to 31st December 2020 with comparative information presented in respect to the year to 31st December 2019.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes of these accounts.

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Reporting Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102), second edition (October 2019) the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- estimating the liability for multi-year grant commitments.
- estimating future income and expenditure flows for the purpose of assessing going concern (see below).

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The full impact following the recent emergence of the global coronavirus pandemic is still unknown. Therefore, it is not possible to evaluate currently all the potential implications for the charity's activities, beneficiaries and the wider economy. Estimates used in the accounts, particularly with respect to the impact on future income and expenditure flows are subject to a greater degree of uncertainty and volatility. As set out in these accounting policies under "going concern", the trustees have considered the impact of the pandemic on the charity and have concluded that although there may be some negative consequences, it is appropriate for the charity to continue to prepare its accounts on the going concern basis. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due and therefore despite the global uncertainty in relation to COVID-19, there are no concerns regarding the charity's ability to continue as a going concern. The most significant areas of judgement that affect items in the account are detailed above. With regard to the next accounting period, the year ending 31st December 2021, the most significant areas that affect

PRINCIPAL ACCOUNTING POLICIES - 31ST DECEMBER 2020

Assessment of going concern (continued)

the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information).

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, investment income from investments and interest from deposits.

Donations are recognised when the charity has confirmation of both the amount and settlement date and include related Gift Aid tax reclaims.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included 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.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligations can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between the activities is as follows:

- (a) Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes the fees paid to the investment manager in connection with the management of the charity's listed investments.
- (b) Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include charitable grants payable in promoting and enhancing charitable work carried out by other charitable organisations, and related support costs including the cost of administering the activities of the charity and governance costs.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the donation and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are accrued for. Grants where the beneficiary has not been informed or has to meet certain conditions before the grant is released are not accrued for but are noted as financial commitments in the notes to the accounts.

All expenditure is stated inclusive of irrecoverable VAT.

PRINCIPAL ACCOUNTING POLICIES - 31ST DECEMBER 2020**Allocation of support and governance costs**

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of administration services.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect of its compliance with regulation and good practice.

Support costs and governance costs are apportioned directly to the one charitable activity.

Fixed asset investments

Fixed asset investments are included on the balance sheet at their market value at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited), to the statement of financial activities in the year in which they arise.

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The charity does not acquire put options, derivatives or other complex financial instruments.

As noted above the main form of financial risk faced by the charity is that a volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value is acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash in bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Concessionary loans

Concessionary loans initially recognise and measure the loans at the amount received or paid, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest.

PRINCIPAL ACCOUNTING POLICIES - 31ST DECEMBER 2020

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund accounting

The general fund represent funds available for the general charitable purposes of the charity which may be applied at the discretion of the trustees.

Cash flow

The accounts do not include a cash flow statement because the charity is exempt from the requirement to prepare such a statement under the Charities SORP (FRS 102).

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2020**1 INVESTMENT INCOME**

2019		2020
£		£
90,341	UK equities and unit trusts	68,284
21,843	UK Government and fixed interest securities	12,872
3,468	Overseas	3,276
7,207	Charity and property funds	6,283
(2,880)	Gilts accrued interest	(3,656)
<hr/>		<hr/>
119,979		87,059
<hr/>		<hr/>

2 DONATIONS

2019		2020
£		£
24,100	Gift Aid donation (see note 5)	-
6,025	Tax repayment	-
<hr/>		<hr/>
30,125		-
<hr/>		<hr/>

3 PROMOTING AND ENHANCING CHARITABLE WORK

2019		2020
£		£
140,000	Grants payable to institutions	150,000
8,482	Grant administration costs	12,150
2,280	Governance costs (see note 4)	2,352
<hr/>		<hr/>
150,762		164,502
<hr/>		<hr/>

A detailed list of the grants payable to institutions is given in the Appendix (page 24) to these accounts.

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2020**3 PROMOTING AND ENHANCING CHARITABLE WORK (continued)**

A reconciliation of the grants payable and grant commitments figures shown in these accounts is as follows:

2019 £		2020 £
-	Grant commitments at 1st January 2020	-
140,000	Grants agreed during the year	150,000
<hr/>		<hr/>
140,000	Grants payable	150,000
(140,000)	Grants paid during the year	(150,000)
<hr/>		<hr/>
-	Grant commitments at 31st December 2020	-
<hr/>		<hr/>

4 GOVERNANCE COSTS

2019 £		2020 £
2,280	Statutory audit fee	2,352
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5 STAFF COSTS AND TRUSTEES' REMUNERATION

The charity employed no staff during the year (2019 - None).

No trustee received any remuneration in respect of their services during the year (2019 - £nil).

The key management personnel of the charity in charge of directing and controlling, the charity comprise the trustees.

The total remuneration (including taxable benefits but excluding employer's pension contributions) of the key management personnel for the year was £nil (2019 - £nil).

There is no gift aid donation to the charity this year (2019 - £24,100 net) (see note 2).

6 TAXATION

The Bay Tree Charitable Trust is a registered charity and, therefore, is not liable to income tax or corporation tax on income or gains derived from its charitable activities as they fall within the exemptions available to registered charities.

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2020**7 INVESTMENTS**

2019 £		2020 £
LISTED INVESTMENTS		
Movements in listed investments during the year were as follows:		
5,128,391	Market value at 1st January 2020	6,032,490
162,781	Additions at cost	276,300
(201,332)	Disposals at book value (proceeds: £343,694; loss £9,635)	(353,329)
942,650	Net unrealised (losses)/gains in year	470,681
<u>6,032,490</u>	Market value at 31st December 2020	<u>6,426,142</u>
<u>2,674,319</u>	Cost of listed investments 31st December 2020	<u>2,578,401</u>

All investments were dealt in on a recognised stock exchange:

2019 £		2020 £
Listed investments held at 31st December 2020 comprise the following investment all listed on a UK stock exchange:		
5,198,204	UK equities and unit trusts	5,655,936
595,171	UK government and fixed interest securities	620,510
239,115	Charity and property funds	149,696
<u>6,032,490</u>		<u>6,426,142</u>

At 31st December 2020 the following individual holdings had a market value in excess of 5% of the entire portfolio:

	% of Portfolio	Value £
Smith & Williamson Bay Fund Income Units	88.01	5,655,936

8 DEBTORS

2019 £		2020 £
11,600	Tax repayment	-
3,720	Gifts accrued interest	64
<u>15,320</u>		<u>64</u>

NOTES TO THE ACCOUNTS - 31ST DECEMBER 2020**9 CASH AT BANK AND IN HAND**

2019		2020
£		£
92,504	Quilter Cheviot	81,877
-	- PHB Client Account	11,624
<hr/>		<hr/>
92,504		93,501
<hr/>		<hr/>

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

2019		2020
£		£
4,650	Grant administration costs	4,650
6,660	Statutory audit fee	2,352
103,600	Loan from Settlor	103,600
<hr/>		<hr/>
114,910		110,602
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11 UNREALISED GAINS

Unrealised gains on listed investments	3,847,741
	<hr/>
Reconciliation of movements in unrealised gains on investment assets	
Unrealised gains at 1st January 2020	3,358,171
Adjusted in asset of disposals in year	18,889
	<hr/>
	3,377,060
	<hr/>
Add: Net gains arising on Investment revaluation in year	470,681
	<hr/>
Unrealised gains at 31st December 2020	3,847,741
	<hr/>

12 RELATED PARTY TRANSACTIONS

There are no related party transactions during the year (2019 - £5,000).

APPENDIX TO THE ACCOUNTS - 31ST DECEMBER 2020

<u>GRANTS PAYABLE:</u>	<u>Amount</u>
Institutions	£
FareShare	10,000
Age UK	20,000
Medecins Sans Frontieres UK	20,000
National Society for the Prevention of Cruelty to Children	30,000
Royal Mencap Society	30,000
The Trussell Trust	40,000
	<hr/>
	150,000

Total grants and donations made to institutions during 2019 amounted to £140,000