

CHARITY REGISTRATION NUMBER: 1186646

THE TERN TRUST
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 NOVEMBER 2019
TO 5 APRIL 2021

David Allen
Chartered Accountants
Dalmar House
Barras Lane Estate
Dalston
Carlisle
CA5 7NY

THE TERN TRUST

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THE TERN TRUST

REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|------------------------------------|---|
| Trustees | Mr S H Henwood Dr G K Henwood Coutts and Co (resigned 2 July 2020) |
| Charity Registration Number | 1186646 |
| Principal Office | David Allen Dalmar House Barras Lane Estate Dalston, Carlisle CA5 7NY |
| Independent Examiner | Alison Welton FCA David Allen Chartered Accountants Dalmar House Barras Lane Estate Dalston Carlisle CA5 7NY |
| Bankers | Coutts & Co 440 Strand Charing Cross London WC2R 0QS |

THE TERN TRUST

TRUSTEES' REPORT

The trustees present the annual report together with the financial statements of the charity for the period ended 5 April 2021.

These accounts cover the accounting period from the 28 November 2019, the start of the trust, to 5 April 2021. It was decided to extend the accounting period to coincide with the end of the tax year.

Trustees and officers

The trustees and officers serving during the year and since the year end were as follows:

Trustees

Mr S H Henwood

Dr G K Henwood

Coutts and Co (resigned 2 July 2020)

OBJECTIVES AND ACTIVITIES

Objects and aims

The trustees hold the capital and income of the trust fund upon trust to apply the income, and all or such parts of the capital, at such time or times and in such manner to, or for the benefit of such charities or such exclusively charitable purposes according to the laws of England and Wales in any part of the world as the trustees may in their discretion think fit.

Public benefit

The trustees confirm that they have complied with the requirements of section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales.

Use of volunteers

The charity has no voluntary, seconded or paid staff.

ACHIEVEMENTS AND PERFORMANCE

During the period donations totalling £3,500 were made to The Lake District Foundation. The first donation of £1,000 was for the Heritage Horizons bid costs and the second donation of £2,500 was for the Real Hedge Fund.

The total income from quoted investments was £8,377 during the period. The overall value of the investment portfolio at the period end was £765,323, with net gains on the revaluation and disposal of investments being £134,955.

Overall, this resulted in net movement in funds of £832,156.

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TRUSTEES' REPORT (CONTINUED)

FINANCIAL REVIEW

During the period, the trustees donated £705,285 of shares to the charity. This being the main funding sources of the charity.

The charity holds a portfolio of UK and non-UK quoted investments. These are managed by Coutts & Co on the basis of a written statement summarising the trustees' investment policy.

Income from quoted investments amounted to £8,377 for the period. Total investment income for the period, including bank interest of £40, was £8,417. Investment management fees amounted to £8,399 for the period.

Governance costs include accountancy fees and independent examination fees and amounted to £4,602 for the period.

The charity holds unrestricted funds at the period end of £832,156.

Policy on reserves

As the charity carries out no direct charitable activities and does not generally make commitments to future giving, there is no need to retain reserves for this purpose. However, the trustees have allocated £60,000 of the funds transferred into the trust for funds available for payment of grants.

Investment policy and objectives

The investment portfolio is held with Coutts & Co and there are no restrictions as to the nature of the investments to be held.

The trustees review their investment policy annually.

PLANS FOR FUTURE PERIODS

Aims and key objectives for future periods

The trustees will continue to review grant applications and distribute these where they feel appropriate.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Nature of governing document

The Tern Trust was constituted by a deed dated 19 November 2019. The trust is an unincorporated charity.

The charity is registered with the Charity Commission under number 1186646 and was registered on 28 November 2019. The principal office of the charity is Dalmar House, Barras Lane Estate, Dalston, Carlisle, CA5 7NY.

Recruitment and appointment of trustees

The power of appointment of new trustees is vested in the settlors. During the period Coutts & Co resigned as trustee.

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TRUSTEES' REPORT (CONTINUED)

Arrangements for setting key management personnel remuneration

The trustees give their time freely and no trustee remuneration was paid in the year. Details of trustee expenses and related party transactions are disclosed in the notes to the financial statements

Major risks and management of those risks

The trustees have reviewed the risks to which they consider the charity is exposed and are taking action as they consider to be appropriate.

FINANCIAL INSTRUMENTS

Objectives and policies

The charity's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The trustees do not use financial derivatives, however some of the underlying investments will have the discretion to use derivatives to manage risk and the trustees rely on their expertise to manage these accordingly.

Cash flow risk

The charity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Credit risk

The charity's principal financial assets are bank balances and cash and investments.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and anticipated donation levels.

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TRUSTEES' REPORT (CONTINUED)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with 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).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the 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 judgements and accounting 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 maintaining 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 applicable Charities (Accounts and Reports) Regulations, and the provisions of the trust deed. The trustees 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.

The annual report was approved by the trustees of the charity on 1 February 2022 and signed on its behalf by:

.....
Mr S H Henwood
Trustee

THE TERN TRUST

INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF THE TERN TRUST

I report to the trustees on my examination of the accounts of The Tern Trust for the period ended 5 April 2021, which are set out on pages 7 to 18.

Responsibilities and basis of report

As the charity trustees of The Tern Trust you are responsible for the preparation of the accounts in accordance with the requirements of the Charities Act 2011 ('the Act').

I report in respect of my examination of the The Tern Trust's accounts carried out under section 145 of the 2011 Act and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the Act.

Independent examiner's statement

Since The Tern Trust's gross income exceeded £250,000 your examiner must be a member of a body listed in section 145 of the 2011 Act. I confirm that I am qualified to undertake the examination because I am a member of the Institute of Chartered Accountants in England and Wales, which is one of the listed bodies.

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of The Tern Trust as required by section 130 of the Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements concerning the form and content of accounts set out in the Charities (Accounts and Reports) Regulations 2008 other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination.

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

.....
ALISON WELTON FCA
Independent Examiner

Dalmar House
Barras Lane Estate
Dalston
Carlisle
CA5 7NY

1 February 2022

THE TERN TRUST

STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021

| | Note | Unrestricted £ | Total 5 April 2021 £ |
|--------------------------------|------|-------------------|----------------------------|
| Income from: | | | |
| Donations and legacies | 2 | 705,285 | 705,285 |
| Investment income | 3 | <u>8,417</u> | <u>8,417</u> |
| Total income | | <u>713,702</u> | <u>713,702</u> |
| Expenditure on: | | | |
| Raising funds | 4 | (8,399) | (8,399) |
| Charitable activities | 5 | <u>(8,102)</u> | <u>(8,102)</u> |
| Total expenditure | | <u>(16,501)</u> | <u>(16,501)</u> |
| Gains on investments assets | 13 | <u>134,955</u> | <u>134,955</u> |
| Net movement in funds | | <u>832,156</u> | <u>832,156</u> |
| Reconciliation of funds | | | |
| Total funds carried forward | 15 | <u>832,156</u> | <u>832,156</u> |

All of the charity's activities derive from continuing operations during the above period.

The funds breakdown for 2021 is shown in note 15.

THE TERN TRUST

BALANCE SHEET AS AT 5 APRIL 2021

| | Note | 2021 £ |
|---|------|----------------|
| Fixed assets | | |
| Investments | 13 | 765,323 |
| Current assets | | |
| Cash at bank and in hand | | 71,134 |
| Creditors: Amounts falling due within one year | 14 | <u>(4,301)</u> |
| Net current assets | | <u>66,833</u> |
| Net assets | | <u>832,156</u> |
| Funds of the charity: | | |
| Unrestricted income funds | | |
| Unrestricted funds | | <u>832,156</u> |
| Total funds | 15 | <u>832,156</u> |

From the funds received into the trust, the trustees earmarked £60,000 for the payment of grants and £643,599 for capital purposes.

The financial statements on pages 7 to 18 were approved by the trustees, and authorised for issue on 1 February 2022 and signed on their behalf by:

.....
Mr S H Henwood
Trustee

THE TERN TRUST

CASH FLOW STATEMENT FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021

| | Note | 2021 £ |
|--|------|----------------------|
| Cash flows from operating activities | | |
| Net cash income | | 832,156 |
| Adjustments to cash flows from non-cash items | | |
| Investment income | 3 | (8,417) |
| Revaluation of investments | | <u>(62,568)</u> |
| | | 761,171 |
| Working capital adjustments | | |
| Increase in creditors | 14 | <u>4,301</u> |
| Net cash flows from operating activities | | <u>765,472</u> |
| Cash flows from investing activities | | |
| Interest receivable and similar income | 3 | 8,417 |
| Purchase of investments | 13 | (1,933,375) |
| Sale of investments | 13 | <u>1,230,620</u> |
| Net cash flows from investing activities | | <u>(694,338)</u> |
| Net increase in cash and cash equivalents | | 71,134 |
| Cash and cash equivalents at 28 November | | <u>-</u> |
| Cash and cash equivalents at 5 April | 17 | <u><u>71,134</u></u> |

All of the cash flows are derived from acquisitions in the current financial period.

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with 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 UK and Republic of Ireland (FRS 102) (effective 1 January 2019) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

Basis of preparation

The Tern Trust meets the definition of a public benefit entity under FRS 102. The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income

Voluntary income including donations and gifts that provide core funding or are of a general nature is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Donations and legacies are recognised on a receivable basis when receipt is probable and the amount can be reliably measured.

Investment income

Investment income is accounted for in the period in which the charity is entitled to receipt.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Raising funds

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs

These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including independent examination, strategic management and trustees' meetings and reimbursed expenses.

Taxation

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Fixed asset investments

Fixed asset investments, other than programme related investments, are included at market value at the balance sheet date. Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the market value at the period end.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Fund structure

Unrestricted income funds are general funds that are available for use at the trustees' discretion in furtherance of the objectives of the charity.

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Recognition and measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the charity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

2 INCOME FROM DONATIONS AND LEGACIES

| | Unrestricted funds General £ | Total 2021 £ |
|----------------------------|---|-----------------------------|
| Donations and legacies; | | |
| Donations from individuals | <u>705,285</u> | <u>705,285</u> |
| | <u>705,285</u> | <u>705,285</u> |

3 INVESTMENT INCOME

| | Unrestricted funds General £ | Total 2021 £ |
|---|---|-----------------------------|
| Interest receivable and similar income; | | |
| Interest receivable on bank deposits | 40 | 40 |
| Income from listed investments | <u>8,377</u> | <u>8,377</u> |
| | <u>8,417</u> | <u>8,417</u> |

4 EXPENDITURE ON RAISING FUNDS

a) Investment management costs

| | Unrestricted funds General £ | Total 2021 £ |
|--|---|-----------------------------|
| Other investment management costs; | | |
| Amounts payable to investment managers | <u>8,399</u> | <u>8,399</u> |
| | <u>8,399</u> | <u>8,399</u> |

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

5 EXPENDITURE ON CHARITABLE ACTIVITIES

| | Note | Unrestricted funds General £ | Total 2021 £ |
|-----------------------------|-------------|---|-----------------------------|
| Grant funding of activities | 7 | 3,500 | 3,500 |
| Governance costs | 6 | 4,602 | 4,602 |
| | | <u>8,102</u> | <u>8,102</u> |

| | Activity undertaken directly £ | Total expenditure £ |
|-----------------------------|---|------------------------------------|
| Grant funding of activities | 3,500 | 3,500 |
| | <u>3,500</u> | <u>3,500</u> |

£8,102 of the above expenditure was attributable to unrestricted funds and £Nil to restricted funds.

6 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

Governance costs

| | Unrestricted funds General £ | Total 2021 £ |
|---|---|-----------------------------|
| Independent examiner fees | | |
| Examination of the financial statements | 1,200 | 1,200 |
| Other fees paid to examiners | 3,102 | 3,102 |
| Legal fees | 300 | 300 |
| | <u>4,602</u> | <u>4,602</u> |

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

7 GRANT-MAKING

Analysis of grants

**Grants to
institutions
2021
£**

Analysis

Grants issued

3,500

The support costs associated with grant-making are Nil.

Below are details of material grants made to institutions.

Name of institution

Lake District Foundation

2021

£

£

3,500

-

8 NET INCOMING/OUTGOING RESOURCES

Net incoming/outgoing resources for the period include:

**2021
£**

Independent examination of the financial statements

1,200

9 TRUSTEES REMUNERATION AND EXPENSES

No trustees, nor any persons connected with them, have received any remuneration from the charity during the period.

No trustees have received any reimbursed expenses or any other benefits from the charity during the period.

10 STAFF COSTS

The average head count of employees during the period was Nil.

No employee received emoluments of more than £60,000 during the period

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

11 INDEPENDENT EXAMINER'S REMUNERATION

| | 2021 £ |
|---|-----------|
| Examination of the financial statements | 1,200 |
| Other fees to examiners | |
| All other services | 3,102 |

12 TAXATION

The charity is a registered charity and is therefore exempt from taxation.

13 FIXED ASSET INVESTMENTS

| | 2021 £ |
|-------------------|-----------|
| Other investments | 765,323 |

Other investments

| | Listed investments £ | Total £ |
|--------------------------|----------------------------|-------------|
| Cost or Valuation | | |
| Revaluation | 62,568 | 62,568 |
| Additions | 1,933,375 | 1,933,375 |
| Disposals | (1,230,620) | (1,230,620) |
| At 5 April 2021 | 765,323 | 765,323 |
| Net book value | | |
| At 5 April 2021 | 765,323 | 765,323 |

Valuations are prepared on the basis of the middle market price at the close of business on the valuation date, for certain securities the price may be last trade or bid price.

The total unrealised gains for the period are £62,568 and the total realised gains are £72,387, resulting in a net gain on investments of £134,955.

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

14 CREDITORS: amounts falling due within one year

| | 2021 £ |
|----------|--------------|
| Accruals | <u>4,301</u> |

15 FUNDS

| | Income £ | Expenditure £ | Other recognised gains/(losses) £ | Balance at 5 April 2021 £ |
|---------------------------|----------------|------------------|--|---------------------------------|
| Unrestricted funds | | | | |
| General | <u>713,702</u> | <u>(16,501)</u> | <u>134,955</u> | <u>832,156</u> |

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted funds General £ | Total funds at 5 April 2021 £ |
|-------------------------|---------------------------------------|--|
| Fixed asset investments | 765,323 | 765,323 |
| Current assets | 71,134 | 71,134 |
| Current liabilities | <u>(4,301)</u> | <u>(4,301)</u> |
| Total net assets | <u>832,156</u> | <u>832,156</u> |

17 ANALYSIS OF NET FUNDS

| | At 28 November 2019 £ | Financing cash flows £ | At 5 April 2021 £ |
|--------------------------|--------------------------------|------------------------------|-------------------------|
| Cash at bank and in hand | <u>-</u> | <u>71,134</u> | <u>71,134</u> |
| Net debt | <u>-</u> | <u>71,134</u> | <u>71,134</u> |

18 RELATED PARTY TRANSACTIONS

There were no related party transactions in the period.

THE TERN TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 28 NOVEMBER 2019 TO 5 APRIL 2021 (CONTINUED)

19 COVID-19

The main impact of the COVID-19 pandemic was seen in March 2020 and continued throughout the financial period. The trustees have considered the impact of the pandemic on the charity and have addressed these areas.