

**THE BARING FOUNDATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Company number 950696
Charity number 258583**

THE BARING FOUNDATION

CONTENTS

	Page
Trustees' Report	1 - 7
Independent Auditor's Report	8 - 10
Statement of Financial Activities	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Financial Statements	14 - 23

**THE BARING FOUNDATION
TRUSTEES' ANNUAL REPORT**

Status	The organisation is a charitable company limited by guarantee, incorporated on 25 March 1969 and registered as a charity on 31 July 1969.	
Governing Document	The company was established under a memorandum of association which established the objects and powers of the charitable company and is governed by its articles of association.	
Company Number	950696	
Charity Number	258583	
Registered Office and Operational Address	8-10 Moorgate London EC2R 6DA	
Honorary officers	Lucy de Groot Shauneen Lambe David Elliott David Cutler	Chair Vice Chair Treasurer Secretary
Principal Staff	David Cutler David Sampson	Director Deputy Director
Bankers	Royal Bank of Scotland Bolton Customer Services P.O. Box 2027 Parklands De Havilland Way Bolton BL6 4YU	
Solicitors	Bates Wells & Braithwaite 10 Queen Street Place London EC4R 1BE	
Auditors	Haysmacintyre LLP Chartered Accountants and Statutory Auditors 10 Queen Street Place London EC4R 1AG	
Investment Managers	Baillie Gifford & Co. Calton Square 1 Greenside Row Edinburgh EH1 3AN	Charities Property Fund Savills Investment Management 33 Margaret Street London W1G 0JD

THE BARING FOUNDATION TRUSTEES' ANNUAL REPORT

The trustees present their report and the audited financial statements for the year ended 31 December 2020. The trustees who served during the year and up to the date of this report were as follows:

Asif Afridi (from June 2020)	Shauneen Lambe
Victoria Amedume	Francois Matarasso
Dr Rob Berkeley MBE	Janet Morrison OBE (until June 2020)
Lucy de Groot CBE	Jillian Popkins (from June 2020)
David Elliott	Rhys Pullen
Andrew Hind CB	Marie Staunton CBE (until June 2020)
James Jenkins	Sam Thorne
Poonam Joshi	Emebet Wuhib-Mutungu

Reference and administrative information set out on page one forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice, Accounting and Reporting by Charities (Second Edition, effective 1 January 2019), and the Companies Act 2006.

Purpose and values

The Baring Foundation was set up in 1969. It is a registered charity and company limited by guarantee governed by its memorandum and articles of association. It may use its capital and income to make grants "to such charities or for such charitable purposes" as trustees determine. The Foundation derives its income from a diversified investment portfolio.

The following purpose and values statement was adopted by trustees in December 2018:

We are an independent foundation which protects and advances human rights and promotes inclusion. We believe in the role of a strong, independent civil society nationally and internationally. We use our resources to enable civil society to work with people experiencing discrimination and disadvantage and to act strategically to tackle the root causes of injustice and inequality.

- We seek to build positive, purposeful partnerships with grant recipients, grantmakers and others in order to work together for socially just change.
- We use our funds to strengthen civil society, responding creatively, flexibly and pragmatically.
- We add value to our work by encouraging the development and communication of knowledge and evidence.
- We aim to be as accessible as possible within clear programme guidelines, treating grant-seekers and grant recipients with courtesy and respect.
- We help to create enduring change both in the lives of those served by the work we are funding and by building the capacity of organisations to become more sustainable and resilient. The UN Sustainable Development Goals (SDGs) provide a framework for our work.
- We believe in the importance of 'speaking truth to power' and use the independence and influence we have to amplify the views of civil society and the people it serves.

Structure, governance and management

The trustees of the charity are members of the Board of the Foundation and are directors under the Companies Act 2006. The current members appoint new trustees. Every three years trustees retire from office at the AGM but are eligible for re-election, currently subject to a maximum term of 12 years.

At the Board and AGM in June 2020 Asif Afridi and Jillian Popkins were elected as Members of the Board, Victoria Amedume, Lucy de Groot, Andrew Hind, James Jenkins, Poonam Joshi, Shauneen Lambe and Francois Matarasso retired by rotation and were re-elected as Members of the Board, Janet Morrison retired and Marie Staunton resigned from the Board.

Trustees invite suitably qualified and experienced people to consider nomination as a trustee. A trustees' skills audit is undertaken from time to time to identify ways in which the Board could be strengthened. On appointment trustees are given an induction pack and are offered one or more briefing meetings with the Director and/or Chair.

Trustees are responsible for all decisions on the Foundation's policy and grants. In 2020 the Board had seven subcommittees; three for grant programmes, Investment, Audit, Remuneration and Nominations.

All trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 5 to the accounts.

Trustees have carefully considered the Charity Governance Code, concluding that they satisfactorily comply with its advice overall though choosing to depart from it on two issues. Firstly, they retain a maximum board strength of 15 (rather than the recommended maximum of 12) as they believe the many different fields requiring expertise merit a larger board. Secondly, they retain an upper limit of 12 years tenure in renewable three year periods for trustees (rather than the recommended maximum of 9 years). This is due to the belief that the turnover on a large board is sufficient and the long time scale of our grant programmes and investment strategy benefits from this potential longevity.

The Foundation employs six staff who normally work from office accommodation in central London generously provided pro bono by ING Bank. However due to the pandemic all staff have been working remotely from home since mid-March 2020 using digital services provided by ING. This has allowed continuity of operations.

Objectives and activities

Overall the Foundation gave a greater sum of money in 2020 than at any time in the last two decades. In all a total of 161 new grants were agreed during the year to the value of £4,352,725 (see note 8). These included: 91 Arts and Mental Health programme grants totalling £942,000; 16 International Development grants totalling £1,719,215 and 54 Strengthening Civil Society programme grants totalling £1,691,510. Of the grants agreed during 2020, £2,948,846 had been paid by the end of the year; a further £741,270 was paid as a result of grant decisions made in previous years.

Our approach to grant making is bespoke to each grant programme and the opportunities which we see as available in each field. They change over time and will continue to evolve. This was especially true in 2020. In response to the pandemic the trustees quickly took three decisions. Firstly, all grantees were contacted and reassured that we would continue our pledged support and make this as flexible as possible. Secondly it was decided to continue to work within our established grant making themes. Lastly each theme was examined to make our funding as relevant as possible to the needs exposed by the pandemic.

The Arts programme focused on two groups of people who seemed to be bearing the brunt of the terrible pandemic; people living with mental health problems (our new programme starting in 2020) and older people, including those in care homes and those living with dementia (our legacy programme). Given the stresses placed on arts organisations in particular in this period, it was decided to try to make our grant making as simple and flexible as possible, reducing unsuccessful applications. We did this by making unrestricted grants of £8,000 or £12,000 to arts organisations specializing in offering creative opportunities to people living with mental health problems. This resulted in 87 grants mainly to small organisations and widely spread across the UK using a variety of art forms. Alongside this we made a small number of more strategic grants by invitation and published two reports, exploring a field which is new to us. The first, Creatively Minded attempted to map the field and the second, Creatively Minded and Young looked at provision for children and young people, which seems sparser than for adults.

We have a number of ongoing grants from our ten year focus on arts and older people up until the end of 2019. The portfolio of grants for this work stretches across the UK and in 2020 included a grant to set up a new sector support body in England hosted by Manchester Museums and called the Creative Ageing Development Agency. The response of the arts sector to the privations and threats that many older people were living under in the pandemic was humbling and we published a new report seeking to document this called Key Workers: Creative Ageing in Lockdown and After

Our International Programme since 2014 has focused on the rights of Lesbian Gay Bisexual Transgender and Intersex (LGBTI) people, especially women, in Africa. As usual the majority of our funding went directly to African civil society through our three regional partners in East, West and Southern Africa. Our partners have been working out at a local level how their funding can best respond to the context of the pandemic in each country where LGBTI people are in some instances further stigmatised or scapegoated. In anticipation of the role of the UK Government in leading an intergovernmental conference on LGBTI rights we commissioned a report Leading the Way: The Role of Global Britain in Safeguarding the Rights of Global LGBTI Communities. This argued that the UK should take a lead internationally by committing resources to these communities and we were delighted by the Government's enthusiastic response to this case.

Immediately before the March lockdown, trustees considered an independent evaluation of the first five years of the Strengthening Civil Society programme focusing on the use by civil society of the law as a tool for social change. This programme is supported by the Esmée Fairbairn Foundation and the Legal Education Foundation. It was decided to continue the programme framed as developing the legal literacy of the voluntary sector with a concentration on access to public law, geography and leadership.

However, in the short term our grantmaking needed to respond to the impact of the pandemic. It did this in two main ways. Current grantees were given modest grants to either respond to increased need for advice or direct organizational impacts such as needing new digital equipment. Beyond this 17 grants were made through open access funding to use the law to challenge government legislation concerning the public health crisis which might exacerbate discrimination. In addition to this funding the Foundation made other grants including in support of a multi-donor project for improved immigration advice called the Justice Together Initiative and grants to support additional work by voluntary organisations resultant from successful strategic litigation.

There were a number of discussions held by trustees in response to the Black Lives Matters protests in the summer. The Foundation took the view that these were an important call to action for society to take a more effective approach to longstanding and systemic racial injustice. After considering a number of options the Foundation agreed to prioritise its work on racial justice by ring fencing at least an additional £3 million from 2021 – 2025 for work within its current programme areas as well as an ongoing exploration as to how we can improve our grantmaking in this regard. This is over and beyond commitments we have already made in tackling racial discrimination.

Full details of the Foundation's programmes and of the grants agreed during 2020 are published on the Foundation's website (www.baringfoundation.org.uk) and are provided in the Report on Activities which has been published separately and reports on what the charity has achieved and the outcomes of its work.

Achievements and performance in the delivery of public benefit

The trustees have referred to the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

The Foundation has a broad social objective and employs a range of monitoring and evaluation techniques in an attempt to assess its impact. These range from a light touch self-assessment for a small grant to an independent expert assessment for large grants or programmes of grants. The results of all evaluations are reported to the trustees.

The trustees are satisfied from this information that the work funded by the Foundation remains highly in demand and serves important needs in strengthening voluntary organisations which support people experiencing discrimination and disadvantage.

In addition to the activities reported above, the Foundation seeks to be an engaged grantmaker by finding ways it can add value to the work of the organisations which it funds. The lessons derived through grantmaking are regarded as a major outcome in their own right. The Foundation frequently commissions or writes publications on areas relating to its grant programmes.

Financial review

The Trustees follow a total return strategy both for the management of the Foundation's investment portfolio and for determining the amount available each year to fund the grants programmes and meet expenses. This amount includes both income arising from the portfolio and an element of capital growth. The objective is to at least sustain the real value of grant distributions and the long-term real value of the investment fund. To that end we budget income each year on the basis of a distribution from the portfolio equal to a percentage of the rolling average value of the investment funds over the preceding 12 quarters. Since 2020 that percentage has been 3.77%. To meet our cash requirements our principal fund manager normally distributes 3.5% of the current value of the portfolio each year, in quarterly instalments, although, in recent years, including 2020, when markets have been exceptionally strong, we have occasionally waived an element of that distribution.

That was why income last year was marginally below the previous year despite the growth in the value of our investments. Expenditure, however, increased by 44% to some £5.4 million (2019 £3.586 million) reflecting, in particular, significantly increased grants awarded under the International and Strengthening Civil Society programmes. Grants disbursed during the year of £4.2 million were 80% higher than in 2019.

The increased expenditure was outweighed by the exceptional gains in the value of the investment portfolio which grew by more than £20 million over the calendar year, a return of 22.0%, well in excess of our long-term objective of 3.5% plus inflation. This represented a second consecutive year of substantial outperformance. 2020 was another remarkable period with a significant drawdown in global equity markets in the first quarter, followed up by a rapid and sustained recovery in most asset classes through the next three quarters. Equities led the way throughout the year with the MSCI World rising 12.6% and nearly all major equity markets posted positive returns, led by the U.S. and Emerging Markets. However, the main laggard was the FTSE All Share, which fell by nearly 10%, as it struggled to deal with pandemic-related shutdowns and Brexit-related concerns. During the last quarter of the year, with the announcement of effective vaccines against COVID-19 equity markets saw a shift in leadership with growth stocks faltering in favour of value stocks that had been hardest hit by the COVID-19 pandemic, which led to some recovery for the U.K. equity market. Over the year both gilts and corporate bonds posted high single digit returns as markets responded to unprecedented global stimulus measures by global central banks. In particular, strong stock selection within Global and U.K. equities again drove the overall portfolio's outperformance, with both allocations beating their benchmarks by 24.4% and 5.3% respectively. The outperformance within Global Equities was spearheaded by an outstanding period of outperformance by the Baillie Gifford Positive Change Fund. The portfolio also recorded outperformance from both the bond (since inception at end of first quarter) and property allocations as well. In light of this strong performance in 2020, the combined Baring Foundation portfolio continues to achieve its long-term objective over all longer-term rolling periods and has also performed strongly compared to the peer group average since inception.

During 2020 the asset allocation of the Baillie Gifford portfolio saw some rebalancing within the global equity exposure, with an increased exposure to more ESG-focused strategies, and the U.K. equity exposure was reduced in the last quarter of the year to increase our allocation to property. The bond exposure was also switched into the Sterling Aggregate Bond Fund at the end of the first quarter. Baillie Gifford currently manage around 89% of the funds, including both equity and fixed interest securities, and the Charities Property Fund around 10%, with the balance representing private equity less than 1%. The broad asset mix is expected to at least meet our long-term real return objective but we are prepared to tolerate a reasonably high level of volatility, given the long-term horizon of the portfolio and of the Foundation.

Net assets at the year-end were £120.0 million (2019: £102.7 million). Despite ongoing problems in controlling the COVID-19 virus in Europe and the U.S., markets have marked a positive start to 2021, as confidence builds that vaccination programmes will enable a path out of the crisis. In addition, there is optimism that a change of leadership in the White House will enable both a more globally co-ordinated recovery and accelerate positive climate-focused initiatives. The Foundation's portfolio continues to make good progress with continued outperformance from our managers. As at 31 May 2021, the total portfolio value was £120.9 million, which is 0.78% higher than the value at the balance sheet date, 31 December 2020.

Responsible Investment Policy

In March 2019 trustees updated their policy on responsible investment as follows:

We recognise that both our investment decisions and grant making have an impact on society and the environment. Consequently, we expect our investment managers to encourage the businesses in which they invest on our behalf, to make a positive contribution to environmental, social and governance (ESG) issues. We believe this approach will enable the Foundation to continue to generate attractive long term returns and provide liquidity for continuity of grant making in real terms. We will ask our investment managers to brief us regularly about the specific engagement initiatives they have undertaken with businesses in which they invest, aiming to ensure that ESG issues are handled in a way which aligns both with the purpose and values of the Foundation and our grant recipients. We will seek to use the UN Sustainable Development Goals (SDGs) as a framework for observing the impact of our investments.

Reserves Policy

The Foundation's reserves effectively correspond to its investment portfolio which is managed on a total return basis with the intention of providing an annual income that will enable the Foundation to at least maintain in perpetuity the real value of the annual grants it makes. To that end the aim is to achieve a minimum average annual return on investments of 3.5% plus RPI net of management fees. In addition to holding the major part of its investments in readily marketable quoted securities the Foundation aims to keep cash balances sufficient to meet short-term grant commitments and ongoing expenses. The Trustees consider that the current level of unrestricted funds of £120.0 million at 31 December 2020 meets this reserves policy.

Social investments

The Foundation holds a social investment in Charity Bank valued at £42,050 at 31 December 2020.

Plans

In 2021 the Foundation will fund work in three fields: LGBTI civil society in Africa and in the UK the use of the law by civil society for social change and arts and mental health. Within these themes the Foundation will respond flexibly to the effects of the Covid 19 pandemic. This will be through carefully listening to civil society working in these areas and assessing the complex and profound impacts of the virus on society, particularly on the most disadvantaged. In addition, the Foundation will spend at least a further £600,000 focusing on racial justice through our Arts and Strengthening Civil Society programmes.

Risk assessment

During the course of the year, the trustees considered the major risks to which the Foundation is exposed and the systems which it has to mitigate them.

The following areas of risk are considered most important:

- Failure to achieve programme goals;
- Failure to earn adequate returns from our investment portfolio.

The Foundation has policies, procedures and systems in place to address the identified risks.

Remuneration policy

The Foundation's policy is to provide remuneration that will attract and retain able and suitably qualified and experienced individuals who will effectively deliver the Foundation's objects and supplemented where appropriate by independent experts on a consultancy basis. As far as is practicable, salaries are set by reference to the median pay for comparable positions within the charitable sector. The pay of each member of staff is reviewed annually by a committee of Trustees having regard to the financial resources and commitments of the Foundation, the impact of inflation on the real value of pay, and any recommendations of the Director. We have as a Board taken note of NCVO's recommendations in their "Report of the Inquiry into Charity Senior Executive Pay and guidance for trustees in setting remuneration". Our commitment to transparency is shown in disclosing the remuneration of senior staff in full in this report.

Fundraising policy

The Foundation's income is from its investment portfolio and partnerships with other grant makers. No fundraising activity is carried out by the charity.

Statement of trustees' responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Foundation and of the incoming resources and application of resources, including the income and expenditure, of the Foundation 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 Foundation will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as the trustees are aware:

- there is no relevant audit information of which the Foundation's auditors are unaware; and

**THE BARING FOUNDATION
TRUSTEES' ANNUAL REPORT**

- the trustees have taken all necessary steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Foundation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 December 2020 was 14 (2019 – 14). The trustees are the members of the charity. This entitles them only to voting rights. The trustees have no beneficial interest in the charity.

Approved by the trustees on 22 June 2021 and signed on their behalf by

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Lucy de Groot CBE - Chair Date

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BARING FOUNDATION

Opinion

We have audited the financial statements of The Baring Foundation for the year ended 31 December 2020 which comprise the Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- . give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of the charitable company's net movement in funds, including the income and expenditure, for the year then ended; and
- . have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- . have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements 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 charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements 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 Trustees' Report (incorporating the strategic report). Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- . the information given in the Trustees' Report (incorporating the Director's and Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- . the strategic report and directors' report included within the Trustees' Report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BARING FOUNDATION

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (which incorporates the strategic report and directors' report).

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

- . adequate accounting records have not been kept by the charitable company; or
- . the charitable company financial statements are not in agreement with the accounting records and returns; or
- . certain disclosures of trustees' remuneration specified by law are not made; or
- . we have not received all the information and explanations we require for our audit; or
- . the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities statement set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company'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 group or the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Based on our understanding of the and the environment in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, data protection legislation and employment (including taxation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Charities Act 2011.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). Audit procedures performed by the engagement team included:

- . Inspecting correspondence with regulators and tax authorities;
- . Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- . Evaluating management's controls designed to prevent and detect irregularities;
- . Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- . Challenging assumptions and judgements made by management in their critical accounting estimates.

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF THE BARING FOUNDATION**

Use of our report

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

Siobhan Holmes (Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

Date:

THE BARING FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2020

		Restricted Funds £	Unrestricted Fund £	Total 2020 £	Total 2019 £
	Notes				
INCOME FROM:					
Donations					
- Contributions to programmes	2	408,000	-	408,000	415,000
- Donated services	3	-	78,334	78,334	81,184
Investments	4	-	1,742,741	1,742,741	1,834,195
Other		-	5,150	5,150	-
Total income		408,000	1,826,225	2,234,225	2,330,379
EXPENDITURE ON:					
Raising Funds					
Investment Management		-	494,991	494,991	482,788
Charitable Activities					
Strengthening Civil Society programme		400,000	1,538,629	1,938,629	1,343,113
Arts programme		-	1,109,974	1,109,974	984,555
International Development programme		-	1,746,436	1,746,436	607,478
Special initiative		-	-	-	15,337
Other charitable work		-	151,656	151,656	152,823
Total expenditure	5	400,000	5,041,686	5,441,686	3,586,094
Net income/(expenditure) before investment gains		8,000	(3,215,461)	(3,207,461)	(1,255,715)
Net gains on investments	10, 11	-	20,547,359	20,547,359	17,649,714
Net income and net movement in funds	17	8,000	17,331,898	17,339,898	16,393,999
Total funds brought forward		-	102,680,959	102,680,959	86,286,960
Total funds carried forward		8,000	120,012,857	120,020,857	102,680,959

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in note 16 to the financial statements.

The statement of financial activities includes the income generated by the assets held in the investment portfolio and the net gains or losses on those investments.

**BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Note	2020	2019
		£	£
FIXED ASSETS			
Investments	10	120,282,957	102,312,633
Social investments	11	42,050	42,750
		<u>120,325,007</u>	<u>102,355,383</u>
CURRENT ASSETS			
Cash at bank and on deposit		1,895,023	1,968,607
Debtors	12	100,000	15,000
		<u>1,995,023</u>	<u>1,983,607</u>
LIABILITIES			
Creditors: amounts due within one year	13	(1,743,742)	(1,005,629)
		<u></u>	<u></u>
NET CURRENT ASSETS		251,281	977,978
TOTAL ASSETS LESS CURRENT LIABILITIES		120,576,288	103,333,361
Creditors: amounts due after more than one year	14	(555,431)	(652,402)
		<u></u>	<u></u>
NET ASSETS	16	<u>120,020,857</u>	<u>102,680,959</u>
FUNDS	17		
Restricted funds		8,000	-
Unrestricted funds			
- Revaluation fund		60,553,735	42,091,885
- General funds		59,459,122	60,589,074
		<u></u>	<u></u>
Total funds		<u>120,020,857</u>	<u>102,680,959</u>

Approved by the trustees and signed on 22 June 2021 on their behalf by:

.....
Lucy de Groot CBE
Chair

.....
David Elliott
Treasurer

THE BARING FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2020

	2020	2019
	£	£
Cash used in operating activities	(4,394,060)	(2,672,003)
Cashflows from investing activities		
Dividends and interests	1,742,741	1,834,195
Purchase of investments	(37,632,500)	(20,937,199)
Proceeds from sale of investments	40,299,615	21,445,502
Net cash provided by investing activities	4,320,476	2,342,498
Change in cash and cash equivalents in the reporting period	(73,584)	(329,505)
Cash and cash equivalents at the beginning of the reporting period	1,968,607	2,298,112
Cash and cash equivalents at the end of the reporting period	1,895,023	1,968,607

NOTES TO THE CASH FLOW STATEMENT

	2020	2019
	£	£
Reconciliation of net expenditure to net cash outflow from operating activities		
Net income for the reporting period	17,339,898	16,393,999
(Increase) in debtors	(85,000)	(15,000)
Increase in creditors	641,142	432,907
Dividends and interest	(1,742,741)	(1,834,195)
(Gains) on investments	(20,547,359)	(17,649,714)
Net cash (used in) operating activities	(4,394,060)	(2,672,003)
Analysis of cash and cash equivalents		
Cash at bank and on deposit	1,895,023	1,968,607
	1,895,023	1,968,607

Changes in net debt	At 1 January	Cash Flows	At 31 December
	2020		2020
	£	£	£
Cash at bank and on deposit	1,968,607	(73,584)	1,895,023

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 **Principal Accounting Policies**

The principal accounting policies adopted, judgements, and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) **Basis of accounting**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice for Charities (Second Edition, effective 1 January 2019), and the Companies Act 2006.

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

(b) **Donations and donated services**

Income from donations is included in full in the statement of financial activities when receivable. Donated services and facilities are recognised as income where the benefit to the Foundation is quantifiable and measurable, and are valued at the estimated cost the Foundation would pay for an equivalent service or facility in the open market. Donated premises and facilities are received from ING Bank N.V. London Branch.

(c) **Investment income**

Income from investments is included in the financial statements when it becomes receivable.

(d) **Grants payable**

The full costs of grants are included in the statement of financial activities in the year in which they are approved. If grants that are approved during the year are payable by instalments or have not been paid, in part or in full, by the end of the year, any unpaid amounts are included as creditors in the balance sheet if the conditions attached to the grant are accepted by the beneficiary before the accounts are signed.

This policy reflects the Foundation's experience that it is highly probable that any further instalments will be paid as it is unlikely that circumstances will arise in which conditions attached to such grants are not met. The trustees consider that the Foundation has a constructive obligation in respect of such unpaid grants and therefore believe it prudent to treat these commitments as liabilities.

(e) **Other expenditure**

Support and governance costs consist of those office and administration costs which are not directly attributed to a grant programme. The majority of these are the estimated costs of the premises and facilities donated by ING Bank N.V. London Branch. (See note 1b)

Total support costs are allocated to the main grant programmes based on the estimated percentage of time spent by the staff on each activity. In 2020, on this basis, the support costs were apportioned as follows:

Governance	4%
Investment management	5%
Strengthening Civil Society programme	31%
Arts programme	22%
International Development programme	12%
Other charitable work	26%

(f) **Restricted funds**

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund together with a fair allocation of management and support costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. **Principal Accounting Policies (continued)**

(g) **Unrestricted funds**

Unrestricted funds are income receivable or generated for the objects of the charity.

(h) **Going concern**

Having considered the implications of Covid-19, the trustees consider that there are no material uncertainties regarding the charity's ability to continue as a going concern'

(i) **Critical accounting judgements and estimates**

In preparing these accounts, management has made judgements, estimates and assumptions that affect the application of the charity's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the accounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(j) **Debtors**

Short-term debtors are measured at transaction price, less any impairment.

(k) **Creditors**

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

(l) **Financial instruments**

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at their settlement value.

(m) **Redundancy and termination costs**

The charity recognises employee redundancy and termination costs in full on the date the redundancy or termination is confirmed.

(n) **Fixed asset investments**

Fixed asset investments are continuously revalued at bid price value and the value at the balance sheet date is the bid price value, as determined by the investment managers. The net gains or losses for the period are taken to the statement of financial activities.

(o) **Social investments**

Social investments are recognised at fair value. Any gains or losses are taken to the statement of financial activities

(p) **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the relevant rates of exchange ruling at the balance sheet date, or where appropriate, the rates of exchange fixed under the terms of the relevant transaction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. **Principal Accounting Policies (continued)**

(q) **Pension costs**

Staff from the Baring Foundation receive a pension from the ING UK Pension Fund. For historic reasons one of the staff was an admitted member of a defined benefit scheme. The liability of the scheme is with ING Bank N.V. and not the Baring Foundation.

The pension cost represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

2. **Contributions to programmes**

The Legal Education Foundation and the Esmee Fairbairn Foundation jointly funded the Strengthening Civil Society programme in 2020, each providing £200,000. Rayne Foundation £8,000 joint funding for reprinting of The Treasury of Arts Activities for Older People, due to be paid out in 2021.

3. **Donated Services**

	2020	2019
	£	£
Services donated by ING Bank NV:		
Premises and facilities	78,334	81,184
	<u>78,334</u>	<u>81,184</u>
	<u><u>78,334</u></u>	<u><u>81,184</u></u>

4. **Income from Investments**

	2020	2019
	£	£
Income from investments	1,740,149	1,828,993
Bank interest	2,592	5,202
	<u>1,742,741</u>	<u>1,834,195</u>
	<u><u>1,742,741</u></u>	<u><u>1,834,195</u></u>

THE BARING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Total Expenditure - 2020

	Investment Management	Strengthening Arts Civil Society programme	Arts Programme	International Programme	Special Initiative	Other charitable work	Governance	Support Costs	Total 2020
	£	£	£	£	£	£	£	£	£
Staff costs (note 7)	-	-	-	-	-	-	-	396,926	396,926
Grants payable (note 8)	-	1,691,510	942,000	1,659,215	-	-	-	-	4,292,725
Investment managers' fees	431,855	-	-	-	-	-	-	-	431,855
Auditors' remuneration (note 6)	-	-	-	-	-	-	12,000	-	12,000
Other support costs	-	68,521	40,844	16,340	-	-	-	148,647	274,352 *
Investment consultants' fees	33,828	-	-	-	-	-	-	-	33,828
	465,683	1,760,031	982,844	1,675,555	-	-	12,000	545,573	5,441,686
Allocated support costs	27,279	169,128	120,026	65,469	-	141,848	21,823	(545,573)	-
Allocated governance costs	2,029	9,470	7,103	5,412	-	9,809	(33,823)	-	-
Total expenditure	494,991	1,938,629	1,109,973	1,746,435	-	151,658 **	-	-	5,441,686

* Note £78,334 (2019: £81,184) of the £148,647 (2019: £174,923 "Other support costs" represents services donated by ING, as set out in note 2.

** This category includes a range of charitable activity outside of the administration of our main grant programmes, including aspects of financial administration.

THE BARING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5 a. Total Expenditure - 2019

	Investment Management	Strengthening Arts Civil Society programme	Arts Programme	International Programme	Special Initiative	Other charitable work	Governance	Support Costs	Total 2019
	£	£	£	£	£	£	£	£	£
Staff costs (note 7)	-	-	-	-	-	-	-	376,565	376,565
Grants payable (note 8)	-	1,090,485	756,484	520,000	15,000	-	-	-	2,381,969
Investment managers' fees	431,855	-	-	-	-	-	-	-	420,359
Auditors' remuneration (note 6)	-	-	-	-	-	-	11,640	-	11,640
Other support costs	-	72,231	99,667	15,907	-	-	-	174,923	291,367 *
Investment consultants' fees	32,831	-	-	-	-	-	-	-	32,831
	<u>453,189</u>	<u>1,162,716</u>	<u>856,151</u>	<u>535,907</u>	<u>15,000</u>		<u>11,640</u>	<u>551,488</u>	<u>3,586,094</u>
Allocated support costs	27,574	170,961	121,327	66,179	-	143,387	22,060	(551,488)	-
Allocated governance costs	2,022	9,436	7,077	5,392	337	9,436	(33,700)	-	-
Total expenditure	<u>482,786</u>	<u>1,343,113</u>	<u>984,555</u>	<u>607,478</u>	<u>15,337</u>	<u>152,823</u>	<u>-</u>	<u>-</u>	<u>3,586,094</u>

* Note £81,184 (2018: £76,039) of the £174,923 (2018: £196,899) "Other support costs" represents services donated by ING, as set out in note 2.

** This category includes a range of charitable activity outside of the administration of our main grant programmes, including aspects of financial administration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6 Net Expenditure for the Year

	2020	2019
	£	£
This is stated after charging:		
Trustees' reimbursed expenses	180	559
	<u> </u>	<u> </u>
Auditors' remuneration		
- for audit of the financial statements	12,000	11,640
- Other services	15,900	15,000
	<u> </u>	<u> </u>

Trustees' reimbursed expenses represent the reimbursement of travel and subsistence costs of £180 (2019: £559) relating to attendance at meetings. No trustees have been remunerated for their role.

7. Staff Costs and Numbers

	2020	2019
	£	£
Staff costs were as follows:		
Salaries and wages	315,865	299,491
Social security costs	34,962	32,978
Pension contributions	46,099	44,096
	<u> </u>	<u> </u>
	396,926	376,565
	<u> </u>	<u> </u>

Key management and salary pension

The following staff comprise key management and their remuneration is as follows:

£90,000 - £99,000 - David Cutler - Director salary £95,256 (2019: £93,437), employer's NI £11,939 (2019: £11,711) and pension £16,670 (2019: £16,352).

£60,000 - £69,999 - David Sampson - Deputy Director salary (4.5 days per week) £65,203 (2019: £63,958), employer's NI £7,738 (2019: £7,437) and pension £8,150 (2019: £7,995).

The average number of staff during the year was: 6 (2019: 6).

The number of staff earning over £60,000 in the year was 2 (2019: 2).

8. Grants Payable

	2020	2019
	£	£
The grants payable figure in 2020 comprises:		
Grants made in the year	4,352,725	2,399,189
Grants cancelled/written back	(60,000)	(17,220)
	<u> </u>	<u> </u>
	4,292,725	2,381,969
	<u> </u>	<u> </u>

All grants were made to institutions.

There is a full list of the grants made during the year on the Baring Foundation's website (www.baringfoundation.org.uk) and this will be listed in the Report on Activities.

9. Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

THE BARING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Investments	2020	2019
	£	£
Market value of investments at 1 January 2020	102,312,633	85,173,072
Disposals at market value	(40,299,615)	(21,445,502)
Additions at cost	37,721,880	20,937,199
Net gain on investments	20,548,059	17,647,864
	<u>120,282,957</u>	<u>102,312,633</u>
Market value of investments at 31 December 2020	<u>120,282,957</u>	<u>102,312,633</u>
	<u>76,525,282</u>	<u>68,616,701</u>
Historical cost of investments at 31 December 2020	<u>76,525,282</u>	<u>68,616,701</u>
Investments comprise	Pooled Funds	2020
	£	£
UK	120,259,907	120,259,907
Non UK	23,050	23,050
	<u>120,282,957</u>	<u>120,282,957</u>
	<u>120,282,957</u>	<u>120,282,957</u>
	Pooled Funds	2019
	£	£
UK	102,234,576	102,234,576
Non UK	78,057	78,057
	<u>102,312,633</u>	<u>102,312,633</u>
	<u>102,312,633</u>	<u>102,312,633</u>
11. Social Investments	2020	2019
	£	£
Opening carrying value	42,750	40,900
Net gain on investments	(700)	1,850
	<u>42,050</u>	<u>42,750</u>
Closing carrying value	<u>42,050</u>	<u>42,750</u>
Held as:		
Investments	42,050	42,750
£42,050 is invested with Charity Bank. Charity Bank provides loans to charities, social enterprises and community organisations to facilitate social change whilst earning a financial return.		
12. Other Debtors and Accrued Income	2020	2019
	£	£
Accrued contributions to programmes and income in investment funds	<u>100,000</u>	<u>15,000</u>

THE BARING FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Creditors: Amounts due within one year

	2020	2019
	£	£
Grants authorised but not yet paid	1,590,970	871,390
Other creditors	152,772	134,239
	<u>1,743,742</u>	<u>1,005,629</u>

14. Creditors: Amounts due after more than one year

	2020	2019
	£	£
1-2 years - grants authorised but not yet paid	555,431	652,402
	<u>555,431</u>	<u>652,402</u>

15. Related party transactions

As is usual in a grantmaking foundation, a number of the trustees and senior staff of the Baring Foundation are involved in other charities, either as staff or volunteers. The charity holds a record of all conflicts of interest, which are also declared at the beginning of each trustee meeting. Where trustees have a conflict of interest in a grant decision they are not involved in the decision and leave the meeting for the discussion. A grant of £25,656 was awarded to the charity Just For Kids Law in the year, which the Baring Foundation trustee Shauneen Lambe is also connected to. The trustee declared their interest and left the meeting prior to the decision to award the grant.

In 2018 the Foundation and New Philanthropy Capital agreed a contract for New Philanthropy Capital to act as its Learning Partner. The contract was for £30,000 per annum renewable on an annual basis until 2020. Lucy de Groot is a Trustee of New Philanthropy Capital and did not participate in this decision.

16. Analysis of Net Assets Between Funds - 2020

	Restricted Fund £	Revaluation Fund £	General Fund £	Total 2020 £
Investments	-	60,553,735	59,771,272	120,325,007
Net current assets	8,000	-	243,281	251,281
Creditors: amounts due after more than one year	-	-	(555,431)	(555,431)
Net assets at the end of the year	8,000	60,553,735	59,459,122	120,020,857

Analysis of Net Assets Between Funds - 2019

	Restricted Fund £	Revaluation Fund £	General Fund £	Total 2019 £
Investments	-	42,091,885	60,263,498	102,355,383
Net current assets	-	-	977,977	977,978
Creditors: amounts due after more than one year	-	-	(652,402)	(652,402)
Net assets at the end of the year	-	42,091,885	60,589,074	102,680,959

17. Net Movement in Funds - 2020

	At the start of the year £	Income £	Expenditure/ gains on investments £	At the end of the year £
Restricted funds				
Strengthening Civil Society	-	400,000	(400,000)	-
Treasury of arts activities for older people				
2nd addition (Rayne Foundation)	-	8,000	-	8,000
Total restricted funds	-	408,000	(400,000)	8,000
Unrestricted funds				
Revaluation reserve	42,091,885	-	18,461,850	60,553,735
General funds	60,589,074	1,834,225	(2,964,177)	59,459,122
Total unrestricted funds	102,680,959	1,834,225	15,497,673	120,012,857
Total funds	102,680,959	2,242,225	15,190,477	120,020,857

The revaluation reserve represents the difference between the historical cost of investments and their current market value.

18 Net Movement in Funds - 2019

	At the start of the year	Income	Expenditure/ losses on investments	At the end of the year
	£	£	£	£
Restricted funds				
The Independent Inquiry into the Future of Civil Society	-	400,000	(400,000)	-
Arts Programme	-	15,000	(15,000)	-
Total restricted funds	-	415,000	(415,000)	-
Unrestricted funds				
Revaluation reserve	26,639,082	-	15,452,803	42,091,885
General funds	59,647,879	1,915,379	(932,749)	60,589,074
Total unrestricted funds	86,286,960	1,915,379	14,478,620	102,680,959
Total funds	86,286,960	2,330,379	14,063,620	102,680,959