

ZEPHYR CHARITABLE TRUST

Annual Report and Financial Statements

Year-ended 5 April 2021

REPORT AND FINANCIAL STATEMENTS 2021
CONTENTS

Legal and administrative information	I
Annual Report of the Trustees	2
Independent Examiner’s report	6
Statement of Financial Activities	7
Balance Sheet	8
Notes to the Financial Statements	9

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

Elizabeth Breeze (Chair)
David Baldock
Donald Watson
Marigo Harries

Trust Administrator

Luminary Finance LLP
PO Box 135
Longfield
DA3 8WF

and this is also the registered address of the Trust.

Independent Examiner

Warner Wilde Ltd
4 Marigold Drive
Bisley
GU24 9SF

Investment adviser

Rathbone Greenbank Investments
Rathbone Investment Management Ltd
Port of Liverpool Building
Pier Head
Liverpool
L3 1NW

Banker

CAF Bank Ltd
25 Kings Hill Avenue
West Malling
ME19 4JQ

ANNUAL REPORT OF THE TRUSTEES

The Trustees of the Zephyr Charitable Trust present their annual report covering the Trust's activities for the year ended 5 April 2021.

History and Objectives

The Trust was established under a Deed of Trust dated 5 April 1991. It is a registered charity, number 1003234.

The objects are to apply both income and capital for or towards such charitable purposes and to make such donations to such charitable institution or institutions at such time or times and in such manner as the Trustees may in their absolute discretion think fit. There is no defined beneficial area.

Management and Governance

The names of the Trustees who have acted during the year are set out on page 1. The Settlor, Elizabeth Breeze, acts as the Chair of the Trustees. There are no term limits on the tenure of Trustees or of the chairship. All Trustees give their time freely; no remuneration is paid.

New Trustees are chosen by the Settlor. Trustees can be appointed at any time subject to a maximum of 8. Appointment requires a resolution at a Trustee meeting signed by the Chairman and one other attendee. Trustees are able to receive such training as is appropriate.

Trustees are required to disclose all relevant interests which are then held in a central register. In accordance with the Trust's policy, they are required to withdraw from any decision where a potential conflict of interest arises.

The notes to the financial statements disclose details of related party transactions (note 8.)

The Trustees meet at least once a year, usually in July, to approve the previous year's accounts and reporting, and to plan their grant-making for the coming year.

Luminary Finance LLP is engaged as the Trust Administrator, to support the Trustees and the day-to-day administration of the Trust's affairs.

The Trust is a member of the Association of Charitable Foundations ('ACF'). The ACF provides helpful information on good practice and changes in the law affecting charities. It also acts as an authoritative body to speak for charitable foundations with the government and regulators.

Policy & Procedures for Grant-Making

The Trust makes grants to charitable institutions to support objectives at the Trustees' discretion.

As the Trust is in the process of spending-out, grant-making is funded from a combination of income and capital.

The Trust's grant-making is targeted towards 3 areas:

- the protection and improvement of the environment
- enabling lower income communities to become self-sustaining
- providing support for those in need, particularly from medical conditions or social or financial disadvantage

The Trust does not have any geographical restriction on the ambit of its activities. It funds projects operating both in the UK and internationally.

The Trustees do not accept unsolicited applications for funding.

Public Benefit

The Trustees confirm that they have referred to the Charity Commission's guidance on public benefit when reviewing the Trust's objectives and activities.

The Trustees have made grants exclusively to UK-registered charities. As all UK-registered charities are required to operate for the public benefit, the Trustees are confident that the Trust operates for the public benefit.

ANNUAL REPORT OF THE TRUSTEES [Continued]

Achievements

During the year, grants were made to 15 different charities totalling £111,450. The largest grants made were to:

Pesticide Action Network UK's Pesticide-Free Towns campaign	£14,250
Action Village India	£10,000
Freedom From Torture	£15,000
Karuna Trust	£10,000
Sandema Educational Resource Centre	£18,000

The Trustees were able to support a range of very worthwhile smaller charities' projects. The circumstances also allowed the Trustees to award larger grants to some of the Trust's longstanding beneficiaries.

Financial Review

The financial statements have been drawn up under the historical cost convention as modified by the revaluation of investments. The statements have been prepared in accordance with the rules of the Trust, and the Statement of Recommended Practice ('SORP') 'Accounting and Reporting by Charities' applicable to charities preparing their accounts in accordance with FRS 102.

During the last year, there have not been any significant changes in the Trust's activities or the manner in which these activities have been carried out.

The investment income for the year was £37,556, which was a decrease of £6,840 compared to the previous year. Income is generally falling as the capital base is used to fund grants; there has also been some reduction in dividend income due to the financial impact of the COVID-19 pandemic.

Grants totalling £111,450 (2020 - £107,950) were made in the year. A summary is given in the Achievements section above and details are disclosed in note 3 of the financial statements.

In managing and administering the Trust, investment adviser's fees of £10,378 (2020 - £10,009), costs of grant-making of £1,500 (2020 - £420), and governance costs of £6,640 (2020 - £7,810) were incurred in the year.

Net investment gains of £320,449 were made on the Trust's investments in the year, comprised of £175 of net realised losses and £320,624 of net unrealised gains (2020 – net investment losses of £137,234, comprised of £5,037 of net realised gains and £142,271 of net unrealised losses.)

The overall surplus for the year of £228,037 was added to reserves brought forward from the previous year (2020 - £219,027 deficit deducted from reserves).

The Trust's funds at 5 April 2021 were £1,455,667 (2020 - £1,227,630)

Investment policy

Under the Deed of Trust the Trustees are empowered to apply money or invest in the purchase of or at interest upon the security of such shares, stocks, funds, securities, land, buildings, chattels or other investments or property of any nature and in any part of the world and whether involving liabilities or producing income or not as the Trustees shall in their absolute discretion think fit to the intent that the Trustees shall have the same powers in all respects as if they were absolute owners beneficially entitled.

In keeping with their objectives, the Trustees are mindful of ethical criteria when considering how to invest monies.

The Trust's investment portfolio is professionally managed by their investment adviser, Rathbones Greenbank, on a discretionary basis.

The investment adviser operates under a written mandate, the Trustees' Statement of Investment Principles, which is reviewed regularly. The Trustees seek a diversified portfolio that does not take undue risk.

The benchmarks used when evaluating financial performance are:

- the MSCI PIMFA Growth index, to compare performance relative to markets
- the ARC Charity Steady Growth index, to compare performance relative to a sample of peers; and
- CPI +3%, as a proxy to compare absolute performance against the mandate objective

In the year to 5 April 2021, the Trust's portfolio reported:

- a total return before fees of 30.1%. This compares to 32.2% for the market benchmark; and

ANNUAL REPORT OF THE TRUSTEES [Continued]

- a total return net of fees of 29.2%. This compares to 27.7% for the peer benchmark.

Over the last 10 years, the Trust's portfolio has significantly exceeded the long-term mandate objective.

The investments of the Trust are held at Rathbones Nominees Ltd, the Trust's investment adviser's custodian.

Designated funds

Designated funds are amounts that have been put aside out of unrestricted funds at the discretion of the Trustees for particular purposes. The designation is for administrative purposes only and does not legally restrict the Trustees' discretion to apply the funds. The Trustees have created the following designated fund:

Investment fund

To provide the funds necessary to support the Trust's charitable activities requires a significant capital base. The designated Investment fund comprises the government stocks and other listed investments held in the Trust's investment portfolio.

Details of the movements in funds are set out in note 6 of the financial statements.

Reserves policy

The Trustees' policy is to maintain free reserves of £2,000. This policy is formed with regard to the designated investment fund available, the nature of the Trust's operations and expenditure commitments, and experience of the requirement to draw on reserves. At 5 April 2021, the free reserves (general unrestricted funds) stood at £5,715. Grant-making plans take account of the surplus reserves.

Risk Management

The Trustees review the major risks which the Trust faces on a regular basis. Having regard to the Trust's organisation and activities, it is their view that the principal risks to which the Trust may be exposed are:

Financial constraints on the Trust's grant-making ability

The risk with the greatest impact would be a significant permanent loss in value of the Investment fund. Given the Trust is spending out and hence has a foreseeable time horizon to its activity, significant volatility in the value of the Investment fund could compromise the ability of the Trustees to plan and execute their capital grant plans. A significant and continuing reduction in the return from the portfolio would reduce the capacity to make regular grants. Were the return to consistently lag inflation, the burden of costs would increase.

The Trustees' investment policy should mean the risk with the greatest impact is very unlikely to transpire and the other risks are mitigated as far as practicable. Part of the Trustees' grant management policy, of not committing to future grants more than a year in advance, reduces the risk of not being able to meet a grant obligation. The ability to be flexible over timing can also mitigate the impact of volatility.

The Trustees believe that carefully balancing grant funding commitments and costs against available capital and projected achievable income, combined with regular dialogue with the Trust's investment adviser to monitor performance and review strategy, will provide sufficient resources to continue grant-making as planned.

The assets reflected on the Balance Sheet are available and adequate for the Trustees to fulfil the Trust's obligations. The Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future.

Effective grant-making

The Trustees dedicate time to understanding and reviewing the progress of the Trust's grant-making programmes to mitigate risks to effective grant-making. Care is taken in particular with the sequencing of the capital grant programmes so that adequate resource is available to manage these much larger projects. Further grants are only authorised and released when the Trustees are satisfied with the reporting and progress made.

Future Plans

The Trustees continue to pursue the objectives of the Trust via both its normal grant programmes ('subscriptions') and larger ('capital') grants, spending-out the Trust's capital as part of a phased process over several years. Eventually, the Trust will close once its capital base has been spent.

The Trust's circumstances are such that the COVID-19 pandemic has so far not necessitated changes to its strategy. Funding for its normal grant programmes has been and is being continued, in some cases with allowances on how grants are used and/or a temporarily increased grant due to the effects of the pandemic on the charity's work.

ANNUAL REPORT OF THE TRUSTEES [Continued]

However, there are cases where the effects of the pandemic have introduced significant uncertainty to a charity's ability to operate at all; these are being monitored carefully with a potential impact on when or even if the grant would be made.

Grants for the year ahead are authorised at the AGM. Further grants of up to £83,000 are currently envisaged in the next year to 'capital' grant programmes, subject to certain conditions and COVID-19-related uncertainty.

Trustees' responsibilities in relation to the financial statements

The Trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the 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.

Independent Examiner

The previous independent examiner's business merged with Warner Wilde Ltd post year-end. A resolution to appoint Warner Wilde Ltd as the Trust's independent examiner was passed at a General Meeting of the Trustees.

Approved by the Board and signed on its behalf by

Elizabeth Breeze
Trustee
24.01.22

INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF THE ZEPHYR CHARITABLE TRUST

We report on the accounts of the Trust for the year ended 5 April 2021 comprising the Statement of Financial Activities, the Balance Sheet and the related notes 1 to 10.

Respective responsibilities of trustees and examiner

The Trustees are responsible for the preparation of the accounts. The Trustees consider that an audit is not required for this year under section 144(1) of the Charities Act 2011 (the 2011 Act) and that an independent examination is needed.

We are qualified to undertake the examination as we are Chartered Certified Accountants.

It is our responsibility:

- to examine the accounts under section 145 of the 2011 Act;
- to follow the procedures laid down in the General Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- to state whether particular matters have come to our attention.

Basis of independent examiner's report

Our examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the Trust and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as Trustees concerning any such matters.

The procedures undertaken do not provide all evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a "true and fair view" and the report is limited to those matters set out in the statement below.

Independent examiner's statement

In connection with our examination, no matter has come to our attention:

- (1) which gives us reasonable cause to believe that in any material respect the requirements:
 - to keep accounting records in accordance with section 130 of the 2011 Act; and
 - to prepare accounts which accord with the accounting records and to comply with the accounting requirements of the 2011 Act
 have not been met; or
- (2) to which, in our opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Warner Wilde Ltd

Chartered Certified Accountants

Independent Examiner

Bisley

25.01.22

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 5 April 2021

	Note	2021 £	2020 £
Income from			
Investments	2	37,556	44,396
Expenditure on			
Raising funds - investment adviser's fees		10,378	10,009
Charitable activities	3	119,590	116,180
Total expenditure		129,968	126,189
Net (expenditure) before gains and losses on investments		(92,412)	(81,793)
Net gains/(losses) on investments	5	320,449	(137,234)
Net movement in funds		228,037	(219,027)
Total funds brought forward		1,227,630	1,446,657
Total funds carried-forward		1,455,667	1,227,630

There is no restricted income or expenditure.

All activities derive from continuing operations.

There was no recognised gain or loss other than as shown in the statement above.

BALANCE SHEET
As at 5 April 2021

	Note	2021 £	2020 £
Fixed Assets			
Investments	5	1,449,952	1,224,536
Current Assets			
Debtors – accrued income		2,365	3,768
Bank balances and deposits		6,460	2,030
		<u>8,825</u>	<u>5,798</u>
Liabilities			
Creditors: amounts falling due within 1 year – accrued expenditure		<u>(3,110)</u>	<u>(2,704)</u>
Net Current Assets		5,715	3,094
Net Assets		<u>1,455,667</u>	<u>1,227,630</u>
The funds of the charity			
Unrestricted designated investment fund		1,449,952	1,224,536
Unrestricted general fund		5,715	3,094
	6	<u>1,455,667</u>	<u>1,227,630</u>

Approved by the Board of Trustees and signed on its behalf by

Elizabeth Breeze
Trustee
12.01.22

David Baldock
Trustee
18.01.22

NOTES TO THE FINANCIAL STATEMENTS

Year ended 5 April 2021

I. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with:

- the Charities Act 2011;
- United Kingdom Generally Accepted Accounting Practice ('GAAP') as it applies from 1 January 2015, in particular the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'); and
- the Statement of Recommended Practice 'Accounting and Reporting by Charities' applicable to charities preparing their accounts in accordance with FRS 102 which was published in October 2019, and effective for periods commencing on or after 1 January 2019 ('Charities SORP FRS 102').

The financial statements have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Charities SORP FRS 102, rather than the equivalent effective from 1 April 2005 that has since been withdrawn.

The financial statements have been drawn up under the historical cost convention as modified by the revaluation of investments.

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

Fund accounting

Designated funds are amounts which have been put aside out of unrestricted funds.

The designated Investment fund represents the investments held in the Trust's investment portfolio. It provides the income and capital necessary to maintain the Trust's charitable activities.

General funds represent unrestricted income, which is expendable at the discretion of the Trustees in the furtherance of the objects of the Trust. Such funds may be held in order to finance both working capital and capital investments.

Income recognition

Income is recognised when receivable, which is when the conditions for receipt have been met, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

Expenditure recognition

All expenditure is accounted for on an accruals basis. Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Trust to that expenditure, it is probable that settlement will be required, and the amount of the obligation can be measured reliably.

The costs of charitable activities, as shown in note 3, comprise:

- grants made;
- costs of grant-making, being an apportionment of support costs based on the estimated value of time spent on grant-making matters; and
- Governance costs. These comprise all costs involving the public accountability of the Trust and its compliance with regulation and good practice. This includes the fee for the independent examination.

The costs of the Trust are allocated between costs of grant-making and governance as per note 4 below.

Expenditure includes the cost of irrecoverable VAT.

Investments

Listed investments are stated at closing middle market price immediately prior to the end of the financial year. All movements in value are shown in the Statement of Financial Activities. Realised and unrealised gains and losses are shown separately in the appropriate section of the Statement of Financial Activities.

NOTES TO THE FINANCIAL STATEMENTS [Continued]
Year ended 5 April 2021

2. Investment income

	2021 £	2020 £
Dividends and interest from quoted investments	37,556	44,387
Interest on deposits	-	9
	<u>37,556</u>	<u>44,396</u>

3. Charitable activities

	Note	2021 £	2020 £
<u>Grants to institutions</u>			
Action Village India		10,000	10,000
Crisis		4,000	3,000
Freedom From Torture		15,000	10,000
Friends of the Earth Trust		3,000	3,000
Intercare		5,000	5,000
Jessie's Fund *		7,700	5,000
Karuna Trust *		10,000	5,000
Margaret Pyke Trust		5,700	5,700
Missing People		3,000	5,000
Paddington Farm Trust		800	-
Pesticide Action Network UK		14,250	14,250
Practical Action		5,000	5,000
Quaker Social Action Group		3,000	3,000
Sandema Educational Resource Centre		18,000	2,000
Womankind		7,000	7,000
Farms for City Children		-	25,000
		<u>111,450</u>	<u>107,950</u>
<u>Support costs</u>			
Costs of grant making	4	1,500	420
Governance costs	4	6,640	7,810
		<u>119,590</u>	<u>116,180</u>

* denotes where 2 separate grants were given this year, to support separate projects. The amount shown is the total given to that charity in the year.

4. Support costs

	Basis of apportionment	Costs of grant making		Governance	
		2021 £	2020 £	2021 £	2020 £
Administrator's fees	Time spent	1,500	420	5,820	6,780
Independent Examiner's fees	All Governance	-	-	500	500
Professional subscriptions	All Governance	-	-	250	470
Bank charges	Actual costs	-	-	70	60
		<u>1,500</u>	<u>420</u>	<u>6,640</u>	<u>7,810</u>

NOTES TO THE FINANCIAL STATEMENTS [Continued]**Year ended 5 April 2021****4. Support costs [Continued]**

The Trustees, as listed on page 1, volunteer their time freely. They did not receive any emoluments or expenses during the year or the preceding year.

The Trust has no other volunteers and no employees (2020 - none).

5. Investments

	2021 £	2020 £
<u>Quoted Investments</u>		
Market value at the start of the year	1,171,888	1,394,164
Additions	1,069	101,347
Disposals	(120,670)	(186,389)
Net realised investment (losses)/gains	(175)	5,037
Net unrealised investment gains/(losses)	320,624	(142,271)
	<hr/>	<hr/>
Market value at the end of the year	1,372,736	1,171,888
Uninvested cash	77,216	52,648
	<hr/>	<hr/>
	<u>1,449,952</u>	<u>1,224,536</u>

The market value of the investments at the year-end was divided as follows:

	2021 £	2020 £	2021 %	2020 %
UK government bonds	57,316	122,431	4.2	10.5
UK corporate bonds	17,813	16,066	1.3	1.4
UK equities	862,553	664,179	62.8	56.7
UK investment trusts	-	30,600	-	2.6
Non-UK investment funds	307,806	189,074	22.4	16.1
Infrastructure funds	127,248	97,554	9.3	8.3
Property funds	-	51,984	-	4.4
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,372,736</u>	<u>1,171,888</u>	<u>100.0</u>	<u>100.0</u>

The book cost of the investments at 5 April 2021 was £845,008 (2020 - £965,007).

There were 3 disposals during the year, in aggregate producing a net loss of £175.

At 5 April 2021, there were 4 holdings in the portfolio which exceeded 5% of the total portfolio value:

- In Halma Plc, valued at £85,330 (5.9%)
- In Spirax-Sarco Engineering Plc, valued at £80,666 (5.6%)
- In the BMO Responsible Global Equity fund, valued at £73,320 (5.1%); and
- In the Janus Henderson Global Sustainable Equity fund, valued at £74,475 (5.1%)

NOTES TO THE FINANCIAL STATEMENTS [Continued]
Year ended 5 April 2021

6. Statement of movements on unrestricted funds

Designation	Balance at 6 April 2020 £	Income £	Transfers £	Expenditure £	Gains/ (losses) £	Balance at 5 April 2021 £
Investment fund	1,224,536	37,556	(122,211)	(10,378)	320,449	1,449,952
General fund	3,094	-	122,211	(119,590)	-	5,715
Unrestricted funds	<u>1,227,630</u>	<u>37,556</u>	<u>-</u>	<u>(129,968)</u>	<u>320,449</u>	<u>1,455,667</u>

Transfers are principally the movement of cash from the Investment fund to the General fund, from where it provides the resources for the expenditure on charitable activities.

In 2020 the movements were as follows:

Designation	Balance at 6 April 2019 £	Income £	Transfers £	Expenditure £	Gains/ (losses) £	Balance at 5 April 2020 £
Investment fund	1,436,076	44,396	(108,693)	(10,009)	(137,234)	1,224,536
General fund	10,581	-	108,693	(116,180)	-	3,094
Unrestricted funds	<u>1,446,657</u>	<u>44,396</u>	<u>-</u>	<u>(126,189)</u>	<u>(137,234)</u>	<u>1,227,630</u>

7. Taxation

Zephyr Charitable Trust is a registered charity and as such is exempt from tax on income and gains falling within Part 10 Income Tax Act 2007 and Section 256 Taxation of Chargeable Gains Act 1992 respectively, to the extent that they are applied to its charitable objectives.

8. Related parties

Luminary Finance LLP is a related party of the Trust by virtue of the family relationship between a Member of the firm and two of the Trustees. It provides administration services to the Trust on an arm's length basis under a standard letter of engagement and terms of business. The Administration costs included in note 4 above include £7,320 inc VAT of trust administration services provided by Luminary Finance LLP in the year (2020 - £7,200 inc VAT).

9. Going concern

The Trustees consider that there is no material uncertainty about the Trust's ability to continue as a going concern.

10. Statutory Information

The Trust operates under a charitable trust deed and is a charity registered with the Charity Commission in England and Wales, number 1003234. Its registered address is PO Box 135, Longfield, DA3 8WF.