

ZEPHYR CHARITABLE TRUST

Annual Report and Financial Statements

5 April 2016

REPORT AND FINANCIAL STATEMENTS 2016

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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

Mary Wallbank DChA, FCA, FCIE
Charity Management Services
18 Park Road
Chandlers Ford
Eastleigh
SO53 2EU

Investment advisors

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

Bankers

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

ANNUAL REPORT OF THE TRUSTEES

The Trustees of the Zephyr Charitable Trust ("the Trust") present their annual report covering the Trust's activities for the year ended 5 April 2016.

History and Objectives

The Trust was established under a Deed of Trust dated 5 April 1991. The charity's registered number is 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 acts as the Chair of the Trustees. There are no term limits on the tenure of Trustees or of the chairmanship. All Trustees give their time freely; no remuneration is paid.

New Trustees are chosen by the Settlor, Elizabeth Breeze. 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 held in a central register. In accordance with the Trust's policy, they are required to withdraw from decisions where a 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 consider and approve the previous year's accounts and to formulate and plan their grant-making policies and activities for the coming year.

Luminary Finance LLP is engaged as the Trust Administrator, to handle the day-to-day administration of the Trust.

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

Policy & Procedures for Grant-Making

The Trust supports, by subscriptions and donations, charitable institutions and objectives at the Trustees' discretion.

As the Trust is spending-out its capital, grant-making may be funded from either income or the capital base.

The policy of the Trustees is to allocate the bulk of the Trust's available income to grant-making by way of annual subscriptions.

The objectives of the grants funded from the capital base remain the same as for grants from income, save that they are likely to be larger and hence a greater impact is sought. The timing of these 'capital' grants is also less regular as they are made in response to the progress of the specific project.

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

1. enabling lower income communities to become self-sustaining
2. the protection and improvement of the environment
3. providing relief and 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 specific projects operating both in the UK and internationally.

The Trust does not accept unsolicited applications for funding.

Public Benefit

The Trustees confirm that they have referred to the guidance contained within the Charity Commission's general 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 charitable grants were made to 15 different charities totalling £110,400. The largest grants made were to:

	£
Pesticide Action Network – campaign for pesticide-free towns and cities	50,000
Survival International – communicating with tribal communities	25,000
Intercare	4,000
Practical Action	4,000
Freedom From Torture	3,330
Jessie's Fund	3,000
Karuna Trust	3,000

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 'Accounting and Reporting by Charities' applicable to charities preparing their accounts in accordance with FRS 102, which was published in July 2014.

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 £66,511 which was a decrease of £3,788 compared to the previous year.

Grants totalling £110,400 (2015 - £47,400) 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 advisers' fees of £12,682 (2015 - £12,726), governance costs of £6,493 (2015 - £7,109) and costs of grant-making of £570 (2015 - £420) were incurred in the year.

Investment losses were made on the Trust's investments of £106,739 (2015 - £149,830 gains). These were comprised of £20,076 of realised losses (2015 - £53 realised losses) and £86,663 of unrealised losses (2015 - £149,883 unrealised gains).

The overall deficit for the year of £170,373 was deducted from reserves brought forward from the previous year (2015 - £152,474 surplus added to reserves).

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 advisers, Rathbones Greenbank, on a discretionary basis. The investment advisers operate under a written mandate, the Trustees' Statement of Investment Principles, which is reviewed regularly. The Trustees seek a diversified portfolio which does not take undue risk. Given the plans to spend out, capital preservation and stability are prioritised. Subject to this and acknowledging the impact of spending-out, the long term objective is to maintain or increase the real terms value of the investments and annual income.

The investment managers report against a bespoke composite benchmark of total return before fees. The benchmark is constructed as the weighted-average performance of representative indices for each asset class held, where the weighting is determined by the Trust's strategic asset allocation. During the year, the investment portfolio performed similarly to the benchmark, both falling by 2.1%.

ANNUAL REPORT OF THE TRUSTEES [Continued]

The investments of the Trust are held at Rathbones Nominees Ltd or Bank of New York Mellon, which are the appropriate custodians of the Trust's investment advisors.

Reserves policy

The Trustees' policy is to maintain free reserves (general unrestricted funds) 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 2016 reserves stood at £15,336. Grant-making plans take account of the surplus reserves.

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 income necessary to support the Trust's charitable activities, the charity requires a significant capital base. The Trustees have maintained an active investment policy in order to provide a degree of stability and certainty in income and capital levels. In these circumstances, the Trustees have created a designated Investment fund that represents the government stocks and other listed investments held in the charity's investment portfolio.

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

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 the view of the Trustees that the major risks to which the Trust may be exposed are largely financial in nature. These risks would most likely be manifested as constraints on the Trust's grant-making ability. The key financial risks are seen as: significant permanent losses in value within the Trust's investment fund; a significant reduction in income generated by the investments; and, over the longer term, were income and/or capital growth to lag the impact of inflation on costs.

They believe that maintaining free reserves at the levels indicated above, combined with regular meetings with the Trust's investment advisors to monitor performance and review strategy, and carefully balancing grant funding commitments and costs against projected achievable income and available capital, 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 obligations of the Charity. The Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future.

The Trustees dedicate time to understanding and reviewing the progress of the Trust's grant-making programmes (subscriptions) to mitigate risks to effective grant-making.

Future Plans

The Trustees continue to spend-out the Trust's capital as part of a phased process over several years. At 5 April 2016, two 'capital' grant programmes were in progress with approximately £200,000 of further grants currently envisaged in aggregate. The ground-breaking nature of the programmes means that exciting outcomes are possible, but the timing and pace of progress is hard to predict, and there is a risk of failure. The Trustees maintain regular dialogue with the relevant recipient charities to assess risk and progress. The release of further grants, including their timing and amount, is subject to Trustee assessments.

Eventually, the Trust will close once its capital base has been spent on grants. Meanwhile, the Trustees also intend to continue to use the annual income from the Investment fund to pursue the objectives of the Trust via grants.

Subscriptions for the coming year are authorised at the AGM. Practice shows that many charities have received consistent support for many years; the Trustees do not intend to depart from this approach in the near future (nonetheless noting that over time the funds available for such grants will inevitably reduce as the spend-out of capital depletes the investment fund.)

ANNUAL REPORT OF THE TRUSTEES [Continued]**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 presume that the charity will continue to operate.

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

A resolution to re-appoint Mary Wallbank as the charity's independent examiner was passed at the Annual General Meeting.

Approved by the Board and signed on its behalf by

Elizabeth Breeze
Trustee
24.10.16

**INDEPENDENT EXAMINERS' REPORT
TO THE TRUSTEES OF THE ZEPHYR CHARITABLE TRUST**

I report on the accounts of the Trust for the year ended 5 April 2016 comprising the Statement of Financial Activities, the Balance Sheet and the related notes 1 to 8.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of the accounts. The charity's 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.

I am qualified to undertake the examination by being a qualified member of the Institute of Chartered Accountants in England & Wales.

It is my 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 my attention.

Basis of independent examiner's report

My 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 charity 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 my examination, no matter has come to my attention:

- (1) which gives me 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 Acthave not been met; or
- (2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Mary Wallbank DChA, FCA, FCIE

Independent Examiner

Eastleigh, United Kingdom

04.11.16

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 5 April 2016

	Note	2016 £	2015 £
Income from			
Investments	2	66,511	70,299
Expenditure on			
Raising funds			
- Investment advisor's fee		12,682	12,726
Charitable activities	3	117,463	54,929
Total expenditure		130,145	67,655
Net (expenditure)/income before gains and losses on investments		(63,634)	2,644
Net (losses)/gains on investments	5	(106,739)	149,830
Net movement in funds		(170,373)	152,474
Total funds brought forward		1,892,174	1,739,700
Total funds carried-forward	6	1,721,801	1,892,174

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

All activities derive from continuing operations.

There is no restricted income or expenditure.

BALANCE SHEET
As at 5 April 2016

	Note	£	2016 £	£	2015 £
Fixed Assets					
Investments	5		1,706,465		1,862,830
Current Assets					
Debtors – accrued income		7,290		7,749	
Bank balances and deposits		11,694		25,553	
		<u>18,984</u>		<u>33,302</u>	
Liabilities					
Creditors: amounts falling due within 1 year – accrued expenditure		(3,648)		(3,958)	
		<u></u>		<u></u>	
Net Current Assets			15,336		29,344
			<u></u>		<u></u>
Net Assets			<u>1,721,801</u>		<u>1,892,174</u>
The funds of the charity					
Unrestricted income funds	6		<u>1,721,801</u>		<u>1,892,174</u>

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

Elizabeth Breeze
Trustee
24.10.16

David Baldock
Trustee
30.10.16

NOTES TO THE FINANCIAL STATEMENTS

Year ended 5 April 2016

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 July 2014 and effective for periods commencing on or after 1 January 2015 ('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 which has since been withdrawn.

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

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

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

Reconciliation with previous GAAP

New UK GAAP and a corresponding new SORP (as above) have been issued which apply for the first time to the preparation of this period's financial statements.

The Trustees consider that no restatement to comparative items or opening balances is required when applying the accounting policies required by FRS 102 and the Charities SORP FRS 102.

In accordance with the requirements of FRS 102, a reconciliation of net income for the year is provided with the net income under previous GAAP, adjusted for the presentation of investment gains as a component of reported income:

	2015 £
Net income as previously stated	2,644
Adjustment for gains on investments now treated as a component of net income	149,830
2015 net income as restated	<u>152,474</u>

Fund accounting

Designated funds are amounts which have been put aside out of unrestricted funds as follows:

Investment fund – to provide the income and capital necessary to maintain the Trust's charitable activities, the charity requires a significant capital base and the Trustees have maintained an active investment policy in order to provide a degree of stability and certainty in income and capital levels. In these circumstances, the Trustees have created a designated Investment Fund that represents the government stocks and other listed investments held in the charity's investment portfolio.

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

NOTES TO THE FINANCIAL STATEMENTS [Continued]
Year ended 5 April 2016

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 time spent on grant-making matters; and
- Governance costs. These comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. This includes the fee for the independent examination.

The costs of the charity 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 2016

2. INVESTMENT INCOME

	2016	2015
	£	£
Dividends (net) and interest (gross) from quoted investments	66,503	70,278
Interest on deposits (gross)	8	21
	<u>66,511</u>	<u>70,299</u>

3. CHARITABLE ACTIVITIES

	2016
	£
Grants	
Action Village India	1,500
Crisis	2,400
Freedom From Torture	3,300
Friends of the Earth Trust	2,800
Intercare	4,000
Jessie's Fund	3,000
Karuna Trust	3,000
Margaret Pyke Trust	2,000
Missing People	2,200
Pesticide Action Network	50,000
Practical Action	4,000
Quaker Social Action Group	2,200
Sandema Educational Resource Centre	2,500
Survival International	25,000
Womankind	2,500
	<u>110,400</u>
Total grants	110,400
Costs of grant making (note 4)	570
Governance costs (note 4)	6,493
	<u>117,463</u>
Total expenditure on charitable activities	<u>117,463</u>
All grants were made to institutions	

4. SUPPORT COSTS

		Costs of grant making		Governance	
	Basis of apportionment	2016	2015	2016	2015
		£	£	£	£
Administrator's fees	Time spent	570	420	5,826	6,300
Independent Examiner's fees	All Governance	-	-	600	600
Professional subscriptions	All Governance	-	-	95	160
Bank charges	Actual costs	-	-	-28	28
Other	Actual costs	-	-	-	21
		<u>570</u>	<u>420</u>	<u>6,493</u>	<u>7,109</u>

The Trustees, as listed on page 1, did not receive any emoluments or expenses during the year or the preceding year. The Trust has no employees (2015: None).

NOTES TO THE FINANCIAL STATEMENTS [Continued]
Year ended 5 April 2016

5. INVESTMENTS

	2016	2015
	£	£
Quoted Investments		
Market value at the start of the year	1,803,992	1,638,247
Additions	125,380	105,010
Disposals	(148,449)	(89,095)
Net realised investment (losses)/gains	(20,076)	(53)
Net unrealised investment gains	(86,663)	149,883
	<hr/>	<hr/>
Market value at the end of the year	1,674,184	1,803,992
Uninvested cash	32,281	58,838
	<hr/>	<hr/>
	<u>1,706,465</u>	<u>1,862,830</u>

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

	2016	2015	2016	2015
	£	£	%	%
UK Government Bonds	228,583	279,566	13.6	15.5%
Multinational Government Bond funds	-	22,091	-	1.2%
UK Corporate Bonds	45,108	47,243	2.7	2.6%
UK Equities	1,204,442	1,278,786	71.9	70.9%
UK Investment Trusts	14,663	15,563	0.9	0.9%
Overseas investment funds	47,964	47,663	2.9	2.6%
Infrastructure funds	84,730	67,675	5.1	3.8%
UK Property funds	48,694	45,405	2.9	2.5%
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,674,184</u>	<u>1,803,992</u>	<u>100.0</u>	<u>100.0</u>

The book cost of the investments at 5 April 2016 was £1,264,705 (2015: £1,268,170).

There were 5 disposals during the year producing a net loss of £20,076.

There is no investment in the portfolio which exceeds 5% of the total portfolio value.

NOTES TO THE FINANCIAL STATEMENTS [Continued]
Year ended 5 April 2016

6. STATEMENT OF MOVEMENTS ON UNRESTRICTED FUNDS

	Balance at 6 April 2015 £	Income £	Expenditure, gains and losses £	Transfers £	Balance at 5 April 2016 £
<i>Designated fund</i>					
Investment fund	1,862,830	-	-	(156,365)	1,706,465
General fund	29,344	66,511	(236,884)	156,365	15,336
Total unrestricted funds	<u>1,892,174</u>	<u>66,511</u>	<u>(236,884)</u>	<u>-</u>	<u>1,721,801</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 two of the Trustees and a Member of the firm. Luminary Finance LLP 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 £6,396 inc VAT of trust administration services provided by Luminary Finance LLP in the year (2015 - £6,720 inc VAT). The balance due to Luminary Finance LLP at the end of the year was £nil (2015 - £nil).