

THE BARING FOUNDATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Company number: 950696
Charity number: 258583

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THE BARING FOUNDATION

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2016

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	Janet Morrison Katherine Garrett-Cox CBE David Elliott David Cutler	Chair Vice Chair Treasurer Secretary
Principal staff	David Cutler David Sampson	Director Deputy Director
Principal bankers	Royal Bank of Scotland Bolton Customer Services P.O. Box 2027 Parklands De Havilland Way Bolton BL6 4YU	
Solicitors	Bates Wells & Braithwaite Cheapside House 138 Cheapside London EC2V 6BB	
Auditors	haysmacintyre Chartered Accountants and Statutory Auditors 26 Red Lion Square London WC1R 4AG	
Investment managers	Baillie Gifford & Co. Carlton Square 1 Greenside Row Edinburgh EH1 3AN Charities Property Fund Savills Investment Management 33 Margaret Street London W1G 0JD	

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The trustees present their report and the audited financial statements for the year ended 31 December 2016. The trustees who served during the year and up to the date of this report were as follows:

Dr Rob Berkeley MBE

Edward Brown

Lucy de Groot CBE

David Elliott

Katherine Garrett-Cox CBE

Professor Andrew Hind CB

Amanda Jordan OBE (until June 2017)

Shauneen Lambe

Francois Matarasso

Janet Morrison

Dr. Dhananjayan Sriskandarajah (until March 2017)

Marie Staunton CBE

Professor Myles Wickstead CBE

Reference and administrative information set out on page two 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 (SORP 2015).

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 February 2013:

Our purpose is to improve the quality of life of people experiencing disadvantage and discrimination. We aim to achieve this through making grants to voluntary and other civil society organisations and by adding value including through promoting knowledge and influencing others.

We:

- believe in the fundamental value of an independent and effective civil society both nationally and internationally. Civil society identifies new needs and ways to meet these. It engages citizens, giving them voice in a unique way, holding the powerful to account;
- use our funds to strengthen voluntary sector organisations, responding flexibly, creatively and pragmatically to their needs and with a determination to achieve value for money;
- 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;
- put a high value on learning from organisations and their beneficiaries. We seek to add value to our grants by encouraging the communication of knowledge through a variety of means, including influencing others;
- build positive, purposeful relationships with grant recipients, as well as with other grant makers;
- treat grant-seekers and recipients with courtesy and respect; being as accessible as possible within clear programme guidelines and maintaining consistently high standards of administrative efficiency.

Structure, governance and management

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

At the AGM in September 2016, Dr Rob Berkeley, Edward Brown, Katherine Garrett-Cox and Dr. Dhananjayan Sriskandarajah retired by rotation and were re-elected as Members of the Council of Management.

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 Council 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 2016, in addition to the Audit and Investment Committees, there were three committees of the Council, one for the Arts programme, one for the International Development programme and one for the Strengthening the Voluntary Sector programme.

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.

The five members of staff of the Foundation continue to occupy offices provided pro bono by ING Bank.

Objectives and activities

In all a total of 47 new grants were agreed during the year to the value of £2,321,510 (see note 7 to the financial statements). These included: 17 Arts and Older People programme grants totalling £783,368; five international development grants totalling £53,500 and 21 STVS programme grants totalling £1,346,642. A grant of £125,000 was made, with joint funding, for the first six months costs of the Inquiry into the Future of Civil Society. There were three other grants totalling £13,000. Of the grants agreed during 2016, £1,170,474 had been paid by the end of the year; a further £698,307 was paid as a result of grant decisions made in previous years.

Our approach to grant making continues to evolve. It is bespoke to each grant programme and the opportunities which we see as available in each field. The STVS programme grants were made through an open call which we felt appropriate at the start of a programme. In contrast the Arts programme is in its seventh year and therefore in a better position to enter into partnerships with other funders, usually to create pooled open access funds. These are then accompanied by a small number of grants made by invitation where we feel there is a strategic advantage. The International Development programme approach is different again. Our wish is to fund African civil society organisations directly and grant makers in Africa, who are specialists in the field of our interests. In addition some grants are made to UK bodies where these are best placed to advocate for resources for African civil society. Much of our work takes place in collaboration with other funders, both increasing the resources available as well as the expertise that can be applied to the programmes.

The focus of our Arts programme since 2010 has been work with older people in the UK and trustees agreed to continue this until 2020. The Foundation has funding partnerships with all four national Arts Councils. The largest of these began in 2016 with a new fund led by the Arts Council England of £2.5 million to which we added £500k. The fund called Celebrating Age attracted an enormous level of interest from partnerships between arts organisations and older people's organisations. We also entered into a second phase of our partnership with the Arts Council Northern Ireland, after a very positive evaluation of the first phase. A new joint fund of £500k for digital arts and older people was established with the Nominet Trust, again attracting a very high level of interest with 130 first stage applications. The year continued to see an ever growing awareness of the value of arts and older people work in part promoted by reports, resources and conferences funded by the Foundation.

Objectives and activities (continued)

The International Development programme entered its second year focussing on Lesbian, Gay, Bisexual, Transgender and Intersex rights in sub-Saharan Africa. This was chosen as a neglected field which has a broader effect on development, particularly for women. In this respect it is part of the Leave No One Behind agenda of the newly agreed UN Sustainable Development Goals. Grants were agreed to regional organisations based in Kenya and South Africa both to capacity build these grant-makers themselves and to give onward grants to Lesbian, Bisexual and Trans civil society. This work demands great bravery and resilience on the part of our partners.

The Strengthening the Voluntary Sector programme adopted as a theme in 2015 the better use of the law and human rights based approaches in the UK. It offers an important additional tool for voluntary organisations to tackle disadvantage and discrimination. This new theme attracted 250 applications for grants and resulted in 18 grants being made over a wide range of issues. This funding was made in partnership with the Legal Education Foundation. We also commissioned several papers to develop thinking in the field. The Foundation continued its collaboration with other funders on the former theme of this programme, Future Advice, which is now led by the Legal Education Foundation. A final major grant was made under this theme for an innovative leadership development programme for people working in the advice sector.

The Foundation has over many years championed the importance of the independence of the voluntary sector. Building on the work of the Panel on the Independence of the Voluntary Sector, which was established by the Foundation and completed its work in 2015, it was our view that there was a need for a broad, creative and forward looking review of the state and role of civil society in England. Seven other independent funders shared this belief and came together to design and fund the Independent Inquiry into the Future of Civil Society. The building blocks for the Inquiry were put into place with the appointment of Julia Unwin CBE, as its chair, a diverse panel to support her along with a secretariat, led by Forum for the Future. The latter was appointed after an open tender which attracted many high quality applications. The Inquiry began its work in 2017 and will report in 2019.

Full details of the Foundation's programmes and of the grants agreed during 2016 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 in the field for major international development grants. The results of all evaluations are reported to the trustees. Trustees are invited to visit all major grant recipients.

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 grant maker by finding ways it can add value to the work of the organisations which it funds. The lessons derived through grant making 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

Since 2001 the trustees have followed a total return strategy both for the management of the Foundation's investment fund and for determining the amount available each year to fund the grants programmes and meet expenses. This amount includes both income arising on the portfolio and an element of long term capital growth. The objective is to sustain the real level of grant distributions and to maintain the long term real value of the investment fund and to this end the level of distribution from the portfolio is calculated annually as a percentage of the rolling average value of the investment fund over the preceding 12 quarters, currently equal to 3.5% per annum plus any percentage change in the retail price index.

The Foundation's portfolio generated a total return of 15.4% over the calendar year representing significant outperformance compared to the target for the year of 6%. This performance was driven by strong returns from traditional asset classes where the sharp fall in sterling over the year boosted returns. Against a backdrop of unpredictable political events and major currency swings it was a very positive outcome.

During the year, and having taken advice professional advice, the Foundation made a number of changes in the asset allocation and management of its portfolio. Baillie Gifford now manage around 89% of the funds including both equity and fixed interest securities and the Charitie Property Fund around 9% with the balance representing private equity. The broad asset mix is expected to at least meet our benchmark return on average over the long term with modest volatility but with a higher income yield than under the previous structure.

Net assets at the year-end were £79.9 million (2015 69.1 million).

In February 2013 trustees adopted the following statements on responsible investment:

"Our investments are made with the goal of providing long term stability of returns and liquidity to enable the continuity of the Foundation's grant giving in real terms."

"We engage with our asset managers to promote responsible investment and to encourage business to be ethical, socially responsible and to protect the environment. We aim to avoid investments which would support activities inconsistent with the purpose of the Foundation. We will seek to make some specific investments where there is a clear social impact aligned with the goals of the Foundation." In 2016 trustees undertook a detailed review of their investment approach taking expert advice. This resulted in a decision to change the strategic asset allocation of the endowment, also entailing changes in investment managers to be undertaken in 2016.

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 £79.9 million meets this reserves policy.

Social investments

In addition to its Responsible Investment Statement and membership of the Charities Responsible Investment Network, in 2012 the Foundation invested £304,000 in Equity for Africa, aligned to our commitment to international development. At 31 December these investments were valued at: £221,819.

Plans

The trustees review the objectives and activities of the charity each year and agree a plan for the forthcoming year each September. The current themes for the three grants programmes will be maintained throughout 2017 as will our support from the Independent Inquiry into the Future of Civil Society. Planning will begin on a longer term strategy to mark the Foundation's fiftieth anniversary in 2019. Changes in staffing will allow improvements in our communications and additional resource for work on 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. It was concluded that the Foundation has policies, procedures and systems in place to address the identified risks.

The following areas of risk are considered most important:

- Failure to achieve programme goals;
- Failure to earn adequate returns from our investment portfolio;
- Fraud by grant recipients.

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 Foundations 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 senior 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.

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 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 2016 was 13 (2015 - 13). 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 14 September 2017 and signed on their behalf by

Janet Morrison - Chair

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

We have audited the financial statements of The Baring Foundation for the year ended 31 December 2016 which comprise the statement of financial activities, balance sheet, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Foundation'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 Foundation's members those matters we are required to state to them in an auditors' 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 Foundation and the Foundation's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities set out in the report of the trustees, the trustees (who are also the directors of the Foundation 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Foundation's affairs as at 31 December 2016 and of its net movement in funds, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 exemption in preparing the report of the trustees' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Anna Bennett
(Senior Statutory Auditor)
for and on behalf of haysmacintyre, Statutory Auditor

26 Red Lion Square
London WC1R 4AG

14 September 2017

THE BARING FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Restricted Funds £	Unrestricted Funds £	Total 2016 £	Total 2015 £
Income from:					
<i>Donations and legacies</i>					
Contributions to programmes	15	560,000	-	560,000	125,000
Donated services	2	-	208,010	208,010	224,941
<i>Investments</i>	3	-	868,175	868,175	519,845
Total income		<u>560,000</u>	<u>1,076,185</u>	<u>1,636,185</u>	<u>869,786</u>
Expenditure on:					
<i>Raising funds</i>					
Investment management		-	536,100	536,100	634,316
<i>Charitable activities</i>					
Strengthening the Voluntary Sector		159,894	1,377,494	1,537,388	499,330
Arts programme		6,713	901,086	907,799	484,073
International programme		-	142,246	142,246	587,061
Special initiatives		-	138,556	138,556	67,419
Other work		-	154,805	154,805	119,697
Total expenditure	4	<u>166,607</u>	<u>3,250,288</u>	<u>3,416,895</u>	<u>2,391,896</u>
Net income before investment gains		393,393	(2,174,103)	(1,780,710)	(1,522,110)
Net gains on investments	9 & 10	-	12,578,274	12,578,274	2,250,311
Net income/(expenditure) and net movement in funds		<u>393,393</u>	<u>10,404,171</u>	<u>10,797,564</u>	<u>728,201</u>
Total funds brought forward		<u>14,545</u>	<u>69,040,497</u>	<u>69,055,042</u>	<u>68,326,841</u>
Total funds carried forward		<u><u>407,938</u></u>	<u><u>79,444,668</u></u>	<u><u>79,852,606</u></u>	<u><u>69,055,042</u></u>

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 15 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. Details of income and expenditure per fund for the year ended 31 December 2015 are given in note 17 to the accounts.

AS AT 31 DECEMBER 2016

Approved by the trustees on 14 September 2017 and signed on their behalf by

David Elliott
Treasurer

THE BARING FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	£	£
Cash flows from operating activities	(2,412,381)	(2,806,311)
Cash flows from investing activities		
Dividends and interests	868,175	519,845
Purchase of investments	(47,672,266)	(9,972,588)
Proceeds from sale of investments	46,494,432	10,010,195
Disposal/(purchase) of social investment	126,343	(165,425)
FX gain on social investment	-	260,762
Net cash (used in)/provided by investing activities	(183,317)	652,789
Change in cash and cash equivalents in the reporting period	(2,595,698)	(2,153,522)
Cash and cash equivalents at the beginning of the reporting period	3,865,400	6,018,922
Cash and cash equivalents at the end of the reporting period	<u>1,269,702</u>	<u>3,865,400</u>
NOTES TO THE CASH FLOW STATEMENT	2016	2015
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net income for the reporting period	10,797,564	728,201
(Increase)/decrease in debtors	(210,000)	2,000
Increase/(decrease) in creditors	446,504	(766,356)
Dividends and interests	(868,175)	(519,845)
Gains on investments	(12,578,274)	(2,250,311)
Net cash provided by/(used in) operating activities	<u>(2,412,381)</u>	<u>(2,806,311)</u>
Analysis of cash and cash equivalents		
Cash at bank and in hand	1,269,702	1,270,047
Cash held as part of investment portfolio	-	2,595,353
	<u>1,269,702</u>	<u>3,865,400</u>

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2016) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) 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 note.

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 an incoming resource 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, facilities and financial accounting services 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, facilities and accounting services 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 2016, on this basis, the support costs were apportioned as follows:

Investment management	8%
Strengthening the Voluntary Sector	30%
Arts programme	19%
International programme	15%
Other work	28%

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.

g) Unrestricted funds

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity.

1. ACCOUNTING POLICIES (continued)

h) Going concern

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. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, 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 separately on the balance sheet at the amount invested (cost) less any impairment losses. Impairment losses are charged to charitable activities within the expenditure note. Any gains on disposals of programme related investments are set off against any previous impairment losses or shown as a gain on disposal recorded as "Other income".

1. ACCOUNTING POLICIES (continued)**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.

q) Cash flow statement

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities.

r) Pension costs

Staff from the Baring Foundation receive a pension from the ING UK Pension Fund. For historic reasons two of the staff are admitted members 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. DONATED SERVICES

	2016 £	2015 £
Services donated by ING Bank NV:		
Premises and facilities	192,010	208,941
Financial accounting services	16,000	16,000
	<u>208,010</u>	<u>224,941</u>

3. INCOME FROM INVESTMENTS

	2016 £	2015 £
Income from investments	864,086	513,270
Bank interest	4,089	6,575
	<u>868,175</u>	<u>519,845</u>

THE BARING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

4. TOTAL EXPENDITURE

	Investment Management £	Strengthening the voluntary Sector £	Arts Programmes £	International Programme £	Special Initiatives £	Other Work £	Governance £	Support Costs £	2016 Total £	2015 Total £
Staff costs (note 6)	-	-	-	-	-	-	-	286,983	286,983	334,698
Grants payable (note 7)	-	1,347,454	783,368	52,091	138,000	-	-	-	2,320,913	1,105,624
Investment managers' fees	460,132	-	-	-	-	-	-	-	460,132	573,717
Advisors' fees and expenses	-	17,040	13,425	-	-	-	-	-	30,465	17,108
Auditors' remuneration (note 5)	-	-	-	-	-	-	10,020	-	10,020	9,780
Publications	-	-	-	-	-	-	-	-	-	5,500
Other support costs	-	7,069	3,795	8,912	-	-	-	258,452*	278,229	319,828
Investment consultants' fees	30,153	-	-	-	-	-	-	-	30,153	25,642
	<u>490,285</u>	<u>1,371,563</u>	<u>800,588</u>	<u>61,033</u>	<u>138,000</u>	<u>-</u>	<u>10,020</u>	<u>545,435</u>	<u>3,416,895</u>	<u>2,391,896</u>
Allocated governance costs	908	3,285	2,124	1,609	11	2,083	(10,020)	-	-	-
Allocated support costs	<u>44,907</u>	<u>162,540</u>	<u>105,087</u>	<u>79,634</u>	<u>545</u>	<u>152,722</u>	<u>-</u>	<u>(545,435)</u>	<u>-</u>	<u>-</u>
Total resources expended	<u><u>536,100</u></u>	<u><u>1,537,388</u></u>	<u><u>907,799</u></u>	<u><u>142,246</u></u>	<u><u>138,556</u></u>	<u><u>154,805</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,416,895</u></u>	<u><u>2,391,896</u></u>

* Note: £208,010 (2015: £220,642) of the £258,452 (2015: £259,601) "Other support costs" represents services donated by ING, as set out in note 2.

5. NET EXPENDITURE FOR THE YEAR	2016 £	2015 £
This is stated after charging:		
Trustees' reimbursed expenses	783	4,143
Auditors' remuneration	10,020	9,780
	<u>10,020</u>	<u>9,780</u>

Trustees' reimbursed expenses represent the reimbursement of travel and subsistence costs to 3 (2015: 4) members relating to visits to grantees, including the international programme, and attendance at meetings.

6. STAFF COSTS AND NUMBERS	2016 £	2015 £
Staff costs were as follows:		
Salaries and wages	222,118	263,017
Social security costs	25,476	28,282
Pension contributions	39,389	43,399
	<u>286,983</u>	<u>334,698</u>

Key management salary and pension

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

David Cutler – Director salary £87,125 (2015: £85,051), employers NI £10,904 (£10,764) and pension £15,247 (2015: £14,884).

David Sampson – Deputy Director salary £47,715 (2015: £62,125), employers NI £4,285 (£7,459) and pension £7,246 (2015: £7,766). David was on paternity leave for part of the year.

The average number of staff during the year was: 5 (2015: 5).

The number of staff earning over £60,000 in the year was 1 (2015: 2).

7. GRANTS PAYABLE	2016 £	2015 £
The grants payable figure in 2016 comprises:		
Grants made in the year	2,321,510	1,139,006
Grants cancelled/written back	(1,597)	(33,382)
	<u>2,319,913</u>	<u>1,105,624</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.

8. TAXATION

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

9. INVESTMENTS	2016 £	2015 £
Market value of investments at the start of the year	65,825,119	63,612,415
Additions	47,672,266	9,972,588
Disposals proceeds	(46,494,432)	(10,010,195)
Net gain/(loss) on investments	12,584,774	2,250,311
Market value of investments at the end of the year	79,587,728	65,825,119
Cash held as part of investment portfolio	-	2,595,353
Total market value at the end of the year	79,587,728	68,420,472
Historic cost of investments at the end of the year	60,556,583	53,975,522

Investments comprise	UK £	Non UK £	2016 £	2015 £
Pooled funds	78,493,392	449,502	78,942,894	50,506,270
Shares listed on stock exchange	-	-	-	6,655,212
Government bonds	-	-	-	8,081,933
Unlisted shares	644,834	-	644,834	694,401
Commodities	-	-	-	98,137
Foreign exchange hedges	-	-	-	(210,834)
Total (excluding cash)	79,138,226	449,502	79,587,728	65,825,119
Cash held as part of investment portfolio	-	-	-	2,595,353
Total (including cash)	79,138,226	449,502	79,587,728	68,420,472

10. SOCIAL INVESTMENTS	2016 £	2015 £
Opening carrying value	354,662	450,000
Return of capital	(126,343)	-
Net loss on investments	(6,500)	(95,338)
Closing carrying value	221,819	354,662
Held as:		
Investments	221,819	354,662

£178,319 is invested with Equity for Africa. Equity for Africa supports small business growth to create sustainable employment in sub-Saharan Africa.

£43,500 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.

THE BARING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

11. OTHER DEBTORS AND ACCRUED INCOME	2016	2015
	£	£
Accrued contributions to programmes and income in investment funds	210,000	-
12. CREDITORS: amounts due within one year	2016	2015
	£	£
Grants authorised but not yet paid	939,429	827,657
Other creditors	114,521	119,149
	1,053,950	946,806
13. CREDITORS: amounts due after more than one year	2016	2015
	£	£
1 -2 years	382,693	43,333
Creditors due in more than one year	382,693	43,333

Creditors due in more than one year represent grants authorised but not due for payment until future years.

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS	Restricted	Revaluation	Unrestricted fund General funds	Total funds
	£	£	£	£
Investments	-	19,031,144	60,778,403	79,809,547
Net current assets	407,938	-	17,814	425,752
Creditors: amounts due after more than one year	-	-	(382,693)	(382,693)
Net assets at the end of the year	407,938	19,031,144	60,413,524	79,852,606

15. MOVEMENT IN FUNDS - 2016

	At the start of the year	Income	Expenditure & gains on investments	Transfers	At end of the year
	£	£	£	£	£
Restricted funds					
Strengthening the Voluntary Sector:					
Restructuring Fund	1,000	-	(1,000)	-	-
Better Use of the Law	-	200,000	(109,894)	-	90,106
The Independent Inquiry in the Future of Civil Society	-	360,000	(49,000)	-	311,000
Arts and Older People Programme	13,545	-	(6,713)	-	6,832
Total restricted funds	<u>14,545</u>	<u>560,000</u>	<u>(166,607)</u>	<u>-</u>	<u>407,938</u>
Unrestricted funds					
Revaluation reserve	12,299,597	-	6,731,547	-	19,031,144
General funds	56,740,900	258,429	3,414,195	-	60,413,524
Total unrestricted funds	<u>69,040,497</u>	<u>258,429</u>	<u>10,145,742</u>	<u>-</u>	<u>79,444,668</u>
Total funds	<u>69,055,042</u>	<u>818,429</u>	<u>9,979,135</u>	<u>-</u>	<u>79,852,606</u>

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

Purpose of restricted funds**Strengthening the Voluntary Sector:****Restructuring Fund**

In 2011, the Esmée Fairbairn Foundation contributed £100,000 to the Baring Foundation's "Restructuring" fund which formed part of the Strengthening the Voluntary Sector programme. £1,000 of this contribution was unused and was repaid in 2016.

Better Use of the Law

The Legal Education Foundation contributed £200,000 towards the Strengthening the Voluntary Sector grants programme 2016.

15. MOVEMENT IN FUNDS – 2016 (continued)

Independent Inquiry into the Future of Civil Society

This is a joint programme set up in 2016 with seven other funders:

Lloyds Bank Foundation
 Lankelly Chase Foundation
 Calouste Gubenkian Foundation
 Barrow Cadbury Trust
 City Bridge Trust
 Esmee Fairbairn Foundation
 Paul Hamlyn Foundation

The seven funders will contribute a total of £360,000 over two years towards funding the Inquiry into the Future of Civil Society. The Baring Foundation agreed an anchor pledge of £200,000 of which £76,000 has been granted in 2016 from General Funds. Forum for the Future have been appointed to lead the secretariat for the Inquiry chaired by Julia Unwin.

Honoraria has been applied to the role of chair of the enquiry.

Arts and Older People Programme

In 2014 Arts Council England contributed £20,000 to a joint project with the Baring Foundation for a national evaluation of the Arts and Older People in Care programme. This programme will be completed in 2017.

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	2016	2015
	£	£
There are uncalled capital commitments with respect to the following funds:		
Baring-Coller Secondaries Fund Limited	566,481	474,930
Baring-Coller Secondaries Fund II Limited	80,926	67,847
Coller International Partners VI Feeder Fund, L.P.	127,485	126,659
	<u>774,892</u>	<u>669,437</u>

The movement in the commitment is due to the prevailing currency rate of exchange difference between the two year end dates.

There are no other capital commitments or contingent liabilities as at 31 December 2016.

THE BARING FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

17. ACTIVITIES BY FUND IN PREVIOUS YEAR

Activities in both unrestricted and restricted funds for the previous year are as follows:-

	Restricted Funds £	Unrestricted Funds £	Total 2015 £
Income from:			
Contributions to programmes	125,000	-	125,000
Donated services	-	224,941	224,941
Income from investments	-	519,845	519,845
Total income	125,000	744,786	869,786
Expenditure on:			
<i>Raising funds</i>			
Investment management	-	634,316	634,316
<i>Charitable activities</i>			
Strengthening the Voluntary Sector	305,604	193,726	499,330
Arts programme	4,011	480,062	484,073
International programme	-	587,061	587,061
Special initiatives	-	67,419	67,419
Other work	-	119,697	119,697
Total expenditure	309,615	2,082,281	2,391,896

18. MOVEMENT IN FUNDS- 2015

	At the start of the year	Income	Expenditure & gains on investments	Transfers	At end of the year
	£	£	£	£	£
Restricted fund					
<i>Contributions to programmes</i>					
Strengthening the Voluntary Sector Future Advice Providers Fund	180,604	-	(180,604)	-	-
Strengthening the Voluntary Sector Leadership Programme	-	125,000	(125,000)	-	-
Arts and Older People	17,556	-	(4,011)	-	13,545
Strengthening the Voluntary Sector Restructuring Fund	1,000	-	-	-	1,000
Total restricted funds	<u>199,160</u>	<u>125,000</u>	<u>(309,615)</u>	<u>-</u>	<u>14,545</u>
Unrestricted funds					
Revaluation reserve	10,580,295	-	1,719,302	-	12,299,597
General funds	<u>57,547,386</u>	<u>744,786</u>	<u>(1,551,273)</u>	<u>-</u>	<u>56,740,900</u>
Total unrestricted funds	<u>68,127,681</u>	<u>744,786</u>	<u>168,029</u>	<u>-</u>	<u>69,040,497</u>
Total funds	<u>68,326,841</u>	<u>869,786</u>	<u>(141,586)</u>	<u>-</u>	<u>69,055,042</u>