



ESSENTIA FOUNDATION

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

SCOTTISH CHARITY NUMBER: SC036563

ESSENTIA FOUNDATION

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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ESSENTIA FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Trustees present their report together with the audited financial statements of the charity for the year ended 30 September 2020.

Objectives and Activities

The charity's main purpose is the promotion of the health and social welfare of children and young people, and the promotion for the benefit of the public of urban or rural regeneration in areas of social and economic deprivation in Scotland by all or any of the following means:

- The advancement of education, training or retraining, particularly among unemployed people, and providing unemployed people with work experience;
- The provision of financial assistance, technical assistance or business advice or consultancy in order to provide training and employment opportunities for unemployed people in cases of financial or other charitable need through help in setting up their own business, or to existing businesses; and
- The creation of training and employment opportunities by the provision of workspace, buildings, and/or land for use on favourable terms.

Structure, Governance and Management

The Trustees of the charity are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees. The appointment, removal, power and duties of the Trustees are set out in the Trust Deed. Trustees are appointed on the basis of their interest and experience in the charity's fields of operation and their understanding of our investment strategy. Induction is provided by the other Trustees and our professional advisors as appropriate. Further training is provided as and when required.

The Trustees serving during the year and up to the date of signing these financial statements were as follows:

Brian Peter Davidson (Chairperson) – appointed 4 June 2020

Malcolm Maclean Graham – appointed 4 June 2020

Alice Harper – appointed 24 August 2020

David Neilson – resigned 4 June 2020

Jane Saren – resigned 4 June 2020

Financial Review and Performance

The Income and Expenditure Account is included within the Statement of Financial Activities on page 9 and shows the net movement in funds for the year. Please note the prior period was the 18 months ended 30 September 2019.

The charity continues to receive a reasonable return on its investment portfolio in the form of dividends and interest with investment income totalling £105,540 (2019: £191,629) for the year. No grants were paid to third parties via our facilitator Foundation Scotland in the year (2019: £nil) and as such no administrative fee (2019: £nil) (at a rate of 12%) was paid to Foundation Scotland. However, in June 2020 the relationship with Foundation Scotland was reinvigorated and a round of collecting suitable applications for consideration for grant funding awards of £2,500 each was begun in August 2020 (see Subsequent Events below).

Although no grant awards were made, we did incur expenditure in the form of Investment Management fees of £43,655 (2019: £61,726), secretarial costs of £7,897 (2019: £nil) and the auditor's fee of £4,140 (2019: £4,020).

There was a net loss of £16,081 (2019: gain of £501,920) on the investments. This is partly attributable to our Investment Manager rebalancing our portfolio, particularly in the quarter ended 31 March 2020 at the start of the Covid-19 pandemic, and again in the quarter ended 30 June 2020. We have, since June 2020, been working with our Investment Manager to further rebalance our portfolio with a view to increasing the income we derive from the portfolio.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 SEPTEMBER 2020

Financial Review and Performance (continued)

Our outcome for the year is net income and a net movement in funds of £33,767 (2019: £627,803) which has been transferred to reserves.

The value of our Investment Portfolio at the 30 September 2020 was £4,302,506 (2019 restated: £4,198,973) with cash held within the investment portfolio of £373,854 (2019 restated: £432,890). This is an overall increase of just under 1%, despite a significant drop in value as at 31 March when the pandemic impacted the equity markets and we have fully recovered what was then a just over 13% decline in value. The underlying portfolio remains diversified and is managed within an agreed framework which balances risk and reward within an agreed risk appetite.

As at 30 September 2020, the charity's net assets were £5,111,607 (2019 restated: £5,077,840). The Trustees are satisfied that the financial position of the charity remains strong, with positive net current assets.

Impact of Covid-19

We have no employees so have not had to react to the pandemic in respect of our operational practices. The Trustees have continued with an annual schedule of quarterly meetings albeit meeting virtually via online video conferencing. We had an extra meeting in August 2020 in order get our relationship with Foundation Scotland re-energised. We will continue with virtual meetings until such time as pandemic constraints are lifted and we are able to meet in person.

Charitable Achievements

As no grants have been made for a number of years the monitoring of the impact of previous grants awarded has lapsed. Upon re-engaging with Foundation Scotland in June 2020, we have entered into an agreement for three rounds of grant making via Foundation Scotland in 2020/21 (to 30 September 2021) and will report in future on the impact these grants have made.

Subsequent events

At our October 2020 Trustees' meeting, we approved the first round of grants in the 2020/21 programme agreed with Foundation Scotland back in June, being ten awards of £2,500 each using both a brought forward sum of £12,894, which is included in debtors at the year end and new funds deposited with Foundation Scotland of £12,106 in October. In addition, we agreed a new Investment Policy and Reserves Policy (see both below) and have commenced the conversion of the Trust to a Scottish Charitable Incorporated Organisation (SCIO) which we expect to have completed before 30 September 2021.

Future Plans

The 2020/21 grant giving programme being managed for us by Foundation Scotland will continue and we have agreed to increase our award pot to £60,000 for the next round (the second of the three grant giving rounds) and for awards to be in lot sizes of £3,000. A third round of grant giving via Foundation Scotland is expected to be completed before 30 September 2021 and we do not expect that the award pot to be any less in value than the £60,000 agreed for the second round.

Working with our Investment Manager we have agreed that the portfolio will be re-profiled to increase the income generated from it to be in excess of £100,000 per annum with effect from 1 October 2022 in order to match our ambition for the annual level of grants to be awarded from that date onwards.

In addition, we have commenced work with a third party in creating our own website to act as a means of communicating with stakeholders as to the impact that our charitable giving to those awarded grants is having and to supplement the articulation of what we're about that Foundation Scotland already provides.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 SEPTEMBER 2020

Investment Policy

The charity has the power to make any investment which the Trustees see fit, under the terms of the Trust Deed. With those powers in mind, at our October 2020 meeting we approved a refreshed Investment Policy which is based on a premise that we are prepared to invest a significant proportion of the portfolio in equities (between 70% and 85% by value of the portfolio), taking some risk in exchange for the potential for better returns and given our long-term time horizon in recognition that there may be high levels of volatility over the shorter term.

As a charity which has a focus on the health and social welfare of children and young people as well as those who are unemployed, particularly those who are impacted by systemic unemployment due in particular to poor health outcomes as a consequence of lifestyle choices, we have decided to exclude from our portfolio direct investment in manufacturers and suppliers of, or entities that derive more than 10% of their income from, the following areas:

- (a) Tobacco;
- (b) Alcohol; and
- (c) Gambling.

The Trustees also have concerns about the role of some debt advisory firms and their impact on vulnerable indebted individuals and have highlighted to the Investment Manager that this is an area to monitor and flag, should any such firms ever be considered for inclusion in the portfolio.

In addition, no direct investment is to be made in companies that have moderate, severe & very severe controversies related to child labour or human rights within its own operations or within its supply chain. Factors affecting this evaluation include, but are not limited to, a history of involvement in child labour/human right-related legal cases, widespread or egregious instances of child labour/human right transgressions, resistance to improved practices, and criticism by NGOs and/or other credible third-party observers.

Further, in looking at the transition to a lower carbon economy and society, the Trustees have stated their interest in positively investing in companies whose activities support that transition and note that this should form part of the investment approach of the Investment Manager.

Risk Management

The Trustees formally review the charity's activities at each quarterly meeting. Potential risks are reviewed in detail and an appropriate balance between mitigating against undue risk and sustaining our charitable purpose is arrived at.

Reserves Policy

The charity has no restricted reserves.

Unrestricted reserves at 30 September 2020 are £5,111,607 (2019 restated: £5,077,840).

At our October 2020 meeting we approved a refreshed Reserves Policy by which to record and track those Unrestricted Reserves as follows:

Designated Reserve – being the seed funds granted to the Foundation by its predecessor organisation and invested in the Investment Portfolio, plus any sums transferred into the reserve from the Revaluation Reserve to protect the value of the Investment Portfolio from the effects of inflation as measured by the Consumer Prices Index (CPI). Transfers into the Designated Reserve will generally take place once a year at the end of the financial year, currently 30 September.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 SEPTEMBER 2020

Reserves Policy (continued)

Revaluation Reserve – being the difference between the value of the Investment Portfolio (excluding any cash sums held in the portfolio), and the sum held in the Designated Reserve. The aggregate of the Designated Reserve and the Revaluation Reserve should always match the value of the Investment Portfolio (excluding any cash held within the portfolio).

General Reserve – being the accumulated net incomes and/or expenditures realised over the life of the Foundation.

This policy, having been approved in October 2020, will be implemented in the 2020/21 financial statements however we have included note 14 in this year's financial statements to show how the reserves as at 30 September 2020 would have been allocated under this reserve policy.

Going Concern

The Trustees are confident that the charity has sufficient funds and certainty of income from its investment portfolio to continue to operate over the foreseeable future. This view has not been altered by the impact of the current global coronavirus pandemic crisis as this has not materially altered the finances of the charity. At 30 September 2020 the charity had available to it cash and cash equivalent sums in aggregate of £814,607 (2019 restated: £878,606). Due to this, and the financial assessment of our future plans, the Trustees have concluded that we believe the charity remains a going concern and that it is appropriate to prepare the financial statements on that basis.

Legal and administrative information

Charity number
SC036563

Registered Address
c/o Brodies LLP
110 Queen Street
Glasgow, G1 3BX

Auditor
Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Glasgow, PA4 8WF

Bankers
Santander UK plc
301 St Vincent Street
Glasgow, G2 5HN

Investment Manager
Aberdeen Standard Capital
1 George Street
Edinburgh, EH2 2LL

Solicitors
Brodies
15 Atholl Crescent
Edinburgh, EH3 8HA

ESSENTIA FOUNDATION

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 30 SEPTEMBER 2020

Statement of the Trustees' Responsibilities

The Trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial period. Under that law the Trustees have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). Under charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the net movement in funds of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and 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 requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are Trustees at the time this report is approved:

- So far as each Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- He/she have taken all the steps that he/she ought to have taken in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Auditor

On 7 September 2020 Group Audit Services Limited trading as Scott-Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name. Azets Audit Services have expressed their willingness to continue in office as auditor and will be proposed for re-appointment at the Annual General Meeting.

By Order of the Trustees



Brian Peter Davidson
Trustee and Chairperson

Dated: 9 February 2021

ESSENTIA FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF ESSENTIA FOUNDATION FOR THE YEAR ENDED 30 SEPTEMBER 2020

Opinion

We have audited the financial statements of Essentia Foundation (the 'charity') for the year ended 30 September 2020 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 30 September 2020 and of its income and expenditure for the period 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 Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ESSENTIA FOUNDATION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF ESSENTIA FOUNDATION FOR THE YEAR ENDED 30 SEPTEMBER 2020

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Report of the Trustees; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the Statement of the Trustees' Responsibilities set out on page 5, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

ESSENTIA FOUNDATION

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF ESSENTIA FOUNDATION
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the charity's Trustees, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Azets Audit Services, Statutory Auditor

Chartered Accountants

Titanium 1

King's Inch Place

Glasgow

PA4 8WF

Date: 9 February 2021

Azets Audit Services is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

ESSENTIA FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 £	Restated 2019 £
Income			
Investment income	4	105,540	191,629
Total income		<u>105,540</u>	<u>191,629</u>
Expenditure on			
Charitable activities	5	(55,692)	(65,746)
Total expenditure		<u>(55,692)</u>	<u>(65,746)</u>
Net (loss)/gain on investments	8	<u>(16,081)</u>	<u>501,920</u>
Net income and net movement in funds		33,767	627,803
Total funds brought forward as restated		<u>5,077,840</u>	<u>4,450,037</u>
Total funds carried forward as restated		<u><u>5,111,607</u></u>	<u><u>5,077,840</u></u>

The Statement of Financial Activities includes all recognised gains and losses in the current year and previous period.

All activities are continuing.

All funds are deemed to be unrestricted.

The notes form part of these financial statements

ESSENTIA FOUNDATION**BALANCE SHEET
AS AT 30 SEPTEMBER 2020**

	Notes	£	2020 £	£	Restated 2019 £
Fixed assets					
Investments	8		4,302,506		4,198,973
Current assets					
Cash and cash equivalents	9	814,607		878,606	
Debtors	10	15,371		15,263	
		829,978		893,869	
Creditors: Amounts falling due within one period	11	(20,877)		(15,002)	
Net current assets			809,101		878,867
Net assets	12		5,111,607		5,077,840
Unrestricted reserves					
General reserve			5,111,607		5,077,840

The financial statements were approved and authorised for issue by the Trustees on 9 February 2021 and were signed on their behalf by:



Brian Peter Davidson
Trustee and Chairperson

Scottish Charity number: SC036563

The notes form part of these financial statements

ESSENTIA FOUNDATION

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

1. General information

Essentia Foundation's main purpose is the promotion of the health and social welfare of children and young people, and the promotion for the benefit of the public of urban or rural regeneration in areas of social and economic deprivation in Scotland by all or any of the following means:

- The advancement of education, training or retraining, particularly among unemployed people, and providing unemployed people with work experience;
- The provision of financial assistance, technical assistance or business advice or consultancy in order to provide training and employment opportunities for unemployed people in cases of financial or other charitable need through help in setting up their own business, or to existing businesses; and
- The creation of training and employment opportunities by the provision of workspace, buildings, and/or land for use on favourable terms.

The charity was incorporated in Scotland and has its registered office at:
c/o Brodies LLP
110 Queen Street
Glasgow
G1 3BX

The charity is defined as a public benefit entity and thus complies with all disclosure requirements relating to public benefit entities. The registered charity number is SC036563 and it is registered with the Office of the Scottish Charity Regulator (OSCR).

The financial statements are prepared in Pounds Sterling (GBP) as that is the currency in which the charity's transactions are denominated. These financial statements represent the results of the charity for the year ended 30 September 2020. The comparative period was for the 18 months to 30 September 2019.

2. Accounting policies

The financial statements have been prepared under the historical cost convention, subject to the revaluation of certain assets, and in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and '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).

The preparation of financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies adopted in the preparation of the financial statements are as follows:

ESSENTIA FOUNDATION

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

Going Concern

The Trustees are confident that the charity has sufficient funds and certainty of income from its investment portfolio to continue to operate over the foreseeable future. This view has not been altered by the impact of the current global coronavirus pandemic crisis as this has not materially altered the finances of the charity. At 30 September 2020 the charity had available to it cash and cash equivalent sums in aggregate of £814,607 (2019 restated: £878,606). Due to this, and the financial assessment of our future plans, the Trustees have concluded that we believe the charity remains a going concern and that it is appropriate to prepare the financial statements on that basis.

Investment income

Investment income is recognised on an accruals basis.

Expenditure

Expenditure is recognised on an accruals basis.

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its charitable activities and services.
- Support costs include administration costs as well as the auditor's fee.

Debtors

Accrued income is recognised at the settlement amount due.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Creditors 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. Creditors are normally recognised at their settlement amount.

Financial instruments

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

Fund accounting

Unrestricted general reserve – this reserve can be used in accordance with the charitable objectives at the discretion of the Trustees.

Investments

Investments are held at market value. All investments are in listed shares or treasury bonds. Gains/losses are included in the SOFA in the year/period to which they relate.

Grants

Grants are issued to further the charity's main purpose of promoting the health and social welfare of children and young people, and the promotion for the benefit of the public of urban or rural regeneration in areas of social and economic deprivation in Scotland.

ESSENTIA FOUNDATION

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

2. Accounting policies (continued)

Statement of Cash Flows

The financial statements do not include a Statement of Cash Flows because the charity, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Charity SORP.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The Trustees are satisfied that the accounting policies are appropriate and applied consistently. There are no areas requiring estimation.

	2020	2019
	£	£
4. Investment income		
Investment income from portfolio of investments	104,193	189,376
Bank interest	1,347	2,253
	<u>105,540</u>	<u>191,629</u>
	2020	2019
	£	£
5. Charitable activities		
Grants awarded	-	-
Support costs (note 6)	55,692	65,746
	<u>55,692</u>	<u>65,746</u>
	2020	2019
	£	£
6. Support costs		
Investment management fees	43,655	61,726
Secretarial costs	7,897	-
Audit fee (including VAT)	4,140	4,020
	<u>55,692</u>	<u>65,746</u>

The support costs relate solely to the charity's charitable activities.

The actual audit fee for the 2020 financial statements excluding VAT was £3,450 (2019: £3,350)

7. Trustees' remuneration

None of the Trustees were remunerated during the year (2019: none). Expenses of £nil were reimbursed in the year (2019: £nil).

There are no employees (2019: none).

ESSENTIA FOUNDATION

**NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

8. Investments	2020	2019
	£	£
Opening market value	4,631,863	4,000,373
Investment income	104,215	189,823
Management fee and charges	(43,637)	(60,253)
Net (loss) / gain on investments	(16,081)	501,920
Closing market value	<u>4,676,360</u>	<u>4,631,863</u>

The investment portfolio consists of investments in listed shares and treasury bonds as well as cash. The investments are held at market value. There were no investments which individually represent over 5% of the portfolio (2019: none).

	2020	<i>Restated</i> 2019
	£	£
Investments	4,302,506	4,198,973
Cash (note 9)	373,854	432,890
	<u>4,676,360</u>	<u>4,631,863</u>

9. Cash and cash equivalents	2020	<i>Restated</i> 2019
	£	£
Cash held at bank	440,753	445,716
Cash held within the investment portfolio (note 8)	373,854	432,890
	<u>814,607</u>	<u>878,606</u>

10. Debtors	2020	<i>Restated</i> 2019
	£	£
Accrued income	2,477	2,369
Other debtor – Foundation Scotland	12,894	12,894
	<u>15,371</u>	<u>15,263</u>

The other debtor is funds held on behalf of Essentia Foundation by Foundation Scotland which have been recognised as a debtor, until such time as the Trustees authorise these funds to be paid out to suitable beneficiaries as grants at which point the grants are recognised as grant expenditure.

11. Creditors: Amounts falling due within one period	2020	2019
	£	£
Accruals and deferred income	<u>20,877</u>	<u>15,002</u>

ESSENTIA FOUNDATION

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	2020	<i>Restated</i>
	Total	<i>2019</i>
	£	<i>Total</i>
		<i>£</i>
12. Net funds		
At 1 October 2019 as restated	5,077,840	4,450,037
Total income	105,540	191,629
Total expenditure	(55,692)	(65,746)
Net (loss) / gain on investments	(16,081)	501,920
	<u>5,111,607</u>	<u>5,077,840</u>

The net funds are represented by:

Investments	4,302,506	4,198,973
Current assets	829,978	893,869
Current liabilities	(20,877)	(15,002)
	<u>5,111,607</u>	<u>5,077,840</u>

13. Prior year adjustments

In the prior year, the cash held as part of the investment portfolio was included in investments rather than cash and cash equivalents. The cash held at 30 September 2019 was £432,890 and this has been reallocated to cash and cash equivalents in the comparative figures. This does not impact the previously stated net movement in funds or net assets.

As at 1 April 2018, there was a balance of £12,894 held on behalf of Essentia Foundation by Foundation Scotland which had previously been recognised as grant expenditure. This has been recognised as a debtor at 1 April 2018 and 30 September 2019 and has thus increased the net assets at 1 April 2018 and 30 September 2019 by £12,894.

14. Impact of post year end reserves policy

At the Trustee's October 2020 meeting the Trustees approved a refreshed Reserves Policy by which to record and track Unrestricted Reserves as follows:

Designated Reserve – being the seed funds granted to the Foundation by its predecessor organisation and invested in the Investment Portfolio, plus any sums transferred into the reserve from the Revaluation reserve to protect the value of the Investment Portfolio from the effects of inflation as measured by the Consumer Prices Index (CPI). Transfers into the Designated Reserve will generally take place once a year at the end of the financial year, currently 30 September.

Revaluation Reserve – being the difference between the value of the Investment Portfolio (excluding any cash sums held in the portfolio), and the sum held in the Designated Reserve. The aggregate of the Designated Reserve and the Revaluation Reserve should always match the value of the Investment Portfolio (excluding any cash held within the portfolio).

General Reserve – being the accumulated net incomes and/or expenditures realised over the life of the Foundation.

This policy, having been approved in October 2020, will be implemented in the 2020/21 financial statements however we have shown below how the reserves as at 30 September 2020 would have been allocated under this reserve policy.

ESSENTIA FOUNDATION

**NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

14. Impact of post year end reserves policy (continued)

Net funds	2020 Total £
Unrestricted reserve – general reserve	809,101
Unrestricted reserve – designated reserve	3,845,438
Unrestricted reserve – revaluation reserve	457,068
	<hr/>
	5,111,607
	<hr/> <hr/>