

INTRODUCTION

Hello and welcome, fellow Members, my name's Ian Packer and I am your Honorary Treasurer. I would like to guide you through the Annual Report and Accounts of the BTO Group for the year ended 31 March 2020.

The BTO Group comprises the BTO, our incorporated charity, and its wholly owned trading subsidiary, BTO Services Limited. The accounts also include figures relating to the BTO Defined Benefit Pension Scheme as mandated by the Charities Commissioners' Statement of Recommended Practice (SORP) FRS 102. FRS102 issued by Financial Reporting Council is the UK accounting standard for all UK company financial statements. Our Annual Accounts must and do comply with the standard in terms of the format, presentation and disclosure of the words and figures therein and Ensors, the Statutory Auditor, have given a clean audit opinion thereon.

FINANCIAL STATEMENTS

I recommend that you read the Strategic Report, the Financial Overview, and Summarised Accounts in the Trustees' Annual Report and Financial Statements 2019/20. The full Annual Report and Accounts are published on our website and are also filed by law at Companies House, the Charity Commissioners and OSCAR (the Scottish charities regulator) for those with further interest.

Turning to the Annual Accounts, I can tell you that the BTO Group has performed remarkably well this year, even though it may not look so at first glance. Conversely the Pension Scheme has suffered from a significant temporary fall in the value of its assets around the year end, principally due to market reaction to the Covid-19 pandemic. As noted in the full Accounts, there has been a substantial recovery in stock market values since the year end.

I have prepared some financial schedules in similar format to those I have presented at previous AGMS to help you understand this. Each of the three split the figures line by line between the BTO Group businesses and the Pension Scheme movements. This enables you the Members to see the financial strength of the BTO Group and how it has fared for the year, as well as showing how it continues to support the Pension Scheme. There are commentaries for each financial statement and an overall conclusion. Detailed schedules are attached in support.

I must emphasise that the Board and SLT have responsibility for BTO Group's accounting records and results but are not involved with the figures for the Pension Scheme. These are entirely produced by the Pension Fund Trustees' (PFTs) Independent Actuary in accordance with the standards and guidance issued by the Institute and Faculty of Actuaries for compliance with FRS102.

RESPONSIBILITY AND DUTIES

BTO Group is overseen by your Board of Directors / Trustees, headed by our Chair, Jenny Gill, and managed by the Senior Leadership Team (SLT), led by our Chief Executive Officer, Andy Clements, who is soon to retire. His successor is Dr Juliet Vickery and we warmly welcome her to the BTO.

In contrast, the BTO Defined Benefit Pension Scheme is under the separate control of its PFTs, an independent body of people advised and supported by a qualified Independent Actuary. There is thus an important division of duties and responsibilities between running the business operations of BTO Group, and those of providing pensions to the members of the Pension Scheme.

As the Employer, BTO's strength of covenant is important to the PFTS in supporting the Pension Scheme's ability to pay its members; BTO Group makes annual pension deficit repair payments to that end in accordance with the mutually agreed Schedule of Contributions.

The three financial statements show the totals per the ACCOUNTS, split between the operating businesses of the BTO Group (“BTO GRP”) and those relating to the Pension Scheme (“PENSION”).

Key numbers in £000s are given below for the financial year to 31 March 2020 and last year’s comparatives :

Split between BTO Group and Pension	ACCOUNTS	BTO GRP	PENSION	ACCOUNTS	BTO GRP	PENSION
	2020 £000	2020 £000	2020 £000	2019 £000	2019 £000	2019 £000
<i>STATEMENT OF FINANCIAL ACTIVITIES</i> Net movement in funds for year	(515)	218	(733)	76	379	(303)
<i>STATEMENT OF CASH FLOWS</i> Increase in cash for year	547	547	0	127	127	0
<i>BALANCE SHEETS</i> Net assets	(370)	3,917	(4,287)	145	3,827	(3,682)

For the financial year ended 31 March 2020, BTO Group produced a healthy surplus of income over expenditure (net movement in funds for year) which was greater than that of 2019. Similarly, it generated more cash in 2020 than it did in 2019 (increase in cash for year). Lastly the net assets were greater at financial year end 2020 than at 2019. Please refer to the detailed supporting schedules when reading the commentaries.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - COMMENTARY

GROUP

Income and endowments have grown to £6,514k from £6,440k. Legacy income continues to be an important and growing component of our funding and has again exceeded £1 million this year.

Costs of raising funds have stayed at similar levels to last year but those for charitable activities have risen in line with increased income from them.

The investment portfolio fell in value this year as a result of market reaction to the pandemic. The Group continued to be able to support the Pension Scheme with the annual pension deficit repair payment of £128k to accord with its schedule of committed contributions agreed with the PFTs.

PENSION

The expenditure of £90k recognised this year under FRS 102 did not need to include anything in respect of past service costs of £145k regarding Guaranteed Minimum Pensions (GMP) that had to be taken last year, in addition to the ‘normal’ expenditure of £96k for 2019.

The abnormally low interest rate environment still remains a challenge to the Independent Actuary (and the Pension Fund Trustees) to set sensible discount, inflation and other rates to evaluate the pension fund liabilities (its obligations to pay its pensioners). Surprisingly, this year the combination of rates has caused there to be an actuarial gain of £343k on its liabilities this year (that is, they decreased) against a loss of £(162)k last year (which was an increase).

The most significant movement this year was the dramatic temporary fall in stock values due to market sentiment on COVID-19 prevailing around the year end. For the year, the value of the Pension Scheme’s assets fell by £(986)k which when added to the actuarial gain of £343k gives the net £(643)k impact for the year. Stock market values have recovered substantially since the year end.

The figures prepared by the independent Actuary relate to the valuations of Pension Scheme assets and liabilities at year ends, the actuarial movements arising therefrom and their interest income and expense based on the assumptions for discount and other rates. Full details can be found in Note 21 to the Annual Accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS - COMMENTARY

GROUP

There was a large inflow £678k from its operations compared to last year's outflow of £(12)k. Its cash outflows include capital expenditure of £(9)k and the pension deficit repair payment of £(128)k.

Net cash generated was impressive at £547k this year, substantially more than last year's £127k.

PENSION

The Pension Scheme received its annual deficit repair payment of £128k from the Employer. The entries in the Pension column serve to reallocate the deficit repair payment to appropriate positions for analysis and do not represent actual cashflows.

CONSOLIDATED BALANCE SHEETS - COMMENTARY

GROUP

Tangible fixed assets are steady following a small amount of capital expenditure as noted under cash flows. The freehold land and property continue to hold their value without impairment. The investment portfolio fell as a result of market reaction to COVID-19; this has recovered reasonably well post year end.

Net current assets have risen to £1,741k from £1,609k driven by more cash being generated, smaller debtors outstanding on legacies and contract work, and larger creditors from greater charitable activities. There is little change in creditors falling due after one year which represent members making lifetime subscriptions.

PENSION

The Pension Scheme net deficit has increased to £(4,287)k from £(3,682)k as a result of market reaction to the pandemic around the year end causing its asset values to fall by £(986)k for the year. Its liabilities actually decreased by £343k based on the Actuary's calculations under FRS102.

As emphasised elsewhere all of these movements are completely outwith the control of the Board and SLT, but both undertake their responsibilities to the Scheme with diligence and care.

CONCLUSION

At the year end, the BTO Group was in good financial shape, having seen healthy increases for the year in net movements in funds, cash flows and net assets.

For the next financial year, the Board and SLT have been very much alive to the exigencies of the COVID-19 pandemic and its impact on the economy in general. They have taken robust measures to mitigate its effects, involving decamping all staff to work safely at home and ensuring that the BTO can continue as a going concern. They have done this by carefully husbanding its cash resources and by Board and SLT meeting more frequently than usual to remain alert to and on top of developments.

Whilst we accept that there will be some downside risks on its operations, we remain confident that the BTO can weather the storm.

LOOKING FORWARD

I have no doubt that some of you are wondering how the BTO is faring presently and looking forward in these exceptional and unprecedented times. My view is that we are well-positioned but the Board remains constantly vigilant as the current financial year unfolds. For that optic and overview, I shall now pass you over to our Chair, Professor Jenny Gill. Thankyou.