

Financial Review

Financial review

The Foundation committed £25.2 million before returned grants (2006: £27.4 million) in new grants during 2007, which represented an 8% reduction in grant-making spend. This reflected a 10% fall in applications received during the year, a continuation in the trend experienced from 2006. It was also a year of transition in our approach to grant-making and, as a consequence, some of the funds put aside for development activity will be spent in 2008. Grants were made to 617 organisations (2006: 581). Grants reported in the Statement of Financial Activities include funds returned from cancelled and returned grants.

Costs in support of the Foundation's grant-making activities fell by 4% to £1.7 million (2006: £1.8 million) resulting from reduced staffing and overhead costs. Governance costs were up due to higher audit fees arising from the appointment of KPMG.

The cost of generating funds comprised investment management, custody, advisory and other due diligence and administration costs. The total of these costs was £3.9 million for the year.

The Foundation also had £1.2 million in programme related investments at the end of 2007 (2006: £1.1 million) in the form of loans to charitable organisations.

Risk assessment

Esmée Fairbairn Foundation operates documented lines of authority and delegation, which are reviewed regularly by its Audit Committee and Board of Trustees. The Foundation also has segregation of duties in regard to governance, management, grant-making, finance and investment. Procedures are in place for documenting decisions, actions and issues.

The Foundation's strategic plan and budget are approved by Trustees and the Board regularly reviews actual results against budgets and forecasts.

The risk management process includes reviews by Trustees, senior management and other staff. The process identifies the types of risks the Foundation faces, likelihood of occurrence, potential impact, risk management and ways to mitigate these risks.

The Foundation's investment activities expose it to the main financial risk which it mitigates through annual review of investment policy, management of asset allocation by the Investment Committee, quarterly independent and monthly internal performance reporting, market and manager reviews and the support of investment advisers Cambridge Associates and auditors KPMG.

The review of risk management is part of the role of the Audit Committee. The Board reviews the Foundation's position on internal controls and its compliance with relevant statutory and finance regulations.

Reserves

All of the Foundation's funds are unrestricted and in the Statement of Financial Activities a single unrestricted fund presentation has been used.

The Foundation sets charitable expenditure budgets. These take into account its aim to generate a sustainable level of income equivalent to 4% of the three-year rolling average market value of investments.

Investment review

The total return on investments in the year was 5.7% (2006: 14.8%). The market value of investments rose by 2% to £956.8 million (2006: £936.4 million). The income yield on investments was 3.7% (2006: 4.3%).

During the second half of the year, in response to volatile and uncertain equity markets, the proportion of equities held in the portfolio was reduced and the level of cash increased in order to place the portfolio in a more defensive state. The asset allocation at 31 December 2007 comprised:

	2007 %	2006 %
Equities	48	64
Fixed Income	6	2
Private Equity/Venture Capital	3	2
Hedge Funds	14	13
Property	12	11
Cash	17	8

The total market value of investments at the end of 2007 is detailed in note 9 to the accounts. It consisted of £927.1 million fixed asset investments (2006: £877.7 million), £25.0 million current asset investments (2006: £48.7 million) and £4.6 million accrued investment income (2006: £10.0 million).

The Foundation's portfolio comprised 50 separate pooled vehicles such as unit trust, hedge fund and partnership holdings which made up 55% of the portfolio value in 2007 (2006: 42%). The remainder comprised 45% as segregated portfolios (2006: 58%).

Investment policy

The Foundation's long-term aim is to maintain the real value of its investment capital whilst providing a stable and sustainable level of real income to support the Foundation's activities.

The Foundation's asset allocation policy is influenced by the objective of generating income of at least 4% of rolling market value.

The Board has given the Investment Committee the task of guiding investment policy, overseeing policy implementation, managing asset allocation, monitoring performance and reporting regularly to trustees. The Committee from January 2008 comprises four Trustees and two co-opted members, and is advised by Cambridge Associates Limited.

The Foundation's policy is that all investments are externally managed by investment managers appointed by the Committee. The Foundation has placed segregated investments under the safe custody of State Street Bank and Trust Company. Investment monitoring is achieved through custody reporting, independent quarterly performance reports and regular manager review meetings. Diversification is by asset class, investment manager and investment style. Currency hedging facilities are used as appropriate. The Foundation's segregated equity portfolios do not invest in companies that derive their main sources of revenue from tobacco-related products.

Governance

Charitable Scheme

The operation of Esmée Fairbairn Foundation is governed by a Charity Commissioners' Scheme, dated 14 January 2002, which enables the assets to be applied by the Trustees at their discretion for general charitable purposes. The scheme supersedes the original Trust Deed made on 20 January 1961 and a Charity Commission order granted on 20 January 2000 giving Trustees investment delegating powers.

The Foundation is a charity registered in England and Wales, No. 200051.

The Esmée Fairbairn Foundation exists and operates for the public benefit. Through its grant-making programmes it improves the lives of people throughout the UK. In determining its grant-making strategies, and in the administration of the Foundation generally, the trustees have paid due regard to the guidance published by the Charity Commission under section 4 of the Charities Act 2006.

The Foundation's Trustees are listed on page 49 of this report. The Trustee Board meets quarterly to oversee the delivery of the Foundation's overall strategy. A number of Trustee committees support the work of the Foundation. The current membership of each of these can be found on page 49.

Audit Committee

The Audit Committee reviews and recommends systems of internal control on financial, governance and operational risks. It also reviews the draft annual report and accounts, meets with the Foundation's external auditors and reports to the Board.

Finance and Administration Committee

The Finance and Administration Committee reviews and recommends to the Board annual budgets, annual accounts, staff remuneration and benefits, and human resources policies and procedures. It also oversees major property, ICT, governance and other projects.

Nominations Committee

An ad-hoc Nominations Committee meets to make recommendations to the Board on the appointment of new Trustees.

Investment Committee

The Investment Committee formulates investment policy, oversees its implementation, manages overall asset allocation, monitors investment performance and reports to the Board.

Funding decisions

From January 2008, all Trustees are members of the Foundation's Main Fund Committee that takes decisions on all Main Fund grants above £75,000. An Executive Grants Committee, led by the Chief Executive, takes decisions on grants up to £75,000. The Trustee Board allocates budget and delegates decision-making on the Foundation's funding strands to strand panels. The panels are made up of Esmée Fairbairn Trustees and external experts. They report to the Board quarterly.

Trustees' responsibilities statement

Under the Scheme rules of the charity and charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, 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 charity will continue in business.

The Trustees are required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under section 42(1) of the Charities Act 1993, those statements of accounts comply with the requirements of regulations under that provision. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the charity's auditors are unaware; and each Trustee has taken all the steps that he ought to have taken as a Trustee to make himself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.



Tom Chandos
Chairman
20 March 2008

Independent auditors' report to the Trustees of the Esmée Fairbairn Foundation

We have audited the financial statements of Esmée Fairbairn Foundation for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's Trustees as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's Trustees 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 its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees' responsibilities for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities on page 37.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 December 2007 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
20 March 2008

Statement of Financial Activities

12 months ended 31 December 2007

	Notes	Total Funds 2007 £'000	Total Funds 2006 £'000
Income and Expenditure			
Incoming Resources			
Investment Income	2	35,631	36,000
Interest	2	223	218
Other Incoming Resources	2	126	733
		<u>35,980</u>	<u>36,951</u>
Resources Expended			
Cost of Generating Funds	3	(3,871)	(9,134)
Charitable Expenditure			
Grants	4	(23,272)	(27,359)
Support Costs	5	(1,731)	(1,795)
Governance Costs	6	(225)	(147)
		<u>(29,099)</u>	<u>(38,435)</u>
Net Outgoing/Incoming Resources		6,881	(1,484)
Gains on Investment Assets	9	13,934	92,802
		<u>20,815</u>	<u>91,318</u>
Net Movement in Funds for the Year		20,815	91,318
Balance at 1 January 2007		<u>916,939</u>	<u>825,621</u>
Balance at 31 December 2007	14	<u>937,754</u>	<u>916,939</u>

The notes on pages 42 to 47 form part of these accounts.

The Foundation has no recognised gains or losses other than the net movement in funds for the year.

The net incoming resources and resulting net movement in funds in each of the financial years are from continuing operations.

Balance Sheet

At 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed Assets			
Tangible Assets	8	7,622	7,691
Investments	9	927,119	877,704
Programme Related Investments	10	<u>1,242</u>	<u>1,109</u>
		935,983	886,504
Current Assets			
Debtors	11	4,808	10,085
Investments	9	25,000	48,655
Cash at Bank		<u>3,421</u>	<u>6,087</u>
		33,229	64,827
Creditors: Amounts falling due within one year	12	<u>(27,561)</u>	<u>(28,812)</u>
Net Current Assets		<u>5,668</u>	<u>36,015</u>
Total Assets less Current Liabilities		941,651	922,519
Creditors: Amounts falling due after one year	13	(3,897)	(5,580)
Net Assets Representing Unrestricted Funds	14	<u>937,754</u>	<u>916,939</u>

The notes on pages 42 to 47 form part of these accounts .
The accounts were approved by the Trustees on 20 March 2008,
and signed on their behalf by:



Tom Chandos
Chairman

Cash Flow Statement

Year to 31 December 2007

	Notes	2007 £'000	2006 £'000
Operating Activities			
Investment Income Received		41,022	36,487
Other Income Received	2	349	951
Grants paid		(26,004)	(26,093)
Other Expenditure Paid		(5,980)	(11,278)
Net Cash Inflow / (Outflow) from Operating Activities		9,387	67
Investments and Capital Expenditure			
Cash Inflow from Sale of Investments	9	720,502	1,004,597
Cash Outflow from Purchase of Investments	9	(755,983)	(997,945)
Cash Outflow from Tangible Assets	8	(47)	(68)
Cash Inflow from Programme Related Investments	10	86	53
Cash Outflow from Programme Related Investments	10	(219)	(215)
Net Cash (Outflow) / Inflow from Investments		(35,661)	6,422
Net (Decrease) / Increase in Cash and Cash equivalents		(26,274)	6,489
Analysis of Change in Cash			
Cash Balance at 1 January 2007		54,810	48,487
Net Cash Inflow		(26,274)	6,489
Cash Balance at 31 December 2007		28,536	54,976
Reconciliation of Net Incoming/(Outgoing) Resources to Net Cash Inflow from Operating Activities			
Net Incoming / (Outgoing) Resources		6,881	(1,484)
Depreciation	8	116	121
(Increase) / Decrease in Investments	9	(35,482)	6,834
Increase in Programme Related Investments	10	(133)	(162)
Decrease in Debtors	11	5,278	544
Decrease in Creditors due within one year	12	(1,251)	(685)
(Decrease) / Increase in Creditors due after one year	13	(1,683)	1,311
Net Cash Inflow from Operating Activities		(26,274)	6,489

Notes to the accounts

1. Basis of Accounting and Accounting Policies

Basis of accounting

The accounts have been prepared under the historical cost convention, modified by the revaluation of investments, and in accordance with the Charities Act 1993, Statement of Recommended Practice ('Accounting and Reporting by Charities' revised 2005) and applicable standards.

A description of the nature and purpose of the Foundation is set out on pages 19 and 36. The Trustees consider all the funds to be unrestricted.

Investments

Listed and marketable unlisted Investment assets are included at market value at the Balance Sheet date as described in note 9. Unlisted non-marketable investment assets are included at fair value. Realised and unrealised gains and losses on investments are included in the Statement of Financial Activities.

Programme related investments are included at cost less provisions.

Incoming resources

Investment income and bank deposit interest are accounted for on an accruals basis.

Resources expended

All expenditure is accounted for on an accruals basis.

Cost of generating funds includes investment management and custody fees and a proportion of shared and indirect costs. This includes management and custody fees charged to capital.

Direct charitable expenditure consists of direct, shared and indirect costs associated with the main activities of the Foundation. This includes approved grants and support costs.

Governance costs include external audit, legal advice on governance matters, Trustees' expenses and an apportionment of shared and indirect costs.

Shared and indirect costs are apportioned on the basis of the number of full-time equivalent staff.

Grants are accounted for in the year in which they are approved, irrespective of the period covered by the grants. Grants awarded but not yet paid are recorded as grant commitments in the balance sheet.

Tangible fixed assets and depreciation

Freehold property is used by the Foundation and is included in the balance sheet at cost. The building element of freehold property is depreciated on a straight line basis of 2% per annum. Freehold land is not depreciated. Office equipment is depreciated between 33% and 20% per annum.

Leasing and hire purchase

Assets obtained under finance leases are capitalised as tangible fixed assets and depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Foundation. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payments is charged to the Statement of Financial Activities over the period of the lease.

2. Income

	2007 £'000	2006 £'000
Investment Income		
Equity Investments	22,410	24,587
Fixed Interest Investments	8,344	4,515
Property Investment	4,877	3,292
Unquoted Investments	-	3,606
	<u>35,631</u>	<u>36,000</u>

Alternative portfolios income for 2006 represented an internal allocation. There has been a change of approach and therefore no allocation for 2007 as all returns on the alternative portfolio are included in "Gains on Investment Assets".

Interest comprises bank interest and interest received from programme related investments.

	2007 £'000	2006 £'000
Other Income		
Cancelled Grants	-	701
Returned Grants	-	14
Service Charge	18	3
Programme Related Investment Income	53	15
Grants Received	55	-
	<u>126</u>	<u>733</u>

Cancelled Grants and Returned Grants in 2007 have been reclassified from income to grant expenditure and are disclosed in note 4.

3. Cost of Generating Funds

	2007 £'000	2006 £'000
Staff Costs	88	85
Office, Premises and ICT	38	34
Legal and Professional	263	123
Investment Management	3,482	8,892
	<u>3,871</u>	<u>9,134</u>

The investment management charge for 2006 included an allocation of £4.2 million from "Gains on Investment Assets" relating to investment management fees incurred within the Foundation's pooled and partnership investment funds. This allocation approach has not been adopted for 2007.

Staff costs and office, premises and IT costs are apportioned on the basis of the number of full-time equivalent staff allocated to each activity. All other support costs are allocated directly to the respective activity.

4. Grants

	Arts & Heritage £'000	Education £'000	Environment £'000	Social Change £'000	Other Activities £'000	2007 £'000	2006 £'000
Grants							
Programme Grants	5,574	5,306	6,539	5,866	671	23,956	25,830
Grants Plus	28	182	64	88	76	438	49
TASK Grants	356	114	46	298	-	814	860
Strategic Initiatives	-	-	-	-	-	-	620
Total Grants	5,958	5,602	6,649	6,252	747	25,208	27,359
Cancelled and Returned Grants	(133)	(348)	(303)	(1,152)	-	(1,936)	-
Total for 2007	5,825	5,254	6,346	5,100	747	23,272	
Total 2006	5,855	6,145	6,026	8,204	1,129		27,359

All grants are made to organisations. Grants approved in 2007 are listed in the annual report accompanying these accounts. Grants Plus is the cost of adding value over and above the grants we make in appropriate cases, such as organisational development, research and evaluation.

Other activities comprise grants under the Development Fund.

5. Support Costs

	Arts & Heritage £'000	Education £'000	Environment £'000	Social Change £'000	2007 £'000	2006 £'000
Staff Costs	278	249	184	464	1,175	1,225
Office, Premises and ICT	118	105	78	196	497	494
Consultants and Advisers	4	20	22	13	59	76
Total for 2007	400	374	284	673	1,731	1,795
Total for 2006	406	408	349	632	-	1,795

Staff costs and office, premises and IT costs are apportioned on the basis of the number of full-time equivalent staff allocated to each activity. All other support costs are allocated directly to the respective activity.

Notes to the accounts

6. Governance Costs

	2007 £'000	2006 £'000
Staff Costs	81	78
Office, Premises and IT	57	35
Consultants and Advisers	4	3
Trustees' Expenses	24	18
Auditors Remuneration	49	13
Legal and Professional	10	-
	<u>225</u>	<u>147</u>

Trustees' Expenses for travel and subsistence totalling £23,552 (2006: £18,023) were reimbursed to 11 Trustees (2006: 11 Trustees).

Staff costs and office, premises and IT costs are apportioned on the basis of the number of full-time equivalent staff allocated to each activity. All other support costs are allocated directly to the relevant activity.

7. Staff Costs

	2007 £'000	2006 £'000
Salaries	994	1,037
NI Contributions	111	115
Pension Contributions	125	151
Other Benefits	42	50
Temporary Staff	-	14
Other Costs	72	21
	<u>1,344</u>	<u>1,388</u>

Other Costs include recruitment, expenses and staff development costs.

Average number of employees during the year calculated on a full-time basis

	2007	2006
Investment Management	2	1
Arts & Heritage Programme	5	5
Education Programme	5	5
Environment Programme	4	5
Social Change Programme	8	8
Governance costs	1	1
	<u>25</u>	<u>25</u>

The Foundation operates a Norwich Union Grouped Personal Pension Plan and makes employer contributions of 12.5%.

During 2007, 3 employees received remuneration of more than £60,000 in the year (2006: 2):

	2007	2006
£60,001 - £70,000	2	1
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1

All 3 employees paid over £60,000 had contributions accruing under a defined contribution pension scheme.

8. Tangible Assets

	Freehold Property £'000	Office Equipment £'000	Total £'000
Cost			
At 1 January 2007	8,047	217	8,264
Additions in Year to 31 December 2007	-	47	47
	<u>8,047</u>	<u>264</u>	<u>8,311</u>
Accumulated Depreciation			
At 1 January 2007	459	114	573
In Year to 31 December 2007	66	50	116
Depreciation on disposals			
At 31 December 2007	<u>525</u>	<u>164</u>	<u>689</u>
Net Book Value			
At 31 December 2007	7,522	100	7,622
At 1 January 2007	7,588	103	7,691

The building element of freehold property is depreciated on a straight line basis of 2% per annum. Freehold land is not depreciated. Office equipment is depreciated at 33% or 20% per annum.

The net book value of assets held under finance leases is £32,459 (2006:£20,421) and the depreciation charged is £14,189 (2006:£13,035).

9. Investments

	Market Value 01.01.07 £'000	Purchases £'000	Sale Proceeds £'000	Investment Gain/(Loss) £'000	Market Value 31.12.07 £'000
Equity Portfolios	594,505	396,156	(545,511)	15,653	460,803
Fixed Interest Portfolios	59,708	305,323	(167,049)	(8,521)	189,461
Alternatives Portfolios	121,653	31,757	(7,942)	12,498	157,966
Property Portfolios	101,838	22,747	0	(5,696)	118,889
	<u>877,704</u>	<u>755,983</u>	<u>(720,502)</u>	<u>13,934</u>	<u>927,119</u>

Alternatives comprise unlisted hedge funds and venture capital investments. Investments are reported as net of fees and charges.

In addition to Fixed Assets Investments shown in the Balance Sheet, investments shown in Current Assets and Accrued income shown in Debtors in note 11 are part of investments managed by the Foundation's Investment Committee.

Total assets, cash and accrued income under investment at 31 December 2007 were:

	Market Value 01.01.07 £'000	Market Value 31.12.07 £'000
Fixed Asset Investments	877,704	927,119
Current Asset Investments	48,655	25,000
Accrued Investment Income	10,040	4,650
	<u>936,399</u>	<u>956,769</u>

Notes to the accounts

9. Investments continued

		UK Listed	UK Unlisted	UK Pooled	UK Cash	Overseas Listed	Overseas Pooled	Overseas Partnership	Total
Equity Portfolios									
Market Value 31.12.07	£'000	327,423	-	-	9,143	-	121,441	2,796	460,803
Market Value 01.01.07	£'000	458,864	-	-	-	-	135,641	-	594,505
Fixed Interest Portfolios									
Market Value 31.12.07	£'000	-	-	-	129,418	19,174	40,869	-	189,461
Market Value 01.01.07	£'000	-	-	-	19,367	18,889	21,452	-	59,708
Alternatives Portfolios									
Market Value 31.12.07	£'000	-	10,400	2,582	-	-	133,427	11,557	157,966
Market Value 01.01.07	£'000	-	10,150	2,500	-	-	104,686	4,317	121,653
Property Portfolios									
Market Value 31.12.07	£'000	-	-	77,561	-	-	41,328	-	118,889
Market Value 01.01.07	£'000	-	-	85,456	-	-	16,382	-	101,838

The Foundation's investments were managed by the following investment managers during the year:

Banquo Credit Management LLP	Morley Fund Management Ltd
Dalton Strategic Partnership LLP	Newton Investment Management Ltd
FF&P Private Equity Ltd	Sloane Robinson LLP
Grosvenor Investment Management Ltd	Wellington Management Company LLP
Grantham, Mayo, Van Otterloo & Co LLC	State Street Global Asset Management
M&G Securities Ltd	

In addition to the managers above, the Foundation had a portfolio of 24 hedge funds and commitments to 18 venture capital and private equity partnerships. Both programmes were managed by Cambridge Associates on an advisory basis. Commitments totalling £45million had been entered into with 17 private equity and venture capital limited partnership funds. This has not been included in the Foundation's Balance Sheet.

One unlisted non-marketable investment was made through a subsidiary undertaking, EF Investments. The results of this subsidiary Company has not been consolidated as the Company's results were not material to the Group. EF Investments is an unlimited company and is a wholly owned subsidiary of the Esmée Fairbairn Foundation.

State Street Bank and Trust Company acted as global custodian to the Foundation's segregated portfolios.

10. Programme Related Investments

	Balance at 01.01.07 £'000	Additions £'000	Repayments £'000	Gain/(Loss) £'000	Balance at 31.12.07 £'000
Charitable loans	1,109	219	(86)	-	1,242

The Foundation has provided funding to ten organisations (2006: 7). In view of the immateriality of these investments at 31 December 2007, further details of individual loans have not been disclosed.

11. Debtors

	2007 £'000	2006 £'000
Prepayments	153	30
Accrued Dividend Income	1,715	2,155
Accrued Fixed Interest Income	2,145	531
Accrued Property Income	789	328
Accrued Alternative Income	0	7,026
Other Debtors	6	15
	<u>4,808</u>	<u>10,085</u>

Following a change in approach, the Foundation has not allocated accrued alternative income in 2007. It is reflected in the alternative investment valuation as shown in note 9.

12. Creditors: Amounts falling due within one year

	Balance 01.01.07 £'000	Utilised £'000	Additions £'000	Transfers £'000	Balance 31.12.07 £'000
Grant Commitments	26,792	(27,686)	21,197	5,573	25,876
Accruals	2,007	(2,007)	1,525	-	1,525
Trade and Other Creditors	-	-	138	-	138
Commitments Due Under Finance Leases	13	(13)	22	-	22
	<u>28,812</u>	<u>(29,706)</u>	<u>22,882</u>	<u>5,573</u>	<u>27,561</u>

13. Creditors: Amounts falling due after one year

	Balance 01.01.07 £'000	Additions £'000	Transfers £'000	Balance 31.12.07 £'000
Grant Commitments	5,573	3,870	(5,573)	3,870
Commitments Due Under Finance Leases	7	20	-	27
	<u>5,580</u>	<u>3,890</u>	<u>(5,573)</u>	<u>3,897</u>

Grant Commitments comprise grant payments due for 2009 and beyond.

14. Cash and Cash equivalents

	Balance £'000
Cash at Bank	3,421
Short term investments	25,000
	<u>28,421</u>

15. Reserves

	Balance 01.01.07 £'000	Incoming £'000	Outgoing £'000	Investment Gain/(Loss) £'000	Balance 31.12.07 £'000
Unrestricted Funds	916,939	35,980	(29,099)	13,934	937,754

16. Related Party Transactions

Material transactions where Trustees, staff, advisers or their immediate family had a connection with a transacting party organisations are listed below. The Foundation's policy is for related parties (Trustees, staff or advisers) to declare their interest and exempt themselves from all relevant discussions and decisions relating to the respective transacting party.

Transacting recipient	£'000	Esmée Fairbairn (EF) relationship between the parties
Grants		
Clean Break Theatre Company	150	Sharon Shea (EF Grants Manager), trustee of Clean Break Theatre Company
University of Plymouth	143	Professor Stephen Hawkins (EF Adviser); employed by University of Plymouth
IPPR	86	Jeremy Hardie (EF Trustee); council member of IPPR
The Cuba Studies Trust	15	William Sieghart (EF Trustee); trustee of The Cuba Studies Trust
Investment Managers		
Grosvenor Investment Management Ltd	80,042	Rod Kent (EF Trustee & Investment Committee member); Grosvenor Group, Chairman of Britain & Ireland
Charifund (M&G Securities Ltd)	81,768	Tom Chandos (EF Trustee & Investment Committee member); director of Charities Investment Managers Ltd, Charifund Administrator
Dalton Strategic Partnership LLP	22,842	Rupert Caldecotte (EF Investment Committee member); partner in the Dalton Strategic Partnership