

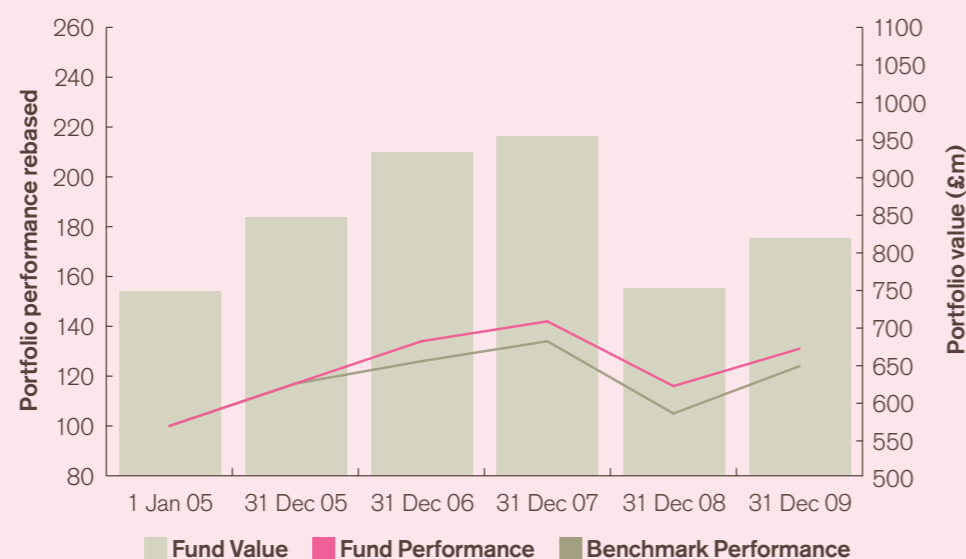
The market value of the Foundation's investments at the end of 2009 was £815.7 million (2008: £740.8 million). The portfolio underperformed its blended benchmark by 5.6% for the year (2008: outperformed by 3.9%), the annual total return for the year being 12.8% (2008: -17.6%) against the blended benchmark of 18.4% (2008: -21.5%).

The financial crisis and deteriorating global economic fundamentals experienced in the last two years resulted in extreme volatility across all markets and had a negative impact on the value of the Foundation's investments when compared to their peak in 2007. However, despite the overall underperformance against the blended benchmark in 2009 the portfolio has outperformed its benchmark on an annualised five year basis. Portfolio performance and valuations over the five year period ending on 31 December 2009 are summarised as follows:

At 31 December 2009:

Portfolio value = £815.7m

Performance	Fund	Benchmark	Relative
1 year (ann.)	12.9%	18.4%	(5.6%)
3 years (ann.)	(0.7%)	(0.4%)	(0.2%)
5 years (ann.)	5.6%	4.4%	1.2%



After the turbulence experienced in 2008, markets stabilised in 2009 as fiscal and monetary measures introduced by governments across the globe prevented further deepening of the crisis and resulted in improved liquidity and historically low interest rates. As investor confidence returned in the second half of 2009, markets rallied led by the riskier asset classes such as high yield credit, emerging market equities and alternatives.

The Foundation's portfolio benefited from the overall market recovery in the year but lagged behind its blended benchmark largely due to the more defensive positioning of our investments. The largest contributors to absolute gains for the year were emerging market and Asian equities and hedge funds, with hedge fund and commodity assets significantly outperforming their respective benchmarks. The largest absolute losses as well as the largest market underperformance came from our direct property investments which not only took longer to rally but the nature of which amplified the losses.

Despite the recent market rally, uncertainty remains around whether economic fundamentals will undermine the sustainability of the recovery in some parts of the world and ultimately jeopardize the ability of governments to repay their debts.

In light of this uncertainty the Foundation has continued to hold a defensive portfolio and, in particular, maintained high cash balances throughout 2009. The actual asset allocation at the end of 2009 and 2008 was as follows:

Asset Class	2009 %	2008 %	Change %
Public equity investments	46.5	47.3	(0.8)
Fixed income investments	4.2	4.3	(0.1)
Alternative investments	35.7	35.7	-
Investment cash	13.8	14.8	(1.0)
Other investment balances	(0.3)	(0.1)	(0.2)
Derivatives	0.1	(2.0)	2.1
Total	100.0	100.0	

The main changes in asset allocation beyond valuation movements during the year were:

- repositioning of the public equity investments reflecting a further strategic reduction of UK equities in the portfolio and an increase of the allocation to emerging markets equities;
- an increase in the portfolio allocation to commodities reflecting the intention to grow this asset class in line with long-term targets;
- an increase in the allocation to private equity and venture capital reflecting the continued commitment to this alternative asset class.

Further information relating to the investment portfolio is detailed in note 9 to the financial statements.

Programme related investment

The Foundation had programme related investments of £5.5 million at the end of the year (2008: £1.3 million). These investments consist of loans, equity and other investments made by the Finance Fund to charities or social enterprises either directly or via intermediaries. The increase in these investments during the year is £4.1 million. Page 36 contains a list of all Finance Fund investments approved in principle during the year.

Income and expenditure

Income levels fell to £11.7 million from £32.0 million in 2008 due in the main to falling interest rates and reduced dividend distributions.

The Foundation committed £24.3 million (2008: £22.2 million) in new grants during the year. A list of all grants approved during the year can be found in this report. Grants reported in the Statement of Financial Activities include funds returned from cancelled and returned grants.

Administration and support costs rose to £2.0 million from £1.7 million, largely due to the Foundation's move to new premises.

The cost of generating funds, which is made up of investment management and oversight fees, decreased to £2.2 million from £4.9 million in 2008. This was due in the main to reduced manager performance fees.

Capital expenditure remained close to the previous year's figure at £0.3 million. The Foundation sold its freehold premises during the year realising a profit on sale of £1.0 million.

Risk Assessment

The Trustees are responsible for the management of the risks faced by the Foundation. The Trustee Board and Audit Committee reviews the Foundation's risk position, internal control assessment and its compliance with relevant statutory and finance regulations.

In order to evaluate and manage risk the Foundation has a risk mapping process to identify the major risks that could impact on the strategic aims as laid out in the Foundation's Strategic Plan. This process identifies the major risks the Foundation faces, the likelihood of occurrence, the significance of the risk, and any mitigating controls that are in place, and seeks to identify any actions and resources required to manage these risks further.

The Foundation's investment activities are its main financial risk. This is managed with the support of investment advisers through: diversification across a broad range of asset classes, geographies, investment managers and investment strategies; regular review of the investment policy; management of strategic and tactical asset allocation; independent valuation and performance reporting; risk measurement and reporting; and market and manager updates. All the Foundation's investments are externally managed by investment managers.

Reserves, Expenditure and Investment Policies

The Foundation's reserves, expenditure and long term investment policies are intended to: provide long term stability and liquidity sufficient for the financing of the Foundation's on-going operations and grant-making activities in perpetuity and to maintain the 'real' value of the endowment whilst preserving the real purchasing power of the expenditure through time.

The Foundation budgets on a three year rolling basis. Budgeted expenditure targets are set by reference to the average value of the investment portfolio over the preceding five years. Expenditure targets may be over or under-spent in an individual year in a controlled manner reflecting demand and the quality of applications.

All of the Foundation's funds are unrestricted.

The Foundation's investments are made in accordance with the investment powers set out in its Scheme. The Foundation's long-term investment objective is set to be consistent with its reserves, expenditure and long term investment policies. The Foundation has an Investment Policy Statement setting out the long term investment objective, strategic asset allocation and investment restrictions. This is reviewed annually.

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 supercedes 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 Charity Commission approved an incorporation of the Trustee body on 16 June 2008 in the name of The Trustees of Esmée Fairbairn Foundation.

The Foundation is a charity registered in England and Wales, number 200051. Esmée Fairbairn Foundation exists and operates for the public benefit. Through its grant-making programmes it works to improve the quality of life throughout the UK by funding the charitable activities of organisations that have the ideas and ability to achieve change for the better.

The Foundation's primary interests are the UK's cultural life, education and learning, the natural environment and enabling disadvantaged people to participate more fully in society. Page 10 gives an overview of our funding programmes.

We have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set.

The public benefit created by the Foundation's grant-making is demonstrated in this report through our grants listing, case studies and articles.

Trustee Board

The Foundation's Trustees are listed on the inside back cover of this report. The Trustee Board meets six times each year to set and oversee the delivery of the Foundation's strategy. A number of Trustee committees support the work of the Foundation throughout the year.

The Foundation has a clear organisational structure with documented lines of authority and delegation, which is reviewed regularly by the Audit Committee and the Trustee Board. The Foundation also has segregation of duties with regard to governance, management, grant-making, finance and investment. Procedures are in place for documenting decisions, actions and issues.

Audit Committee

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

Finance and Administration Committee

The Finance and Administration Committee reviews and recommends to the Trustee Board annual budgets, staff remuneration and benefits and oversees major property, ICT, governance and other projects.

Investment Committee

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

Nominations Committee

The Nominations Committee makes recommendations to the Trustee Board on the appointment of new Trustees.

Funding decisions

A **Grants Committee**, comprising Trustees and Executive members, takes decisions on Main Fund grants up to £75,000. All decisions on Main Fund grants over £75,000 go to the **Trustee Board**. The Board allocates budgets and delegates decision-making on the Foundation's funding strands to **Strand Panels**. All strand grants over £150,000 go to the Trustee Board. The Panels are made up of Trustees and have external experts as advisers. The Strand Panels report to the Trustee Board. Finance Fund investments in excess of £1million are referred to the Trustee Board.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

Under the Scheme rules of the Foundation 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 Foundation 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 Scheme rules, 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 Scheme rules of the Foundation, within the framework of the Charities Act 1993. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Foundation 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 Foundation and to prevent and detect fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the financial and other information included on the Foundation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Foundation's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the Foundation's auditors are aware of that information.

Tom Chandos

Tom Chandos
Chairman

25 March 2010

We have audited the financial statements of Esmée Fairbairn Foundation for the year ended 31 December 2009 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 Trustees' Annual Report and 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 43.

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 sufficient accounting records, if the charity's financial statements are not in agreement with these 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 2009 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.

Kevin Clark

Kevin R Clark
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex

25 March 2010

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Incoming resources			
Investment income	2	11,625	31,491
Other incoming resources	2	104	515
Total incoming resources		11,729	32,006
Resources expended			
Cost of generating funds	3 & 5	2,213	4,909
Charitable activities	4 & 5	25,473	22,815
Governance costs	5 & 6	270	291
Total resources expended		27,956	28,015
Net (outgoing)/incoming resources			
Realised gain on asset held for sale	8	985	–
Realised and unrealised gains/(losses) on investment assets	9	86,116	(216,941)
Net movement in funds		70,874	(212,950)
Funds at 1 January		724,804	937,754
Funds at 31 December	15	795,678	724,804

The notes on pages 48 to 55 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 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible fixed assets	8	536	319
Investment assets	9	815,653	740,815
Programme related investments	10	5,454	1,334
		821,643	742,468
Current assets			
Assets held for sale	8	–	7,456
Debtors	11	869	596
Cash at bank		1,788	1,835
		2,657	9,887
Creditors: falling due within one year	12	(21,512)	(21,752)
Net current liabilities		(18,855)	(11,865)
Total assets less current liabilities		802,788	730,603
Creditors: falling due after one year	13	(7,040)	(5,729)
Provisions: for liabilities	14	(70)	(70)
Net assets: representing unrestricted funds	15	795,678	724,804

The notes on pages 48 to 55 form part of these accounts.

The accounts were approved and authorised for issue by the Trustee Board on 25 March 2010.

Signed in the name and on behalf of The Trustees of Esmée Fairbairn Foundation:



Tom Chandos
Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Net cash (outflow)/inflow from operating activities	18	(12,223)	6,746
Cash flows from investments and capital expenditure			
Sale of investments		262,904	365,335
Purchase of investments		(247,476)	(367,850)
Sale of assets held for resale		8,500	–
(Decrease)/increase in investment cash		(5,579)	56,711
Cash outflow on derivative financial instruments		(1,281)	(61,716)
Increase in loan to subsidiary undertaking		(266)	(557)
Cash outflow to programme related investments		(4,460)	(70)
Cash inflow from programme related investments		173	65
Cash (outflow)/inflow from finance lease commitments		(23)	21
Purchase of tangible fixed assets		(316)	(271)
Net cash utilised on investments and capital expenditure		12,176	(8,332)
Net decrease in cash at bank		(47)	(1,586)
Analysis of change in cash			
Cash balance at the beginning of the year		1,835	3,421
Net cash outflow		(47)	(1,586)
Cash balance at the end of the year		1,788	1,835

1. Basis of accounting and accounting policies

Basis of accounting

The accounts have been prepared in accordance with applicable UK accounting standards and comply with the Charities Act 1993 and the Statement of Recommended Practice ('Accounting and Reporting by Charities') revised 2005. Except as otherwise stated, these financial statements have been prepared using the historic cost convention. The Trustee Board consider all the funds to be unrestricted.

Consolidated accounts

The Foundation has not prepared consolidated accounts as the results of its subsidiary undertakings are not material to the group.

Incoming resources

Incoming resources are recognised in the Statement of Financial Activities in the period in which the Foundation becomes entitled to receipt. Dividend income and related tax credits are recognised from the ex-dividend date when they become receivable.

Resources expended

Direct costs of generating funds, charitable activities and support and governance costs are charged to the relevant category or activity according to the area to which the expenditure relates. Support costs incurred that relate to more than one cost category are apportioned based on the number of full-time equivalent staff allocated to that activity.

Grants are recognised as expenditure in the year in which they are approved and such approval has been communicated to the recipients, except to the extent that it is subject to conditions that enable the Foundation to revoke the award.

Pension

The Foundation operates a defined contribution group personal pension scheme for employees. The assets of the scheme are held separately from those of the Foundation. The annual contributions are charged to the Statement of Financial Activities.

Irrecoverable VAT

Irrecoverable Value Added Tax (VAT) is included in the Statement of Financial Activities within the expenditure to which it relates.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at cost less accumulated depreciation. Freehold land is not depreciated. Freehold buildings are depreciated at 2% per annum. Leasehold improvements are depreciated over the term of the lease. Office and computer equipment is depreciated at between 20% and 33% per annum.

Depreciation is charged on a straight line basis over the assets' useful lives.

Leased assets

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.

All other leases are operating leases. Operating lease annual rentals are charged to the Statement of Financial Activities on a straight-line basis over the term of the lease to the first rent review date.

Investments

Quoted investments

Quoted investments are stated at market value at the balance sheet date. Asset purchases and sales are recognised at date of trade.

Unquoted investments

Unquoted investments are valued at the Trustee Board's best estimate of fair value as follows:

Pooled investments are stated at fair value, the basis of fair value being the market value of the underlying investments held. These valuations are provided by the fund managers and are subject either to independent valuation or annual audit.

Unquoted hedge funds are valued by reference to the market value of their underlying investments. These valuations are provided by the third party hedge fund administrators.

Private equity investments are held through funds managed by private equity groups. As there is no identifiable market price for private equity funds, these funds are included at the most recent valuations from the private equity groups where the:

- i. private equity group provides a fair value that complies with the International Private Equity and Venture Capital Valuation Guidelines; or
- ii. private equity group provides valuations that complies with International Financial Reporting Standards or US GAAP.

Where a valuation is not available at the balance sheet date, the most recent valuation from the private equity group is used, adjusted for cashflows and foreign exchange movements and any impairment between the most recent valuation and the balance sheet date.

Where a private equity group does not provide a fair value that complies with the above, the Foundation is unable to obtain a reliable fair value, and therefore these investments are held at cost.

Derivative financial instruments

Derivatives are recognised in the Balance Sheet at fair value. The Foundation uses forward currency contracts to reduce currency exposure in its investment portfolio. The basis of fair value of these forward exchange contracts is estimated by using the gain or loss that would arise from closing the contract at the balance sheet date. Managers of segregated funds also enter into derivatives as part of their portfolio risk management; fair values of these derivatives are provided by the fund managers.

Other investment balances

Following a change in approach, the Foundation has classified debtors and creditors arising as part of the investment portfolio as "other investment balances" and grouped them together as part of investment assets.

Programme related investments

Programme related investments that are loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts. Unquoted equity programme related investments are held at cost, less any provision for diminution in value, as the Foundation is unable to obtain a reliable estimate of fair value.

Realised and unrealised gains and losses on investments

Realised and unrealised gains and losses on all investments, apart from programme related investments, are included in the Statement of Financial Activities.

Realised and unrealised gains and losses on programme related investments are included in charitable activities within the Statement of Financial Activities.

Realised and unrealised gains and losses on foreign exchange transactions

Transactions denominated in foreign currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the balance sheet date. All gains and losses on exchange, realised and unrealised, are reflected in the Statement of Financial Activities. Exchange gains and losses are allocated to the appropriate income or expenditure category.

Provisions

Provisions have been made for possible future liabilities arising from contracts entered into by the Foundation.

Related party transactions

Material transactions with related parties are disclosed in the notes to these financial statements. The Foundation's policy is for Trustees, executive or advisers to declare their interest and exempt themselves from all relevant discussions and decisions which may involve a transaction with a related party or in which they may have a conflict of interest.

2. Income

	2009 £'000	2008 £'000
Investment income		
Public equity investments	8,465	12,296
Fixed income investments	867	4,037
Alternative investments	1,205	5,105
Investment cash	1,088	10,053
	11,625	31,491

	2009 £'000	2008 £'000
Other income		
Bank interest	30	409
Interest received from subsidiary undertaking (note 9)	20	51
Income from programme related investments	54	55
	104	515

3. Cost of generating funds

	2009 £'000	2008 £'000
Investment managers, custodian and advisers fees	1,840	4,569
Direct staff and other costs	148	159
Support cost allocation	225	181
Total costs of generating funds	2,213	4,909

4. Charitable activities

	2009 £'000	2008 £'000
Grant funding	24,286	22,196
Cancelled and returned grants	(755)	(712)
Net grant funding	23,531	21,484
Programme related investments (gains)/losses	167	(97)
Direct staff and other costs	625	630
Support cost allocation	1,150	798
Total charitable activities	25,473	22,815

Grants approved in 2009, listed on pages 12 to 37, in the annual report accompany these accounts.

5. Support cost allocation

	Cost of generating funds £'000	Charitable activities £'000	Governance costs £'000	2009 £'000	2008 £'000
Support staff costs	83	401	94	578	633
Premises, technology and other costs	142	749	84	975	534
Total support costs	225	1,150	178	1,553	1,167
Total support costs for prior year	181	798	188	–	1,167

6. Governance costs

	2009 £'000	2008 £'000
Auditors' remuneration	51	49
Direct staff and other costs	41	54
Support cost allocation	178	188
	270	291

Total Trustees' expenses of £21,980 (2008: £18,561) are included in governance costs and in costs of generating funds. Expenses were reimbursed to 7 (2008: 7) Trustees during the year.

7. Staff costs

	2009 £'000	2008 £'000
Salaries	1,038	1,010
Social security costs	112	112
Pension contributions	123	118
Other staff related costs	79	120
Total staff costs	1,352	1,360

The Foundation operates a defined contribution group personal pension scheme and makes employer contributions of 12.5% when matched by a 5% employee contribution.

The average number of employees during the year calculated on a full time basis was as follows:

	2009	2008
Investment management and oversight	3	3
Grant-making	17	18
Governance	2	2
Total number of employees	22	23

The number of employees who received remuneration of more than £60,000 in the year was as follows:

	2009	2008
£60,000 – £69,999	1	1
£70,000 – £79,999	2	–
£80,000 – £89,999	1	1
£90,000 – £99,999	–	1

All the employees paid over £60,000 had employer contributions, equal to 12.5% of salary, made under the group personal pension scheme.

8. Tangible fixed assets

	Leasehold improvements £'000	Office & computer equipment £'000	Total £'000
Cost			
At 1 January 2009	212	323	535
Additions in the year	277	39	316
At 31 December 2009	489	362	851
Accumulated depreciation			
At 1 January 2009	–	216	216
Depreciation charge for year	64	35	99
At 31 December 2009	64	251	315
Net book value			
At 31 December 2009	425	111	536
At 1 January 2009	212	107	319

The net book value of assets held under finance leases included above is £0.048 million (2008: £0.072 million) and the depreciation charge on these assets for the year was £0.024 million (2008: £0.025 million)

During the prior year the Foundation offered a freehold property for sale. This property was therefore reclassified within current assets as held for sale at the prior year end. The property was sold during 2009.

9. Investments**i) Market value**

	2009 £'000	2008 £'000
Public equity investments	379,245	350,266
Fixed income investments	34,507	31,507
Alternative investments	290,979	264,646
Investment cash	112,586	109,665
Other investment balances	(2,208)	(500)
Derivative financial instruments	544	(14,769)
Total market value of investments	815,653	740,815

Investment cash includes all cash balances managed as part of the investment portfolio. Other investment balances includes accrued income, amounts payable on investment purchases, amounts receivable on investment sales and accrued investment costs. Derivatives include all derivative assets and liabilities.

During 2009 property investments were reclassified as either equity or alternative investments depending on the nature of the underlying investments. As a result, opening balances in note 9 have been reclassified. Alternative investments comprise hedge funds, venture capital and private equity, direct property funds, commodity investments and a £10.0 million (2008: £10.0 million) investment in a subsidiary company which is carried at cost. This subsidiary invests in venture capital type investments and is managed as part of the Foundation's investment portfolio.

The Foundation has entered into commitments to invest in private equity and venture capital funds. At the balance sheet date outstanding commitments totalled: £66.7 million (2008: £82.1 million). The Foundation models its cashflows based upon the original commitment.

ii) Purchases, sales, gains and losses

	Market Value 2008 £'000	Purchases £'000	Sale proceeds £'000	Investment gain £'000	Market value 2009 £'000
Market value					
Public equity investments	350,266	192,759	(226,331)	62,551	379,245
Fixed income investments	31,507	22,811	(23,126)	3,315	34,507
Alternative investments	264,646	31,906	(13,447)	7,874	290,979
Total market value of investments	646,419	247,476	(262,904)	73,740	704,731

iii) Reconciliation to book cost

	Book Cost 2008 £'000	Purchases £'000	Sale proceeds £'000	Investment gain/(loss) £'000	Book Cost 2009 £'000
Book cost and realised gains					
Public equity investments	374,143	192,759	(226,331)	(5,480)	335,091
Fixed income investments	69,958	22,811	(23,126)	4,036	73,679
Alternative investments	242,681	31,906	(13,447)	1,987	263,127
Total book cost	686,782	247,476	(262,904)	543	671,897
Market value adjustment					
Unrealised gains/(losses)	(40,363)	–	–	73,197	32,834
Total market value of investments	646,419	247,476	(262,904)	73,740	704,731

iv) Derivative financial instruments

	2009 £'000	2008 £'000
Derivative financial instrument asset positions	544	1,865
Derivative financial instrument liability positions	–	(16,864)
Derivative financial instrument total net positions	544	(14,999)

v) Realised and unrealised gains/(losses) on investments

	Realised gain/(loss)	Unrealised gain/(loss)	2009 £'000	2008 £'000
Public equity investments	(5,480)	68,031	62,551	(86,745)
Fixed income investments	4,036	(721)	3,315	(31,777)
Alternative investments	1,987	5,887	7,874	(27,309)
	543	73,197	73,740	(145,831)
Derivative financial instruments	11,832	544	12,376	(71,110)
Total gains/(losses) on investments	12,375	73,741	86,116	(216,941)
Gains/(losses) in the prior year	(78,490)	(138,451)	–	(216,941)

vi) UK and overseas holdings

	2009 £'000	2008 £'000
Public equity investments		
UK listed	177,356	105,350
Overseas	201,889	244,916
	379,245	350,266
Fixed income investments		
Overseas	34,507	31,507
	34,507	31,507
Alternative investments		
UK	60,481	50,455
Overseas	230,498	214,191
	290,979	264,646
Total market value of investments	704,731	646,419

10. Programme related investments (Finance Fund)

	2009 £'000	2008 £'000
Opening balance for year	1,334	1,242
Drawn down in year	4,460	90
Repaid in year	(173)	(96)
Gains/(losses)	(167)	98
Total programme related investments at year end	5,454	1,334

At 31 December 2009 £1.1 million (2008: nil) had been committed under the Finance Fund but remained undrawn and a further £3.1 million (2008: £7.1 million) was approved subject to agreement of terms, making a total promised of £4.2 million (2008: £7.1 million) at year end.

11. Debtors

	2009 £'000	2008 £'000
Prepayments and other debtors	46	39
Loan receivable from subsidiary undertaking	823	557
Total debtors	869	596

The loan receivable from the subsidiary undertaking is repayable on or before 28 February 2019. Interest is payable annually on the amount drawn at Bank of England base rate plus 1.75%. The loan facility is for an amount up to £2.0 million.

12. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Grant commitments	21,020	21,224
Accruals	327	181
Trade and other creditors	144	324
Commitments due under finance leases	21	23
Total creditors falling due within one year	21,512	21,752

13. Creditors: amounts falling due after one year

	2009 £'000	2008 £'000
Grant commitments	7,014	5,682
Commitments due under finance leases	26	47
Total creditors falling due after one year	7,040	5,729

14. Provisions

	2009 £'000	2008 £'000
As at 1 January	70	–
Charge for the year	–	70
As at 31 December	70	70

The provision relates to a potential dilapidations liability due under the lease of the premises occupied by the Foundation.

15. Reserves

	2009 £'000	2008 £'000
As at 1 January	724,804	937,754
Net (outgoing)/incoming resources	(16,227)	3,991
Gain on asset held for resale	985	–
Gains/(losses) on investment assets	86,116	(216,941)
Net movement in funds in year	70,874	(212,950)
As at 31 December	795,678	724,804

16. Operating Leases

At 31 December the Foundation has lease agreements in respect of property for which payments extend over a number of years.

Annual commitments under non-cancellable operating leases expiring:

	2009 £'000	2008 £'000
After five years	409	409
Total annual operating lease commitments	409	409

17. Related Party Transactions

There were no related party transactions during the year other than those with subsidiary undertakings disclosed in note 2 and note 11.

18. Cash Flow

Reconciliation of statement of financial activities to operating cash flows

	2009 £'000	2008 £'000
Incoming resources	11,729	32,006
Decrease in accrued income	943	3,348
Incoming resources	12,672	35,354
Grants awarded	(23,531)	(21,484)
Increase/(decrease) in grant commitments	1,128	(2,820)
Grants paid	(22,403)	(24,304)
Other resources expended	(2,717)	(4,733)
(Decrease)/increase in trade and other creditors	(180)	186
Increase in accrued expenses and prepayments	139	152
Increase in provision	–	70
Increase/(decrease) in provision for bad debts	167	(97)
Depreciation charge for the year	99	118
Other operating costs	(2,492)	(4,304)
Net cash (outflow)/inflow from operating activities	(12,223)	6,746