

## The Trustees *(as at 9 May 2003)*

The Foundation's Trustees are appointed by the following bodies:

		<i>Committees</i>
<i>The Crown</i>	Ms Maggie Baxter ( <i>Vice Chairman</i> )	A,E,F,G,I,S
	Professor Julian Franks	A,E, I
	Mr Peter Williams	
	Ms Elahe Panahi	E
	Mr Nigel Pantling	A,F,G
<i>Corporation of London</i>	Mr William Dove	G
	Mr Charles Edward Lord	G,I
	Mr Ian David Luder	A,F,I
	Vacant	
<i>Church Commissioners</i>	The Bishop of Willesden	E,G
	Mr Peter Dale	A,E,I
<i>Council of the University of London</i>	Mrs Gillian Roberts	A, F,S
<i>University College London</i>	Professor Gerald Manners ( <i>Chairman</i> )	A,E,F,G,I,S
<i>City and Guilds of London Institute</i>	Mr John Barnes	A,E,I,S
<i>Bishopsgate Foundation</i>	Mr Miles Barber	
<i>Cripplegate Foundation</i>	Vacant	
<i>King's College London</i>	Mr John Muir	A,F,G,S
<i>City Parochial Foundation</i>	Mrs Jyoti Munsiff	E,I
	Mrs Lynda Stevens	E,G
	Mr Albert Tucker	F,G
	Ms Jane Wilmot	F,G

All the Trustees are appointed on a six year term by their nominating body. Their period of appointment commences on 4 April.

### Key to Committees

A Asset Allocation Committee

E Estate Committee

G Grants Committee

F Finance Committee

I Investment Committee

S Staffing & General Purposes Committee

## Principal Officers

*Clerk to the Trustees* Mr Bharat Mehta      *Director of Grants & Programmes* Mr Martin Jones

*Director of Finance and Administration* Miss Carol Harrison

## Professional Advisers

### *Solicitors*

Farrer & Co, 66 Lincoln's Inn Fields, London, WC2A 3LH

### *Property Investment*

### *Managers and Surveyors*

CB Hillier Parker, 77 Grosvenor Street, London W1A 2BT

### *Auditors*

KPMG LLP, 8 Salisbury Square, London EC4Y 8BB

### *Bankers*

Lloyds TSB Bank plc, Public and Community Sector, 25 Gresham Street, London EC2V 7HN

### *Investment Managers*

Allianz Dresdner Asset Management (UK) Ltd,

PO Box 191, 10 Fenchurch St, London, EC3M 3LB

S G Asset Management UK Limited, 100 Ludgate Hill, London, EC4M 7NL

Veritas Asset Management (UK) Limited, 14 Buckingham Street, London WC2N 6DF

*cpf* CITY PAROCHIAL  
FOUNDATION

## INVESTMENT POWERS

The charity's investment powers are governed by a Scheme sealed on 16 September 1988. Under the Scheme the Trustees are not required to divide funds in the manner specified in the Trustees Investment Act 1961.

In summary, endowment funds may be invested in any of the following ways:

- in investments that constitute narrower or wider range investments under the 1961 Act, and in any other investments that are authorised by law for the investment of trust funds;
- in the acquisition of freehold and leasehold land in England or Wales;
- in effecting capital improvements to the value of land belonging to or acquired by the relevant fund;
- in debentures, debenture stock or preferred, ordinary or deferred stock or shares or unsecured loans or other marketable securities of the United Kingdom, the United States of America, the European Union and a number of other countries specified in the Scheme.

The investment powers of the charity apply to both funds. All investments acquired by the Trustees have been acquired in accordance with these powers.

## REVIEW OF ACTIVITIES DURING THE YEAR

### **Incoming Resources**

Income from investment properties represented 57% of the Foundation's incoming resources. The total income from investment properties fell from £5,505,163 in 2001 to £5,299,699 in 2002. This fall was predominantly due to the sale of properties that took place in both this and previous years and the subsequent reinvestment of the proceeds in other forms of investment, in pursuance of the Trustees' policy of diversification.

Bank and other interest fell to £1,006,987 in 2002 from £1,956,863 in 2001. Income from listed investments rose slightly from £1,591,641 in 2001 to £1,636,245 in 2002. The decrease in bank and other interest related to the decrease in cash holdings arising from investment into equity during the year. The equity income was partly offset by the fall in dividend payments and tapering of tax relief.

A commentary on the Resource Centre's and the Bellingham Recreation Project's activities is given below.

#### **Cost of generating income**

Expenditure on generating income was £945,629 (2001: £721,293). This includes property management costs of £487,348 (2001: £338,057) and investment management costs of £250,029 (2001: £158,940). The latter costs are based on the value of the investment portfolio. Of these management charges, £223,443 (2001: £224,297) has been charged against the endowment funds as relating to those funds.

#### **Grants payable**

Total grants payable in the year were £7,235,324 (2001: £7,491,442). Of this amount £4,245,703 (2001: £4,246,101) was payable from the Central Fund and £2,989,621 (2001: £3,245,341) was payable from the City Church Fund.

#### **Grants made from the Central Fund**

2002 is the new year for the present quinquennium 2002-2006 during which the Trustees are allocating grants with the following priorities:

- Organisations providing advice, information and individual advocacy;
- Organisations developing, promoting and providing education, training and employment schemes;
- Organisations that are attempting to develop initiatives that tackle violence and hate crimes against the target groups.

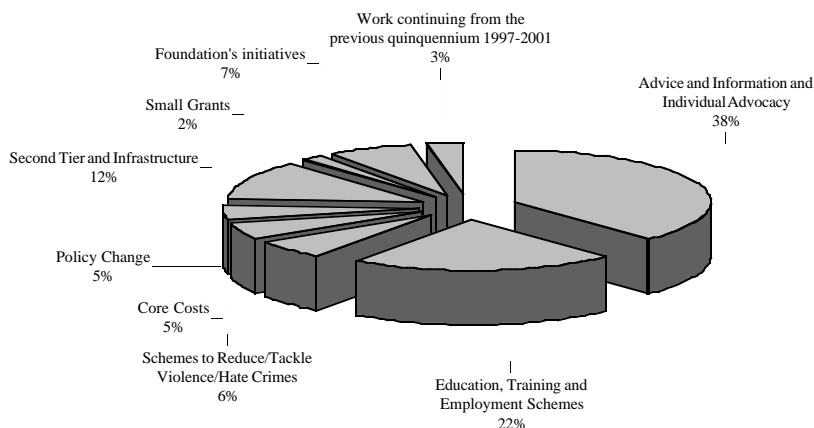
The Trustees also appreciate the importance of back up or development work for the voluntary sector and fund the following:

- Core Costs and Management Costs;
- Policy Change;
- Second Tier and Infrastructure Organisations;
- Collaborative responses.
- Alliance Funding

The Trustees also have a Small Grants programme and may provide continuation funding for work funded by the Foundation under the previous quinquennial policy.

An analysis of grants made in 2002 is shown in the chart below:

**The Analysis of Grants by Category**



The policy of making mainly revenue grants was continued with 99% of the grants falling into this category.

The boroughs receiving more than £100,000 of grant money were: Bromley, Camden, Hackney, Hounslow, Harrow, Kensington and Chelsea, Lambeth, Merton, Southwark and Tower Hamlets.

An analysis of grants made from the Central Fund is published in the Annual Grants Review which is available from the Clerk on request.

A reconciliation of grants shown in that publication is given below:

	2002	2001
	£	£
Grants detailed in Grants Review	4,555,708	4,575,542
Grants written back	(263,125)	(262,450)
Other	(46,880)	(66,991)
<b>Net Central Fund grants</b>	<b>£4,245,703</b>	<b>£4,246,101</b>
<b>No. of grants made</b>	<b>183</b>	<b>190</b>

**Grants made from the City Church Fund**

The Trustees divide the income from this fund between the Church Commissioners, the six Metropolitan Dioceses and the City Churches Grants Committee in accordance with the City Parochial Foundation's governing instruments. One third of the income is allocated to the City churches and, after a contribution of £57,000 towards prior charges made by the Church Commissioners, two thirds of the income is payable to the six Dioceses in the proportions listed below:

Diocese	%	Diocese	%	Diocese	%
London	44.37	Rochester	6.18	Chelmsford	15.30
Southwark	29.05	Guildford	2.27	St Albans	2.83

As given in note 5, the grants payable from the City Church Fund are:-

	2002	2001
	£	£
Church Commissioners and Dioceses	1,993,081	2,163,561
City Churches Grants Committee	965,400	1,050,640
Schedule VII payments to City Churches	31,140	31,140
	<u>£2,989,621</u>	<u>£3,245,341</u>

### Support costs

The Trustees allocate funds to the salaries and associated costs of employing a team of field staff and their assistants. It is the Trustees' view that proper assessment and monitoring of charitable priorities in London cannot be achieved without this work. In addition the Trustees employ consultants to help, support and make more effective the grants made from the Central Fund of the Foundation. The costs of such work and a representative proportion of overheads are charged to Support costs.

### Management and administration

Expenditure on Management and Administration was £243,862 (2001: £274,459).

### Resources expended

Pension costs arising from the transfer in 1997 of funds to cover past service benefits are being written off over five years. In this, the final year, there is a charge of £124,049 (2001: £247,820). A further £55,534 relating to pension underpin promises made in 1997 to staff due to retire before 2005 has also been charged (see note 14). These costs have been split across the various headings under Resources Expended.

The Trustees have decided not to split realised and unrealised gains on listed investments, as allowed by the Charity Commission.

## THE RESOURCE CENTRE

The performance of the Resource Centre, a subsidiary of the Foundation, is shown within the Restricted Funds of the charity.

Some 2,300 organisations used the Centre during the year and the conference facilities remain in high demand.

The accounts of the Resource Centre show incoming resources of £867,142 (2001: £825,105) and resources expended of £780,349 (2001: £860,704) making net incoming resources of £86,793 (2001: net outgoing resources £35,599), after payment of £220,698 (2001: £165,000) to the Foundation as rent for the premises.

The full statutory accounts of the Resource Centre are available from the Clerk of the Foundation at 6 Middle Street, London, EC1.

## BELLINGHAM RECREATION PROJECT LIMITED

The Foundation owns property in Lewisham, London SE6. The Bellingham site includes playing fields, a small sports hall and a pavilion. The playing fields are the direct responsibility of the Foundation through its subsidiary, the Bellingham Recreation Project Limited, a registered charity.

The Project had net outgoing resources of £1,997 (2001: net incoming resources £46,857) after receipt of grants of £51,653 (2001: £56,476) from the Foundation. The Project aims to develop further the facilities on the site by building a community and sports centre on the site.

The principal funders are Sport England, the Foundation itself and Lewisham Borough Council.

The Bellingham Recreation Project Management Company Limited (formerly the Bellingham Recreation Project Social Club Ltd), a wholly owned subsidiary of the Project did not trade during the year. Winding up activities gave rise to a surplus of £125 (2001: trading surplus £829).

The results of the Project are incorporated in these Financial Statements as a branch of the Foundation as defined by SORP Accounting and Reporting by Charities.

## INVESTMENT PROPERTIES

The Trustees employ the services of property investment managers.

CB Hillier Parker Limited manage the property investments on a non-discretionary basis and have been set targets to reduce the size of the Foundation's portfolio in absolute terms, as opportunities arise; to diversify the nature of the portfolio (which is currently heavily focused on City of London properties); and to increase the yield of the portfolio to a level that is more consistent with the Investment Property Databank norm.

The investment property portfolio was valued at 31 December 2002 by Insignia Richard Ellis. This has been shown in the accounts at an open market value of £76,229,183 (2001: £86,471,259). Following net property disposals in the year of £9m showing a realised profit of £1.5m, the remaining portfolio showed an unrealised loss of £8.3m.

Trustees have established the IPD index as a basis for monitoring the portfolio's performance. The results for the previous year saw a very high total return (20.1%), which placed the Foundation's performance first in the chosen IPD sample. The results for this year showed a negative total return (-2.5%), which placed the Foundation's performance 65th out of a sample of 67. This significant change was almost entirely due to the concentration of the portfolio on a single sector, the City of London. So long as the Foundation maintains a preponderance of property in the City the performance of the portfolio will reflect the volatile economic performance of the financial companies located there. The Foundation's progress in achieving its overall objectives is summarised in the table below:

<b>Position at 31 December</b>	1999	2000	2001	2002
Portfolio value	£97.7m	£107.9m	£86.5m	£76.2m
% in Central London	91%	91%	81%	78.5%
Annual income	£5.5m	£5.3m	£5.5m	£5.3m

## INVESTMENT PROPERTY UNIT TRUST

In the year the Foundation acquired units in the Falcon Property Unit Trust at a cost of £1,997,550. The total return since inception has been 10%.

## INVESTMENTS

The Foundation employs the services of investment managers.

Allianz Dresdner Asset Management (UK) Limited (formerly Dresdner RCM Global Investors (UK) Ltd) managed part of the assets of the Combined Fund through index tracking Common Investment Funds. The portfolio thus replicates the performance of relevant market indices for different asset classes and aims to match the performance of the WM Charity Fund Index for the portfolio as a whole. The total return for the year has been - 17.8%.

SG Asset Management UK Limited managed listed investments of the Combined Fund and had an active mandate to out-perform the FTSE and other Global indices over rolling three year periods. The total return since inception has been - 22.2%.

Veritas Asset Management (UK) Limited manage a smaller fund (originally £10 million) against the Global FT World Equity Index on a slightly more ambitious target. The total return since inception has been - 14.9%.

The market value of the passive endowment funds held as listed investments including uninvested cash fell to £24,312,839 at 31 December 2002 from

£25,528,515 at 31 December 2001 despite additional net capital of £5m being added to the portfolio during the year. The market value of the active listed investments including uninvested cash rose to £35,611,273 at 31 December 2002 from £30,980,233 at 31 December 2001 despite additional net capital of £10m.

The Trustees also invest liquid funds in the money market. At the year end £13.4m of Combined funds were held in a cash portfolio which was managed by Allianz Dresdner Asset Management (UK) Ltd. The total return for the year has been 4.02%.

## TRUST FOR LONDON

The Trust for London is a charity connected to the Foundation but whose accounts are not consolidated with the Foundation. It was formed in 1986. It has an expendable endowment fund which at 31 December 2002 stood at £13,652,206. This fund produced an income of £628,584 in 2002 (2001: £679,651). Grants are applied to projects which target small locally based community organisations with charitable purposes and which are independent of larger bodies.

The Foundation is the Trustee of the Trust for London. It shares its premises, assets, charitable support and administration costs with the Trust. This relationship means that some costs including staff costs and depreciation are apportioned between the Foundation and the Trust for London. In 2002 the Trust bore £109,899 being 11% of shared costs.

## EVENTS SINCE THE YEAR END

The Foundation sold a long leasehold of playing fields at Grove Park, South London for £825,000 on 31 March 2003.

## ACCOUNTING POLICIES

There were no changes in accounting policies.

## RESERVES POLICY

It is the Trustees' policy to distribute fully the net income of the Foundation. However, due to timing differences, the amount of grants made will not match the net income receivable year by year. Consequently a varying balance of funds is carried forward in reserves.

The Trustees regularly monitor the level of reserves at their quarterly Grants Committee Meetings.

## FUTURE DEVELOPMENTS

The Trustees intend to continue a measured diversification of their assets out of investment properties into listed investments. They also intend to continue their existing policy of diversifying their property portfolio out of Central London office property and into other forms of property investment. They will monitor the income returns from different asset classes and have regard to the effect of asset allocation on the income available for grant making.

In common with many charities, the Foundation has experienced a considerable drop in investment income from its endowment fund in recent years. The Trustees have concluded that were they to continue to be constrained by the present levels of investment income that they would disadvantage current beneficiaries in relation to future beneficiaries. Having taken professional advice, the Trustees have therefore sought and received permission from the Charity Commission to adopt a 'Total Return' approach to its investment portfolio with effect from 1 January 2003. This will enable the charity to supplement its investment income with a proportion of the significant capital gains that have accumulated over the life of the charity. The Trustees have identified that the unapplied total return available for this purpose represented £77million of the £158million in the Endowment Fund at 1 January 2003. The Trustees have decided to allocate an additional £2million (as adjusted for inflation) from the unapplied total return for each of the next four years, subject to annual confirmation.

The Trustees are also undertaking a restructuring of the Foundation's constitution with a view to seeking incorporation by registering as a charitable company limited by guarantee at the end of 2003.

## GOVERNANCE AND INTERNAL CONTROL

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the group at the end of the year and of its activities during the year. In preparing those financial statements Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis.