

TOWER HILL TRUST

**TRUSTEES' ANNUAL REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 30th APRIL 2008

Tower Hill Trust

**Trustees' Annual Report and Financial Statements
for the year ended 30th April 2008**

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TOWER HILL TRUST**TRUSTEES' REPORT FOR THE YEAR ENDED 30th APRIL 2008****Reference and Administrative Details**

Patron:	His Royal Highness The Duke of Gloucester, KG, GCYO
Registered address:	Attlee House 28 Commercial Street London E1 6LR
Trust deed made:	7 th February 1938 (subsequently varied by Schemes approved by the Charity Commissioners on 23 rd October 1973 and 23 rd April 1987, and by an Order of the Charity Commissioners dated 8 th February 2005)
Registered charity number:	206225
Trustees:	Mrs Davina J. Walter (Chairman) Commodore John Burton-Hall John Polk Esq. (appointed 3 December 2007) Hamish M. J. Ritchie Esq. Major-General Christopher Tyler CB Mrs. Susan M. Wood
Bankers:	National Westminster Bank P.O. Box 34 15 Bishopsgate London EC2P 2AP
Solicitor:	Cumberland Ellis Atrium Court 15 Jockey's Fields London WC1R 4QR
Auditor:	Moore Stephens LLP Chartered Accountants St. Paul's House Warwick Lane London EC4M 7BP
Investment managers:	Newton Investment Management Limited Mellon Financial Centre 160 Queen Victoria Street London EC4V 4LA
Principal officer:	Roland H. Smith CMG Secretary and Treasurer
Grant Officer:	Elaine Crush

TOWER HILL TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 30th APRIL 2008

Statement of Trustees' Responsibilities

Charity law 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 its financial activities for that period. In preparing those financial statements, the Trustees are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether the policies adopted are in accordance with the Statement of Recommended Practice for Charities of 2005, and with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- d) prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity, and enable them to ensure that the financial statements comply with relevant legislation. They are also responsible for safeguarding the assets of the Charity, and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The Trustees confirm that the accounting policies adopted are in accordance with the Statement of Recommended Practice for Charities of 2005. The financial statements have been prepared on the going concern basis.

Structure, Governance and Management

The Trust was established as the Tower Hill Improvement Trust in 1938. The original Trust Deed of the Tower Hill Improvement Trust, dated 7th February 1938 was subsequently varied by Schemes approved by the Charity Commissioners on 23 October 1973 and 23 April 1987.

On the 8th of February 2005, the Charity Commissioners made an Order giving the Trustees general authority to amend the trusts of the charity, subject to certain limitations, including the need on some matters to obtain the prior written approval of the Charity Commissioners. This power has been used three times. On the 16th of March 2005, the maximum number of Trustees was increased from five to eight. On the 21st of June 2006, with the approval of the Charity Commission, the name of the Trust was changed from Tower Hill Improvement Trust to Tower Hill Trust. Again with the approval of the Charity Commission, on the 14th of March 2007, the Trust's area of benefit was enlarged, and now comprises the Tower Hill area and the whole of the London Borough of Tower Hamlets. The power of amendment was not used in 2007-08.

The Charity is governed by a Board of not more than eight Trustees. One new Trustee, Mr John Polk, was appointed during the year. The Trustees welcome Mr Polk to the Board. Following this appointment, there are at present six Trustees.

New Trustees are appointed by the existing Board of Trustees, and are invited to serve for as long as they feel they can commit. In recruiting, choosing and appointing new Trustees, the Trustees seek to ensure that the Board as a whole contains a suitable balance of experience, expertise, and knowledge of the Trust's area of benefit. Before new Trustees are appointed, they are provided with documentation about the Trust, and are invited to meet the existing Trustees and to familiarise themselves with the work of the Trust. Trustees are encouraged to attend relevant courses and seminars in order to improve their knowledge of charity law and of good practice. The Board meets quarterly (or more frequently as required) to discuss Trust matters, and to consider applications for grants.

TOWER HILL TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 30th APRIL 2008

Structure, Governance and Management (Continued)

The Trust shares a small office in Attlee House, Toynbee Hall, Commercial Street, Tower Hamlets, with the Wakefield and Tetley Trust. This office is staffed by a part-time Secretary and Treasurer and a part-time Grant Officer (at present Mr Roland Smith and Ms Elaine Crush). A service charge is paid to the Wakefield and Tetley Trust for the provision of staff and services. The Secretary and Treasurer is responsible for administration and book-keeping. The Grant Officer is charged with keeping up-to-date with local charitable activity and funding needs, providing satisfactory information to support applications to the Trustees, and with monitoring the expenditure of grants by beneficiaries. Staff are responsible for all day-to-day matters, and for making recommendations to the Trustees, but all significant decisions are taken by the Board of Trustees

Objectives, Activities & Public Benefit

The original Trust Deed of 1938 described the Trust's objects as being "to purchase sites and buildings on or near Great Tower Hill and Tower Hill with a view of demolishing the buildings thereon and forming gardens or open spaces for the public benefit and for their future maintenance as such unless and until taken over by the local authority, and to maintain Tower Beach as a playground for children". In more recent years, the Trust has operated entirely as a grant-making charity, and its objectives now are to use Trust income for the promotion of charitable purposes for the general benefit of the inhabitants in the Trust's area of operation in any or all of the following ways:

- i) The provision of gardens and open spaces for the general benefit of the inhabitants;
- ii) The provision and support of facilities for recreation and leisure-time occupation;
- iii) The provision and support of educational facilities;
- iv) The relief of the aged, handicapped and poor.

These objects are listed in the order of priority which the Trustees determined at their meeting on 27 June 2007.

The Trust is satisfied that its grants have always been of public benefit to people in the area of benefit. Grants have been made either to registered charities or to schools and churches for charitable purposes. The restriction which has always applied to the Trust's grant-making has been geographical. The guidance on public benefit now published by the Charity Commission recognises that: "it is generally reasonable for a charity's aims to be intended to benefit people living in a particular geographical area, such as a village, town, city, county or country". However, in March 2007 the Trustees came to the view that the area of benefit as then defined, i.e. the area around Tower Hill, and the former St Katharine's ward in the London Borough of Tower Hamlets, was too limited. Accordingly, the decision was taken at that time to extend the area. It now comprises the whole of the London Borough of Tower Hamlets as well as the area of Tower Hill and Great Tower Hill. The Trustees continue particularly to welcome proposals having a link with the Trust's original area of benefit. They also particularly welcome proposals for equipment or capital costs.

Achievements and Performance

The Trust aims to maintain a high level of grant-giving, while ensuring that adequate funds are available for the proper administration of the charity, and that reserves are maintained to generate income for future grant-giving and to ensure that funds are available when needed for new projects. During 2007-08, the Trust awarded 27 grants, and paid out a total of nearly £162,000 (compared with a budget of £164,000) to grant recipients. The amount paid out in grants was nearly £50,000 more than in 2006-07, and represented almost 80% of the Trust's total income for the year.

TOWER HILL TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 30th APRIL 2008

Achievements and Performance (continued)

A considerable proportion of the amount actually paid out in grants during the year reflected the continuation of grants awarded in previous years. Similarly, a considerable proportion of grants awarded in 2007-08 will actually be paid out in subsequent years. The total amount of the grants awarded in 2007-08 was approximately £212,000. The Trustees have decided that grants payable should be charged in the year when they are awarded, irrespective of when they are paid, as they are regarded by the Trustees as financial obligations. For this reason, the amount shown in the Statement of Financial Activities under "Grants payable in furtherance of the Trust's objectives" does not represent the grants actually paid in 2007-08, but the grants awarded during the year. Details of both grants paid and grants awarded during the year are contained in note 13.

The success of the Trust's grants in promoting the welfare of people within its area of benefit depends, of course, on the effectiveness with which the grants are used by the recipient charities and organisations. The results achieved by individual grants are assessed on a case-by-case basis using reports provided by the recipients. In general, the Trust is satisfied with the effectiveness of its grants, and this is reflected in the fact that in a number of cases, further grants have been approved to the same recipient. At the same time, the Trust warns recipients not to become over-reliant on its grants, particularly since the extension of the Trust's area of benefit means that many excellent applications are now being received from organisations which previously were not eligible to apply. In 2007-08, 21 of the 27 grants approved were to recipients whom the Trust had not previously assisted.

Grants that were approved included:

- £6,200 to the Friends of Arnold Circus towards the costs of a gardener, planting and a bench commissioned from an award-winning designer for Arnold Circus in Bethnal Green
- £6,268 to Swan Housing Association to establish English classes to enable residents of the Exmouth Estate to develop their language skills
- £6,598 over six months to the Attlee Foundation for a professional football coaching and education project aiming to address anti-social behaviour and drugs misuse on local estates in Spitalfields
- £16,000 over one year to support an Outreach Service for residents on a Guinness Trust Estate, delivered by the City of London Citizens' Advice Bureau. (The Trust made its first grant to the Outreach Advice Service in 2004, and a weekly session is now well established, helping over 70 clients in the year with enquiries, including benefit entitlement, employment and debt advice.)
- two school scholarships starting in September 2008; a music scholarship over seven years at the City of London School for Girls, and a sixth form scholarship over two years at the City of London School for Boys, for outstanding pupils from Tower Hamlets whose families qualify for financial support. These scholarships represent 50% of the fees, and the balance is paid by the City of London.
- £20,500 to Historic Royal Palaces to support the 'Tower Beach Oral History Archive'. This project is working to record the stories and memories of users of the beach in its heyday, immediately before and after the Second World War, creating an archive and on-line resource. Tower Hill Improvement Trust (as the Trust was then called) helped to establish the beach in 1934, when King George V granted the children of Stepney and London 'free access forever' to the foreshore of the Tower of London. The Trust provided funding for more than 1,500 barge loads of sand to be deposited on the edge of the Thames next to the Tower, and within the first five years, more than 500,000 people had visited the beach.

The Trustees recognise the value to charities of making commitments to grants over more than one year, and are prepared where appropriate to award grants for periods of up to three years, or in exceptional cases even more, as shown above. Such grants are conditional on the regular receipt of reports demonstrating effective performance and progress of the projects to which the grants are directed.

TOWER HILL TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 30th APRIL 2008

Financial Review

The Trust's investments are now managed by Newton Investment Management Limited. The Trustees would like to thank Newton Investment Management for its work for the Trust over the year. The Trust will continue to keep its investment policy under review. A review meeting was held with Newton Investment Management in April 2008, and it is intended to hold similar meetings once a year. The Trustees have agreed the following statement of investment policy as guidance for the Trust's investment manager: "The maintenance of an optimum level of income, tempered by the need for capital growth, in order to safeguard future grant-making capacity". The Trustees have set to the fund managers an income target of £130,000 per year.

Income from the Wine Vaults, of which the head tenant is Modus Alpha Property Partners LP, has been stable. The Wine Vaults, the Trust's only freehold property, are let on a lease of one hundred and fifty years from 1991. The property was revalued at £1,100,000 as at 26th July 2007, and is shown at that valuation. Barring unforeseen developments, the next revaluation will be in the Trust's financial year 2012-13.

The Trustees have power to borrow money for the objects of the Charity; to purchase, lease, exchange or otherwise acquire any real or personal property; to construct, alter, maintain and furnish any land or building or other erections necessary or convenient for the work of the charity; and to sell, exchange or let land and buildings belonging to the Charity. None of these powers were used during 2007-08, except for the continuing lease of the Wine Vaults.

Reserves Policy

The Trustees have agreed that a maximum figure for reserves can vary from year to year, with changes in Trust priorities and levels of commitment to new projects. The Trustees currently foresee a need for a reserve figure of £5 million in order to generate the necessary income... The present level of the reserves is a little under £5 million. The Trust's fixed assets, which consist entirely of freehold property, investments and deposits, continue to produce income for grant purposes. The financial position of the Trust is such that all future plans and commitments can be carried out, and the Trust will be able to fulfil its charitable obligations.

Risk Management

The Trustees have assessed the major risks to which the Trust is exposed, particularly those relating to the operations and finances of the Trust, and are satisfied in general that systems are in place to protect its grant-making activities and to guard against the possibility of fraud. In accordance with instructions from the Trustees, staff have taken steps to increase the security of storage of data which is held on computer.

Plans for Future Periods

The Trust aims in the future, income permitting, further to increase the level of its grant-giving; at least to maintain the level of its reserves in real terms; and to continue to engage with charities, schools, community groups and other organisations working in its area of benefit, in order to ensure that its grants are as well-directed as possible. The enlargement in 2007 of the Trust's area of benefit has considerably increased the flow of applications for grants, and enhanced the scope for grant-giving in future.

TOWER HILL TRUST**TRUSTEES' REPORT FOR THE YEAR ENDED 30th APRIL 2008*****Plans for Future Periods (continued)***

In 2007-08, the Trustees were able to approve 58% of the grant applications which were received. But the number of applications is likely to increase further, while the scope for any further increase in the budget for grants is limited, meaning unfortunately that the proportion of successful applications is likely to be somewhat lower in 2008-09 and subsequent years. The budget for grant-giving in 2008-09 has been set at £170,000. In order to deal sensibly and coherently with the increased flow of grant applications, the Trust has developed more focused grant priorities and criteria for funding, and these priorities and criteria will be used in assessing grant applications during the coming year.

Approved by the Trustees on
and signed on their behalf by:



Chairman



Trustee

**Independent Auditors' Report to the Trustees of
Tower Hill Trust**

We have audited the financial statements for the year ended 30th April 2008, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes on pages 10 to 15. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on page 10.

This report is made solely to the 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 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 the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 & 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 other information contained in the Trustees' 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 & 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 judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Trusts affairs as at 30th April 2008 and of its incoming resources and application of resources in the year then ended
- have been properly prepared in accordance with the Charities Act 1993.

St. Paul's House
London, EC4M 7BP

23rd July 2008

Moore Stephens LLP
MOORE STEPHENS LLP

Registered Auditors
Chartered Accountants

Tower Hill Trust

**Statement of Financial Activities
For the year ended 30th April 2008**

		Unrestricted Funds	
	<u>Note</u>	<u>2008</u> £	<u>2007</u> £
Incoming Resources			
- Incoming Resources from Generated Funds			
Investment income	2	212,727	169,227
Total Incoming Resources		<u>212,727</u>	<u>169,227</u>
Resources Expended			
Charitable activities	4	217,549	106,118
Governance costs	5	19,251	15,285
Total Resources Expended		<u>236,800</u>	<u>121,403</u>
Net (Outgoing)/Incoming Resources before Investment Gains/Losses		(24,073)	47,824
Gain on revaluation of freehold property	10	100,000	-
(Losses)/Gains on investments	6	(163,117)	246,764
Net Movement in Funds		<u>(87,190)</u>	<u>294,588</u>
Unrestricted Funds at 1st May 2007		<u>4,871,948</u>	<u>4,577,360</u>
Unrestricted Funds at 30th April 2008	12	<u><u>4,784,758</u></u>	<u><u>4,871,948</u></u>

The notes on pages 10 to 15 form part of these financial statements.

The charity's activities are all of a continuing nature.

There are no other recognised gains or losses other than those shown above.

Tower Hill Trust

Balance Sheet - 30th April 2008

	Note	2008		2007	
		£	£	£	£
Fixed Assets					
Tangible assets	10		1,101,000		1,001,000
Investments	3		3,740,975		3,830,784
			<u>4,841,975</u>		<u>4,831,784</u>
Current Assets					
Sundry debtors and prepayments			-		950
Rental income receivable		14,245		19,792	
Stockbroker's deposit		3,005		6	
Bank deposit accounts		70,946		114,269	
Bank deposit account - rental deposit		79,157		76,922	
		<u>167,353</u>		<u>211,939</u>	
Less: Creditors, amounts falling due within one year	9		<u>(99,861)</u>		<u>(59,525)</u>
Net Current Assets			<u>67,492</u>		<u>152,414</u>
Total Assets less Current Liabilities			4,908,467		4,984,198
Less: Creditors, amount falling due after more than one year	9		<u>(124,709)</u>		<u>(112,250)</u>
			<u>4,784,758</u>		<u>4,871,948</u>
Capital Employed					
Total unrestricted funds	12		<u>4,784,758</u>		<u>4,871,948</u>

The financial statements were approved by the Trustees on
and signed on its behalf by

Juliana Walter
Susan Wood

Trustees

The notes on pages 10 to 15 form part of these financial statements.

Tower Hill Trust**Financial Statements for the year ended 30th April 2008****Notes****1. Accounting Policies**

The principal accounting policies, which have been adopted in the preparation of the financial statements, are set out below. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investment properties and investments at market value, in accordance with applicable accounting standards and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2005).

(a) Investment properties and investments

Investments and investment properties are included in the financial statements at market value at the balance sheet date, and the realised and unrealised gains or losses are taken to the Statement of Financial Activities.

(b) Depreciation

Depreciation of fixed assets, other than the freehold investment property is calculated to write off the cost of the assets over their estimated useful lives as follows:-

Office furniture and equipment - 15% of written down value per annum.

(c) Interest and dividends on investments

Interest and dividends, including associated tax credits, are included in the financial statements when they are due.

Dividends on foreign investments are shown after deduction of irrecoverable overseas tax and bank commission.

(d) Donations receivable

Donations are credited to the Statement of Financial Activities when received or when the amount can be quantified with reasonable accuracy, if earlier.

(e) Rent receivable

Rent receivable is included in the financial statements on the basis of the amounts receivable within the Trust's accounting period.

(f) Grants payable

Grants to beneficiaries are charged on the date approved by the Trustees or on the date of the requirements of the grant being met, if later.

(g) Management and administration costs

Management and administration costs are included in the financial statements on the accruals basis.

Tower Hill Trust

Financial Statements for the year ended 30th April 2008

Notes (Continued)

2. Investment Income

	<u>2008</u>	<u>2007</u>
	£	£
Rent receivable from investment properties	74,244	80,137
Dividends received	132,060	80,035
Other interest received	2,397	5,952
Stock brokers deposit interest received	4,026	3,103
	<u>212,727</u>	<u>169,227</u>

3. Investments

	Market Value at At 1st May <u>2007</u> £	Additions During Year £	Disposals During Year £	Net (losses) on disposal and Revaluation £	Market Value at 30th April <u>2008</u> £
Quoted on recognised UK Stock Exchange	<u>3,830,784</u>	<u>100,000</u>	<u>(26,692)</u>	<u>(163,117)</u>	<u>3,740,975</u>

The net profits on revaluation comprise all increases and decreases in the market value of the investments held at any time during the year, including profits and losses realised on the sale of investments during the year. The historical cost of quoted investments held at the year end is £3,717,474 (2007 - £3,645,710).

	Market Value at 30th April <u>2008</u> £
Newton Global Growth & Income Fund for Charities	<u>3,740,975</u>

