

British Heart Foundation  
Annual Report and Accounts 2009



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## Annual Report and Accounts

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## Our mission...

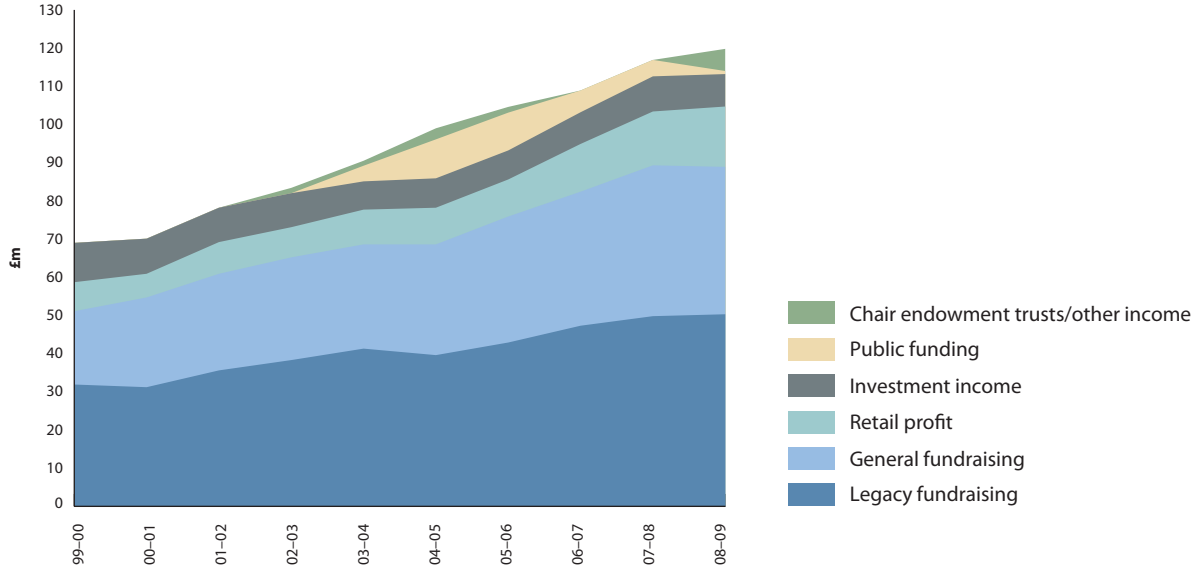
is to play a leading role in the fight against disease of the heart and circulation so that it is no longer a major cause of disability and premature death.

## Our vision...

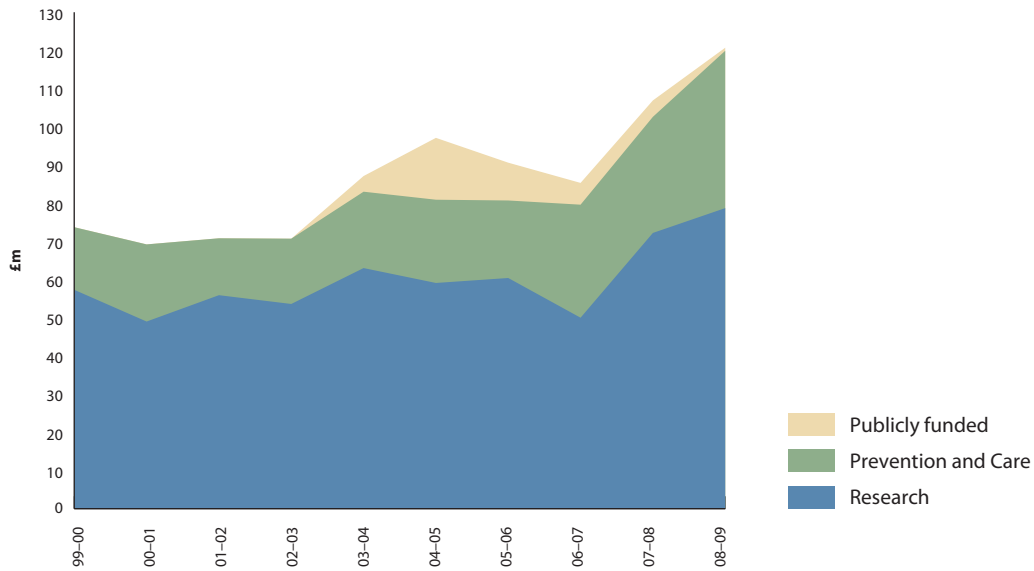
is of a world in which people do not die prematurely of heart disease.

## Financial review of the year

**Chart 1**  
**Incoming resources 2000-2009**



**Chart 2**  
**Charitable expenditure 2000-2009**



## Financial review of the year

|                                  | 1999–2000<br>£m | 2000–01<br>£m | 2001–02<br>£m | 2002–03<br>£m | 2003–04<br>£m | 2004–05<br>£m | 2005–06<br>£m | 2006–07<br>£m | 2007–08<br>£m | 2008–09<br>£m |
|----------------------------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Ten-year perspective</b>      |                 |               |               |               |               |               |               |               |               |               |
| <b>Incoming resources</b>        |                 |               |               |               |               |               |               |               |               |               |
| Legacy fundraising               | 31.9            | 31.2          | 35.6          | 38.3          | 41.3          | 39.6          | 42.9          | 47.3          | 49.8          | 50.3          |
| General fundraising              | 19.2            | 23.5          | 25.3          | 26.9          | 27.3          | 29.0          | 33.0          | 35.1          | 39.5          | 38.6          |
| Retail profit                    | 7.6             | 6.2           | 8.3           | 7.9           | 9.1           | 9.6           | 9.7           | 12.5          | 14.1          | 15.8          |
| Investment income                | 10.3            | 9.2           | 9.0           | 8.9           | 7.4           | 7.7           | 7.6           | 8.3           | 9.2           | 8.5           |
| Public funding                   | -               | -             | -             | -             | 4.1           | 10.2          | 9.9           | 5.7           | 4.3           | 0.8           |
| Chair endowment trusts/other*    | -               | -             | -             | 1.4           | 1.3           | 2.9           | 1.5           | -             | -             | 5.8           |
| <b>See chart 1 on page one</b>   | <b>69.0</b>     | <b>70.1</b>   | <b>78.2</b>   | <b>83.4</b>   | <b>90.5</b>   | <b>99.0</b>   | <b>104.6</b>  | <b>108.9</b>  | <b>116.9</b>  | <b>119.8</b>  |
| Costs of generating funds**      | -12.3           | -11.4         | -13.5         | -16.0         | -16.1         | -18.9         | -21.7         | -19.0         | -19.3         | -23.3         |
| <b>Net incoming resources</b>    | <b>56.7</b>     | <b>58.7</b>   | <b>64.7</b>   | <b>67.4</b>   | <b>74.4</b>   | <b>80.1</b>   | <b>82.9</b>   | <b>89.9</b>   | <b>97.6</b>   | <b>96.5</b>   |
| <b>Expenditure on objectives</b> |                 |               |               |               |               |               |               |               |               |               |
| Research                         | 57.3            | 49.0          | 55.9          | 53.6          | 63.0          | 59.1          | 60.4          | 50.0          | 72.2          | 78.8          |
| Prevention and care              | 16.4            | 20.2          | 14.9          | 17.1          | 20.0          | 21.8          | 20.3          | 29.6          | 30.4          | 41.2          |
| Publicly funded                  | -               | -             | -             | -             | 4.1           | 16.2          | 9.9           | 5.7           | 4.3           | 0.8           |
| <b>See chart 2 on page one</b>   | <b>73.7</b>     | <b>69.2</b>   | <b>70.8</b>   | <b>70.7</b>   | <b>87.1</b>   | <b>97.1</b>   | <b>90.6</b>   | <b>85.3</b>   | <b>106.9</b>  | <b>120.8</b>  |

\*in 2008–09 this income is profit on the sale of the Fitzhardinge Street Head Office properties

\*\*excluding retail costs

Despite a tough economic environment and reduced income from general fundraising in the second half of the year, the Foundation achieved good financial results for 2008–09 overall (as the charts on page one and tables above show), and was once again able to commit a record level of expenditure to the Foundation's charitable activities.

For these purposes we treat the profit from the BHF Charity Shops as our income from that source, whereas in the Accounts that follow, we are required to show the Shops' sales as income (and the significant expenses of the separately-managed operation as costs). In our view, the profit approach gives a more realistic assessment of the situation, while the mandated treatment used in the Accounts exaggerates the income and the costs of the Foundation as a result of the high proportion of Shop sales relative to our other income.

On this basis, our income rose by 2.5% overall, to £119.8 million.

The regular annual increase in our income is only possible because of the continuing generosity of our donors and the dedicated efforts of our volunteers both in branches and Shops, together with those of the paid staff.

Legacy fundraising rose by 1% to £50.3 million and at 42% remains our greatest single source of income. Whilst legacy income has risen consistently over the last few years there is always the risk that it could decline in the future. Next year a decline is expected due to a reduction in the value of an average legacy, and the number of legacies we receive may drop despite an encouraging increase in legacy notifications as at end of March 2009.

The second half of the year proved to be challenging for general fundraising as we began to feel the impact of the economic downturn, resulting in a 2% decline on the previous year's income. However significant progress was made in a number of areas:

- 27,000 cyclists took part in the 33rd annual London to Brighton Bike Ride raising £4.2 million, a 5% increase on the previous year's total. The sponsorship donations we have received from participants have increased year on year since the ride began
- Heart Runners in the London Marathon raised over £0.9 million, and BHF supporters' participation in two other high profile marathons, New York and Paris, boosted this total to over £1 million

## Financial review of the year

- participation in BHF fundraising events continued to grow, with income from both nationally and locally run events reaching over £10 million – this represents 15% growth year on year
- the 2009 Red for Heart Appeal (which took place during February – National Heart Month) raised nearly £1.3 million, including over £0.4 million in our Charity Shops
- partnerships with companies generated just over £4.2 million (including £1.3 million from new corporate partners Home Retail Group and Lloyds TSB) and helped us to reach many new supporters
- 90,000 members were recruited to our new membership service – Heart Matters, and over 20,000 new supporters were acquired through direct marketing, events and campaigns – a record number.

Retail profit rose during the year by £1.7 million (12%). The Shops network continues to expand (we now have 590 shops across the UK) and this year saw a good sales performance. We were also able to increase the amount of Gift Aid claimed on stock donations.

2009 was a record year for investment in research. Nearly £80 million was awarded and the numbers below represent the incremental increase to awards year on year:

- 2 Projects
- 4 Programmes
- 16 Fellowships
- 2 Special Projects
- 3 Infrastructure awards.

In Prevention and Care, as well as continuing with core activity in terms of funding and supporting BHF Nurses and other healthcare professionals (£2.5 million), placing Automated External Defibrillators in places of need (£1 million) and producing heart health resources for all age groups, we also invested £1.2 million in launching a new programme under the umbrella 'Hearty Lives'.

The overall aim of this initiative is to seek to reduce the prevalence of CVD (Cardiovascular Disease) in specific geographical areas by targeting BHF's resources and services in 'areas of need' as defined by high prevalence of and death from CVD. In addition, and as part of our objective to empower and support patients and those affected by heart disease, we launched Heart Matters – our new 'membership' service.

The costs incurred in generating funds to achieve these results amounted to £23.3 million representing 19% of total income as described above. This year includes the costs of relocation to our new Head Office.

Comparisons of cost ratios between charities should be treated extremely carefully, owing to the widely varying costs of the many different fundraising activities they undertake.

A significant proportion of fundraising and publicity expenditure represents an investment in the development of continuing and future income sources.

The market value of our investment portfolio suffered a loss of £35 million this financial year. Despite the long-term historical success of our investment strategy, we continue to review our approach every year to ensure that it remains appropriate to the changing investment environment and to the likely crystallisation of our grant liabilities.

## Trustees' report

The Board of Trustees of the British Heart Foundation (BHF) submits its statutory Report and Accounts for the year ended 31 March 2009.

### Principal aim and activities

The aim of the BHF is unchanged – we seek to play a leading role in the fight against disease of the heart and circulation so that it is no longer a major cause of disability and premature death. We are striving to achieve a world in which people do not die prematurely of heart disease. To this end, the Foundation continues to pursue five strategic objectives:

- to pioneer research into the causes of heart disease and improved methods of prevention, diagnosis and treatment
- to provide vital information to help people reduce their own heart health risk
- to press for Government policies which minimise the risk of heart and circulatory disease
- to help attain the highest possible standards of care and support for heart patients
- to reduce the inequalities in levels of heart disease across the UK.

We have considered the Charity Commission's general guidance on public benefit when reviewing our aim and objectives and planning future activities. As highlighted later in this report, some of our Prevention and Care and Communications initiatives are specifically targeted at those population groups most at risk of heart disease due to genetic or lifestyle factors, but all of our charitable activities are undertaken for the benefit of the general public.

*Beating Heart Disease Together, Our Strategy*, a booklet detailing the Foundation's objectives and how we are working to achieve them, is available from the BHF website: [bhf.org.uk](http://bhf.org.uk). Comprehensive information concerning research expenditure, grant-making policies, who may apply, and grant application forms can also be downloaded from our website [bhf.org.uk](http://bhf.org.uk) or can be obtained on request from the Medical Director.

### Governance

#### Organisational structure

The Foundation operates as a company limited by guarantee, under the terms of its memorandum and articles dated 28 July 1961, last amended on 29 January 2008.

Governance of the Foundation is the responsibility of a Board of Trustees (the "Board") comprising 14 individuals, with a broad mix of medically-qualified and lay members, each of whom is a trustee and member of Council. This Board has full legal responsibility for the actions of the Foundation and its members, who are appointed for a renewable term of three years, are the directors of the company for purposes of the Companies Act 2006. The Board meets six times a year and the Senior Management Team of the Foundation, to whom management of the activities of the Foundation is delegated, attends these meetings in an ex officio capacity.

The Board may and does appoint members and others to a range of committees and sub-committees to which it delegates specific responsibilities. In addition to the Audit, Investment, Nominations, Remuneration and Shops committees there are a further four medical sub-committees which review grant requests and other scientific award proposals. Guidance and oversight of the work of these medical sub-committees is provided by two advisory boards – the Scientific Advisory Board and the Prevention, Education and Care Advisory Board – whose members are drawn from a field of expert, internationally renowned scientists. Participation at each individual Advisory Board meeting is determined by the specific agenda items. The Council comprises up to 30 members appointed for their proven abilities in either medical or other fields and meets twice per annum. Its role is primarily advisory. By calling on Council members' particular expertise, the Foundation is able to make better-informed and therefore more sound decisions and thus fulfil its charitable objectives more effectively. Members of Council are provided with relevant documentation concerning the organisational structure, aims and activities of the Foundation, together with the opportunity to receive comprehensive individual briefings from senior management and to contribute individually to the activities of the Foundation as may be appropriate.

## Trustees' report

The Charity recognises the responsibilities placed by law on a charity trustee and provides a programme of induction training in all appropriate matters, including governance and compliance, for all new trustees, as well as bi-annual refresher training for existing trustees in order to keep them up to date with current legislation. Training is conducted by a firm of solicitors specialising in advice to charities and other voluntary organisations. A refresher session was last held in November 2008.

The charity has three active, wholly owned subsidiary companies which exist to undertake trading activities on behalf of the Foundation. Their net profits are gift aided over to the BHF. Their results and balance sheets are consolidated with the Foundation for the purpose of this Annual Report.

### Retiring and New Trustees

The Board of Trustees would firstly like to record its sincere regret at the recent untimely passing of Mr Howard Hughes, a past Chairman of the Board of Trustees who had retired in 2008 after many years of outstanding service, and also of Mr Ron Spinney, who had been appointed to the Board in May 2007 and provided valuable support and advice during his all too short tenure as a trustee.

During the year, Mr Robin Broadley retired from the Board having been a stalwart of the Foundation and a Board member for 18 years. We thank him for his wise counsel and valuable contributions over all these years. Mr John Salmon, who remains a trustee, took over as Interim Chairman following the retirement of Mr Hughes and we would also like to pay tribute to his commitment and achievements in that capacity.

We are delighted to welcome to the Board Mr Roger Pilgrim, who joined in May 2008, and also Mr Philip Yea, who joined in September 2008 and was elected Chairman in March 2009.

### Financial overview

Since its formation the Foundation has raised funds from the public throughout the United Kingdom and, through the generous efforts of volunteers and supporters, this year generated net incoming resources available for charitable application of £96.5 million after costs, just £1.1 million below last year's record. The total amount committed to the Foundation's principal objective of supporting research represented 65% of the charitable expenditure in the year, and we continue to fund

over half of the cardiovascular research in the UK. Education of the public and the medical profession, together with expenditure on the care and rehabilitation of heart patients, accounted for the remaining 35% of the total. For the second year in succession, our total charitable expenditure exceeded £100 million, reaching £120.8 million for the year. It is only through the support and generosity of many thousands of individual donors that the BHF is able to fund activity on such a scale, and we thank all of our donors for providing such significant sums to be devoted towards the charity's ultimate aim.

As in 2008, and as planned, our actual charitable expenditure exceeded this year's net incoming funds, so the Foundation had an overall net deficit of £25.2 million. Sadly, this was further increased by losses on the BHF's portfolio of investments over the twelve month period as the continuing upheaval on global markets adversely impacted their value, particularly in the last quarter of 2008. At the time of writing, there has been a small improvement in our investment values since year end. Barring a significant recovery, the diminution in the portfolio value will impact the funds available for charitable purposes in the near term.

### Accounting changes

There have not been any changes in accounting policy during the year to 31 March 2009.

### Expenditure in furtherance of charitable objectives

The level of spend in 2009 included £89.2 million as effective future year commitments following application of the Charity Commission's Statement of Recommended Practice 2005 ("SORP"). Taking this into account, reported expenditure on the Foundation's objectives in the year rose by 13%.

|                           | 2009           | 2008    |
|---------------------------|----------------|---------|
| <b>Research</b>           |                |         |
| Grants and awards         | <b>£79.0m</b>  | £72.3m  |
| Cardiovascular Initiative | <b>(£0.2)m</b> | (£0.1)m |
|                           | <b>£78.8m</b>  | £72.2m  |
| Prevention and care       | <b>£42.0m</b>  | £34.7m  |
| <b>Total</b>              | <b>£120.8m</b> | £106.9m |

## Trustees' report

For the first time, our Annual Report provides details of provisional, uncommitted grant amounts relating to existing awards but which are subject to a future favourable scientific review prior to approval and financial recognition. This information is shown in Note 11.

### Research

This year the BHF has spent more on our core research activities – project and programme grants, fellowships and professorships – than ever before. Indeed we spent more than we initially intended because of a gratifying increase in the number of very high quality applications received. Our awards are made following exacting, international peer review and our record spend is testimony to the quality of cardiovascular research being undertaken in the UK. The research we support extends from very fundamental laboratory based science to large scale, population-based, epidemiological studies and clinical trials of new and existing treatments. The research we fund is truly translational going from bench to bedside and back again.

This year we awarded 130 Project Grants – three year awards for scientists to address a tightly defined research question, with an average value of some £175,000. This reflects a 33% success rate for our applicants. Like all research funders, we are being challenged by an increase in the unit cost of such awards of some 10% over the last year, driven largely by the increasing sophistication, and therefore cost, of research technologies.

We awarded 17 Programme Grants – five year awards for well established researchers to develop a comprehensive research strategy around a particular theme, with an average value of £1.1 million. This represents a success rate of 56%, which is pleasingly high but distorted somewhat by the need for applicants to overcome a preliminary application stage at which applications with little potential for success are eliminated.

We awarded 81 Fellowships to a total value of £14.1 million. These range from PhD studentships for those starting out on their research careers, through Intermediate Fellowships for those who show potential to become future research leaders, to Senior Research Fellowships for those few individuals with the research leadership qualities to become future professors. This important funding stream ensures a succession of excellent cardiovascular researchers for the future.

We were delighted to be in a position to award five new BHF Professorships. These are awarded for an intended period of ten years to outstanding senior researchers with an international reputation in their field of research. Over recent years there has been a dearth of suitably qualified applicants, so it is very encouraging to see a reversal of this trend. Professorships were awarded to Imperial and Kings College London and the Universities of Cambridge, Oxford, and Edinburgh. Each of these new BHF Professors extends the range of the BHF's research portfolio and brings critical mass to five of the UK's foremost cardiovascular research establishments.

At the end of 2008 the results of the UK Research Assessment Exercise were announced – the mechanism by which research quality is assessed in UK universities. The BHF is particularly proud that all of the cardiovascular units rated highest in the UK (each rated internationally leading) are led by BHF professors.

Other funding highlights include the award of four year PhD programmes to seven UK universities. These competitive awards allow the successful institutions to attract the best potential young researchers to train in cardiovascular research under the supervision of leading cardiovascular scientists. Under our Strategic and Infrastructure award initiatives money was provided for new, state of the art, magnetic resonance scanners to be installed in Oxford and Glasgow Universities and provided contributions to new research accommodation in Oxford University and Imperial College London.

By collaborating with other research funders we are able to bring added value to the BHF's investment in cardiovascular research. This year we contributed £0.9 million towards a £1.9 million award made by the Medical Research Council to the University of Cambridge to undertake a new epidemiology study into the causes of heart disease.

In 2011 the BHF will be 50 years old. To mark the occasion with an appropriate flourish, we plan to launch a "Mending Broken Hearts" fundraising appeal, our largest ever. A key feature of the heart is its inability to repair itself or regenerate when damaged. Consequently, all current treatments are aimed at helping the surviving heart muscle to cope, either by the use of drugs or by the use of pacemakers or mechanical pumps. Recently gained knowledge of how stem cells become mature heart cells in the developing embryo has indicated that it may be possible to 'teach' adult cells to

## Trustees' report

repair the heart, paving the way for regenerative medicine. It will take an enormous amount of basic scientific research, translational research and finally clinical research to bring cardiovascular regenerative medicine to fruition. To help address these challenges, Mending Broken Hearts will be a groundbreaking programme that will focus the combined expertise of world leading stem cell researchers, developmental biologists and research cardiologists on how to repair a damaged heart.

The administrative workload associated with receiving, assessing and processing approximately 1000 grant applications per year is substantial and is handled remarkably efficiently by a small team in our Research Funds Department. Over the past year it has invested considerable effort in developing an entirely new, computer based grants management process that will be launched in the summer of 2009. The new system will allow on line submission and review of grant applications and should afford considerable efficiencies for the BHF.

### Prevention and Care

Although the bulk of our financial resources are devoted to research, this year, out of a total of £42.0 million on Prevention and Care, we spent £33.3 million to ensure that advances made through research, whether BHF funded or otherwise, are applied to the prevention of heart disease and improved patient care as swiftly and efficiently as possible. Our approach is to pilot novel models of prevention or care, demonstrate their value through independent evaluation, then lobby relevant authorities to adopt the model in routine public and personal health care practice.

Over the past year we have taken the opportunity to further improve our Prevention and Care management structure by reorganising all the activities into 7 work programmes, each with a designated Programme Lead, managed overall by a single Programme Director, supported by a central Business Unit and our Associate Medical Director for Prevention and Care. Highlights of key work streams included:

#### Heart HelpLine

Our Heart HelpLine, staffed by Heart Health Advisers and Cardiac Nurses, has provided invaluable advice to a record number of callers this year, many of whom have now joined our Heart Matters membership scheme which aims to connect heart patients and their carers with the BHF. Contacts are offered

membership of Heart Matters, enabling them to receive our bimonthly Heart Health Magazine and personalised advice and support. Although only recently launched, it already has a membership of over 100,000. Our Magazine is the main resource for members and provides a wealth of information for both patients with heart disease and their relatives. Circulation has risen sharply to more than 200,000 and is set to rise further as Heart Matters gains momentum.

In addition, in partnership with the Department of Health, we have launched a Genetic Information Service. The service ensures that, by a single telephone call to our HelpLine, relatives of a victim of a sudden premature cardiac death caused by a previously undetected, inherited heart condition are given prompt and appropriate advice and are directed to a local, expert cardiac genetics service to be assessed. This service will help prevent further needless deaths and will reassure relatives whose assessment indicates that they are not at risk of the same condition.

#### Children and Young People

It is during childhood that many of the lifestyle risk factors for future cardiovascular disease become established. Consequently, we provide a wide range of resources aimed at modifying youngsters' eating and exercise behaviours delivered via schools and local communities. Our team has contributed to the very successful Food4Thought campaign and its associated Yoobot game referred to below. Our youth team has also provided a forum for young people with congenital heart disease to meet and share experiences.

#### Adult and Community Outreach

Consistent with our concern for people at highest risk of cardiovascular disease, we have made a particular effort to reach black and ethnic minority communities through our Saving Lives project and Melas across the UK. We have produced a Healthy Heart kit – a training resource that will be used by health trainers, interpreters, NHS staff and voluntary workers to educate people from black and ethnic minority groups on how to avoid heart disease. Our lifestyle Heart and Soul magazine aimed at the South Asian community already has a distribution of some 300,000.

## Trustees' report

### Health Care Professionals

Over the past few years our focus has moved from directly funding specialist staff, in particular nurses, to supporting specialist training and professional development for established health care professionals. This year 18 BHF-funded junior echo technicians achieved British Society of Echocardiography accreditation, allowing them to provide much needed expertise for their Trusts. In addition, we funded 10 Cardiac Physiology Trainers to enhance the expertise of cardiac physiologists across the UK. Most recently, in collaboration with the British Cardiovascular Society, we have introduced a novel training programme in Adult Cardiac Catheter Laboratory Practice, based in London South Bank University. Through this oversubscribed initiative the BHF is funding 22 health care professionals who work in cardiac catheterisation laboratories to be trained and accredited in all aspects of expertise (radiological, physiological and medical) required to support catheter laboratory practice. Another 29 will be enrolled in October 2009. This initiative will help to ensure that appropriately trained staff are available to provide round the clock support for primary angioplasty services across the UK, thereby ensuring the best possible care for heart attack patients.

### Hearty Lives and Community Development

Heart disease is not uniformly distributed across the UK and tends to be highest amongst deprived communities. Our Hearty Lives (formerly Localities) Programme focuses BHF prevention and care resources, in collaboration with local health and social services, in areas with a particularly high prevalence of cardiovascular disease. The first two areas to be targeted are Newham in London and Tayside in Scotland. Over the coming year we will identify two additional sites in the North of England and Wales. Each of these sites will receive BHF investment of approximately £1.5 million over five years. In addition, we have made seven smaller 'cluster' awards to aid prevention and care in diverse, high prevalence localities across the UK.

In addition to these core work streams, we have pioneered a number of new initiatives that require expertise from cross-divisional teams. Two such initiatives are in palliative care and the BHF Heart Health Roadshow.

### Palliative Care

Patients with some types of heart disease, particularly heart failure, have a worse outlook than many patients with cancer, yet have less access to palliative care expertise. An independent evaluation of the BHF's Better Together initiative with Marie Curie Cancer Care (MCCC) published this year unequivocally demonstrated the benefit to patients of access to specialist cardiac palliative care nurses. Consequently, we have now entered into partnership with Marie Curie to build a centre in the West of Scotland in which new models of palliative care for heart patients will be piloted, evaluated and developed along side those for patients with other terminal illnesses. The Foundation has provided an interest free loan of £1.9 million to MCCC to support the construction of this centre – this is classified as a programme related investment in our Accounts.

### BHF Heart Health Roadshow

During 2008 we successfully piloted a mobile heart health advice centre. This will visit supermarkets in areas of the UK where heart disease is a particular problem and provide an opportunity for shoppers to understand how best to modify their lifestyles to prevent the onset of heart disease.

### Community Resuscitation

Over the past year we have provided 1472 new, life saving defibrillators that have been sited in areas where heart attacks are likely to happen, such as railway and underground stations and amongst communities at high risk of heart disease across the UK. However, the defibrillators will serve little purpose without people trained in emergency life support. We are proud to have trained over 1.8 million people in Cardiopulmonary Resuscitation, more than 287,000 of them in the last year, and have supported resuscitation training officers who visit schools across the UK.

### Policy and Communications

This year the BHF led an alliance of over 40 voluntary and professional organisations with an interest in heart health to produce a voluntary sector vision for cardiac and vascular health in 2010 to 2020. This Cardio and Vascular Coalition (CVC) brought together heart, stroke, kidney and diabetes charities, patient groups and organisations such as the Royal College of General Practitioners to call on Government to publish a planned approach to future provision rather than its preferred project-by-project route. Over 135,000 people signed a heart plan petition in BHF Shops across England and on a dedicated website.

## Trustees' report

The BHF will use the CVC's 'Destination 2020' report to inform its work in influencing government policy to benefit heart patients in the coming years. Whilst the report focuses on England, the CVC hopes it will inspire further progress in other nations in the UK.

The total spent on communications activities for charitable purposes this year was £8.7 million, which is included within the £42.0 million Prevention and Care total. Social marketing activities are an increasingly important aspect of our work. A broad team of experts from across the charity – from Communications, the Heart HelpLine and Fundraising – worked together on the first phase of a major initiative for the BHF. Called Connections, this initiative seeks to make stronger links between the charity and heart patients so that we can help more people and attract more support.

The "Watch Your Own Heart Attack" TV event in August last year to raise awareness of heart attack symptoms was watched by six million people and generated 335,000 visits to our website.

Exciting new technology allowed website users to create a digital mini version of themselves called a 'Yoobot'. Over a million Yoobots were created as part of our latest Food4Thought campaign to encourage 11-13 year-olds to make heart healthy lifestyle choices.

### Income

Net incoming resources available to the Foundation for charitable application reduced by 1%, a pleasing result given prevailing economic conditions.

### Incoming resources from generated funds

This was another financially successful year for the Foundation despite the progressively more difficult fundraising environment – particularly in the second half of the year. Two of our four main sources of income, Legacies and Shops, recorded their highest ever income levels. Clearly, as a charity financially dependent on the continuing generosity of donors, our ability to grow income in the current year and beyond will be circumscribed by the impact of the recession on levels of personal income and wealth, and on donors' propensity to support our cause. We manage costs very prudently and have taken a cautious view of potential income in 2009-10, so we currently anticipate that funds available for charitable purposes will be somewhat lower in this financial year – but that research spending will nevertheless be similar to our expenditure levels in the mid 2000s.

The second half of 2008-09 proved to be very challenging for general fundraising as the impact of the economic downturn began to take hold. From October 2008 we experienced a decline both in the volume of donations and in the average value. Voluntary income excluding Legacies totalled £38.6 million, a decline of 2% on the previous year. A lot of work has been done to address the issues and respond to supporter and prospect concerns, while some areas of fundraising continued to buck the trend. Event income, as an example, grew by 13%. Our investment in the acquisition of new supporters worked well even in a tough environment with a record number acquired throughout the year. Legacy marketing also had a record year with over 1,000 people pledging a legacy to the BHF in their Wills.

The Foundation is fortunate to receive a substantial number of bequests each year and legacies provide more than half of our total voluntary income. Legacies can be categorised as either pecuniary (specific cash amount) or residuary (share of an estate). As is true of many other charities, residuary legacies provide the bulk of the bequeathed income to the Foundation, frequently including property assets and shareholdings. Despite well publicised declines in the average UK values of such assets in recent months, our legacy income stream was not significantly affected in 2008-09, but it is probable that a greater adverse impact will be felt in the coming year.

Retail income arises primarily through the BHF's expanding chain of more than 590 Charity Shops across the UK. Our Shops Division is managed by an experienced team of retail professionals. Total retail turnover of £94.3 million increased by 15% over the previous year, while the profit of £15.8 million which it generated was 12% higher due primarily to a good sales performance, up 6% at standard Shops and 7% at Furniture & Electrical Stores on a like-for-like basis. Further profit improvement was achieved through an increase in Gift Aid income on retail sales which reached £2.7 million for the year, although this was offset to a degree by lower returns from stock donations as the credit crunch took hold. A great deal of effort has been put into generating more stock and our shops had to work much harder this year to achieve these good results.

## Trustees' report

Investment income for the year was £8.5 million. With the Bank Rate dropping dramatically in the latter part of the year, our interest yields have decreased more or less in parallel but dividend yields held up well. Investment management fees of £0.6 million were lower than last year due to a reduction in the market value of BHF investments, and are included within the cost of generating funds.

### Incoming resources from charitable activities

Public funding received in the year fell to £0.9 million as the multi year funding of a cardiac care nursing programme by the Big Lottery Fund (BLF) came to a close. In 2009 BLF contributed £0.3 million to complete their contribution. The BHF also received £0.5 million from the Department of Health, largely in respect of the Doubt Kills campaign in London.

### Property Sale

As proposed last year, the Foundation moved its Head Office to a leased property in Camden, North London in November 2008, having outgrown the premises in Fitzhardinge Street, Central London. Although the move was triggered by the need to secure more suitable and flexible office space at an affordable price, it also enabled us to dispose of the vacated properties. The sale was completed in January 2009 and realised a net gain for BHF of £5.8 million. Importantly, it also provided some £16 million in additional cash resources which are being applied for charitable purposes.

### Cost of generating funds (including staff pension costs)

Expenditure on fundraising and publicity in 2008-09 rose by 22% to £22.7 million.

We live in challenging times and the Charity sector is not immune to the prevailing financial pressures, which are likely to intensify in the near future. Conscious of harder times ahead, the Foundation has rigorously reviewed all its current and proposed activities to ensure that costs are contained to the minimum necessary to achieve each given objective. To ensure that our fundraising activities (the largest of our operating cost categories) are as efficient as possible, we have invested in an important initiative to consolidate our multiple supporter databases and provide greater insight into more effective fundraising. Efficiency improvements will start to be achieved as early as 2010 when the first phase of the consolidated database will go live.

The defined benefit (DB) Staff Pension Scheme has been closed to new members since 2001 and only 48 active members now remain, with employees who have joined the Foundation subsequently being given the option to participate in a defined contribution scheme. A triennial actuarial valuation of the DB Scheme was carried out at July 1 2008 and showed a deficit of £3.8 million compared with £5.2 million in the 2005 valuation. The reduction of £1.4 million reflected in part the additional special payments totalling £3.8 million in the three years to June 2008 which the Foundation has made towards eliminating the 2005 deficit. The Board has assured members of their continuing support for, and desire to retain, the Scheme while not giving any absolute level of guarantees. Following the new actuarial valuation, the Board has agreed to contribute a revised stream of annual special payments to eliminate the July 2008 deficit within the next ten years. Affected by diminution in the fair value of DB Scheme assets, the FRS17 valuation undertaken at 31 March 2009 produced a 'snapshot' deficit of £2.9 million and a nine point deterioration over the year in the funding level to 87%. The relevant shortfall has been included as a creditor on the Foundation's opening and closing balance sheets.

### Financial result for the year

Expenditure in the year exceeded income by £25.2 million, after taking account of £0.9 million (2008: £0.8 million) of governance costs. This compares with an equivalent shortfall of £10.2 million last year, after writing back a £1.6 million property impairment provision. The operating deficits in both years were planned, as the trustees had decided to utilise some of the accumulated surpluses to increase the research spend of the Foundation. After taking account of a DB Scheme deficit and investment losses, this year produced a net decrease in funds of £63 million (2008: £15 million).

### Balance sheet

#### Investments

The Foundation's investment portfolio was valued at £150.3 million at 31 March 2009. Together with cash and deposit balances it provides cover for commitments, including liabilities for grants already awarded totalling £222.8 million.

## Trustees' report

For the second year in succession, our portfolio has declined in value. After an unrealised net loss of £6.1 million in 2007-08 the investment funds contracted by a further £35.3 million in the year under review. At the end of the financial year equities represented 70% of the total portfolio, the same as in the prior year.

The Foundation's investment policy seeks to maximise long-term total return while maintaining a sensible level of diversification and risk commensurate with the Foundation's predicted liquidity needs and the investment outlook in the various markets. Following a reassessment of the objectives and management of the BHF's investment portfolio in 2006, the trustees decided to plan to liquidate a proportion of its investment holdings and devote the proceeds to higher levels of charitable expenditure than would be supported by forecast income over the next few years. The Research Excellence Awards in 2007-08 (£17.0 million booked in that year) and the high level of approved grant awards in 2008-09 reflected this decision. Although partly dependent upon the success of fundraising activities, the timing of actual cash expenditures and stock market fluctuations, funds are drawn down from the portfolio as necessary to meet the resultant charitable commitments. We liquidated £10.0 million from the portfolio in October 2008 to meet anticipated cash needs at that time, as we previewed in last year's Report. We shall continue to keep our cash requirements and the investment position under very close review.

The BHF's investments are dealt with on a discretionary basis by two managers. Newton Investment Management manage some 60% and the balance of 40% is with Smith & Williamson Investment Management. Their respective performance is measured against a common benchmark tailored to BHF requirements and subjected to quarterly review by the Foundation's experienced Investment Committee. Notwithstanding the substantial decline in the portfolio value during the year, it is worth noting that the performance of both of our Managers over the twelve months to March 2009 exceeded the benchmarks set for them by the Investment Committee.

The Foundation does not, and will not, knowingly hold securities in any company in the tobacco industry.

### Funds and reserves

The General Reserve was £6.3 million in deficit at the year end. This is primarily due to the excess cost of charitable activities booked in the year compared with the net income raised, together with the unrealised investment portfolio losses, offset by £31.5 million positive reserves brought forward and £27.2 million which in past years we would have described as a Fixed Asset Reserve, a designation which we no longer consider necessary. The General Reserve is likely to be in deficit for the next few years unless there is a significant recovery in the value of our investment portfolio.

The Board has reviewed the reserves of the Foundation, taking into account its SORP compliant policy that all grants are recognised as creditors (to the extent that they are legal or constructive obligations) as soon as they are agreed, irrespective of the period over which they are payable. In a multi-year grant-giving charity such as the BHF there are substantial ongoing timing delays between the recognition of grant awards in our accounts and the timing of their payment. A negative General Reserve in this context is not per se a matter of concern. The Board considers the key sustainability (or reserve) measure for the Foundation to be current and future liquidity cover rather than the surplus or deficit accounting position shown as General Reserve. During the year, the Board instructed the Senior Management Team to carry out and report on a comprehensive ten year review of BHF future financial prospects. On the basis of this report, the Board has set revised parameters for the charity's liquid reserves, represented by cash or other readily realisable assets.

### Statement of Reserves policy

The Foundation's principal charitable activity is the application of its income to promote and fund medical and scientific research into the causes and prevention of disease of the heart and circulation. Such research activities are mainly funded by the award of multi-year grants, normally recognised as liabilities in the accounts when awarded although paid over the term of the grant. In consequence, the accounts reflect significant balances of not only grant creditors, but also liquid or readily realisable assets (cash plus investments) held mainly to fund approved research activities. Furthermore, the Foundation has contingent liabilities for any

## Trustees' report

part of a grant award which is conditional upon the favourable outcome of a scientific progress review during its term. These contingencies are only recognised as liabilities in the accounts upon the satisfactory completion of such a review.

Given the above, the Board considers it appropriate that the Reserves policy be established by reference to the liquidity position of the Foundation rather than by reference to the accounting position reflected in the General Reserves. Accordingly, the Board has decided that the Foundation should maintain readily realisable assets sufficient to fund between 6 and 24 months of outstanding grants plus 12 months of non-retail operating costs. This Reserves Policy is adopted to ensure that the Foundation remains able to continue supporting research and other charitable activities and to maintain operational capabilities in the medium term, even in the event of greater volatility in our level of future income.

Based on the grants position at 31 March 2009, the Board's policy requires the Foundation to hold between £91 million and £210 million in reserves, including a minimum of £10 million in cash. At 31 March 2009 the Foundation's actual liquidity was sufficient to cover the defined operating costs plus 23 months of total outstanding grants, both approved and contingent. We expect that further grant settlements over the next few years will reduce our liquidity and thus grants cover to a level of about 12 months, below the mid point of our target range.

The adequacy of the Foundation's liquidity position is reviewed monthly in management reports and reviewed by the Board on a regular basis. The longer term outlook is reflected in rolling three year financial plans.

The Board will continue to review the Reserves policy annually.

### Restricted funds

As expected, the opening deficit of £0.2 million attributable to funds due from the Big Lottery Fund was eliminated on receipt of these monies during the year. The closing balance of £1.3 million this year is mainly attributable to specifically restricted legacy donations.

### Endowment funds

At the year-end a total of £7.4 million was held in endowment funds. These funds have arisen in the main where institutions, which have benefited from the Foundation's earlier practice of awarding endowments to fund BHF Chairs in perpetuity, have returned the trusteeship of the balance of such funds to the BHF in exchange for awards of committed funding for personal chairs. This form of funding is more likely to provide the institution with appropriate maintenance sums each year, while an endowment fund has proved increasingly unlikely to do so; it is for this reason that all new awards for the past 22 years have been as personal chairs.

### Internal control

#### Managing Risk

In March the Board completed its annual review of the Foundation's risk management strategy in accordance with the requirements of the SORP. Each identified risk is classified into one of the following categories:

- Financial – reduction in assets (e.g. investment values), reduction in income or reduction in donated stock levels (e.g. reduced return from van collections)
- Operational – breakdown in systems or procedures (e.g. computer or fire damage, insufficient volunteers)
- Reputational – damage through BHF staff or partner action or by accidental or malicious events leading to adverse publicity
- Regulatory – legislative actions which could affect our ways of operating.

In the course of this review, the Board has determined the major risks to which the Foundation is exposed, the potential impact if an individual risk materialises, and what mitigating action is to be taken, by whom, in order to reduce each risk to a level which the Board considers to be acceptable. This position is recorded in a risk register which is used by management and will continue to be formally reviewed annually.

### Key Performance Indicators

On behalf of the Board of Trustees, the Foundation's management monitors a variety of Key Performance Indicators ("KPIs") to check achievement of BHF's strategic and operational objectives and reports upon them monthly, quarterly or annually as appropriate. These KPIs include measures to track medical research applications and awards, the public awareness and effectiveness of prevention and

## Trustees' report

care programmes, progress towards achievement of placement targets (e.g. BHF cardiac nurses and defibrillators in the community), internal staff turnover and financial measures such as fundraising achievements, retail performance and other net income generated for charitable activities.

### Employees

During 2009, the Foundation has considered "what great looks like" in the context of BHF staff and culture. This has resulted in a framework indicating what staff can expect from the BHF alongside their responsibilities. This framework supports the specific values of care, share, innovate and deliver which were agreed some years ago. In practical terms this means:

- Caring about the BHF, its work and its objectives
- Valuing others' contributions and sharing knowledge and skills
- Maintaining good working relationships with people inside and outside the BHF
- Raising the performance bar and continually striving for the best
- Delivering on time and within budget, but in the "right" way
- Taking responsibility for action rather than waiting for things to be done to you.

The Foundation aims to maintain high standards in its employment practices to ensure the fair and efficient use of its most valuable asset, its staff. All employees and potential employees (whether full-time, part-time, permanent or temporary) are treated fairly, regardless of gender, sexual orientation, race, ethnic origin, disability, religious beliefs or age. The sole criterion for selection or promotion is the suitability of an applicant for the job. Training is provided and available to all staff, who are encouraged to develop their potential and the contribution they can make to the Foundation's work. Staff members are kept well informed of the objectives and activities of the Foundation through team briefings, The Bulletin and HeartNet, the BHF's intranet. These are supplemented by the Foundation's strategy document, newsletters, leaflets and publications. In line with best practice and current law, staff are also consulted via their elected representatives on an Information & Consultation Forum about Foundation developments and proposed changes which may affect staff, including those affecting employment and benefits.

### Volunteers

The BHF benefits hugely from a large number of dedicated volunteers who help raise funds, organise school visits, events and street collections, staff our shops and act as ambassadors for the BHF in their local communities by spreading the word. Quite simply, our efforts and achievements are dependent on their support. At the latest count, we have some 17,000 volunteers who contributed more than a tremendous five million hours of combined work on behalf of the Foundation last year. Many of these individuals have been in the BHF family for over 20 years and the Foundation is an important part of their lives. We greatly appreciate their public spirit and their continued commitment to the charity. Our challenge is to find more where they came from in order to continue and build upon their great work.

### Auditors

Following a periodic review of audit services by the Audit Committee, the Foundation appointed PricewaterhouseCoopers LLP ("PwC") as statutory auditors in place of Deloitte & Touche LLP in September 2008, following a tender process. We would like to express our appreciation and thanks to Deloitte and Touche LLP for having previously acted in this capacity on behalf of the Foundation for a number of years.

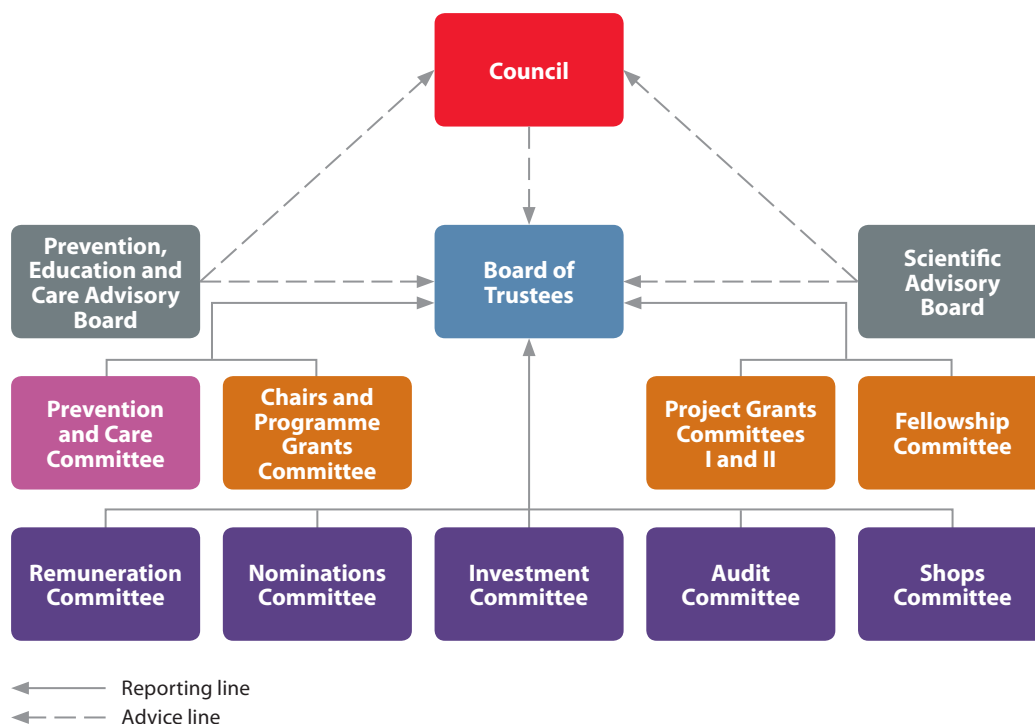
PwC have expressed their willingness to continue as auditors and a resolution to reappoint them, under section 485 of the Companies Act 2006, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of Trustees



**Malcolm I Hall**  
Secretary  
15 July 2009

## Board of Trustees and Committees As at 31 March 2009



### Patron

His Royal Highness The Prince Philip KG KT

### Board of Trustees

#### Chairman

John H Salmon FCA *Chairman to 31 March 2009*  
Philip Yea MA FCMA *appointed 25 September 2008, Chairman from 31 March 2009*

#### Members

Robin D Broadley *retired 31 December 2008*  
Dr Jane Flint MD FRCP  
Howard Hughes FCA *retired 8 July 2008*  
Professor Kay-Tee Khaw CBE FRCP  
Susan H Lloyd  
Professor Sir Michael G Marmot PhD FFCM  
Professor John McMurray MD FRCP FESC  
Sir Peter Morris AC FRS FRCS  
Sir Robin Mountfield KCB  
Roger G Pilgrim MA (Cantab) FCA *appointed 29 May 2008*  
Dr Denise Pollard-Knight PhD  
Professor Patrick Sissons MD FRCP FMedSci  
Ron Spinney *retired 29 May 2008*  
Professor Kenneth M Taylor MD FRCS

#### In Attendance

Peter T Hollins  
Malcolm Hall FCA  
Professor Peter L Weissberg MD FMedSci  
Aneesha Moreira  
Kenneth C Blair  
Betty McBride  
Julie Weston MA BA MICPD

### The Council

#### Chairman

Sir Peter Morris AC FRS FRCS

#### Members of Council

The Lord Ahmed  
Dr Naureen Bhatti MBBS MRCP MRCGP *appointed 25 September 2008*  
Richard B Blossom BSc (Hons)  
Dr Nicholas A Boon MD FRCP  
Professor Morris Brown MD FRCP  
The Lord Crisp  
Dr Jane Flint MD FRCP  
Professor Anthony M Heagerty MD FRCP  
Professor Richard Hobbs FRCP FRCP FESC FMedSci  
Sir Bruce Keogh KBE MD FRCS  
Professor Kay-Tee Khaw CBE FRCP  
Susan H Lloyd  
Professor Sir Michael G Marmot PhD FFCM  
Professor John McMurray MD FRCP FESC  
Alistair C Mitchell-Innes  
Sir Robin Mountfield KCB  
Roger G Pilgrim MA (Cantab) FCA  
Dr Denise Pollard-Knight PhD  
Suzannah Power  
John H Salmon FCA  
Professor John Savill MB PhD FRCP FMedSci  
Professor Julian Scott MD FRCS *appointed 25 September 2008*  
Professor Patrick Sissons MD FRCP FMedSci  
Professor Kenneth M Taylor MD FRCS  
Benjamin H B Wrey MA (Cantab)  
Professor Martin Wilkins MD FRCP *appointed 8 July 2008*  
Philip Yea MA FCMA *appointed 25 September 2008*

## Board of Trustees and Committees As at 31 March 2009

### The following members retired during the year:

Robin D Broadley *retired 31 December 2008*  
 Professor J Clive Ellory DSc ScD *retired 8 July 2008*  
 Howard Hughes FCA *retired 8 July 2008*  
 Dr Kevin P Jennings MB FRCP *retired 8 July 2008*  
 Ron Spinney *retired 29 May 2008*  
 Sir Richard Thompson KCVO DM FRCP *retired 8 July 2008*

### In Attendance

Peter T Hollins  
 Malcolm Hall FCA  
 Professor Peter L Weissberg MD FMedSci  
 Aneesha Moreira  
 Kenneth C Blair  
 Betty McBride  
 Julie Weston MA BA MICPD

### Shops Committee

#### Chairman

Alistair C Mitchell-Innes

#### Members

Susan H Lloyd  
 Alison Jones *appointed 29 May 2008*  
 David E Lockyer MSc

#### Ex-Officio

Peter T Hollins  
 Malcolm Hall FCA  
 Kenneth C Blair  
 Betty McBride

### Investment Committee

#### Chairman

Benjamin H B Wrey MA (Cantab)

#### Members

Howard Hughes FCA *retired 8 July 2008*  
 Roger G Pilgrim MA (Cantab) FCA  
 James Robinson BSc FCA  
 Nick Train BA (Oxon)

#### Ex-Officio

Peter T Hollins  
 Malcolm Hall FCA

### Audit Committee

#### Chairman

John H Salmon FCA

#### Members

Howard Hughes FCA *retired 8 July 2008*  
 Roger G Pilgrim MA (Cantab) FCA  
 James Robinson BSc FCA *appointed 28 January 2009*

### Nominations Committee

#### Chairman

John H Salmon FCA

#### Members

Robin D Broadley *retired 31 December 2009*  
 Howard Hughes FCA *retired 8 July 2008*  
 Professor Kay-Tee Khaw *appointed 8 July 2008*  
 Dr Denise Pollard-Knight PhD  
 Sir Peter Morris AC FRS FRCS  
 Professor Patrick Sissons MD FRCP FMedSci  
 Philip Yea MA FCMA *appointed 28 January 2009*

### Ex Officio

Peter T Hollins

### Remuneration Committee

#### Chairman

Howard Hughes FCA *retired 8 July 2008*  
 John H Salmon FCA *Chairman from 8 July 2008*

#### Members

Alistair C Mitchell-Innes  
 Sir Peter Morris AC FRS FRCS  
 Philip Yea MA FCMA *appointed 28 January 2009*

#### Ex-Officio

Peter T Hollins

### Senior Executives (Senior Management Team)

*(to whom responsibility for the day-to-day running of the Charity is delegated by the Trustees)*

#### Chief Executive

Peter T Hollins

#### Secretary and Finance Director

Malcolm Hall FCA

#### Medical Director

Professor Peter L Weissberg MD FMedSci

#### Director of Fundraising

Aneesha Moreira

#### Shops Chief Executive

Kenneth C Blair

#### Director of Policy & Communications

Betty McBride

#### Director of Human Resources

Julie Weston MA BA MICPD

### Medical Committees

#### Chairs and Programme Grants Committee

#### Chairman

Professor John Savill MB PhD FRCP FMedSci

#### Vice Chairman

Professor Peter L Weissberg MD FMedSci

#### Members

Professor Cyrus Cooper DM FRCP *retired 13 August 2008*  
 Professor David C Crossman MD FRCP *retired 11 February 2009*  
 Professor D Grahame Hardie FRS FRSE FMedSci  
*appointed 14 May 2008*  
 Professor Clive H Orchard *appointed 11 February 2009*  
 Professor Roger K Patient BSc PhD  
 Professor Peter J Ratcliffe MA MBChB MD *appointed 14 May 2008*  
 Professor Nick B Standen PhD FMedSci *retired 5 November 2008*  
 Professor Paul M Stewart MD FMedSci  
 Professor Nick J Wareham PhD MBBS MSc  
*appointed 5 November 2008*

#### Ex-Officio

Peter T Hollins  
 Professor Jeremy D Pearson FMedSci PhD  
 Valerie Mason

## Board of Trustees and Committees As at 31 March 2009

### Project Grants Committees

#### Chairmen

Professor J Clive Ellory DSc ScD *retired 24 September 2008*  
 Professor Andrew P Halestrap PhD DSc *appointed 18 March 2009*  
 Professor David J Webb DSc FRCP *retired 19 November 2008*  
 Professor Martin R Wilkins MD FRCP *appointed 21 January 2009*

#### Members

Professor Metin Avkiran PhD DSc  
 Professor David J Beech BSc PhD  
 Professor D John Betteridge MD FRCP *retired 21 January 2009*  
 Professor Barbara Casadei MD DPhil  
 Professor John N Danesh MBChB MPhil *retired 18 March 2009*  
 Professor George Davey Smith MB BChir MA MSc MD DSc FFPHM  
 FRCP FMedSci  
 Dr Perry M Elliott MBBS MRCP  
 Dr Sheila E Francis BSc PhD  
 Dr Christopher H George BSc PhD  
 Dr Sarah J George BSc PhD *retired 21 January 2009*  
 Professor Anthony H Gershlick MBBS FRCP  
 Dr David J Grainger PhD  
 Professor Alistair S Hall PhD FRCP *retired 18 March 2009*  
 Professor Jules C Hancox BSc PhD  
 Professor Mark A Hanson MA DPhil FRCOG  
 Dr Deborah J Henderson BSc PhD  
 Professor Aroon D Hingorani MBBS MRCP PhD  
 Professor Graham A Hitman MD FRCP  
 Professor Mark T Kearney MBChB DM  
 Dr Theresa A McDonagh MBChB MRCP  
 Professor Gerard B Nash BSc PhD *appointed 23 July 2008*  
 Professor David E Newby PhD DM  
 Dr Christopher M H Newman PhD FRCP  
 Dr Kevin M O'Shaughnessy MA BM DPhil FRCP  
 Professor David J Paterson MSc DPhil  
 Professor Andrew C Rankin MBChB MD  
 Professor Catherine M Shanahan BSc PhD *retired 23 July 2008*  
 Professor Michael J Shattock PhD FESC  
 Professor Stephen P Watson PhD FMedSci *retired 18 March 2009*  
 Professor Peter D Weinberg MA MSc DIC PhD  
*appointed 19 November 2008*  
 Professor Peter H Whincup MB PhD *retired 18 March 2009*  
 Dr Ian B Wilkinson MA DM  
 Professor Ian S Young BSc MD FRCP FRCPI FRCPath

#### Ex-Officio

Peter T Hollins  
 Professor Peter L Weissberg MD FMedSci  
 Professor Jeremy D Pearson FMedSci PhD  
 Jennifer Christie

### Fellowships Committee

#### Chairman

Professor Morris Brown MA MSc MD FRCP FAHA FMedSci

#### Members

Professor David Eisner MA DPhil  
 Professor Bryan Williams MD FRCP  
 Professor Ian Zachary BSc PhD  
 Professor Ajay Shah MD FRCP FESC  
 Professor Timothy Aitman DPhil FRCP FMedSci  
 Professor Stefan Neubauer MD FRCP *appointed 3 April 2008*

#### Ex-Officio

Peter T Hollins  
 Professor Peter L Weissberg MD FMedSci  
 Professor Jeremy D Pearson FMedSci PhD  
 Valerie Mason

### Prevention and Care Committee

#### Chairman

Professor Richard Hobbs FRCP FRCGP

#### Members

Dr Nick Boon MD FRCP  
 Dr Fiona Bull  
 Professor Simon Capewell  
 Mel Clark  
 Dr Mick Colquhoun  
 Ms Linda Edmunds  
 Dr Jane Flint MD FRCP  
 Professor Paul Gately  
 Dr Sandeep Gupta MD FRCP  
 Dr David Hackett  
 Ian Jones  
 Alan Keyes  
 Professor Bob Lewin MA MPhil  
 Mrs Elizabeth Lynham  
 Professor Sir Michael Marmot PhD FFCM  
 Dr Terry McCormack  
 Dr Mike Rayner  
 William Scott

#### Ex-Officio

Peter T Hollins  
 Professor Peter L Weissberg MD FMedSci  
 Dr P Michael Knapton MBBChir FRCGP  
 Betty McBride  
 Aneesha Moreira  
 Nicki Cooper  
 Dr Valerie Billingham  
 Maura Gillespie  
 Katharine Peel  
 Andy Carver

## Statement of Trustees' Responsibilities

The trustees (who are also directors of the British Heart Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and apply them consistently;
- Observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, 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 charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**In so far as the trustees are aware:**

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The maintenance and integrity of the British Heart Foundation's website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Independent Auditors' Report to the Trustees of The British Heart Foundation

We have audited the group and parent charitable company financial statements of the British Heart Foundation for the year ended 31 March 2009 which comprise the Group statement of financial activities (incorporating a group income and expenditure account), the Group and Company balance sheets, the Group cash flow statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of trustees and auditors**

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 1985 and report to you in accordance with those Acts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and whether the information given in the Trustees' Report is consistent with those financial statements. We also report to you if, in our opinion, the information given in the Trustees' Report is not consistent with those financial statements, if the charity has not kept proper accounting records, if the charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Financial review of the year. 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 other information.

## Independent Auditors' Report to the Trustees of The British Heart Foundation

### 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 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 group's and the parent charitable company's affairs as at 31 March 2009 and of the group's incoming resources and application of resources, including the group's income and expenditure and cash flows, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

#### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
London

15 July 2009

## Group statement of financial activities for the year ended 31 March 2009 (Incorporating a group income and expenditure account)

|  | Note | General fund<br>£000 | Designated funds<br>£000 | Restricted funds<br>£000<br>(see note 7) | Endowment funds<br>£000<br>(see note 7) | 2009<br>Total funds<br>£000 | Restated<br>2008<br>Total funds<br>£000 |
|--|------|----------------------|--------------------------|--|---|-----------------------------|---|
| <b>Incoming resources</b>  |      |                      |                          |  |   |                             |   |
| <b>Incoming resources from generated funds</b>                     |      |                      |                          |  |   |                             |   |
| Voluntary income   | 2    | 83,787               | –                        | 4,813                                    | 276                                     | <b>88,876</b>               | 89,266                                  |
| Retail income  | 3    | 94,336               | –                        | –  | –                                       | <b>94,336</b>               | 82,303                                  |
| Investment income  | 4    | 8,233                | –                        | 277                                      | –                                       | <b>8,510</b>                | 9,239                                   |
| <b>Incoming resources from charitable activities</b>               |      |                      |                          |  |   |                             |   |
| Public funding for prevention and care                             | 5    | –                    | –                        | 875                                      | –                                       | <b>875</b>                  | 4,266                                   |
| <b>Other incoming resources</b>                                    |      |                      |                          |  |   |                             |   |
| Profit on sale of fixed assets                                     | 6    | 5,769                | –                        | –  | –                                       | <b>5,769</b>                | 15                                      |
| <b>Total incoming resources</b>                                    |      | <b>192,125</b>       | <b>–</b>                 | <b>5,965</b>                             | <b>276</b>                              | <b>198,366</b>              | <b>185,089</b>                          |
| <b>Resources expended</b>  |      |                      |                          |  |   |                             |   |
| <b>Cost of generating funds</b>                                    |      |                      |                          |  |   |                             |   |
| Fundraising  | 6    | 21,359               | –                        | –  | –                                       | <b>21,359</b>               | 17,732                                  |
| Publicity  | 6    | 1,353                | –                        | –  | –                                       | <b>1,353</b>                | 817                                     |
| Retail costs   | 3,6  | 78,558               | –                        | –  | –                                       | <b>78,558</b>               | 68,197                                  |
| Investment management fees   | 6    | 596                  | –                        | –  | –                                       | <b>596</b>                  | 756                                     |
| <b>Total cost of generating funds</b>                              |      | <b>101,866</b>       | <b>–</b>                 | <b>–</b>                                 | <b>–</b>                                | <b>101,866</b>              | <b>87,502</b>                           |
| <b>Net incoming resources available for charitable application</b> | 7    | <b>90,259</b>        | <b>–</b>                 | <b>5,965</b>                             | <b>276</b>                              | <b>96,500</b>               | <b>97,587</b>                           |
| <b>Costs of charitable activities</b>                              |      |                      |                          |  |   |                             |   |
| Research   | 6    | 77,634               | –                        | 1,084                                    | –                                       | <b>78,718</b>               | 72,226                                  |
| Prevention and care  | 6    | 38,445               | –                        | 3,594                                    | –                                       | <b>42,039</b>               | 34,698                                  |
| <b>Expenditure in furtherance of charitable objectives</b>         |      | <b>116,079</b>       | <b>–</b>                 | <b>4,678</b>                             | <b>–</b>                                | <b>120,757</b>              | <b>106,924</b>                          |
| <b>Governance costs</b>  |      |                      |                          |  |   |                             |   |
|  | 6    | 905                  | –                        | –  | –                                       | <b>905</b>                  | 829                                     |
| <b>Total resources expended</b>                                    | 6    | <b>218,850</b>       | <b>–</b>                 | <b>4,678</b>                             | <b>–</b>                                | <b>223,528</b>              | <b>195,255</b>                          |
| <b>Net incoming/(outgoing) resources before transfers</b>          |      | <b>(26,725)</b>      | <b>–</b>                 | <b>1,287</b>                             | <b>276</b>                              | <b>(25,162)</b>             | <b>(10,166)</b>                         |
| <b>Transfers between funds:</b>                                    |      |                      |                          |  |   |                             |   |
| – Fixed asset fund   | 7    | 27,179               | (27,179)                 | –  | –                                       | –                           | –                                       |
| – Restricted fund  |      | (211)                | –                        | 211                                      | –                                       | –                           | –                                       |
| <b>Net incoming/(outgoing) resources after transfers</b>           |      | <b>243</b>           | <b>(27,179)</b>          | <b>1,498</b>                             | <b>276</b>                              | <b>(25,162)</b>             | <b>(10,166)</b>                         |
| Realised investment gain/(loss)                                    | 7,9  | (7,400)              | –                        | –  | –                                       | <b>(7,400)</b>              | 6,990                                   |
| Unrealised investment gain/(loss)                                  | 7,9  | (27,922)             | –                        | –  | –                                       | <b>(27,922)</b>             | (13,048)                                |
| Actuarial gain/(loss) on defined benefit pension scheme            | 16   | (2,704)              | –                        | –  | –                                       | <b>(2,704)</b>              | 1,396                                   |
| <b>Net movement in funds</b>                                       |      | <b>(37,783)</b>      | <b>(27,179)</b>          | <b>1,498</b>                             | <b>276</b>                              | <b>(63,188)</b>             | <b>(14,828)</b>                         |
| Total funds brought forward at the start of the year               | 7    | 31,491               | 27,179                   | (212)                                    | 7,163                                   | <b>65,621</b>               | 80,449                                  |
| <b>Balance of funds at the end of the year</b>                     | 7    | <b>(6,292)</b>       | <b>–</b>                 | <b>1,286</b>                             | <b>7,439</b>                            | <b>2,433</b>                | <b>65,621</b>                           |

There are no recognised gains or losses other than those disclosed above. All of the above results derive from continuing activities.

There is no difference between the SOFA and the Income and Expenditure report, with the exception of the unrealised investment losses at £28m (2008: £13m).

Gross income for the year for the parent (charity) is £192.2m and gross expenditure is £217.3m – the charity SOFA is not disclosed separately as a statement.

2008 is restated to include £1.15m for the rights to run 'London to Brighton Bike Ride' (per note 8).

## Group balance sheet at 31 March 2009

|   | Note | 2009<br>£000     | 2009<br>£000    | Restated<br>2008<br>£000 |
|---|------|------------------|-----------------|--------------------------|
| <b>Fixed assets</b>   |      |                  |                 |                          |
| Tangible assets   | 8    |                  | 21,594          | 27,179                   |
| Intangible fixed asset  | 8    |                  | 1,150           | 1,150                    |
| Investments   | 9    |                  | 150,272         | 205,401                  |
| Programme-related investment                                    |      |                  | 1,850           | –                        |
|   |      |                  | <b>174,866</b>  | 233,730                  |
| <b>Current assets</b>   |      |                  |                 |                          |
| Stock of goods for resale                                       |      | 1,669            |                 | 1,087                    |
| Debtors   | 10   | 12,134           |                 | 11,820                   |
| Short-term deposits   |      | 14,000           |                 | 5,979                    |
| Cash on deposit, at bank and in hand                            |      | 38,691           |                 | 23,026                   |
|   |      | <b>66,494</b>    |                 | 41,912                   |
| <b>Creditors: amounts falling due within one year</b>           |      |                  |                 |                          |
| Research and other awards                                       | 11   | (134,465)        |                 | (119,514)                |
| Other creditors   | 12   | (13,190)         |                 | (8,576)                  |
|   |      | <b>(147,655)</b> |                 | (128,090)                |
| <b>Net current liabilities</b>                                  |      |                  |                 |                          |
|   |      |                  | <b>(81,161)</b> | (86,178)                 |
| <b>Total assets less current liabilities</b>                    |      |                  |                 |                          |
|   |      |                  | <b>93,705</b>   | 147,552                  |
| <b>Creditors: amounts falling due after more than one year</b>  |      |                  |                 |                          |
| Research and other awards                                       | 11   |                  | <b>(88,355)</b> | (80,929)                 |
| <b>Net assets excluding pension scheme liability</b>            |      |                  |                 |                          |
| Pension Fund deficit  | 16   |                  | <b>(2,917)</b>  | (1,002)                  |
| <b>Net assets including pension scheme liability</b>            |      |                  |                 |                          |
|   |      |                  | <b>2,433</b>    | 65,621                   |
| Represented by:   |      |                  |                 |                          |
| <b>Funds (note 7)</b>   |      |                  |                 |                          |
| <b>Endowment</b>  |      |                  |                 |                          |
| Chair endowment trusts  | 7    | 7,089            |                 | 7,089                    |
| G M Yule bequest  | 7    | 74               |                 | 74                       |
| P Gordon bequest  | 7    | 276              |                 | –                        |
|   |      |                  | <b>7,439</b>    | 7,163                    |
| <b>Restricted</b>   |      |                  |                 |                          |
| Big Lottery Fund awards   | 7    | 143              |                 | (212)                    |
| Public funding (other)  | 7    | 82               |                 | –                        |
| Legacy donations  | 7    | 1,061            |                 | –                        |
|   |      |                  | <b>1,286</b>    | (212)                    |
| <b>Designated</b>   |      |                  |                 |                          |
| Fixed asset fund  |      | –                |                 | 27,179                   |
|   |      |                  | –               | 27,179                   |
| <b>General</b>  |      |                  |                 |                          |
| General reserve (includes revaluation reserve £3m (2008: £31m)) |      | (3,375)          |                 | 32,493                   |
| Pension reserve   |      | (2,917)          |                 | (1,002)                  |
|   |      |                  | <b>(6,292)</b>  | 31,491                   |
|   |      |                  | <b>2,433</b>    | 65,621                   |

Approved by the Board of Trustees on 15 July 2009



Philip Yea, Chairman



John Salmon, Chairman of the Audit Committee

} Members of the Board of Trustees

## Group cash flow statement for the year ended 31 March 2009

|   | 2009<br>£000    | 2008<br>£000    |
|---|-----------------|-----------------|
| <b>Net (expenditure) before other recognised gains</b>  | <b>(25,162)</b> | <b>(10,166)</b> |
| Adjustment of net (deficit) to net cash outflow<br>from operating activities (see note A below) | <b>24,085</b>   | 12,605          |
| <b>Net cash inflow/(outflow) from operating activities</b>                                      | <b>(1,077)</b>  | 2,439           |
| <b>Capital expenditure and financial investment</b>   |                 |                 |
| Payments to acquire tangible fixed assets   | <b>(7,751)</b>  | (5,757)         |
| Receipts from sales of tangible fixed assets  | <b>14,557</b>   | 151             |
| Programme-related investments   | <b>(1,850)</b>  | –               |
| Purchase of investments   | <b>(58,554)</b> | (54,593)        |
| Sales of investments  | <b>78,361</b>   | 55,347          |
|   | <b>24,763</b>   | (4,852)         |
| <b>Management of liquid resources</b>   |                 |                 |
| Decrease/(increase) in short-term deposits  | <b>(8,021)</b>  | 10,848          |
| <b>Increase in cash (see note B below)</b>  | <b>15,665</b>   | 8,435           |

### Notes to the group cash flow statement

#### Note A

##### Adjustment of net deficit to net cash outflow from operating activities

|  | 2009<br>£000    | 2008<br>£000 |
|--|-----------------|--------------|
| Depreciation: charge for the year                  | <b>4,548</b>    | 3,883        |
| reversal of previous impairment                    | –               | (1,558)      |
| (Profit) on sale of tangible fixed assets          | <b>(5,769)</b>  | (15)         |
| (Increase) in stocks                               | <b>(582)</b>    | (54)         |
| (Increase) in debtors                              | <b>(314)</b>    | (2,653)      |
| Increase in creditors                              | <b>4,614</b>    | 730          |
| Pension Scheme contributions (in excess of charge) | <b>(789)</b>    | (716)        |
| Awards made during the year                        | <b>90,079</b>   | 82,222       |
| Awards paid  | <b>(67,702)</b> | (69,234)     |
|  | <b>24,085</b>   | 12,605       |

#### Note B

##### Changes in net funds during the year

|                                  |               |        |
|----------------------------------|---------------|--------|
| Net funds being cash at 1 April  | <b>23,026</b> | 14,591 |
| Increase in cash                 | <b>15,665</b> | 8,435  |
| Net funds being cash at 31 March | <b>38,691</b> | 23,026 |

## Notes to the accounts

### 1. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and comply with applicable accounting standards. They also comply with the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2005). The following are the main accounting policies adopted by the Foundation.

#### *a. Basis of accounting*

The financial statements, which consolidate the financial statements of the Foundation and all its subsidiary undertakings, have been prepared under the historical cost convention except for investments which are included at market value. No Income and Expenditure account has been presented for the Foundation as permitted by the Companies Act 2006.

#### *b. Income and Expenditure*

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacy income, entitlement is counted from the earlier of estate accounts being finalised and cash received. Legacies where the Foundation's receipt of income is subject to a life tenancy have not been included in the accounts. Gifts donated for sale are included as income when they are sold. Grants receivable, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance. Where income is received in advance, recognition is deferred and included in creditors and where entitlement arises before income is received, the income is accrued. No amounts are included in the financial statements for services donated by volunteers.

SORP 2005 requires that costs are allocated where appropriate to charitable expenditure and to cost of generating funds (10% of fundraising costs are allocated to charitable expenditure on the basis that fundraising material provides educational information that furthers the charity's objects). The Foundation's Head Office overheads have been allocated to charitable expenditure, fundraising, publicity and retail expenses on the basis of their use of central services, with the aim of ensuring that those costs remaining within governance relate to the management of the Foundation's assets, organisational administration and compliance with constitutional and statutory requirements.

Expenditure (with the exception of grant expenditure) is recognised on an accruals basis. The Group is able to reclaim a proportion of VAT paid because of its trading activities using the partial exemption method. The Accounts of the Charity and the three Subsidiary companies are consolidated to produce the Group Accounts.

Donated goods are valued at a nil cost.

#### *c. Fund accounting*

The general fund comprises accumulated surpluses and deficits after transfers to or from designated funds. Designated funds are amounts which have been put aside at the discretion of the Council. Restricted funds are subject to restrictions imposed by the donors. Endowment funds require the capital to be retained and invested.

#### *d. Awards*

The total sum awarded during the year is expensed, as defined below, in the Statement of Financial Activities. It should be noted that for a high proportion of these grants, cash settlement will take place in future accounting periods.

**Chairs of Cardiovascular Disease** – awards are subject to a quinquennial site visit and review. Full provision is made in the accounts for the Foundation's liability up to the review.

**Programme Grants** – awards run initially for five years, and can be extended for a further period of five years subject to Committee approval. Each award is subject to a mid-term review during year three, at which time a decision will be made as to the continuing appropriateness of each award. Provision is made in the accounts for the Foundation's liability up to the time of this mid-term review.

**Other Research Grants** – full provision is made in the accounts for the Foundation's liability for all other types of research grants.

**BHF Nurses (and other medical practitioners)** – in cases where the Foundation is committed to fund nurses (and other medical practitioners) for three (or more) years from the date of appointment, full provision for this liability is made in the accounts.

**Prevention and Care Grants** – the majority of these awards are for one year projects, and are funded out of current incoming resources. Where an award is for more than one year the Foundation's liability is recognised in full in the accounts.

## Notes to the accounts

### *e. Fixed Assets (tangible and intangible)*

These are stated at cost. Depreciation is provided for by using the straight line method to write off assets over their estimated useful lives at the following rates:

**Short leasehold property** – over the life of the lease

**Leasehold improvements** – over 20 years

**Shop fittings** – over 7 years

**Vehicles** – over 3-4 years

**Furniture and equipment** – over 3-4 years

With effect from 1 January 2006, the Foundation generally adopted a minimum capitalisation limit of £1,000; the Retail Division, due to the disparate nature of its business, has a lower limit of £100.

However, if complements of equipment (e.g. office furnishings or personal computers) are acquired with individual unit costs below the stated capitalisation threshold but collective costs of above £1,000 and anticipated asset lives in excess of 2 years, then such complements are capitalised at the time of purchase.

The intangible fixed asset represents our rights to run the 'London to Brighton Bike Ride'. The inclusion of this has necessitated a restatement of prior year since it was not previously recognised in the Group Accounts.

### *f. Investments*

Investments (including listed and unlisted shares, and property) are shown at market value where there is a readily identifiable market value. Where there is no readily identifiable market value they are recorded at cost. The Foundation revalues its investments regularly so that when investments are sold, gains or losses which arose before the previous year-end have already been recognised. Movements in value arising from investment changes or revaluation, together with profits or losses on disposal of investments, have been recognised in the general fund.

Programme-related investments are recognised where they form a material part of the work of the charity. The carrying value is the initial value of the investment including any impairment losses.

### *g. Stock*

Stocks are valued at the lower of cost and net realisable value.

### *h. Pension costs*

For the defined benefit scheme the amounts charged in the Statement of Financial Activities are the current service costs, and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs and other finance costs have been recognised immediately in the Statement of Financial Activities and Actuarial gains and losses are disclosed on the face of the report.

For the defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the total of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### *i. Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term – in which case the shorter period is used.

## Notes to the accounts

### 2. Voluntary income

|                       | General<br>fund<br>£000 | Restricted<br>funds<br>£000 | Endowment<br>funds<br>£000 | 2009<br>Total<br>funds<br>£000 | 2008<br>Total<br>funds<br>£000 |
|-----------------------|-------------------------|-----------------------------|----------------------------|--------------------------------|--------------------------------|
| Legacies              | 48,822                  | 1,224                       | 276                        | <b>50,322</b>                  | 49,794                         |
| Donations             | 16,538                  | 2,135                       | –                          | <b>18,673</b>                  | 19,538                         |
| Volunteer fundraising | 10,456                  | 661                         | –                          | <b>11,117</b>                  | 12,192                         |
| National events       | 7,971                   | –                           | –                          | <b>7,971</b>                   | 7,059                          |
| Restricted appeals    | –                       | 793                         | –                          | <b>793</b>                     | 683                            |
|                       | <b>83,787</b>           | <b>4,813</b>                | <b>276</b>                 | <b>88,876</b>                  | <b>89,266</b>                  |

In 2009 Gifts in Kind with an estimated value of £75,000 were received – these have not been recorded in the SOFA on grounds of materiality.

The Foundation has received notification of 1,059 (2008: 980) legacies for which no income has been recognised at 31 March 2009; these will be included in future years.

### 3. Retail income

|   | Charity shops<br>donated goods<br>£000 | BHF<br>Shops<br>Ltd<br>£000 | British Heart<br>Foundation<br>Ventures Ltd<br>Retail activities<br>£000 | 2009<br>Total<br>£000 | 2008<br>Total<br>£000 |
|---|--|-----------------------------|--|-----------------------|-----------------------|
| Sales *   | 86,586                                 | 7,308                       | 442  | <b>94,336</b>         | 81,931                |
| BHF Nurse Appeal  | –                                      | –                           | –  | –                     | 372                   |
| Retail income   | 86,586                                 | 7,308                       | 442  | <b>94,336</b>         | 82,303                |
| Retail costs  | (73,520)                               | (4,711)                     | (327)  | <b>(78,558)</b>       | (68,197)              |
| Net incoming resources available from retail activities | 13,066                                 | 2,597                       | 115  | <b>15,778</b>         | 14,106                |

The results of the Foundation's retail activities through charity shops (selling donated goods), BHF Shops Ltd (selling bought-in goods) and the retail activities of British Heart Foundation Ventures Ltd, are detailed in note 14.

\*2009 includes gross income of £9.84m (2008: £4.18m) representing donations from supporters on which we have been able to claim Gift Aid – from sale of their goods through BHF Shop's Retail Gift Aid Programme.

### 4. Investment income

|                      | General<br>funds<br>£000 | Restricted<br>funds<br>£000 | 2009<br>Total<br>funds<br>£000 | 2008<br>Total<br>funds<br>£000 |
|----------------------|--------------------------|-----------------------------|--------------------------------|--------------------------------|
| Listed investments   | 6,837                    | –                           | <b>6,837</b>                   | 7,018                          |
| Bank interest        | 1,336                    | 277                         | <b>1,613</b>                   | 2,070                          |
| Property             | 39                       | –                           | <b>39</b>                      | 121                            |
| Unlisted investments | 18                       | –                           | <b>18</b>                      | 26                             |
| G M Yule Bequest     | 3                        | –                           | <b>3</b>                       | 4                              |
|                      | <b>8,233</b>             | <b>277</b>                  | <b>8,510</b>                   | <b>9,239</b>                   |

### 5. Incoming resources from charitable activities

|   | Restricted<br>funds<br>£000 | 2009<br>Total<br>funds<br>£000 | 2008<br>Total<br>funds<br>£000 |
|---|-----------------------------|--------------------------------|--------------------------------|
| Public funding for Prevention and Care: |                             |                                |                                |
| Department of Health – NHS London       | 355                         | <b>355</b>                     | 693                            |
| Department of Health – NGO              | 35                          | <b>35</b>                      | –                              |
| Department of Health – other            | 111                         | <b>111</b>                     | 128                            |
| Big Lottery Fund                        | 339                         | <b>339</b>                     | 3,076                          |
| Sport England                           | 17                          | <b>17</b>                      | 316                            |
| Food Standards Agency                   | 18                          | <b>18</b>                      | 53                             |
|   | <b>875</b>                  | <b>875</b>                     | <b>4,266</b>                   |

## Notes to the accounts

### 6. Gross expenditure

|                                 | Awards<br>(note 11)<br>£000 | Other direct<br>costs<br>£000 | Support costs<br>allocated<br>£000 | Total<br>2009<br>£000 | Total<br>2008<br>£000 |
|---------------------------------|-----------------------------|-------------------------------|------------------------------------|-----------------------|-----------------------|
| <b>Cost of generating funds</b> |                             |                               |                                    |                       |                       |
| Fundraising                     | –                           | 18,611                        | 2,748                              | <b>21,359</b>         | 17,732                |
| Publicity                       | –                           | 917                           | 436                                | <b>1,353</b>          | 817                   |
| Retail costs                    | –                           | 78,457                        | 101                                | <b>78,558</b>         | 68,197                |
| Investment management fees      | –                           | 596                           | –                                  | <b>596</b>            | 756                   |
|                                 | –                           | 98,581                        | 3,285                              | <b>101,866</b>        | 87,502                |
| <b>Charitable expenditure</b>   |                             |                               |                                    |                       |                       |
| Research                        | 77,977                      | 290                           | 451                                | <b>78,718</b>         | 72,226                |
| Prevention and care             | 12,102                      | 27,566                        | 2,371                              | <b>42,039</b>         | 34,698                |
|                                 | 90,079                      | 27,856                        | 2,822                              | <b>120,757</b>        | 106,924               |
| <b>Governance</b>               |                             |                               |                                    |                       |                       |
|                                 | –                           | 284                           | 621                                | <b>905</b>            | 829                   |
|                                 | 90,079                      | 126,721                       | 6,728                              | <b>223,528</b>        | 195,255               |

### Direct costs

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity.

### Support costs included in gross expenditure

The Foundation adopts a policy of allocating costs to the respective cost headings throughout the year, and this allocation includes support costs where they are directly attributable.

The costs of the Directorate and the Finance Divisions, which provide support for the activities listed above, are allocated as shown below. The allocation is based on the time spent by each department in supporting the various activities.

Overheads are allocated to activities on the basis of square footage occupied, by headcount involved, or in proportion to resources used.

|                        | Costs of Generating Funds |                   |                      | Charitable expenditure |                                | Governance | Total        |
|------------------------|---------------------------|-------------------|----------------------|------------------------|--------------------------------|------------|--------------|
|                        | Fundraising<br>£000       | Publicity<br>£000 | Retail costs<br>£000 | Research<br>£000       | Prevention<br>and Care<br>£000 | £000       | £000         |
| Directorate            | 81                        | 24                | 81                   | 20                     | 119                            | 81         | 406          |
| Facilities management  | 623                       | 187               | –                    | 156                    | 902                            | 208        | 2,076        |
| Finance                | 348                       | 12                | –                    | 77                     | 260                            | 77         | 774          |
| Human Resources        | 287                       | 86                | –                    | 72                     | 414                            | 96         | 955          |
| Information technology | 817                       | 98                | –                    | 102                    | 536                            | 82         | 1,635        |
| Legacy administration  | 495                       | –                 | –                    | –                      | –                              | –          | 495          |
| Legal                  | 49                        | 15                | 10                   | 12                     | 72                             | 39         | 197          |
| Secretariat            | 48                        | 14                | 10                   | 12                     | 68                             | 38         | 190          |
| <b>Total</b>           | <b>2,748</b>              | <b>436</b>        | <b>101</b>           | <b>451</b>             | <b>2,371</b>                   | <b>621</b> | <b>6,728</b> |

### Analysis of governance costs

|                                   | Total<br>2009<br>£000 | Total<br>2008<br>£000<br>restated |
|-----------------------------------|-----------------------|-----------------------------------|
| Internal Audit                    | <b>122</b>            | 122                               |
| Company Secretarial               | <b>51</b>             | 65                                |
| Legal and professional fees       | <b>2</b>              | –                                 |
| Audit fees – charity              | <b>55</b>             | 46                                |
| Audit fees – subsidiary companies | <b>15</b>             | 13                                |
| Board of Trustees costs*          | <b>34</b>             | 4                                 |
| Annual Report and Accounts        | <b>5</b>              | 5                                 |
| Support costs allocated           | <b>621</b>            | 574                               |
|                                   | <b>905</b>            | 829                               |

\* in 2009 this includes an amount of £22,600 (venue hire and travel expenses) for the bi-annual Council and Chairholders conference, and £9,000 for an advert placed to recruit new Trustees/Council members

## Notes to the accounts

### 6. Gross expenditure (cont)

#### Gross expenditure for the year is stated after charging or crediting:

|  | 2009<br>£000  | 2008<br>£000 |
|--|---------------|--------------|
| Audit of lotteries included in fundraising   | –             | 3            |
| Operating lease rentals                      | <b>17,120</b> | 15,383       |
| Profit on disposal of fixed assets           | <b>5,769</b>  | 15           |
| Depreciation: charge for the year            | <b>4,548</b>  | 3,883        |
| reversal of previous impairment              | –             | (1,558)      |
| Audit fees (*) for the Group (including VAT) | <b>70</b>     | 59           |

\*this represents £61,500 (net of VAT) paid for audit services for the group

### Taxation

The Foundation is a registered charity and therefore is not liable to income tax and corporation tax on income and gains derived from its charitable activities as it falls within the various exemptions available to registered charities. Subsidiary companies pay any taxable profits to the charity each year under Gift Aid.

### Staff and trustee information

|                                   | 2009<br>£000  | 2008<br>£000 |
|-----------------------------------|---------------|--------------|
| <b>Staff costs</b>                |               |              |
| Salaries                          | <b>36,511</b> | 32,459       |
| Social security                   | <b>3,266</b>  | 2,926        |
| Other pension costs (see note 16) | <b>1,824</b>  | 1,703        |
| Other staff costs                 | <b>1,523</b>  | 1,035        |
|                                   | <b>43,124</b> | 38,123       |

The average number of staff, on a full-time equivalent basis, employed in the year, was:

|             | 2009         | 2008  |
|-------------|--------------|-------|
| Head office | <b>281</b>   | 262   |
| Regions     | <b>105</b>   | 117   |
| Shops       | <b>1,503</b> | 1,338 |
|             | <b>1,889</b> | 1,717 |

The following numbers of staff have emoluments above £60,000:

|                           | 2009      | 2008 |
|---------------------------|-----------|------|
| Between £60,001-£70,000   | <b>11</b> | 8    |
| Between £70,001-£80,000   | <b>7</b>  | 6    |
| Between £80,001-£90,000   | <b>4</b>  | 2    |
| Between £90,001-£100,000  | –         | 5    |
| Between £100,001-£110,000 | <b>4</b>  | –    |
| Between £110,001-£120,000 | <b>1</b>  | –    |
| Between £120,001-£130,000 | <b>1</b>  | 2    |
| Between £130,001-£140,000 | <b>1</b>  | –    |
| Between £140,001-£150,000 | <b>1</b>  | 1    |

Number of staff included above for whom retirement benefits are accruing:

|                              |           |    |
|------------------------------|-----------|----|
| Defined contribution schemes | <b>26</b> | 19 |
| Defined benefit schemes      | <b>4</b>  | 5  |

|  | 2009<br>£000 | 2008<br>£000 |
|--|--------------|--------------|
| Contributions in the year for the provision of defined contribution schemes for staff included above | <b>355</b>   | 289          |

The Remuneration Committee determines the salaries and benefits of the Senior Management Team.

### Trustee costs

No trustees received any remuneration for services as members of the Board of Trustees, but a total of £1,246 (2008: £1,998) was reimbursed to five (2008: five) members for travelling expenses to and from meetings.

As permitted in the Memorandum and Articles of Association, trustee indemnity insurance was purchased at a total cost of £4,865 (2008: £5,670).

## Notes to the accounts

## 7. Statement of funds

|  | notes | Balance<br>1 April<br>£000 | Incoming<br>resources<br>£000 | Total<br>resources<br>expended<br>£000 | Net<br>investment<br>(losses)<br>£000 | Actuarial<br>gain<br>pension fund<br>£000 | Reduction in<br>value of<br>Fixed Assets<br>£000 | Transfers<br>£000 | Balance<br>31 March<br>£000 |
|--|-------|----------------------------|-------------------------------|--|---------------------------------------|---|--|-------------------|-----------------------------|
| <b>Endowment funds:</b>                  |       |                            |                               |  |                                       |   |  |                   |                             |
| Chair endowment trusts                   | a     | 7,089                      | –                             | –                                      | –                                     | –   | –  | –                 | 7,089                       |
| G M Yule bequest                         | b     | 74                         | –                             | –                                      | –                                     | –   | –  | –                 | 74                          |
| P Gordon bequest                         | c     | –                          | 276                           | –                                      | –                                     | –   | –  | –                 | 276                         |
|  |       | <b>7,163</b>               | <b>276</b>                    | <b>–</b>                               | <b>–</b>                              | <b>–</b>                                  | <b>–</b>   | <b>–</b>          | <b>7,439</b>                |
| <b>Restricted funds:</b>                 |       |                            |                               |  |                                       |   |  |                   |                             |
| Legacy donations                         | d     | –                          | 1,224                         | (163)                                  | –                                     | –   | –  | –                 | 1,061                       |
| Chair endowment trusts income (interest) | a     | –                          | 273                           | (273)                                  | –                                     | –   | –  | –                 | –                           |
| P Gordon income (interest)               | c     | –                          | 4                             | (4)                                    | –                                     | –   | –  | –                 | –                           |
| Research                                 | e     | –                          | 694                           | (694)                                  | –                                     | –   | –  | –                 | –                           |
| Prevention and Care                      | f     | –                          | 2,895                         | (2,895)                                | –                                     | –   | –  | –                 | –                           |
| Neath and Bridgend Health Boards         | g     | –                          | 38                            | –                                      | –                                     | –   | –  | –                 | 38                          |
| Food Standards Agency                    | h     | –                          | 18                            | (18)                                   | –                                     | –   | –  | –                 | –                           |
| Sport England                            | i     | –                          | 17                            | 27                                     | –                                     | –   | –  | –                 | 44                          |
| Department of Health                     | j     | –                          | 73                            | (73)                                   | –                                     | –   | –  | –                 | –                           |
| Lottery funded awards – block grants     | k     | (212)                      | 196                           | (195)                                  | –                                     | –   | –  | 211               | –                           |
| BLF – Nurse training                     | l     | –                          | 143                           | –                                      | –                                     | –   | –  | –                 | 143                         |
| Doubt Kills campaign                     | m     | –                          | 355                           | (355)                                  | –                                     | –   | –  | –                 | –                           |
| Change4Life campaign                     | n     | –                          | 35                            | (35)                                   | –                                     | –   | –  | –                 | –                           |
|  |       | <b>(212)</b>               | <b>5,965</b>                  | <b>(4,678)</b>                         | <b>–</b>                              | <b>–</b>                                  | <b>–</b>   | <b>211</b>        | <b>1,286</b>                |
| <b>Designated funds:</b>                 |       |                            |                               |  |                                       |   |  |                   |                             |
| Fixed asset fund                         | o     | 27,179                     | –                             | –                                      | –                                     | –   | (5,585)  | (21,594)          | –                           |
|  |       | <b>27,179</b>              | <b>–</b>                      | <b>–</b>                               | <b>–</b>                              | <b>–</b>                                  | <b>(5,585)</b>                                   | <b>(21,594)</b>   | <b>–</b>                    |
| <b>General fund:</b>                     |       |                            |                               |  |                                       |   |  |                   |                             |
|  |       | <b>31,491</b>              | <b>192,125</b>                | <b>(218,850)</b>                       | <b>(35,322)</b>                       | <b>(2,704)</b>                            | <b>5,585</b>                                     | <b>21,383</b>     | <b>(6,292)</b>              |
| <b>Total funds</b>                       |       |                            |                               |  |                                       |   |  |                   |                             |
|  |       | <b>65,621</b>              | <b>198,366</b>                | <b>(223,528)</b>                       | <b>(35,322)</b>                       | <b>(2,704)</b>                            | <b>–</b>   | <b>–</b>          | <b>2,433</b>                |

## Notes

- a. The Chair endowment trusts represent endowments returned to the Foundation by Universities (note 15). The interest on the money held is restricted and expended on the BHF's Chairs of Cardiovascular medicine.
- b. Income from the G M Yule bequest is available for the general activities of the Foundation.
- c. Income from the P Gordon bequest (received in year) is restricted to expenditure on Prevention and Care activities.
- d. Restricted legacy donations are made for both Research and Prevention and Care. In some cases we are unable to fully expend according to the specific terms of the bequest, in the year of receipt.
- e. Income where the Donor has specified that the donation should be expended on the BHF's Research activities.
- f. Income where the Donor has specified that the donation should be expended on the BHF's Prevention and Care activities.
- g. Income received from the Neath Port Talbot and Bridgend Health Boards, to be expended on Community Resuscitation and Cardiac Rehabilitation initiatives in these areas.
- h. Income from the Foods Standards Agency to run a project seeking to reduce the amount of salt and saturated fat used in social cooking that takes place in temples and places of worship.
- i. Income from Sport England for the Active Workplace project – monies to be spent on revising and updating the 'Think fit!' website, resources and other promotional activities.
- j. Income from the Department of Health for the Hearty Voices and Health Advocates projects.
- k. The Big Lottery Fund supported two projects covering heart failure nurses and cardiac rehabilitation programmes – these were both finished in the course of the year. A negative restricted fund was set up in 2006 in anticipation of future income flows; this fund has now been transferred to general funds.
- l. Balance of income received from the Big Lottery Fund projects. It has been agreed this will be used to fund a Nurse training project 2009–10.
- m. Income from NHS London to cover the costs for running the Doubt Kills campaign in London in May 2008.
- n. Income from the Central Office of Information to cover costs for the Partnership campaign supporting the Change4Life initiative.
- o. The fixed asset fund represented the net book value of tangible fixed assets used by the Foundation. This fund has now been transferred into general funds.

## Notes to the accounts

### 7. Statement of funds (cont)

#### Analysis of net assets between funds

|                        | General<br>£000 | Restricted<br>£000 | Endowment<br>£000 | Total<br>£000    |
|------------------------|-----------------|--------------------|-------------------|------------------|
| Tangible fixed assets  | 21,594          | –                  | –                 | <b>21,594</b>    |
| Intangible fixed asset | 1,150           | –                  | –                 | <b>1,150</b>     |
| Investments            | 152,122         | –                  | –                 | <b>152,122</b>   |
| Current assets         | 57,769          | 1,286              | 7,439             | <b>66,494</b>    |
| Current liabilities    | (147,655)       | –                  | –                 | <b>(147,655)</b> |
| Long-term liabilities  | (88,355)        | –                  | –                 | <b>(88,355)</b>  |
| Pension Fund deficit   | (2,917)         | –                  | –                 | <b>(2,917)</b>   |
|                        | <b>(6,292)</b>  | <b>1,286</b>       | <b>7,439</b>      | <b>2,433</b>     |

### 8. Tangible and intangible fixed assets

#### Group and Charity

|                         | Land, buildings and improvements |                           |                            |                          |                  |                                  | Total<br>£000 |
|-------------------------|----------------------------------|---------------------------|----------------------------|--------------------------|------------------|----------------------------------|---------------|
|                         | Freehold<br>£000                 | Long<br>leasehold<br>£000 | Short<br>leasehold<br>£000 | Shop<br>fittings<br>£000 | Vehicles<br>£000 | Furniture &<br>equipment<br>£000 |               |
| <b>Cost</b>             |                                  |                           |                            |                          |                  |                                  |               |
| At 1 April 2008         | 11,695                           | 1,556                     | 14,518                     | 16,199                   | 1,367            | 11,344                           | 56,679        |
| Additions               | –                                | –                         | 1,365                      | 2,196                    | 306              | 3,884                            | 7,751         |
| Disposals               | (9,268)                          | (1,556)                   | (444)                      | (63)                     | (225)            | (563)                            | (12,119)      |
| At 31 March 2009        | <b>2,427</b>                     | <b>–</b>                  | <b>15,439</b>              | <b>18,332</b>            | <b>1,448</b>     | <b>14,665</b>                    | <b>52,311</b> |
| <b>Depreciation</b>     |                                  |                           |                            |                          |                  |                                  |               |
| At 1 April 2008         | 2,166                            | 150                       | 8,061                      | 9,991                    | 768              | 8,364                            | 29,500        |
| Charge for year         | 122                              | 19                        | 1,044                      | 1,305                    | 355              | 1,703                            | 4,548         |
| Disposals               | (2,107)                          | (169)                     | (226)                      | (61)                     | (207)            | (561)                            | (3,331)       |
| At 31 March 2009        | <b>181</b>                       | <b>–</b>                  | <b>8,879</b>               | <b>11,235</b>            | <b>916</b>       | <b>9,506</b>                     | <b>30,717</b> |
| <b>Net book values</b>  |                                  |                           |                            |                          |                  |                                  |               |
| <b>At 31 March 2009</b> | <b>2,246</b>                     | <b>–</b>                  | <b>6,560</b>               | <b>7,097</b>             | <b>532</b>       | <b>5,159</b>                     | <b>21,594</b> |
| At 31 March 2008        | 9,529                            | 1,406                     | 6,457                      | 6,208                    | 599              | 2,980                            | 27,179        |

In January 2009 the Foundation completed the sale of its former Head Office at 14-17 Fitzhardinge Street, London together with an adjacent property which had been held as an investment. These properties comprised freehold, long and short leaseholds with a total net book value of £10.8m. The sale realised a net gain of £5.8m for the BHF.

Included in the Group Balance Sheet is an intangible fixed asset (£1.15m) – this represents our rights to run the 'London to Brighton Bike Ride'.

## Notes to the accounts

### 9. Investments

#### Group and Charity

|  | 2009<br>£000   | 2008<br>£000 |
|--|----------------|--------------|
| <b>Market value</b>                            |                |              |
| At 1 April 2008                                | 205,401        | 212,213      |
| Purchase of investments                        | 58,554         | 54,593       |
| Receipts from sale of investments              | (78,361)       | (55,347)     |
|  | <b>185,594</b> | 211,459      |
| Net investment gains (losses)                  | (35,322)       | (6,058)      |
| At 31 March 2009                               | <b>150,272</b> | 205,401      |
| <b>Represented by</b>                          |                |              |
| Listed investments : Fixed interest securities | 42,722         | 38,555       |
| : Equities                                     | 105,255        | 144,057      |
| Unlisted investments                           | 219            | 219          |
| Property                                       | 1,005          | 4,457        |
| Short term deposits                            | 1,071          | 18,113       |
|  | <b>150,272</b> | 205,401      |

Listed investments include overseas investments of £41 million (2008: £50 million).

|  |                |         |
|--|----------------|---------|
| <b>Historical cost at 31 March 2009</b>    | <b>146,904</b> | 174,335 |
| <b>Revaluation gains at 31 March 2009</b>  | <b>3,368</b>   | 31,066  |
| <b>(Losses) gains realised in the year</b> | <b>(7,400)</b> | 6,990   |

### 10. Debtors

|  | Group         |              | Charity       |              |
|--|---------------|--------------|---------------|--------------|
|  | 2009<br>£000  | 2008<br>£000 | 2009<br>£000  | 2008<br>£000 |
| Amount owed by subsidiary undertakings | –             | –            | 3,770         | 3,389        |
| Other debtors                          | 4,354         | 3,672        | 3,847         | 2,896        |
| Prepayments                            | 5,735         | 5,303        | 5,536         | 5,054        |
| Income tax recoverable                 | 2,045         | 2,845        | 2,045         | 2,756        |
|  | <b>12,134</b> | 11,820       | <b>15,198</b> | 14,095       |

Other debtors includes an amount of £876,000 (2008: £450,000) which represents accrued legacies which have been recognised in incoming resources.

## Notes to the accounts

### 11. Research and other awards

|  | 2009<br>£000    | 2008<br>£000 |
|--|-----------------|--------------|
| Outstanding liabilities at 1 April   | <b>200,443</b>  | 187,455      |
| Awarded during the year:   |                 |              |
| Research   | <b>79,426</b>   | 72,457       |
| Discounting of research awards<br>(increase) in discount adjustment                      | <b>(1,449)</b>  | (914)        |
|  | <b>77,977</b>   | 71,543       |
| Prevention and care  | <b>12,040</b>   | 10,694       |
| Discounting of prevention and care awards:<br>decrease/(increase) in discount adjustment | <b>62</b>       | (15)         |
|  | <b>12,102</b>   | 10,679       |
|  | <b>290,522</b>  | 269,677      |
| Paid during the year   | <b>(67,702)</b> | (69,234)     |
| Outstanding liabilities at 31 March  | <b>222,820</b>  | 200,443      |
| <br>   |                 |              |
| Awards falling due within one year   | <b>134,465</b>  | 119,514      |
| Awards falling due after more than one year  | <b>88,355</b>   | 80,929       |
|  | <b>222,820</b>  | 200,443      |

Liabilities for research and other awards represent the unpaid balances on grants awarded as at the balance sheet date (outstanding balances for the CVI initiative are now included under research). They relate to current research being funded by the Foundation and to which the Foundation is firmly committed. Where awards are subject to a mid-term review, provision is made in the financial statements for the Foundation's liability up to the time of that review. In the case of awards for Chairs of Cardiovascular Disease (awarded before this year) there remains a commitment to continue funding chairholders for the remainder of their career in that post (subject to the successful outcome of each five yearly review). For Chairs awarded in this year and for the future, a commitment is recognised in the Accounts for five years and the BHF may become liable for a further five years (up to ten years).

In line with the requirements of the SORP 2005, the Foundation has discounted its long term grant liabilities, both for research and for prevention and care. A discount rate of 3.5% has been applied to both amounts recognised in the accounts as grant creditors and grant commitments (not included in the accounts) – the rationale for this rate is based on investment portfolio yields and computed bank cost of capital.

The Foundation sometimes receives applications for grants from, and makes awards to, universities and hospitals which employ members of the Board of Trustees or Council in senior research capacities. During the year ended 31 March 2009 the Foundation awarded £4.5m (2008: nil) for projects to which members of the Board of Trustees or Council are connected.

All grants are made to institutions, and a list of 249 research awards made during the year by the medical committees is obtainable from The Medical Director, British Heart Foundation, Greater London House, 180 Hampstead Road, London NW1 7AW or on the Charity's website at [bhf.org.uk](http://bhf.org.uk)

The table below shows the total outstanding balances on grant awards. Firstly, grant awards for which the BHF may become liable in the future if certain conditions are met by the grant recipients (not included in the accounts), and secondly those that represent existing commitments and are recognised in the accounts as grant creditors.

## Notes to the accounts

### 11. Research and other awards (cont)

|   | Total<br>£000 | 2009<br>£000    | Amounts due for payment in the year to 31 March |              |              |              | 2013<br>£000 | 2014 onwards<br>£000 |
|---|---------------|-----------------|---|--------------|--------------|--------------|--------------|----------------------|
|   |               |                 | 2010<br>£000                                    | 2011<br>£000 | 2012<br>£000 | 2013<br>£000 |              |                      |
| <b>Grant commitments (not included in the accounts)</b> |               |                 |   |              |              |              |              |                      |
| Balance at 1 April 2008                                 | 62,131        | –               | 736   | 3,595        | 11,406       | 11,103       | 35,291       |                      |
| <b>Movement in the year</b>                             |               |                 |   |              |              |              |              |                      |
| New awards  | 102,735       | <b>2,701</b>    | 31,227  | 21,593       | 16,930       | 11,923       | 18,361       |                      |
| Awards recognised in Accounts                           | (90,079)      | <b>(2,701)</b>  | (31,612)  | (21,292)     | (14,576)     | (8,975)      | (10,923)     |                      |
| Balance at 31 March 2009                                | 74,787        | –               | 351   | 3,896        | 13,760       | 14,051       | 42,729       |                      |
| <b>Grant creditors - recognised in the accounts</b>     |               |                 |   |              |              |              |              |                      |
| Balance at 1 April 2008                                 | 200,443       | <b>120,481</b>  | 47,373  | 25,633       | 5,469        | 1,487        | –            |                      |
| Awards recognised                                       | 94,565        | <b>5,402</b>    | 32,333  | 21,789       | 14,880       | 8,992        | 11,169       |                      |
| Write back of underused grants                          | (4,486)       | <b>(2,701)</b>  | (721)   | (497)        | (304)        | (17)         | (246)        |                      |
| Grant payments  | (67,702)      | <b>(67,702)</b> | –   | –            | –            | –            | –            |                      |
| Adjustments (*)   | –             | <b>(55,480)</b> | 55,480  | –            | –            | –            | –            |                      |
| Balance at 31 March 2009                                | 222,820       | –               | 134,465   | 46,925       | 20,045       | 10,462       | 10,923       |                      |
| <b>Total grant commitments and creditors</b>            |               |                 |   |              |              |              |              |                      |
| Balance at 31 March 2009                                | 297,607       | –               | 134,816   | 50,821       | 33,805       | 24,513       | 53,652       |                      |
| Balance at 1 April 2008                                 | 262,574       | <b>120,481</b>  | 48,109  | 29,228       | 16,875       | 12,590       | 35,291       |                      |

\*this additional amount should have been paid out by 31 March 2009; delay due to invoicing by grant recipients

### 12. Other creditors

|  | Group         |              | Charity       |              |
|--|---------------|--------------|---------------|--------------|
|  | 2009<br>£000  | 2008<br>£000 | 2009<br>£000  | 2008<br>£000 |
| Amount owed to subsidiary undertakings | –             | –            | <b>874</b>    | 681          |
| Accruals                               | <b>11,566</b> | 7,245        | <b>11,550</b> | 7,211        |
| Deferred income                        | <b>1,547</b>  | 1,197        | <b>781</b>    | 802          |
| Taxes and social security              | <b>77</b>     | 134          | –             | –            |
|  | <b>13,190</b> | 8,576        | <b>13,205</b> | 8,694        |

### 13. Lease commitments

At 31 March 2009 the Foundation had annual commitments, all for land and buildings, as follows:

|                            | 2009<br>£000  | 2008<br>£000 |
|----------------------------|---------------|--------------|
| For leases expiring:       |               |              |
| Within one year            | <b>1,843</b>  | 504          |
| Between two and five years | <b>7,238</b>  | 4,102        |
| After five years           | <b>12,171</b> | 10,674       |
|                            | <b>21,252</b> | 15,280       |

### 14. Subsidiary undertakings

The British Heart Foundation has four wholly owned non-charitable subsidiary undertakings registered in England and Wales, all of which are consolidated.

They are:

- British Heart Foundation Ventures Limited, retailing Christmas cards and other goods (online and through the Foundation's network of voluntary branches), and making commission arrangements and sponsorship agreements.
- BHF Shops Limited, retailing non-donated goods in the Foundation's charity shops.
- London to Brighton Bike Ride Limited, owning rights to, and operating, the British Heart Foundation 'London to Brighton Bike Ride'.
- British Heart Foundation Sales Limited – dormant.
- The net profits of these undertakings were transferred to the Foundation under Gift Aid.
- Retail activities are shown in note 3 and fundraising activities are shown gross in note 2.

## Notes to the accounts

### 14. Subsidiary undertakings (cont)

|                  | British Heart<br>Foundation<br>Ventures Ltd<br>£000 | BHF<br>Shops<br>Ltd<br>£000 | London to<br>Brighton Bike<br>Ride Ltd<br>£000 | <b>Total<br/>2009<br/>£000</b> | Total<br>2008<br>£000 |
|------------------|---|-----------------------------|--|--------------------------------|-----------------------|
| Turnover         | 1,652   | 8,258                       | 1,049  | <b>10,959</b>                  | 9,367                 |
| Cost of sales    | (302)   | (4,569)                     | (135)  | <b>(5,006)</b>                 | (3,874)               |
| Gross profit     | 1,350   | 3,689                       | 914  | <b>5,953</b>                   | 5,493                 |
| Other costs      | (220)   | (1,098)                     | (865)  | <b>(2,183)</b>                 | (2,104)               |
| Net profit       | 1,130   | 2,591                       | 49   | <b>3,770</b>                   | 3,389                 |
| Gift Aid payment | (1,130)   | (2,591)                     | (49)   | <b>(3,770)</b>                 | (3,389)               |

The consolidated balance sheet includes aggregate amounts in respect of the assets and liabilities of the Foundation's subsidiary undertakings of £4.63m (2008 : £3.94m) and £4.63m (2008 : £3.94m) respectively.

### 15. Endowment of Chairs of Cardiovascular Medicine

Originally thirteen of the Foundation's Chairs of Cardiovascular Medicine were supported by endowments (the last of which was created in 1987) and the remainder are personal chairs.

The income these endowments generate is considered insufficient to fund the salaries of the professor, a secretary and a technician as was originally intended and the Foundation has offered the universities personal chairs for their professors in exchange for the return of the endowments. Four universities took up the offer in 2002-03 in respect of six endowments. Of these, four were capable of straightforward transfer back to the Foundation: the endowments themselves were returned to the Chairs and Programme Grants Committee that originally funded them and the growth in the value of the endowments was treated as income. The remaining two endowments had been designated "in perpetuity" and, following Charity Commission advice that the Foundation should treat them differently, these endowment trusts were transferred in their entirety from the universities to the Foundation.

Two universities returned endowments during 2003-04, one university returned an endowment during 2004-05, and one further university returned an endowment during 2005-06. All these endowments were transferred in their entirety to the Foundation.

The Foundation recognises these trusts as endowment funds and they are held on the balance sheet as such. Three universities still hold endowments, which they may be invited to return to the Foundation.

### 16. Pensions

#### Pension scheme contributions

|                             | <b>2009<br/>£000</b> | 2008<br>£000 |
|-----------------------------|----------------------|--------------|
| Defined benefit scheme      | <b>271</b>           | 389          |
| Defined contribution scheme | <b>1,553</b>         | 1,314        |
|                             | <b>1,824</b>         | 1,703        |

The Foundation operates a defined benefit scheme which was closed to new entrants from 30 June 2001.

The assets of the scheme are held in a separate trustee-administered fund. Contributions are made according to funding rates advised by the scheme actuary and are invested on a discretionary basis by Newton Investment Management Limited.

The last valuation of the scheme was carried out as at 1 July 2008. The market value of the scheme's assets at that date was £23,652,000, which represented 86% of the liabilities of the fund after allowing for expected future increases in earnings and pensions. The principal actuarial assumptions used in the 2008 valuation were: a return on investments pre-retirement of 0.7% per annum greater than salary increases, a return on investments after retirement of 6% per annum and pension increases of 5% per annum in respect of pensionable service up to 30 June 2000 and thereafter at 3.8% per annum. The next valuation will be carried out as at 1 July 2011.

The contribution rate for 2009 was 24.4% of pensionable salaries (2008: 24.4% of pensionable salaries), plus the cost of insurance premiums to provide death in service benefits.

The Board of Trustees has assured members of its continued support for, and desire to retain, the scheme, while not giving any absolute guarantees. In recent years, additional payments of £2,500,000 in April 2006, plus 3 annual payments each of £630,000 in April 2007, 2008 and 2009 have been made into the scheme. The Trustees are currently reviewing the timing and amount of future additional contributions.

In addition the Foundation operates defined contribution schemes for certain employees, including all staff joining the Foundation since 1 July 2001, and contributes between 8% and 20% of pensionable salaries.

## Notes to the accounts

### 16. Pensions continued

#### FRS 17 "Retirement Benefits"

In accordance with the requirements of Financial Reporting Standard 17, the full actuarial valuation dated 1 July 2008 has been updated at 31 March 2009 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The defined benefit pension scheme is closed to new members and therefore, under the projected unit method, the current service cost would be expected to increase as the members of the scheme approach retirement.

The major assumptions used for the actuarial valuation were :

|   | 2009<br>% | 2008<br>% | 2007<br>% | 2006<br>% |
|---|-----------|-----------|-----------|-----------|
| Salary growth   | 3.9       | 5.1       | 4.7       | 4.5       |
| Pension increases in payment – Limited Price Indexation | 2.9       | 3.5       | 3.1       | 2.7       |
| Pension increases in payment – guaranteed               | 5.0       | 5.0       | 5.0       | 5.0       |
| Discount rate   | 6.7       | 6.7       | 5.4       | 5.1       |
| Inflation   | 2.9       | 3.6       | 3.2       | 3.0       |

#### Mortality

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

|        | 2009 | 2008 |
|--------|------|------|
| Male   | 88.4 | 88.6 |
| Female | 90.7 | 91.1 |

The average life expectancy in years of a pensioner retiring at age 65, twenty years after the balance sheet date is as follows:

|        | 2009 | 2008 |
|--------|------|------|
| Male   | 89.6 | 90.7 |
| Female | 91.7 | 93.0 |

#### Major categories of plan assets as a percentage of total assets and expected rates of return

|                      | Asset categories as a percentage of plan assets |           | Expected rate of return at the balance sheet date |           |
|----------------------|---|-----------|---|-----------|
|                      | 2009<br>%                                       | 2008<br>% | 2009<br>%   | 2008<br>% |
| Equities             | 55  | 62        | 9.0   | 8.9       |
| Fixed Interest Gilts | 30  | 28        | 4.0   | 4.6       |
| Corporate Bonds      | 10  | 8         | 6.7   | 6.7       |
| Property             | 1   | 1         | 7.0   | 7.0       |
| Cash/Other           | 4   | 1         | 0.5   | 4.8       |

#### Analysis of amount charged to the Statement of Financial Activities under FRS 17

|  | 2009<br>£000 | 2009<br>£000 | 2008<br>£000 | 2008<br>£000 | 2007<br>£000 | 2007<br>£000 | 2006<br>£000 | 2006<br>£000 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Current service cost                     |              | 436          |              | 514          |              | 621          |              | 606          |
| Past service cost                        |              | –            |              | 172          |              | 167          |              | 50           |
| Total operating charge                   |              | 436          |              | 686          |              | 788          |              | 656          |
| Expected return on pension scheme assets | (1,781)      |              | (1,510)      |              | (1,391)      |              | (1,025)      |              |
| Interest on pension scheme liabilities   | 1,616        |              | 1,385        |              | 1,299        |              | 1,140        |              |
| Other finance (income) costs             |              | (165)        |              | (125)        |              | (92)         |              | 115          |
| Total                                    |              | 271          |              | 561          |              | 696          |              | 771          |

## Notes to the accounts

### 16. Pensions continued

#### Analysis of changes in the present value of defined benefit obligations and fair value of assets

|                        | Present Value of Defined Benefit Obligation |              | Fair Value of Scheme Assets |              | Net Liability Recognised in the Balance Sheet |              |
|------------------------|---|--------------|-----------------------------|--------------|---|--------------|
|                        | 2009<br>£000                                | 2008<br>£000 | 2009<br>£000                | 2008<br>£000 | 2009<br>£000                                  | 2008<br>£000 |
| Opening                | <b>(24,262)</b>                             | (25,796)     | <b>23,260</b>               | 22,682       | <b>(1,002)</b>                                | (3,114)      |
| Current Service Cost   | <b>(436)</b>                                | (514)        | –                           | –            | <b>(436)</b>                                  | (514)        |
| Past Service Cost      | –   | (172)        | –                           | –            | –   | (172)        |
| Interest cost          | <b>(1,616)</b>                              | (1,385)      | –                           | –            | <b>(1,616)</b>                                | (1,385)      |
| Expected return        | –   | –            | <b>1,781</b>                | 1,510        | <b>1,781</b>                                  | 1,510        |
| Employer contributions | –   | –            | <b>1,060</b>                | 1,277        | <b>1,060</b>                                  | 1,277        |
| Members contributions  | <b>(99)</b>                                 | (105)        | <b>99</b>                   | 105          | –   | –            |
| Actuarial gain/(loss)  | <b>2,293</b>                                | 2,609        | <b>(4,997)</b>              | (1,213)      | <b>(2,704)</b>                                | 1,396        |
| Benefits received/paid | <b>831</b>                                  | 1,101        | <b>(831)</b>                | (1,101)      | –   | –            |
| Closing                | <b>(23,289)</b>                             | (24,262)     | <b>20,372</b>               | 23,260       | <b>(2,917)</b>                                | (1,002)      |

#### Analysis of pension scheme assets and liabilities for the previous four financial periods

|   | 2009<br>£000    | 2008<br>£000 | 2007<br>£000 | 2006<br>£000 | 2005<br>£000 |
|---|-----------------|--------------|--------------|--------------|--------------|
| Defined benefit obligation (DBO)                              | <b>(23,289)</b> | (24,262)     | (25,796)     | (25,445)     | (20,658)     |
| Fair value of pension scheme assets                           | <b>20,372</b>   | 23,260       | 22,682       | 19,240       | 14,945       |
| Pension deficit/shortfall                                     | <b>(2,917)</b>  | (1,002)      | (3,114)      | (6,205)      | (5,713)      |
| Experience adjustments on DBO                                 | <b>(12)</b>     | –            | –            | 310          | (245)        |
| Adjustments as a percentage of DBO                            | <b>0%</b>       | 0%           | 0%           | 1%           | 1%           |
| Experience adjustments on fair value of pension scheme assets | <b>(4,997)</b>  | (1,213)      | (457)        | 2,609        | 546          |
| Adjustments as a percentage of pension scheme assets          | <b>-25%</b>     | -5%          | -2%          | 13%          | 4%           |

## Charity balance sheet at 31 March 2009

|   | Note | £000             | 2009<br>£000    | £000             | 2008<br>£000    |
|---|------|------------------|-----------------|------------------|-----------------|
| <b>Fixed assets</b>   |      |                  |                 |                  |                 |
| Tangible assets   | 8    |                  | 21,594          |                  | 27,179          |
| Investments   | 9    |                  | 150,272         |                  | 205,401         |
| Programme-related investment                                    |      |                  | 1,850           |                  | –               |
|   |      |                  | <b>173,716</b>  |                  | <b>232,580</b>  |
| <b>Current assets</b>   |      |                  |                 |                  |                 |
| Debtors   | 10   | 15,198           |                 | 14,095           |                 |
| Short-term deposits   |      | 14,000           |                 | 5,979            |                 |
| Cash on deposit, at bank and in hand                            |      | 37,311           |                 | 21,956           |                 |
|   |      | <b>66,509</b>    |                 | <b>42,030</b>    |                 |
| <b>Creditors: amounts falling due within one year</b>           |      |                  |                 |                  |                 |
| Research and other awards                                       | 11   | (134,465)        |                 | (119,514)        |                 |
| Other creditors   | 12   | (13,205)         |                 | (8,694)          |                 |
|   |      | <b>(147,670)</b> |                 | <b>(128,208)</b> |                 |
| <b>Net current liabilities</b>                                  |      |                  |                 |                  |                 |
|   |      |                  | <b>(81,161)</b> |                  | <b>(86,178)</b> |
| <b>Total assets less current liabilities</b>                    |      |                  |                 |                  |                 |
|   |      |                  | <b>92,555</b>   |                  | <b>146,402</b>  |
| <b>Creditors: amounts falling due after more than one year</b>  |      |                  |                 |                  |                 |
| Research and other awards                                       | 11   |                  | <b>(88,355)</b> |                  | <b>(80,929)</b> |
| <b>Net assets excluding pension scheme liability</b>            |      |                  |                 |                  |                 |
|   |      |                  | <b>4,200</b>    |                  | <b>65,473</b>   |
| Pension Fund deficit  | 16   |                  | <b>(2,917)</b>  |                  | <b>(1,002)</b>  |
| <b>Net assets including pension scheme liability</b>            |      |                  |                 |                  |                 |
|   |      |                  | <b>1,283</b>    |                  | <b>64,471</b>   |
| Represented by:   |      |                  |                 |                  |                 |
| <b>Funds (note 7)</b>   |      |                  |                 |                  |                 |
| <b>Endowment</b>  |      |                  |                 |                  |                 |
| Chair endowment trusts  | 7    | 7,089            |                 | 7,089            |                 |
| G M Yule bequest  | 7    | 74               |                 | 74               |                 |
| P Gordon bequest  | 7    | 276              |                 | –                |                 |
|   |      |                  | <b>7,439</b>    |                  | <b>7,163</b>    |
| <b>Restricted</b>   |      |                  |                 |                  |                 |
| Big Lottery Fund awards   | 7    | 143              |                 | (212)            |                 |
| Public funding (other)  | 7    | 82               |                 | –                |                 |
| Legacy donations  | 7    | 1,061            |                 | –                |                 |
|   |      |                  | <b>1,286</b>    |                  | <b>(212)</b>    |
| <b>Designated</b>   |      |                  |                 |                  |                 |
| Fixed asset fund  | 7    | –                |                 | 27,179           |                 |
|   |      |                  | <b>–</b>        |                  | <b>27,179</b>   |
| <b>General</b>  |      |                  |                 |                  |                 |
| General reserve (includes revaluation reserve £3m (2008: £31m)) |      | (4,525)          |                 | 31,343           |                 |
| Pension reserve   |      | (2,917)          |                 | (1,002)          |                 |
|   |      |                  | <b>(7,442)</b>  |                  | <b>30,341</b>   |
|   |      |                  | <b>1,283</b>    |                  | <b>64,471</b>   |

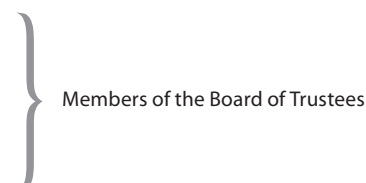
Approved by the Board of Trustees on 15 July 2009



Philip Yea, Chairman



John Salmon, Chairman of the Audit Committee



Members of the Board of Trustees

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The Annual Review 2009, incorporating the Annual Report and Accounts is also available online. **Please visit [bhf.org.uk/review09](http://bhf.org.uk/review09)**

The site also includes a full list of our Grant Awards.



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