

With you all the way
Annual Report & Accounts 2011



50 YEARS BEATING HEART DISEASE TOGETHER

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Trustees' Report 2011

The Board of Trustees of the British Heart Foundation (BHF) submits its statutory Report and Accounts for the year ended 31 March 2011. The Trustees' Report and Financial Statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Charities (Accounts and Reports) Regulations 2008, the Charities Act 2006 and comply with UK Generally Accepted Accounting Practice (GAAP). They also abide by the Statement of Recommended Practice on Accounting and by Charities (SORP). The Charity has adapted the Companies Act formats to reflect the Charities SORP and the special nature of its activities. This report gives details of our work throughout the four nations of the UK.

BHF at a glance

Highlights of the year:

- › Annual research spend of over £100 million for the first time.
- › Mending Broken Hearts Appeal launched.
- › The Angina Monologues raising awareness of women and heart disease.
- › More progress on the campaign to ban cigarette vending machines and tobacco displays.
- › Around 40% increase in the number of heart health professionals supported by the BHF.

This year, the BHF marks 50 years of fighting heart disease.

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

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 objectives are:

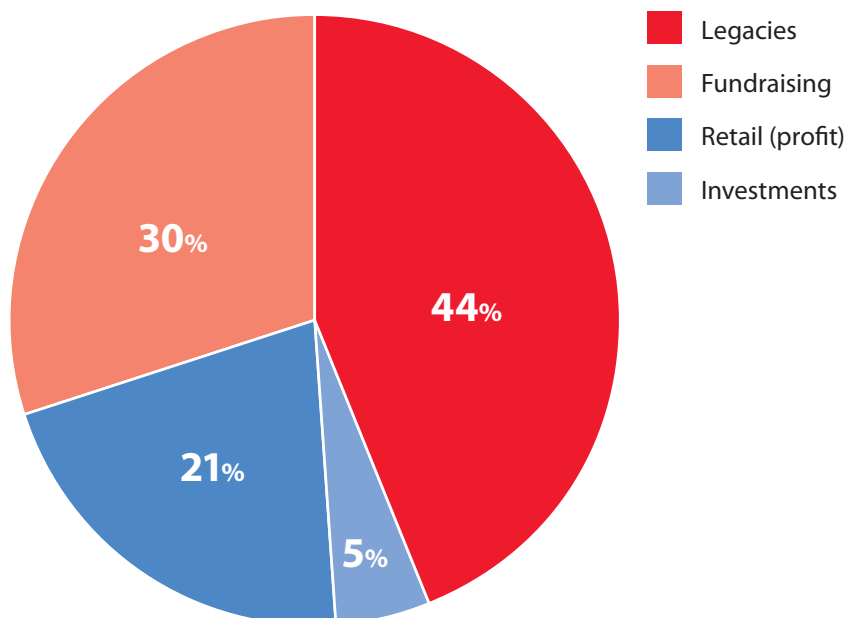
- › To pioneer research into the causes of heart disease and improved methods of prevention, diagnosis and treatment.
- › To provide vital information to help people reduce their heart health risk.
- › To press for government policies that minimise the risk of heart and circulatory disease.
- › To help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



BHF at a glance

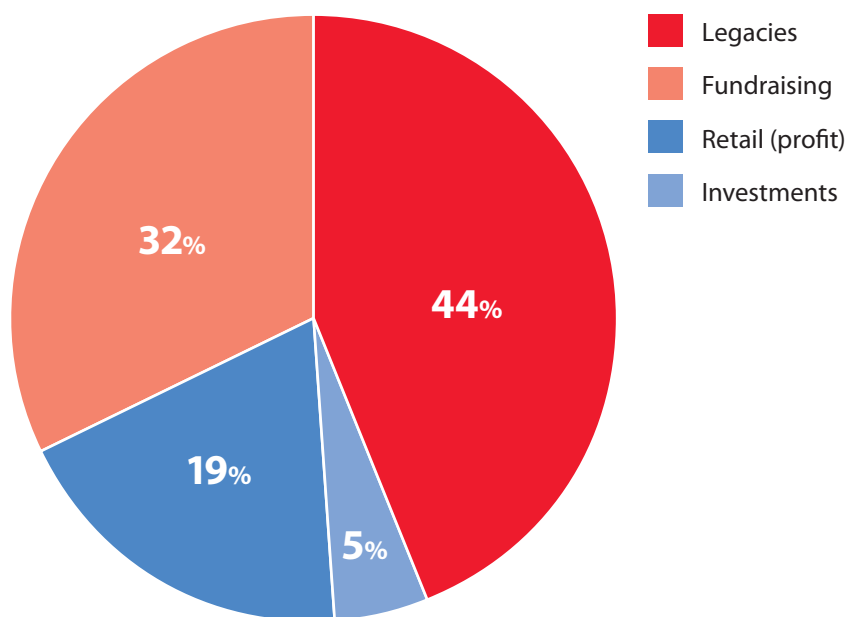
Our income 2010–11

Total income £125.2 million



Our income 2009–10

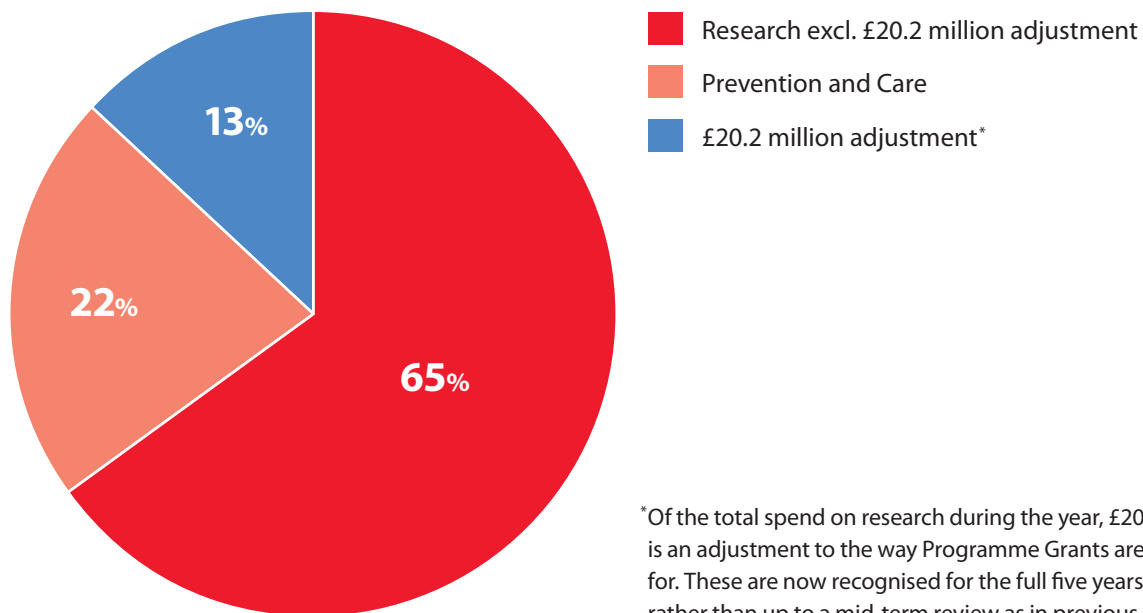
Total income £119.5 million



BHF at a glance

Our charitable expenditure 2010–11

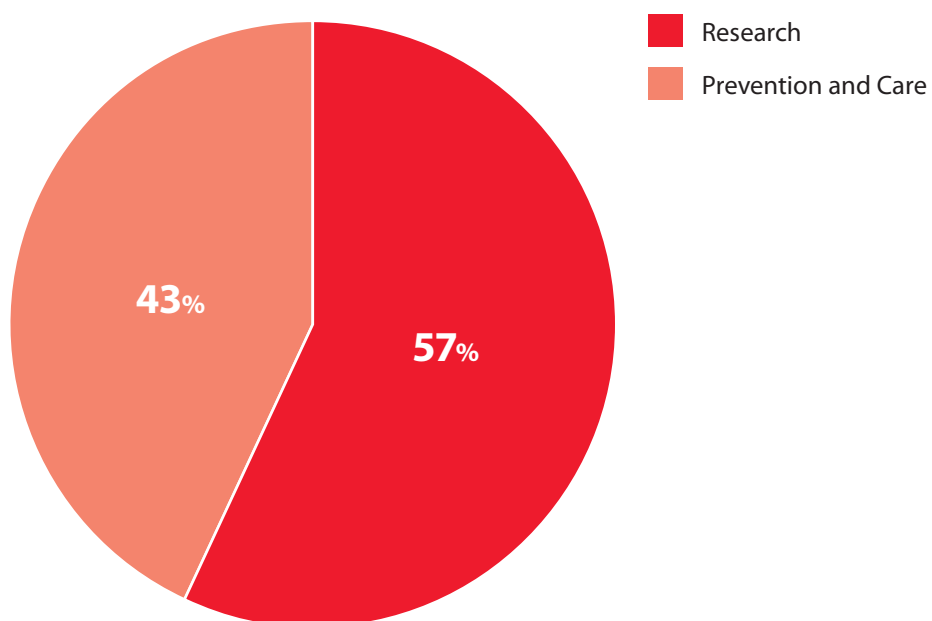
Total charitable expenditure £155.1 million



*Of the total spend on research during the year, £20.2 million is an adjustment to the way Programme Grants are accounted for. These are now recognised for the full five years at inception, rather than up to a mid-term review as in previous years.

Our charitable expenditure 2009–10

Total charitable expenditure £85.6 million



Letters from the Chief Executive and Medical Director



The year 2010–11 was in many ways the most challenging we have faced during my seven years as Chief Executive of the BHF, as the impact of the recession started to bite into our fundraising income.

However, those very conditions also showed our strength. Staff and volunteers alike responded magnificently and the efforts we have made to diversify our income paid off with our legacy and retail income doing very well. Our investments also recovered strongly after a difficult period. As a result we were able to record our highest ever charitable spend, including our first commitment of over £100 million to research in any one year.

We kicked off our Mending Broken Hearts Appeal to raise money for a major programme of research into cardiovascular regenerative medicine, one of the most exciting things we have ever attempted. The inspiration for the appeal was our 50th anniversary in July this year, which we are also marking with a number of novel events and fundraising activities.

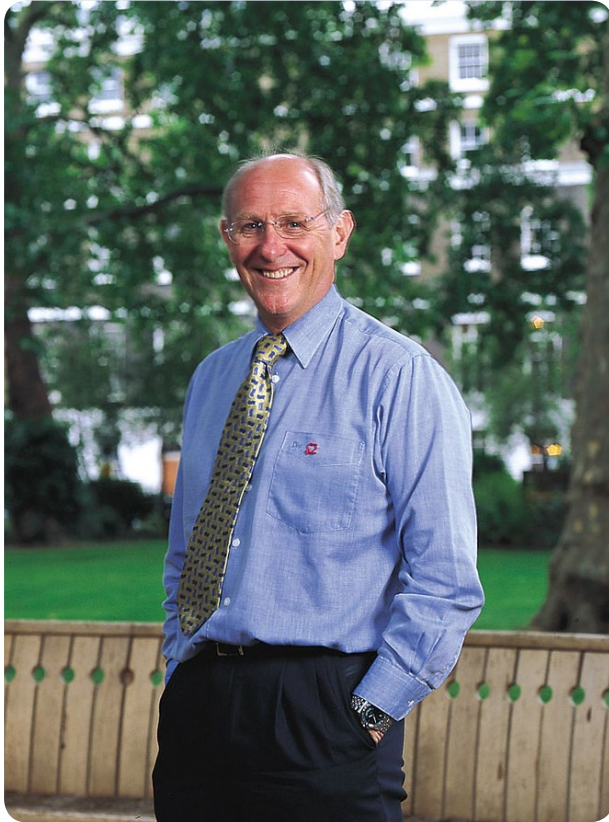
We have continued to innovate with our Prevention and Care activities to ensure we speak to all kinds of people and communities. A great example of this is a programme we are running in Cookstown, Northern Ireland, for people with learning disabilities, to help them understand how to look after their hearts.

And with changes on the horizon for the way the NHS is organised, we remain watchful that none of the approaches we have pioneered in terms of patient care is adversely affected.

Of course, none of this would be possible without the huge energy and generosity of our supporters and donors, to whom I would once again give my deepest thanks for enabling us to save lives, not just this year, but over the last 50 years.

Peter Hollins
Chief Executive

Letters from the Chief Executive and Medical Director



As we enter the BHF's 50th year we have much to be proud of. Through our research we have played a huge part in preventing deaths and improving quality of life for patients with – or at high risk of – heart and circulatory disease.

This year, having previously tightened our belts to weather the recession, we have been able to release more funds than ever before to support the life-changing research described in this report.

However, despite this success, cardiovascular disease is still the UK's biggest killer. What is more, as more people survive heart attacks and strokes, the number of people living into old age with heart disease is increasing fast. So there is still so much to do.

So what of the next 50 years? Our first priority must be to continue our part in ensuring the UK's world-leading cardiovascular research community continues to receive the money it needs, and that we constantly pioneer innovative ways to treat and care for people.

In addition, we have decided to tackle the holy grail of heart research – to repair the damage done by a heart attack. In other words: to literally mend a broken heart.

While this was once a pipe dream for a cardiologist of my generation, the extraordinary advances made in stem cell and developmental biological research in recent years mean our goal has moved from science fiction to potential science fact.

Through our Mending Broken Hearts Appeal we have got off to a great start to help make this a reality, with an award of £1 million to the Scottish Centre for Regenerative Medicine. We have also awarded a prestigious research post, known as a 'BHF professorship', to Paul Riley, one of the world's leading regenerative medicine scientists.

Thanks to generous public support, the last 50 years have been a great success. We have shown we can convert donations into real advances in heart health. With your help, the next 50 are set to be even better.

Peter Weissberg
Medical Director

Achieving our mission



The BHF seeks 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 create a world in which people do not die prematurely of heart disease.

So how do we do it? We have set five strategic objectives. These were set out in our strategy document 'Beating Heart Disease Together', published in 2007 and are also listed on page 3.

We also have some broad, longer-term aims, which will be achieved by working with others.

Within 10 years we aim to:

- › reduce the number of deaths from cardiovascular disease in the under 75s by at least half.
- › ensure that at least two thirds of people under 75 survive a heart attack.
- › reduce the level of heart-related deaths in all UK local authority areas to the current level in South East England or below.
- › reverse the increase in childhood obesity.

In terms of the way we work as an organisation, we aim to be a charity against which others measure their effectiveness.

Our work in 2010–11

This year we have continued to make remarkable progress against each of the five objectives that underpin our work.

1. To pioneer research into the causes of heart disease and improved methods of prevention, diagnosis and treatment.

What we set out to do

Our ambitions were to start funding a pioneering programme of regenerative medicine research, while increasing investment in core research activities.

What we did

We successfully launched the Mending Broken Hearts Appeal with the 'zebrafish' television campaign. This appeal aims to spend around £50 million on an ambitious programme of regenerative medicine research over the next five to ten years that could lead to damaged hearts being repaired. The first two Mending Broken Hearts grants were awarded during 2010–11.

The first was a £1 million grant to the Scottish Centre for Regenerative Medicine to investigate the potential for stem cells to treat heart and circulatory disease. Our funds will provide dedicated laboratory space for 25 researchers who will work across the whole cardiovascular research spectrum.

The second was a 'BHF professorship' awarded to Professor Paul Riley (pictured left), who has discovered a molecule in mice that can reawaken dormant cells on the outside of the heart. He has now established that they can move deeper into the heart and form new blood vessels. Our backing will give Professor Riley the team and facilities he needs to discover whether these cells can form new heart muscle. The result could be a treatment that stimulates cells to repair heart damage in people.

Alongside the successful launch of the Mending Broken Hearts Appeal, we continued our core funding of vital research, increasing total expenditure on research to over £120 million. Of this total spend on research during the year £20 million is an adjustment to the way Programme Grants are accounted for. These are now recognised for the full five years at inception rather than up to a mid-point review as in previous years.

The Board of Trustees decided at the start of the financial year to accelerate expenditure on research beyond 2008–09 levels, after cutting back significantly in 2009–10 to ensure we weathered the recession. The high quality of funding applications received this year meant we were able to fulfil our ambition to significantly increase levels of funding across the grant programme. This is covered in more detail in our financial review of the year on page 19.

The BHF funded the following new grants in 2010–11:

➤ **114 Project Grants** (research projects lasting up to three years and costing less than £300,000).

➤ **74 Fellowships** (personal awards for individuals at various stages of their careers).

➤ **19 Programme Grants** (for long term support on a five year rolling basis).

➤ **Nine Special Projects** (research projects costing more than £300,000, eg, clinical trials).

➤ **Nine Strategic, Infrastructure and New Horizon Grants** (grants for strategic capital needs or a strategic appointment, essential infrastructure to support cardiovascular research in an academic institution or to encourage participation in cardiovascular research by scientists from outside traditional cardiovascular biology, and to bring novel expertise to the field).

➤ **One Chair** (professors appointed to recognised UK centres of excellence who should bring research leadership at an internationally competitive level and a commitment to training future cardiovascular scientists).

Research means everything to Joanne

At the age of 30, Joanne Ward had one of the happiest days of her life, giving birth to her second son. Four days later came the blackest day. Jo suffered a heart attack. Her heart is now irreversibly damaged and has to work much harder to keep her alive. It means every day she spends with her two sons is precious. "The BHF has a record of backing research that achieves results. That's why I believe the Mending Broken Hearts Appeal offers real hope to everyone living with heart failure after a heart attack." **Joanne Ward**

Our work in 2010–11

These types of grants bring about many important changes. One example is a landmark study made possible by our core research funding to help people with hypertrophic cardiomyopathy. This is one of the most common forms of genetic heart disease, affecting one in 500 people in the UK.

A new way forward

Existing treatments only work on the symptoms of a minority of patients with hypertrophic cardiomyopathy, leaving the majority, including Paul James, with no effective treatment for their symptoms. Thanks to the new study, it has been established that a relatively cheap and widely available drug called perhexiline leads to hugely improved symptoms. The results need to be double-checked in a bigger trial, but the signs are good. For Paul, 53, it's life-changing news.

"It's amazing. Before the treatment, I couldn't walk down the street without a pain in my arm, let alone do heavy exercise. Now I go to the gym three or four times a week. It's made me happier and given me so much more confidence." **Paul James**

What we'll do next

Next year we plan to:

- Invest £90 million in research, including making awards for regenerative medicine programmes.
- Launch a new online application process for BHF research grants, which will make the application process quicker, easier and more efficient.



Our work in 2010–11

2. To provide vital information to help people reduce their own heart health risk.

What we set out to do

Our ambitions at the start of the year included: increasing awareness of the risk of heart disease in women via a targeted campaign; redesigning our website to provide better and more accessible information; and developing our Health at Work programme to include 'health at work days' promoting heart health in the workplace.

What we did

Our first aim was achieved in spectacularly imaginative fashion. The Angina Monologues was a star-studded night of comedy at the Theatre Royal Haymarket in London, hosted by Victoria Wood and featuring the UK's top female comedians. The event was broadcast live to audiences in Vue cinemas across the country and later shown on national TV. As a result, we estimate that more than 2 million women have now watched it. By emphasising that 'heart disease wears a skirt too', we alerted women to the fact that heart disease kills more women in the UK than any other single disease – and three times more than breast cancer.

"Like most women, I thought heart disease was something that only affected men. The Angina Monologues brought together our most fantastically funny women for a night of stand-up, sketches and music. We all need a bit of hearty laughter."
Victoria Wood CBE

To meet our second aim, we completed a major redesign of our website bhf.org.uk to make it easier for everyone to find the information they need, and encourage them to get involved and have their say.



We talked to hundreds of people about what they really wanted from our site, including supporters, fundraisers, heart patients, GPs, teachers and journalists. So far the results are very encouraging, with the total number of visits having increased from 3.5 million in 2009–10 to 4.4 million in 2010–11.

Our third priority was to expand our Health at Work programme and we made great progress over the course of the year. We successfully expanded the programme to encourage people to join Health at Work and now have over 1,000 members, as well as launching an enhanced website that has attracted increasing numbers of visitors every month.

We are also very pleased to be offering organisations the chance to run Health and Wellbeing days for their employees, which are a great way of promoting heart health in the workplace. In Scotland, we developed a partnership with Healthy Working Lives to reach employers and workforces.

What we'll do next

Our plans for 2011–12 include:

- A new 'Take your Meds' campaign to reduce unnecessary hospital admissions by promoting better management by heart patients of their conditions and treatments.

A shock that Jill will never forget

Like so many women, Jill, aged 51, had never thought of heart disease as something that related to her. She had been diagnosed with Type 1 diabetes years ago, but she was fit and well and regularly went to the gym. One day, she felt a pain across her chest, and spent the next two days feeling groggy. Things got worse and she went into A&E to get checked out. Doctors told her she was having a heart attack. It was the biggest shock of Jill's life. Thankfully, the damage to Jill's heart was minimal and she's now back at work and visiting the gym. But the shock hasn't gone away.

"I know being diabetic can have an effect on pain receptors, but I had no shortness of breath, or any discomfort prior to the heart attack. I was tired and fed up and it was only when I checked on NHS Direct that I thought about going to A&E. I'm glad I did." **Jill Wakeford**

Our work in 2010–11

3. To press for Government policies which minimise the risk of heart and circulatory disease.

What we set out to do

In an election year and with an increasingly tough economic climate, we knew we had to work harder than ever to get our message across to Government and the NHS. As ever, our aim was to get them to adopt policies that would benefit heart patients and promote heart health in the wider population.

What we did

We continued to support the banning of cigarette vending machines and tobacco displays – a campaign that culminated in the announcement of an encouraging tobacco plan by the new Health Secretary.

Our intensive lobbying contributed to the decision not to allow product placements for foods high in sugar, fat and salt or tobacco accessories and to ban product placement in children's programmes.

In Scotland, our campaigning helped ensure legislation was introduced to ban tobacco vending machines and the Scottish Government revised the target age for Keep Well health checks from 45 to include people aged 40 to 44, after our Hearty Lives Dundee project demonstrated the value of doing so.

In the run-up to the General Election, we produced the BHF 'Prescription for the UK's Heart Health'. It ensured our message got across to exactly the right people. 72 out of the 200 candidates who pledged their support were subsequently elected as MPs.

We also played a leading role in pushing government to protect its research budget. With the axe on public spending falling in so many places, protecting existing spending levels was a result far better than the science community had expected.

True to our UK-wide focus, we led the establishment of an Association of Medical Research Charities (AMRC) working group in Scotland, which promotes Scotland as a centre of research excellence. We also piloted an online interactive map in Wales, as an informative resource for politicians and staff.



Our work in 2010–11



What we'll do next

We plan to:

- › During this time of financial austerity we will monitor the effects of government policy and local decisions on heart patients through our 'Heart Watch' monitoring service. We aim to enlist the help of heart patients and NHS staff to give us local intelligence on any cuts to services by going to bhf.org.uk/heartwatch.
- › Continue campaigning on important heart health issues, such as getting emergency life support skills added to the national curriculum.

Can a sixteen-year-old change government policy on heart health?

It sounds unlikely, but, with our backing, Ned Jones took his case all the way to Business Secretary Vince Cable to make sure the Government honoured its commitment to getting rid of tobacco displays in all shops – and didn't waver in the face of pressure from businesses and tobacco firms. It's a major achievement, because the slick advertising and packaging that surrounds cigarettes is one of the big factors that appeal to young people. Ned understood that link, as do thousands of other people, young and old. The difference is that he decided to do something about it. *"To know I've played a small part in getting rid of tobacco displays is great. I'm really pleased about it."* **Ned Jones**

Our work in 2010–11

4. To help attain the highest possible standards of care and support for heart patients.

What we set out to do

We went into 2010–11 with three priorities: to support more healthcare professionals working directly with heart patients; to grow our Heart Matters membership club; and to work with the ambulance service to increase emergency resuscitation skills in local communities across the UK.

What we did

We now support more healthcare professionals than ever before: 621 across the country, compared with around 450 in March 2010. They include echo technicians, community resuscitation officers and specialists in everything from arrhythmia to heart failure. All of them play a front line role in delivering care and support for heart patients, so the rise in numbers is great news.

We also increased membership of Heart Matters – our programme to support people with heart disease or a significant risk factor – to around 290,000 people. We encouraged everyone to get online by underlining the benefits of the internet and saw a significant increase in visitors to the dedicated Heart Matters site.

Meanwhile, our Heart Helpline answered over 20,000 phone calls and 13,000 emails. This compares with more than 46,000 phone calls and emails in 2009–10 when we ran a large campaign directly promoting the Heart Helpline.

To meet our third priority, we worked closely with a number of ambulance trusts to develop community resuscitation strategies, while also commissioning and completing an impact evaluation of our investment in community resuscitation. This will help greatly with our future planning.

As well as all this progress, there are now almost 300 Heart Support Groups affiliated to the BHF, which bring hope and a healthier lifestyle to thousands of patients and carers across England and Wales. These groups are open to anyone with any kind of heart condition, as well as their partners and families. Over the course of the year, we worked hard to make more information available to Heart Support Groups, including improved web pages with searchable maps, case studies, diaries and downloads.

What we'll do next

Next year, we plan to:

- Provide a package of education, training and support to far more healthcare professionals, so they can help even more heart patients.
- Increase investment in ambulance trusts to provide and maintain local resuscitation resources and skills.
- Continue to work with young heart patients by rolling out Meet@TeenHeart and the Life Skills project, which develops the skills and confidence of young people with heart conditions to speak up and influence the services they receive – whether medical, educational or on policy.

With Geoff all the way

Geoff Holberry has a special place in the BHF story, because he was the first ever patient to be treated by our first ever BHF Heart Nurse. Jo Partington and Geoff met 17 years ago, shortly after Geoff had a heart attack at the age of 62. Jo visited him at home regularly and gave him the practical support and care he needed to live an independent and active life.

Many patients feel alarmed and isolated when they return home, but people like Jo are able to offer the first-hand advice and reassurance they need. Jo continues to work as a BHF Heart Nurse, leading a team of nurses who care for cardiac patients in the community.

"Jo gave me her phone number and said I could ring her any time. She was hugely reassuring with me and my wife, who was just as worried as I was. Ultimately, Jo gave me my confidence back. I can't thank her enough." **Geoff Holberry**



Our work in 2010–11

5. To reduce the inequalities in levels of heart disease across the UK.

What we set out to do

We wanted to make progress on three fronts; identify an additional six areas for our Hearty Lives programme, which targets areas with high levels of cardiovascular disease and deprivation; take the Heart Health Roadshow, which delivers lifestyle assessments to those who need them most, to three more areas (Glasgow, South Wales and Birmingham); and spread the word about heart health to people of African-Caribbean descent.

What we did

Our Hearty Lives programme went from strength to strength, bringing targeted help and support to areas where problems are especially acute. We now have four core programmes in Dundee, Hull, Newham and Torfaen and 16 smaller cluster projects. Projects include extending a community cardiac rehabilitation service in Fife, so more local people learn how to get active again after a heart attack, and a 12-week heart health course in Cookstown, Northern Ireland for people with learning difficulties.

Another project took place in Newham, London, where the levels of deprivation mean that people are much more likely to die from heart disease. Problems often start young, with smoking. So we worked directly with young people from Newham, inspiring them to write and direct their own films about smoking and heart health. It was an imaginative and effective way to change attitudes and empower people to make better choices. You can see the films for yourself at yheart.net.

Meanwhile, by the end of the year, our Heart Health Roadshow had visited six areas of the UK where levels of cardiovascular disease and deprivation are high. The roadshows have delivered over 28,000 lifestyle checks since the project began in Newham in May 2009.



Our work in 2010–11



What we'll do next

Our ambitions for next year are to:

- › Identify and fund eight new Hearty Lives projects, working with local authorities as lead partners during this period of uncertainty in the NHS.
- › Take the Heart Health Roadshow to three further high-risk areas in Merseyside, Northern Ireland and the East Midlands and use postcode data to track our progress in ensuring that resources reach those communities at greatest risk.

Creating an appetite for heart health

This year, we made a special effort to spread the word about heart health to people of African-Caribbean descent, who are more likely to experience high blood pressure, stroke and type 2 diabetes. We produced free recipe cards featuring traditional dishes from Jamaica and other neighbouring islands, but with reduced amounts of fat, salt and sugar. We launched the recipes at a special event in Birmingham, with celebrity chefs Rustie Lee and Lorenzo Richards. As a result, people like Rose Thompson and her husband Lindsay are thinking much more actively about looking after their heart health, but not at the expense of the food they love.

"I am affected by high blood pressure and need to avoid salt as much as possible. It's great to have so many traditional but low-salt recipes to choose from. It feels like they are tailored for people like me."

Lindsay Thompson

Raising vital funds

None of our achievements would have been possible without the continuing generosity of our supporters, backed by the hard work of our fundraisers.

What we set out to do

This year, we focused on launching the Mending Broken Hearts Appeal, set up to provide vital funds for research into regenerative medicine. There can be no more appropriate way to mark our 50th anniversary. At the same time, we were determined to continue with our core fundraising work, including opening more BHF shops and recruiting more volunteers.

What we did

We successfully launched the Mending Broken Hearts Appeal in February 2011, with a television campaign featuring the zebrafish, whose heart can repair itself. Our aim is to unlock the secrets of that process and see if it can be replicated in humans. During 2010–11, we raised £1.4 million.

That is in no small part down to over 2,600 people who have joined us as regular givers to the Mending Broken Hearts Appeal. As at 31 March 2011, 29 towns had signed up to become BHF Heart Towns, which means they will host a range of events and activities to raise money for the appeal, and will also benefit from BHF resources and heart health education programmes.

Meanwhile, core fundraising income for the year was £38.2 million, 1% below the amount raised in 2009–10 (£38.6 million) which reflects the very tough economic climate for fundraising.

Over 90,000 people took part in events, including national events like the London Marathon and London to Brighton Bike Ride as well as overseas world experiences. The BHF also organised many local events, such as our new Winter Warmer run in Holyrood Park in Edinburgh. The event involved 650 people and raised £28,000.

Our corporate partnerships with the Lloyds Banking Group and the Home Retail Group (both of which have come to an end) have raised over £3.6 million and £3.2 million respectively.

Despite focusing on the launch of our Mending Broken Hearts Appeal this February, the Red for Heart Appeal, which took place at the same time, still raised about £1.4 million. This compares with nearly £2.2 million in 2009–10. We expect to grow Red for Heart again in February 2012.

Legacies remain a vital income stream and continue to show great resilience, despite the testing economic times. We raised £54.9m in legacies during 2010–11, compared with £52.4 million in 2009–10, to fund our vital work.

There are now over 75,000 people giving a regular gift to the BHF and over 400,000 donors supporting our work.

A magical milestone for Gretel

This year, Gretel Lambert celebrated her second birthday. It was a milestone her parents, Marissa and Mark, thought they would never see. In her short life, Gretel has had open heart surgery twice. But the good news is that she is developing into a bubbly little girl who is catching up with other children her age. With everything they have been through, it's amazing that her parents have found the time to get involved in fundraising for us.

Marissa and Mark Lambert have made an inspirational contribution to our fundraising efforts by taking part in our Rutland Water bike ride and organising local collections for our Mending Broken Hearts Appeal and Red for Heart campaign. We really couldn't do any of our work without the continuing generosity of our supporters.



Raising vital funds

The contribution of BHF's retail operation to overall income continues to grow. We opened 40 new shops in 2010–11, taking the total to 674, of which 114 are Furniture and Electrical Stores. On average, we sold 80,000 items a day, raising £26 million to fight heart disease. This compares with £22.1 million in 2009–10. Volunteer numbers also increased from around 22,000 in 2010 to about 24,000 in 2011. As well as making a vital financial contribution to the BHF, volunteers also play a key role in informing people about our work and services, acting as advocates, campaigning on our behalf, and helping to recruit more supporters.

What we'll do next

Fundraising never stops. Next year, we plan to:

- › Focus on the Mending Broken Hearts Appeal, with new events launching in 2011–12, including the Manchester to Blackpool Night Bike Ride;
- › Increase awareness of National Heart Month and Red for Heart in February 2012;
- › Expand our Furniture and Electrical business by opening more stores, and developing our online trading presence.

An inspirational contribution from Nick

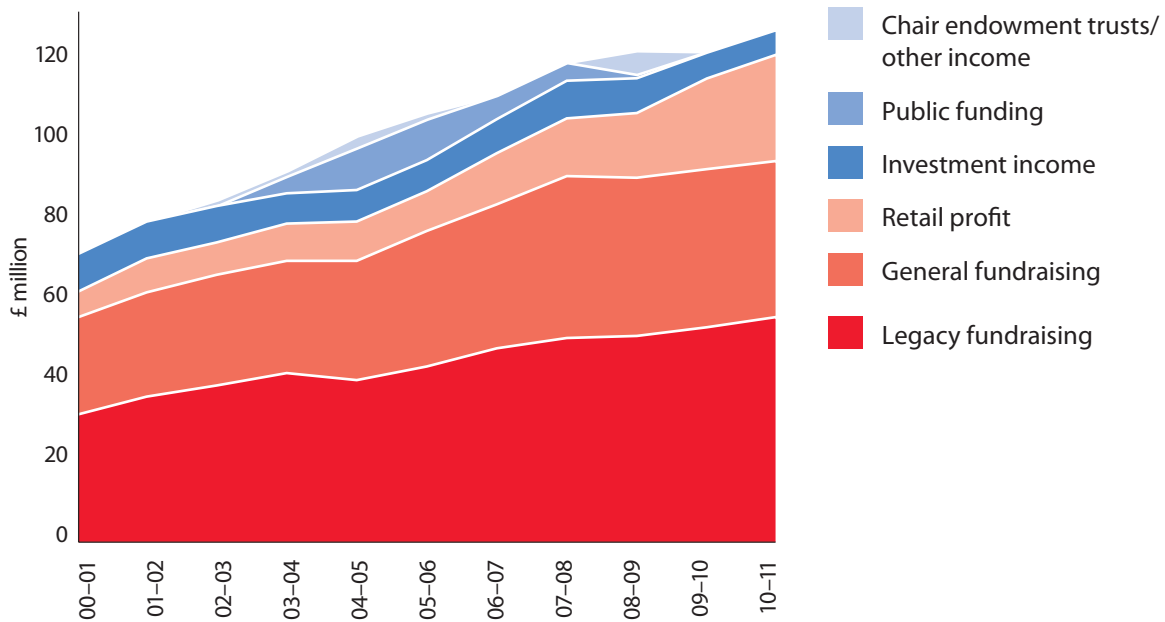
In 2011, 18,000 people gave up their time to work in our shops, including Nick Corbin. Now 20 years old, he has suffered from recurring and life-threatening heart problems since birth. After his latest operation, he was told it would take months before he could walk without getting breathless. A few weeks later, he ran a five-mile fundraising run. Nick works in our Marlow shop three days a week, fitting in shifts around his other job.

"Everyone here is brilliant. It's not like going to work – it's more like a social occasion and a chance to catch up with friends. It's nice to give something back to the people who helped save my life." **Nick Corbin**

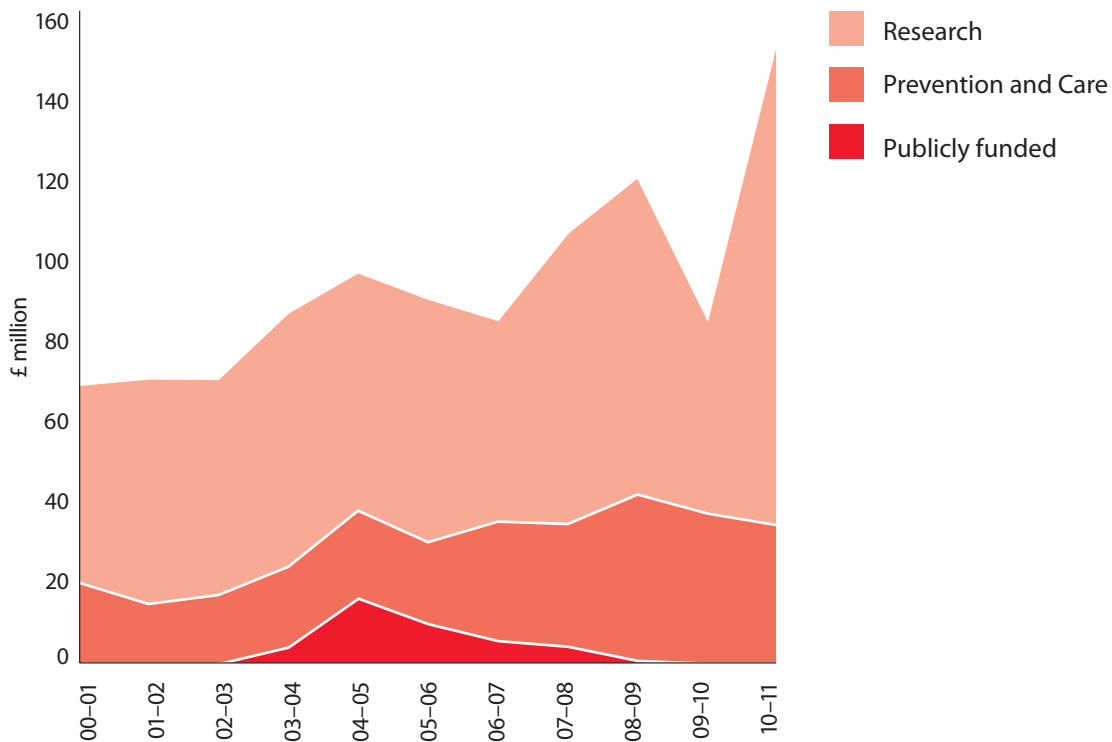


Financial review of the year

Income 2000–11*



Charitable expenditure 2000–11*



*This data has been extracted from the Annual Financial Statements but has not been amended to take account of any changes in accounting policy.

Financial review of the year

While the external economic environment continues to be difficult, the BHF achieved good financial results in 2010–11.

Income

Overall income increased by £5.7 million (5%) and we have seen our retail business thrive in the recession, offsetting the undoubtedly tough time for fundraising. Legacies also remain resilient in the face of tough economic times.

A total of 44% of income now relates to legacies, 30% to fundraising, 21% to retail and 5% to investments. For the purposes of this review, retail income is the net profit from retail operations whereas in the accounts, retail sales are included as part of income and costs are shown separately as part of costs.

Legacy fundraising increased by 5% to £54.9 million, £2.5 million higher than in 2009–10 and continuing the steady rise we have seen over recent years.

Retail profit increased by 17% to £26 million. We opened 40 new shops, 22 of which were Furniture and Electrical Stores. This takes the total number of shops across the UK to 674.

In a challenging climate income from fundraising decreased by 1% compared with 2009–10 from £38.6 million to £38.2 million.

Investment income was £6 million, a fall of 5% from £6.3 million in 2009–10. This was driven by continued low interest rates on cash and deposits and a decrease in dividends from investments.

Mending Broken Hearts

The Mending Broken Hearts Appeal, launched in February 2011, generated £1.4 million income in 2010–11, through a combination of individual and corporate donations, sales of original artworks and merchandise, and received pledges of £2.4 million.

Total costs in the financial year to 31 March 2011 were £3.5 million, which included 20% of the costs of our 'zebrafish' TV campaign. This cost to income ratio reflects the fact that the appeal, which is planned to run for five years, had only just begun as the financial year closed. We expect to raise significantly more during the remainder of the BHF's 50th anniversary year and throughout the rest of the appeal period and aim to spend around £50 million on regenerative medicine research over the next five to 10 years.

Trading subsidiaries

The BHF has four wholly owned trading subsidiary undertakings, one of which (British Heart Foundation Sales Ltd) is dormant. The profit from the remaining three subsidiaries (British Heart Foundation Ventures Limited, BHF Shops Limited and London to Brighton Bike Ride Limited) was £4.7 million in 2010–11. In September 2010, the operations of the online shop were transferred from British Heart Foundation Ventures Limited to BHF Shops Limited.

Costs of generating funds

The total cost of generating funds excluding Retail in 2010–11 increased by £4.1 million, an increase of 18% compared with 2009–10 (although this includes the first year costs of Mending Broken Hearts as outlined above). This represents 21% of income (compared with 19% in 2009–10). Support costs increased by 15% from £4.8 million in 2009–10 to £5.5 million in 2010–11.

Financial review of the year

Charitable expenditure

During 2010–11 we invested a total of £120.7 million in research (including the £20.2 million adjustment on Programme Grants), compared with £48.4 million in 2009–10, awarding a total of 226 new grants in addition to the second phase of our Research Excellence Awards (£17 million).

This planned increase in funding for grants reflects a deliberate decision to increase the funds available for research in 2010–11 beyond 2008–09 levels, after we cut back significantly in 2009–10 to ensure we weathered the recession. The high quality of funding applications received this year meant we were able to fulfil our ambition to significantly increase levels of funding across the grant programme.

Fellowship Grants increased by £6.8 million and Project Grants by £6.5 million and Chairs and Programme Grants increased by £14.9 million. Additional increases were due to several reasons: the fact that ‘unused grants’ – where researchers don’t need or use all their grant allocation – fell by £4.2 million; the successful mid-term review of the Research Excellence Awards meant that the second instalment of £17.0 million to four research centres of excellence was made in 2010–11 following the initial grant in 2007–08. This year we also decided to recognise the full cost of five year Programme Grants upfront. In practice we are finding that the quality of research and the rigour of our grant approval process is such that it is rare for this research not to continue for the full period of the programme or project. Previously, this had been done in two stages (pre and post ‘mid-term review’ at 2.5 years). This resulted in an extra £20.2 million from our reserves being used in this way, giving a total of £120.7 million in overall research expenditure.

Our total investment in Prevention and Care activities in 2010–11 was £34.4 million (compared with £37.2 million in 2009–10). This includes: £4.6 million running the Heart Helpline, Heart Matters and the Roadshow, £2.2 million in grants to third party organisations, £2 million grant funding for healthcare professional posts, £2.6 million on community resuscitation projects, £0.6 million awards to small projects under the Hearty Lives programme and £6.9 million providing resources and support to heart patients and others through our patient resources, heart information leaflets, workplace health projects and funding for Heart Support Groups.

Alongside this, we invested £3.1 million in our ‘zebrafish’ media campaign to both raise awareness of regenerative medicine and raise funds for our Mending Broken Hearts Appeal (£2.5 million of these costs have been included in charitable expenditure) and £2 million in a campaign to raise women’s awareness of the risks of heart disease. Both campaigns were supported by our promotional and policy and advocacy work.

Balance sheet

The market value of our investments increased (in terms of both realised and unrealised gains) by £14.8 million to £206.8 million during 2010–11. As at 31 March 2011, total cash, deposits and investments were £253.2 million. These are held to support the future cash settlement of grant liabilities which total £266.6 million.

At the end of the financial year, the BHF held unrestricted reserves of £3.1 million, with £7.5 million held in endowment funds, £1.6 million in other restricted reserves and a deficit of £2.1 million on the Mending Broken Hearts restricted reserve, making total reserves of £10.0 million. The reserves position reflects the planned acceleration during the year in research expenditure. The deficit on the pension fund as at 31 March 2011 was £4.8 million compared to a deficit of £6.6 million at 31 March 2010, increasing reserves by £1.8 million. The deficit of £2.1 million on the Mending Broken Hearts restricted reserve at the end of the financial year reflects the fact that only two months had passed since the public launch of the appeal in February and the end of the financial year. At this stage, costs exceed income, but we expect income to increase substantially during 2011–12.

Reserves policy

Our General Reserve was £3.1 million in surplus at the year-end compared with £43 million in 2010. The reduction is due to the deliberate increased expenditure on research and the fact we are now recognising the full cost of five year Programme Grants upfront. Previously, this had been done in two stages. This resulted in an extra £20.2 million from our reserves being used in this way.

As previously mentioned, there is a deficit of £2.1 million on the Mending Broken Hearts restricted reserve, because of the fact that the campaign launched towards the end of the financial year.

Financial review of the year

In reviewing the reserves of the BHF, the Board of Trustees (the Board) has taken into account its policy that all grants should be recognised as creditors (to the extent that they are legal or constructive obligations) as soon as they are agreed and communicated to the grantee – irrespective of the period over which they are payable. This complies with the Statement of Recommended Practice (SORP) for charities.

In a multi-year grant-giving charity such as the BHF, there are substantial ongoing delays between the recognition of grant awards in our accounts and the timing of their payment. Our cash and investment portfolio is held to meet these longer-term obligations. The Board considers the key sustainability (or reserve) measure for the BHF to be current and future liquidity cover, rather than the surplus or deficit accounting position shown as General Reserve. During the year, the Board has carefully monitored the BHF's position against its three-year financial plan and has set policies relating to reserves and liquidity accordingly.

The BHF'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, largely recognised as liabilities in our accounts when awarded, but paid over the term of the grant. As a result, our accounts reflect significant balances of both grant creditors and liquid or readily realisable assets (cash plus investments), held mainly to fund approved research activities over a number of years in the future. The BHF also has a contingent liability of £34 million for Chairs that is conditional upon the favourable outcome of a scientific progress review. Such contingencies are recognised as liabilities in the accounts only on satisfactory completion of that review.

Taking into account all of the above, the Board considers it appropriate that the Reserves policy should be established by reference to the BHF's liquidity position rather than the accounting position reflected in the General Reserves. The Board has therefore decided that the BHF should maintain cash and readily realisable assets sufficient to fund between six and 24 months of outstanding grants, plus 12 months of non-retail operating costs. Based on the current grants position, our policy requires the BHF to hold between £105 million and £238 million in liquid and readily realisable assets, including a minimum of £10 million in cash.

At 31 March 2011, our liquidity was sufficient to cover the defined operating costs plus 25 months of total outstanding grants, both approved and contingent. We expect this cover to reduce over the next few years as we pay for existing commitments and deliver a sustained plan for investment in research.

The Board recognises that the BHF may from time to time have negative accounting reserves under this policy. It is likely that this will occur during the next few years as we deliver this plan for investment in research and other charitable activity.

Investment policy

The BHF's investment portfolio was valued at £206.8 million at 31 March 2011. Together with cash and deposit balances of £46.4 million it provides cover for commitments, including liabilities for grants already awarded totalling £266.6 million. Our portfolio has appreciated in value by £14.8 million over the last year. At the end of the financial year equities represented 79% of the total portfolio.

The BHF's investment policy seeks to maximise long-term total return while maintaining a sensible level of diversification and risk commensurate with the BHF's predicted liquidity needs and the investment outlook in the various markets. Funds are drawn down from the portfolio as necessary to meet planned charitable commitments, although no such liquidation was necessary during 2010–11 given the BHF's strong performance in generating income during the year. We shall continue to keep our cash requirements and the investment position under very close review, especially in the light of the difficult external economic environment and potential volatility in the value of investments, as well as our plans to use these assets as necessary for payment of grant liabilities as they become due.

The BHF's investments are dealt with by two discretionary managers, Newton Investment Management and Smith & Williamson Investment Management, who each manage circa. 50% of the portfolio. Their respective performance is measured against a common benchmark tailored to BHF requirements and subjected to quarterly review by the BHF's Investment Committee. The benchmark comprises a range of asset classes against which performance is measured on a three year rolling basis. During the year to 31 March 2011, the combined portfolio out-performed the benchmark by 2.8%.

Financial review of the year

Our approach to managing investments has been successful in the long term and we continue to review our strategy regularly. This ensures that it remains appropriate to the changing investment environment, volatility of the external picture and to the application of these funds to our strategic objectives as grant liabilities crystallise.

The BHF has one programme-related investment of £1.85 million which is an interest-free unsecured loan to Marie Curie Cancer Care. This is part of the 'Caring Together' programme which is designed to improve palliative care (which has included the establishment of a hospice in Glasgow).

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

Related parties

During the year CCA Galleries Ltd, a company controlled by a trustee, Lance Trevellyan, began an art-related project as part of our 50th anniversary appeal. The objective is to raise £1 million towards the appeal and the project is in two parts: (i) activity where the BHF will raise funds directly from the sale of original artwork and branded merchandise; (ii) the sale of limited edition prints of the artwork, which is being managed by CCA. CCA will not make any publisher's profit, as any surplus will be donated to the BHF's appeal. The BHF has given permission for CCA to use its logo and brand to help with this project.

An initial part of the project is being delivered by specialist service provider, Coriander Studios Ltd, which is also controlled by Mr Trevellyan and which will provide services to CCA at cost. Any deficit on that part of the project managed directly by CCA will be met by CCA.

The Board of Trustees is grateful to Mr Trevellyan for the substantial input he is making to the 50th Anniversary Appeal through these projects.

Risk management and internal control

In March, the Board completed its annual review of the BHF's risk management strategy in line with the requirements of the SORP. Each identified risk falls into one of the following categories;

- Financial – reduction in assets (eg, investment values), reduction in income or reduction in donated stock levels (eg, reduced return from shop van collections).
- Operational – breakdown in systems or procedures (eg, 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 modus operandi.

In the course of this review, the Board has determined three main factors: the major risks to which the BHF is exposed; the potential impact if an individual risk materialises; and what mitigating action should be taken (and by whom) in order to reduce each risk to a level that the Board considers to be acceptable. This position is recorded in a risk register, which will continue to be formally reviewed every year and is monitored by the Senior Management Team on an ongoing basis.

The major financial risks are each subject to ongoing monitoring and management. Our investments are regularly reviewed by our Investment Committee. Income and stock generation and cost control are subject to detailed review and challenge on at least a monthly basis. Major projects have formal project boards that scrutinise their progress and ensure they are properly planned and implemented.

The BHF's internal audit department executes a rolling six-monthly programme of risk-based audits approved by the Audit Committee, which reviews progress of audits and follow-up by management, as well as commissioning more detailed reports from senior management on key areas of focus.

Legal structure and governance

This section is about the legal structures and governance that underpin our organisation.

The BHF is a company limited by guarantee incorporated on 28 July 1961. Our articles of association were last amended on 17 May 2010. The BHF is a registered charity in England and Wales (charity number 225971) and in Scotland (charity number SC039426).

The Board is responsible for governance of the BHF. The Board is made up of 14 people, comprising a mix of medically-qualified and lay members. Each Trustee is also a member of the Council. Together with Council, the Board has full legal responsibility for the actions of the BHF. Members are appointed for a renewable term of three years and are the directors of the company for the purposes of the Companies Act 2006.

The Board meets six times a year and delegates day-to-day responsibility for the running of the BHF to the Senior Management Team.

The Board also delegates specific responsibilities to several committees. For example, the operations of the organisation are covered by the Audit, Investment, Nominations, Remuneration and Retail committees. Our charitable activities are overseen by four committees for specific areas of Research and Prevention and Care. These committees review grant requests and other scientific award proposals. You can see a full list of committees on page 26.

The Council includes up to 30 members, chosen for their abilities in medical or other fields. The Council meets twice a year and its primary role is advisory. By calling on Council members' expertise, the BHF is able to make better-informed decisions. That helps us fulfil our charitable objectives more effectively. During 2010–11, four Trustees retired. Three new Trustees were appointed to the Board of Trustees and the Council with a further three new members appointed to the Council.

Recruitment, induction and training of Trustees

The Nominations Committee is responsible for recruiting members of the Board of Trustees and the Council. Its aim is to ensure a broad mix of skills and backgrounds. The committee meets regularly to review the composition of the Board of Trustees and the Council, and to act on any upcoming vacancies. Trustee and Council vacancies are advertised as necessary. The BHF will also approach individuals thought to have the right skills. During 2010–11, the BHF advertised for lay Council Members in the online editions of several newspapers and shortlisted a number of candidates, who were interviewed during March 2011. One of the shortlisted candidates was appointed to the Council.

New Trustees and Council members are invited to spend time with members of the Senior Management Team. This is a chance to learn about the BHF and identify opportunities to get more involved with our work. The BHF holds a biennial conference for BHF Council Members and Research Chairholders, which enables the Council to learn more about the BHF's research, while allowing Chairholders and the Council an opportunity to shape future strategy. Trustees are also invited to attend regular research site visits.

The Chairman of the Board of Trustees carries out a review of governance every year. The aim is to assess the general effectiveness of the Board. In future, it will also identify any relevant training needs. During 2010–11, the Chairman involved all the sub-committee chairs in a review of their committee membership and terms of reference.

Retiring and new Trustees

- Susan Lloyd retired as a Trustee and Council member, having served on both since 2001. Susan also served on the Shops (latterly Retail) committee from 2006 to 2010.
- Professor Ken Taylor retired as a Trustee and Council member, having served from 1999 to July 2010.
- Sir Robin Mountfield joined the Council in July 2000 and retired as a Trustee and Council Member on 20 September 2010.
- Professor John McMurray retired as a Trustee and Council member in June 2010, having served since May 2007.

Legal structure and governance

➤ Dr Nicholas Boon, who retired from Council in July 2010, was elected to Council in 1997 and served as a Trustee from 2000 to 2006. During his long association with the BHF Dr Boon has also served as Chairman of various Prevention and Care Committees.

We would like to thank Susan, Ken, Sir Robin, John and Nicholas for their outstanding contribution to the BHF. Their collective counsel and advice have been invaluable to the Charity during a period of remarkable growth and success for the Charity.

We are pleased to welcome as Trustees, Dr Evan Harris, who joined the Board on 30 March 2011, Professor Robert Lechler who joined the Board on 22 July 2010 and Professor Paul Stewart who joined the Board on 29 September 2010.

We are also delighted to welcome Richard Hytner as chair of the Mending Broken Hearts Appeal. Richard was also appointed as a Trustee on 9 June 2011.

Public benefit

In reviewing our aims, objectives and planning future activities, the Trustees have taken into account the Charity Commission's general guidance on public benefit. The Trustees always ensure that the activities undertaken are in line with the charitable objectives and aims of the BHF.

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. However, by their very nature, all our charitable activities are undertaken for the benefit of the public.

Key Performance Indicators

The Senior Management Team monitors a range of Key Performance Indicators (KPIs) to track our progress as an organisation. We check progress every month. This includes tracking medical research applications and awards, public awareness and access to BHF resources, the number of healthcare professionals funded, and staff turnover as well as traditional financial performance. Priorities and targets are set each year at the start of the business planning process. These KPIs are then reviewed by the Trustees at their meetings.

Grant making policies

We only make grants after a formal, detailed application process and comprehensive peer review. For in-depth information on research expenditure, grant-making policies and who may apply, visit our website at bhf.org.uk (where you will also find grant application forms).

Our staff and volunteers

This year more than ever, we want to thank the huge number of staff, volunteers and supporters who make our achievements possible.

We have a paid workforce of over 2,700 staff, spread right across the UK (around 2,300 of which are employed in our retail operation). Their skills, experience and commitment have enabled the BHF to continue to push boundaries and fund vital work.

Our volunteers have also made an amazing contribution over the past fifty years. Their annual financial contribution is vital but their impact goes way beyond money. To many people across the UK, volunteers are the public face of our Charity. Our 24,000 retail and fundraising volunteers inform people about our work and services. They also act increasingly as advocates, campaigning on our behalf and helping to recruit more supporters. It is by working together in this way that the BHF will achieve our goal of beating heart disease.

To volunteers, staff and supporters past and present, a heartfelt thank you.

Auditors

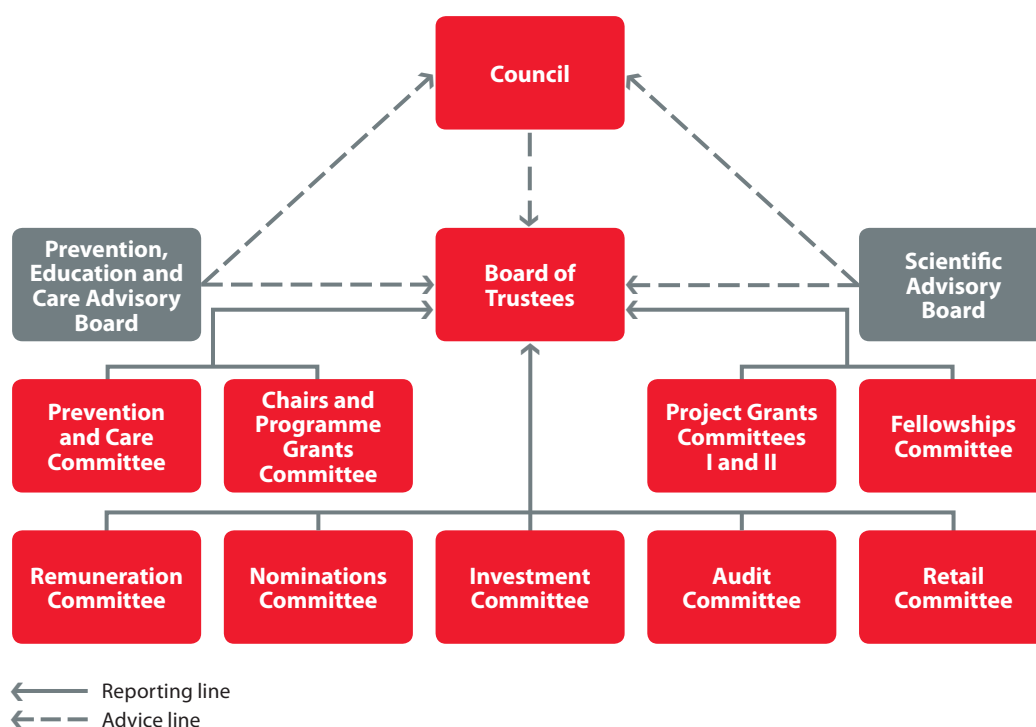
PricewaterhouseCoopers LLP have expressed their willingness to continue to act as auditors. A resolution to reappoint them, under section 485 of the Companies Act 2006, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of Trustees



Simon Hopkins
Secretary
4 July 2011

Board of Trustees and Committees



Patron

His Royal Highness The Prince Philip KG KT

Board of Trustees

(under company law, the Board of Trustees act as the company directors of the Foundation, and under charity law they have legal duties and responsibilities as Trustees)

Chairman

Philip Yea MA FCMA

Members

Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci
 Dr Jane Flint MD FRCP
 Dr Evan Harris BM BCh MA (Oxon) *appointed 30 March 2011*
 Richard Hytner MA LLM *appointed 9 June 2011*
 Professor Kay-Tee Khaw CBE FRCP
 Professor Robert Lechler MB ChB PhD FRCP FRCPath FMedSci
appointed 22 July 2010
 Susan H Lloyd *retired 22 July 2010*
 Professor Sir Michael G Marmot PhD FFCM
 Professor John McMurray MD FRCP FESC *retired 8 June 2010*
 Sir Robin Mountfield KCB *retired 20 September 2010*
 Roger G Pilgrim MA (Cantab) FCA
 Dr Denise Pollard-Knight PhD
 John H Salmon FCA
 Professor Patrick Sissons MD FRCP FMedSci
 Professor Paul Stewart MD FRCP FMedSci FSB
appointed 29 September 2010
 Professor Kenneth M Taylor MD FRCS *retired 22 July 2010*
 Lance Trevellyan BSc ACA FRSA

In attendance

Peter T Hollins
 Professor Peter L Weissberg MD FMedSci
 Simon D W Hopkins MA (Oxon) ACA
 Mike Lucas
 Betty McBride
 Aneesha Moreira *to 15 October 2010*
 Louise Parkes *from 21 March 2011*
 Julie Weston

The Council

Chairman

Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci

Members of Council

Andrew Balfour LLB *appointed 9 June 2011*
 Roger Best
 Dr Naureen Bhatti MBBS MRCP MRCGP
 Professor Morris Brown MA MSC MD FRCP FAHA FMedSci
 Dr Jane Flint MD FRCP
 Professor Andrew Halestrap PhD DSc
 Dr Evan Harris BM BCh MA (Oxon) *appointed 30 March 2011*
 Professor Richard Hobbs FRCGP FRCP FESC FMedSci
 Richard Hytner MA LLM *appointed 9 June 2011*
 Sir Bruce Keogh KBE MD FRCS
 Professor Kay-Tee Khaw CBE FRCP
 Professor Robert Lechler MB ChB PhD FRCP FRCPath FMedSci
appointed 22 July 2010
 Professor Sir Michael G Marmot PhD FFCM
 Roger G Pilgrim MA (Cantab) FCA
 Dr Denise Pollard-Knight PhD
 Suzannah Power
 Jan Procter-King RGN RM MA *appointed 25 November 2010*

Board of Trustees and Committees

Dr Alice Roberts BSc MB BCh PhD
 James Robinson BSc FCA
 Jaz Saggu BSc (Hons) PhD MBA *appointed 30 March 2011*
 John H Salmon FCA
 Professor Julian Scott MD FRCS
 Professor Patrick Sissons MD FRCP FMedSci
 Professor Paul Stewart MD FRCP FMedSci FSB
appointed 29 September 2010
 Professor Sir John Tooke MA MSc BM BCh DM DSc FRCP FRCGP
 FAcadMed FMedSci *appointed 25 November 2010*
 Lance Trevellyan BSc ACA FRSA
 Philip Yea MA FCMA

The following members retired during the year:

The Lord Ahmed *retired 22 July 2010*
 Dr Nicholas A Boon MD FRCP *retired 22 July 2010*
 Professor Anthony M Heagerty MD FRCP *retired 22 July 2010*
 Susan H Lloyd *retired 22 July 2010*
 Professor John McMurray MD FRCP FESC *retired 8 June 2010*
 Sir Robin Mountfield KCB *retired 20 September 2010*
 Professor Sir John Savill MB PhD FRCP FMedSci
retired 25 November 2010
 Professor Kenneth M Taylor MD FRCS *retired 22 July 2010*

In attendance

Peter T Hollins
 Professor Peter L Weissberg MD FMedSci
 Simon D W Hopkins MA (Oxon) ACA
 Mike Lucas
 Betty McBride
 Aneesha Moreira *to 15 October 2010*
 Louise Parkes *from 21 March 2011*
 Julie Weston

Retail Committee

Chairman

Roger Best

Members

Susan H Lloyd *retired 9 June 2010*
 Alison Jones
 David E Lockyer MSc
 Mike Taylor *appointed 8 June 2010*
 Lance Trevellyan BSc ACA FRSA *appointed 22 July 2010*

Ex officio

Peter T Hollins
 Simon D W Hopkins MA (Oxon) ACA
 Mike Lucas
 Betty McBride
 Aneesha Moreira *from 8 June 2010 to 15 October 2010*
 Louise Parkes *from 21 March 2011*

Investment Committee

Chairman

James Robinson BSc FCA Chairman *from 22 July 2010*
 Benjamin H B Wrey MA (Cantab) *retired 22 July 2010*

Members

Michael Moule *from 22 September 2010*
 Roger G Pilgrim MA (Cantab) FCA
 Nicola Ralston *from 22 September 2010*
 Nick Train BA (Oxon)

Ex officio

Peter T Hollins
 Simon D W Hopkins MA (Oxon) ACA

Audit Committee

Chairman

John H Salmon FCA

Members

Roger G Pilgrim MA (Cantab) FCA
 James Robinson BSc FCA
 Mike Taylor *from 30 March 2011*

Nominations Committee

Chairman

Philip Yea MA FCMA

Members

Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci
 Professor Kay-Tee Khaw CBE FRCP
 Dr Denise Pollard-Knight PhD
 John H Salmon FCA
 Professor Patrick Sissons MD FRCP FMedSci

Ex officio

Peter T Hollins

Remuneration Committee

Chairman

Philip Yea MA FCMA

Members

Roger Best
 Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci
 John H Salmon FCA

Ex officio

Peter T Hollins

Senior Executives

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

Chief Executive

Peter T Hollins

Medical Director

Professor Peter L Weissberg MD FMedSci

Secretary and Finance Director

Simon D W Hopkins MA (Oxon) ACA

Director of Fundraising

Louise Parkes *from 21 March 2011*
 Aneesha Moreira *to 15 October 2010*

Retail Director

Mike Lucas

Director of Policy & Communications

Betty McBride

Director of Human Resources

Julie Weston

Board of Trustees and Committees

Medical Committees

Chairs and Programme Grants Committee

Chairman

Professor Sir John Tooke MA MSc BM BCh DM DSc FRCP FRCPI FRCGP
FACadMed FMedSci *appointed 9 February 2010*
Professor Sir John Savill MB PhD FRCP FMedSci *retired 28 July 2010*

Vice Chairman

Professor Peter L Weissberg MD FMedSci

Members

Professor Stuart M Cobbe MA MD FRCP FESC FMedSci FRSE
Professor Mark J Caulfield MBBS MD FRCP *appointed 12 May 2010*
Professor D Grahame Hardie FRS FRSE FMedSci
Professor Clive H Orchard
Professor Roger K Patient BSc PhD
Professor Peter J Ratcliffe MA MBChB MD *retired 9 February 2011*
Professor Michael S Marber FRCP PhD FACC
Professor Nick J Wareham PhD MBBS MSc

Ex officio

Peter T Hollins
Professor Peter L Weissberg MD FMedSci
Professor Jeremy D Pearson FMedSci PhD
Alex Mazzetta

Project Grants Committee

Chairman

Professor Andrew P Halestrap PhD DSc

Members

Professor Amrita Ahluwalia BSc PhD
Professor Jane Armitage BSc MBBS FRCP
Professor Barbara Casadei MD DPhil FRCP FESC
retired 8 December 2010
Dr Robin P Choudhury MA DM FACC *appointed 9 March 2011*
Professor Martin R Cowie MD MSc MRCP *appointed 9 March 2011*
Dr Sheila E Francis BSc PhD
Dr Christopher H George BSc PhD
Professor Jon M Gibbins BSc PhD
Dr David J Grainger MA PhD *retired 9 March 2011*
Professor Julian P J Halcox MA MBBChir MRCP
Professor Mark A Hanson MA DPhil FRCOG
Professor Aroon D Hingorani MBBS MRCP PhD *retired 9 March 2011*
Professor Mark T Kearney MBChB MRCP DM *retired 8 December 2010*
Dr Theresa A McDonagh MBChB MRCP *retired 8 December 2010*
Professor Gerard B Nash BSc PhD
Dr Kevin M O'Shaughnessy BMBCh DPhil MRCP *retired 9 March 2011*
Dr Anna M Randi MD PhD
Professor Andrew C Rankin MBChB MD MRCP
retired 8 December 2010
Dr Paul R Riley BSc PhD
Professor Naveed Sattar FRCP FRCPath PhD
Professor Michael J Shattock PhD FESC
Dr Andrew W Trafford BVSc CertVA PhD MRCVS
appointed 9 March 2011
Professor Antonio Vidal-Puig MD PhD FRCP *appointed 9 March 2011*
Professor Peter D Weinberg MA MSc DIC PhD
Professor Ian S Young BSc MD MRCPath

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 Bernard D Keavney BSc BM Bch MRCP DM FRCP
Professor David Eisner MA DPhil
Professor Bryan Williams MD FRCP *retired 1 July 2010*
Professor Ian Zachary BSc PhD *retired 13 January 2011*
Professor Ajay Shah MD FRCP FESC
Professor Stefan Neubauer MD FRCP
Professor Martin Bennett *appointed 7 October 2010*

Ex officio

Peter T Hollins
Professor Peter L Weissberg MD FMedSci
Professor Jeremy D Pearson FMedSci PhD
Alex Mazzetta

Prevention and Care Committee

Chairman

Professor Richard Hobbs FRCP FRCGP

Members

Dr Nick Boon MD FRCP *retired 21 September 2010*
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 *retired 9 June 2010*
Ian Jones
Alan Keys
Professor Bob Lewin MA MPhil
Mrs Elizabeth Lynham
Dr Terry McCormack
Simon Ray *from 9 June 2010*
Dr Mike Rayner
William Scott

Ex officio

Peter T Hollins
Professor Peter L Weissberg MD FMedSci
Dr P Michael Knapp MBBChir FRCGP
Betty McBride
Aneesha Moreira *to 15 October 2010*
Nicki Cooper *to 10 March 2011*
Catherine Kelly *from 1 April 2011*
Dr Valerie Billingham
Maura Gillespie
Andy Carver
Louise Parkes *from 21 March 2011*

Statement of Trustees' responsibilities

The Trustees (who are also Directors of 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 on Accounting and Reporting
- 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 BHF'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 and Members of the British Heart Foundation

We have audited the financial statements of British Heart Foundation for the year ended 31 March 2011 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 29, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Charity's members and Trustees as a body in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report and all the other information listed on the contents page to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2011 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;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Independent Auditors' report to the Trustees and Members of the British Heart Foundation

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Liz Hazell (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 July 2011

PricewaterhouseCoopers LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Group statement of financial activities for the year ended 31 March 2011 (incorporating a group income and expenditure account)

	Note	Unrestricted fund £000	Restricted funds £000 (see note 7)	Endowment funds £000 (see note 7)	2011 Total funds £000	2010 Total funds £000
Incoming resources						
Incoming resources from generated funds						
Voluntary income (fundraising and legacies)	2	88,412	5,769	–	94,181	91,036
Activities for generating funds (retail)	3	133,090	–	–	133,090	116,377
Investment income	4	5,877	153	–	6,030	6,256
Incoming resources from charitable activities						
Public funding for Prevention and Care	5	–	97	–	97	93
Total incoming resources		227,379	6,019	–	233,398	213,762
Resources expended						
Cost of generating funds						
Costs of generating voluntary income (fundraising)	6	22,604	3,379	–	25,983	21,984
Fundraising trading: cost of goods sold and other costs (retail)	3,6	108,017	157	–	108,174	94,238
Investment management costs	6	776	–	–	776	651
Total cost of generating funds		131,397	3,536	–	134,933	116,873
Net incoming resources available for charitable application	7	95,982	2,483	–	98,465	96,889
Costs of charitable activities						
Research	6	119,432	1,247	–	120,679	48,410
Prevention and Care	6	31,433	3,016	–	34,449	37,190
Expenditure in furtherance of charitable objectives		150,865	4,263	–	155,128	85,600
Governance costs	6	725	–	–	725	631
Total resources expended	6	282,987	7,799	–	290,786	203,104
Net (outgoing)/ incoming resources		(55,608)	(1,780)	–	(57,388)	10,658
Realised investment gain	7,9	7,910	–	–	7,910	2,425
Net (expenditure)/income for the year		(47,698)	(1,780)	–	(49,478)	13,083
Unrealised investment gain	7,9	6,905	–	–	6,905	40,662
Actuarial gain/(loss) on defined benefit pension scheme	16	867	–	–	867	(4,436)
Net movement in funds		(39,926)	(1,780)	–	(41,706)	49,309
Total funds brought forward at 1 April	7	42,997	1,282	7,463	51,742	2,433
Balance of funds at 31 March	7	3,071	(498)	7,463	10,036	51,742

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 net income for the year and its historical cost equivalents.

Gross income for the year for the parent charity is £223.9 million (2010: £205.6 million) and gross expenditure is £281.3 million (2010: £194.9 million). The charity statement of financial activities is not disclosed as a separate statement, as permitted by SORP 2005.

In 2011, donations from activities of generating funds (retail) of £1.042 million are included (2010: £0.987 million) in voluntary income.

Group balance sheet at 31 March 2011

	Note	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	8		25,664		25,129
Intangible fixed asset	8		1,150		1,150
Investments	9		206,840		192,758
Programme-related investment	9		1,850		1,850
Total fixed assets			235,504		220,887
Current assets					
Stock of goods for resale	10b	2,812		1,868	
Debtors	10a	14,001		10,690	
Short-term deposits		19,611		10,463	
Cash on deposit, at bank and in hand		26,750		33,189	
Total current assets		63,174		56,210	
Creditors: amounts falling due within one year					
Research and other awards (including Chairs provision)	11	(145,272)		(99,592)	
Other creditors	12	(17,287)		(10,419)	
		(162,559)		(110,011)	
Net current liabilities			(99,385)		(53,801)
Total assets less current liabilities			136,119		167,086
Creditors: amounts falling due after more than one year					
Research and other awards	11		(121,329)		(108,705)
Net assets (excluding pension scheme liability)			14,790		58,381
Defined benefit pension scheme liability	16		(4,754)		(6,639)
Net assets (including pension scheme liability)			10,036		51,742
Represented by:					
Funds					
Endowment	7, 15		7,463		7,463
Restricted	7		(498)		1,282
Unrestricted					
General reserve (includes revaluation reserve of £50m (2010: £43m))	7, 9	7,825		49,636	
Pension reserve	16	(4,754)		(6,639)	
Total unrestricted funds			3,071		42,997
Total Group funds			10,036		51,742

Approved by the Board of Trustees on 9 June 2011, and signed on their behalf by:



Philip Yea, Chairman



John Salmon, Chairman of the Audit Committee

} Members of the Board of Trustees

Charity balance sheet at 31 March 2011

	Note	£000	2011 £000	£000	2010 £000
Fixed assets					
Tangible assets	8		25,664		25,129
Investments	9		206,840		192,758
Programme-related investment	9		1,850		1,850
Total fixed assets			234,354		219,737
Current assets					
Debtors	10a	18,078		14,078	
Short-term deposits		19,610		10,463	
Cash on deposit, at bank and in hand		25,569		32,388	
Total current assets		63,257		56,929	
Creditors: amounts falling due within one year					
Research and other awards (including Chairs provision)	11	(145,272)		(99,592)	
Other creditors	12	(17,370)		(11,138)	
		(162,642)		(110,730)	
Net current liabilities			(99,385)		(53,801)
Total assets less current liabilities			134,969		165,936
Creditors: amounts falling due after more than one year					
Research and other awards	11		(121,329)		(108,705)
Net assets (excluding pension scheme liability)			13,640		57,231
Defined benefit pension scheme liability	16		(4,754)		(6,639)
Net assets (including pension scheme liability)			8,886		50,592
Represented by:					
Funds					
Endowment	7, 15		7,463		7,463
Restricted	7		(498)		1,282
Unrestricted					
General reserve (includes revaluation reserve of £50m (2010: £43m))	7, 9	6,675		48,486	
Pension reserve	16	(4,754)		(6,639)	
Total unrestricted funds			1,921		41,847
Total Charity funds			8,886		50,592

Approved by the Board of Trustees on 9 June 2011, and signed on their behalf by:



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 2011

	2011 £000	2010 £000
Net (outgoing)/ incoming resources	(57,388)	10,658
Adjustments to exclude investment income and non cash items (see note A below)	60,332	(17,672)
Net cash inflow/(outflow) from operating activities	2,944	(7,014)
Return on investment and servicing of finance		
Investment income	6,030	6,256
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(7,066)	(9,085)
Proceeds from sale of tangible fixed assets	68	203
Purchase of investments	(53,383)	(47,682)
Proceeds from sale of investments	54,116	48,283
Net cash (outflow) from investing activities	(6,265)	(8,281)
Management of liquid resources		
(Increase)/decrease in short-term deposits	(9,148)	3,537
(Decrease) in cash (see note B below)	(6,439)	(5,502)
Note A		
Adjustments to exclude investment income and non cash items	2011 £000	2010 £000
Investment income	(6,030)	(6,256)
Depreciation: charge for the year	6,490	5,237
(Gain)/loss on sale of tangible fixed assets	(27)	110
(Increase) in stocks	(944)	(199)
(Increase)/decrease in debtors	(3,311)	1,444
Increase/(decrease) in creditors	6,868	(2,771)
Increase/(decrease) in provision for liabilities and charges	58,304	(14,523)
Adjustment for FRS 17 pension funding	(1,018)	(714)
Total	60,332	(17,672)
Note B		
Decrease in cash and short term deposits	2011 £000	2010 £000
Cash and short term deposits at 1 April	43,652	52,691
Increase/(decrease) in short term deposits	9,148	(3,537)
(Decrease) in cash	(6,439)	(5,502)
Increase/(decrease) in cash and short term deposits	2,709	(9,039)
Cash and short term deposits at 31 March	46,361	43,652

Notes to the accounts

1. Accounting policies

The Financial Statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Charities (Accounts and Reports) Regulations 2008, the Charities Act 2006 and comply with UK Generally Accepted Accounting Practice (GAAP). They also comply with the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP) 2005, as updated in 2008. The Charity has adapted the Companies Act formats to reflect the Charities SORP and the special nature of its activities.

The following are the main accounting policies adopted by the Charity:

a. Basis of accounting and consolidation

The Accounts of the Charity and the three active subsidiary companies are consolidated (on a line-by-line basis) to produce the Group Accounts. These 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 Charity as permitted by Section 408 of the Companies Act 2006.

b. Income and expenditure

All incoming resources are included in the Statement of Financial Activities when the Group is legally entitled to (or has physically received) the income and the amount can be quantified with reasonable accuracy.

- For **Legacy income**, entitlement in the case of residual and pecuniary legacies is counted from the earlier of estate accounts being finalised and cash received. Legacies where the Charity'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.
- For **Event income**, entitlement is counted at the date of the event.

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 as it is very difficult to quantify the cost and may be misleading in relation to financial analysis.
- Goods donated to the Charity's shops are valued at a nil cost.

Expenditure is recognised on an accruals basis. Grant expenditure is recognised in the year of award in line with the SORP (see grant accounting policy in note 1d for more detail on individual grant types).

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

Costs are allocated, where appropriate, to charitable expenditure and to cost of generating funds. It has been estimated that 10% of the content of our fundraising material provides educational information that furthers the Charity's objectives. 10% of fundraising costs have therefore been allocated to charitable expenditure.

Governance costs include expenditure in respect of the Charity's constitutional and statutory requirements.

The Charity's Head Office overheads have been allocated to charitable expenditure, fundraising, publicity and retail expenses on the basis of time spent.

Governance costs relate to the management of the Charity's assets, organisational administration and compliance with constitutional and statutory requirements.

Tax

Costs are recorded gross of VAT but the Group is able to reclaim a proportion of VAT paid, because of its trading activities, using the partial exemption method.

The Charity is registered 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.

Irrecoverable VAT has been charged to the Statement of Financial Activities.

Income from Gift Aid Tax reclaims is recognised in relation to donations made up to the year end.

Subsidiary companies pay any taxable profits to the Charity each year under Gift Aid.

c. Fund accounting

The general reserve comprises accumulated unrestricted surpluses and deficits. Restricted funds are subject to restrictions imposed by the donor. The endowment funds which are permanent, represent amounts for which the capital must be retained and invested.

d. Awards

In accordance with the SORP, the total sum awarded (and communicated) to the recipient during the year is expensed. Where these grants are for multi-year commitments, a high proportion of the relative discounted cash will be settled 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 Charity's liability up to the review.

Programme Grants – awards run initially for five years with a two and a half year review and can be extended for a further period of five years subject to Committee approval. Management anticipate that the majority of the applicants will be successful at the mid-term review so provision for the first five years is made in the accounts for the Charity's liability for Programme Grants.

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

BHF Heart Nurses (and other medical practitioners) – in cases where the Charity 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 Charity's liability is recognised in full in the accounts.

All grant liabilities are discounted to net present value.

Notes to the accounts

e. Fixed assets

Tangible

These are stated at cost. Depreciation is calculated on a straight line basis. The costs of fixed assets are written off over their estimated useful lives at the following rates:

Short leasehold property – over the life of the lease

Leasehold improvements – over the life of the lease

Shop fittings – over seven years

Vehicles – over four years

Furniture and equipment (including IT hardware) – over three to four years

The Charity adopts 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 components of equipment (eg, 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 two years, then these groups of assets are collectively capitalised at the time of purchase.

The holding values of assets are regularly reviewed for impairment and where deemed appropriate, are written down.

Intangible

The intangible fixed asset (£1.15m) represents the right of the Charity (in perpetuity) to run the 'London to Brighton Bike Ride'. This asset is held at cost and is subject to an impairment review on an annual basis.

f. Investments

Investments (including listed and unlisted shares, and property) are shown at mid value where there is a readily identifiable market value. Unlisted shares, where there is no readily identifiable market value, are recorded at cost or a nominal amount.

The Charity revalues its investments monthly 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 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 loan less any impairment losses.

g. Stock

Stock purchased for sale is valued at the lower of cost and net realisable value. Stock does not include the value of goods donated for sale in the Group's charity shops, because these are valued at nil cost, ie, at the lower of cost and net realisable value.

h. Pension costs

The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in the Statement of Financial Activities within actuarial gain/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the balance sheet. Quoted securities have been valued at bid price.

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. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. However, 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, the shorter period is used.

j. Provisions

Shop dilapidations

Expected costs of dilapidations are provided for those Shops which have closed in the year, or where agreement has been reached with the landlord to vacate premises. The provision for dilapidations includes the expected cost of any building works required, any remaining net book value of the property and any expected legal fees to be incurred in connection with the closure of the property.

k. Discount factor

The Charity discounts long-term grant liabilities. The discount rate is based on the cost of capital (interest rates received and investment yields) as a time-weighted average over the course of the year.

Notes to the accounts

2. Voluntary income

	General fund £000	Restricted funds £000	Endowment funds £000	2011 Total funds £000	2010 Total funds £000
Legacies	53,505	1,402	–	54,907	52,375
Donations	16,868	3,269	–	20,137	19,582
Donations (received in BHF shops)	1,042	–	–	1,042	–
Volunteer fundraising	7,606	405	–	8,011	8,036
Events	9,391	5	–	9,396	9,880
Restricted appeals	–	688	–	688	1,163
Total	88,412	5,769	–	94,181	91,036

In 2011 Gifts in Kind with an estimated value of £100,000 (2010: £263,000) were received – these have not been recorded in the SOFA on grounds of materiality. This related mainly to free IT training donated by an outside company.

The Charity has received notification of 1,026 legacies (2010: 911) for which no income has been recognised at 31 March 2011. These will be included in future years. The actual timing of receipt and amounts to be received are unknown. Based on the average value of legacies received during the year, the value of these has been conservatively estimated at £27 million (2010: £22 million) although this ignores any weighting towards residuary legacies (which make up the greater proportion of these numbers and which are generally of higher value than pecuniary legacies).

In 2011, donations of £1.042 million from activities for generating funds (retail) are included in voluntary income, whereas in 2010, £0.987 million was included in activities for generating funds (retail).

3. Retail income

	Charity shops donated goods £000	BHF Shops Ltd £000	British Heart Foundation Ventures Ltd Retail activities £000	2011 Total £000	2010 Total £000
Retail income*	119,367	13,309	414	133,090	116,377
Retail costs	(98,285)	(9,428)	(461)	(108,174)	(94,238)
Net incoming resources available from retail activities	21,082	3,881	(47)	24,916	22,139

The results of the Charity'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.

*2011 includes gross income of £24.8 million (2010: £16.2 million) representing donations from supporters on which Gift Aid has been claimed from sale of their goods through BHF Shop's Retail Gift Aid Programme.

In 2011, donations of £1.042 million from activities for generating funds (retail) are included in voluntary income, whereas in 2010, £0.987 million was included in activities for generating funds (retail).

4. Investment income

	General fund £000	Restricted funds £000	2011 Total funds £000	2010 Total funds £000
Listed investments	5,504	–	5,504	5,829
Bank interest	362	153	515	413
Unlisted investments	11	–	11	14
Total	5,877	153	6,030	6,256

5. Incoming resources from charitable activities

	General fund £000	Restricted funds £000	2011 Total funds £000	2010 Total funds £000
Public funding for Prevention and Care:				
Department of Health	–	97	97	62
Food Standards Agency	–	–	–	31
Total	–	97	97	93

Notes to the accounts

6. Gross expenditure

	Awards (note 11) £000	Other direct costs £000	Support costs allocated £000	Total 2011 £000	Total 2010 £000
Cost of generating funds					
Fundraising	–	21,822	2,155	23,977	20,682
Publicity	–	1,616	390	2,006	1,302
Retail costs	–	107,916	258	108,174	94,238
Investment management fees	–	776	–	776	651
Total	–	132,130	2,803	134,933	116,873

Charitable expenditure

Research	119,703	630	346	120,679	48,410
Prevention and Care	7,747	24,822	1,880	34,449	37,190
	127,450	25,452	2,226	155,128	85,600
Governance	–	293	432	725	631
Total	127,450	157,875	5,461	290,786	203,104

Charitable expenditure: Research

Of the £120.7 million total spend on research during the year £20.2 million is an adjustment to the way Programme Grants are accounted for. These are now recognised for the full five years at inception rather than up to a mid-point review as in previous years; the adjustment in year is for grants already awarded and in progress.

Support costs included in gross expenditure

The Charity 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 headcount or in proportion to resources used.

Analysis of support costs

	Costs of generating funds			Charitable expenditure		Governance	Total	Total
	Fundraising £000	Publicity £000	Retail costs £000	Research £000	Prevention and Care £000	£000	2011 £000	2010 £000
Directorate	62	19	62	16	90	62	311	259
Legacy administration	594	–	–	–	–	–	594	550
Human resources	312	71	47	71	378	66	945	902
Facilities management	164	61	–	29	191	24	469	435
Information technology	511	125	–	128	650	157	1,571	1,423
Legal	68	17	46	12	74	11	228	210
Company Secretary and Procurement	60	18	59	15	86	59	297	195
Finance	332	50	42	62	303	42	831	790
Business Unit*	52	29	2	13	108	11	215	–
Total	2,155	390	258	346	1,880	432	5,461	4,764

*The Business Unit (an addition in 2011 to the Finance and Administration Division) defines and delivers processes to improve and standardise evaluation practices and knowledge and information management in the BHF.

Notes to the accounts

6. Gross expenditure (cont)

Analysis of governance costs

	Total 2011 £000	Total 2010 £000
Internal Audit	114	99
Company Secretarial	56	55
Legal and professional fees	9	6
Audit fees – charity	87	54
Audit fees – subsidiary companies*	20	15
Board of Trustees costs	2	2
Annual Report and Accounts	5	5
Support costs allocated	432	395
Total	725	631

*costs are exclusive of the VAT charged to British Heart Foundation Ventures Ltd and BHF Shops Ltd as this can be reclaimed in full.

Gross expenditure for the year is stated after charging/(crediting):

	2011 £000	2010 £000
Operating lease rentals (land and buildings)	22,109	20,308
(Profit)/loss on disposal of fixed assets	(27)	110
Depreciation charge for the year	6,490	5,237
Group auditors' remuneration*		
Audit fee – Charity (current year)	69	54
– Charity (prior year)	18	–
– Total	87	54
– UK subsidiaries	20	19

*This represents £92,100 (net of VAT) paid for audit services for the group.

Staff and Trustee information

Staff costs

	2011 £000	2010 £000
Salaries	43,812	39,913
Social security	3,887	3,582
Other pension costs (see note 16)	2,445	2,532
Other staff costs (temporary, agency, fixed term contract and seconded staff)	1,608	1,860
Total	51,752	47,887

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

	2011	2010
Head office	336	292
Regions	76	103
Retail	1,812	1,622
Total	2,224	2,017

All staff are employed by the Charity.

Notes to the accounts

6. Gross expenditure (cont)

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

	2011	2010
Between £ 60,001-£ 70,000	14	14
Between £ 70,001-£ 80,000	6	9
Between £ 80,001-£ 90,000	5	3
Between £ 90,001-£100,000	4	–
Between £100,001-£110,000	–	2
Between £110,001-£120,000	3	1
Between £120,001-£130,000	2	–
Between £130,001-£140,000	–	1
Between £140,001-£150,000	1	–
Between £160,001-£170,000	2	2
Between £190,001-£200,000	–	1

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

Defined contribution schemes	34	30
Defined benefit schemes	3	3

	2011 £000	2010 £000
Contributions in the year for the provision of defined contribution schemes for staff included above	742	773

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 £2,163 (2010: £2,421) was reimbursed to three (2010: four) 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 £4,988 (2010: £4,988).

Notes to the accounts

7. Statement of funds

	Notes	Balance 1 April 2010 £000	Incoming resources £000	Total resources expended £000	Net investment gains £000	Actuarial gain pension fund £000	Balance 31 March 2011 £000
Endowment funds (Group and Charity):							
Chair endowment trusts	a	7,089	–	–	–	–	7,089
G M Yule bequest	b	74	–	–	–	–	74
P Gordon bequest	c	300	–	–	–	–	300
Total		7,463	–	–	–	–	7,463
Restricted funds (Group and Charity):							
Legacy donations	d	1,032	1,403	(866)	–	–	1,569
Chair endowment trusts income (interest)	a	–	147	(147)	–	–	–
P Gordon income (interest)	c	–	6	(6)	–	–	–
Research	e	–	234	(234)	–	–	–
Prevention and Care	f	–	2,764	(2,764)	–	–	–
Big lottery Fund – Nurse training	g	143	–	(143)	–	–	–
Mending Broken Hearts Appeal	h	100	1,368	(3,536)	–	–	(2,068)
Hearty Voices	i	7	97	(103)	–	–	1
Total		1,282	6,019	(7,799)	–	–	(498)
General fund (Group):							
		42,997	227,379	(282,987)	14,815	867	3,071
General fund (Charity):							
		41,847	227,379	(282,987)	14,815	867	1,921
Total Group funds							
		51,742	233,398	(290,786)	14,815	867	10,036
Total Charity funds							
		50,592	223,939	(281,327)	7,910	867	1,981

Notes

- a. The Chair endowment trusts represent permanent endowments returned to the Charity by certain 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 Charity.
- c. Income from the P Gordon bequest 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 the Charity is unable to distribute funds fully according to the specific terms of the bequest in the year of receipt and expenditure takes place in future years.
- 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 Big Lottery Fund has been spent on various nurses projects.
- h. Income of £1.4 million has been received this year for our Mending Broken Hearts ('MBH') 50th anniversary Appeal. Expenditure of £3.5 million has already been incurred to date resulting in a negative fund of £2.1 million. The Charity expects to recover all costs through future fundraising for the MBH Appeal. If there is still a deficit at the end of the programme, this will be funded by a transfer from general reserves.
- i. Income from the Department of Health and the Home Retail Group for the Young Hearty Voices project. The project aims to empower young people with heart conditions, helping to make their voices heard and equipping them to have a role in developing heart services.

Notes to the accounts

7. Statement of funds (cont)

Analysis of Group net assets between funds

	General £000	Restricted £000	Endowment £000	Total £000
Tangible fixed assets	25,664	–	–	25,664
Intangible fixed asset	1,150	–	–	1,150
Investments	208,690	–	–	208,690
Current assets	56,209	(498)	7,463	63,174
Current liabilities	(162,559)	–	–	(162,559)
Long-term liabilities	(121,329)	–	–	(121,329)
Pension Fund deficit	(4,754)	–	–	(4,754)
Total net assets	3,071	(498)	7,463	10,036
At 31 March 2010	42,997	1,282	7,463	51,742

Analysis of Charity net assets between funds

	General £000	Restricted £000	Endowment £000	Total £000
Tangible fixed assets	25,664	–	–	25,664
Investments	208,690	–	–	208,690
Current assets	56,292	(498)	7,463	63,257
Current liabilities	(162,642)	–	–	(162,642)
Long-term liabilities	(121,329)	–	–	(121,329)
Pension Fund deficit	(4,754)	–	–	(4,754)
Total net assets	1,921	(498)	7,463	8,886
At 31 March 2010	41,847	1,282	7,463	50,592

8. Tangible and intangible fixed assets

Group and Charity

	Land and buildings						
	Freehold property £000	Short leasehold property £000	Shop fixture and fittings £000	Vehicles £000	Furniture & equipment £000	Assets under construction £000	Total £000
Cost							
At 1 April 2010	2,427	16,866	20,022	1,471	17,778	404	58,968
Transfers	–	–	–	–	404	(404)	–
Additions	–	1,586	1,738	550	3,152	40	7,066
Disposals	–	(240)	(190)	(290)	(193)	–	(913)
At 31 March 2011	2,427	18,212	21,570	1,731	21,141	40	65,121

Depreciation

At 1 April 2010	213	9,950	12,670	782	10,224	–	33,839
Charge for year	32	1,235	1,679	380	3,164	–	6,490
Disposals	–	(237)	(186)	(276)	(173)	–	(872)
At 31 March 2011	245	10,948	14,163	886	13,215	–	39,457

Net book values

At 31 March 2011	2,182	7,264	7,407	845	7,926	40	25,664
At 31 March 2010	2,214	6,916	7,352	689	7,554	404	25,129

Assets under construction

These are software systems which are not yet complete. Expenditure on these assets is capitalised as incurred but no depreciation is charged until the asset is brought into use. Once in use, a rate appropriate to the useful economic life of the asset will be applied.

Intangible fixed asset

Included in the Group Balance Sheet is an intangible fixed asset (£1.15 million) – this represents the right (in perpetuity) of the Charity to run the 'London to Brighton Bike Ride'. There were no indications of impairment in the year.

Future capital expenditure on specific projects for the Group of £0.5 million (2010: £0.4 million) has been contracted but no provision has been made.

Notes to the accounts

9. Investments

Group and Charity

	2011 £000	2010 £000
Market value		
At 1 April 2010	192,758	150,272
Purchase of investments at cost	53,383	47,682
Disposals at carrying value	(54,116)	(48,283)
	192,025	149,671
Net investment gains: realised	7,910	2,425
Net investment gains: unrealised	6,905	40,662
At 31 March 2011	206,840	192,758
Represented by		
Listed investments: Fixed interest securities	37,906	33,934
Equities	163,560	155,454
Unlisted investments	219	219
Property fund	–	1,583
Cash held for investment purposes	5,155	1,568
Total	206,840	192,758

Listed investments include overseas investments of £68 million (2010: £58 million).

No shareholdings of over 5% were held by the Charity in any one company.

Historical cost at 31 March	156,757	149,893
Revaluation gains at 31 March	50,083	42,865

The Charity holds 100% shareholdings in the four subsidiary companies within the Group; these are valued at cost of £8 (see note 14).

The programme-related investment in the Group Balance Sheet represents an interest-free unsecured loan for £1.85 million, used in furtherance of the joint 'Caring Together' programme which is designed to improve palliative care (including the establishment of a hospice in Glasgow). This loan of £1.85 million has been fully provided for in the financial statements.

Notes to the accounts

10. Debtors and stock

	Group		Charity	
	2011 £000	2010 £000	2011 £000	2010 £000
(a) Debtors				
Amount owed by subsidiary undertakings	–	–	4,706	4,029
Sundry debtors	2,095	1,574	1,689	1,147
Prepayments	6,957	5,819	6,905	5,605
Income tax recoverable	1,213	1,375	1,042	1,375
Accrued income	1,193	414	1,193	414
Accrued legacies	2,543	1,508	2,543	1,508
Total	14,001	10,690	18,078	14,078

	Group	
	2011 £000	2010 £000
(b) Stock		
British Heart Foundation Ventures Ltd	–	193
BHF Shops Ltd	2,812	1,675
Total	2,812	1,868

Stock in the Group Balance Sheet represents the value of purchased goods held for resale in BHF Shops Ltd.

11. Creditors: Research and other awards

	2011 £000	2010 £000
Outstanding liabilities at 1 April	208,297	222,820
Awarded during the year:		
Research grant awards (*)	119,882	48,087
Discounting of research awards (increase)	(179)	(442)
	119,703	47,645
Prevention and Care grant awards	7,781	11,771
Discounting of Prevention and Care awards (increase)/decrease	(34)	55
	7,747	11,826
	127,450	59,471
	335,747	282,291
Paid during the year	(69,146)	(73,994)
Outstanding liabilities at 31 March	266,601	208,297
Awards falling due within one year	145,272	99,592
Awards falling due after more than one year	121,329	108,705
Total	266,601	208,297

Liabilities for research and other awards represent the unpaid balances on grants awarded as at the balance sheet date. They relate to current research being funded by the Charity and to which the Charity is committed. 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 (in total up to ten years) depending on the outcome of the site visit.

The Charity has discounted its long term liabilities, both for research and prevention and care grants. A discount rate of 2.8% has been applied to both amounts recognised in the accounts as grant creditors and grant commitments (not included in the accounts) – the discount rate has been estimated as the cost of capital (interest rates received and investment yields) as a time-weighted average over the course of the year. The gross discount number included in total liabilities for research grant awards is (£6.6 million) and for Prevention and Care grant awards (£0.5 million).

The Charity occasionally 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 2011, the Charity awarded £0.3 million (2010: £1.3 million) for grants where members of the Board of Trustees were direct applicants.

All grants are made to institutions, and a list of 226 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/about_us/our_annual_reports.aspx (this is unaudited). The top 50 grants made in 2011 are listed overleaf.

Notes to the accounts

11. Creditors: Research and other awards (cont)

Institution	Number of grants	2011 £000
Imperial College London	7	11,173
University College London	8	7,775
University of Edinburgh	5	4,768
University of Oxford	4	4,092
University of Bristol	4	3,155
University of Leicester	1	3,000
University of Cambridge	4	2,928
University of Manchester	4	2,295
General Hospital of Southampton	1	1,857
University of Glasgow	3	1,305
St George's, University of London	2	1,068
Medical Research Council	1	1,000
University of Leeds	1	974
King's College London	1	553
Wellcome Trust	1	450
University College London (ICH)	1	362
Babraham Institute	1	303
University of Reading	1	300
	50	47,358
Other Research Grants	176	72,524
Total	226	119,882*

*Total spend on research includes the £20.2 million for the Programme Grants adjustment.

Notes to the accounts

11. Creditors: Research and other awards (cont)

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.

			Amounts due for payment in the year to 31 March				
	Total £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 onwards £000
Grant commitments (not included in the accounts)							
Balance at 1 April 2010	76,336	1,204	11,154	13,773	14,608	7,495	28,102
Movement in the year:							
Awards recognised (transferred to creditors)	(41,861)	(1,204)	(10,767)	(12,029)	(11,317)	(2,753)	(3,791)
Balance at 31 March 2011	34,475	–	387	1,744	3,291	4,742	24,311
Grant creditors (recognised in the accounts)							
Balance at 1 April 2010	208,297	99,592	46,695	27,584	16,667	6,314	11,445
Movement in the year:							
Amounts transferred from commitments	41,861	1,204	10,767	12,029	11,317	2,753	3,791
Awards in the year	85,589	–	54,310	18,298	7,659	5,112	210
Awards recognised in the SOFA	127,450	1,204	65,077	30,327	18,976	7,865	4,001
Grant payments	(69,146)	(69,146)					
Timing differences on payments	–	(31,650)	31,650	–	–	–	–
Balance at 31 March 2011	266,601	–	143,422	57,911	35,643	14,179	15,446
Total grant commitments and creditors							
Balance at 31 March 2011	301,076	–	143,809	59,655	38,934	18,921	39,757
Balance at 1 April 2010	284,633	100,796	57,849	41,357	31,275	13,809	39,547

The write back of underused grants in 2011 was £3.6 million (2010: £7.8 million).

Notes to the accounts

12. Creditors: Other creditors (including deferred income)

	Group		Charity	
	2011 £000	2010 £000	2011 £000	2010 £000
Amount owed to subsidiary undertakings	–	–	813	1,723
Sundry creditors	13,353	7,123	13,353	7,123
Accruals	2,517	1,550	2,486	1,499
Deferred income	1,085	1,616	718	731
Taxes and social security	332	68	–	–
Shops dilapidations provision	–	62	–	62
Total	17,287	10,419	17,370	11,138

	Group		Charity	
	2011 £000	2010 £000	2011 £000	2010 £000
Deferred income at 1 April	1,616	1,547	731	781
Released during the year	(1,616)	(1,547)	(731)	(781)
Income received during the year to be deferred	1,085	1,616	718	731
Deferred income at 31 March	1,085	1,616	718	731

13. Operating leases

At 31 March 2011 the Group had annual commitments under non-cancellable operating leases, all for land and buildings, as follows:

	2011 £000	2010 £000
For leases expiring:		
Within one year	450	735
Between two and five years	8,460	7,431
After five years	13,411	11,963
Total	22,321	20,129

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 Ltd, retailing Christmas cards, making commission arrangements and sponsorship agreements.

BHF Shops Limited, retailing new (non-donated) goods in the BHF shops. On 1 September 2010, British Heart Foundation Ventures Ltd transferred the BHF online shop (including the catalogue business) to BHF Shops Ltd for a consideration of £1.

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 share capital of each subsidiary is as follows – British Heart Foundation Ventures Limited (3 ordinary shares x £1), BHF Shops Ltd (2 ordinary shares x £1), London to Brighton Bike Ride Limited (1 ordinary share x £1) and British Heart Foundation Sales Limited (2 ordinary shares x £1).

The net taxable profits of these undertakings were transferred to the Charity (parent) 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 Foundation Ventures Ltd £000	BHF Shops Ltd £000	London to Brighton Bike Ride Ltd £000	Total 2011 £000	Total 2010 £000
Turnover	1,252	13,309	1,136	15,697	13,401
Cost of sales	(401)	(7,516)	(146)	(8,063)	(6,856)
Gross profit	851	5,793	990	7,634	6,545
Other costs	(130)	(1,923)	(875)	(2,928)	(2,613)
Net profit	721	3,870	115	4,706	3,932
Gift Aid payment	(721)	(3,870)	(115)	(4,706)	(3,932)
Assets	852	4,093	1,641	6,586	6,183
Liabilities	(852)	(4,093)	(491)	(6,586)	(6,183)
Net assets	–	–	1,150	1,150	1,150

15. Endowment of Chairs of Cardiovascular Medicine

Originally thirteen of the Charity's Chairs of Cardiovascular Medicine were supported by endowments (the last of which was created in 1987); the remainder are personal Chairs, of which there are currently 27.

The income these endowments generated was considered insufficient to fund the salaries of the professor, a secretary and a technician (as was originally intended) and the Charity has offered the universities personal Chairs for their professors in exchange for the return of the endowments.

Four of the endowments returned were capable of straightforward transfer back to the Charity and the funds were returned to reserves. For six of the endowments returned, following advice from the Charity Commission, the Charity has recognised the trusts as endowment funds and they are held on the Charity balance sheet as such (the income from them used to part fund the ongoing costs of the Chairs).

Three universities still hold endowments, which they may be invited to return to the Charity.

16. Pensions

Pension schemes – cost to the Charity

	2011 £000	2010 £000
Defined benefit scheme	404	627
Defined contribution scheme	2,041	1,905
Total	2,445	2,532

The Charity 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. The next valuation will be carried out as at 1 July 2011.

The contribution rate for 2011 was 32.5% of pensionable salaries (2010: 24.4% of pensionable salaries from April 2009 to June 2009 and 32.5% from July 2009 onwards), plus the cost of insurance premiums to provide death in service benefits. The estimated regular contributions by the Charity on behalf of the employees in the scheme in 2011 /12 is £400,000.

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 three annual payments each of £630,000 in April 2007, 2008 and 2009 and two annual payments of £986,000 in April 2010 and April 2011 have been made into the scheme. The Trustees review the timing and amount of future additional contributions on a periodic basis.

In addition the Charity 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 (cont)

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 2011 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 :

	2011 %	2010 %	2009 %	2008 %	2007 %
Salary growth	4.6	4.8	3.9	5.1	4.7
Pension increases in payment – Limited Price Indexation	3.4	3.6	2.9	3.5	3.1
Pension increases in payment – guaranteed	5.0	5.0	5.0	5.0	5.0
Discount rate	5.5	5.5	6.7	6.7	5.4
Inflation	3.6	3.8	2.9	3.6	3.2

Mortality

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

	2011	2010
Male	88.5	88.4
Female	90.8	90.8

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

	2011	2010
Male	89.6	89.6
Female	91.8	91.7

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	
	2011 %	2010 %	2011 %	2010 %
Equities	66	65	7.7	8.1
Fixed Interest Gilts	27	22	4.4	4.5
Corporate Bonds	5	7	5.5	5.5
Property	–	1	–	8.1
Cash/other	2	5	0.5	0.5

The actual return on scheme assets for the period was a gain of £2m (2010: £5.9m)

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

	2011 £000	2011 £000	2010 £000	2010 £000	2009 £000	2009 £000	2008 £000	2008 £000	2007 £000	2007 £000
Current service cost		446		286		436		514		621
Past service cost		–		244		–		172		167
Total operating charge		446		530		436		686		788
Expected return on pension scheme assets	(1,847)		(1,442)		(1,781)		(1,510)		(1,391)	
Interest on pension scheme liabilities	1,805		1,539		1,616		1,385		1,299	
Other finance (income) costs		(42)		97		(165)		(125)		(92)
Total		404		627		271		561		696

Notes to the accounts

16. Pensions (cont)

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	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Scheme liabilities and assets at the start of the year	(33,089)	(23,289)	26,450	20,372	(6,639)	(2,917)
Current service cost	(446)	(286)	–	–	(446)	(286)
Past service cost	–	(244)	–	–	–	(244)
Interest cost	(1,805)	(1,539)	–	–	(1,805)	(1,539)
Expected return	–	–	1,847	1,442	1,847	1,442
Employer contributions	–	–	1,422	1,341	1,422	1,341
Members contributions	(77)	(84)	77	84	–	–
Actuarial gain/(loss)	677	(8,898)	190	4,462	867	(4,436)
Benefits received/(paid)	1,075	1,251	(1,075)	(1,251)	–	–
Scheme liabilities and assets at the end of the year	(33,665)	(33,089)	28,911	26,450	(4,754)	(6,639)

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

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation (DBO)	(33,665)	(33,089)	(23,289)	(24,262)	(25,796)
Fair value of pension scheme assets	28,911	26,450	20,372	23,260	22,682
Pension deficit/shortfall	(4,754)	(6,639)	(2,917)	(1,002)	(3,114)
Experience adjustments on DBO	–	–	(12)	–	–
Adjustments as a percentage of DBO	0%	0%	0%	0%	0%
Experience adjustments on fair value of pension scheme assets	190	4,461	(4,997)	(1,213)	(457)
Adjustments as a percentage of pension scheme assets	1%	17%	-25%	-5%	-2%

17. Related party transactions

The Charity has taken advantage of the exemption given by Financial Reporting Standard 8, Related Party Disclosures, from disclosing transactions with its wholly owned subsidiaries.

During the year, CCA Galleries Ltd, a company controlled by a Trustee, Lance Trevellyan, began an art-related project as part of the 50th anniversary appeal. The objective is to raise £1 million towards the appeal and the project is in two parts: (i) activity where the BHF will raise funds directly from the sale of original artwork and branded merchandise; (ii) the sale of limited edition prints of the artwork, which is being managed by CCA. CCA will not make any publisher's profit, as any surplus will be donated to the BHF's appeal. The BHF has given permission for CCA to use its logo and brand to help with this project.

An initial part of the project is being delivered by specialist service provider, Coriander Studios Ltd, which is also controlled by Mr Trevellyan and which will provide services to CCA at cost. Any deficit on that part of the project managed directly by CCA will be met by CCA.

Bankers and Principal Advisors

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Registered charity number 225971

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Bankers and Principal Advisors

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2011 is the British Heart Foundation's 50th birthday. Since 1961, we have been the nation's heart charity, dedicated to saving lives through pioneering research, patient care, campaigning for change and by providing vital information. But we urgently need your help. We rely on your donations of time and money to continue our life-saving work. Because together we can beat heart disease.

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 **Heart Helpline**
0300 330 3311
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Information & support on anything heart-related
Phone lines open 9am to 5pm Monday to Friday
Similar cost to 01 or 02 numbers

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