

In 1961 The British Heart Foundation was founded with a single donation of £50.



REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2001

The Council of the British Heart Foundation submits its statutory Report and Accounts for the year ended 31 March 2001.

The results for the year are presented in the form of a Statement of Financial Activities, prepared in accordance with the revised Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2000), which incorporates the traditional Income and Expenditure Account.

Principal Aims and Activities

The Foundation's aim is to reduce the incidence of heart disease, the nation's major cause of disability and premature death. Through the generous efforts of volunteers and supporters, the Foundation raises funds by public appeal throughout the United Kingdom. The amount committed to the Foundation's principal objective of supporting research represented almost 69% of the net incoming resources available in the year. The provision of education material to members of the public and the medical profession, together with expenditure on the care and rehabilitation of heart patients, accounted for almost 25% of such income.

Expenditure on Objectives

Direct expenditure on the Foundation's objectives amounted to £67.0m, compared with £71.6m in the previous year. This expenditure comprised:

	2001	2000
Research	£40.5m	£40.2m
Care and rehabilitation	£5.0m	£5.3m
Education	£9.5m	£7.5m
Cardiovascular initiative	£12.0m	£18.6m

Research

The Foundation's expenditure on research was marginally higher than last year at £40.5m. However, this excludes £6.4m awarded to chairholders and other researchers under the Cardiovascular Initiative (see below).

On 1 October 2000 the following four appointments were made to British Heart Foundation professorial chairs:

- Professor A Steptoe, BHF Chair of Psychology, University College, London
- Professor W J McKenna, John Parker BHF Chair of Molecular Cardiovascular Science, St George's Hospital Medical School, London
- Professor M R Bennett, BHF Chair of Cardiovascular Medicine, University of Cambridge
- Professor D A Eisner, BHF Chair of Physiology, University of Manchester

The Foundation supported 31 chairs of cardiovascular science at 31 March 2001, although two were vacant at that date; during the year an endowment in respect of a vacant chair at the University of Newcastle was returned, but a personal chairholder will be appointed there in due course. A review of the Foundation's policy during the previous year concluded that the number of chairs should be increased over the next few years to about 36, with emphasis being placed on new appointments in under-represented parts of the UK subject to ensuring high academic standards and synergy with the particular strengths of the institution concerned.

Changes in the arrangements for considering project grant applications were reported last year. The quantity of applications has since begun to rise again, while their quality has permitted significantly more to result in awards. However, the Foundation has the capacity to make awards for a greater number of high quality applications.

Fellowship awards at various levels were made to a total of 85 researchers during the year, while 12 new appointments were made under the BHF scholarship scheme. The latter scheme enables BHF chairholders to gain access to immediate funding to employ outstanding young researchers for up to 15 months, without the delay and uncertainty inherent in the usual peer review process and the risk of their loss to other disciplines. More information concerning research expenditure and grant-making policies is given in the Annual Report of the Medical Division.

Care and rehabilitation

The Foundation has continued to fund the set up, expansion or improvement of cardiac rehabilitation services by awarding some 11 grants to hospital trusts around the UK. BHF Nurses have settled well into their roles in UK hospital trusts and the Foundation funds some 45 of these posts. BHF Nurses spend 80% of their time in the community, visiting patients at home immediately after they are discharged from hospital and educating and updating the primary healthcare team in the follow-up care of cardiac patients.

In England and Wales the Foundation also continues to assist with the formation of patient support groups and affiliated groups now number 263 – an increase of 22 since last year.

Demand from trained community first responders for life-saving defibrillators continues to grow. Nearly 300 defibrillators were awarded during the year to the police, fire service and voluntary organisations; since 1996 nearly 1,400 have been supplied to this group. Awards of defibrillators have also continued to GPs – especially those based in rural areas who may reach a casualty more quickly than the ambulance service.

The Foundation's role in encouraging the growth of community schemes to train the public in the skills of emergency life support continues in its success. There are now 637 such schemes affiliated to Heartstart UK (an increase of 206, or nearly 50%, in the last year). This year has seen a continued fast increase in the number of schemes established in schools – especially in Scotland. To date there are some 245 school training schemes, more than double the number a year ago. The Heartstart UK schemes have been responsible for training over 125,000 people during the year, with over 5,500 instructors training others to deliver these vital life-saving skills.

Education

The BHF website attracted over 310,000 visits, more than double the number in the previous year. A great deal of the information on the site was expanded to include features on chairholders together with examples of research funded by the Foundation and a whole area specifically aimed at schoolteachers and children was launched. A redevelopment of the site is well underway to encourage greater contact with the Foundation's audiences.

This year saw a number of new education materials produced. So You Want to Lose Weight for Good, Children with Heart Conditions, and Living with Congenital Heart Disease were all published and available for the 40th anniversary launch. In particular the publication targeted at teenagers and adults with congenital heart disease provided an excellent illustration of the considerable progress made over the last 40 years – during the 60s and 70s patients affected in this way would have been unlikely to survive into adulthood.

Following on from the success of the primary school version published last year, The Active School pack for secondary schools was launched. The pack provides secondary schools with a complete framework to promote physical activity both within and outside the national curriculum. It includes an extensive selection of practical activity ideas, a guide for developing a physical activity policy or plan, and an A-to-Z listing of organisations, initiatives and award schemes that might be of interest. In addition, Active Steps for Active Learning, a more general resource for primary schools, was published in October.

Continuing with the physical activity theme, a Physical Activity Toolkit has been developed to be marketed to local health authorities and primary healthcare teams in an attempt to encourage and

support health care professionals to develop strategies for promoting physical activity to their patients. The pack will be supported by a series of training seminars delivered during the early part of next year.

Four new videos have been completed during the year under report. Your Life in Their Hands and Angina – a Patient's Guide were launched at the 40th anniversary and Sex and Heart Disease – a Guide for Patients and Their Partners and So You Want to Talk about Sex (targeted at health professionals) formed part of a special Valentine's Day promotion.

Artie Beat is proving popular internationally. Good links have been forged with the Swedish Heart Foundation and "Pelle Pump" (the Swedish version of our Artie Beat character) has been featured in Artie News. The Norwegian Heart Foundation also plans to adopt the character to encourage young people to lead a healthy lifestyle.

Once again the BHF has been successful in its submission to the British Medical Association Patient Information Awards, winning first prize for Smoking and Your Heart, one of the Heart Information Series titles. However, far from being complacent about this series the Foundation has begun revising and updating the booklets, taking the opportunity to seek the Plain English Campaign Crystal Mark award for each title.

Medical information

The medical information department comprises three cardiac nurses and two heart information officers who provide confidential, accurate and up-to-date information on all aspects of heart disease to the general public, patients, health professionals and the media. This service aims to enhance the reputation of the BHF by providing unbiased expert information from a trustworthy source.

At present the department handles about 15,000 enquiries each year. The demand for information has increased dramatically over the last decade, reflecting the changing expectations of the public who need a full explanation of their condition and its management. This has led to the gradual expansion of the medical information service with a local launch of the Heart Information Line in the south-west in January 2001; calls are charged at the local rate wherever they originate. It is anticipated that several more staff will be needed by the time the service is advertised nationally, with an anticipated 40,000 calls and 4,000 letters each year.

Cardiovascular initiative

As a result of a successful investment policy, significant capital gains were achieved in the Foundation's investment portfolio in recent years. During 1999 the Council resolved to capitalise on the great opportunity presented by this success and to utilise at least £40m of those gains under a programme known as the 'Cardiovascular Initiative' (CVI). A total of £39.5m was transferred to a designated CVI Fund in 1999-2000 as a result of proposals agreed in the year.

On the research side, the intention was to make one-time awards to provide improved working conditions and resources to enable BHF chairholders (often in collaboration with others) to increase the international competitiveness of BHF-funded research. A total of 11 such proposals were agreed at a projected cost of £30.3m; approximately half of the sum was awarded in the first year and a further £5.0m during 2000-2001; just over £10m remains in the CVI Fund for subsequent awards as the remaining plans are finalised. In connection with one of the awards, Glasgow University has donated the £1.2m balance of an appeal fund in order that an MRI scanner could be incorporated in the revised project, with an additional grant of £0.2m from the Foundation.

A further £9.2m was agreed in principle for six projects (and associated publicity campaigns) in the fields of education and care. Here the intention was to fill some of the gaps in such provision that had been identified by an internal review, such as the Active Schools packs mentioned above. £3.5m was awarded in the first year and the remaining £5.7m in the year under review.

Income

Net incoming resources available to the Foundation for charitable application increased by 4% to £58.7m. Legacy income at £31.2m almost reached last year's exceptional £31.9m (which had been 21% higher than the previous year), while other regular voluntary income grew by 9% to £20.9m.

Additionally, three unique donations were received in the year, amounting in total to £2.6m: (a) the Foundation was given the £1.2m balance of an appeal fund towards the provision of an MRI scanner at Glasgow University; (b) a 1974 chair endowment fund was returned by Newcastle University (pending the future award of a personal chair), with the £1.0m growth of the fund being income to the BHF; and (c) the Institute of Child Health donated to the Foundation the £0.4m balance of the Al Maktoum Senior Lectureship fund which the BHF had previously administered.

June 2000 saw the 25th anniversary of the London to Brighton Bike Ride, still the Foundation's largest single fundraising event. A new record was set, with cyclists raising almost £2.3m in sponsorship.

It was another successful year for corporate giving to the BHF, with continuing support from many business partners, and new relationships with Birmingham Midshires and Westbury Homes beginning to bear fruit.

The British Heart Foundation has over 75 corporate partners, many of whom generously donate from their charity budgets and others who enter long term relationships with the BHF delivering much needed funds and awareness. Successful partnerships depend upon the high calibre of our corporate supporters and the dedication and enthusiasm of their employees. In 2000-2001 for example, Laing's staff and clients raised £110,000; the Countryside Agency teamed up with BHF on its Walking the Way to Health initiative, providing a focus for healthy walking schemes around the country, while both Cadbury Schweppes and Kia Cars provided sponsorship to ensure the success of this programme. The Foundation continues to be grateful for long-term support from Friends Provident and BPB together with the many charitable trusts which contribute to its work, several of which have been providing essential help over many years.

Some 3,500 volunteers (working within nearly 400 branches and with the support of committed regional staff) raise funds for the Foundation in the community and they achieved yet another year of record gross and net income. Every major source of revenue – general and *in memoriam* donations, centrally organised but locally implemented events and local events themselves – all showed pleasing year-on-year increases. However, it is the combination of other fundraising activities that go to make up the main body of the Foundation's fundraising efforts. It should not be forgotten that almost all the Foundation's income originates from the public's awareness of the Foundation's aims and work publicised not only by advertising and PR campaigns, but also through fundraising branches, local and national events, BHF shops and extensive direct mail campaigns. British Heart Week in June each year provides a particular focus for such initiatives. Volunteers and donors alike have been extremely supportive in all areas of income generation this year.

Shops

Trading in BHF charity shops fell below expectations for the full year, although there were signs of a significant recovery in the last quarter of 2000-2001. In common with other charity shops, the BHF continues to be affected by competition from discount retailers. On a like-for-like basis, sales were slightly up on the previous year, and total sales increased to £40.0m, resulting in a net contribution to the Foundation of £6.2m. BHF shops continue to trade very well compared with other charity shops and recent trading gives grounds for cautious optimism for significant progress over the coming year.

Cost of generating funds

Expenditure on fundraising and publicity fell by 7% to £11.4m, largely as a result of a temporary reduction in advertising volume. This represented 16% of income (net of retail costs) compared with 18% last year. In accordance with SORP 2000, management and administration costs of the charity (down 10% at £0.6m) are now shown with charitable expenditure.

Summary Financial Results for the Year

As can be seen from the above figures, expenditure exceeded income by £8.9m, after taking account of £12.0m CVI expenditure in the year. This compares with a deficit of £15.6m (after £18.6m CVI expenditure) in 1999-2000. The Council agreed in 1997, confirming the decision in 1999, that high quality research projects could be funded out of the Foundation's reserves and designated funds and also in 1999 authorised the current programme of one-time awards under the CVI.

Foundation Balance Sheet

Investments

The Foundation's investment portfolio is committed to meet liabilities for grants already awarded to researchers (£126.5m at 31 March 2001) and to provide resources to fund the 31 chairs of cardiology (£78.2m) which form the key element in the Foundation's heart research strategy. A further £10.2m remains set aside to provide for the balance of the awards to be made under the CVI.

The BHF portfolio ended the year £8.8m lower than at its start (including £0.1m withdrawn). The unusually poor performance of the world's stock markets during 2000-2001 has demonstrated the wisdom of the earlier establishment within the portfolio of a secure fund of regularly maturing fixed interest securities. This will ensure that resources are available when required to meet the deficits expected in the next few years and the CVI awards as they become payable, irrespective of performance in the equity markets.

A further transfer from equities took place when £5.9m was invested during the year in an office property with an attractive yield and the possibility of vacant possession in the medium term.

Investment income for the year amounted to £9.2m, 10% less than the previous year's total which included several exceptional dividend receipts. The continuing reduction in the rate of ACT recovery allowed to charities on dividends has caused the income total to fall, as has the downward trend in interest rates on the significant liquid element of the portfolio.

The Foundation's investment policy seeks to maximise long-term total return while maintaining a sensible level of diversification and risk commensurate with the investment outlook in the various markets and the Foundation's predicted liquidity needs. The investment adviser works with the Investment Committee of Council members and co-opted professionals towards a target return in relation to appropriate benchmarks. The Foundation does not, and would not knowingly, hold securities in any company in the tobacco industry.

Summary of funds and reserves

Net losses on the Foundation's Investment portfolio came to £8.7m for the year under review, of which £5.4m arose on assets within the general fund. Following a transfer of £3.0m from the chairs maintenance fund, the general fund (which is the Foundation's operating reserve) declined by £0.2m during the year to £10.0m.

The Council has reviewed the reserves of the Foundation, taking into account its policy that all grants (with the exception of the chairholders' annual discretionary grants) are recognised as creditors as soon as they are awarded, irrespective of the period over which they are payable. It has concluded that it requires a general fund reserve in addition to its chairs maintenance fund. The latter currently stands at £78.2m (down from £84.5m the previous year) but is targeted at the actuarial value of chairholders' expectations (valued at £85.2m in 1999) – to the extent permitted by the resources of the Foundation from time to time. Bearing in mind the extent to which the general fund is exposed to fluctuations in the stockmarket, Council has decided that a balance equivalent to between 6 and 18 months' operating costs will allow the charity to be managed efficiently and provide a buffer against unanticipated interruption to its income stream. During the year the charity's general reserve fell from £10.2m to £10.0m (equivalent to 10 months operating costs).

Governance and Internal Control

Organisational structure

The Foundation operates as a company limited by guarantee, under the terms of its memorandum and articles dated 28 July 1961 and last amended on 24 September 1996.

The Council comprises both medical members (some of whom are nominated by certain medical colleges and societies) and lay members who are selected for their proven abilities in a variety of other fields. Council members (who are trustees of the charity as well as directors of the company for the purposes of the Companies Act 1985) are listed inside the back cover of this report and were in office throughout the year except where shown. They serve for a three-year period and may be re-elected for a further three years, while the Chairman and Vice Chairman serve for five years. The Council meets three times a year; including meetings at which the annual budget and five-yearly strategic plans are considered and approved and performance is reviewed.

The Executive Committee (which meets six times a year) is made up of Council members and ex officio senior managers of the Foundation; it operates under terms of reference which delegate certain functions from the Council and it in turn appoints members to, and delegates specific authority to, a range of sub-committees. In addition to the Audit, Investment and Shops Committees, there are eight medical committees that undertake the significant volume of peer review work which underlies the Foundation's grant-making activity. Further information about each committee is contained in the Annual Review.

Managing risk

The Council has long been conscious of the importance of dealing with the various risks facing an organisation of the BHF's size operating in an increasingly competitive environment for charities. All aspects of the Foundation's planning operate with the intention of identifying risks and reducing them to an acceptable level (see below). The Foundation is in the process of reviewing its risk management strategy; however, the following are examples of the many ways in which risk is already considered:

- the internal audit function is resourced according to a recent risk-based needs assessment;
- external audit is planned and executed on a risk basis, and confirms that the Foundation's internal financial controls comply with Charity Commission guidelines;
- the Audit Committee (comprising three members of Council under the chairmanship of the Honorary Treasurer) meets three times a year to review the plans and reports of both internal and external auditors;
- the five-yearly strategic planning process incorporates a review of the high-level risks faced by the Foundation, as well as the opportunities available;
- annual budgeting within the context of the five-year plan is reported against monthly actuals and variances are reviewed at each meeting of the Executive Committee;
- a disaster recovery planning process covers physical threats to the Foundation's Head Office;
- health and safety policies are backed up by dedicated employees who regularly meet staff appointed to represent their colleagues on the subject;
- the reserves policy adopted by the Council takes full account of the risks to ongoing income in setting a target range to provide cover for operating costs should that income be substantially interrupted. In such circumstances all awards made are fully provided for and are (together with the future cost of maintaining the BHF chairs) supported by the investment portfolio.

Directors

No Council members received any remuneration for services as members of the Council, but a total of £1,938 was reimbursed to eight members for travelling expenses to and from Council meetings. A total of £2,519 was paid to five Council members for the reimbursement of expenses incurred in travelling to and from other meetings.

The Foundation sometimes receives applications for grants from, and makes awards to, universities and hospitals which employ Council members in senior research capacities.

Employees

The Foundation aims to maintain high standards in its employment practices to ensure the fair and efficient use of its most valuable asset, its employees. All employees and potential employees (whether full-time or part-time) are treated fairly, regardless of gender, sexual orientation, race, ethnic origin, disability, religious beliefs or age. The sole criterion for selection or promotion is the suitability of an applicant for the job. Training is provided and available to all staff who are encouraged to develop the contribution which they can make to the Foundation's work.

Staff are kept well informed of the objectives and activities of the Foundation through regular meetings and personal briefings. These are supplemented by the Foundation's newsletters, leaflets and publications.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be reappointed as auditors of the Foundation will be put to the Annual General Meeting.

By Order Of the Council



John Edwards

Secretary

24 July 2001

Sir Harry Moore CBE

In May 1960 Mr Harry Moore – as he then was – attended, as Chairman of the Board of Governors of the London Hospital, the fifth meeting of the Founding Committee for the proposed British Heart Foundation. At the meeting he agreed to help set up an Appeal Policy Committee, and on 28 July 1961 when the Foundation was formed he became a founding member of Council.

Over the 40 years that followed until his death aged 85 on 7 May 2001 Sir Harry played an immense part in the development of the BHF. Not only did he remain on Council and on the Executive Committee for all those years, he also served on the Appeal Committee and was one of the first laymen to be co-opted onto the Science Committee. He joined the newly established Shops Committee on 13 March 1989 and was a member of a considerable number of the Task Forces set up to examine various of the Foundation's many activities. He was an enthusiastic supporter of the scheme that came to be known as the Cardiovascular Initiative.

The British Heart Foundation owes an enormous debt of gratitude to Sir Harry for his continuous hard work on its behalf, his wise counsel and his constant friendship over so many years. He is greatly missed by Members of the Council and the Staff, many of whom he had helped and encouraged. We all extend our deepest sympathy to Lady Moore and her family.

Leslie Busk

Director General

COUNCIL'S RESPONSIBILITIES STATEMENT

Charity and company law requires the Council, as trustees and directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Foundation and the Group and of the Group income and expenditure for that period. In preparing the attached statements the Council considers the Foundation has:

- used suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- has prepared the financial statements on the going concern basis.

The Council has responsibility for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Foundation and enable it to ensure that the financial statements comply with the Companies Act 1985.

It also has responsibility for safeguarding the assets of the Foundation and for taking reasonable steps to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO MEMBERS OF THE BRITISH HEART FOUNDATION

We have audited the financial statements on pages 10 to 22 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 8, the Foundation's directors are responsible for the preparation of financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Foundation and the Group as at 31 March 2001 and of the result and cashflows of the Foundation and the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Binder Hamlyn

20 Old Bailey, London EC4M 7BH
Chartered Accountants and Registered Auditors
24 July 2001

GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2001 (INCORPORATING A GROUP INCOME AND EXPENDITURE ACCOUNT)

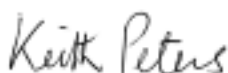
	Note	General fund £000	Designated funds £000	Restricted funds £000	2001 Total funds £000	2000 Total funds £000
Incoming resources						
Legacies		30,974	–	230	31,204	31,890
Other voluntary income – regular	2	19,996	–	930	20,926	19,239
– exceptional	2	1,430	–	1,165	2,595	–
Investment income	3	9,183	–	–	9,183	10,206
Retail sales	4	40,431	–	–	40,431	39,305
Profit on sale of freehold property		–	–	–	–	95
Total incoming resources		102,014	–	2,325	104,339	100,735
Resources expended						
Cost of generating funds						
Retail costs	4,5	34,192	–	–	34,192	31,732
Fundraising	5	9,481	–	–	9,481	9,779
Publicity	5	1,955	–	–	1,955	2,569
		45,628	–	–	45,628	44,080
Net incoming resources available for charitable application						
	6	56,386	–	2,325	58,711	56,655
Charitable expenditure:						
Research and fellowship awards	5	35,260	–	213	35,473	34,346
Chairs of cardiovascular medicine	5	4,935	–	54	4,989	5,867
Cardiac equipment and support	5	4,265	–	737	5,002	5,244
Education and medical information	5	9,339	–	156	9,495	7,503
		53,799	–	1,160	54,959	52,960
Cardiovascular Initiative						
– research awards	5	200	5,000	1,165	6,365	15,064
– education and care awards	5	–	5,680	–	5,680	3,550
Management and administration of the charity	5	594	–	–	594	662
		54,593	10,680	2,325	67,598	72,236
Total resources expended	5	100,221	10,680	2,325	113,226	116,316
Net surplus(deficit) before transfers						
Net investment (losses) gains	6,8	1,793	(10,680)	–	(8,887)	(15,581)
Transfers between funds:		(5,429)	(3,283)	–	(8,712)	12,595
– Chairs maintenance fund	6	3,000	(3,000)	–	–	–
– Fixed asset fund	6	478	(478)	–	–	–
		(158)	(17,441)	–	(17,599)	(2,986)
Balance of funds at 1 April 2000	6	10,182	123,735	74	133,991	136,977
Balance of funds at 31 March 2001	6	10,024	106,294	74	116,392	133,991

All restricted funds received and expended relate to income funds. The restricted funds brought and carried forward relate to a permanent endowment – the G M Yule Bequest. There are no recognised gains and losses other than those disclosed above. All of the above results derive from continuing activities.

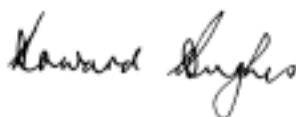
GROUP BALANCE SHEET AT 31 MARCH 2001

		2001		2000	
	Note	£000	£000	£000	£000
Fixed assets	7		17,898		18,376
Investments	8		215,644		224,466
			<hr/>		<hr/>
			233,542		242,842
Current assets					
Stock of goods for resale		516		427	
Debtors	9	5,031		5,546	
Short-term deposits		1,586		1,486	
Cash on deposit, at bank and in hand		6,052		4,049	
			<hr/>		<hr/>
		13,185		11,508	
Creditors: amounts falling due within one year					
Research and other awards	10	32,823		44,630	
Other creditors	11	3,810		3,453	
			<hr/>		<hr/>
		36,633		48,083	
Net current liabilities			(23,448)		(36,575)
Total assets less current liabilities			210,094		206,267
Creditors: amounts falling due after more than one year					
Research and other awards	10		(93,702)		(72,276)
			<hr/>		<hr/>
			116,392		133,991
Represented by:					
General fund	6		10,024		10,182
Designated funds					
Chairs maintenance fund	6	78,187		84,470	
Fixed asset fund	6	17,898		18,376	
Cardiovascular Initiative fund	6	10,209		20,889	
			<hr/>		<hr/>
			106,294		123,735
Endowment fund					
G M Yule Bequest	6		74		74
			<hr/>		<hr/>
			116,392		133,991

Approved by the Council on 24 July 2001



Professor Sir Keith Peters, Chairman
Member of the Council



Howard Hughes, Honorary Treasurer
Member of the Council

GROUP CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

	2001		2000	
	£000	£000	£000	£000
Net deficit		(8,887)		(15,581)
Adjustment of net deficit to net cash inflow from operating activities (see note A below)		12,900		24,470
Net cash inflow from operating activities		4,013		8,889
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(2,112)		(2,636)	
Receipts from sales of tangible fixed assets	92		518	
Purchase of investments	(36,748)		(57,744)	
Receipts from sales of investments	36,858		51,800	
		(1,910)		(8,062)
Management of liquid resources				
Increase in short term deposits		(100)		(1,486)
Increase(decrease) in cash (see note B below)		2,003		(659)

NOTES TO THE GROUP CASH FLOW STATEMENT

Note A	2001 £000	2000 £000
Adjustment of net deficit to net cash inflow from operating activities		
Depreciation	2,534	2,467
Profit on sale of tangible fixed assets	(36)	(146)
(Increase)decrease in stocks	(89)	509
Decrease(increase) in debtors	515	(1,884)
Increase(decrease) in creditors	357	(1,020)
Awards made during the year	64,630	69,126
Awards paid	(55,011)	(44,582)
	12,900	24,470
Note B		
Changes in net funds during the year		
Net funds being cash at 1 April 2000	4,049	4,708
Increase(decrease) in cash	2,003	(659)
Net funds being cash at 31 March 2001	6,052	4,049

NOTES TO THE ACCOUNTS

1 Accounting policies

The financial statements comply with applicable accounting standards. They also comply with the Statement of Recommended Practice on Accounting and Reporting by Charities, except that the Foundation has not separately identified grants payable on the face of the Statement of Financial Activities. This is because all charitable activities are shown functionally by aggregating all costs in pursuit of a defined purpose and grant making as one of its charitable activities is not treated differently. The total amount of grants payable is shown in note 5.

The following are the more important accounting policies adopted by the Foundation.

a Basis of accounting

The financial statements, which consolidate the financial statements of the Foundation and all its subsidiary undertakings, have been prepared under the historical cost convention except for investments which are included at market value. No Income and Expenditure account has been presented for the Foundation as permitted by Section 230 of the Companies Act 1985.

b Income and Expenditure

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacy income, entitlement is the earlier of estate accounts being finalised and cash received. Legacies where the Foundation's receipt of income is subject to a life tenancy have not been included in the accounts. Gifts donated for sale are included as income when they are sold. No amounts are included in the financial statements for services donated by volunteers.

The Statement of Recommended Practice on Accounting and Reporting by Charities, requires that costs are allocated where appropriate to charitable expenditure and to cost of generating funds. The Foundation's Head Office overheads have been allocated to charitable expenditure, fundraising, publicity and retail expenses on the basis of their use of central services, with the aim of ensuring that those costs remaining within management and administration relate to the management of the Foundation's assets, organisational administration and compliance with constitutional and statutory requirements.

c Fund accounting

General fund comprises accumulated surpluses and deficits after transfers to or from designated funds. Designated funds are amounts which have been put aside at the discretion of the Council. Restricted funds are subject to restrictions imposed by the donors.

d Awards

The total sum awarded is shown in the Statement of Financial Activities, notwithstanding that a proportion will be disbursed in subsequent accounting periods.

e Fixed Assets

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

Freehold property	over fifty years on cost of buildings.
Leasehold property	over the life of the lease.
Shop fittings	over seven years.
Vehicles	over three to four years.
Furniture and equipment	over three to four years.

Depreciation has not been charged on land.

1 Accounting policies

f Investments

Listed investments are shown at market value; unlisted investments and property investments are shown at the lower of cost or market value. Movements in value arising from investment changes or revaluation have been taken to the general fund, or to the chairs maintenance fund. Profits on disposal of investments have been transferred to the general fund or to the chairs maintenance fund.

g Stock

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

2 Other voluntary income

	General fund £000	Restricted funds £000	2001 Total funds £000	2000 Total funds £000
Regular income:				
Donations	8,454	180	8,634	7,855
Regional fundraising	6,899	694	7,593	7,231
National events	4,643	–	4,643	4,136
National Lottery grant	–	56	56	17
	<hr/>	<hr/>	<hr/>	<hr/>
	19,996	930	20,926	19,239
Exceptional income:				
Donation of appeal fund – Glasgow University	–	1,165	1,165	–
Donation arising from return of endowment – Newcastle University	1,000	–	1,000	–
Donation of Al Maktoum Senior Lectureship fund (note 15)	430	–	430	–
	<hr/>	<hr/>	<hr/>	<hr/>
	1,430	1,165	2,595	–

3 Investment income

	2001 £000	2000 £000
Listed investments	8,231	8,963
Bank interest	816	1,230
Property	123	–
Unlisted investments	9	8
G M Yule Bequest	4	5
	<hr/>	<hr/>
	9,183	10,206

4 Income from retail activities

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

	Charity shops donated goods £ 000	BHF Shops Ltd £ 000	British Heart Foundation Ventures Ltd Retail activities £ 000	Total 2001 £ 000	Total 2000 £ 000
Sales	38,773	1,276	382	40,431	39,305
Costs	32,828	1,031	333	34,192	31,732
Incoming resources available	5,945	245	49	6,239	7,573

5 Gross expenditure

	Awards £000	Staff costs £000	Other costs £000	Depreciation £000	Total 2001 £000	Total 2000 £000
Charitable expenditure						
Research and fellowship awards	34,949	359	130	35	35,473	34,346
Chairs of cardiovascular medicine	4,989	–	–	–	4,989	5,867
Cardiac equipment and support	3,992	654	237	119	5,002	5,244
Education and medical information	8,655	575	210	55	9,495	7,503
	52,585	1,588	577	209	54,959	52,960
Cardiovascular Initiative						
– research	6,365	–	–	–	6,365	15,064
– education and care	5,680	–	–	–	5,680	3,550
Management and administration	–	321	232	41	594	662
Cost of generating funds						
Retail costs	–	11,041	21,237	1,914	34,192	31,732
Fundraising	–	4,485	4,681	315	9,481	9,779
Publicity	–	654	1,246	55	1,955	2,569
	64,630	18,089	27,973	2,534	113,226	116,316

Staff costs

	2001 £000	2000 £000
Salaries	15,466	13,799
Social security	1,211	1,057
Other pension costs (see note 13)	1,024	2,221
Other staff costs	388	355
	18,089	17,432

The average number of staff, including part-time staff, employed in the year, was:

	2001	2000
Head office	155	139
Regions	100	95
Shops	1,120	1,046
	1,375	1,280

5 Gross expenditure continued

The following number of staff have emoluments above £50,000:

	2001	2000
Between £ 50,001 – £60,000	7	–
Between £ 60,001 – £70,000	2	2
Between £ 70,001 – £80,000	1	2
Between £ 80,001 – £90,000	1	1
Between £ 90,001 – £100,000	–	–
Between £100,001 – £110,000	2	2
Between £110,001 – £120,000	1	1

The Remuneration Committee determines the salaries and benefits of senior executives.

	2001 £000	2000 £000
Audit fees included in management and administration:	33	33

6 Statement of funds

	Balance 1 April 2000 £000	Net incoming resources available £000	Charitable expenditure £000	Net investment (losses) £000	Transfers £000	Balance 31 March 2001 £000
General fund:	10,182	56,386	(54,593)	(5,429)	3,478	10,024
Designated funds:						
Chairs maintenance fund	84,470	–	–	(3,283)	(3,000)	78,187
Fixed asset fund	18,376	–	–	–	(478)	17,898
Cardiovascular Initiative fund	20,889	–	(10,680)	–	–	10,209
	123,735	–	(10,680)	(3,283)	(3,478)	106,294
Restricted funds:						
Research restricted legacies	–	213	(213)	–	–	–
Chairs of cardiovascular medicine	–	54	(54)	–	–	–
Cardiac equipment and support donations	–	737	(737)	–	–	–
Medical Information department	–	100	(100)	–	–	–
National Lottery grant	–	56	(56)	–	–	–
Cardiovascular Initiative research project	–	1,165	(1,165)	–	–	–
	–	2,325	(2,325)	–	–	–
Endowment fund:						
G M Yule Bequest	74	–	–	–	–	74
Total funds	133,991	58,711	(67,598)	(8,712)	–	116,392

The chairs maintenance fund represents the financing of 31 chairs of cardiovascular medicine at universities and teaching hospitals, which are awarded for a varying number of years. Independent actuaries assessed the Foundation's commitments at 31 March 1999 to be £85,200,000.

The Fixed asset fund represents the net book value of assets used by the Foundation.

6 Statement of funds continued

The Cardiovascular Initiative fund represents the funding of projects in the Cardiovascular Initiative.

Research restricted legacies are those where the terms of the bequest specifically require the money to be used for research.

Two chairs of cardiovascular medicine were supported by restricted income this year.

Cardiac equipment and support donations are funds restricted by the donor to specific projects.

The Medical Information department and the heart information phoneline were set up with restricted funds generated from a direct mail appeal.

The National Lottery grant funds a project looking into the health of Asian families.

One of the Cardiovascular Initiative research projects, The Glasgow Cardiovascular Research Centre, is partially supported by restricted income.

Income from the G M Yule Bequest is available for the general activities of the Foundation.

Analysis of net assets between funds

	General £000	Designated £000	Endowment £000	Total £000
Fixed assets	–	17,898	–	17,898
Investments	127,174	88,396	74	215,644
Current assets	13,185	–	–	13,185
Current liabilities	(36,633)	–	–	(36,633)
Long term liabilities	(93,702)	–	–	(93,702)
	10,024	106,294	74	116,392

7 Fixed assets

	Freehold land and buildings £000	Leasehold property £000	Shop fittings £000	Vehicles £000	Furniture and equipment £000	Total £000
Group and Charity						
Cost						
At 1 April 2000	9,148	7,612	8,121	1,461	3,567	29,909
Additions	–	512	442	330	828	2,112
Disposals	–	(41)	(27)	(310)	(90)	(468)
At 31 March 2001	9,148	8,083	8,536	1,481	4,305	31,553
Depreciation						
At 1 April 2000	1,099	2,776	4,705	681	2,272	11,533
Charge for year	113	500	819	417	685	2,534
Disposals	–	(26)	(26)	(268)	(92)	(412)
At 31 March 2001	1,212	3,250	5,498	830	2,865	13,655
Net book values						
At 31 March 2001	7,936	4,833	3,038	651	1,440	17,898
At 31 March 2000	8,049	4,836	3,416	780	1,295	18,376

8 Investments

Group and Charity

	2001 £000	2000 £000
Market value		
At 1 April 2000	224,466	205,927
Purchase of investments	36,748	57,744
Receipts from sale of investments	(36,858)	(51,800)
	224,356	211,871
Net investment (losses)gains – realised and unrealised	(8,712)	12,595
At 31 March 2001	215,644	224,466
Represented by		
Listed investments:		
– Fixed interest securities	57,403	65,225
– Equities	124,018	141,859
Unlisted investments	49	37
Property	5,894	–
Short term deposits	28,280	17,345
	215,644	224,466

Listed investments include overseas investments of £33,879,000 (2000 £43,745,000).

Historical cost at 31 March 2001

175,522 165,837

Unrealised gains at 31 March 2001

40,122 58,629

Realised gains on historical cost

9,794 10,962

9 Debtors

	Group		Charity	
	2001 £000	2000 £000	2001 £000	2000 £000
Amount owed by subsidiary undertakings	–	–	451	557
Other debtors	2,317	2,498	2,150	2,387
Prepayments	2,544	2,847	2,370	2,567
Income tax recoverable	170	201	170	201
	5,031	5,546	5,141	5,712

10 Research and other awards

	2001 £000	2000 £000
Outstanding liabilities at 1 April 2000	116,906	92,362
Awarded during the year:		
Research and fellowships	34,949	33,779
Chairs of cardiovascular medicine	4,989	5,867
Cardiac equipment and support	3,992	4,151
Education and medical information	8,655	6,715
Cardiovascular Initiative – research	6,365	15,064
Cardiovascular Initiative – education and care	5,680	3,550
	181,536	161,488
Paid during the year	55,011	44,582
Outstanding liabilities at 31 March 2001	126,525	116,906
Awards falling due within one year	32,823	44,630
Awards falling due after more than one year	93,702	72,276
	126,525	116,906

Liabilities for research and other awards represent the unpaid balances on grants awarded as at the balance sheet date.

They relate to current and ongoing research being funded by the Foundation and to which the Foundation is firmly committed.

During the year ended 31 March 2001 the Foundation awarded grants of £1,060,000 (2000: £2,492,000) for projects to which members of the Council are connected. These members of the Council did not participate in the decisions to award the respective grants.

A list of research awards made during the year by the medical committees is obtainable from The Medical Director, British Heart Foundation, 14 Fitzhardinge Street, London, W1H 6DH.

11 Other creditors

	Group		Charity	
	2001 £000	2000 £000	2001 £000	2000 £000
Accruals	2,501	2,764	2,489	2,619
Deferred income	1,051	451	232	123
Taxes and social security	258	238	171	151
	3,810	3,453	2,892	2,893

12 Lease commitments

At 31 March 2001 the Foundation had annual commitments, all for land and buildings, as follows:

	2001 £000	2000 £000
For leases expiring:		
Within one year	64	115
Between two and five years	906	896
Over five years	8,027	7,756
	8,997	8,767

13 Pensions

Pension scheme contributions

	2001 £000	2000 £000
Defined benefits scheme	750	1,931
Defined contributions schemes	274	290
	1,024	2,221

The Foundation operates a defined benefit scheme. The assets of the scheme are held in a separate trustee-administered fund, independent of the Foundation's finances. Contributions are made according to funding rates advised by the scheme actuary, and until April 2000 were invested through a managed fund operated by Pension Management (SF) Ltd, a wholly owned subsidiary of Scottish Widows Fund and Life Assurance Society. Since April 2000 the investments have been managed by Newton Investment Management Limited.

The last valuation of the scheme was carried out as at 30 June 1999 using the 'projected unit' method of valuation. The valuation was brought forward by one year on the recommendation of the scheme actuary as a result of changes in financial conditions and the likely subsequent effect on the funding of the scheme. The market value of the scheme's assets at that date was £8,643,000, which represented 86% of the liabilities of the fund after allowing for expected future increases in earnings and pensions. In the year ended 31 March 2000, the Council of the Foundation, having taken advice, chose to make a special payment of £1,200,000 to fund the deficit and keep the annual payments at a constant rate. Statement of Standard Accounting Practice No 24 – Accounting for Pensions requires the special payment also to be spread over the service lives of the employees, although Financial Reporting Standard No 17 – Retirement Benefits recommends that the deficit should be recognised immediately. The Council chose to charge the whole of the special payment of £1,200,000 to the Statement of Financial Activities in the year ended 31 March 2000, contrary to SSAP 24 which has been followed in all other respects.

The principal actuarial assumptions used in the 1999 valuation were: a return on investments pre-retirement of 1.5% per annum greater than salary increases, a return on investments after retirement of 5% per annum and pension increases of 5% per annum in respect of pensionable service up to 30 June 2000 and thereafter at 3% per annum. The next valuation will be carried out as at 30 June 2002.

In addition the Foundation operates defined contributions schemes for certain employees.

14 Subsidiary undertakings

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

British Heart Foundation Ventures Limited, retailing Christmas cards, British Heart Week roses, branded goods through the Foundation's network of voluntary branches, commission arrangements and sponsorship agreements.

BHF Shops Limited, retailing non-donated goods in the Foundation's charity shops.

London to Brighton Bike Ride Limited, owning rights to, and operating, the British Heart Foundation LONDON TO BRIGHTON BIKE RIDE.

British Heart Foundation Sales Limited – dormant.

The net profits of these undertakings were transferred to the Foundation.

Retail activities are shown in note 4 and fundraising activities are shown gross in notes 2 and 5.

	British Heart Foundation Ventures Ltd £ 000	BHF Shops Ltd £ 000	London to Brighton Bike Ride Ltd £ 000	Total 2001 £ 000	Total 2000 £ 000
Turnover	1,038	1,435	684	3,157	3,157
Cost of sales	(747)	(868)	(71)	(1,686)	(1,830)
Gross profit	291	567	613	1,471	1,327
Other costs	(143)	(162)	(594)	(899)	(779)
Net profit	148	405	19	572	548
Gift Aid payment	(148)	(405)	(19)	(572)	(548)

15 Al Maktoum Senior Lectureship Fund

	2001 £000	2000 £000
Capital at 1 April 2000	410	443
Change in market value during year	5	(33)
Unexpended income at 1 April 2000	415	410
Income for year	15	14
Paid in year	–	28
Donated to the British Heart Foundation (note 2)	(430)	–
Fund at 31 March 2001	–	425

This fund was held by the Foundation as custodian trustee, and was represented by listed investments (£415,000) and cash (£15,000).

It was donated to the Foundation on 1 June 2000.

CHARITY BALANCE SHEET AT 31 MARCH 2001

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets	7		17,898		18,376
Investments	8		215,644		224,466
			<hr/>		<hr/>
			233,542		242,842
Current assets					
Stock of goods for sale			95		–
Debtors	9		5,141		5,712
Short-term deposits			1,586		1,486
Cash on deposit, at bank and in hand			5,445		3,750
			<hr/>		<hr/>
			12,267		10,948
Creditors: amounts falling due within one year					
Research and other awards	10		32,823		44,630
Other creditors	11		2,892		2,893
			<hr/>		<hr/>
			35,715		47,523
Net current liabilities			<hr/>		<hr/>
			(23,448)		(36,575)
Total assets less current liabilities			<hr/>		<hr/>
			210,094		206,267
Creditors: amounts falling due after more than one year					
Research and other awards	10		(93,702)		(72,276)
			<hr/>		<hr/>
			116,392		133,991
Represented by:					
General fund	6		10,024		10,182
Designated funds					
Chairs maintenance fund	6		78,187		84,470
Fixed asset fund	6		17,898		18,376
Cardiovascular Initiative fund	6		10,209		20,889
			<hr/>		<hr/>
			106,294		123,735
Endowment fund					
G M Yule Bequest	6		74		74
			<hr/>		<hr/>
			116,392		133,991
			<hr/>		<hr/>

Approved by the Council on 24 July 2001

Keith Peters

Professor Sir Keith Peters, Chairman
Member of the Council

Howard Hughes

Howard Hughes, Honorary Treasurer
Member of the Council

The Council

Professor Sir D Keith Peters Chairman

Susan J Bell

Sir Timothy H Bevan

Dr Nicholas A Boon

Robin D Broadley

John R Brookes

Professor A John Camm – appointed 27 March 2001

Gordon A Campbell

Professor John H Coote

Roger D Corley CBE

Professor Godfrey H Fowler OBE

Dr Anthony J Handley

Howard Hughes

Dr Kevin P Jennings

Dr Barry R Keeton

Susan H Lloyd – appointed 27 March 2001

Mr Patrick G Magee – appointed 27 March 2001

Professor Sir Michael G Marmot – appointed
28 November 2000

Professor Alan M McGregor

Keith M H Millar

Alistair C Mitchell-Innes

Sir Harry R Moore CBE – died 7 May 2001

Sir Robin Mountfield KCB – appointed 25 July 2000

Professor Neil B Pride

Anthony Spink – appointed 27 March 2001

Lady Staughton

Mark V St Giles

Professor Kenneth M Taylor

Dr Richard P Thompson Vice Chairman – appointed
27 March 2001

The following members retired during the year:

Professor C John Dickinson Vice Chairman
(25 July 2000)

Professor Keith A A Fox (28 November 2000)

Professor John D Swales (died 17 October 2000)

Dr R Howard Swanton (27 March 2001)

Professor Tom Treasure (27 March 2001)

Senior Executives

Director General

Major General Leslie F H Busk CB

Secretary and Finance Director

John M Edwards

Medical Director

Professor Sir Charles George

Director of Fundraising

Miranda Ford

Shops Chief Executive

Colin W Sandford (until 31 March 2001)

Kenneth C Blair (appointed 1 April 2001)

Director of Communications

Betty McBride

Bankers

Barclays Bank

Bank of Scotland

Investment Advisers

NCL Panmure Gordon

Investment Custodians

Deutsche Bank, London

With your continuing support, the next
40 years will be as progressive as the last.



British Heart Foundation

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www.bhf.org.uk

Registered charity number 225971