



Annual Report & Accounts 2002

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

Report of the Council

for the year ended 31 March 2002

The Council of the British Heart Foundation submits its statutory Report and Accounts for the year ending 31 March 2002.

Principal aim and activities

The aim of the British Heart Foundation is to play a leading role in the fight against heart disease so that it is no longer a 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 71% 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 20% of such income.

Expenditure on objectives

Direct expenditure on the Foundation's objectives amounted to £66.8 million, compared with £67.0 million in the previous year. This expenditure comprised:

	2002	2001
Research	£45.8m	£40.5m
Education and care	£12.9m	£14.5m
Cardiovascular initiative	£8.1m	£12.0m

Research

The Foundation's expenditure on research was 13% higher than last year at £45.8 million. However, this excludes £8.1 million awarded to chairholders and other researchers under the Cardiovascular Initiative (see below).

At 31 March 2002 the Foundation supported 30 chairs of cardiovascular science (of which six are held by basic scientists, four by surgeons, one by a consultant psychologist and the remainder by consultant physicians) in 14 institutions; two of these are vacant

endowed chairs that are expected to be filled during the current financial year. A recent review of the Foundation's policy had 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. This will be subject to ensuring high academic standards and synergy with the particular strengths of the institution concerned. One chairholder has announced his intention to resign while three further personal chairholders have been identified (in Southampton, Leicester and Cambridge) and will be taking up their appointments during the coming year. The number of chairholders in post should therefore increase to 32.

The normal process of evaluating the work of the chairholders and the core of their departments continued with quinquennial site visits to five of them. Following analyses of the visitors' reports, recommendations as to funding for those individuals over the next five years were made to the Chairs and Programme Grants Committee. With one exception, where the chairholder decided to resign his post, continuation funding was agreed.

During the year the Foundation received 34 applications for funding for programme grants, ranging from £0.4 million to £1.8 million and lasting up to five years. Of these, 12 were agreed and another 5 were deferred for consideration in 2002-03. Five of the 12 were renewals for a further three to five years.

The Council agreed in August 2001 to award 'principal scientist' posts with funding for up to ten years to well-respected senior non-clinical scientists engaged in original research into cardiovascular disease at institutions whose research is highly-rated. The first awards are anticipated during 2002-03.

The Foundation awarded a total of 177 project grants (usually lasting up to three years) in 2001-02, up from 156 last year. However, the Foundation continues to have the capacity to make awards for a greater number of high quality applications.

During the year, fellowship awards at various levels were made to a total of 91 researchers, both basic scientists and clinicians. Fourteen of the fellowships were at senior or intermediate level and 75 were for junior researchers or PhD students, in addition to two travelling or overseas visiting fellowships. Eight new appointments were made under the BHF scholarship scheme.

Particular items of additional expenditure last year were bi-plane x-ray equipment at Bristol costing £1 million and a magnetic resonance imaging scanner at Oxford with £450,000 of funding (matched by the university). The BHF's ability to make such awards has led to success in attracting renowned researchers from overseas, such as Professor Karsch and Dr Neubauer from Germany.

More information concerning research expenditure and grant-making policies is given in the Annual Report of the Medical Division.

Education and care

Education

A number of new education materials have been produced during this year including *Diabetes and Your Heart*, published in association with Diabetes UK, drawing attention to the high incidence of coronary heart disease (CHD) among people with diabetes. Other titles published include two resources on Marfan Syndrome and *Coronary Heart Disease Statistics 2002* (with a *Diabetes Supplement*).

Emergency life support posters and cards have been produced in nine minority languages and there is also a version in English using Afro-Caribbean models. Over the next year a number of additional publications and videos promoting heart healthy lifestyles and providing information on heart disease will be developed in minority languages.

The first of a new series of *Artie Likes To...* books for four to six-year-olds was produced. The interactive books are designed to be suitable as early readers but can also be read with a parent. Artie Beat has also gone digital with *Nutrition Mission*, a CD-ROM which sets children the challenge of keeping Artie Beat alive and well by feeding him a balanced diet.

A "back to school" campaign entitled "Let's get physical" provided the opportunity to promote physical activity to young people directly. A pocket play pack was produced that enables children from 7-11 to record their physical activity and encourage them gradually to increase their levels over a six-week period.

Don't Just Sit There was developed for teenagers as a competition for young people to design motivating materials to inspire their peer group to become more active; it attracted over 400 entries from schools and youth clubs across the UK.

Following on from success last year at the British Medical Association Patient Information Awards, the BHF was commended this year for its publication *Children with Heart Conditions*. The video *No Fear: Emergency Life Support Skills for Young People* won the gold award in the education category at the prestigious International Visual Communication Association awards.

The BHF website (www.bhf.org.uk) was overhauled and re-launched in January 2002. Content has been expanded by over 1,000 pages to include medical information. Traffic to the site has once again nearly doubled and the last year saw over half a million users.

Medical information

The medical information department aims to give impartial, accurate and confidential information to patients, professionals the public and the media on a wide range of issues relating to heart disease. It presently comprises six-and-a-half full-time equivalent staff, but that number is likely to grow during the current financial year.

In 2001, the department handled around 21,000 enquiries, and while the number of letters was similar to last year, phone calls to the department jumped by 4,000 to over 16,000 calls, and the number of e-mails leapt from 700 to over 4,000.

The local rate Heart Information Line was launched in the south-west in January 2001 and it is expected to be extended nationally later this year, having already been made available to specialist users throughout the UK. The redesigned BHF website will also allow the public greater access to health information.

Emergency life support

The Foundation's pilot initiative to fund 17 trainee posts for echo technicians to acquire specialist training has been most successful.

During the year 336 defibrillators have been awarded to the police, fire service and voluntary organisations; 1,644 defibrillators have been supplied to this group since 1996. 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. Research on the use of BHF-funded defibrillators to GPs found that those equipped with defibrillators can save nearly two-thirds of people being treated for acute heart attacks who suffer cardiac arrest.

The Foundation's role in encouraging the establishment of community schemes to train the public in the skills of emergency life support continues in its success. There are now 743 such schemes affiliated to Heartstart UK (an increase of 106 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 302 schools training schemes. The Heartstart UK schemes have been responsible for training almost 143,000 people during the year, with 4,680 instructors training others to deliver these vital life-saving skills.

Care and rehabilitation

The aim of the BHF's cardiac care activities is to maximise the length and quality of life of all heart patients through effective rehabilitation and secondary prevention. Through grant funding, the Foundation encourages the development of rehabilitation projects that give heart patients the greatest chance of recovery. The 11 awards made during 2000 for innovative projects are now well underway, providing rehabilitation services to people who previously may have had difficulties accessing such a service. In 2001 the BHF made three major rehabilitation awards for action research initiatives. These projects are studying physical activity programmes that seek to increase the number of patients making life-style changes as a result of a range of rehabilitation services.

The BHF is funding 43 cardiac liaison nurses who support patients in the community after their discharge from hospital and it is now supporting three such nurses who work specifically with children at Alder Hey Hospital (with a further two paediatric posts to be created elsewhere). In 2001 the BHF prioritised heart failure for specialist nurse intervention.

Heart failure is an increasingly common condition, it has high rates of hospital re-admission and many patients are not receiving adequate treatment. The Foundation has funded 16 heart failure nurse posts in six very different communities around the UK. Specialist training has been set up for these new posts and it is hoped that this will be made available to other heart failure nurses in the near future.

Heart support groups are patient-led and offer support and activities for cardiac patients and their carers. There are 279 such groups in England and Wales affiliated to the BHF – an increase of 16 in the last year.

The Foundation is developing 'How to' toolkits to help groups to set up and run a range of activities and programmes. In conjunction with the College of Health, the BHF has also set up training programmes for patient representatives, under which cardiac patients will be trained and supported to influence the way in which the Foundation's initiatives and health services are designed and developed.

Cardiovascular initiative

During 1999 the Council resolved to capitalise on the great opportunity presented by the success of its investments over several years and to utilise at least £40 million of the gains under a programme known as the 'Cardiovascular Initiative' (CVI). A total of £39.5 million was transferred to a designated CVI Fund in 1999–2000 as a result of proposals agreed in the year, and a further £3.2 million was transferred to the fund in 2001–02 to complete the programme.

On the research side, the intention was to make one-time awards to provide improved working conditions and resources in order to enable BHF chairholders (often in collaboration with others) to increase the international competitiveness of BHF-funded research. A total of 14 such proposals have been agreed since 1999–2000 at a projected cost of £33.5 million; of that total, £26.0 million was awarded by 31 March 2002 (including £8.1 million in the year under review), leaving a balance of £7.5 million in the CVI Fund for subsequent award as the remaining plans are finalised. In connection with a £5.0 million initial award for the establishment of a Glasgow Cardiovascular Research Centre, restricted donations received from Glasgow University and from ongoing public appeals have over the past two years added £3.3 million to the funding. Together with a further £0.2 million in 2000–01 from the Foundation, this has enabled a broader project incorporating an MRI scanner and its accommodation to be established.

A further £9.2 million was awarded over the previous two years for six projects (and associated publicity campaigns) in the fields of education and care.

Income

Net incoming resources available to the Foundation for charitable application increased by 10% to £64.7 million. Legacy income at £35.6 million grew by 14% and broke previous records, while other regular voluntary income rose by 10% to £23.1 million.

Exceptional donations received in the year amounted in total to £2.2 million, substantially representing Glasgow University's contribution to the Glasgow Cardiovascular Research Centre.

Despite some last minute route changes and riders being required to walk their bikes across disinfectant matting occasioned by the foot and mouth disease outbreak, the 26th annual London to Brighton Bike Ride went ahead in June 2001, with participants helping to raise in excess of £2.4 million.

It was also a buoyant year for schools' fundraising with the Junior Golf Championship having raised over £130,000 and Jump Rope For Heart, now in its 15th year, raising just under £700,000.

The Foundation continues to develop successful fundraising campaigns with businesses. The year ended on a positive note for corporate fundraising, with a good performance despite a difficult year for corporate giving. New and existing partnerships flourished through the dedication and enthusiasm of employees and customers.

Tetley tea raised over £200,000 and helped bring the BHF's healthy lifestyle advice into hundreds of thousands of homes. The team at Sainsbury's supported the Anniversary appeal by raising over £400,000 for the Foundation. Staff played a huge part in successful campaigns for Birmingham Midshires and Westbury Homes, while Shredded Wheat raised over £260,000 through the Helping Hearts Campaign.

Once again heart researchers are extremely grateful to Friends Provident for continuing generous support, while warm thanks are due to BPB who have supported patient care and research initiatives for five years. They, like hundreds of corporate and trust supporters, have made a valuable contribution to the work of the Foundation.

Despite many regular and special 40th anniversary events being cancelled or postponed during 2001 because of the foot and mouth outbreak, income from local event fundraising, carried out by 3,500 volunteers in the community with support from committed regional staff, still increased. The local publicity generated by over 230 exciting new events organised by volunteers during the 40th anniversary year meant that companies, groups and the general public became more aware of the work of the BHF and thus contributed to an increase in general donation income as well. This combination of income growth spearheaded another superb year of regional fundraising with both gross and net income healthily up on the previous year.

Cost of generating funds

Expenditure on fundraising and publicity grew by 18% to £13.5 million (following a 7% fall the previous year), primarily as a consequence of additional investment in staff resources both in the regions and at head office.

Shops

The year saw a very considerable improvement in trading in BHF charity shops, compared both with last year's disappointing result and with recovery expectations. Sales improved by 9.3% on a like-for-like basis compared with last year, and totalled £45.4 million. Profit improved from £6.2 million in 2000-01 to £8.3 million, exceeding expectations by over £1 million. BHF shops (along with the sector as a whole) benefited from a significant improvement in the price obtained for recycled textiles through the year that is unlikely to be repeated, but underlying trade also remained strong and the division remains confident of continued progress.

Summary financial results for the year

Expenditure in the year exceeded income by £2.8 million, after taking account of £6.0 million net CVI expenditure and £0.7 million management and administration costs. This compares with a deficit of £8.9 million (after £10.7 million net CVI expenditure) in 2000-01. 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.

Balance sheet

Investments

The Foundation's investment portfolio is valued at £209.2 million at 31 March 2002. It covers liabilities for grants already awarded to researchers (£134.9 million) and provides resources towards funding the 30 chairs of cardiology (£70.3 million) that form the key element in the Foundation's heart research strategy, as well as towards the awards still to be made under the CVI (£7.5 million).

The unusually poor performance of the world's stock markets during 2000–01 continued in 2001–02, and has reinforced the wisdom of the earlier establishment within the portfolio of a secure fund of regularly maturing fixed interest securities and cash deposits. 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. At the end of the financial year, equities represented 56% of the total portfolio.

Investment income for the year amounted to £9.0 million, 2% less than the previous year's total. 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 achieving a return measured against 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 £7.9 million for the year under review, of which £5.1 million arose on assets within the general fund. Following a transfer of £5.0 million from the chairs maintenance fund and a transfer of £3.2 million to the CVI fund, the general fund (which is the Foundation's operating reserve) increased by £0.4 million during the year to £10.4 million (equivalent to less than nine months' non-retail operating costs).

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 £70.3 million (down from £78.2 million the previous year), representing more than 80% of the investment that was estimated to be required to provide for chairholders' funding.

Bearing in mind the extent to which the general fund is exposed to fluctuations in the stockmarket, the 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.

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, Remuneration and Shops Committees, eight grant-making committees undertake the significant volume of peer review work that underlies their decisions. Further information about each committee is contained in the Annual Review.

Managing risk

The Council has recently completed a review of its risk management strategy in accordance with the requirements of the Statement of Recommended Practice on Accounting and Reporting by Charities. As a result, it has determined which major risks are not adequately mitigated at present and, where appropriate, what action is required in order to reduce each risk to a level which the Council considers to be acceptable. This position is recorded in a risk register, which the Council will review at regular intervals.

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 staff. 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 they can make to the Foundation's work.

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

Auditors

From 1 January 2002 our auditors, Binder Hamlyn, have practised in the name of Arthur Andersen. They have signed their report in the new name.

In the UK, an agreement for the partners and personnel of Arthur Andersen to join Deloitte & Touche has recently been concluded and has now received regulatory consent. As a consequence of this, the Council has concluded that it is now appropriate to propose a resolution at the forthcoming Annual General Meeting to appoint Deloitte & Touche as auditors to the group for the ensuing year.

By Order of the Council



John M Edwards

Secretary
30 July 2002

Council's Responsibilities Statement

Charity and company law requires the Council members, 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.

Independent Auditors' Report to Members of the British Heart Foundation

We have audited the financial statements of the British Heart Foundation for the year ended 31 March 2002 which comprise the Group Statement of Financial Activities, the Group Balance Sheet, the Charity Balance Sheet, the Group Cashflow Statement and the related notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Foundation's directors' responsibilities for preparing the Report of the Council and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Council's Responsibilities Statement.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Council is not consistent with the financial statements, if the Foundation has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Foundation is not disclosed.

We read the Report of the Council and consider the implications for our report if we become aware of any apparent misstatements there.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 Group and the Foundation as at 31 March 2002 and of the incoming resources and application of resources of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

180 Strand
London WC2R 1BL
Chartered Accountants and Registered Auditors
30 July 2002

Group Statement of Financial Activities

for the year ended 31 March 2002 (incorporating a Group Income and Expenditure Account)

	Note	General fund £000	Designated funds £000	Restricted funds £000	2002 Total funds £000	2001 Total funds £000
Incoming resources						
Legacies		35,200	–	407	35,607	31,204
Other voluntary income – regular	2	22,297	–	809	23,106	20,926
– exceptional	2	32	–	2,165	2,197	2,595
Investment income	3	9,036	–	–	9,036	9,183
Retail sales	4	45,871	–	–	45,871	40,431
Total incoming resources		112,436	–	3,381	115,817	104,339
Resources expended						
Cost of generating funds						
Retail costs	4,5	37,609	–	–	37,609	34,192
Fundraising	5	11,321	–	–	11,321	9,481
Publicity	5	2,162	–	–	2,162	1,955
		51,092	–	–	51,092	45,628
Net incoming resources available for charitable application						
	6	61,344	–	3,381	64,725	58,711
Charitable expenditure:						
Research	5	45,379	–	450	45,829	40,462
Education and care	5	12,089	–	766	12,855	14,497
	5	57,468	–	1,216	58,684	54,959
Cardiovascular Initiative						
– research awards	5	–	5,952	2,165	8,117	6,365
– education and care awards	5	–	–	–	–	5,680
Expenditure in furtherance of charitable objectives		57,468	5,952	3,381	66,801	67,004
Management and administration of the charity	5	681	–	–	681	594
		58,149	5,952	3,381	67,482	67,598
Total resources expended	5	109,241	5,952	3,381	118,574	113,226
Net surplus (deficit) before transfers						
Net investment losses	6,8	3,195	(5,952)	–	(2,757)	(8,887)
Transfers between funds:		(5,085)	(2,842)	–	(7,927)	(8,712)
– Chairs maintenance fund	6	5,000	(5,000)	–	–	–
– Fixed asset fund	6	550	(550)	–	–	–
– Cardiovascular initiative fund	6	(3,243)	3,243	–	–	–
Net movement in funds		417	(11,101)	–	(10,684)	(17,599)
Balance of funds at 1 April 2001	6	10,024	106,294	74	116,392	133,991
Balance of funds at 31 March 2002	6	10,441	95,193	74	105,708	116,392

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 2002

	Note	2002		2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		17,348		17,898
Investments	8		209,157		215,644
			226,505		233,542
Current assets					
Stock of goods for resale		261		516	
Debtors	9	5,417		5,031	
Short-term deposits		9,229		1,586	
Cash on deposit, at bank and in hand		2,834		6,052	
		17,741		13,185	
Creditors: amounts falling due within one year					
Research and other awards	10	40,273		32,823	
Other creditors	11	3,659		3,810	
		43,932		36,633	
Net current liabilities			(26,191)		(23,448)
Total assets less current liabilities			200,314		210,094
Creditors: amounts falling due after more than one year					
Research and other awards	10		(94,606)		(93,702)
			105,708		116,392
Represented by:					
General fund	6		10,441		10,024
Designated funds					
Chairs maintenance fund	6	70,345		78,187	
Fixed asset fund	6	17,348		17,898	
Cardiovascular Initiative fund	6	7,500		10,209	
Endowment fund			95,193		106,294
G M Yule Bequest	6		74		74
			105,708		116,392

Approved by the Council on 30 July 2002



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 2002

	2002		2001	
	£000	£000	£000	£000
Net deficit		(2,757)		(8,887)
Adjustment of net deficit to net cash inflow from operating activities (see note A below)		10,681		12,900
Net cash inflow from operating activities		7,924		4,013
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets	(2,096)		(2,112)	
Receipts from sales of tangible fixed assets	37		92	
Purchase of investments	(52,195)		(36,748)	
Receipts from sales of investments	50,755		36,858	
		(3,499)		(1,910)
Management of liquid resources				
Increase in short term deposits		(7,643)		(100)
(Decrease)increase in cash (see note B below)		(3,218)		2,003

Notes to the Group Cashflow Statement

A: Adjustment of net deficit to net cash inflow from operating activities

	2002 £000	2001 £000
Depreciation	2,583	2,534
Loss(profit) on sale of tangible fixed assets	26	(36)
Decrease(increase) in stocks	255	(89)
(Increase)decrease in debtors	(386)	515
(Decrease)increase in creditors	(151)	357
Awards made during the year	63,911	64,630
Awards paid	(55,557)	(55,011)
	10,681	12,900

B: Changes in net funds during the year

	2002 £000	2001 £000
Net funds being cash at 1 April 2001	6,052	4,049
(Decrease)increase in cash	(3,218)	2,003
Net funds being cash at 31 March 2002	2,834	6,052

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 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. Endowment funds require the capital to be retained and invested, while the income is available for general purposes.

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.

Notes to the Accounts

1 Accounting policies continued

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	2002 Total funds £000	2001 Total funds £000
Regular income:				
Donations	10,113	134	10,247	8,634
Regional fundraising	7,524	615	8,139	7,593
National events	4,660	–	4,660	4,643
National Lottery grant	–	60	60	56
	22,297	809	23,106	20,926
Exceptional income:				
Glasgow Cardiovascular Research Centre Appeal	–	2,165	2,165	1,165
Donation arising from return of endowments	32	–	32	1,000
Donation of Al Maktoum Senior Lectureship fund (note 15)	–	–	–	430
	32	2,165	2,197	2,595

3 Investment income

	2002 £000	2001 £000
Listed investments	6,736	8,231
Bank interest	1,785	816
Property	501	123
Unlisted investments	11	9
G M Yule Bequest	3	4
	9,036	9,183

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. All these activities are for the purpose of generating funds.

	Charity shops donated goods £ 000	BHF Shops Ltd £ 000	British Heart Foundation Ventures Ltd Retail activities £ 000	Total 2002 £ 000	Total 2001 £ 000
Sales	43,338	2,084	449	45,871	40,431
Costs	35,841	1,327	441	37,609	34,192
Incoming resources available	7,497	757	8	8,262	6,239

5 Gross expenditure

	Awards (note 10) £000	Staff costs £000	Other costs £000	Depreciation (note 7) £000	Total 2002 £000	Total 2001 £000
Charitable expenditure						
Research	45,176	488	129	36	45,829	40,462
Education and care	10,618	1,668	401	168	12,855	14,497
Cardiovascular Initiative						
– research	8,117	–	–	–	8,117	6,365
– education and care	–	–	–	–	–	5,680
Management and administration	–	447	191	43	681	594
	63,911	2,603	721	247	67,482	67,598
Cost of generating funds						
Retail costs	–	12,399	23,228	1,982	37,609	34,192
Fundraising	–	5,443	5,577	301	11,321	9,481
Publicity	–	818	1,291	53	2,162	1,955
	63,911	21,263	30,817	2,583	118,574	113,226

The nature of the British Heart Foundation's activities means that support costs are included in staff costs, other costs and depreciation. Support costs within charitable expenditure are not considered to be material.

Notes to the Accounts

5 Gross expenditure continued

Staff costs	2002 £000	2001 £000
Salaries	17,955	15,466
Social security	1,371	1,211
Other pension costs (see note 13)	1,353	1,024
Other staff costs	584	388
	21,263	18,089

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

	2002	2001
Head office	173	155
Regions	112	100
Shops	1,186	1,120
	1,471	1,375

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

	2002	2001
Between £ 50,001 – £60,000	8	7
Between £ 60,001 – £70,000	3	2
Between £ 70,001 – £80,000	1	1
Between £ 80,001 – £90,000	2	1
Between £ 90,001 – £100,000	–	–
Between £100,001 – £110,000	1	2
Between £110,001 – £120,000	2	1

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

Trustee costs

No Council members received any remuneration for services as members of the Council, but a total of £3,229 (2001: £4,457) was reimbursed to six (2001: eight) members for travelling expenses to and from meetings.

Trustee Indemnity Insurance was purchased at a cost of £8,295 (2001: nil).

Audit fee	2002 £000	2001 £000
Audit fee included in management and administration	33	33

6 Statement of funds

	Notes	Balance 1 April 2001 £000	Net incoming resources available £000	Charitable expenditure £000	Net investment (losses) £000	Transfers £000	Balance 31 March 2002 £000
General fund		10,024	61,344	(58,149)	(5,085)	2,307	10,441
Designated funds:							
Chairs maintenance fund	a	78,187	–	–	(2,842)	(5,000)	70,345
Fixed asset fund	b	17,898	–	–	–	(550)	17,348
Cardiovascular Initiative fund	c	10,209	–	(5,952)	–	3,243	7,500
		106,294	–	(5,952)	(2,842)	(2,307)	95,193
Restricted funds:							
Research restricted legacies	d	–	407	(407)	–	–	–
Chairs of cardiovascular medicine		–	43	(43)	–	–	–
Cardiac equipment and support donations	e	–	700	(700)	–	–	–
Heart Information helpline		–	6	(6)	–	–	–
National Lottery grant	f	–	60	(60)	–	–	–
Cardiovascular Initiative research project	g	–	2,165	(2,165)	–	–	–
		–	3,381	(3,381)	–	–	–
Endowment fund:							
G M Yule Bequest	h	74	–	–	–	–	74
Total funds		116,392	64,725	(67,482)	(7,927)	–	105,708

Notes

- The chairs maintenance fund represents the financing of a significant proportion of the projected cost of the chairs of cardiovascular medicine at universities and teaching hospitals, which are awarded for a varying number of years.
- The fixed asset fund represents the net book value of tangible fixed assets used by the Foundation.
- The closing balance of the Cardiovascular Initiative fund represents the three remaining projects for which funds have been set aside.
- Research restricted legacies are those where the terms of the bequest specifically require the money to be used for research.
- Cardiac equipment and support donations are funds restricted by the donor to specific projects.
- The National Lottery grant funds a project looking into the health of Asian families.
- The Glasgow Cardiovascular Research Centre is supported by restricted income.
- Income from the G M Yule Bequest is available for the general activities of the Foundation.

Notes to the Accounts

6 Statement of funds continued

Analysis of net assets between funds

	General £000	Designated £000	Endowment £000	Total £000
Tangible fixed assets	–	17,348	–	17,348
Investments	131,238	77,845	74	209,157
Current assets	17,741	–	–	17,741
Current liabilities	(43,932)	–	–	(43,932)
Long term liabilities	(94,606)	–	–	(94,606)
	10,441	95,193	74	105,708

7 Tangible fixed assets

Group and Charity	Freehold land and buildings £000	Leasehold property £000	Shop fittings £000	Vehicles £000	Furniture and equipment £000	Total £000
Cost						
At 1 April 2001	9,148	8,083	8,536	1,481	4,305	31,553
Additions	–	490	322	261	1,023	2,096
Disposals	–	–	–	(274)	(218)	(492)
At 31 March 2002	9,148	8,573	8,858	1,468	5,110	33,157
Depreciation						
At 1 April 2001	1,212	3,250	5,498	830	2,865	13,655
Charge for year	113	550	767	368	785	2,583
Disposals	–	–	–	(235)	(194)	(429)
At 31 March 2002	1,325	3,800	6,265	963	3,456	15,809
Net book values						
At 31 March 2002	7,823	4,773	2,593	505	1,654	17,348
At 31 March 2001	7,936	4,833	3,038	651	1,440	17,898

8 Investments

Group and Charity	2002 £000	2001 £000
Market value		
At 1 April 2001	215,644	224,466
Purchase of investments	52,195	36,748
Receipts from sale of investments	(50,755)	(36,858)
	217,084	224,356
Net investment losses – realised and unrealised	(7,927)	(8,712)
At 31 March 2002	209,157	215,644
Represented by		
Listed investments:		
– Fixed interest securities	43,020	57,403
– Equities	117,878	121,840
Unlisted investments	49	49
Property	5,896	5,894
Short term deposits	42,314	30,458
	209,157	215,644
Listed investments include overseas investments of £30,597,394 (2001: 31,701,291).		
Historical cost at 31 March 2002	183,780	175,522
Unrealised gains at 31 March 2002	25,377	40,122
Gains on historical cost realised in the year	6,819	9,794

9 Debtors

	Group		Charity	
	2002 £000	2001 £000	2002 £000	2001 £000
Amount owed by subsidiary undertakings	–	–	1,163	451
Other debtors	2,039	2,317	1,837	2,150
Prepayments	2,874	2,544	2,673	2,370
Income tax recoverable	504	170	504	170
	5,417	5,031	6,177	5,141

Notes to the Accounts

10 Research and other awards

Group and Charity	2002 £000	2001 £000
Outstanding liabilities at 1 April 2001	126,525	116,906
Awarded during the year:		
Research	45,176	39,938
Education and care	10,618	12,647
Cardiovascular Initiative – research	8,117	6,365
Cardiovascular Initiative – education and care	–	5,680
	190,436	181,536
Less paid during the year	55,557	55,011
Outstanding liabilities at 31 March 2002	134,879	126,525
Awards falling due within one year	40,273	32,823
Awards falling due after more than one year	94,606	93,702
	134,879	126,525

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.

The Foundation sometimes receives applications for grants from, and makes awards to, universities and hospitals which employ Council members in senior research capacities. During the year ended 31 March 2002 the Foundation awarded grants of £784,421 (2001: £1,059,580) 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.

All grants are made to institutions, and 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	
	2002 £000	2001 £000	2002 £000	2001 £000
Amount owed to subsidiary undertakings	–	–	244	–
Accruals	2,645	2,501	2,608	2,489
Deferred income	759	1,051	235	232
Taxes and social security	255	258	193	171
	3,659	3,810	3,280	2,892

12 Lease commitments

	2002 £000	2001 £000
Annual commitments for leases (land and buildings) expiring:		
Within one year	244	64
Between two and five years	1,085	906
Over five years	8,270	8,027
	9,599	8,997

13 Pensions

	2002 £000	2001 £000
Pension scheme contributions		
Defined benefit scheme	1,038	750
Defined contribution schemes	315	274
	1,353	1,024

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 were invested through a managed fund operated 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 market value of the scheme's assets at that date was £8,642,646, which represented 86% of the liabilities of the fund after allowing for expected future increases in earnings and pensions.

The principal actuarial assumptions used in the 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. Following the 1999 valuation, the Foundation made a special payment of £1,200,000 to the fund in March 2000, and the scheme was closed to new entrants from 30 June 2001. The next valuation will be carried out as at 30 June 2002.

Notes to the Accounts

13 Pensions continued

FRS 17 "Retirement benefits"

Additional disclosures regarding the Group's defined benefit pension scheme are required under the transitional provisions of FRS 17 and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of the FRS 17 in the year ending 31 March 2004.

The actuarial valuation described above has been updated at 31 March 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at a fair value.

The major assumptions used for the actuarial valuation were :

	2002 %
Rate of increase in salaries	4.5
Rate of increase in pensions in payment – Limited Prices Indexation	3.0
Rate of increase in pensions in payment – Guaranteed increases	5.0
Discount rate	6.0
Inflation assumption	3.0

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were :

	2002 %	2002 £000
Equities	8.0	7,673
Bonds	5.5	1,762
Other	4.0	662
Total fair value of assets		10,097
Present value of scheme liabilities		(12,431)
Deficit in the scheme and net pension liability		(2,334)

The contribution rate for 2002 was 25.2% of pensionable salaries less member contributions, plus the cost of insurance premiums to provide death in service benefits.

The Foundation is not subject to corporation tax and it does not, therefore, account for deferred tax. Consequently there cannot be a deferred tax asset related to the above pension liability.

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, Heart Week roses and branded goods through the Foundation's network of voluntary branches, and making commission arrangements and sponsorship agreements.
- BHF Shops Limited, retailing non-donated goods in the Foundation's charity shops.
- London to Brighton Bike Ride Limited, owning rights to, and operating, the British Heart Foundation LONDON TO BRIGHTON BIKE RIDE.
- British Heart Foundation Sales Limited – dormant.

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

Retail activities are shown in note 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 2002 £ 000	Total 2001 £ 000
Turnover	1,767	2,084	721	4,572	3,157
Cost of sales	(843)	(1,327)	(84)	(2,254)	(1,830)
Gross profit	924	757	637	2,318	1,327
Other costs	(206)	(232)	(617)	(1,055)	(779)
Net profit	718	525	20	1,263	548
Gift Aid payment	(718)	(525)	(20)	(1,263)	(548)

15 Al Maktoum Senior Lectureship Fund

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 2002

	Note	2002		2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		17,348		17,898
Investments	8		209,157		215,644
			226,505		233,542
Current assets					
Stock of goods for sale			–		95
Debtors	9	6,177		5,141	
Short-term deposits		9,229		1,586	
Cash on deposit, at bank and in hand		1,956		5,445	
		17,362		12,267	
Creditors: amounts falling due within one year					
Research and other awards	10	40,273		32,823	
Other creditors	11	3,280		2,892	
		43,553		35,715	
			(26,191)		(23,448)
Total assets less current liabilities			200,314		210,094
Creditors: amounts falling due after more than one year					
Research and other awards	10		(94,606)		(93,702)
			105,708		116,392
Represented by:					
General fund	6		10,441		10,024
Designated funds					
Chairs maintenance fund	6	70,345		78,187	
Fixed asset fund	6	17,348		17,898	
Cardiovascular Initiative fund	6	7,500		10,209	
			95,193		106,294
Endowment fund					
G M Yule Bequest	6		74		74
			105,708		116,392

Approved by the Council on 30 July 2002



Professor Sir Keith Peters, Chairman
Member of the Council



Howard Hughes, Honorary Treasurer
Member of the Council

Council, Executives and Advisers

Patron

His Royal Highness The Prince Philip KG KT

President

Sir Richard Lloyd Bt³

Vice President

The Rt Hon Lord Forte

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Dr Richard P Thompson, Vice Chairman

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Professor Alan M McGregor

Keith M H Millar²

Alistair C Mitchell-Innes³

Sir Harry R Moore – died 7 May 2001

Sir Robin Mountfield KCB

Professor Neil B Pride

Professor Peter S Sever – appointed 26 March 2002

Anthony F Spink

Lady Staughton

Mark V St Giles

Professor Kenneth M Taylor¹

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Major General Leslie F H Busk CB

Secretary and Finance Director^{1a}

John M Edwards

Medical Director^{1a}

Professor Sir Charles George

Director of Fundraising^{1a}

Miranda Ford – retired 31 May 2002

Shops Chief Executive^{1a}

Kenneth C Blair

Director of Communications^{1a}

Betty McBride

Principal Office

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Registered charity number 225971

Bankers and principal advisers

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Bank of Scotland

32 Brandon Parade South

Motherwell ML1 1UW

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Investment Custodians

Deutsche Bank AG London

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¹ Member of Executive Committee

^{1a} Ex-Officio Members of Executive Committee

² Member of Audit Committee

³ Member of Remuneration Committee

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