

## Annual Report and Accounts 2003



**British Heart Foundation**

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**The aim of the British Heart Foundation is to play a leading role in the fight against cardiovascular 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 2003

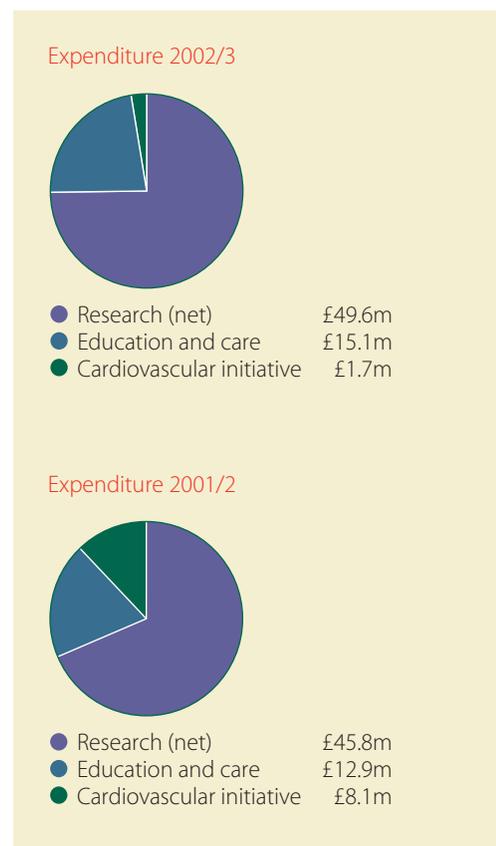
### The Council of the British Heart Foundation submits its statutory Report and Accounts for the year ended 31 March 2003.

#### Principal aim and activities

The aim of the British Heart Foundation is to play a leading role in the fight against cardiovascular 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. Net incoming resources available to the Foundation for charitable application increased by 4% to £67.4m. The amount committed to our principal objective of supporting research represented 76% of this figure. Education of the public and the medical profession, together with the expenditure on the care and rehabilitation of heart patients, accounted for a further 22%.

#### Expenditure on objectives

Direct expenditure on the Foundation's objectives amounted to £66.4m, compared with £66.8m in the previous year. This expenditure comprised:



#### Research

##### Grants

While the Foundation's net expenditure on research was 8% higher than last year at £49.6m, there was growth of 12% in gross research spend (before accounting for the return of four endowments, explained under Income below and in Note 15 to the Accounts).

### At 31 March 2003, the Foundation supported 29 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 16 institutions. 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. Two further personal chairholders have been identified (in UCL and Leicester) and will be taking up their appointments during the coming year. Two other offers are pending in Cambridge and King's College, London. The number of chairholders in post should, therefore, increase to 33.

Sadly, Professor Michael Davies, formerly Professor of Cardiovascular Pathology at St George's Hospital Medical School and Assistant Medical Director of the British Heart Foundation, died shortly after his retirement. He made immense contributions to cardiovascular science and his seminal work on narrowed coronary arteries and the events leading to coronary thrombosis revolutionised the treatment of this condition worldwide. The Foundation has established a Young Investigator Award with the British Atherosclerosis Society in his memory.

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 analysis of the visitors' reports, recommendations as to their funding over the next five years were made to the Chairs and Programme Grants Committee.

During the year the Foundation received 33 applications for funding of Programme Grants lasting up to five years. Of these, 14 totalling £8.5 million were agreed, seven of which were renewals for a period of three to five years. One application was deferred for consideration in 2003/04.

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 two awards were made during 2002/03, one in Oxford and the other in Cambridge.

The Foundation awarded a total of 172 project grants (usually lasting up to three years), down from 177 last year. 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 92 researchers, both basic scientists and clinicians. Ten of the fellowships were at senior or intermediate level and 82 were for junior researchers or PhD students, including two travelling fellowships. Twelve appointments were made under the BHF scholarships scheme.

#### Collaboration

The Foundation has a membership of two on the Cardiovascular Research Funders Forum which aims to consider issues of mutual interest relating to cardiovascular disease, ranging from basic and clinical research through to epidemiological studies related to prevention, screening, diagnosis, service delivery and treatment and to identify areas that would benefit from a co-ordinated approach and suggest practical measures for its achievement. The other members include Diabetes UK, and the Health Departments of England, Wales, Scotland and Northern Ireland as well as the Medical Research Council, the Wellcome Trust and the National Director for Cardiac Services; its founding chairman is the Medical Director of the BHF.

## Research outcomes

To further its aim of playing a leading role in the fight against cardiovascular disease, the British Heart Foundation's principal objective is to fund research into its causes, diagnosis, prevention and treatment. The following are but a few examples of the outcomes of research which the Foundation has funded:

Congenital heart defects represent the most common developmental abnormality affecting the unborn child. Programmes of research in Nottingham and at the Institute of Child Health, London were renewed in the last year. The former has shed new light on some of the factors controlling the development of the human heart during weeks six to twelve in utero. By contrast, work in London is focusing on partial deletions of chromosome 22 which lead to skeletal as well as cardiac malformations.

Coronary heart disease remains the single most important cause of premature death in the UK. Much of the research focuses on the causes of the accumulation of cholesterol within the walls of arteries. This can distort their shape, narrow the channel through which blood can flow and act as a site on which subsequent clotting can occur. The significance of raised blood pressure (hypertension) as a risk factor for the disease process which leads to arterial narrowing and its consequences was further demonstrated in large studies from the Clinical Trials Service Unit in Oxford which has important public health messages for prevention. Hypertension develops as a result of an interaction between genetic and environmental factors. Progress on identifying relevant genes has been made in Glasgow University for which programme grant support has been renewed.

Until recently, it was thought that the major effects of stress on the heart were to aggravate pre-existing problems. Thus, in a person who suffers from angina, stress can precipitate an attack. More recently, a long-term study of civil servants known as Whitehall II has indicated that job stress (reported high job demands and low control, and effort-reward imbalance) also predicts the onset of coronary heart disease. The continuing research will identify the nature of the links between stress and the development of coronary heart disease.

The diagnosis of various cardiovascular problems has been refined by the introduction of magnetic resonance imaging (MRI). As part of the first BHF

Cardiovascular Initiative, new technology was installed in the National Heart and Lung Institute at the Royal Brompton Hospital, London, where it is already shedding new light on the structure and function of the heart in those who have had complex congenital heart defects corrected surgically. In addition, MRI scanning allows accurate determination of the quantities of iron deposited in the heart in patients with thalassaemia, a disorder of red blood cells which requires frequent blood transfusions. This technology will assist in monitoring treatment.

BHF funded researchers in Cambridge are using a combination of technologies including Positron Emission Technology and computerised tomography to study atheromatous plaques so as to detect signs of vulnerability to rupture (an event which leads to subsequent clotting and precedes heart attack and stroke).

In July 2002, the full results of the Heart Protection Study were published. The study was co-funded by the British Heart Foundation with the Medical Research Council, with contributions from pharmaceutical companies. It involved patients attending 69 UK hospitals and was one of the largest ever published. Over an average period of five years follow up, vitamin supplementation was shown to have no effect on the frequency of vascular complications such as heart attack, stroke and the need for surgical intervention by coronary artery bypass grafting. By contrast, the cholesterol lowering drug simvastatin reduced the risks of either subsequent heart attack or stroke by a quarter and collectively by one third. The benefits were also apparent in women, the elderly and especially in those with diabetes. The implications of this study are huge and will make a major contribution to fulfilling the aim of the Foundation.

However, for those people whose angina worsens and are admitted to hospital with a heart attack (but in whom their ECG does not show the classic changes) the publication of the BHF funded Rapid Intervention Trial in Angina (RITA) 3 has demonstrated the need for planned care. Over a quarter of such patients will have a recurrence of their symptoms unless coronary angioplasty is undertaken within a short period after their first presentation to hospital.

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

## Education and care

### Education

The aim of the Education Department is to translate research into practice so that we can inform and educate both health professionals and members of the public on all aspects of heart health. Clearly this is a broad remit and each year we focus on particular activities or groups of people to achieve our objective.

A number of new resources for heart patients and their families and friends have been developed during the year including, *Good service? The National Service Framework for Coronary Heart Disease – a guide for patients*, together with a series of leaflets to support people who have existing medical conditions such as angina, diabetes, or high blood pressure and new titles in the *Heart Information Series*. This series remains core to our provision of information to patients and over 3.5 million booklets were distributed during the year.

*Heartland*, a series of 12 educational TV programmes developed by the BHF and transmitted on the digital Channel Health, is a first for a UK charity. They offered advice to help reduce the viewers' risk of heart disease (diet, exercise, cholesterol), to deal with common problems (angina, high blood pressure) or to become aware of services such as Heartstart. Fronted by Maggie Philbin, it had a magazine-style format which made the serious topic of heart disease more accessible.

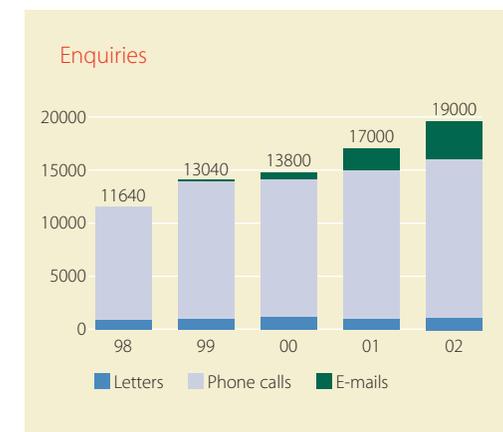
The BHF's resources for schools and young people have always enjoyed very positive feedback. New materials have continued to be developed and produced, including the next title in the "Artie likes to..." series, the *Active Club pack* (which builds on the success of the *Active Schools pack*) and *The Big Heart Book* - in a specific format which primary schools use to support literacy hour, linking directly to the national curriculum.

As well as the new activities highlighted above, the Education Department continues to issue *Factfile*, its monthly newsletter for GPs, hold scientific workshops and award funds for external meetings and projects.

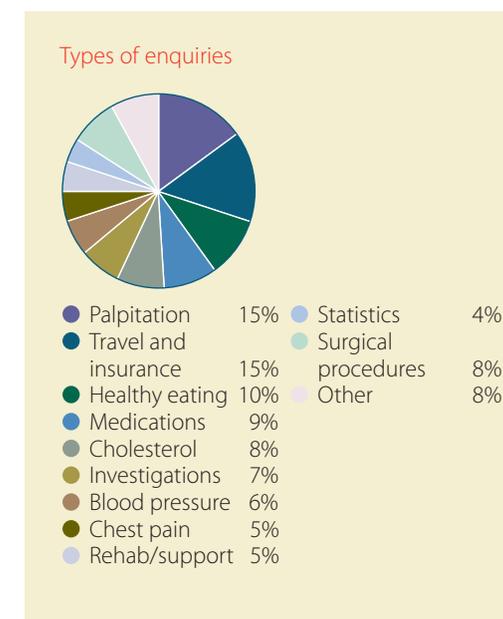
### Medical information

The team of staff within the medical information department grew to six cardiac nurses and four heart information officers in preparation for the launch of the Heart Information Line in January

2003. The team aims to provide up-to-date, accurate and impartial information to the public, health professionals and the media on a wide range of heart-related matters.



In 2002, the medical information department handled about 19,000 enquiries, 96% of which came from patients, carers and the general public. Almost as many callers now use the Heart Information Line number as come through the main switchboard, and since the launch of the line in January 2003 enquiries have increased by about 400 each month.



Most enquiries are about conditions such as coronary heart disease, abnormal heart rhythms, valvular disease and heart failure, although a broad range of concerns is addressed.

Every year, the department sends a questionnaire to 400 consecutive callers covering the type of enquiry, the caller's expectations of the service, the speed of response, the relevance of the literature sent and the overall quality of the service. The results this year showed that the service was prompt, appropriate and of a high standard. In nearly 96% of cases, the information sent out arrived within two to three days and nothing took longer than five days.

#### Emergency life support

The British Heart Foundation recognises two main factors which can improve outcome after cardiac arrest: increasing public knowledge of basic life support and the time from collapse to defibrillation.



An internal workshop was held in May 2002. This recognised the need for community responders (including voluntary aid societies, the Police, Fire Service and other suitable organisations) to work under Ambulance Service control. The Foundation set up a steering group with involvement from the

Resuscitation Council (UK), Department of Health, Ambulance Service and voluntary aid societies. The group is mapping the location of existing defibrillators and encouraging liaison between the ambulance service and community responders. A second group was established to look at the training of community responders.

The Foundation continued its role in providing defibrillators where they can have most impact.

## Over 200 defibrillators were provided in the year to community responders and provision of defibrillators to GPs has also continued with nearly 150 awards over the year.

GPs may reach a patient more quickly than the ambulance service and continuing audit has shown that those equipped with defibrillators can save nearly two-thirds of people who suffer a cardiac arrest whilst in the GP's surgery or when he or she is in attendance in the patient's home.

The Foundation's role in encouraging and enabling the establishment of schemes in the community to train the public in Emergency Life Support skills continues. 2002 was a period of consolidation for the initiative and three more Heartstart UK Regional Co-ordinators were employed so as to enable future expansion and support of community training. There are now over 800 such schemes affiliated to Heartstart UK (an increase of 64 in the last year). The biggest area of expansion continues to be in schools – especially in Scotland and Northern Ireland. To date there are almost 350 school training schemes. The Heartstart UK schemes have been responsible for training over 150,000 people during the year.

Currently, the Foundation is working with the Department of Health to become an award partner with the New Opportunities Fund for expansion of the National Defibrillator Programme. If successful, the bid, which will be made in June 2003, could lead to the deployment of an additional 2,300

defibrillators to organisations which could act as co-responders with the ambulance service.

The Foundation's successful pilot initiative which led to the training of 17 echo (ultrasound) technicians has been repeated and awards made to a further 18 NHS Trusts for a period of two years.

#### Cardiac care

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, BHF aims to encourage the development of rehabilitation projects that maximise the recovery of heart patients. In 2001 BHF made three major rehabilitation awards for action research initiatives. These projects are looking at physical activity programmes that try to increase the numbers of patients who make behavioural or life-style changes as a result of a range of rehabilitation services. All three of the projects started during 2002.

The British Heart Foundation has been in discussion with the New Opportunities Fund during the last year. It is hoped that this will result in BHF running a grant programme in 2003 that will focus on increasing the take up of cardiac rehabilitation.

#### Nurses

Through grant funding the BHF aims to develop and pilot nurse-based interventions to maximise the length and quality of the life of heart patients. The Foundation is funding and supporting 42 cardiac liaison nurses who support patients in the community after their discharge from hospital, together with three cardiac liaison nurses who work specifically with children at Alder Hey Hospital. This programme will be extended during 2003 to support a further ten paediatric posts. A pilot scheme is being run to assess the impact of specialist acute coronary syndrome nurses and six posts are now being funded.

In 2001 the BHF prioritised heart failure for specialist nurse intervention. Heart failure is an increasingly common condition, 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 for heart failure nurses has been set up for these new posts and is now available to other heart failure nurses. Since the year end the BHF has been awarded £9.4 million from the New Opportunities Fund to fund a further 70 heart failure nurse posts in England.

#### Patient networks

Heart Support Groups are patient-led groups which offer support and activities for cardiac patients and their carers. There are 304 Heart Support Groups in England and Wales affiliated to the BHF, which is an increase of 25 from last year. 'How to' toolkits are being developed to help groups to set up and run a range of activities and programmes.

The Foundation has established a register of heart patient representatives known as 'Hearty Voices'. Cardiac patients are trained and supported to influence the way in which BHF initiatives and health services are designed and developed. A patient advisory group has been established to work with the BHF Education and Care Committees.

The BHF has developed a partnership with the charity DIPEX (Directory of Individual Patient Experiences). This is a web-based resource where patients can find out about other patients' experiences of their illness. The Foundation has been working with DIPEX to launch three modules during 2003/04, for parents of children with congenital heart disease, patients with heart failure and those with hypertension.

The Medical Director and Head of Cardiac Care have been involved as Chairman and Secretary of the Trustees of the Patient Choice Initiative which was established in July 2002. The Initiative seeks to provide those patients waiting for six months for either valve replacement or coronary artery bypass grafting with the choice of up to five other centres which could offer earlier treatment.

## Cardiovascular Initiative

During 1999 the Council resolved to capitalise on the great opportunity presented by the success of its investment policy over several years and to utilise at least £40m of the 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, and a further £3.2m 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 has been agreed since 1999/2000 at a projected cost of £33.5m; of that total, £27.0m was awarded by 31 March 2003 (including £1.0m allocated in the year under review to the University of Birmingham for the refurbishment of laboratory space and equipment for the new BHF professor), leaving a balance of £6.5m in the CVI Fund for subsequent award as the remaining plans are finalised.



Glasgow Cardiovascular Research Centre

In connection with a £5.0m initial award for the establishment of a Glasgow Cardiovascular Research Centre, restricted donations received from Glasgow University, from ongoing public appeals and from interest on deposits, have over the past three years added £4.0m to the funding – of which £0.7m arose during the year. Together with a further £0.2m in 2000/01 from the Foundation, this has enabled a broader project incorporating an MRI scanner and its accommodation to be established.

Plans for further new buildings at Oxford and King's College, London are now well advanced and are expected to be finalised during 2003/04, enabling the last awards to be made.

The impact of this first Cardiovascular Initiative on the research community has been such that during the year Council agreed, in principle, to the establishment of a second Cardiovascular Initiative for which 20 outline proposals have been received from research institutions.

In addition to the above, six education and care projects were awarded £9.2m (including the cost of associated publicity campaigns) under the first CVI. They include the Walking the Way to Health Initiative which was launched in October 2000. Two years later it is well on its way to meeting its target of encouraging more than a million people who do little exercise to walk more. There is activity in England, Scotland and Wales. To date there are over 150 community-based schemes in operation, many of them located in areas of poor health. The schemes depend upon local volunteers and more than 2,000 have been trained to lead walks and research walking routes.

As part of our commitment to raise awareness of the increased risk of coronary heart disease in people of South Asian origin, the BHF has delivered talks to ethnic organisations and taken part in health fairs and awareness days throughout the year. In addition, together with Asian Quitline (a smoking cessation service funded by BHF)

## an initiative has been launched to take heart health education into the Muslim community

by providing training days for local Imams, mosque staff and community leaders around the UK. To support this type of activity and the South Asian population more generally the work started last year has been continued and further Asian language resources that are culturally sensitive have been developed. Three videos, *Living to prevent heart disease*, *Heart surgery* and *Cardiac rehabilitation*, are now available in Urdu/Hindi, Punjabi, Bengali and Gujarati.

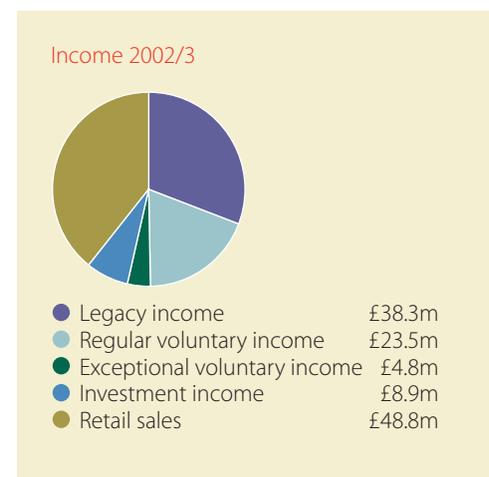
A third initiative was to place a simulator of 27 different heart conditions in each of the medical schools around the UK. This device facilitates learning by medical undergraduates and can be used in the assessment of clinical skills amongst

both undergraduates and qualified doctors as they further their professional training.

The three other elements all relate to physical activity. The first two seek to promote active schools and to that end packs have been produced for teachers in both primary and secondary education sectors. The development of these toolkits was a joint production with the National Centre for Physical Activity and Health established by the Foundation in 2000 at Loughborough University. In addition to developing resources for schools and young people, the Centre has produced material for the workplace and for adults in later life. They also provide an information service and liaise with government departments as well as other national organisations.

## Income

Gross income for the year increased by 7.3% to £124.3m. Legacy income at £38.3m grew by 8%, while other regular voluntary income rose marginally to £23.5m.



Exceptional donations received in the year amounted in total to £4.8m, of which £4.1m arose from the return of old (and inadequate) chair endowments in exchange for the award of personal chairs at the same universities on an ongoing basis. Where an endowment could be repaid, the increase in its value (over many years) has been treated as income to the general fund;

however, in cases where that has not been possible due to perpetuity restrictions, the trust has been passed to the BHF to administer and the whole has been taken as endowment fund income. The remaining £0.7m was income restricted to the Glasgow Cardiovascular Research Centre (the complementary award is further explained under Cardiovascular Initiative, above).

## Fundraising

A busy calendar of direct marketing activity resulted in a good return being achieved from our database of individual supporters. By the year-end 41% of active donors had agreed to make their donations subject to gift aid (increasing their value by 28p in the pound). A highlight of the year was the successful testing of Direct Response Television Advertising, which allows recruitment of donors immediately with a regular monthly donation.

Much hard work meant that Corporate and Trust activity grew in an increasingly tough business market. Key partners such as Shredded Wheat and Tetley continued to raise significant funds for the BHF, while supporting the dissemination of heart health messages. New partners such as Candis Club allowed fresh markets to be reached. In addition, a regional corporate presence was established, in five regions, as a building block for the future.



Jump Rope For Heart is the British Heart Foundation's popular skipping event

After a challenging first six months of the year, regional staff and volunteers made an excellent recovery to achieve income of almost £8.5m. World Experiences, the overseas challenge programme, was disappointing in the wake of global instability. On the other hand Jump Rope For Heart performed exceptionally well thanks to the combined efforts of head office and locally-based

staff. Updating the regional supporter databases has been a priority and plans have been made to meet the challenge of falling volunteer income and a rising wage bill in the regions.

Major events produced income of £5.0m, an increase of 8% on 2002. With the London to Brighton Bike Ride falling during the football World Cup, fewer than 24,000 riders took part on the day, against 27,000 registered. Despite this reduction in numbers,

## participants raised record amounts and the London to Brighton Bike Ride produced very nearly £2.5m.

A new event entry procedure is planned for 2004 which should increase the percentage of riders raising money for the BHF, and therefore the net total income. The Foundation aims to build on the success of its Heart Runners team in the London Marathon by proactively recruiting runners to participate in events such as the Great North Run and Flora Light Challenge. In addition, a scheme will be introduced whereby runners entering events such as the New York Marathon may have their entry expenses reimbursed provided they raise money for the BHF.



Heart Runners celebrate after completing the London Marathon

### Cost of generating funds

Expenditure on fundraising and publicity grew by 19% to £16.0m primarily as a consequence of additional investment in staff resources both in the regions and at head office (including the majority of the cost referred to in the next paragraph).

The Foundation made a special payment of £1.4m to its staff pension scheme to reduce the £5.3m shortfall revealed by its June 2002 triennial actuarial

valuation and to restore its 100%-funded position under the statutory Minimum Funding Requirement. The scheme has been closed to new members since 2001 but existing members have agreed to their contributions rising significantly from July 2003. The FRS17 valuation undertaken at March 2003 was on the basis of prescribed (but different) methods and assumptions and followed a significant further fall in equity values, producing a 'snapshot' deficit of £7.0m. Council has assured members of its continued support for, and desire to retain, the scheme, while not giving any absolute guarantees. Over half the fund's assets are invested in equities and the Foundation believes it should take a long-term view as to their recovery potential, as the scheme is some years from becoming mature. Nevertheless, the scheme actuary (together with its Trustees and with input from the Foundation) is presently undertaking a formal review of the appropriateness of the asset class mix and, if change is needed, over what period it should be achieved.

### Shops

The year was one of fluctuating fortunes for trading in BHF shops, following the considerable improvement experienced in the previous year. Sales grew less than anticipated by 3.2% in shops that had traded for at least 24 months, underpinned by a particularly strong performance at Christmas, when sales grew by 11.8%. The main cause of the general downturn was the particularly poor sales of donated clothing, down by 4.9%. This was partially offset by improved sales in other categories of donated merchandise. Total sales for the year were up by 6.9% on last year at £48.5m. Profit, however, deteriorated from £8.3m in 2001/02 to £7.9m in 2002/03. Sales performance, although disappointing, was in line with the rest of the charity shop sector and was undoubtedly affected by the general economic climate, which hit the retail trade particularly hard in February and March 2003.

## Bright points, however, included the very strong performance of the newly-developed furniture and electrical shop concept,

which is planned to expand during the coming financial year. The economic climate for 2003/04 still looks very uncertain at this stage, but the

division believes that BHF shops are well positioned to take advantage of any upswing.

### Marketing & Communications

The newly-constituted Marketing & Communications Division promotes the work of the British Heart Foundation, communicating heart health messages to targeted audiences and to the general public. The Division is charged with protecting the public reputation and image of the charity.

This work is carried out by staff working in PR and media relations; design and brand development; print and distribution; marketing and celebrity services and government relations and online services. There is a growing emphasis on improving the Foundation's internal communications.

The Heart Week 2002 campaign tackled the realities of heart failure - a debilitating and terminal condition. A comprehensive national and regional PR and advertising campaign was implemented, directing people to a hotline number for a free information pack. The press advertisement polarised views on so-called shock advertising. There was praise for the Foundation for putting heart failure on the agenda and calling for improved patient care. The campaign achieved widespread coverage in national, regional print and broadcast media. Over 17,500 people called the hotline for information. Visits to the BHF website ([www.bhf.org.uk](http://www.bhf.org.uk)) were up by 9,000 and calls to the Foundation's medical information unit increased by 57%.

The Valentine campaign urged women to take positive steps to improve their heart health. It included intensive media relations work, high profile advertising and support for a new educational booklet. The new Women and Health microsite attracted 34,000 visits during the campaign and 128,000 pages were viewed. The main BHF website received over 70,000 visits per month during the year.

The new marketing team has been working across the charity, supporting education campaigns, creating advertising and adding value to corporate partnerships and fundraising activity. The unit instigated a research service to assist with supporter initiatives. The introduction of a print buying specialist and the newly outsourced distribution service resulted in early savings of

£100,000. In March, 78% of all publication orders were despatched the next day, compared with a previous year average of three to four weeks.



The new Women & Health microsite

In Westminster the public affairs team established which MPs and Peers had an interest in heart disease and set up the All-Party Parliamentary Group on Heart Disease. The group now has 155 Members - 84 MPs and 71 Peers - and provides the BHF and other heart organisations with a structure to communicate with politicians. The intention is to build a community of politicians who can become strong allies, advocates and ambassadors for the BHF.

Direct contact with Ministers continued and organisational alliances were strengthened in areas involving the use of animals in research, stem cell research, smoking cessation and charity reform.

### Summary financial results for the year

Income in the year exceeded expenditure by £0.1m, after taking account of £1.0m net CVI expenditure and £0.9m management and administration costs. This compares with a deficit of £2.8m (after £6.0m net CVI expenditure) in 2001/02. The Council confirmed in 1999 its 1997 decision that high quality research projects could be funded out of the Foundation's reserves and designated funds and in the same year authorised the current programme of one-time awards under the CVI.

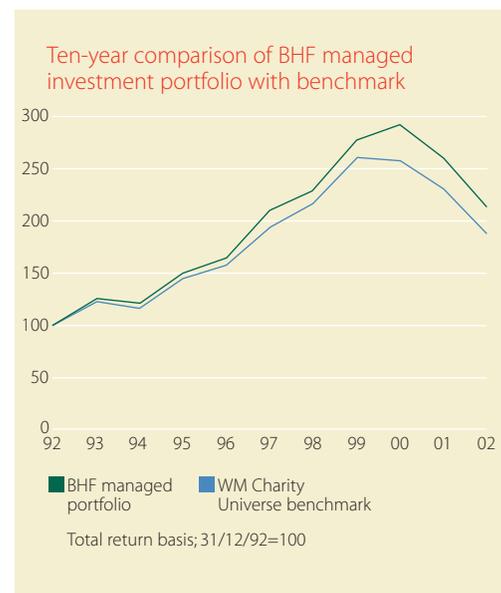
### Balance sheet

#### Investments

The Foundation's investment portfolio is valued at £168.6m at 31 March 2003. It covers liabilities for

grants already awarded to researchers (£139.2m) and provides resources towards funding the 29 chairs of cardiology (£28.9m) that presently form the key element in the Foundation's heart research strategy.

The significant worsening in the performance of the world's stock markets during the year 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 planned 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 50% of the total portfolio.

It is worth noting that the Foundation's historically high exposure to equities has shown significant rewards to balance the clear risks that have been evident recently. Between April 1990 and March 2000, net capital gains reported on the whole portfolio amounted to £101m. Despite the rebalancing of the portfolio to isolate likely cash requirements from potential falls in the equity prices, those subsequent falls have consumed £57m of the gains over the past three years –

measured to a point just two weeks after the lowest level reached in the present bear market (at the time of writing) by the FTSE 100 index. Consequently, £44m of the gains since 1990 remain and the Foundation has no planned need to realise cash from its continuing equity investments, which it intends to hold for the long term.

Investment income for the year held steady at £8.9m. The continuing reduction in the rate of Advance Corporation Tax recovery allowed to charities on dividends has exercised downward pressure on income, but interest rates on the significant (and growing) liquid element of the portfolio have been relatively stable.

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

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 £28.9m (down from £70.3m the previous year), towards the much larger sum that would be required to provide for chairholders' funding. Bearing in mind the extent to which the general fund has demonstrated its exposure 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.

Net losses on the Foundation's investment portfolio amounted to £40.1m for the year under review, of which £26.6m arose on assets within the

general fund. Following a transfer of £28.0m from the chairs maintenance fund and a transfer of £2.5m to the fixed asset fund, the general fund (which is the Foundation's operating reserve) fell by £1.4m during the year to £9.1m (equivalent to six months' planned non-retail 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. Proposed members are subject to election by the existing Council. Members of Council (who are trustees of the charity as well as directors of the company for the purposes of the Companies Act 1985) are listed on page 14 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, seven grant-making committees undertake the significant volume of peer review work that underlies their decisions. Following this Report are the names of those who have served on Council and on each committee during the year.

#### Managing Risk

The Council has recently completed its annual review of the Foundation's 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 continue to 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 intranet. These are supplemented by the Foundation's newsletters, leaflets and publications.

#### Auditors

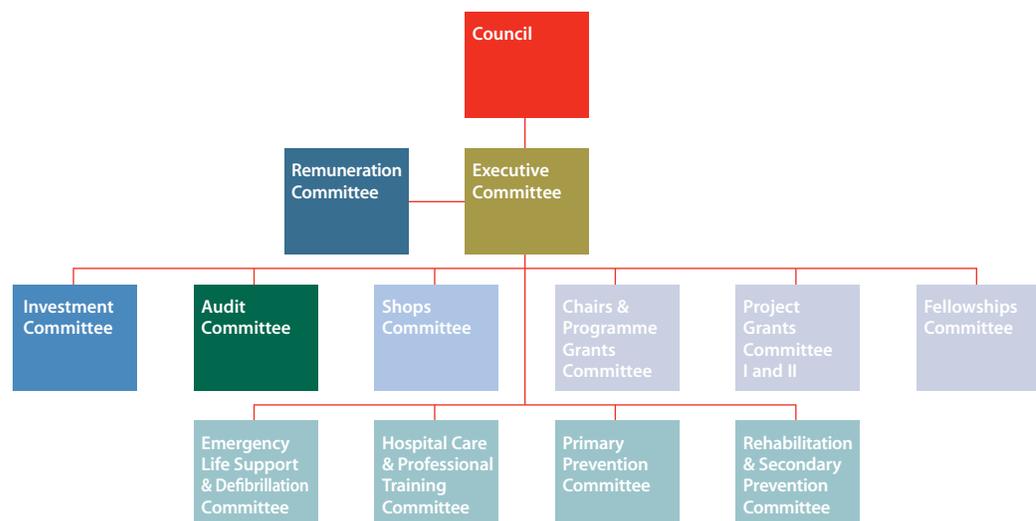
Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them, under section 385 of the Companies Act 1985, will be proposed at the forthcoming Annual General Meeting.

Deloitte & Touche have informed the Council that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the Council to use the Company's statutory power to give consent to the appointment of Deloitte & Touche LLP at the appropriate time.

By Order of the Council

John M Edwards  
Secretary  
29 July 2003

# Council and Committees



**Patron**  
His Royal Highness The Prince Philip KG KT

**President**  
Sir Richard Lloyd Bt

**Vice President**  
The Rt Hon Lord Forte FRSA *retired 9 June 2003*

**The Council**  
**Chairman**  
Sir Keith Peters FRS FRCP *retired 31 December 2002*  
Sir Peter Morris FRS PRCS *appointed 25 March 2003*

**Vice Chairman**  
Sir Richard Thompson KCVO DM FRCP

**Honorary Treasurer**  
Howard Hughes FCA

**Members of Council**  
Susan J Bell  
Richard B Blossom BSc (Hons) *appointed 25 March 2003*  
Dr Nicholas A Boon MD FRCP  
Robin D Broadley  
Professor A John Camm MD FRCP  
Gordon A Campbell MA FREng  
Professor John H Coote PhD DSc  
Roger D Corley CBE FIA FRSA  
Professor Godfrey H Fowler OBE MA FRCP  
Professor Anthony M Heagerty MD FRCP *appointed 25 March 2003*  
Dr Kevin P Jennings MB FRCP  
Dr Barry R Keeton FRCP FRCPCH  
Susan H Lloyd  
Mr Patrick G Magee FRCSI FRCS  
Professor Sir Michael G Marmot PhD FFCM  
Keith M H Millar MA FCA  
Alistair C Mitchell-Innes  
Sir Robin Mountfield KCB  
Professor Neil B Pride MD FRCP  
Professor Peter S Sever PhD FRCP  
Anthony F Spink  
Professor Kenneth M Taylor MD FRCS  
Benjamin HB Wrey MA (Cantab) *appointed 26 November 2002*

**The following members retired during the year:**  
Sir Timothy H Bevan *retired 25 November 2002*  
John R Brookes *retired 6 February 2003*  
Professor Alan M McGregor MD FRCP *retired 26 November 2002*  
Professor Sir Keith Peters FRS FRCP *retired 31 December 2002*  
Mark V St Giles BA *retired 26 November 2002*  
Lady Staughton DL BA *retired 26 November 2002*

**Executive Committee**  
**Chairman**  
Howard Hughes FCA

**Members**  
Susan J Bell  
Robin D Broadley  
Dr Nicholas A Boon MD FRCP  
John R Brookes *retired 6 February 2003*  
Dr Barry R Keeton FRCP FRCPCH  
Susan H Lloyd  
Professor Sir Keith Peters FRS FRCP *retired 31 December 2002*  
Professor Kenneth M Taylor MD FRCS  
Sir Richard Thompson KCVO DM FRCP *appointed 1 January 2003*

**Ex officio**  
Major General Leslie F H Busk CB DUUniv  
John M Edwards FCA  
Professor Sir Charles George MD FRCP  
Kenneth C Blair  
Betty McBride  
Miranda Ford *resigned 31 May 2002*  
Aneesha Moreira *appointed 28 October 2002*

**Remuneration Committee**  
**Chairman**  
Howard Hughes FCA

**Members**  
Sir Richard Lloyd Bt  
Alistair C Mitchell-Innes  
Sir Peter Morris FRS PRCS *appointed 25 March 2003*  
Professor Sir Keith Peters FRS FRCP *retired 31 December 2002*

**Investment Committee**  
**Chairman**  
Mark V St Giles BA *retired 26 November 2002*  
Benjamin HB Wrey MA (Cantab) *appointed 14 January 2003*

**Vice Chairman**  
John M Edwards FCA

**Members**  
David Beale FIA  
Roger D Corley CBE FRSA FIA  
Howard Hughes FCA  
Keith M H Millar MA FCA  
Nick Train BA (Oxon) *appointed 21 January 2003*

**Ex officio**  
Major General Leslie F H Busk CB DUUniv

**Audit Committee**  
**Chairman**  
Howard Hughes FCA

**Members**  
Robin D Broadley  
Keith M H Millar MA FCA

**Shops Committee**  
**Chairman**  
Alistair C Mitchell-Innes

**Members**  
John B Foster  
David E Lockyer MSc  
Andrew J Varley

**Ex officio**  
Major General Leslie F H Busk CB DUUniv  
Kenneth C Blair  
John M Edwards FCA  
Betty McBride

**Senior Executives**  
**Director General**  
Major General Leslie FH Busk CB DUUniv

**Secretary and Finance Director**  
John M Edwards FCA

**Medical Director**  
Professor Sir Charles George MD FRCP

**Director of Fundraising**  
Miranda Ford *resigned 31 May 2002*  
Aneesha Moreira *appointed 28 October 2002*

**Shops Chief Executive**  
Kenneth C Blair

**Director of Marketing & Communications**  
Betty McBride

**Medical Committees**

**Chairs and Programme Grants Committee**  
**Chairman**  
Professor Sir Charles George MD FRCP (*Acting Chairman*)  
Professor John H Coote PhD DSc  
Professor Henry J Dargie FRCP FESC *retired 21 August 2002*  
Professor Roger J C Hall PhD MRCP *appointed 19 February 2003*  
Professor Robin F Irvine MA PhD *appointed 19 February 2003*  
Professor John MacDermot MD FRCP  
Professor Peter Scambler FRCP FMedSci  
Professor J G Patrick Sissons MD FRCP  
Professor Alan D Struthers MD FRCP

**Ex officio**  
Major General Leslie F H Busk CB DUUniv  
Professor Jeremy D Pearson MA PhD *appointed 22 May 2002*  
Valerie Mason

**Project Grants Committee**  
**Chairmen**  
Professor John H Coote PhD DSc  
Professor Anthony M Heagerty MD FRCP  
Professor Martin R Bennett PhD MRCP *retired 13 November 2002*  
Dr Shoumo Bhattacharya MD MRCP *appointed 17 July 2002*  
Professor Nuala A Booth BSc PhD  
Professor David Brook BSc PhD *retired 15 January 2003*  
Professor Keith M Channon MD MRCP *appointed 12 March 2003*  
Professor Kieran Clarke BSc PhD  
Professor David C Crossman MD FRCP  
Professor Ian N M Day PhD FRCP

Professor John E Deanfield MB FRCP  
Professor Anna F Dominiczak MD FRCP  
Professor Tim W Evans DSc FRCP  
Professor Ian Ford FRCP *retired 15 January 2003*  
Professor Astrid E Fletcher BA PhD  
Professor Keith N Frayn ScD FRCP  
Professor Sheila M Gardiner BSc PhD *retired 13 November 2002*  
Professor Chris J Garland BSc PhD *appointed 18 September 2002*  
Dr John L Gibbs MB FRCP  
Dr J Simon R Gibbs MD FRCP *retired 22 May 2002*  
Dr David R Greaves BSc PhD  
Professor David Jordan BSc PhD *retired 18 September 2002*  
Professor Juan C Kaski DSc FRCP *appointed 15 January 2003*  
Dr Bernard Keavney DM MRCP  
Mr Bruce E Keogh MD FRCS

Professor David S Latchman DSc FRCP *retired 17 July 2002*  
Professor Giovanni E Mann BSc PhD *retired 22 May 2002*  
Professor Michael Marber PhD FRCP *retired 22 May 2002*  
Dr Sussan Nourshargh PhD *appointed 13 November 2002*  
Professor Julian F R Paton PhD *appointed 15 January 2003*  
Professor Chris Peers BSc PhD *appointed 13 November 2002*  
Professor Nilesh J Samani MD FRCP *retired 18 September 2002*  
Professor Godfrey L Smith BSc PhD  
Professor Anne K Soutar BSc PhD *retired 12 March 2003*  
Professor Nick B Standen MA PhD *retired 17 July 2002*  
Professor Peter H Sugden MA DPhil *appointed 18 September 2002*  
Professor Christoph Thiemermann MD PhD *appointed 12 March 2003*  
Professor Adam D Timmis MD FRCP  
Dr John N Townend FRCP FESC *appointed 18 September 2002*  
Professor Patrick J T Vallance MD FRCP *retired 13 November 2002*  
Professor David J Webb DSc FRCP *appointed 12 March 2003*  
Professor Roger G Wilcox DM FRCP  
Professor Martin R Wilkins MD FRCP *retired 15 January 2003*  
Professor Bryan Williams MD FRCP *retired 15 January 2003*

**Ex officio**  
Major General Leslie F H Busk CB DUUniv  
Professor Sir Charles George MD FRCP  
Professor Jeremy Pearson MA PhD *appointed 22 May 2002*  
Valerie Mason

**Fellowships Committee**  
**Chairman**  
Professor Peter Sever PhD FRCP  
Professor Mark J Caulfield MRCP *appointed 10 October 2002*  
Professor Michael P Frenneaux MD FRCP  
Professor Keith A A Fox FESC FRCP  
Dr Andrew A Grace PhD FRCP  
Professor Peter J Grant MD FRCP *retired 11 July 2002*  
Professor Andrew C Newby MA PhD  
Professor Richard Vaughan-Jones BSc PhD

**Ex officio**  
Major General L F H Busk CB DUUniv  
Professor Sir Charles George MD FRCP  
Professor Jeremy Pearson MA PhD *appointed 22 May 2002*  
Valerie Mason

**Emergency Life Support and Defibrillation Committee**  
**Chairman**  
Professor Douglas Chamberlain CBE MD FRCP  
Dr Viv Armstrong MB FRCA  
Dr Ian Bullock PhD RGN  
Professor Stuart M Cobbe MD FRCP  
Dr Mick Colquhoun BSc FRCP  
C Siân Davies MBE RGN  
Dr Tom Evans FRCP FACC  
Dr Anthony J Handley MD FRCP  
Gill Haskett RGN  
Chris Horton MI Fire E MCGI  
Martin King  
Dr Alan Mackintosh MD FRCP  
Ian McDougall RGN RMN  
Dr Mike McGovern MRCP MRCP  
Dr Jerry Nolan FRCA  
Will Scott  
Di J Standley BEd (Hons) MILAM  
Dr Norman Vetter MD FFPHM  
Mark Whitbread MSc  
Michael Willis OBE

## Council and Committees continued

### Emergency Life Support and Defibrillation Committee continued

**Ex officio**  
Major General Leslie F H Busk CB DUniv  
Professor Sir Charles George MD FRCP  
Dr Tim Bowker MD FRCP  
Betty McBride  
Aneesha Moreira appointed 28 October 2002  
Andrew Reid  
Katharine Peel  
Colin Elding  
Mary Richardson  
Maura Gillespie

### Hospital Care and Professional Training Committee

**Chairman**  
Dr Nick Boon MD FRCP  
Dr Laura Corr PhD FRCP  
Dr Mark Monaghan PhD  
Jill Riley MSc RN  
Caroline Shuldham MSc RGN

**Ex officio**  
Major General Leslie F H Busk CB DUniv  
Professor Sir Charles George MD FRCP  
Dr Tim Bowker MD FRCP  
Belinda Linden SRN BSc  
Betty McBride  
Nicki Cooper  
Katharine Peel  
Jackie Lodge  
Maura Gillespie

### Primary Prevention Committee

**Chairman**  
Professor Sir Michael Marmot PhD FFCM  
Len Almond  
Dr Julia Hippisley-Cox MRCP(UK) MRCPG  
Dr Kevin Lewis  
Professor Klim McPherson MA PhD  
Professor Andrew Steptoe DPhil DSc

### Observers

Professor Godfrey Fowler OBE MA FRCPG (Stroke Association)  
Imogen Sharp (Department of Health)  
Hilary Whent (Health Development Agency)

### Ex officio

Major General Leslie F H Busk CB DUniv  
Professor Sir Charles George MD FRCP  
Dr Tim Bowker MD FRCP  
Betty McBride  
Nicki Cooper  
Jackie Lodge  
Qaim Zaidi  
Maura Gillespie

### Rehabilitation and Secondary Prevention Committee

**Chairman**  
Professor Richard Hobbs FRCP FRCPG  
Dr Mark Davis MB MRCPG  
Susie Dinan  
Dr Patricia Donald MB FRCPG  
Dr Jane Flint MD FRCP  
Dr Chris Isles MD FRCP  
Professor Bob Lewin MA (Hons) MPhil  
Professor Neil Poulter MSc FRCP  
Jan Procter-King

### Observers

Suzanne Lucas (Diabetes UK)  
Diane Paine (Department of Health)

### Ex officio

Major General Leslie F H Busk CB DUniv  
Professor Sir Charles George MD FRCP  
Dr Tim Bowker MD FRCP  
Betty McBride  
Aneesha Moreira appointed 28 October 2002  
Nicki Cooper  
Shirley Hall  
Qaim Zaidi  
Shai Davies  
Jackie Lodge  
Maura Gillespie

## 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:

- selected 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 2003 which comprise the Group Statement of Financial Activities, the Group Balance Sheet, the Charity Balance Sheet, the Group Cash Flow Statement and the notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Foundation's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Foundation's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Foundation and the Foundation's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the Council's Responsibilities Statement, the Foundation's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards, they are also responsible for the preparation of the Report of the Council. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 or material inconsistencies within the financial statements.

### Basis of audit 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 Foundation's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Foundation as at 31 March 2003 and of the incoming resources and application of resources of the Group, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### Deloitte & Touche

180 Strand  
London  
WC2R 1BL  
Chartered Accountants and Registered Auditors  
29 July 2003

# Group Statement of Financial Activities

for the year ended 31 March 2003 (incorporating a Group Income and Expenditure Account)

Note	General fund £000	Designated funds £000	Restricted funds £000	Endowment funds £000	2003 Total funds £000	2002 Total funds £000
<b>Incoming resources</b>						
Legacies	38,196	-	108	-	38,304	35,607
Other voluntary income - regular	22,466	-	986	-	23,452	23,106
- exceptional	2,658	-	728	1,417	4,803	2,197
Investment income	8,927	-	-	-	8,927	9,036
Retail sales	48,787	-	-	-	48,787	45,871
<b>Total incoming resources</b>	<b>121,034</b>	<b>-</b>	<b>1,822</b>	<b>1,417</b>	<b>124,273</b>	<b>115,817</b>
<b>Resources expended</b>						
<b>Cost of generating funds</b>						
Retail costs	40,874	-	-	-	40,874	37,609
Fundraising	13,481	-	-	-	13,481	11,321
Publicity	2,544	-	-	-	2,544	2,162
	56,899	-	-	-	56,899	51,092
<b>Net incoming resources available for charitable application</b>						
	64,135	-	1,822	1,417	67,374	64,725
<b>Charitable expenditure:</b>						
Research	51,131	-	213	-	51,344	45,829
Returned chair endowments	(1,750)	-	-	-	(1,750)	-
Education and care	14,196	-	881	-	15,077	12,855
	63,577	-	1,094	-	64,671	58,684
Cardiovascular Initiative - research awards	-	1,000	728	-	1,728	8,117
Expenditure in furtherance of charitable objectives	63,577	1,000	1,822	-	66,399	66,801
Management and administration of the charity	870	-	-	-	870	681
	64,447	1,000	1,822	-	67,269	67,482
<b>Total resources expended</b>	<b>121,346</b>	<b>1,000</b>	<b>1,822</b>	<b>-</b>	<b>124,168</b>	<b>118,574</b>
<b>Net surplus (deficit) before transfers</b>	<b>(312)</b>	<b>(1,000)</b>	<b>-</b>	<b>1,417</b>	<b>105</b>	<b>(2,757)</b>
Net investment losses	(26,588)	(13,478)	-	-	(40,066)	(7,927)
Transfers between funds:						
- Chairs maintenance fund	28,000	(28,000)	-	-	-	-
- Fixed asset fund	(2,471)	2,471	-	-	-	-
<b>Net movement in funds</b>	<b>(1,371)</b>	<b>(40,007)</b>	<b>-</b>	<b>1,417</b>	<b>(39,961)</b>	<b>(10,684)</b>
Balance of funds at 1 April 2002	10,441	95,193	-	74	105,708	116,392
<b>Balance of funds at 31 March 2003</b>	<b>9,070</b>	<b>55,186</b>	<b>-</b>	<b>1,491</b>	<b>65,747</b>	<b>105,708</b>

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

# Group Balance Sheet

at 31 March 2003

Note	2003 £000	2003 £000	2002 £000	2002 £000
<b>Fixed assets</b>				
Tangible assets		19,819		17,348
Investments		168,632		209,157
		<b>188,451</b>		<b>226,505</b>
<b>Current assets</b>				
Stock of goods for resale	475		261	
Debtors	6,394		5,417	
Short-term deposits	9,822		9,229	
Cash on deposit, at bank and in hand	4,215		2,834	
	<b>20,906</b>		<b>17,741</b>	
<b>Creditors: amounts falling due within one year</b>				
Research and other awards	65,037		40,273	
Other creditors	4,371		3,659	
	<b>69,408</b>		<b>43,932</b>	
<b>Net current liabilities</b>				
		<b>(48,502)</b>		<b>(26,191)</b>
<b>Total assets less current liabilities</b>				
		<b>139,949</b>		<b>200,314</b>
<b>Creditors: amounts falling due after more than one year</b>				
Research and other awards		(74,202)		(94,606)
<b>Net assets</b>		<b>65,747</b>		<b>105,708</b>
Represented by:				
<b>General fund</b>		9,070		10,441
<b>Designated funds</b>				
Chairs maintenance fund	28,867		70,345	
Fixed asset fund	19,819		17,348	
Cardiovascular Initiative fund	6,500		7,500	
		<b>55,186</b>		<b>95,193</b>
<b>Endowment funds</b>				
Chair endowment trusts	1,417		-	
G M Yule Bequest	74		74	
		<b>1,491</b>		<b>74</b>
<b>Total funds</b>		<b>65,747</b>		<b>105,708</b>

Approved by the Council on 29 July 2003



Sir Peter Morris, Chairman  
Member of the Council



Howard Hughes, Honorary Treasurer  
Member of the Council

## Group Cash Flow Statement

for the year ended 31 March 2003

	2003 £000	2003 £000	2002 £000	2002 £000
<b>Net surplus (deficit)</b>		105		(2,757)
Adjustment of net surplus (deficit) to net cash inflow from operating activities (see note A below)		6,563		10,681
<b>Net cash inflow from operating activities</b>		6,668		7,924
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets	(5,404)		(2,096)	
Receipts from sales of tangible fixed assets	251		37	
Purchase of investments	(26,939)		(52,195)	
Receipts from sales of investments	27,398		50,755	
		(4,694)		(3,499)
<b>Management of liquid resources</b>				
Increase in short-term deposits		(593)		(7,643)
<b>Increase (decrease) in cash (see note B below)</b>		1,381		(3,218)

## Notes to the group cash flow statement

### Note A

#### Adjustment of net surplus (deficit) to net cash inflow from operating activities

	2003 £000	2002 £000
Depreciation	2,783	2,583
(Profit) loss on sale of tangible fixed assets	(101)	26
(Increase) decrease in stocks	(214)	255
(Increase) in debtors	(977)	(386)
Increase (decrease) in creditors	712	(151)
Awards made during the year	64,203	63,911
Awards paid	(59,843)	(55,557)
	6,563	10,681

### Note B

#### Changes in net funds during the year

Net funds being cash at 1 April 2002	2,834	6,052
Increase (decrease) in cash	1,381	(3,218)
Net funds being cash at 31 March 2003	4,215	2,834

## Notes to the Accounts

### 1 Accounting policies

The financial statements are prepared in accordance with the Companies Act 1985, and 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. The income from the G M Yule Bequest Fund is available for general purposes, whereas the income from the chair endowment trusts is restricted towards meeting the annual costs of maintaining the chairs of cardiovascular medicine.

#### 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 as follows:

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 continued

## 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. It is the charity's policy to keep valuations up to date such that when investments are sold there is no realised gain or loss arising. As a result the Statement of Financial Activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings as they are together treated as changes in the investment portfolio throughout the year. 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 and net realisable value.

### h Pension costs

For defined benefit schemes the amounts charged in the Statement of Financial Activities are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs have been recognised immediately in the Statement of Financial Activities.

For defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the total of contributions payable in the year.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### i Leases

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

## 2 Other voluntary income

	General fund £000	Restricted funds £000	Endowment funds £000	2003 Total funds £000	2002 Total funds £000
<b>Regular income:</b>					
Donations	9,725	253	-	9,978	10,247
Regional fundraising	7,731	699	-	8,430	8,139
National events	5,010	-	-	5,010	4,660
The Community Fund	-	34	-	34	60
	22,466	986	-	23,452	23,106
<b>Exceptional income:</b>					
Glasgow Cardiovascular Research Centre Appeal Fund	-	728	-	728	2,165
Donations arising from return of endowments	2,658	-	-	2,658	32
Chair endowment trusts	-	-	1,417	1,417	-
	2,658	728	1,417	4,803	2,197

## 3 Investment income

	2003 £000	2002 £000
Listed investments	6,492	6,736
Bank interest	1,925	1,785
Property	501	501
Unlisted investments	6	11
G M Yule Bequest	3	3
	8,927	9,036

## 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 2003 £000	Total 2002 £000
Sales	45,456	3,088	243	48,787	45,871
Costs	38,665	1,978	231	40,874	37,609
Incoming resources available	6,791	1,110	12	7,913	8,262

## 5 Gross expenditure

	Awards (note 10) £000	Staff costs £000	Other costs £000	Depreciation (note 7) £000	Total 2003 £000	Total 2002 £000
<b>Charitable expenditure</b>						
Research	50,705	454	147	38	51,344	45,829
Returned chair endowments	(1,750)	-	-	-	(1,750)	-
Education and care	11,770	2,401	701	205	15,077	12,855
Cardiovascular Initiative - research	1,728	-	-	-	1,728	8,117
Management and administration	-	603	218	49	870	681
	62,453	3,458	1,066	292	67,269	67,482
<b>Cost of generating funds</b>						
Retail costs	-	13,314	25,517	2,043	40,874	37,609
Fundraising	-	7,152	5,944	385	13,481	11,321
Publicity	-	1,300	1,181	63	2,544	2,162
	62,453	25,224	33,708	2,783	124,168	118,574

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 continued

### 5 Gross expenditure continued

#### Staff costs

	2003 £000	2002 £000
Salaries	20,088	17,955
Social security	1,588	1,371
Other pension costs (see note 13)	3,092	1,353
Other staff costs	456	584
	<b>25,224</b>	<b>21,263</b>

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

	2003 number	2002 number
Head office	183	173
Regions	120	112
Shops	1,210	1,186
	<b>1,513</b>	<b>1,471</b>

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

	2003 number	2002 number
Between £50,001-£60,000	12	8
Between £60,001-£70,000	4	3
Between £70,001-£80,000	3	1
Between £80,001-£90,000	1	2
Between £100,001-£110,000	-	1
Between £110,001-£120,000	2	2
Between £120,001-£130,000	1	-

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

- money purchase schemes	12	8
- defined benefit schemes	11	9

	2003 £000	2002 £000
Contributions in the year for the provision of money purchase schemes for staff included above.	302	156

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 £4,192 (2002: £3,229) was reimbursed to twelve (2002: six) members for travelling expenses to and from meetings.

Trustee Indemnity Insurance was purchased at a cost of £5,775 (2002: £4,314)

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

	2003 £000	2002 £000
Audit fee (Charity) included in management and administration	26	25
Audit fee (Subsidiary companies) included in management and administration	8	8
Audit of lotteries included in fundraising	2	1
Operating lease rentals - land and buildings	10,213	9,673
(Profit)/loss on disposal of fixed assets	(101)	26

#### Taxation

The Foundation is a registered charity and as such is exempt from income tax and corporation tax on its income and gains to the extent that they are applied to its charitable purposes.

### 6 Statement of funds

	Note	Balance 1 April 2002 £000	Net incoming resources available £000	Charitable expenditure £000	Net investment (losses) £000	Transfers £000	Balance 31 March 2003 £000
<b>General fund:</b>		10,441	64,135	(64,447)	(26,588)	25,529	9,070
<b>Designated funds:</b>							
Chairs maintenance fund	a	70,345	-	-	(13,478)	(28,000)	28,867
Fixed asset fund	b	17,348	-	-	-	2,471	19,819
Cardiovascular Initiative fund	c	7,500	-	(1,000)	-	-	6,500
		95,193	-	(1,000)	(13,478)	(25,529)	55,186
<b>Restricted funds:</b>							
Research restricted legacies	d	-	93	(93)	-	-	-
Chair of cardiovascular medicine	e	-	20	(20)	-	-	-
Cardiac equipment and support donations	f	-	847	(847)	-	-	-
Heart Information helpline	g	-	100	(100)	-	-	-
The Community Fund	h	-	34	(34)	-	-	-
Cardiovascular Initiative research project	i	-	728	(728)	-	-	-
		-	1,822	(1,822)	-	-	-
<b>Endowment funds:</b>							
Chair Endowment Fund	j	-	1,417	-	-	-	1,417
G M Yule Bequest	k	74	-	-	-	-	74
		74	1,417	-	-	-	1,491
<b>Total funds</b>		<b>105,708</b>	<b>67,374</b>	<b>(67,269)</b>	<b>(40,066)</b>	<b>-</b>	<b>65,747</b>

#### Note

- The chairs maintenance fund represents the financing of 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 two 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.
- Towards the cost of maintaining the MRI scanner at Leeds General Infirmary.
- Cardiac equipment and support donations are funds restricted by the donor to specific projects.
- Funded from a special direct marketing appeal.
- The Community Fund grant supports a project researching into the health of Asian families.
- The Glasgow Cardiovascular Research Centre is supported by restricted income.
- The chair endowment fund represents endowment trusts returned to the Foundation by universities.
- Income from the G M Yule Bequest is available for the general activities of the Foundation.

## Notes to the Accounts continued

### 6 Statement of funds continued

#### Analysis of net assets between funds

	General £000	Designated £000	Endowment £000	Total £000
Tangible fixed assets	-	19,819	-	19,819
Investments	131,774	35,367	1,491	168,632
Current assets	20,906	-	-	20,906
Current liabilities	(69,408)	-	-	(69,408)
Long-term liabilities	(74,202)	-	-	(74,202)
	9,070	55,186	1,491	65,747

### 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
<b>Cost</b>						
At 1 April 2002	9,148	8,573	8,858	1,468	5,110	33,157
Additions	2,051	668	290	1,709	686	5,404
Disposals	-	(104)	(96)	(805)	(241)	(1,246)
At 31 March 2003	11,199	9,137	9,052	2,372	5,555	37,315

#### Depreciation

At 1 April 2002	1,325	3,800	6,265	963	3,456	15,809
Charge for year	121	593	675	353	1,041	2,783
Disposals	-	(92)	(78)	(695)	(231)	(1,096)
At 31 March 2003	1,446	4,301	6,862	621	4,266	17,496

#### Net book values

At 31 March 2003	9,753	4,836	2,190	1,751	1,289	19,819
At 31 March 2002	7,823	4,773	2,593	505	1,654	17,348

### 8 Investments

#### Group and Charity

	2003 £000	2002 £000
<b>Market value</b>		
At 1 April 2002	209,157	215,644
Purchase of investments	26,939	52,195
Receipts from sale of investments	(27,398)	(50,755)
	208,698	217,084
Net investment losses - unrealised	(40,066)	(7,927)
At 31 March 2003	168,632	209,157

#### Represented by

Listed investments : Fixed interest securities	39,308	43,020
: Equities	84,195	117,878
Unlisted investments	42	49
Property	5,896	5,896
Short term deposits	39,191	42,314
	168,632	209,157

Listed investments include overseas investments of £24.6 million (2002: £30.6 million).

#### Historical cost at 31 March 2003

170,367 183,780

#### Unrealised (losses) gains at 31 March 2003

(1,735) 25,377

#### (Losses) gains on historical cost realised in the year

(12,954) 6,819

### 9 Debtors

	Group 2003 £000	Group 2002 £000	Charity 2003 £000	Charity 2002 £000
Amount owed by subsidiary undertakings	-	-	1,367	1,163
Other debtors	2,712	2,039	2,566	1,837
Prepayments	3,161	2,874	2,990	2,673
Income tax recoverable	521	504	521	504
	6,394	5,417	7,444	6,177

Other debtors includes an amount of £104,000 (2002: £53,000) which represents accrued legacies which have been recognised in incoming resources.

The Foundation has received notification of 1,315 (2002: 1,393) legacies which have not been recognised as income at 31 March 2003. These will be included in future years.

## Notes to the Accounts continued

### 10 Research and other awards

	2003 £000	2002 £000
Outstanding liabilities at 1 April 2002	134,879	126,525
Awarded during the year:		
Research	50,705	45,176
Education and care	11,770	10,618
Cardiovascular Initiative - research	1,728	8,117
	<b>199,082</b>	190,436
Paid during the year	59,843	55,557
Outstanding liabilities at 31 March 2003	<b>139,239</b>	134,879
Awards falling due within one year	65,037	40,273
Awards falling due after more than one year	74,202	94,606
	<b>139,239</b>	134,879

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 2003 the Foundation awarded grants of £3.8 million (2002: £0.8 million) 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 2003 £000	Group 2002 £000	Charity 2003 £000	Charity 2002 £000
Amount owed to subsidiary undertakings	-	-	364	244
Accruals	3,157	2,645	3,122	2,608
Deferred income	869	759	269	235
Taxes and social security	345	255	240	193
	<b>4,371</b>	3,659	<b>3,995</b>	3,280

Deferred income at 31 March 2002, which related to rental income and sponsorship of forthcoming events, was released during the year to incoming resources for both the group and the charity. Deferred income at 31 March 2001 was released to incoming resources during the financial year ended 31 March 2002.

### 12 Lease commitments

At 31 March 2003 the Foundation had annual commitments, all for land and buildings, as follows:

	2003 £000	2002 £000
For leases expiring:		
Within one year	274	244
Between two and five years	1,221	1,085
After five years	8,562	8,270
	<b>10,057</b>	9,599

### 13 Pensions

#### Pension scheme contributions:

	2003 £000	2002 £000
Defined benefits scheme	2,531	1,038
Defined contributions schemes	561	315
	<b>3,092</b>	1,353

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 2002 using the 'attained age' method of valuation. The market value of the scheme's assets at that date was £9,438,516, which represented 64% of the liabilities of the fund after allowing for expected future increases in earnings and pensions.

The principal actuarial assumptions used in the 2002 valuation were: a return on investments pre-retirement of 1.75% per annum greater than salary increases, a return on investments after retirement of 5.5% per annum and pension increases of 5% per annum in respect of pensionable service up to 30 June 2000 and thereafter at 2.75% per annum. Following the 2002 valuation, the Foundation made a special payment of £1,430,000 to the fund in March 2003. The scheme was closed to new entrants from 30 June 2001. The next valuation will be carried out as at 30 June 2005.

In addition the Foundation operates defined contributions schemes for certain employees, including all staff joining the Foundation since 1 July 2001.

#### 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 second year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17 in the year ending 31 March 2006.

The actuarial valuation described above has been updated at 31 March 2003 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 pension scheme is closed to new members and therefore under the projected unit method, the current service cost would be expected to increase as the members of the scheme approach retirement.

The major assumptions used for the actuarial valuation were:

	2003 %	2002 %
Rate of increase in salaries	4.1	4.5
Rate of increase in pensions in payment - limited prices indexation	2.4	3.0
Rate of increase in pensions in payment - guaranteed increases	5.0	5.0
Discount rate	5.4	6.0
Inflation assumption	2.6	3.0

## Notes to the Accounts continued

### 13 Pensions continued

#### FRS 17 "Retirement benefits" (continued)

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:

	2003 %	2003 £000	2002 %	2002 £000
Equities	9.1	5,494	8.0	7,673
Bonds	4.8	2,511	5.5	1,762
Other	3.8	2,433	4.0	662
Total fair value of assets		10,438		10,097
Present value of scheme liabilities		(17,416)		(12,431)
Deficit in the scheme and net pension liability		(6,978)		(2,334)

The contribution rate for 2003 was 25.2% (2002: 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.

#### Analysis of amount that would have been charged to the Statement of Financial Activities under FRS 17

	2003 £000	2003 £000
Current service cost		963
Past service cost		107
		1,070
Expected return on pension scheme assets	(762)	
Interest on pension scheme liabilities	766	
		4
Total		1,074

	2003 £000	
Actual return less expected return on assets	(2,652)	(25%) of scheme assets
Experience gains and losses arising on liabilities	(50)	(0%) of scheme liabilities
Changes in assumptions underlying the liabilities	(3,399)	(20%) of scheme liabilities
Actuarial loss	(6,101)	(35%) of scheme liabilities

#### Analysis of reserves that would have arisen if FRS 17 had been fully implemented

	2003 £000	2002 £000
General reserve excluding pension liability	9,070	10,441
Amount relating to defined benefit pension scheme liability	(6,978)	(2,334)
General reserve	2,092	8,107

#### Reconciliation of the movement of pension deficit over the year

	2003 £000	2003 £000
Shortfall at 31 March 2002		(2,334)
Current service cost (net of member contributions)	(963)	
Employer contributions - normal payments	1,101	
Employer contributions - special payment	1,430	
Past service cost	(107)	
Other finance costs	(4)	
Actuarial loss	(6,101)	
		(4,644)
Shortfall at 31 March 2003		(6,978)

### 14 Subsidiary undertakings

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

- British Heart Foundation Ventures Limited, retailing Christmas cards, 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 2003 £000	Total 2002 £000
Turnover	1,584	3,088	751	5,423	4,572
Cost of sales	(833)	(1,978)	(80)	(2,891)	(2,254)
Gross profit	751	1,110	671	2,532	2,318
Other costs	(163)	(362)	(640)	(1,165)	(1,055)
Net profit	588	748	31	1,367	1,263
Gift Aid payment	(588)	(748)	(31)	(1,367)	(1,263)

The consolidated balance sheet includes aggregate amounts in respect of the assets and liabilities of the Foundation's subsidiary undertakings of £2.081m (2002 : £1.763m) and £2.081m (2002 : £1.763m) respectively.

### 15 Endowment of chairs of cardiovascular medicine

Thirteen of the Foundation's chairs of cardiovascular medicine were supported by endowments (the last of which was created in 1987), while the remainder were personal chairs.

The income these endowments generate is considered insufficient to fund the salaries of the professor, a secretary and a technician as was originally intended and the Foundation has started to offer the universities personal chairs for their professors in exchange for the return of the endowments. Four universities took up the offer in 2002-03 in respect of six endowments. Of these, four were capable of straightforward transfer back to the Foundation: the endowments themselves were returned to the Chairs and Programme Grants Committee that originally funded them (note 5), and the growth in the value of the endowments was treated as exceptional income (note 2). The remaining two endowments had been designated "in perpetuity" and, following Charity Commission advice that the Foundation should treat them differently, these endowment trusts were transferred in their entirety from the universities to the Foundation. The Foundation recognised these trusts as endowment funds (note 2) and they will be held on the balance sheet as such.

Six universities still hold seven endowments, which they will be invited to return to the Foundation.

# Charity Balance Sheet

at 31 March 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
<b>Fixed assets</b>					
Tangible assets	7		19,819		17,348
Investments	8		168,632		209,157
			188,451		226,505
<b>Current assets</b>					
Debtors	9	7,444		6,177	
Short-term deposits		9,822		9,229	
Cash on deposit, at bank and in hand		3,264		1,956	
		20,530		17,362	
<b>Creditors: amounts falling due within one year</b>					
Research and other awards	10	65,037		40,273	
Other creditors	11	3,995		3,280	
		69,032		43,553	
			(48,502)		(26,191)
<b>Net current liabilities</b>					
			139,949		200,314
<b>Total assets less current liabilities</b>					
<b>Creditors: amounts falling due after more than one year</b>					
Research and other awards	10		(74,202)		(94,606)
<b>Net assets</b>					
			65,747		105,708
Represented by:					
<b>General fund</b>					
	6		9,070		10,441
<b>Designated funds</b>					
Chairs maintenance fund	6	28,867		70,345	
Fixed asset fund	6	19,819		17,348	
Cardiovascular Initiative fund	6	6,500		7,500	
			55,186		95,193
<b>Endowment funds</b>					
Chair endowment fund	6	1,417			-
G M Yule Bequest	6	74		74	
			1,491		74
<b>Total funds</b>					
			65,747		105,708

Approved by the Council on 29 July 2003



Sir Peter Morris, Chairman  
Member of the Council



Howard Hughes, Honorary Treasurer  
Member of the Council

## Bankers and Principal Advisers

### Bankers

Barclays Bank PLC  
54 Lombard Street  
London EC3V 9EX

Bank of Scotland  
32 Brandon Parade South  
Motherwell ML1 1UW

### Investment Advisers

NCL Smith & Williamson  
Bartlett House  
9-12 Basinghall Street  
London EC2V 5NS

### Investment Custodians

State Street Bank and Trust Company  
525 Ferry Road  
Edinburgh EH5 2AW