

British Heart Foundation
Annual Report and Accounts 2010



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Annual Report and Accounts

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Our mission...

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

Our vision...

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

Financial review of the year

Chart 1
Incoming Resources 2001-2010

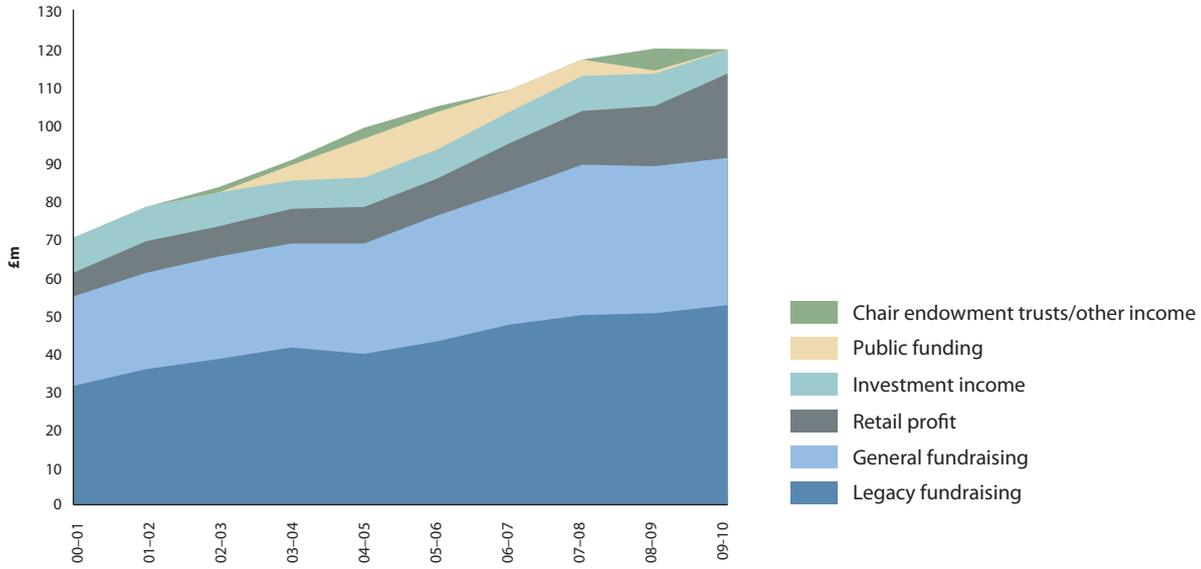
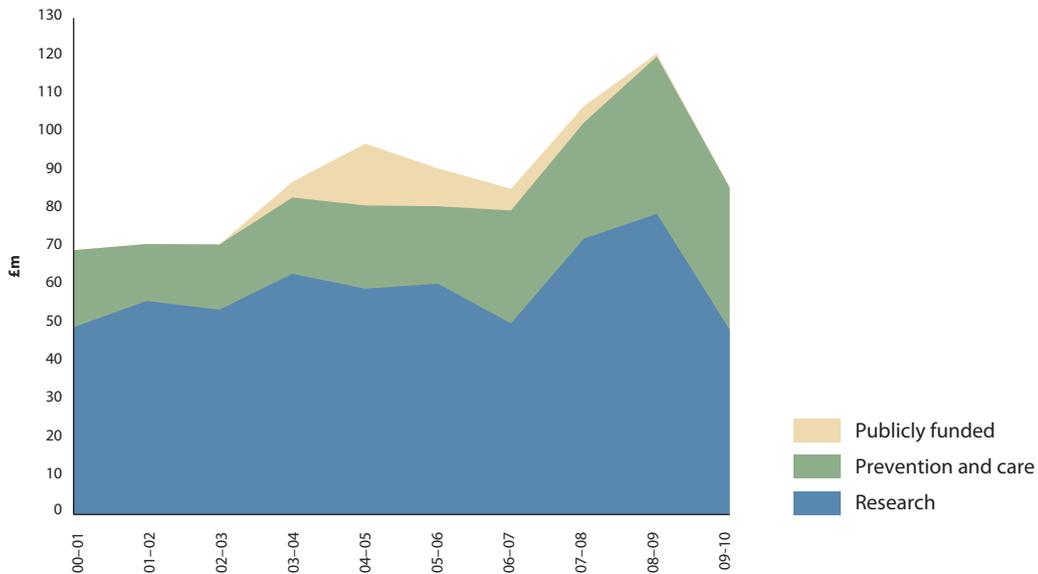


Chart 2
Charitable expenditure 2001-2010



Financial review of the year

	2000-01 £m	2001-02 £m	2002-03 £m	2003-04 £m	2004-05 £m	2005-06 £m	2006-07 £m	2007-08 £m	2008-09 £m	2009-10 £m
Ten-year perspective										
Incoming resources										
Legacy fundraising	31.2	35.6	38.3	41.3	39.6	42.9	47.3	49.8	50.3	52.4
General fundraising	23.5	25.3	26.9	27.3	29.0	33.0	35.1	39.5	38.6	38.6
Retail profit	6.2	8.3	7.9	9.1	9.6	9.7	12.5	14.1	15.8	22.1
Investment income	9.2	9.0	8.9	7.4	7.7	7.6	8.3	9.2	8.5	6.3
Public funding	-	-	-	4.1	10.2	9.9	5.7	4.3	0.8	0.1
Chair endowment trusts/other income	-	-	1.4	1.3	2.9	1.5	-	-	5.8	-
See chart 1 on page one	70.1	78.2	83.4	90.5	99.0	104.6	108.9	116.9	119.8	119.5
Fundraising costs (inc. investment fees)	-11.4	-13.5	-16.0	-16.1	-18.9	-21.7	-19.0	-19.3	-23.3	-22.6
Net incoming resources	58.7	64.7	67.4	74.4	80.1	82.9	89.9	97.6	96.5	96.9
Expenditure on objectives										
Research	49.0	55.9	53.6	63.0	59.1	60.4	50.0	72.2	78.8	48.4
Prevention and Care	20.2	14.9	17.1	20.0	21.8	20.3	29.6	30.4	41.2	37.1
Publicly funded	-	-	-	4.1	16.2	9.9	5.7	4.3	0.8	0.1
See chart 2 on page one	69.2	70.8	70.7	87.1	97.1	90.6	85.3	106.9	120.8	85.6

Despite the difficult economic environment the British Heart Foundation (BHF) achieved good financial results for the year 2009-10. Underlying income generation increased by 5% when we exclude the one-off impact of the sale of our old premises in 2008-09. The level of charitable expenditure was deliberately constrained during the year given the external picture, although we were still able to invest £85.7 million in meeting our strategic objectives (2009: £122 million).

For the purposes of this review we treat the profit from our Retail division (formerly Shops division) as income from that source. Whereas in the Accounts that follow, we are required to show Retail's sales as income and the significant expenses associated with this separately managed operation as costs. In our view, the profit approach gives a more realistic assessment of this arrangement, while the mandated treatment exaggerates the income and costs of the Foundation as a whole, given the high proportion of Retail sales relative to other income.

The regular annual increase in our income is only possible because of the continuing generosity of our donors and the commitment and hard work of our volunteers, both in our shops and fundraising branches, and our paid staff.

Legacy fundraising rose by 4% to £52 million and remains our single largest source of income at 44% of the total (2009: 42%). This area has risen steadily over the last few years and the growth during 2009-10 stems from an especially high level of legacies in the last quarter of the year.

General fundraising activity was maintained at 2008-09 levels despite the economic downturn, thanks to the ongoing efforts and tenacity of our fundraising team. Key highlights included:

- 26,500 cyclists took part in the 34th annual London to Brighton Bike Ride, raising £4.1 million.
- BHF Heart Runners events raised over £2.1 million, including nearly £1 million from major marathons in London, Paris and New York.
- Participation in BHF Fundraising events, at both national and local level, rose by 4% to £9.8 million.
- Partnerships with major companies generated over £4.1 million, including our ongoing relationship with Home Retail Group (£1.3 million) and Lloyds TSB (£1 million).

Financial review of the year

- The 2010 Red For Heart Campaign, which took place in National Heart Month in February, raised nearly £2.2 million.
- Income from donors increased by 8% to £13 million, thanks to both regular donors and newly acquired supporters.
- Heart Matters membership has more than doubled in size, going from 90,000 to almost 200,000.

Our Retail division showed an impressive 40% increase in profits, resulting in by far the most successful year in its history. Profits rose from £15.8 million to £22.1 million, through the expansion of the shop network to 643 and successful management of margins. Excluding shops opened in the year, profit rose by 32% to £20.8m. We opened 53 shops during the year, of which 30 were specialist furniture & electrical stores.

We invested a net £48.4 million in research during the year (2009: £78.8 million). In reality the true number invested was £55.9 million, the difference being monies returned unused from existing initiatives. There were no further strategic awards made in 2009-10 but we were still able to fund the following in total:

- 87 projects
- 60 fellowships
- 13 programmes
- 9 special projects
- 1 chair
- 1 extraordinary
- 1 infrastructure award.

In Prevention and Care, as well as funding our ongoing activity in healthcare professionals (£2.5 million), placing defibrillators in places of need (£1.4 million) and producing heart health resources for all age groups, we also invested £4.0 million in four new large programmes and 10 cluster projects under the Hearty Lives initiative. We have also invested £0.5 million in our Heart Information Series.

Our Connections campaign, in which we invested £4 million, was a powerful nationwide initiative fronted by heart patients who had been helped by the BHF. Their heartfelt stories on television and a wide range of traditional and digital media prompted tens of thousands of heart patients and their families to seek help, advice and support from the Foundation.

The costs incurred in generating funds to achieve these results amounted to £22.6 million (2009: £23.3 million) representing 19% of total income (2009: 19%) as described above. Comparisons of cost ratios between charities should be treated extremely carefully, given the varying costs of different fundraising activities which they undertake. A significant proportion of fundraising and publicity expenditure is devoted to developing current and prospective sources of income in the future.

The market value of our investments rose by £43.1 million this year (in both realised and unrealised gains), reversing the £35.3 million diminution in value experienced in 2008-09. This has significantly improved the Foundation's position in terms of liquid reserves going into the new financial year. Our approach to managing investments has been successful in the long-term and we continue to review our strategy regularly. This ensures that it remains appropriate to the changing investment environment, volatility of the external picture and to the application of these funds to our strategic objectives as grant liabilities crystallise.

Trustees' report

The Board of Trustees of the British Heart Foundation submits its statutory Report and Accounts for the year ended 31 March 2010.

Principal aim and activities

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

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

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

Since its formation in 1961, through the generous efforts of volunteers and supporters, the Foundation has raised funds from the public throughout the United Kingdom. After costs, this year generated net incoming resources available for charitable application of £96.9 million (2009: £96.5 million), which is close to the record established in 2007-08. The total amount committed to the Foundation's principal objective of supporting research represented 56% of our charitable expenditure in the year, and we continue to be the largest single contributor to UK cardiovascular research. Educating the public on heart health, together with expenditure on the care and rehabilitation of heart patients, prevention of heart-related illness and policy and advocacy, accounted for the remaining 44% of the total. Our

total charitable expenditure during the year was reduced deliberately in response to the difficult prevailing economic conditions. Going forward, our improved financial position over the last year will enable us to extend and accelerate the scale of charitable activity and expenditure. It's only through the support and generosity of many thousands of individual donors that the Foundation is able to fund activity on such a scale, and we would like to thank all our donors for enabling such significant sums to be devoted to the Foundation's ultimate aim.

The Foundation had an overall net surplus of £10.7 million after meeting governance costs (2009: deficit of £25.2 million). The financial position was further improved by a recovery in the value of our investment portfolio, with an additional £43.1 million added to the value of our investments over the year (2009: reduction of £35.3 million).

Comprehensive information on research expenditure, grant-making policies, and who may apply, can be downloaded from our website bhf.org.uk (as can grant application forms) or is available from the Medical Director. (This information is unaudited).

Governance

Organisational structure

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

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

The Board may and does appoint members and others to a range of committees and sub-committees to which it delegates specific responsibilities. In addition to the Audit, Investment, Nominations, Remuneration and Shops committees there are a further four committees covering Research and Prevention and Care which review grant requests and other scientific award proposals. Guidance and oversight of the work

Trustees' report

of these sub-committees is provided on a periodic basis by two advisory boards – the Scientific Advisory Board and the Prevention, Education and Care Advisory Board – whose members are drawn from a field of expert, internationally-renowned scientists. Participation at each individual Advisory Board meeting is determined by the specific agenda items.

The Council comprises up to 30 members, appointed for their proven abilities in either medical or other fields, and meets twice a year. Its role is primarily advisory. By calling on Council members' particular expertise, it is expected that the Foundation will make better-informed, sounder decisions and so fulfil its charitable objectives more effectively. Members of Council are provided with relevant documentation concerning the organisational structure, aims and activities of the Foundation. They also have the opportunity to receive comprehensive individual briefings from senior management and to contribute individually to the activities of the Foundation as may be appropriate.

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

Retiring and new Trustees

During the year Sir Peter Morris retired as Trustee and Chairman of Council, having served in this role since March 2003. He was succeeded by Sir Christopher Edwards, who was appointed to the Board of Trustees in May 2009 and who took over the role of Chairman of Council on 15 July 2009. We thank Sir Peter for his outstanding contribution and advice and are delighted to welcome Sir Christopher to the Foundation.

During the year Alistair Mitchell-Innes retired from Council after 15 years' invaluable service. Alistair was also Chairman of the Shops Committee from 1999 to June 2009. We would like to thank Alistair for his long service to the Foundation and for his leadership of the Shops Committee during a period of outstanding growth and success for our Retail division.

We are also delighted to welcome to the Board Lance Trevelyan who joined in July 2009.

Grants policy

Grants, both single and multi-year, are recognised in the accounts as liabilities after they have been formally approved by the relevant sub-committee of the Board, the recipients have been notified and there are no further terms and conditions to be fulfilled which are within the control of the Foundation. In these circumstances there is a valid expectation by the recipients that they will receive the grant. Grants are made only after a formal, detailed application process and comprehensive peer review. Details of grants awarded are included in Note 11.

Analysis of Charitable Expenditure

Grants and awards	2010	2009
Research	£48.4m	£78.8m
Prevention and care	£37.2m	£42.0m
Total	£85.6m	£120.8m

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

Research

This year the Foundation reduced spend on our core research activities – project and programme grants, fellowships and professorships and suspended its strategic awards scheme. This reflects our deliberate policy of applying some budgetary constraint during testing and uncertain economic conditions. Our improved financial position will enable us to increase the level of activity going forward and reinstate our strategic awards scheme. Our awards are made following exacting national and international peer review and our investment over the last few years is testimony to the quality of cardiovascular research being undertaken in the UK. The research we support extends from very fundamental laboratory-based science, to large scale, population-based, epidemiological studies and clinical trials of new and existing treatments. The research we fund is truly translational, going from bench to bedside and back again.

This year we awarded 87 Project Grants. This is deliberately fewer than in previous years and, because of our cautious budgetary approach, several applications considered fundable by peer review were not awarded.

Trustees' report

We awarded 13 programme grants – five year awards for well-established researchers to develop a comprehensive research strategy around a particular theme, with an average value of £915,000. This represents a success rate of 54% (2009: 56%). This proportion is somewhat higher than might be anticipated for such competitive awards because only applicants whose preliminary outline proposals are considered sufficiently competitive are invited to submit a formal full application for peer review.

During the year four new BHF Professors have taken up their posts at universities in the UK. Their appointment underlines our determination to help UK universities recruit world-class medical researchers from around the globe. Professorships are awarded for a period of 10 years to outstanding senior researchers with an international reputation in their field of research. Each new BHF Professor extends the range of the Foundation's research portfolio and brings critical mass to three of the UK's foremost cardiovascular research establishments.

In view of the economic situation, we did not make any new strategic awards in 2009-10, but plan to resume these going forward.

By collaborating with other research funders we are able to bring added value to the Foundation's investment in cardiovascular research. This year, in line with our long-term strategy to strengthen cardiovascular regenerative medicine research, we contributed £0.5 million towards a £1.5 million Strategic Development Award for Cardiovascular Stem Cell Research made with the Medical Research Council. Three universities were shortlisted after the preliminary application stage, and an award was made to BHF Professor Schneider and colleagues at Imperial College. Consistent with our desire to increase research activity into the causes of stroke, we contributed £0.5 million towards a total of £1.6 million in collaboration with the Stroke Association for a clinical trial into the relationship between stroke risk and atrial fibrillation, a common heart rhythm disturbance. Competition for another award next year is already under way.

As the Foundation nears its 50th anniversary in 2011 our major appeal, Mending Broken Hearts, will continue to generate funds to invest in a major transformational programme of regenerative medicine. This will focus on developing techniques that in due course can be used to repair damaged

hearts, rather than simply helping these hearts to cope with the results of disease.

We have made good progress in developing a more automated grants management process and this will be available to applicants later in 2010. They will be able to use BHF grant application processes online, which will allow the Foundation to be more efficient and also improve accessibility for those we support and work with.

Prevention and Care

We believe it's vitally important to help people optimise their heart health. During 2009-10, out of a total of £37.2 million on Prevention and Care (2009: £42 million), we spent £28.3 million (2009: £33.3 million) on taking the knowledge and information that we gain from research, whether BHF-funded or otherwise, and translating it into practical projects, services and resources that support the prevention of heart disease or improve patient care. Highlights of key projects include:

Healthcare professionals

We've been investing in specialist BHF Heart Nurses for more than 15 years. BHF Heart Nurses work across a wide range of care pathways and have transformed the quality of care available to cardiac patients over recent years. They have developed award-winning services, enhanced communication with patients and carers and improved the interfaces between primary, secondary and tertiary care settings. They also save the NHS millions of pounds each year by, for example, reducing unnecessary hospital admissions. A recent report focused on each type of BHF Heart Nurse and described their achievements in terms of improved care. It also looked at our collaborative work with Marie Curie to improve end-of-life care for heart failure patients. Throughout, it demonstrated the effectiveness of the BHF funding model, where the Foundation acts as a catalyst for cardiac service improvement and a driver for innovation.

We have also developed a part-funded model where nurses – and increasingly other healthcare professionals (HCPs) such as cardiac technicians and community resuscitation officers – gain access to BHF-supported learning and professional development. The programme remains true to its original vision – to pilot innovative models of practice and improve care for heart patients. We are currently funding and part-funding over 450 HCPs across a range of specialities.

Trustees' report

Heart Matters

Heart Matters incorporates the Heart Matters and Magazine team and the HelpLine and Roadshow team.

We have almost 200,000 members, 10% of whom categorise themselves as healthcare professionals. The programme will help to position the Foundation as a leader in patient efficacy and long-term support by providing evidence-based, personalised and responsive services. This year we have introduced a number of additional online tools that support healthy eating, including a recipe finder, an interactive 'eatwell' plate and an alcohol unit calculator. January saw the launch of an interactive heart health lifestyle check that provides personalised coaching and support. To date 11,000 members have completed the assessment. We intend to develop our online and digital offer further, but we will be maintaining the *heart matters* magazine (previously *heart health* magazine) and the Heart HelpLine as core member benefits.

An independent evaluation of the Heart Matters programme and magazine was undertaken during the year, with the majority of members agreeing strongly that Heart Matters is a very valuable service and that they feel more informed and supported as a result of joining. Those in more socially disadvantaged groups were particularly likely to report that they felt "more supported" as a result of joining. The magazine in particular was highly valued, with members describing it as an invaluable resource, even a lifeline.

Our Heart HelpLine had its busiest year yet. It dealt with over 46,000 calls and emails covering a wide range of heart-related topics, from the general, such as how to lose weight or lower cholesterol levels, to very specific questions relating to particular drugs, conditions or tests.

Developing our capacity to reach out into community settings, during this financial year we launched the Heart Health Roadshow. This aims to deliver lifestyle interventions to those who need them most, including offering free lifestyle assessments and providing simple, practical tips to help improve their heart health. We delivered 15,000 lifestyle assessments in Newham, Bradford and Manchester.

Hearty Lives and community development

Heart disease affects communities throughout the UK disproportionately. Levels tend to be much higher in communities that also have high levels of socio-economic deprivation. Our Hearty Lives programme is designed to address this problem directly, acting as a vehicle for us to focus our prevention and care activity in a particular geographical location. During this year we have set up Hearty Lives programmes in two new areas – Hull and Torfaen – working in partnership with health, local authority and community organisations in each area. Each programme will receive £1.5 million of investment over a three-year period with the objective of improving the heart health of their populations. This investment will enable innovative projects focused on communities most at risk of heart disease, addressing both prevention and care. We also awarded three more, smaller 'cluster' awards to support projects in diverse, high prevalence localities, bringing our total Hearty Lives portfolio to four large programmes and 10 cluster projects. A key objective of this programme is to test new approaches in prevention and care activity and determine the impact of concentrating BHF services in one geographical area. We have therefore commissioned a three-year multi-method external evaluation of the programme which will run until 2012.

Community resuscitation

While continuing to support emergency life support training through our Heartstart schemes and providing life-saving defibrillators in areas where heart attacks are more likely to occur – typically areas where large numbers of people congregate – we have spent considerable effort this year in creating a new, more strategic approach to community resuscitation. This has meant working in partnership with local Ambulance Services and linking all the projects we fund, in a particular community, together to seek to increase someone's chances of survival after suffering a heart attack or cardiac arrest.

Trustees' report

Heart health resources and community support

We strive to be the 'one-stop shop' for anyone who needs to find information on heart disease. And we recognise how important it is for information to be presented in a way which is clear, easily understood and also makes the reader feel supported. One of the ways we do this is through our Heart Information Series. This year we have invested over £0.5 million in the series. There are 25 titles covering both the medical and experiential aspects of having a heart problem. Developed with input from medical experts, healthcare professionals, patients and carers, these booklets remain our flagship series for patient support and more than three million booklets were distributed during the year. In addition, recognising that people from South Asian communities experience much greater levels of heart disease, we have translated several titles into the five most common South Asian languages, adapting them to make them culturally relevant and sensitive. This year has also seen the development of our health at work activity. We spend almost 60% of our waking time in the workplace, so it is an ideal setting to promote healthy lifestyles. Over the past five years we have developed significant expertise in this area, culminating in the launch of a new Health at Work website with materials covering physical activity, healthy eating and mental wellbeing. We have also introduced a regular e-newsletter and a series of seminars for organisations keen to support and promote the health and wellbeing of their staff.

Children and young people

Many of the risk factors for cardiovascular disease are adversely affected by lifestyle choices adopted during early life. We use a mix of different media and approaches to engage with this important audience. This year we have improved our online resources for young people, recognising the particular relevance of this medium for young people. Activities included a new online anti-smoking resource, reworking the website for under 11s, establishing user-generated content by working with young people themselves and supporting them to do a 'takeover' of **yheart.net** – our site for teenagers. In addition we increasingly use online and social networking methods to support young people with congenital heart problems.

Policy and Communications

Our policy and advocacy work plays an essential role in influencing change for the benefit of the nation's heart health. This year we had an ambitious plan to tackle an important tobacco control issue. Vending machines are like beacons for children seeking an easy way to get hold of cigarettes – they're unmanned and often unwatched by adults. BHF campaigning and lobbying – involving staff, volunteers and charity advocates – persuaded the Westminster Government and the Scottish Executive to legislate for a total ban on cigarette vending machines. This represents a real step forward in protecting the heart health of children in the UK.

We have built on our portfolio of information campaigns this year, with programmes to raise awareness of abnormal heart rhythms (atrial fibrillation), and heart attack symptoms. We also delivered the next phase of the BHF Connections initiative. This sought to increase understanding of our work and support among heart patients and their families – and encourage them to come to us for help. Overall, we have also exceeded our expected targets, with the Connections programme prompting over 20,000 people to call our Heart HelpLine, over 7,700 to join Heart Matters, and over 14,000 orders of heart information packs. Overall, the total spent on communications to support our charitable activities was £7.4 million which is included in the Prevention and Care total (2009: £8.8 million).

Our ongoing drive to ensure people get the information and resources they need continues, with over 7.2 million items delivered through our order service – and 250,000 publication downloads from our website. The trend for people to interact with the Foundation online is growing, making the BHF website an increasingly important hub for the organisation. Our site had in excess of 3.5 million visits over the year – around 400 people every hour. Our online social media community grew to over 20,000 supporters, and BHF video content was viewed 175,000 times through our YouTube channel. To explore and exploit the many opportunities the changing digital environment has to offer, we merged our traditional and digital communications teams to create a new Multimedia Department. This unit will play a key role in building effective online communities, and developing digital communications across the Foundation in the years to come.

Trustees' report

Income

Overall, net incoming resources available to the Foundation for charitable application increased by 0.4%.

Incoming resources from generated funds

This was another very successful year for the Foundation despite the difficult economic environment. Legacy fundraising and our Retail division again recorded their highest ever income levels, as did the Foundation as a whole (when allowing for the effect of one-off profits on the sale of our old premises in 2008-09). We are financially dependent on the continuing generosity of donors and supporters and our ability to grow income in future years will be impacted by the effect of the recession on levels of personal income and wealth levels as well as donors' propensity to support our cause. We manage costs very prudently and remain deliberately cautious in our projections for the near future. Nevertheless we anticipate that funds available for charitable purposes in 2010-11 will be greater than in the year just ended and that research expenditure will be increased as a result.

Income derived from general fundraising activities was held broadly to the level of the previous year. Despite the continuing challenging environment for fundraising, significant progress was made in a number of areas. Income from general donations increased by 8%, and events continued to thrive. National events grew overall by 2.5% and regional events by 7.4%. These were offset by a 5% reduction in income from community fundraising activities and a £0.8 million drop in trading through corporate partnerships.

The recruitment of new supporters and volunteers has gone well, growing the BHF family and positioning us well for the future. We acquired over 174,000 new supporters through direct marketing (an increase of 44%), received almost 1,400 new legacy pledges (up 28%) and had 37,000 new events participants, an increase of 20%. Heart Matters has 105,000 new members since the start of the year and we gained 5,500 new volunteers through our successful cross-BHF volunteering campaign.

The Foundation is fortunate to receive a substantial number of bequests each year and legacies provide more than half of our total voluntary income. Legacies are either pecuniary (specific cash amount) or residuary (share of an estate). As is true of many other charities, residuary legacies provide the bulk of the bequeathed income to the Foundation, frequently including property assets and shareholdings. Our legacy income stream showed growth of £2 million (4%), reaching a highest ever level of £52.4 million (2009: £50.3 million).

Retail income comes primarily from the Foundation's expanding chain of charity shops across the UK. By the end of 2009-10 we had increased the size of our shop estate to 643, including 92 specialist furniture & electrical stores. Our Retail division is run as a discrete part of the Foundation, managed by an experienced team of retail professionals and has experienced a genuinely outstanding year. Total retail turnover of £116 million increased by 23% over the previous year, while the profit of £22 million which it generated was 40% higher, due primarily to better margins and the growth in the retail estate.

Investment income for the year was £6.3 million (2009: £8.5 million). Low interest rates reduced income generated from cash and deposits. Dividends from investments reduced by £1 million, although set against this is a £43.1 million increase in their market value.

Cost of generating funds

During this time of uncertainty we continue to carefully manage our costs. The total cost of generating funds was £116.9 million during 2009-10. Expenditure on fundraising and publicity in 2009-10 fell by 3% to £22 million.

Financial result for the year

As noted above, income in the year exceeded expenditure by £10.7 million, after taking account of £0.6 million (2009 : £0.9 million) of governance costs. This compares with a deficit of £25 million last year. After taking account of the defined benefit pension scheme position and the appreciation of the investment portfolio, this year produced a net increase in funds of £49.3 million (2009: decrease of £63 million).

Trustees' report

Balance sheet

Investments

The Foundation's investment portfolio was valued at £192.8 million at 31 March 2010. Together with cash and deposit balances it provides cover for commitments, including liabilities for grants already awarded totalling £206.5 million. Our portfolio has appreciated in value by £42.5 million over the last year, materially reversing the trend seen in both of the previous two years. At the end of the financial year equities represented 81% of the total 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 Foundation's predicted liquidity needs and the investment outlook in the various markets. Funds are drawn down from the portfolio as necessary to meet planned charitable commitments, although no such liquidation was necessary during 2009-10 given the Foundation's strong performance in generating income during the year. We shall continue to keep our cash requirements and the investment position under very close review, especially in the light of the difficult external economic environment and potential volatility in the value of investments as well as our plans to invest these assets in the strategic objectives of the Foundation.

The Foundation's investments are dealt with by two discretionary managers. Newton Investment Management manages approximately 56% and the balance is with Smith & Williamson Investment Management. Their respective performance is measured against a common benchmark tailored to BHF requirements and subjected to quarterly review by the Foundation's experienced Investment Committee.

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

Funds and reserves

The General Reserve was £49.7 million in surplus at the year end (2009: in deficit by £3.4 million). This is primarily due to the operating surplus generated during the year and the significant recovery of our investment portfolio.

The Board has reviewed the reserves of the Foundation, taking into account its SORP compliant policy that all grants are recognised as creditors (to the extent that they are legal or constructive obligations) as soon as they are agreed and communicated to

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

Statement of Reserves policy

The Foundation's principal charitable activity is the application of its income to promote and fund medical and scientific research into the causes and prevention of disease of the heart and circulation. Such research activities are mainly funded by the award of multi-year grants, largely recognised as liabilities in our accounts when awarded but paid over the term of the grant. In consequence, our accounts reflect significant balances of both grant creditors and liquid or readily realisable assets (cash plus investments) held mainly to fund approved research activities. The Foundation also has a contingent liability for any part of a grant award which is conditional upon the favourable outcome of a scientific progress review during its term. Such contingencies are recognised as liabilities in the accounts only upon satisfactory completion of that review.

Given the above, the Board considers it appropriate that the Reserves policy be established by reference to the Foundation's liquidity position rather than by reference to the accounting position reflected in the General Reserves. Accordingly, the Board has decided that the Foundation should maintain cash and readily realisable assets sufficient to fund between 6 and 24 months of outstanding grants, plus 12 months of non-retail operating costs. Based on the current grants position our policy requires the Foundation to hold between £104 million and £211 million in liquid and readily realisable assets, including a minimum of £10 million in cash. At 31 March 2010 our liquidity was sufficient to cover the defined operating costs plus 26 months of total outstanding grants, both approved and contingent.

Trustees' report

This Reserves policy is adopted to ensure that the Foundation remains able to continue supporting research and other charitable activities and to maintain operational capabilities in the medium term, even in the event of greater volatility in our level of future income. We expect that grant settlements over the next few years will reduce our liquidity and thus grants cover to a level of between 15 and 20 months.

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

The Board will continue to review the Reserves policy annually.

Restricted funds

The opening balance of £1.3 million was mainly attributed to specifically restricted legacy donations, £0.5 million of which was spent during 2009-10, with a further £0.5 million received in the year. As a result the closing balance of £1.3 million remained.

Endowment funds

At the year-end a total of £7.5 million was held in endowment funds. These funds have arisen in the main where institutions, which have benefited from the Foundation's earlier practice of awarding endowments to fund BHF Chairs in perpetuity, have returned the trusteeship of the balance of such funds to the Foundation in exchange for awards of committed funding for personal chairs. This form of funding is more likely to provide the institution with appropriate maintenance sums each year, while an endowment fund has proved increasingly unlikely to do so. It is for this reason that all new awards for the past 22 years have been as personal chairs.

Internal control

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

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

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

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

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

Trustees' report

Key Performance Indicators

On behalf of the Board of Trustees, the Foundation's management monitors a variety of Key Performance Indicators (KPIs) to check achievement of the Foundation's strategic and operational objectives and reports upon them monthly, quarterly or annually as appropriate. KPIs include measures to track medical research applications and awards, public awareness and access to BHF resources, progress towards achievement of placement targets (eg, BHF Cardiac Nurses and defibrillators in the community), internal staff turnover and financial measures such as fundraising achievements, retail performance and supporter acquisition. Operating priorities are set at the start of each financial year as part of the business planning process, along with targets measures for each of our KPIs.

Employees

The Foundation maintains up-to-date employment policies and practices to ensure that all employees are treated fairly, regardless of gender, sexual orientation, race, ethnic origin, disability, religious beliefs or age. Staff are encouraged to fulfil their potential and the contribution they can make to the Foundation's work. Staff members are kept well-informed of the objectives and activities of the Foundation through team briefings, The Bulletin and HeartNet, the Foundation's intranet. In addition, senior management conduct periodic open sessions to brief all staff about the Foundation's performance and business plans.

During the year we conducted a staff survey to assess the level of employee engagement within the Foundation. The survey covered issues such as satisfaction with organisational issues, eg, the role and the team, as well as with training and development, and pay and benefits. The survey findings were very positive and surpassed previous results, as well as comparing very favourably with similar surveys in other parts of the sector. The results indicated a very strong engagement with the cause and mission of the BHF, with the overwhelming majority of staff liking to work for the Foundation, being committed to doing their best for it and above all being proud to work for the Foundation.

Over the coming year we will be reviewing career development opportunities and the link to both training plans and reward structures. Also, the Foundation will be reviewing the ways in which staff are involved in and consulted about issues affecting the Foundation, in order to ensure these are as effective and engaging as possible.

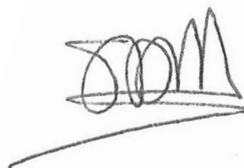
Volunteers

The Foundation benefits hugely from a large number of dedicated volunteers, who help raise funds, organise school visits, events and street collections, staff our shops and act as ambassadors for the Foundation by spreading the word in their local communities. Quite simply, our efforts and achievements are dependent on their support. At the latest count, we have some 22,000 volunteers who contributed more than 6 million hours of combined work on behalf of the Foundation last year. Many of these individuals have been part of the BHF family for over 20 years and the Foundation is an important part of their lives. We greatly appreciate their public spirit and their continuing commitment to the Foundation. Our challenge remains to find and support more of these exceptional individuals.

Auditors

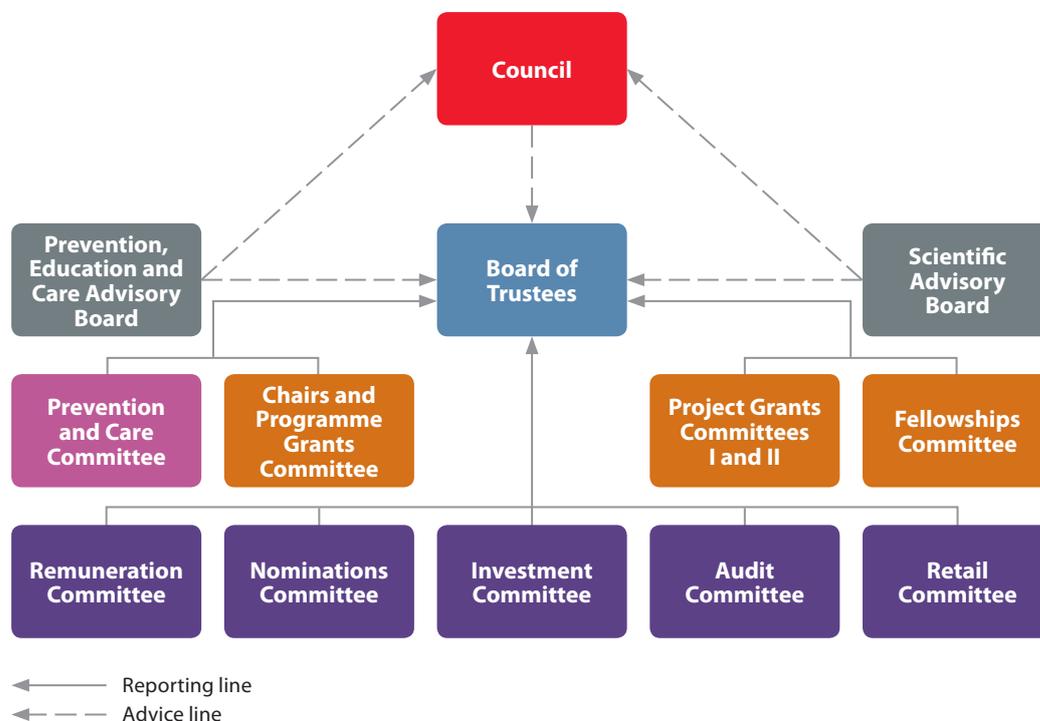
PricewaterhouseCoopers LLP have expressed their willingness to continue to act as auditors and a resolution to reappoint them, under section 485 of the Companies Act 2006, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board of Trustees



Simon Hopkins
Secretary
24 June 2010

Board of Trustees and Committees As at 31 March 2010



Patron

His Royal Highness The Prince Philip KG KT

Board of Trustees

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

Chairman

Philip Yea MA FCMA

Members

Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci *appointed 28 May 2009*
 Dr Jane Flint MD FRCP
 Professor Kay-Tee Khaw CBE FRCP
 Susan H Lloyd
 Professor Sir Michael G Marmot PhD FFCM
 Professor John McMurray MD FRCP FESC
 Sir Peter Morris AC FRS FRCS *retired 15 July 2009*
 Sir Robin Mountfield KCB
 Roger G Pilgrim MA (Cantab) FCA
 Dr Denise Pollard-Knight PhD
 John H Salmon FCA
 Professor Patrick Sissons MD FRCP FMedSci
 Professor Kenneth M Taylor MD FRCS
 Lance Trellyan BSc FCA *appointed 15 July 2009*

In Attendance

Peter T Hollins
 Simon D W Hopkins MA (Oxon) ACA *from 18 January 2010*
 Professor Peter L Weissberg MD FMedSci
 Aneesha Moreira
 Mike Lucas *from 30 November 2009*
 Betty McBride
 Julie Weston
 Malcolm Hall FCA *to 31 December 2009*
 Kenneth C Blair *to 7 August 2009*

The Council

Chairman

Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci *Chairman from 15 July 2009*

Members of Council

The Lord Ahmed
 Roger Best *appointed 29 September 2009*
 Dr Naureen Bhatti MBBS MRCP MRCGP
 Dr Nicholas A Boon MD FRCP
 Professor Morris Brown MD FRCP
 Dr Jane Flint MD FRCP
 Professor Andrew Halestrap PhD DSc *appointed 15 July 2009*
 Professor Anthony M Heagerty MD FRCP
 Professor Richard Hobbs FRCGP FRCP FESC FMedSci
 Sir Bruce Keogh KBE MD FRCS
 Professor Kay-Tee Khaw CBE FRCP
 Susan H Lloyd
 Professor Sir Michael G Marmot PhD FFCM
 Professor John McMurray MD FRCP FESC
 Sir Robin Mountfield KCB
 Roger G Pilgrim MA (Cantab) FCA

Board of Trustees and Committees As at 31 March 2010

Dr Denise Pollard-Knight PhD
Suzannah Power
Dr Alice Roberts BSc MB BCH PhD *appointed 15 July 2009*
James Robinson BSc FCA *appointed 15 July 2009*
John H Salmon FCA
Professor John Savill MB PhD FRCP FMedSci
Professor Julian Scott MD FRCS
Professor Patrick Sissons MD FRCP FMedSci
Professor Kenneth M Taylor MD FRCS
Lance Trevelyan BSc FCA *appointed 15 July 2009*
Philip Yea MA FCMA

The following members retired during the year:

Sir Peter Morris AC FRS FRCS *Chairman to 15 July 2009*
Richard B Blossom BSc (Hons) *retired 7 July 2009*
The Lord Crisp *retired 16 January 2010*
Alistair C Mitchell-Innes *retired 15 July 2009*
Benjamin H B Wrey MA (Cantab) *retired 15 July 2009*
Professor Martin Wilkins MD FRCP *retired 15 July 2009*

In attendance

Peter T Hollins
Simon D W Hopkins MA (Oxon) ACA *from 18 January 2010*
Professor Peter L Weissberg MD FMedSci
Aneesha Moreira
Mike Lucas *from 30 November 2009*
Betty McBride
Julie Weston

Malcolm Hall FCA *to 31 December 2009*
Kenneth C Blair *to 7 August 2009*

Retail Committee

Chairman

Roger Best *appointed 9 June 2009 and Chairman from 1 September 2009*
Alistair C Mitchell-Innes *retired 9 June 2009*

Members

Susan H Lloyd
Alison Jones
David E Lockyer MSc

Ex-Officio

Peter T Hollins
Simon D W Hopkins MA (Oxon) ACA *from 18 January 2010*
Malcolm Hall FCA *to 31 December 2009*
Mike Lucas *from 30 November 2009*
Kenneth C Blair *to 7 August 2009*
Betty McBride

Investment Committee

Chairman

Benjamin H B Wrey MA (Cantab)

Members

Roger G Pilgrim MA (Cantab) FCA
James Robinson BSc FCA
Nick Train BA (Oxon)

Ex-Officio

Peter T Hollins
Simon D W Hopkins MA (Oxon) ACA *from 18 January 2010*
Malcolm Hall FCA *to 31 December 2009*

Audit Committee

Chairman

John H Salmon FCA

Members

Roger G Pilgrim MA (Cantab) FCA
James Robinson BSc FCA

Nominations Committee

Chairman

Philip Yea MA FCA *Chairman from 15 July 2009*

Members

Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci *appointed 29 September 2009*
Professor Kay-Tee Khaw CBE FRCP
Dr Denise Pollard-Knight PhD
Sir Peter Morris AC FRS FRCS *retired 15 July 2009*
John H Salmon FCA *Chairman to 15 July 2009*
Professor Patrick Sissons MD FRCP FMedSci

Ex-Officio

Peter T Hollins

Remuneration Committee

Chairman

Philip Yea MA FCMA

Members

Roger Best *appointed 29 September 2009*
Sir Christopher Edwards FRSE MD FRCP FRCPE FMedSci *appointed 29 September 2009*
Alistair C Mitchell-Innes *retired 15 July 2009*
Sir Peter Morris AC FRS FRCS *retired 15 July 2009*
John H Salmon FCA

Ex-Officio

Peter T Hollins

Senior Executives

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

Chief Executive

Peter T Hollins

Secretary and Finance Director

Simon D W Hopkins MA (Oxon) ACA *from 18 January 2010*
Malcolm Hall FCA *to 31 December 2009*

Medical Director

Professor Peter L Weissberg MD FMedSci

Director of Fundraising

Aneesha Moreira

Retail Director

Mike Lucas *from 30 November 2009*
Kenneth C Blair *to 7 August 2009*

Director of Policy & Communications

Betty McBride

Director of Human Resources

Julie Weston

Board of Trustees and Committees As at 31 March 2010

Medical Committees

Chairs and Programme Grants Committee

Chairman

Professor John Savill MB PhD FRCP FMedSci

Vice Chairman

Professor Peter L Weissberg MD FMedSci

Members

Professor Stuart M Cobbe MA MD FRCP FESC FMedSci FRSE
appointed 10 February 2010
Professor D Grahame Hardie FRS FRSE FMedSci
Professor Clive H Orchard
Professor Roger K Patient BSc PhD
Professor Peter J Ratcliffe MA MBChB MD
Professor Michael S Marber FRCP PhD FACC *appointed 13 May 2009*
Professor Paul M Stewart MD FMedSci *retired 11 November 2009*
Professor Nick J Wareham PhD MBBS MSc

Ex-Officio

Peter T Hollins
Professor Jeremy D Pearson FMedSci PhD
Alex Mazzetta

Project Grants Committees

Chairmen

Professor Andrew P Halestrap PhD DSc
Professor Martin R Wilkins MD FRCP *retired 23 September 2009*

Members

Professor Amrita Ahluwalia BSc PhD *appointed 23 September 2009*
Professor Jane Armitage BSc MBBS FRCP
appointed 16 December 2009
Professor Metin Avkiran PhD DSc *retired 23 September 2009*
Professor David J Beech BSc PhD *retired 23 September 2009*
Professor Barbara Casadei MD DPhil FRCP FESC
Professor George Davey Smith MBBChir MA MSc MD DSc FFFPM
FRCP FMedSci *retired 20 May 2009*
Dr Perry M Elliott MBBS MRCP *retired 23 September 2009*
Dr Sheila E Francis BSc PhD
Dr Christopher H George BSc PhD
Professor Anthony H Gershlick MBBS FRCP *retired 10 March 2010*
Professor Jon M Gibbins BSc PhD *appointed 16 December 2009*
Dr David J Grainger MA PhD
Professor Julian P J Halcox MA MBBChir MRCP *appointed 16 December 2009*
Professor Jules C Hancox BSc PhD *retired 10 March 2010*
Professor Mark A Hanson MA DPhil FRCOG
Professor Deborah J Henderson BSc PhD *retired 10 March 2010*
Professor Aroon D Hingorani MBBS MRCP PhD
Professor Graham A Hitman MD FRCP *retired 10 March 2010*
Professor Mark T Kearney MBChB MRCP DM
Dr Theresa A McDonagh MBChB MRCP
Professor Gerard B Nash BSc PhD
Professor David E Newby PhD DM *retired 23 September 2009*
Dr Christopher M H Newman PhD FRCP *retired 23 September 2009*
Dr Kevin M O'Shaughnessy BMBCh DPhil MRCP
Professor David J Paterson MSc DPhil *retired 20 May 2009*
Dr Anna M Randi MD PhD *appointed 20 May 2009*
Professor Andrew C Rankin MBChB MD MRCP
Dr Paul R Riley BSc PhD *appointed 20 May 2009*
Professor Naveed Sattar FRCP FRCPATH PhD
appointed 16 December 2009
Professor Michael J Shattock PhD FESC
Professor Peter D Weinberg MA MSc DIC PhD
Dr Ian B Wilkinson MA DM *retired 10 March 2010*
Professor Ian S Young BSc MD MRCPATH

Ex-Officio

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

Fellowships Committee

Chairman

Professor Morris Brown MA MSc MD FRCP FAHA FMedSci

Members

Professor Bernard D Keavney BSc BM Bch DM FRCP
appointed 2 July 2009
Professor David Eisner MA D Phil
Professor Bryan Williams MD FRCP
Professor Ian Zachary BSc PhD
Professor Ajay Shah MD FRCP FESC
Professor Stefan Neubauer MD FRCP

Ex-Officio

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

Prevention and Care Committee

Chairman

Professor Richard Hobbs FRCP FRCGP

Members

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

Ex-Officio

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

Statement of Trustees' Responsibilities

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

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

- select suitable accounting policies and apply them consistently
- observe the methods and principles in the Charities Statement of Recommended Practice on Accounting and Reporting
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

In so far as the trustees are aware:

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

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

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

We have audited the financial statements of the British Heart Foundation for the year ended 31 March 2010 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and for being satisfied that the financial statements give a true and fair view, are set out in the Statement of Trustees' Responsibilities.

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charity's trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Annual Report is consistent with those financial statements.

We also report to you if, in our opinion, the Charity has not kept adequate and proper accounting records, if the Charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Review of the year and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2010 and of the group's incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, and
- the information given in the Trustees' Annual Report is consistent with the financial statements.



Liz Hazell (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
PricewaterhouseCoopers LLP is eligible to act as
an auditor in terms of section 1212 of the
Companies Act 2006
London
24 June 2010

Group statement of financial activities for the year ended 31 March 2010 (Incorporating a group income and expenditure account)

	Note	Unrestricted fund £000	Restricted funds £000 (see note 7)	Endowment funds £000 (see note 7)	2010 Total funds £000	2009 Total funds £000
Incoming resources						
Incoming resources from generated funds						
Voluntary income (fundraising and legacies)	2	86,069	4,943	24	91,036	88,876
Activities for generating funds (retail)	3	116,377	–	–	116,377	94,336
Investment income	4	6,199	57	–	6,256	8,510
Incoming resources from charitable activities						
Public funding for prevention and care	5	–	93	–	93	875
Other incoming resources						
Profit on sale of fixed assets	6	–	–	–	–	5,769
Total incoming resources		208,645	5,093	24	213,762	198,366
Resources expended						
Cost of generating funds						
Costs of generating voluntary income (fundraising)	6	21,984	–	–	21,984	22,712
Fundraising trading: cost of goods sold and other costs (retail)	3,6	94,238	–	–	94,238	78,558
Investment management costs	6	651	–	–	651	596
Total cost of generating funds		116,873	–	–	116,873	101,866
Net incoming resources available for charitable application	7	91,772	5,093	24	96,889	96,500
Costs of charitable activities						
Research	6	47,456	954	–	48,410	78,718
Prevention and care	6	33,047	4,143	–	37,190	42,039
Expenditure in furtherance of charitable objectives		80,503	5,097	–	85,600	120,757
Governance costs	6	631	–	–	631	905
Total resources expended	6	198,007	5,097	–	203,104	223,528
Net incoming/(outgoing) resources		10,638	(4)	24	10,658	(25,162)
Realised investment gain/(loss)	7,9	2,425	–	–	2,425	(7,400)
Net income for the year		13,063	(4)	24	13,083	(32,562)
Unrealised investment gain/(loss)	7,9	40,662	–	–	40,662	(27,922)
Actuarial (loss) on defined benefit pension scheme	16	(4,436)	–	–	(4,436)	(2,704)
Net movement in funds		49,289	(4)	24	49,309	(63,188)
Total funds brought forward at 1 April	7	(6,292)	1,286	7,439	2,433	65,621
Balance of funds at 31 March	7	42,997	1,282	7,463	51,742	2,433

There are no recognised gains or losses other than those disclosed above. All of the above results derive from continuing activities. There is no difference between the net income for the year and its historical cost equivalents. There are no recognised gains or losses other than those included above.

Gross income for the year for the parent charity is £205.6 million (2009: £192.2 million) and gross expenditure is £194.9 million (2009: £217.3 million). The charity SOFA is not disclosed as a separate statement, as permitted by SORP 2005.

Group balance sheet at 31 March 2010

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	25,129	21,594
Intangible fixed asset	8	1,150	1,150
Investments	9	192,758	150,272
Programme-related investment	9	1,850	1,850
Total fixed assets		220,887	174,866
Current assets			
Stock of goods for resale	10	1,868	1,669
Debtors	10	10,690	12,134
Short-term deposits		10,463	14,000
Cash on deposit, at bank and in hand		33,189	38,691
Total current assets		56,210	66,494
Creditors: amounts falling due within one year			
Research and other awards (including chairs provision)	11	(99,592)	(134,465)
Other creditors	12	(10,419)	(13,190)
		(110,011)	(147,655)
Net current liabilities		(53,801)	(81,161)
Total assets less current liabilities		167,086	93,705
Creditors: amounts falling due after more than one year			
Research and other awards	11	(108,705)	(88,355)
Net assets (excluding pension scheme liability)		58,381	5,350
Pension Fund deficit	16	(6,639)	(2,917)
Net assets (including pension scheme liability)		51,742	2,433
Represented by:			
Funds			
Endowment			
Chair endowment trusts	7, 15	7,089	7,089
G M Yule bequest	7	74	74
P Gordon bequest	7	300	276
		7,463	7,439
Restricted			
Big Lottery Fund awards	7	143	143
Public funding (other)	7	-	82
Mending Broken Hearts	7	100	-
Hearty Voices	7	7	-
Legacy donations	7	1,032	1,061
		1,282	1,286
Unrestricted			
General reserve (includes revaluation reserve £43m (2009: £3m))	7	49,636	(3,375)
Pension reserve	16	(6,639)	(2,917)
Total unrestricted funds		42,997	(6,292)
Total Group funds		51,742	2,433

Approved by the Board of Trustees on 3 June 2010, and signed on their behalf by:



Philip Yea, Chairman



John Salmon, Chairman of the Audit Committee

} Members of the Board of Trustees

Charity balance sheet at 31 March 2010

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	25,129	21,594
Investments	9	192,758	150,272
Programme-related investment	9	1,850	1,850
Total fixed assets		219,737	173,716
Current assets			
Debtors	10	14,078	15,198
Short-term deposits		10,463	14,000
Cash on deposit, at bank and in hand		32,388	37,311
Total current assets		56,929	66,509
Creditors: amounts falling due within one year			
Research and other awards (including chairs provision)	11	(99,592)	(134,465)
Other creditors	12	(11,138)	(13,205)
		(110,730)	(147,670)
Net current liabilities		(53,801)	(81,161)
Total assets less current liabilities		165,936	92,555
Creditors: amounts falling due after more than one year			
Research and other awards	11	(108,705)	(88,355)
Net assets (excluding pension scheme liability)		57,231	4,200
Pension Fund deficit	16	(6,639)	(2,917)
Net assets (including pension scheme liability)		50,592	1,283
Represented by:			
Funds			
Endowment			
Chair endowment trusts	7, 15	7,089	7,089
G M Yule bequest	7	74	74
P Gordon bequest	7	300	276
		7,463	7,439
Restricted			
Big Lottery Fund awards	7	143	143
Public funding (other)	7	-	82
Mending Broken Hearts	7	100	-
Hearty Voices	7	7	-
Legacy donations	7	1,032	1,061
		1,282	1,286
Unrestricted			
General reserve (includes revaluation reserve £43m (2009: £3m))	7	48,486	(4,525)
Pension reserve	16	(6,639)	(2,917)
Total unrestricted funds		41,847	(7,442)
Total Charity funds		50,592	1,283

Approved by the Board of Trustees on 3 June 2010, and signed on their behalf by:



Philip Yea, Chairman



John Salmon, Chairman of the Audit Committee

} Members of the Board of Trustees

Group cash flow statement for the year ended 31 March 2010

	2010 £000	2009 £000
Net incoming/(outgoing) resources	10,658	(25,162)
Adjustments to exclude investment income and non cash items (see note A below)	(17,672)	15,575
Net cash outflow from operating activities	(7,014)	(9,587)
Investment income	6,256	8,510
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(9,085)	(7,751)
Proceeds from sale of tangible fixed assets	203	14,557
Purchase of investments	(47,682)	(58,554)
Proceeds from sale of investments	48,283	78,361
Programme-related investments	-	(1,850)
Net cash (outflow)/inflow from investing activities	(8,281)	24,763
Management of liquid resources		
Decrease/(increase) in short-term deposits	3,537	(8,021)
(Decrease)/increase in cash (see note B below)	(5,502)	15,665
Note A		
Adjustments to exclude investment income and non-cash items	£000	£000
Investment income	(6,256)	(8,510)
Depreciation: charge for the year	5,237	4,548
Loss/(gain) on sale of tangible fixed assets	110	(5,769)
Increase in stocks	(199)	(582)
Decrease/(increase) in debtors	1,444	(314)
(Decrease)/increase in creditors	(2,771)	4,614
(Decrease)/increase in provision for liabilities and charges	(14,523)	22,377
Adjustment for FRS 17 pension funding	(714)	(789)
Total adjustments to exclude investment income and non-cash items	(17,672)	15,575
Note B		
(Decrease)/increase in cash and short term deposits	£000	£000
Cash and short term deposits at 1 April 2009	52,691	29,005
(Decrease)/increase in short term deposits	(3,537)	8,021
(Decrease)/increase in cash	(5,502)	15,665
(Decrease)/increase in cash and short term deposits	(9,039)	23,686
Cash and short term deposits at 31 March 2010	43,652	52,691

Notes to the accounts

1. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, the Charities (Accounts and Reports) Regulations 2008, the Charities Act 2006 and comply with UK GAAP. They also abide by the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP) 2005, as updated in 2008. The Foundation has adapted the Companies Act formats to reflect the Charities SORP and the special nature of the Foundation's activities.

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

a. Basis of accounting and consolidation

The Accounts of the Charity and the three active Subsidiary companies are consolidated (on a line by line basis) to produce the Group Accounts. These have been prepared under the historical cost convention except for investments which are included at market value. No Income and Expenditure account has been presented for the Foundation as permitted by Section 408 of the Companies Act 2006.

b. Income and Expenditure

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

- For **Legacy income**, entitlement is counted from the earlier of estate accounts being finalised and cash received. Legacies where the Foundation's receipt of income is subject to a life tenancy have not been included in the accounts. Gifts donated for sale are included as income when they are sold.
- For **Event income**, entitlement is counted at the date of the event.

Where income is received in advance, recognition is deferred and included in creditors and where entitlement arises before income is received, the income is accrued.

- No amounts are included in the financial statements for services donated by volunteers.
- Goods donated to the Foundation's shops are valued at a nil cost.

Expenditure (with the exception of grant expenditure) is recognised on an accruals basis.

Costs are allocated, where appropriate, to charitable expenditure and to the cost of generating funds (10% of fundraising costs are allocated to charitable expenditure on the basis that fundraising material provides educational information that furthers the Charity's objects).

The Foundation's Head Office overheads have been allocated to charitable expenditure, fundraising, publicity and retail expenses on the basis of their use of central services, with the aim of ensuring that those costs remaining within governance relate to the management of the Foundation's assets, organisational administration and compliance with constitutional and statutory requirements.

Tax

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

The Foundation is a registered charity and therefore is not liable to income tax and corporation tax on income and gains derived from its charitable activities as it falls within the various exemptions available to registered charities.

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

c. Fund accounting

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

d. Awards

In accordance with the SORP, the total sum awarded (and communicated) during the year is expensed. Where these grants are for multi-year commitments, a high proportion of the relative cash will be settled in future accounting periods.

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

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

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

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

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

Notes to the accounts

e. Fixed Assets

Tangible

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

Short leasehold property – over the life of the lease

Leasehold improvements – over the life of the lease

Shop fittings – over 7 years

Vehicles – over 3-4 years

Furniture and equipment (including IT hardware) – over 3-4 years

The Foundation adopts a minimum capitalisation limit of £1,000. The Retail Division, due to the disparate nature of its business, has a lower limit of £100.

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

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

Intangible

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

f. Investments

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

The Foundation revalues its investments regularly so that when investments are sold, gains or losses which arose before the previous year-end have already been recognised. Movements in value arising from investment changes or revaluation, together with profits on disposal of investments, have been recognised in the general fund.

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

g. Stock

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

h. Pension costs

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

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

i. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. However, where the period to the review date (on which the rent is first expected to be adjusted to the prevailing market rate) is shorter than the full lease term, the shorter period is used.

j. Provisions

Shops dilapidations

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

k. Discount factor

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

Notes to the accounts

2. Voluntary income

	General fund £000	Restricted funds £000	Endowment funds £000	2010 Total funds £000	2009 Total funds £000
Legacies	51,816	535	24	52,375	50,322
Donations	16,805	2,777	–	19,582	18,673
Volunteer fundraising	7,572	464	–	8,036	11,117
Events	9,876	4	–	9,880	7,971
Restricted appeals	–	1,163	–	1,163	793
	86,069	4,943	24	91,036	88,876

In 2010 Gifts in Kind with an estimated value of £263,000 (2009: £75,000) were received – these have not been recorded in the SOFA on grounds of materiality.

The Foundation has received notification of 911 legacies (2009: 1,059) for which no income has been recognised at 31 March 2010. These will be included in future years. The actual timing of receipt and amounts to be received are unknown. Based on the average value of legacies received during the year, the value of these has been conservatively estimated at £22 million (2009: £25 million) although this ignores any weighting towards residuary legacies (which make up the greater proportion of these numbers and which are generally of higher value than pecuniary legacies).

3. Retail income

	Charity shops donated goods £000	BHF Shops Ltd £000	British Heart Foundation Ventures Ltd Retail activities £000	2010 Total funds £000	2009 Total funds £000
Retail income*	104,635	11,226	516	116,377	94,336
Retail costs	(85,918)	(7,808)	(512)	(94,238)	(78,558)
Net incoming resources available from retail activities	18,717	3,418	4	22,139	15,778

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

*2010 includes gross income of £16.2 million (2009: £9.84 million) representing donations from supporters on which we have been able to claim Gift Aid – from sale of their goods through BHF Shop's Retail Gift Aid Programme.

4. Investment income

	General funds £000	Restricted funds £000	2010 Total funds £000	2009 Total funds £000
Listed investments	5,829	–	5,829	6,837
Bank interest	356	57	413	1,616
Property fund	–	–	–	39
Unlisted investments	14	–	14	18
	6,199	57	6,256	8,510

5. Incoming resources from charitable activities

	General funds £000	Restricted funds £000	2010 Total funds £000	2009 Total funds £000
Public funding for Prevention and Care:				
Department of Health – NHS London	–	–	–	355
Department of Health – NGO	–	–	–	35
Department of Health – other	–	62	62	111
Big Lottery Fund	–	–	–	339
Sport England	–	–	–	17
Food Standards Agency	–	31	31	18
	–	93	93	875

Notes to the accounts

6. Gross expenditure

	Awards (note 11) £000	Other direct costs £000	Support costs allocated £000	Total 2010 £000	Total 2009 £000
Cost of generating funds					
Fundraising	–	18,772	1,910	20,682	21,359
Publicity	–	969	333	1,302	1,353
Retail costs	–	94,060	178	94,238	78,558
Investment management fees	–	651	–	651	596
	–	114,452	2,421	116,873	101,866

Charitable expenditure

Research	47,645	447	318	48,410	78,718
Prevention and Care	11,826	23,734	1,630	37,190	42,039
	59,471	24,181	1,948	85,600	120,757
Governance	–	236	395	631	905
	59,471	138,869	4,764	203,104	223,528

Direct costs

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

Support costs included in gross expenditure

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

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

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

Analysis of support costs

	Costs of Generating Funds			Charitable expenditure		Governance	Total	Total
	Fundraising £000	Publicity £000	Retail costs £000	Research £000	Prevention and Care £000	£000	2010 £000	2009 £000
Directorate	52	15	52	13	75	52	259	272
Legacy administration	550	–	–	–	–	–	550	495
Human resources	275	72	27	69	369	90	902	955
Facilities management	152	57	–	27	177	22	435	2,076
Information technology	463	114	–	123	581	142	1,423	1,635
Legal	63	16	21	17	83	10	210	197
Company Secretary and Procurement	39	12	39	10	56	39	195	134
Finance	316	47	39	59	289	40	790	964
Total	1,910	333	178	318	1,630	395	4,764	6,728

The values for support costs in 2009 have been adjusted to reflect the restructure of the Secretariat Team.

Analysis of governance costs

	Total 2010 £000	Total 2009 £000
Internal Audit	99	122
Company Secretarial	55	51
Legal and professional fees	6	2
Audit fees – charity	54	55
Audit fees – subsidiary companies*	15	15
Board of Trustees costs**	2	34
Annual Report and Accounts	5	5
Support costs allocated	395	621
	631	905

*costs are exclusive of the VAT charged to BHF Ventures Ltd and BHF Shops Ltd (as this can be reclaimed in full), and the portion of VAT charged to the Charity that can be reclaimed.

**costs in 2009 included amounts for the bi-annual conference and the costs of an advert for new Trustees.

Notes to the accounts

6. Gross expenditure (cont)

Gross expenditure for the year is stated after charging:

	2010 £000	2009 £000
Operating lease rentals (land and buildings)	20,308	17,120
(Loss)/profit on disposal of fixed assets	(110)	5,769
Depreciation charge for the year	5,237	4,548
Audit fees (***) for the Group (including VAT)	73	70

***this represents £63,500 (net of VAT) paid for audit services for the group

Staff and Trustee information

	2010 £000	2009 £000
Staff costs		
Salaries	39,913	36,511
Social security	3,582	3,266
Other pension costs (see note 16)	2,532	1,824
Other staff costs (temporary, agency, fixed term contract and seconded staff)	1,860	1,523
	47,887	43,124

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

	2010	2009
Head office	292	281
Regions	103	105
Retail	1,622	1,503
	2,017	1,889

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

	2010	2009
Between £ 60,001-£ 70,000	14	11
Between £ 70,001-£ 80,000	9	7
Between £ 80,001-£ 90,000	3	4
Between £ 90,001-£ 100,000	2	-
Between £100,001-£110,000	1	4
Between £110,001-£120,000	-	1
Between £130,001-£140,000	1	-
Between £150,001-£160,000	-	1
Between £160,001-£170,000	2	1
Between £180,001-£190,000	-	1
Between £190,001-£200,000	1	-

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

Defined contribution schemes	31	26
Defined benefit schemes	3	4

	2010 £000	2009 £000
Contributions in the year for the provision of defined contribution schemes for staff included above	773	355

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

Trustee costs

No trustees received any remuneration for services as members of the Board of Trustees, but a total of £2,421 (2009: £1,246) was reimbursed to four (2009: five) members for travelling expenses to and from meetings.

As permitted in the Memorandum and Articles of Association, Trustee indemnity insurance was purchased at a total cost of £4,988 (2009: £4,865).

Notes to the accounts

7. Statement of funds

	Notes	Balance 1 April 2009 £000	Incoming resources £000	Total resources expended £000	Net investment gains £000	Actuarial gain pension fund £000	Balance 31 March 2010 £000
Endowment funds (Group and Charity):							
Chair endowment trusts	a	7,089	–	–	–	–	7,089
G M Yule bequest	b	74	–	–	–	–	74
P Gordon bequest	c	276	24	–	–	–	300
		7,439	24	–	–	–	7,463
Restricted funds (Group and Charity):							
Legacy donations	d	1,061	535	(564)	–	–	1,032
Chair endowment trusts income (interest)	a	–	54	(54)	–	–	–
P Gordon income (interest)	c	–	3	(3)	–	–	–
Research	e	–	336	(336)	–	–	–
Prevention and Care	f	–	3,938	(3,938)	–	–	–
Neath and Bridgend Health Boards	g	38	–	(38)	–	–	–
Sport England	i	44	–	(44)	–	–	–
BLF – Nurse training	l	143	–	–	–	–	143
Mending Broken Hearts Appeal	j	–	100	–	–	–	100
Food Standards Agency	h	–	31	(31)	–	–	–
Hearty Voices	k	–	96	(89)	–	–	7
		1,286	5,093	(5,097)	–	–	1,282
General fund (Group):		(6,292)	208,645	(198,007)	43,087	(4,436)	42,997
Total Group funds		2,433	213,762	(203,104)	43,087	(4,436)	51,742
Total Charity funds		1,283	205,565	(194,907)	43,087	(4,436)	50,592

Notes

- a. The Chair endowment trusts represent endowments returned to the Foundation by Universities (note 15). The interest on the money held is restricted and expended on the BHF's Chairs of Cardiovascular medicine.
- b. Income from the G M Yule bequest is available for the general activities of the Foundation.
- c. Income from the P Gordon bequest is restricted to expenditure on Prevention and Care activities.
- d. Restricted legacy donations are made for both Research and Prevention and Care. In some cases we are unable to fully expend according to the specific terms of the bequest in the year of receipt, and expenditure takes place in future years.
- e. Income where the Donor has specified that the donation should be expended on the BHF's Research activities.
- f. Income where the Donor has specified that the donation should be expended on the BHF's Prevention and Care activities.
- g. Income received from the Neath Port Talbot and Bridgend Health Boards, to be expended on Community Resuscitation and Cardiac Rehabilitation initiatives in these areas, has been spent in 2009-10.
- h. Income from the FSA (Food Standards Agency) to run a project seeking to reduce the amount of saturated fat used in social cooking that takes place in places of worship predominantly attended by members of the South Asian community in London.
- i. Income from Sport England for the Active Workplace project, to be expended on revising and updating the 'Think fit!' website, resources and other promotional activities has been spent in 2009-10.
- j. Income for our 'Mending Broken Hearts' 50th anniversary appeal.
- k. Income from Department of Health and Home Retail Group for the Young Hearty Voices project, to empower young people with heart conditions and their carers to effectively manage their condition, by making their voices heard and by equipping them to have a role in developing heart services.
- l. Balance of income received from the Big Lottery Fund projects. It has been agreed this will be used to fund a Nurse training project during 2010-11.

Notes to the accounts

7. Statement of funds (cont)

Analysis of Group net assets between funds

	General £000	Restricted £000	Endowment £000	Total £000
Tangible fixed assets	25,129	–	–	25,129
Intangible fixed asset	1,150	–	–	1,150
Investments	194,608	–	–	194,608
Current assets	47,465	1,282	7,463	56,210
Current liabilities	(110,011)	–	–	(110,011)
Long-term liabilities	(108,705)	–	–	(108,705)
Pension Fund deficit	(6,639)	–	–	(6,639)
	42,997	1,282	7,463	51,742
At 31 March 2009	(6,292)	1,286	7,439	2,433

8. Tangible and intangible fixed assets

Group and Charity

	Land and buildings			Vehicles £000	Furniture & equipment £000	Assets under construction £000	Total £000
	Freehold property £000	Short leasehold property £000	Shop fixture and fittings £000				
Cost							
At 1 April 2009	2,427	15,439	18,332	1,448	14,416	249	52,311
Additions	–	1,569	1,809	532	5,020	155	9,085
Disposals	–	(142)	(119)	(509)	(1,658)	–	(2,428)
At 31 March 2010	2,427	16,866	20,022	1,471	17,778	404	58,968
Depreciation							
At 1 April 2009	181	8,879	11,235	916	9,506	–	30,717
Charge for year	32	1,145	1,530	343	2,187	–	5,237
Disposals	–	(74)	(95)	(477)	(1,469)	–	(2,115)
At 31 March 2010	213	9,950	12,670	782	10,224	–	33,839
Net book values							
At 31 March 2010	2,214	6,916	7,352	689	7,554	404	25,129
At 31 March 2009	2,246	6,560	7,097	532	4,910	249	21,594

Assets under construction

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

Intangible fixed asset

Included in the Group Balance Sheet is an intangible fixed asset (£1.15 million) – this represents the right of the Foundation (in perpetuity) to run the 'London to Brighton Bike Ride'. This asset is held at cost and is subject to an impairment review on an annual basis.

Future capital expenditure on specific projects for the Group of £0.4 million has been contracted but not provided for.

Notes to the accounts

9. Investments

Group and Charity

	2010 £000	2009 £000
Market value		
At 1 April	150,272	205,401
Purchase of investments	47,682	58,554
Receipts from sale of investments	(48,283)	(78,361)
	149,671	185,594
Net investment gains/(losses)	43,087	(35,322)
At 31 March	192,758	150,272
Represented by:		
Listed investments: Fixed interest securities	33,934	42,722
Equities	155,454	105,255
Unlisted investments	219	219
Property fund	1,583	1,005
Cash held for investment purposes	1,568	1,071
	192,758	150,272

Listed investments include overseas investments of £58 million (2009: £41 million).

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

Historical cost at 31 March 2010	149,893	146,904
Revaluation gains at 31 March 2010	42,865	3,368
Gains/(losses) realised in the year	2,425	(7,400)

The Charity holds 100% shareholdings in the four Subsidiary Companies within the Group. These are valued at £8.

The programme-related investment in the Group Balance Sheet represents an interest-free unsecured loan to Marie Curie Cancer Care for £1.85 million, used in furtherance of the joint 'Caring Together' programme which is designed to improve palliative care (including the establishment of a hospice in Glasgow).

10. Debtors and Stock

	Group		Charity	
	2010 £000	2009 £000	2010 £000	2009 £000
Debtors				
Amount owed by subsidiary undertakings	–	–	4,029	3,770
Sundry debtors	1,988	3,478	1,561	2,971
Prepayments	5,819	5,735	5,605	5,536
Income tax recoverable	1,375	2,045	1,375	2,045
Accrued legacies	1,508	876	1,508	876
	10,690	12,134	14,078	15,198

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

	Group	
	2010 £000	2009 £000
Stock		
BHF Ventures Ltd	193	173
BHF Shops Ltd	1,675	1,496
	1,868	1,669

Notes to the accounts

11. Research and other awards

	2010 £000	2009 £000
Outstanding liabilities at 1 April	222,820	200,443
Awarded during the year:		
Research grant awards	48,087	79,426
Discounting of research awards (increase)	(442)	(1,449)
	47,645	77,977
Prevention and Care grant awards	11,771	12,040
Discounting of Prevention and Care awards decrease	55	62
	11,826	12,102
	59,471	90,079
	282,291	290,522
Paid during the year	(73,994)	(67,702)
Outstanding liabilities at 31 March	208,297	222,820
Awards falling due within one year	99,592	134,465
Awards falling due after more than one year	108,705	88,355
	208,297	222,820

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

The Foundation has discounted its long term liabilities, both for research and prevention and care grants. A discount rate of 2.6% has been applied to both amounts recognised in the accounts as grant creditors and grant commitments (not included in the accounts) – the discount rate is based on the cost of capital (interest rates received and investment yields) as a time-weighted average over the course of the year.

The Foundation sometimes receives applications for grants from, and makes awards to, universities and hospitals which employ members of the Board of Trustees or Council in senior research capacities. During the year ended 31 March 2010 the Foundation awarded £1.3 million (2009: £5.4 million) for a Chair (in 2009 this was for two Chairs and three other grants) to which members of the Board of Trustees or Council were direct applicants.

In order to recognise the possibility of the Foundation choosing to convert its programme – related investment into a grant, a liability has been set up for £1.85 million.

All grants are made to institutions and a list of 172 research awards made during the year by the medical committees is obtainable from The Medical Director, British Heart Foundation, Greater London House, 180 Hampstead Road, London NW1 7AW or on the Charity's website at bhf.org.uk/about_us/our_annual_reports.aspx (this is unaudited). The top 50 grants made in year are listed below.

Notes to the accounts

11. Research and other awards (cont)

Institution	Number of grants	2010 £000
University of Cambridge	6	4,607
Imperial College London	8	3,990
University of Oxford	3	2,027
University College London	5	2,814
King's College London	5	2,802
University of Birmingham	2	1,966
University of Bristol	3	1,538
University of Glasgow	2	1,537
Cardiff University	2	1,376
University of Leeds	2	1,331
University of Manchester	3	1,171
Medical Research Council	2	2,000
University of Reading	1	937
University of Edinburgh	1	500
Academy of Medical Sciences	1	450
University of Aberdeen	1	273
Queen Mary, London	1	271
University of Leicester	1	251
University of Sheffield	1	235
	50	30,076
Other Research Grants	122	18,011
Total	172	48,087

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

	Total £000	2010 £000	Amounts due for payment in the year to 31 March				
			2011 £000	2012 £000	2013 £000	2014 £000	2015 onwards £000
Grant commitments (not included in the accounts)							
Balance at 1 April 2009	74,787	351	3,896	13,760	14,051	42,729	–
New awards	68,814	(351)	11,645	3,634	17,247	(22,146)	53,454
Awards recognised in Accounts	(67,265)	–	(14,337)	(6,240)	(17,525)	(5,975)	(17,857)
Balance at 31 March 2010	76,336	–	1,204	11,154	13,773	14,608	35,597
Grant creditors – recognised in the accounts							
Balance at 1 April 2009	222,820	134,465	46,925	20,045	10,462	10,923	–
Awards recognised	67,265	5,331	14,337	6,240	17,525	5,975	17,857
Write back of underused grants	(7,794)	(5,305)	(1,055)	(702)	(403)	(231)	(98)
Grant payments	(73,994)	(73,994)	–	–	–	–	–
Adjustments (*)	–	(60,497)	39,385	21,112	–	–	–
Balance at 31 March 2010	208,297	–	99,592	46,695	27,584	16,667	17,759
Total grant commitments and creditors							
Balance at 31 March 2010	284,633	–	100,796	57,849	41,357	31,275	53,356
Balance at 1 April 2009	297,607	134,816	50,821	33,805	24,513	53,652	–

*this additional amount should have been paid this year, but has not been due to delays in invoices being submitted to and paid by the Foundation. It is assumed that similar delays will be experienced in the period up to 31 March 2011.

Notes to the accounts

12. Other creditors (including deferred income)

	Group		Charity	
	2010 £000	2009 £000	2010 £000	2009 £000
Amount owed to subsidiary undertakings	-	-	1,723	874
Accruals/sundry creditors	8,673	11,514	8,622	11,498
Deferred income	1,616	1,547	731	781
Taxes and social security	68	77	-	-
Shops dilapidations provision	62	52	62	52
	10,419	13,190	11,138	13,205

	Group		Charity	
	2010 £000	2009 £000	2010 £000	2009 £000
Deferred income at 1 April	1,547	1,197	781	802
Released during the year	(1,547)	(1,197)	(781)	(802)
Income received during the year to be deferred	1,616	1,547	731	781
Deferred income at 31 March	1,616	1,547	731	781

13. Operating leases

At 31 March 2010 the Group had annual commitments under non-cancellable operating leases, all for land and buildings, as follows:

	2010	2009
	£000	£000
For leases expiring:		
Within one year	735	1,843
Between two and five years	7,431	7,238
After five years	11,963	12,171
	20,129	21,252

14. Subsidiary undertakings

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

They are:

- British Heart Foundation Ventures Limited, retailing Christmas cards and other goods (online and through the Foundation's network of voluntary branches) and making commission arrangements and sponsorship agreements.
- BHF Shops Limited, retailing non-donated goods in the Foundation's charity shops.
- London to Brighton Bike Ride Limited, owning rights to and operating the British Heart Foundation 'London to Brighton Bike Ride'.
- British Heart Foundation Sales Limited - dormant.

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

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

Retail activities are shown in note 3 and fundraising activities are shown gross in note 2.

Notes to the accounts

14. Subsidiary undertakings (cont)

	British Heart Foundation Ventures Ltd £000	BHF Shops Ltd £000	London to Brighton Bike Ride Ltd £000	Total 2010 £000	Total 2009 £000
Turnover	1,126	11,226	1,049	13,401	10,959
Cost of sales	(421)	(6,309)	(126)	(6,856)	(5,006)
Gross profit	705	4,917	923	6,545	5,953
Other costs	(193)	(1,505)	(915)	(2,613)	(2,183)
Net profit	512	3,412	8	3,932	3,770
Gift Aid payment	(512)	(3,412)	(8)	(3,932)	(3,770)
Assets	662	3,433	2,088	6,183	5,777
Liabilities	(662)	(3,433)	(938)	(6,183)	(4,627)
Net assets	-	-	1,150	-	1,150

15. Endowment of Chairs of Cardiovascular Medicine

Originally 13 of the Foundation's Chairs of Cardiovascular Medicine were supported by endowments (the last of which was created in 1987). The remainder are personal chairs, of which there are currently 26.

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

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

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

16. Pensions

Pension schemes – cost to the Foundation

	2010 £000	2009 £000
Defined benefit scheme	627	271
Defined contribution scheme	1,905	1,553
	2,532	1,824

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

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

The last valuation of the scheme was carried out as at 1 July 2008. The market value of the scheme's assets at that date was £23,652,000, which represented 84% of the liabilities of the fund after allowing for expected future increases in earnings and pensions. The next valuation will be carried out as at 1 July 2011.

The contribution rate for 2010 was 24.4% of pensionable salaries from April 2009 to June 2009 and 32.5% from July 2009 onwards (2009: 24.4% of pensionable salaries), plus the cost of insurance premiums to provide death in service benefits

The Board of Trustees has assured members of its continued support for, and desire to retain, the scheme, while not giving any absolute guarantees. In recent years, additional payments – of £2,500,000 in April 2006, three annual payments each of £630,000 in April 2007, 2008 and 2009, and a payment of £986,000 in April 2010 – have been made into the scheme. The Trustees review the timing and amount of future additional contributions on a periodic basis.

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

Notes to the accounts

16. Pensions (cont)

FRS 17 'Retirement Benefits'

In accordance with the requirements of Financial Reporting Standard 17, the full actuarial valuation dated 1 July 2008 has been updated at 31 March 2010 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

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

The major assumptions used for the actuarial valuation were:

	2010	2009	2008	2007	2006
	%	%	%	%	%
Salary growth	4.8	3.9	5.1	4.7	4.5
Pension increases in payment – Limited Price Indexation	3.6	2.9	3.5	3.1	2.7
Pension increases in payment – guaranteed	5.0	5.0	5.0	5.0	5.0
Discount rate	5.5	6.7	6.7	5.4	5.1
Inflation	3.8	2.9	3.6	3.2	3.0

Mortality

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

	2010	2009
Male	88.4	88.4
Female	90.8	90.7

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

Male	89.6	89.6
Female	91.8	91.7

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

	Asset categories as a percentage of plan assets		Expected rate of return at the balance sheet date	
	2010	2009	2010	2009
	%	%	%	%
Equities	65	55	8.1	9.0
Fixed Interest Gilts	22	30	4.5	4.0
Corporate Bonds	7	10	5.5	6.7
Property	1	1	8.1	7.0
Cash/Other	5	1	0.5	0.5

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

	2010	2010	2009	2009	2008	2008	2007	2007	2006	2006
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current service cost		286		436		514		621		606
Past service cost		244		–		172		167		50
Total operating charge		530		436		686		788		656
Expected return on pension scheme assets	(1,442)		(1,781)		(1,510)		(1,391)		(1,025)	
Interest on pension scheme liabilities	1,539		1,616		1,385		1,299		1,140	
Other finance (income) costs		97		(165)		(125)		(92)		115
Total		627		271		561		696		771

Notes to the accounts

16. Pensions (cont)

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

	Present Value of Defined Benefit Obligation		Fair Value of Scheme Assets		Net Liability Recognised in the Balance Sheet	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Scheme liabilities at the start of the year	(23,289)	(24,262)	20,372	23,260	(2,917)	(1,002)
Current Service Cost	(286)	(436)	–	–	(286)	(436)
Past Service Cost	(244)	–	–	–	(244)	–
Interest cost	(1,539)	(1,616)	–	–	(1,539)	(1,616)
Expected return	–	–	1,442	1,781	1,442	1,781
Employer contributions	–	–	1,341	1,060	1,341	1,060
Members contributions	(84)	(99)	84	99	–	–
Actuarial gain/(loss)	(8,898)	2,293	4,462	(4,997)	(4,436)	(2,704)
Benefits received/paid	1,251	831	(1,251)	(831)	–	–
Scheme liabilities at the end of the year	(33,089)	(23,289)	26,450	20,372	(6,639)	(2,917)

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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Defined benefit obligation (DBO)	(33,089)	(23,289)	(24,262)	(25,796)	(25,445)
Fair value of pension scheme assets	26,450	20,372	23,260	22,682	19,240
Pension deficit/shortfall	(6,639)	(2,917)	(1,002)	(3,114)	(6,205)
Experience adjustments on DBO	–	(12)	–	–	310
Adjustments as a percentage of DBO	0%	0%	0%	0%	1%
Experience adjustments on fair value of pension scheme assets	4,461	(4,997)	(1,213)	(457)	2,609
Adjustments as a percentage of pension scheme assets	17%	-25%	-5%	-2%	13%

17. Related Party Transactions

During the year CCA Galleries Ltd, a company controlled by a trustee, Lance Trevellyan, agreed to run an art-related project as part of the 50th anniversary appeal. The objective of this project is to raise £1 million towards the appeal. CCA will not make any profit on the project, as any surplus will be donated to the Foundation's appeal. Part of the project will be sourced from a specialist service provider, Coriander Studios Ltd, which is also controlled by Mr Trevellyan and which will provide services to CCA at arms' length under normal commercial terms. During 2009-10 there were no transactions between the Foundation and either Coriander or CCA.

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

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