



Trustees' Report and Financial Statements

Year ended

31 December 2007

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Trustees' Report

Introduction

The King's Fund is the working name of the King Edward's Hospital Fund for London, registered with the Charity Commission for England and Wales, registration number 207401. Details of the principal office, trustees, chief executive and senior staff, and principal advisers are shown below in the Legal and Administrative Information section.

During 2007, the King's Fund transferred its external conference and catering business to a wholly owned subsidiary, KEHF Limited, and the activities of that company have been consolidated with those of the King's Fund (the charity).

The Trustees submit the Report and audited Consolidated Financial Statements of the King's Fund, for the year ended 31 December 2007, which have been prepared in accordance with the provisions of the current Statement of Recommended Practice (SORP 2005), *Accounting and Reporting by Charities* and relevant accounting standards.

Constitutional Matters

The King's Fund was formed in 1897 as an initiative of the then Prince of Wales to allow for the collection and distribution of funds in support of the hospitals of London. The current organisation is governed in accordance with the King Edward's Hospital Fund for London Act 1907, which stipulates both the Objects and Management of the King's Fund [the Corporation], namely: *'The objects of the Corporation are to administer ... moneys or property held or obtained by the Corporation ... towards the support benefit or extension of the hospitals of London ... and to do all such things as may be incidental or conducive to the attainment of the foregoing objects'* and *'The direction and management of the affairs of the Corporation and the administration and distribution of property and income thereof shall ... be vested in the President and General Council'*. Furthermore, *'A majority of the members of the General Council present at a meeting of the President and General Council may ... delegate the power of the General Council ... to any committee constituted under this Act'*.

At a meeting of the General Council on 11 June 2007, the Chairman of the Management Committee informed members of a proposal to seek the grant of a Royal Charter to establish a new organisation, "The King's Fund", which would take over all of the assets, rights and responsibilities of the King Edward's Hospital Fund for London.

The General Council approved the proposal and the work to date of the Management Committee and resolved to authorise the Management Committee to submit the draft Royal Charter to the Privy Council and in due course to submit a formal Petition seeking the grant of such a Charter (subject to making such amendments to the draft as the Management Committee thought fit). Furthermore, the General Council resolved to authorise the Management Committee to take the steps necessary to transfer the assets and undertaking of the existing body to the Charter body once it had been established and registered with the Charity Commission.

Since that meeting considerable progress has been made on the proposal and current indications are that a Royal Charter will be granted in the summer of 2008.

Organisational Matters

The members of General Council of the King's Fund are reappointed annually by the President and they meet once a year in accordance with the provisions of the Act. The General Council is the principal governing organ of the King's Fund but, at its meeting on 15 May 1996, the following resolution was adopted: *'Subject to the approval of the President and until the General Council shall otherwise direct, with effect from and including 1 January 1997, all the powers of the General Council in relation to King Edward's Hospital Fund for London be delegated to the Management Committee of the said Fund, which shall duly report its activities to the President and General Council from time to time.'*

The members of the Management Committee of the King's Fund are, for the purposes of charity law and reporting, deemed to be its Trustees. Members of the Management Committee are appointed for a three year term which may be followed by a second three year period if mutually acceptable. In special circumstances, members might serve for a third three year period. The Treasurer of the King's Fund plus the Chairman and Vice-Chairman of the Management Committee are appointed annually. In appointing or reappointing Trustees, the President is advised by the existing Trustees who have a responsibility to seek out and attract persons of appropriate skills and calibre to augment or replace current members. New Trustees are furnished with a comprehensive information pack comprising King's Fund and Charity Commission documents. Trustee induction procedures include meetings with individual members of the senior management team (known as the Board of Directors) and appropriate training is provided.

The Management Committee meets four times per annum with the Chief Executive, who is appointed by the Management Committee, and the Board of Directors to consider matters related to the operations of the King's Fund. Two further meetings between the Chief Executive alone and the Trustees are held to consider policy direction and issues of wider strategy.

Day-to-day managerial responsibility has been delegated by the Management Committee to the Chief Executive and the Board of Directors.

The Investment, Audit, Remuneration and Funding & Development Committees, whose members are appointed by the Management Committee, meet on a regular basis and approved minutes of those meetings are submitted to the next available meeting of the Management Committee. There are agreed terms of reference for all committees. These require, inter alia, that all members declare any short term or ongoing conflicts of interest.

Trustees' Responsibilities

Charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the King's Fund and of the net incoming or outgoing resources for that period. In preparing those financial statements, the Trustees have:

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

The Trustees have overall responsibility for ensuring that the King's Fund has appropriate systems of control, financial and otherwise. They are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the King's Fund. They are also responsible for safeguarding the assets of the King's Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the King's Fund is operating efficiently and effectively
- its assets are safeguarded against unauthorised use or disposal
- proper records are maintained and financial information used within the King's Fund, or for publication, is reliable
- the King's Fund complies with relevant laws and regulations.

The systems of internal control, of which the Financial Regulations of the King's Fund form a key component, are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- a three-year development plan which incorporates an annual budget approved by the Trustees
- regular consideration by the Trustees of financial results, variances from budget, non-financial performance indicators and benchmarking reviews
- delegation of authority and segregation of duties
- identification and management of risks.

The Trustees have reviewed the risks to which the King's Fund is exposed and have ensured that systems or procedures have been established to manage those risks.

Objectives, Outcomes and Future Plans

The King's Fund is an independent charitable foundation working for better health, especially in London. Its aims are to help develop skilled *people and organisations* by building understanding, capacity and leadership; informed *policies and ideas* by undertaking original research and providing objective analysis; and effective *services* by fostering innovation and testing out ideas in practice.

The paragraphs below set out the key activities in each of the three defined areas of charitable activity of the King's Fund. The accompanying tables show the specific **objectives** set for 2007, the **outcomes** recorded against those objectives and the **future plans**.

Developing people and organisations

The King's Fund aims to build the understanding, capacity and skills of people working in health.

The key activities underlying the development of people and organisations throughout the health and social care sector include the provision of leadership development programmes either directly or through commissions; the delivery of high quality organisational development support; the provision of an Information and Library Service including elements of the National Library for Health; and delivering topical conferences based on the work of the King's Fund in particular and the wider health and social services sphere in general.

Objectives	Outcomes
<p>Increase the number of successful national, regional and local tenders for Leadership programmes.</p> <p>Deliver contracts for NHS Management Training Scheme, Board Leadership Programme and network for Foundation Trust Governors</p> <p>Increase the amount of organisational development work</p> <p>Extend the reach and increase contact with core audiences and begin implementation of an organisation-wide contact management system. Increase use of ILS bibliographic database resources</p> <p>Increase the paid-for events programme to at least 10 and launch a flagship annual conference.</p>	<p>The Leadership directorate continues to work with a broad range of organisations across the NHS, particularly with whole systems commissioned through SHAs and health economies. The directorate is currently working with 3 of the 10 SHAs on talent management programmes and holds national contracts for a further three separate programmes. The directorate continues to deliver currently contracted significant programmes which include those for Management Trainees, Board Leadership and Foundation Trust Governors, as well as delivering organisational development across the health service</p> <p>The number of people signed up to receive the King's Fund email newsletter has increased as well as the average number of monthly visitors to the website. The number of people attending paid-for conferences and other events has also increased, including a larger proportion of clinicians. The use of ILS bibliographic database resources increased by over 20% and more tailored resources delivered for users.</p> <p>10 events were run as planned and the first annual conference, on the theme of joining up the clinical and business cases for NHS reform, was delivered.</p>
Future Plans	
<p>Review all current programmes of work and develop new programmes for chief executives and other key audience groups, especially clinicians.</p> <p>Establish a consultancy service working with organisations across health and beyond to develop internal capability and transfer skills.</p> <p>Build on the pilot programme working with groups of medical students to explore the nature and future of medical professionalism.</p> <p>Develop new ways of building effective relationships with customers and offering more to meet their needs, including an enhanced information and library service and the construction of a 200 seat auditorium.</p>	

Developing policies and ideas

The King's Fund aims to influence health and social care policy and generate informed debate.

The key activities underlying the development of policies and ideas include internally funded and commissioned research into the development and assessment of health management and economic policies; and the dissemination of the findings of this research through a range of activities including roadshows, conferences and publications.

Objectives

Deliver a range of high impact products in the field of research and policy analysis and at least four large scale studies on key issues

Consolidate the position of the King's Fund as a prime source of authoritative commentary on health reform in England.

Establish and maintain a high quality threshold for our research programme eg by successfully submitting articles to peer-reviewed journals and implementing a peer review process

Increase contacts and work with key audiences, eg clinicians

Outcomes

Eight major policy reports were published in 2007, with significant media and public affairs impact. These included an analysis of progress since the original Wanless health care spending review in 2002. The social care funding inquiry, published in 2006, was taken forward through a national programme of consultation events called Caring Choices which culminated in a final report in January 2008. The Government announced its own review of social care funding in autumn 2007, and promised a green paper for 2008. The King's Fund undertook an independent inquiry into the safety of maternity services during 2007 and a final report was published in February 2008 - with widespread comment, and commitments to take recommendations forward, from key stakeholders.

11 briefings on topical health policy issues were produced in 2007 and the amount of web content that summarises information and resources on policy topics was increased. In addition, media coverage was maintained at existing high levels, including reactive comment on health policy developments. All of the main political parties chose to launch or share their policy thinking at King's Fund events.

Recruited high quality research staff, implemented peer review process and had 12 peer reviewed journal articles published

The number of people signed up to receive the King's Fund email newsletter has increased as well as the average number of monthly visitors to the website. The number of people attending paid-for conferences and other events has also increased, including a larger proportion of clinicians.

Future Plans

Undertake significant in-depth research on issues central to the policy agenda, including: evaluating choice at the point of referral; evaluating practice based commissioning; investigating how best to reshape out-of-hospital care; and exploring how best to encourage healthy behaviours.

Establish a distinct but integrated team dedicated to commentary and analysis, building on achievements to date.

Developing services

The King's Fund aims to build upon, and inform, its policy work by testing ideas out in practice and supporting innovation to generate learning.

The key activities underlying the development of services include the Partners for Health in London funding and development programme focusing initially on four areas - end-of-life care, sexual health, mental health advocacy and integrated health care; delivering, on behalf of the Department of Health, the current Enhancing the Healing Environment programmes and developing new areas of application; delivering a national awards scheme to identify and promote best practice in community organisations working to improve health; and developing analytical tools to be used throughout the National Health Service.

Grant applications to the Partners for Health in London programme are assessed against published qualifying criteria. Distribution of funding to participants in the Enhancing the Healing Environment programmes, reported as grants, is made as selected participants reach predetermined milestones.

Objectives	Outcomes
<p>Publish and disseminate findings from at least one Strategic Development Fund initiative and demonstrate its association with subsequent changes in policy or practice</p> <p>Establish outcome measures applicable to the organisations receiving Partners for Health awards or similar support</p> <p>Relaunch GSK Impact Awards Scheme in its tenth year with a three-year contract and a new range of funding and development options for winners</p> <p>Secure funding for a self-sustaining further wave of the environments for care at the end of life programme and explore the feasibility of an Enhancing the Healing Environment (EHE) prison health pilot programme.</p> <p>Establish an evaluation team to deliver a rapid response evaluation service to Marie Curie's Delivering Choice development programme.</p>	<p>Continued work with the Partners for Health programme to analyse learning. The 2008 corporate strategy establishes a small number of development programmes that utilise skills and expertise from across the organisation, beginning with work to improve end of life care, take forward the recommendations of the safety of maternity services inquiry, and to improve patients' and their families' experience of care.</p> <p>Continued to work with Partners for Health programme to develop outcome measures</p> <p>Relaunched the GSK Impact Awards Scheme with a three-year contract and a new range of funding and development options including establishment of a network for winners</p> <p>The Department of Health has agreed to support a national roll out of the environments for care at the end of life programme and an EHE prison health pilot programme was launched in June 2007.</p> <p>The evaluation work was carried out during 2007 and will be published in spring 2008. It is already having a significant impact on thinking within the NHS and at a political level.</p>
Future Plans	
<p>Develop the EHE programme into new areas of care and develop a funding model for the long term sustainability of the programme.</p> <p>Develop a practical programme to improve patients' experience of care in hospitals in England. The programme will offer expertise in measurement, organisational development, customer care and service improvement, and act as a broker, establishing relationships with others who have relevant expertise.</p> <p>Deliver economic evaluations for Marie Curie's Delivering Choice programme and establish action research across all Delivering Choice sites that demonstrate speedy impact on the ground.</p> <p>Establish activities to disseminate further the recommendations of the safety of maternity services inquiry and develop a programme to take forward practical solutions.</p>	

Financial Strategy and Reserves

The financial strategy of the King's Fund is:

- to manage the assets so as to achieve over the medium term a total return, namely income and capital growth combined, that maintains the real value of those assets, after allowing for expenditure, and to do so without taking excessive risks
- to limit the net annual expenditure of the King's Fund to 5 per cent, reducing to 4.5 per cent from 2009, of its net earning assets averaged over eight years.

The Trustees are mindful of the need, when adopting a 'total return' approach to the investments of the King's Fund, to protect the capital of the endowed funds and to maintain the level of the free reserves such that the above strategy can be supported over time. The Trustees also recognise that the financial structure of the King's Fund is such that drawings from the free reserves to bridge the gap between income, both from investments and activities, and expenditure will occur each year and set the budget accordingly. The reporting requirements of the SORP necessarily show this gap as a net outgoing of resources in the year.

The level of free reserves of the King's Fund, which are the unrestricted funds less investment in fixed assets for the charity's own use, has been appraised in the light of future modelling of the financial strategy. The Trustees, in their adoption of the development plan, accepted that these reserves, which amount to £50.7 million (£46.6 million in 2006), after providing a reserve £3.4 million (£7.4 million in 2006) to match the calculated deficit on the King's Fund Staff Pension and Life Assurance Plan, are at an appropriate level.

Financial Review 2007

Consolidated income and expenditure

Total income for the year amounted to £10.3 million (£9.1 million in 2006), of which £5.1 million (£4.1 million in 2006) was generated from charitable activities and £5.2 million (£5.0 million in 2006) was derived from the investment portfolio and other activities.

Income arising from the charitable activities rose by £1.0 million. The major contributors to this rise were increases in income from Leadership programmes, within *Developing people and organisations*; higher levels of commissioned Policy work, within *Developing policies and ideas*; and an increase in income attributable to the Enhancing the Healing Environment (EHE) stream which included development work with a number of hospices for the first time, within *Developing services*.

Incoming resources from generated funds was up on 2006. Income from *External conference & catering services* increased by almost 24% and *Investment Income* rose by more than 6%.

Total expenditure of the King's Fund was £13.4 million (£11.9 million in 2006), an increase of £1.5 million. *Resources expended on generating funds* was marginally lower than in the previous year. The costs of providing the *External conference & catering services* only increased by a small amount relative to the large rise in income.

Resources expended on charitable activities were higher in two areas and marginally lower in the third. The majority of the increase in *Developing people and organisations* relates to the higher levels of activity in Leadership which is reflected in the raised income levels. The rise in costs of *Developing policies and ideas* is directly related to the additional work undertaken by Policy, much of which was externally commissioned. The lower expenditure on *Developing services* was primarily derived from a reduction in the amount awarded by the Partners for Health grants programme although there were some increased costs in delivering consultancy services, particularly EHE programmes.

The average number of staff employed by the King's Fund during the year was 109 compared with 101 in 2006. Further analysis is shown in Note 8 to the Financial Statements.

The outcome for the year, namely expenditure exceeding income by £3.1 million (£2.8 million in 2006) was in line with the financial strategy set out above, that is to say that it was met by planned drawings from capital, and was within the budget approved by the Trustees at the outset of the year.

KEHF Limited

KEHF Limited, a company registered in England - no. 2754697, began trading on 2 August 2007. The Company, which is wholly owned by the King's Fund, provides conference, catering and ancillary services to external hirers of the conference suites at Cavendish Square.

The financial performance of the company in the year to 31 December 2007 is summarised below:

	£000
Turnover	579
Cost of sales	<u>533</u>
Gross Profit	46
Net administrative costs	<u>4</u>
Profit for the financial year	<u>42</u>

The Directors have decided that a sum equal to the taxable profits in the year be donated to the King's Fund under the Gift Aid scheme. Consequently, there are no retained profits as at 31 December 2007.

Tangible assets held for the use of the King's Fund

The value of the tangible assets held by the King's Fund for its own use increased by a small amount as the costs of the development stages of the redevelopment of the ground floor of Cavendish Square exceeded the depreciation charged on existing assets in the year. At the year end the value of those assets remained at £17.9 million as shown in Note 11 to the Financial Statements.

Investment policy and performance

At 31 December 2007, the total value of the investment assets of the King's Fund was £137.9 million (£134.3 million in 2006). Adjusting for the withdrawals used to finance the activities of the King's Fund, investment assets rose by 5.3% (9.5% in 2006) which, given the difficult market conditions that prevailed, was a satisfactory outcome. Within that total, the value of the directly held agricultural properties rose by 35% to £8.1 million (£6.0 million in 2006). The investments of the King's Fund benefited from the upward movement of stock markets worldwide.

The King's Fund has adopted an investment policy which seeks to optimise performance through a diversified asset portfolio. The target allocation, reflecting the investment policy by asset class but excluding directly held agricultural properties, is shown below along with actual distribution at 31 December 2007 - figures for the preceding year are provided for comparison. The Investment Committee reviews the actual and target allocations on a quarterly basis and also addresses any performance and stock selection issues with each of the investment managers, taking independent advice where necessary.

Asset Class	Target Allocation	Minimum	Maximum	Actual Distribution 2007	Actual Distribution 2006
UK Equities	40.0%	} 65.0%	} 80.0%	33.9%	42.7%
Non-UK Equities	32.5%			45.2%	35.9%
Fixed Interest	7.5%	5.0%	15.0%	4.2%	4.3%
Alternative Assets					
Absolute Return	5.0%	0.0%	5.0%	0.2%	4.5%
Private Equity	5.0%	0.0%	5.0%	3.1%	1.9%
Property	5.0%	3.0%	7.0%	4.5%	6.3%
Cash	5.0%	3.0%	10.0%	8.9%	4.4%
TOTAL	100.0%			100.0%	100.0%

The principle changes year on year are examined below:

- the combined level of Equities exceeded the maximum during the year and the decision was taken to withdraw a significant sum from the UK equities portfolio with a view to increasing the non-UK element as a proportion of the total;
- the Fixed Interest investment is below the minimum target allocation as a result of a deliberate decision by the Investment Committee which is reviewed at each of its meetings;
- the remaining investment in Absolute Return (Hedge Funds) is only a cash balance withheld by the Quellos Strategic Partners II Fund, until completion of their annual audit, following the decision of the Investment Committee to withdraw the full investment from the two funds of funds;
- the Investment Committee decided to increase the exposure to Private Equity by making a commitment of €6 million to a second fund of funds - the total investment, therefore, represents the first two of four equal

payments of €1.5 million on the initial investment and the first call of 10% from the second fund - the third and fourth payments on the initial investment are due to be paid April 2008 and April 2009 and the balance of the second fund will be drawn down over the next four years;

- performance of the Property Funds over preceding years was such that the total investment was close to exceeding the maximum permitted, as a consequence withdrawals were made from the two funds during the year although subsequent falls in property values have depressed the value of the remaining investment to below the mid point of the permitted range; and
- cash balances increased considerably as a result of the liquidation of equity, hedge fund and property investments described above.

It should be noted that the King's Fund, as a matter of policy, does not invest directly in tobacco companies. Schroder Investment Management Ltd, the manager of the UK Equity portfolio, consider social, environmental and ethical criteria in selecting those companies in which investments are, or may be, held. With respect to the remaining investments, all of which are held in pooled funds, it is not possible for the King's Fund to exert any direct influence on the individual investments but reports from the managers include details of the emphasis placed on these non-financial investment criteria.

The remit of the fund managers is to maximise total return, within an agreed level of risk. The volume of funds under management within the portfolios at the 31 December 2007 plus the actual results of the relevant fund managers during the year, with comparison to the benchmarks used to measure performance, in sterling terms, were as follows:

Fund manager	Principal asset class	Funds £000	Benchmark	Benchmark return	Actual return
Marathon Asset Management Ltd	Global Equities	58,573	MSCI World Index +2%	9.3%	11.4%
Schroder Investment Management Ltd	UK Equities	43,835	FTSE All Share Index + 2%	7.4%	5.8%
CCLA Investment Management Ltd	UK Fixed Interest	2,756	FTSE BG All Stocks Index	5.3%	5.0%
M & G Group Ltd	UK Fixed Interest	2,757	FTSE BG All Stocks Index	5.3%	5.0%
UBS Global Asset Management (UK) Ltd	Property	3,191	IPD (UK) Index	-5.5%	-6.0%
Charities Property Fund	Property	2,704	IPD (UK) Index	-5.5%	-7.0%
Quellos	Absolute Return	306	n/a	n/a	n/a
Schroders / SVG	Private Equity	3,559	MSCI World +5%	12.4%	46.2%
Schroders / SVG	Private Equity	441	MSCI World +5%	3.2%*	9.3%
JP Morgan Chase	Cash	4,541	7 Day LIBID + 0.25%	6.1%	5.6%
National Westminster Bank plc	Cash	2,000	LIBOR 3 month sterling	6.3%	5.4%
Allied Irish Bank plc	Cash	5,000	LIBOR 3 month sterling	3.8%*	3.7%

* New investment during the year.

Returns on both the Global Equities and Private Equity were particularly pleasing given the below benchmark performance on all other investments. Of these, the negative returns on the property funds were especially disappointing but, as noted above, some of the gains achieved in earlier years were realised by the partial withdrawals. The Investment Committee will continue to monitor the performance of all of the investments and, where appropriate, discuss such matters directly with the managers.

Market conditions continued to be difficult in the early part of 2008 with concerns about liquidity in the banking system, the rise in oil and food prices and consequent risks of inflation. The outlook is uncertain but the Fund is well positioned in terms of policies and investments to ride out these difficulties.

Donations and legacies

The Treasurer gratefully acknowledges donations and legacies received from the following during the past year:

Her Majesty the Queen, The Bawden Fund, Edgar E Lawley Foundation, A N Heilbron, Merchant Taylors' Company, D & K L Welbourne, and anonymous donors.

A handwritten signature in black ink, appearing to read 'Aan cth', written in a cursive style.

Anthony McGrath, Treasurer
22 May 2008

AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE KING'S FUND

We have audited the financial statements of the King's Fund for the year ended 31 December 2007 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities 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) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the information given in the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements in it. Our responsibilities do not extend to other information.

Basis of 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 charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

Unqualified opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charity's affairs as at 31 December 2007 and of the group's incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
Date 23 May 2008

St Bride's House
10 Salisbury Square
London EC4Y 8EH

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2007

	Notes	Un-restricted funds £000	Restricted funds £000	Endowed funds £000	2007 Total funds £000	2006 Total funds £000
INCOMING RESOURCES						
<i>Incoming resources from generated funds</i>						
Donations and legacies		5	-	-	5	92
External conference & catering services		1,413	-	-	1,413	1,142
Tenancies		336	-	-	336	375
Investment income	4	3,243	-	-	3,243	3,052
		4,997	-	-	4,997	4,661
<i>Incoming resources from charitable activities</i>						
Developing people and organisations		3,267	-	-	3,267	2,650
Developing policies and ideas		697	-	-	697	353
Developing services		1,178	-	-	1,178	1,063
		5,142	-	-	5,142	4,066
<i>Other incoming resources</i>	5	188	-	-	188	383
Total incoming resources		10,327	-	-	10,327	9,110
RESOURCES EXPENDED						
<i>Resources expended on generating funds</i>						
External conference & catering services		1,156	-	-	1,156	1,117
Tenancies		244	-	-	244	255
Investment management costs	6	620	-	-	620	725
		2,020	-	-	2,020	2,097
<i>Resources expended on charitable activities</i>						
Developing people and organisations		4,832	-	-	4,832	4,174
Developing policies and ideas		3,091	46	-	3,137	2,189
Developing services		3,334	-	-	3,334	3,354
	7/8	11,257	46	-	11,303	9,717
<i>Resources expended on governance</i>	9/10	69	-	-	69	62
Total resources expended		13,346	46	-	13,392	11,876
Net outgoing resources		(3,019)	(46)	-	(3,065)	(2,766)
Net gains on investment assets		5,907	-	4,706	10,613	13,069
Actuarial gain / (loss) on pension scheme	17	1,320	-	-	1,320	(2,148)
Net movement in funds		4,208	(46)	4,706	8,868	8,155
Balances brought forward at 1 January		64,439	46	75,892	140,377	132,222
Balances carried forward at 31 December		68,647	-	80,598	149,245	140,377

All of the operations represented by the information above are continuing.

BALANCE SHEETS

As at 31 December 2007

	Notes	CONSOLIDATED		CHARITY	
		2007 £000	2006 £000	2007 £000	2006 £000
FIXED ASSETS					
Tangible assets	11	17,897	17,851	17,897	17,851
Investments	12/13	137,806	134,281	137,856	134,281
Total Fixed Assets		155,703	152,132	155,753	152,132
CURRENT ASSETS					
Debtors	14	1,988	1,514	1,732	1,514
Stocks		-	21	-	21
Cash at bank and in hand		865	154	730	154
Total Current Assets		2,853	1,689	2,462	1,689
CURRENT LIABILITIES					
<i>Amounts falling due within one year</i>	15				
Creditors		(3,498)	(3,443)	(3,157)	(3,443)
Grants		(1,454)	(1,583)	(1,454)	(1,583)
Total Current Liabilities		(4,952)	(5,026)	(4,611)	(5,026)
NET CURRENT LIABILITIES		(2,099)	(3,337)	(2,149)	(3,337)
LONG TERM LIABILITIES					
<i>Amounts falling due after one year</i>	16				
Grants		(1,005)	(1,025)	(1,005)	(1,025)
Total assets excluding pension liability		152,599	147,770	152,599	147,770
Pension scheme liability	17	(3,354)	(7,393)	(3,354)	(7,393)
Total assets including pension liability		149,245	140,377	149,245	140,377
FUNDS	18				
Restricted funds	19	-	46	-	46
Endowed funds		80,598	75,892	80,598	75,892
Total restricted and endowed funds		80,598	75,938	80,598	75,938
Designated fund for tangible own use assets		17,897	17,851	17,897	17,851
Pension fund reserve		(3,354)	(7,393)	(3,354)	(7,393)
Unrestricted funds		54,104	53,981	54,104	53,981
Total unrestricted funds		68,647	64,439	68,647	64,439
Total funds		149,245	140,377	149,245	140,377

Approved by the Trustees at a meeting of the Management Committee on 22 May 2008 and presented to General Council on 9 June 2008.



Anthony McGrath, Treasurer
22 May 2008

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Net cash outflow from operating activities	A	(9,131)	(4,693)
<i>Returns on investment</i>			
Dividends and interest received		3,243	2,932
Investment property income received		-	120
Net cash inflow from investing activities		3,243	3,052
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets		(490)	(174)
Net sale / (purchase) of securities		13,743	906
Receipts from sale of investment properties less costs		850	247
Net cash inflow from capital expenditure & financial investment		14,103	979
<i>Management of liquid resources</i>			
Reduction / (increase) in cash deposits held as investments	B	(7,504)	650
Increase / (decrease) in cash in the year	B	711	(12)

NOTES TO THE CASHFLOW STATEMENT**Note A : Reconciliation of net outgoing resources to net cash outflow from operating activities**

	2007 £000	2006 £000
Net outgoing resources	(3,065)	(2,766)
Investment income	(3,243)	(3,052)
Depreciation charged on tangible assets	444	438
Current service cost less contributions to the pension scheme	165	(34)
Contributions to past service cost of the pension scheme	(2,697)	-
Other finance income from the pension scheme	(188)	(283)
Decrease in stocks	21	-
Decrease / (increase) in debtors	(474)	1,304
Decrease in short term creditors	(74)	(390)
Increase / (decrease) in long term creditors	(20)	90
Net cash outflow from operating activities	(9,131)	(4,693)

Note B : Analysis of changes in net funds

	At 1 January 2007 £000	Movement £000	At 31 December 2007 £000
Cash at bank and in hand	154	711	865
Cash deposits held as investments	5,044	7,504	12,548
Total net funds	5,198	8,215	13,413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

1 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and investment properties and in accordance with the Charities Act 1993, the Statement of Recommended Practice Accounting and Reporting by Charities (Charities SORP 2005) and applicable accounting standards.

The consolidated financial statements incorporate the results of the King's Fund and of its wholly owned subsidiary company, KEHF Limited, made up to 31 December each year. KEHF Limited commenced trading on 2 August 2007.

No separate Statement of Financial Activities has been presented for the Charity alone as permitted by paragraph 397 of the Charities SORP 2005.

2 ACCOUNTING POLICIES

Donations and legacies

Donations and legacies are recognised in the Statement of Financial Activities when they become receivable, that is where it is reasonably certain that they will be received and where the value can be measured with sufficient reliability.

Grants receivable

Grants receivable are recognised in the Statement of Financial Activities in full in the year in which they become receivable, that is when the conditions for receipt have been met.

Investment income

Income from investments and securities held in segregated portfolios is accounted for when dividends and interest are receivable and includes recoverable taxation. Income received, but not distributed, by pooled funds is included as part of the net gains/losses on investment assets in the Statement of Financial Activities.

Other income

All other income is included in the Statement of Financial Activities when the King's Fund is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Grants payable

Grants payable are included in the Statement of Financial Activities in the period in which the conditions attached to the award have been met. Any grants where conditions have been met but the grant has not yet been paid are accounted for as creditors on the Balance Sheet. Where grants have been approved in principle but conditions attached to the award have not yet been met they are included in the notes to the accounts as a contingent liability.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

The costs of certain support departments are allocated to the principal activities on the basis of a direct relationship with those activities, eg through measures of floor area, head count, rooms used, etc. The balance of these costs are allocated to the activities in proportion to their relative outputs measured by reference to direct expenditure and, where relevant, the income that they generate.

Pension costs

The King's Fund Staff Pension and Life Assurance Scheme (the Plan) is a defined benefits scheme. The current service costs of the Plan, together with the scheme interest cost less the expected return on the scheme assets for the year, are charged to the Statement of Financial Activities within staff costs. The actuarial gains and losses on the Plan are recognised immediately as other recognised gains and losses.

The assets of the Plan are measured at fair value at the Balance Sheet date. Liabilities are measured on an actuarial basis at the Balance Sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the Balance Sheet.

Tangible assets

Tangible assets costing more than £5,000, including any incidental expenses of acquisition, are capitalised and recorded at cost.

Depreciation is calculated so as to write off the cost of the tangible assets, including all of the plant and machinery within the freehold buildings, on a straight line basis over the expected useful economic lives of the assets concerned which are taken as:

Computer hardware and software	3 years
Office equipment	3 to 5 years
Plant and machinery	5 to 30 years

The expected useful economic life of each item of plant and machinery is determined by the independent consulting quantity surveyors retained by the King's Fund.

The King's Fund has determined that the estimated life of the structure of the building, at least 100 years, results in the level of the calculated depreciation in its value being immaterial. Consequently no such depreciation is provided.

Freehold land is not depreciated.

Investments

Investments are valued at mid-market prices at the Balance Sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

Investment properties are stated at their estimated value on an open market basis at the Balance Sheet date. Valuations are updated annually by the professional advisers retained by the King's Fund.

Stocks

Stocks are stated at the lower of cost and net realisable value. For stocks considered to be in excess of realistic sales in the medium term, net realisable value is deemed to be zero.

Foreign currencies

Transactions denominated in foreign currencies during the year are translated at prevailing rates. Assets and liabilities are translated at rates applying at the Balance Sheet date. All differences are taken to the Statement of Financial Activities.

Funds

Restricted funds: The King's Fund receives grants from a range of bodies to fund some of its work on Programmes and Projects. Attached to each grant are restrictions on the manner in which it is to be spent, usually associated with a project brief and tender submission, as itemised in Note 19 to the Financial Statements.

Endowed funds: The King's Fund has no power to spend its Endowed Funds and they are held in perpetuity to generate income to further the objectives of the King's Fund.

Designated fund for tangible own use assets: This unrestricted fund represents the value of the tangible fixed assets of the King's Fund, ie its premises at 11-13 Cavendish Square, London W1G 0AN, together with the depreciated plant and machinery, office equipment and computers in those premises.

Unrestricted funds: The King's Fund has the power to spend its unrestricted funds within its objects as it sees fit.

3 TAXATION

No taxation is payable, by the King's Fund as it is able to make use of the tax exemptions on income and capital gains available to charities, or by the subsidiary company as it is expected that each year it will donate an amount equal to its taxable profits to the King's Fund under the Gift Aid scheme.

4 INVESTMENT INCOME

	2007 £000	2006 £000
Income from securities and cash assets		
Equities	1,839	2,007
Fixed Interest funds	330	329
Property funds	325	355
Cash	557	240
Income from investment properties	192	121
	3,243	3,052

5 OTHER INCOMING RESOURCES

	2007 £000	2006 £000
Other income from the King's Fund Staff Pension & Life Assurance Plan	188	283
Ex gratia payment by the developer of a neighbouring property	-	100
	188	383

6 INVESTMENT MANAGEMENT FEES

The cost of investment management includes a performance fee of £317,000 (£455,000 in 2006) payable to Marathon Asset Management Ltd, in accordance with their management contract.

7 ANALYSIS OF RESOURCES EXPENDED ON CHARITABLE ACTIVITIES

	Developing people and organisations £000	Developing policies and ideas £000	Developing services £000	2007 Total £000	2006 Total £000
Direct expenditure					
Staff related expenditure	1,829	1,119	257	3,205	2,789
Grants (7a)	-	-	1,550	1,550	1,789
Other costs	1,090	1,103	878	3,071	2,019
Sub Total	2,919	2,222	2,685	7,826	6,597
Support departments (7b)	1,913	915	649	3,477	3,120
Total resources expended	4,832	3,137	3,334	11,303	9,717

7a Analysis of Grants

	2007 £000	2006 £000
Partners for Health awards	1,051	1,184
Enhancing the Healing Environment national programme - see below	557	418
Other grants - Cancer Backup	1	187
Lapsed grants - prior year awards	(59)	-
	1,550	1,789

Partners for Health awards

	£000		£000
<i>Award round 4 - May 2007</i>		<i>Award round 5 - November 2007</i>	
Bromley by Bow Centre	150	Brook London	156
<i>Deciding for Ourselves ... Sexual Health project</i>		<i>HOLLAR - Assessing the impact of counselling as a preventative interventions - Sexual Health project</i>	
Community Health Action Trust	152	Roma Support Group	135
<i>Community Integrated Sexual Health InSTITUTE (CISHI)</i>		<i>Roma Refugee & Migrants Health Advocacy Project</i>	
MIND in Harrow	156	Dementia Voice/Housing 21	153
<i>Mental health advocacy for Somali refugees and asylum seekers</i>		<i>Specialist community based End-of-Life Dementia Care Nurse</i>	
Peninsula Medical School	149		
<i>The CACTUS Study : Classical Acupuncture Treatment for People with Unexplained Symptoms</i>			
	<u>607</u>		<u>444</u>
		Total Partners for Health	<u>1,051</u>

Enhancing the Healing Environment National Programmes delivered under contract to the Department of Health

	£000		£000
<i>Mental health trusts (programme 1)</i>		<i>Mental health trusts (programme 2)</i>	
Bedfordshire & Luton Community NHS Trust	15	Barnsley NHS Primary Care Trust	15
Cambs & Peterborough MH P'ship NHS Trust	15	Berkshire Healthcare NHS Trust	30
Cornwall Partnership Trust	15	Bolton, Salford & Trafford Mental Health Trust	15
Coventry & Warwickshire Partnership Trust	17	Bradford District Care Trust	15
Isle of Wight Healthcare NHS Trust	15	Calderstones NHS Trust	15
Kent & Medway NHS & Social Care P'ship	30	Cheshire & Wirral Partnership Trust	30
Leicestershire Partnership NHS Trust	15	Devon Partnership NHS Trust	15
Lincolnshire Partnership NHS Trust	15	Doncaster & S. Humber Healthcare NHS Trust	30
Manchester Mental Health & Social Care Trust	15	Dorset Primary Care Trust	15
Mersey Care NHS Trust	15	Kent & Medway NHS & Social Care P'ship	15
S W Yorkshire Mental Health Trust	15	Milton Keynes Primary Care Trust	15
South Staffordshire Healthcare NHS Trust	15	North Staffordshire Combined Healthcare Trust	30
Tees, Esk & Wear Valleys NHS Trust	15	North Yorkshire & York Primary Care Trust	15
	<u>212</u>	Northumberland, Tyne & Wear NHS Trust	15
		Nottinghamshire Healthcare NHS Trust	15
		Pennine Care Mental Health NHS Trust	15
		Sandwell Mental Health & Social Care Trust	30
		Sussex Partnership NHS Trust	15
			<u>345</u>
		Total EHE National Programmes	<u>557</u>

7b Support departments	Distribution method	Developing people and organisations	Developing policies and ideas	Developing services	2007 Total £000	2006 Total £000
		£000	£000	£000		
Building services incl. depreciation	1	178	70	16	264	272
Conference and catering services	2	397	58	16	471	515
Communications	3	143	227	130	500	438
Other support functions	4	1,195	560	487	2,242	1,895
Total costs of support departments		1,913	915	649	3,477	3,120

Distribution methods:

- 1 Pro rata to the relative floor area occupied by staff offices and related functions, eg conference rooms.
- 2 Pro rata to recorded internal usage.
- 3 Pro rata to the estimated usage of the various departments including Marketing and Public Relations.
- 4 Costs apportioned using direct expenditure and, where appropriate income generated, as measures of output. Other support functions include: Chief Executive's Office, Finance, Personnel, Information & Communications Technology, and Facilities Management.

8 EMPLOYEES

	2007 £000	2006 £000
Wages and salaries	4,672	3,873
Social security costs	382	323
Pension costs	593	678
Total emoluments	5,647	4,874

The total for Wages and salaries includes expenditure on temporary and seconded staff of £441,000 (£282,000 in 2006).

	2007	2006
Average number of staff		
Development of people and organisations	27	26
Development of policies and ideas	22	23
Development of services	7	7
Support departments including external conference services	53	45
TOTALS	109	101

	2007	2006
The numbers of employees with remuneration exceeding £60,000 were:		
£60,000 - £69,999	4	3
£70,000 - £79,999	10	8
£80,000 - £89,999	-	2
£90,000 - £99,999	3	-
£150,000 - £159,999	-	1
£170,000 - £179,999	1	-

Contributions were made to the King's Fund Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 14 (11 in 2006) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 4 (3 in 2006) higher-paid employees.

9 RESOURCES EXPENDED ON GOVERNANCE

	2007 £000	2006 £000
Auditors' remuneration - external audit fees : 2005	-	18
- external audit fees : 2006	18	4
- external audit fees : 2007	20	-
- external audit fees : 2007 (KEHF Limited)	6	-
- other services	6	5
Legal fees - review of constitution	15	8
Legal fees - other corporate issues	-	20
Other professional fees	-	6
Trustees - reimbursement of expenses incurred	4	1
	69	62

In previous years Audit Fees were charged to the year in which they were paid but from 2007 are charged in the year to which they relate.

10 TRUSTEES' EXPENSES

£3,619 was reimbursed to one Trustee in 2007 in respect of travel and subsistence expenses (£952 to three Trustees in 2006.) No Trustee received nor waived any remuneration during the year.

11 CONSOLIDATED AND CHARITY TANGIBLE ASSETS

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	2007 Total assets £000	2006 Total assets £000
Cost					
At 1 January	14,885	3,973	2,641	21,499	21,434
Additions	265	-	225	490	174
Disposals	-	-	-	-	(109)
At 31 December	15,150	3,973	2,866	21,989	21,499
Depreciation					
At 1 January	-	1,723	1,925	3,648	3,319
Charge for the year	-	178	266	444	438
Disposals	-	-	-	-	(109)
	-	1,901	2,191	4,092	3,648
Net Book Value					
At 31 December	15,150	2,072	675	17,897	17,851
Previous Year	14,885	2,250	716	17,851	

12 INVESTMENTS AT MARKET VALUE

	Held in the UK £000	Outside the UK £000	2007 Total £000	2006 Total £000
Securities:				
Equities	42,827	58,574	101,401	101,261
Fixed Interest funds	5,513		5,513	5,581
Property funds	5,895		5,895	8,199
Absolute Return funds		306	306	5,719
Private Equity fund	3,999		3,999	2,434
Cash	12,549		12,549	5,044
Investment properties	8,143	-	8,143	6,043
Consolidated Total	78,926	58,880	137,806	134,281
Shareholding in subsidiary company	50	-	50	-
Charity Total	78,976	58,880	137,856	134,281

The investment properties were valued by Cluttons on an open market basis as at 31 December 2007.

A reconciliation of the movement in the market value of the investments of the King's Fund during the year is as follows:

	2007 £000	2006 £000
Opening balance at 1 January	134,281	123,015
Net monies disinvested	(7,088)	(1,803)
Increase on revaluation	10,613	13,069
Consolidated closing balance at 31 December	137,806	134,281
Subscription for shares in subsidiary company	50	-
Charity closing balance at 31 December	137,856	134,281

13 SUBSIDIARY COMPANY

KEHF Limited, a company registered in England no. 2754697, began trading on 2 August 2007 having previously been reported as a dormant company.

The authorised share capital of the company is 50,000 shares of £1 each. The King's Fund owns all of those shares and is therefore the sole member of the company. The company has five Directors of which the Chairman is the Treasurer, and a Trustee, of the King's Fund, three others hold directorships as employees of the King's Fund, and the fifth is an independent person.

The activities undertaken by the company comprise the letting of conference space within the premises of the King's Fund to third parties along with the provision of catering and other related services. These activities were formerly undertaken directly by the King's Fund.

At the 31 December 2007, the company had no fixed assets and the value of its net current assets was £50,000 matching the value of the shareholders funds.

In the year to the same date, the company had income of £581,000 and expended £539,000 thereby generating an operating profit of £42,000. The Directors have proposed that a sum equivalent to this operating profit be donated to the King's Fund, through Gift Aid. An accrual of this amount has therefore been recorded and the resultant retained profit for the year is Nil.

14 DEBTORS

	CONSOLIDATED		CHARITY	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	1,002	846	704	846
Prepayments and accrued income	41	634	41	634
Other debtors	945	34	945	34
Donations from KEHF Limited	-	-	42	-
	1,988	1,514	1,732	1,514

15 CREDITORS : AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	CONSOLIDATED		CHARITY	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade creditors	760	473	419	473
Deferred income	1,751	1,995	1,751	1,995
Taxation and social security	-	10	-	10
Other creditors and accruals	987	965	987	965
	3,498	3,443	3,157	3,443
Grants payable	1,454	1,583	1,454	1,583
	4,952	5,026	4,611	5,026

£1,138,000 of the Deferred income brought forward at 31 December 2006 was transferred to income during 2007. The balance is included in deferred income at 31 December 2007.

Many Leadership programmes comprise a number of modules and income relating to those to be delivered in the forthcoming year has been deferred at the year end. The nature of the agreements relating to the Enhancing the Healing

Environment programmes, which operate over a number of years, is such that all of the Management Fees and Grant monies were received at the outset of each - the unexpended parts of these sums has been deferred at the year end. Other smaller deferrals relate to contracts for the delivery of services where payment has been received in advance.

16 CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR

	CONSOLIDATED		CHARITY	
	2007 £000	2006 £000	2007 £000	2006 £000
Grants payable	1,005	1,025	1,005	1,025
	1,005	1,025	1,005	1,025

17 PENSION SCHEMES

The King's Fund Staff Pension and Life Assurance Plan (the Plan) is a defined benefit scheme. The Plan is open to all employees of the King's Fund who are not members of another scheme, see NHS Pension Scheme below.

	2007 £000	2006 £000
Changes in the present value of the Plan liability are as follows:		
Opening value of the Plan liability	36,224	32,141
Current service cost	669	617
Employee contributions	200	182
Interest costs	1,821	1,529
Actuarial losses / (gains)	(3,924)	3,086
Benefits paid	(1,197)	(1,331)
Closing value of the Plan liability	33,793	36,224

	2007 £000	2006 £000
Changes in the fair value of Plan assets are as follows:		
Opening fair value of Plan assets	28,831	26,579
Expected return	2,009	1,812
Employee contributions	200	182
Employers' contributions	3,201	651
Actuarial gains / (losses)	(2,605)	938
Benefits paid	(1,197)	(1,331)
Closing fair value of Plan assets	30,439	28,831

Employers' contributions included £2,697,000 in respect of past service costs.

In addition, the Plan has pension liabilities which are insured with a value of approximately £1.2 million (£1.4 million in 2006). The value of these liabilities has been excluded from both the assets and the liabilities since the liability is matched directly by an asset of equal value.

	2007 £000	2006 £000
Total expense recognised in the Statement of Financial Activities:		
Current service cost	669	617
Interest on the Plan liabilities	1,821	1,529
Expected return on the Plan assets	(2,009)	(1,812)
Total amount charged within net outgoing resources	481	334
Actuarial loss / (gain)	(1,320)	2,148
Total amount charged / (credited) to the Statement of Financial Activities	(839)	2,482

Proportion of total Plan assets by asset class:	2007	2006
Equities (including property)	53%	54%
Bonds	38%	40%
Index-linked	8%	0%
Cash	1%	6%

The overall expected rate of return on the Plan assets is determined by applying each asset type's expected long term rate of return to that asset type's market value and calculating a weighted average rate of return over all asset types.

	2007 £000	2006 £000
Actual return on Plan assets	(596)	2,750

The principal actuarial assumptions used at the balance sheet date	2007	2006
Discount rate	5.70%	5.00%
Rate of increase in salaries	4.25%	4.00%
General price inflation	3.25%	3.00%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.00%	4.00%
Service after 1 April 2000	3.10%	3.00%
Expected return on Plan assets	6.57%	6.54%

The King's Fund expects contributions of £846,000 to be made to the Plan in the year ending 31 December 2008. This sum includes monthly payments of £28,900, in respect of past service costs. The payments in respect of past service costs have been calculated to eliminate the Plan deficit over a period of ten years.

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
History of Plan experience					
Present value of the Plan liabilities	33,793	36,224	32,141	28,608	26,609
Fair value of the Plan assets	30,439	28,831	26,579	22,631	20,563
Deficit in the Plan	(3,354)	(7,393)	(5,562)	(5,977)	(6,046)
Experience adjustments on Plan liabilities	0	(1,159)	0	0	(1,318)
Experience adjustments on Plan assets	(2,605)	938	2,818	631	2,058

NHS Pension Scheme

In addition to the Plan, the King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 14 (11 in 2006) members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2007 the King's Fund contributed £94,349 (£58,316 in 2006) to the scheme. The employer's contribution rate is set by the Government Actuary at 14%.

The pension charge for the period for both defined benefit schemes (King's Fund and NHS) was £593,507 (£678,323 in 2006).

18 SPLIT OF ASSETS BETWEEN FUNDS

	Endowed Funds £000	Unrestricted Funds £000	2007 Total funds £000	2006 Total funds £000
Tangible assets	-	17,897	17,897	17,851
Investments : Securities	80,598	49,065	129,663	128,238
Investments : Property	-	8,143	8,143	6,043
Net current liabilities	-	(2,099)	(2,099)	(3,337)
Long term liabilities	-	(1,005)	(1,005)	(1,025)
Pension fund reserve	-	(3,354)	(3,354)	(7,393)
Total funds	80,598	68,647	149,245	140,377

19 MOVEMENTS IN RESTRICTED FUNDS

	Balance at 1 January 2007 £000	Incoming resources £000	Outgoing resources £000	Balance at 31 December 2007 £000
Programmes and Projects	44	-	44	-
Other	2	-	2	-
	<u>46</u>	<u>-</u>	<u>46</u>	<u>-</u>

20 RELATED PARTY TRANSACTIONS**Investment Committee**

Mr Michael Dobson, a member of the King's Fund Investment Committee, is the Chief Executive of Schroders plc. As at 31 December 2007, the market value of the King's Fund investments held by Schroder Investment Management Limited, a division of Schroders plc, totalled £47,865,000 (£55,160,000 in 2006). In 2007, £197,000 (£211,000 in 2006) was charged to the Statement of Financial Activities for investment management fees payable to Schroder Investment Management Limited.

Mr Dobson did not participate in any of the decisions, made by the Investment Committee during the year, in relation to the appointment of any division of Schroders plc to manage part of the investment portfolio of the King's Fund.

Mr Michael McLintock, a member of the King's Fund Investment Committee, is the Chief Executive of M&G and a board member of Prudential plc. The units held by the King's Fund in the M&G Charibond were valued at 31 December 2007 at £2,757,000 (£2,798,000 in 2006). Fees charged by the fund are deducted from the gross distribution declared and not separately recorded within the accounts of the King's Fund.

Mr McLintock did not participate in any of the decisions, made by the Investment Committee during the year, in relation to the appointment of any division of Prudential plc to manage part of the investment portfolio of the King's Fund.

LEGAL

AND

ADMINISTRATIVE INFORMATION

GENERAL COUNCIL

Honorary Member
HRH Princess Alexandra KG GCVO

Ex-officio members

The Speaker of the House of Commons	The President of the Royal College of Nursing
The Rt. Hon. The Lord Mayor of the City of London	The President of the Royal College of Obstetricians and Gynaecologists
The Archbishop of Westminster	The President of the Royal College of Ophthalmologists
The Lord Bishop of London	The President of the Royal College of Paediatrics and Child Health
The Chief Rabbi	The President of the Royal College of Pathologists
The Secretary for Health Care Chaplaincy, the Free Churches' Group	The President of the Royal College of Physicians
The Keeper of the Privy Purse	The President of the Royal College of Psychiatrists
The President of the Community Practitioners and Health Visitors Association	The President of the Royal College of Radiologists
The President of the Faculty of Public Health Medicine	The President of the Royal College of Speech and Language Therapists
The Director of the Institute of Public Health	The President of the Royal College of Surgeons of England
The President of the Royal College of Anaesthetists	The Chairman of the Academy of Medical Royal Colleges
The President of the Royal College of General Practitioners	The President of the Institute of Healthcare Management
The President of the Royal College of Midwives	The London Regional Commissioner, NHS Appointments Commission

Other members

Dr Dwomoa Adu	Ms Jude Goffe	Professor Sir Duncan Nichol CBE
Mr William Backhouse LVO	Mr Marius Gray	Mr Leslie Paine OBE
Sir Roger Bannister CBE	Professor Sir Andrew Haines	Professor Dame Lesley Rees
Major Sir Shane Blewitt GCVO	Sir Graham Hart KCB	Sir Maurice Shock
Dame Ann Bowtell DCB	Professor Richard Himsworth	Sir Sigmund Sternberg KCSG
Sir John Bradfield CBE	Sir Donald Irvine CBE	Mr Simon Stevens
Professor Sir Kenneth Calman KCB	Professor Sir Brian Jarman OBE	Sylvia Countess of Limerick CBE
Professor Sir Cyril Chantler	Professor Julian Le Grand	Sir Richard Thompson KCVO
Baroness Cox of Queensbury	Dr Stephen Lock CBE	Mr Max Ward
Dr Penelope Dash	Mr Strone Macpherson	Professor Albert Weale
Mr Michael Dobson	Lord McColl of Dulwich CBE	Sir William Wells
Dame Jacqueline Docherty DBE	Mr Anthony McGrath	Professor Dame Jenifer Wilson-Barnett
Sir William Doughty	Professor David Neal	Mr David Wootton
Professor Charles Easmon	Ms Mary Ney	

TRUSTEES AND COMMITTEE MEMBERS

MANAGEMENT COMMITTEE AND TRUSTEES OF THE KING'S FUND

Chairman

Sir Cyril Chantler

Vice Chairman

Professor Adrian Eddleston (to 6 December 2007)

Professor Elizabeth Anionwu (to 6 December 2007)

Dr Penelope Dash

Professor Jacqueline Docherty (from 31 January 2008)

Professor Howard Glennerster (to 6 December 2007)

Treasurer

Mr Anthony McGrath

Vice Chairman

Sir William Wells (from 31 January 2008)

Ms Jude Goffe (from 31 January 2008)

Professor Julian Le Grand (from 31 January 2008)

Mr Simon Stevens

Mr David Wootton (from 6 December 2007)

INVESTMENT COMMITTEE

Chairman Mr Anthony McGrath

Sir John Bradfield CBE

Ms Mary-Ann Daly

Mr Michael Dobson

Ms Jude Goffe

Mr Strone Macpherson

Mr Michael McLintock

Mr Gary Steinberg

Mr Max Ward

FUNDING AND DEVELOPMENT COMMITTEE

Chairman Professor Howard Glennerster

Ms Di Barnes

Dr Michael Dixon OBE

Mr Yohannes Fassil

Mr Tom Hughes-Hallett

Mr Niall Dickson

AUDIT COMMITTEE

Chairman Mr David Wootton

Ms Jude Goffe

Mr Strone Macpherson

Mr Anthony McGrath

REMUNERATION COMMITTEE

Chairman Sir William Wells

Sir Cyril Chantler

Dr Penny Dash

Mr Anthony McGrath

BOARD OF DIRECTORS AND SENIOR ASSOCIATES

BOARD OF DIRECTORS

Chief Executive Niall Dickson

Director of Development Steve Dewar

Director of Policy Anna Dixon

Director of Communications Michelle Dixon

Director of Finance and ICT Frank Gargent

Director of Leadership Karen Lynas

SENIOR ASSOCIATES

Ms Di Barnes

Professor John Billings

Mr Mark Britnell

Baroness Cumberlege of Newick

Professor Nancy Devlin

Dr Michael Dixon OBE

Mr Yohannes Fassil

Dr Julien Forder

Mr Tom Hughes-Hallett

Ms Beverley Hunt

Mr David Knowles CBE

Mr Richard Lewis

Mr Malcolm Lowe-Lauri

Mr Alasdair Liddell CBE

Professor Laurie McMahon

Mr Keith Palmer

Dr Chai Patel CBE

Dr Rebecca Rosen

Professor Louis Smidt

Ms Julia Unwin CBE

Sir Derek Wanless

PRINCIPAL OFFICE

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WebSite : www.kingsfund.org.uk

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Bournemouth BH7 7DA

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London EC4Y 8EH

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London EC2V 7QA

FIXED INTEREST

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M&G Group Ltd.

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Chelmsford
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