

Trustees' Report and Financial Statements

Year ended
31 December 2008



The King's Fund is a charity that seeks to understand how the health system in England can be improved. Using that insight, we help to shape policy, transform services and bring about behaviour change. Our work includes research, analysis, leadership development and service improvement. We also offer a wide range of resources to help everyone working in health to share knowledge, learning and ideas.

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TRUSTEES' REPORT

Introduction

The King Edward's Hospital Fund for London (KEHFL) is a charity 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.

The Trustees submit the Report and audited Consolidated Financial Statements of KEHFL, for the year ended 31 December 2008, 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

KEHFL 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 and is governed in accordance with the King Edward's Hospital Fund for London Act 1907 (the Act), which stipulates both the Objects and Management of KEHFL.

Organisational Matters

The members of General Council of KEHFL are appointed annually by the President and met once a year in accordance with the provisions of the Act. The eight Trustees, two former Trustees and two former senior members of staff were appointed General Council members for 2009.

The General Council is the principal governing organ of KEHFL 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 KEHFL 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 KEHFL plus the Chairman and Vice-Chairman of the Management Committee are appointed annually.

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 KEHFL. 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 King's Fund

On 1 January 2009, all of the assets and liabilities of the King Edward's Hospital Fund for London were transferred to The King's Fund, a new charity - registration number 1126980 - established by Royal Charter. Details on the constitutional and organisational matters of The King's Fund, along with its plans for the immediate future, are shown on page 8.

Objectives and Outcomes 2008

KEHFL seeks to understand how the health system in England can be improved. Using that insight, it helps to shape policy, transform services and bring about behaviour change. Its work includes research, analysis, leadership development and service improvement. KEHFL also offers a wide range of resources to help everyone working in health to share knowledge, learning and ideas.

The paragraphs below set out the key activities in each of the three defined areas of charitable activity of KEHFL. The accompanying tables show the specific **objectives** set for 2008 and the **outcomes** recorded against those objectives. The **future plans** of The King's Fund are shown later in this report.

Developing people and organisations

KEHFL aims to build the understanding, capacity and skills of people working in health.

The overall goals of KEHFL in this area were to grow the leadership business and establish it as a strong voice in the leadership debate as well as to provide more high quality information and support to more people.

Objectives	Outcomes
<p>Review all current leadership programmes and develop new programmes for chief executives and other key audience groups, especially clinicians.</p>	<p>The leadership team demonstrated outstanding results, with eighteen new commissioned programmes and nine extended commissions and the addition of thirteen new programmes open to individual applicants. KEHFL revised and expanded the structure of the team, partly by recruiting additional associates.</p>
<p>Establish a consultancy service working with organisations across health and beyond to develop internal capability and transfer skills.</p>	<p>The volume of consultancy has continued to grow with considerable demand for the KEHFL's services but contracts were taken on only where they were consistent with its mission and priorities. It was decided not to pursue a separate service but to develop this activity within the organisation's existing services of leadership, research and health care improvement.</p>
<p>Build on the pilot programme working with groups of medical students to explore the nature and future of medical professionalism.</p>	<p>KEHFL published the findings from its series of medical professionalism roadshows, <i>Understanding Doctors</i>, which achieved more than 2,000 downloads during the year and was cited in the NHS Next Stage Review. Four events for medical students were piloted, in partnership with the Royal College of Physicians, the General Medical Council and the National Institute for Innovation and Improvement, to raise awareness among future doctors of issues around professionalism. As a result of their success, KEHFL is developing a joint initiative with its partners to run events in every medical school in the UK over the next three years.</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>	<p>The new Information Centre was completed in the winter of 2008, and the number of users over the year increased despite the disruption of building works. The construction of a 200 seat auditorium began in 2008. The first two phases of implementing a Fund-wide customer relationship management system were completed and this enables KEHFL to keep in touch with and be more responsive to all its contacts. The conference programme was expanded again this year, running 14 events for 1,456 people.</p>

KEHFL aims to influence health and social care policy and generate informed debate.

The overall goal of KEHFL in this area was to have a growing and measurable impact on both policy makers and service providers. Working alone and with partners KEHFL aimed to deliver a range of outputs, based on a mix of primary research, analysis, commentary, facilitated debate and discussion.

Objectives	Outcomes
<p>Undertake significant in depth research on issues central to the policy agenda.</p> <p>Establish a distinct but integrated team dedicated to commentary and analysis and working with the communications team, establish integrated communications plans for priority projects, with specific objectives agreed for each.</p>	<p>KEHFL played a significant role in shaping aspects of the <i>NHS Next Stage Review</i>, publishing a series of reports on key themes that were reflected in the Review's proposals, including NHS governance, accountability of PCTs and the use of system incentives. KEHFL's major work on social care funding was cited as influencing policy in a government consultation paper ahead of a promised Green Paper, and the Prime Minister also made reference to the work in his speech at the launch of the consultation paper which was held at the headquarters of KEHFL. Work on the top-ups debate was cited in Prof Mike Richards' national review and recommendations from KEHFL's evaluation of practice based commissioning have been reflected in new Department of Health guidance. The report on polyclinics in London was well received and KEHFL was commissioned by NHS London to work on the process for evaluating their new health centres.</p> <p>A response team was established to work closely with staff in communications and it produces briefings, responses to consultations and analytical support. Each major project has its own communication plan with agreed objectives setting out the impact which it is aiming to achieve. During 2008 KEHFL published 17 reports, 13 briefings and 5 supporting reports. Mentions in Parliament, media coverage and the number of articles published in peer review journals all showed increases year on year.</p>

Developing services

KEHFL 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>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.</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>	<p>The EHE programme has had an outstanding year attracting ministerial support, influencing the national End of Life Strategy and winning major contracts both in the NHS, extending and sustaining its work into end of life and dementia care, as well as the prison service. KEHFL's work with St Christopher's Hospice, funded through the Partners for Health programme, was also cited in the national End of Life Care Strategy for England. The programme continues to attract support from both the NHS and central government.</p> <p>KEHFL launched The Point of Care Programme which is working with patients and their families, staff and hospital boards to research, test and share new approaches to improving patients' experience. The programme has received much interest and KEHFL is now working with a number of hospitals on developing pilots.</p> <p>KEHFL has delivered high-quality evaluations of the Marie Curie Delivering Choice programme, both to support those developing the Delivering Choice programme and to shape the emerging national strategy on cost-effective approaches to improving services at end of life.</p> <p>KEHFL launched the next phase of its maternity programme, the Safer Births initiative, at the House of Commons and there has been a great deal of interest from front line staff as well as national bodies. Since then KEHFL has built a coalition of organisations committed to improving maternity safety working to deliver a series of events with maternity teams around the country.</p>

Financial Strategy and Reserves

The financial strategy of KEHFL, which has been adopted by The King's Fund, is:

- o 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; and
- o to limit the net annual expenditure of KEHFL to 4.5 per cent 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 KEHFL, 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 KEHFL 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, 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 £32.8 million (£50.7 million in 2007), after providing a reserve £4.7 million (£3.4 million in 2007) to match the calculated deficit on the King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan, are at an appropriate level.

Financial Review 2008

Consolidated Income and expenditure

Total income for the year amounted to £12.8 million (£10.3 million in 2007), of which £7.7 million (£5.1 million in 2007) was generated from charitable activities and £5.1 million (£5.2 million in 2007) was derived from the investment portfolio and other activities.

Income arising from the charitable activities rose by £2.6 million. The major contributor to this rise was a further increase in income from Leadership programmes, within *Developing people and organisations*

Incoming resources from generated funds were marginally down on 2007. Income from *External conference & catering services* decreased by almost 19% as a result of a proportion the facilities being unavailable during building development work. *Investment Income* rose, however, by more than 4%.

Total expenditure of KEHFL was £15.6 million (£13.4 million in 2007), an increase of £2.2 million. *Resources expended on generating funds* was lower than in the previous year largely due to reduced costs in *External conferences & catering* resulting from lower activity levels.

Resources expended on charitable activities were higher in for *Developing people and organisations* as the increased levels of activity in Leadership necessitated greater spending. Significant proportions of the fall in spending on *Developing policies & ideas* and *Developing services* can be attributed to changes in the pattern of work undertaken in they are compared to that in the preceding period.

The average number of staff employed by KEHFL during the year was 116 compared with 109 in 2007. Further analysis is shown in Note 8 to the Financial Statements.

The outcome for the year, namely expenditure exceeding income by £2.8 million (£3.1 million in 2007) 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 is summarised below:

	2008	2007
	£000	£000
Turnover	1,158	579
Cost of sales	1,076	533
Gross Profit	82	46
Plus Earned interest	9	2
Less Administrative costs	6	6
Balance of 2007 Gift Aid	7	-
Profit for the financial year	78	42

The Directors have determined that a sum equal to the taxable profits in the year (£76,640) be donated to The King's Fund under the Gift Aid scheme.

Tangible assets held for the use of KEHFL

The value of the tangible assets held by KEHFL for its own use increased as the costs of the redevelopment of the ground floor of Cavendish Square considerably exceeded the depreciation charged on existing and new assets in the year. At the year end the value of those assets was £19.4 million (£17.9 million in 2007) as shown in Note 10 to the Financial Statements.

Investment Policy and Performance

At 31 December 2008, the total value of the investment assets of KEHFL was £102.6 million (£137.9 million in 2007). Adjusting for the withdrawals used to finance the activities of KEHFL, investment assets fell by 22.4% (increase of 5.3% in 2007) which was largely in line with the decline in value in almost all assets classes during the year. The fall in the recorded value of the non-UK Equity portfolio was somewhat mitigated by the considerable adverse movement of Sterling against the United States Dollar in which it is denominated. Within the overall total, the value of the directly held agricultural properties reduced by almost 14% (increase of 35% in 2007) to £7.0 million (£8.1 million in 2007).

KEHFL 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 2008 - 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 2008	Actual Distribution 2007
UK Equities	40.0%	} 65.0%	} 80.0%	35.7%	33.9%
Non-UK Equities	32.5%			40.5%	45.2%
Fixed Interest	7.5%	5.0%	15.0%	0.0%	4.2%
Alternative Assets					
Absolute Return	5.0%	0.0%	5.0%	0.0%	0.2%
Private Equity	5.0%	0.0%	5.0%	6.3%	3.1%
Property	5.0%	3.0%	7.0%	4.4%	4.5%
Cash	5.0%	3.0%	10.0%	13.1%	8.9%
TOTAL	100.0%			100.0%	100.0%

The principle changes year on year are examined below:

- o a decision was taken to liquidate the Fixed Interest investment as it was at a level that was insufficient to provide any realistic hedge against stock market movements, coupled with the poor yields being demonstrated by the asset class;
- o the increase in the Private Equity holding resulted from a second call of 15% on the commitment made during 2008; and
- o cash balances increased considerably as a result of the liquidation of fixed interest investments described above.

It should be noted that, as a matter of policy, investments are not made 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 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 2008 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	45,249	MSCI World Index +2%	-13.8%	-21.7%
Schroder Investment Management Ltd	UK Equities	29,173	FTSE All Share Index + 2%	-27.3%	-30.8%
UBS Global Asset Management (UK) Ltd	Property	2,153	IPD (UK) Index	-23.9%	-22.5%
Charities Property Fund	Property	2,094	IPD (UK) Index	-23.9%	-17.2%
Schroders / SVG	Private Equity	4,870	MSCI World +5%	-8.0%	36.8%
Schroders / SVG ^①	Private Equity	1,194	MSCI World +5%	-8.0%	-4.7%
Royal London Cash Management ^②	Cash	10,771	LIBID - 7 day - sterling	1.3	2.8

① Increase in holding during the year

② Returns for 4 months only - new facility established 1 September 2008

The value of almost all of KEHFL's investments fell during the year - an experience common to all investors worldwide. The exception to this trend was the performance of the private equity investments which exceed the benchmark by a considerable margin. In response to the adverse economic situation the Investment Committee has commissioned a review of the governance arrangements relating to, and the nature of, the investment portfolio and its objectives.

Donations and legacies

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

Her Majesty the Queen, The Bawden Fund, N Dickson, A N Heilbron, D & K L Welbourne, and anonymous donors.

The King's Fund

Introduction

As reported in 2007, the Trustees of KEHFL petitioned the Privy Council to establish a new body by Royal Charter. The Trustees are pleased to now report that Her Majesty granted such a Charter and The King's Fund (the Fund) was registered with the Charity Commission of England and Wales, registration number 1126980. The King's Fund took over the operations of the King Edward's Hospital Fund for London on 1 January 2009.

Constitutional Matters

Her Majesty the Queen has consented to become Patron of the Fund and His Royal Highness The Prince of Wales is its first President, both reprising the roles undertaken within the King Edward's Hospital Fund for London. Each of the Trustees of the King Edward's Hospital Fund for London became Trustees of the Fund on its establishment.

The Trustees are the Members of the Fund and there shall be between four and twelve such Trustees. An appointment as Chairman of the Fund shall be proposed by the Nominations Committee which will consult on the suitability of candidates with the President. The Trustees will elect a Vice-Chairman and Treasurer from within their number.

Organisational Matters

The Board of Trustees will meet four times per annum with the Chief Executive, who is appointed by the Trustees subject to the approval by the President, and the Senior Management Team to consider matters related to the operations of the Fund. Two further meetings will be held with the Chief Executive alone to consider policy direction and issues of wider strategy. One of the four meetings will be designated the Annual General Meeting at which the Trustees' Report and audited Financial Statements for the preceding year will be considered and approved.

Day-to-day managerial responsibility has been delegated by the Board of Trustees to the Chief Executive.

Future Plans

The Fund is working to deliver five key corporate objectives as part of a three-year strategy:

To be the most influential, independent source of health care policy ideas and analysis in England

The ambition is that the policy and research activity should have a growing and measurable impact on both policymakers and service providers. The Fund will continue to create ideas and insight through its own research, evaluation, inquiry, analysis and reflection. The Fund will also seek to build on the constant exchange of experience and expertise focusing on key areas of interest.

During 2009 the Fund will:

- conduct a series of high-impact projects on topics of relevance to the key audiences on the Fund;
- launch a major inquiry into the quality of general practice to report in 2010;
- develop a strategy to engage key opinion-formers and policy-makers together with a tailored communications programme;
- publish material that generates debate and demonstrates the Fund's ability to be a thought leader;
- develop a programme of research and writing around leadership, continuing to establish the Fund's voice in the NHS and beyond on the principles and practices of effective leadership and how leadership development can be employed to best effect; and
- at least maintain the current media profile and use it to demonstrate the value of the Fund's independent expertise

To be the most reliable source of independent health care policy information, insight and support for the key audiences of the Fund

The Fund will continue to build closer relationships with more customers and to ensure that the various services it provides are appropriate and relevant to those it seeks to influence and support. In particular the Fund aims to widen its reach and increase its relevance with senior managers and clinicians by developing products suited to their needs and best reflecting the Fund's strengths.

During 2009 the Fund will:

- introduce a Friends scheme, bringing together a range of information and support products;
- increase and diversify the paid-for conferences programme;
- expand the Fund's range of information and analysis resources for policy makers, managers and clinicians;
- continue to provide a high-quality information service to the NHS through the Fund's contracts to deliver a range of specialist electronic health care libraries; and
- re-develop the website to ensure it more fully reflects the Fund's refreshed brand, increases reach, adds value for key audiences and increases business effectiveness.

To be a centre of innovative high-impact development interventions supporting the changing nature of leadership in health care

During 2009 the Fund will:

- establish The King's Fund Chief Executive Network, providing support to help chief executives to meet the challenges of driving forward complex health organisations during a period of rapid reform;
- launch an improved and expanded range of leadership products for clinicians;
- launch and build an international virtual community of emerging leaders in health and health care;
- support organisational effectiveness through a range of consultancy interventions;
- create a set of The King's Fund diagnostic and development tools to support individual, team and organisation development; and
- ensure the success of the growing number of networks supported by the Fund including the whole system demonstrator action network (WSDAN), Enhancing the Healing Environment (EHE) network, Chief Executive network, foundation trust governors' network and the GlaxoSmithKline Impact Award Winners network.

To be a leading force in the application of ideas and interventions for frontline staff that achieve measurable improvements in health care

A new directorate of Health Care Improvement will work with others across the organisation to bring together the appropriate mix of skills in organisational development as well as leadership, analytics and policy intelligence, fundraising and communications to tackle major health care challenges.

During 2009 the Fund will:

- launch a programme of activities with the aim of improving the safety of maternity services in England;
- establish a cross-Fund programme to achieve quantifiable improvement in the delivery of care to people at the end of their lives;
- ensure that The Point of Care programme meets targets in piloting new approaches to improving patient experience in acute hospitals;
- expand further the EHE programme, particularly into prison health care;
- publish and disseminate findings from completed Partners for Health projects where they have the ability to influence health care practice;
- develop new 'practical learning' outputs to enable fast dissemination of insight from projects about improving organisations, services and individuals; and
- launch a national event programme to engage medical students on the future of medical professionalism.

To be an organisation that is fit for purpose, sustainable and equitable

Over the next three years the Fund will continue to refine its new governance arrangements. Early in 2009 the modernisation of the building will be complete, providing new facilities for visitors and event delegates and a new Information Centre. Across the whole building the aim must be to provide the highest standards of customer support and care – a welcoming, safe and effective environment for visitors. The Fund's work will be underpinned by a financial strategy designed to ensure the long-term viability of the Fund and to support its activities. To increase its impact and reach, and to ensure the Fund protects its endowment, there are plans to raise additional income from a variety of sources.

The Fund will aim to be a very good employer, ensuring that it attracts and, where appropriate, retains the highest quality talent to deliver its mission. The Fund will continue to improve its use of external advisers and associates to provide a more flexible pool of expertise to supplement internal skills.

During 2009 the Fund will:

- maintain contingency plans to address any financial downturn;
- improve customer care by ensuring a high-quality service at all levels that promotes the Fund's work and messages consistently;
- produce comprehensive guidance for all staff on how to use and protect the brand, deliver a writing skills programme across the organisation to cut the use of jargon, encourage clarity of expression and generally improve the quality of the outputs;
- ensure appropriate recruitment to deliver the commitments in the operational plan, including expansion of the fundraising and marketing teams, filling vacancies in the Policy team, and restructuring of the Information Centre team;
- act on the findings arising from the staff survey; and
- agree marketing strategies for the leadership directorate and for conference and catering that help these businesses target their audiences and build awareness and customer response.

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 KEHFL and of the net incoming or outgoing resources for that period. In preparing those financial statements, the Trustees have:

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

The Trustees have overall responsibility for ensuring that KEHFL 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 KEHFL. They are also responsible for safeguarding the assets of KEHFL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

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

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

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

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

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE KING EDWARD'S HOSPITAL FUND FOR LONDON

We have audited the financial statements of the King Edward's Hospital Fund for London for the year ended 31 December 2008 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 2008 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
22 May 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES*For the year ended 31 December 2008*

	Notes	Un-restricted funds £000	Endowed funds £000	2008 Total funds £000	2007 Total funds £000
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Donations and legacies		5	-	5	5
External conference & catering services		1,147	-	1,147	1,413
Tenancies		356	-	356	336
Investment income	4	3,378	-	3,378	3,243
		4,886	-	4,886	4,997
<i>Incoming resources from charitable activities</i>					
Developing people and organisations		5,575	-	5,575	3,267
Developing policies and ideas		727	-	727	697
Developing services		1,386	-	1,386	1,178
		7,688	-	7,688	5,142
<i>Other incoming resources</i>	5	187	-	187	188
Total incoming resources		12,761	-	12,761	10,327
RESOURCES EXPENDED					
<i>Resources expended on generating funds</i>					
External conference & catering services		912	-	912	1,156
Tenancies		432	-	432	244
Investment management costs	6	345	-	345	620
		1,689	-	1,689	2,020
<i>Resources expended on charitable activities</i>					
Developing people and organisations		7,939	-	7,939	4,832
Developing policies and ideas		3,000	-	3,000	3,137
Developing services		2,823	-	2,823	3,334
	7/8	13,762	-	13,762	11,303
<i>Resources expended on governance</i>	9	99	-	99	69
Total resources expended		15,550	-	15,550	13,392
Net outgoing resources		(2,789)	-	(2,789)	(3,065)
Net gains/(losses) on investment assets		(10,965)	(18,408)	(29,373)	10,613
Actuarial gain / (loss) on pension scheme		(2,669)	-	(2,669)	1,320
Net movement in funds		(16,423)	(18,408)	(34,831)	8,868
Balances brought forward at 1 January		68,647	80,598	149,245	140,377
Balances carried forward at 31 December		52,224	62,190	114,414	149,245

The operations represented by the information above were undertaken by the King Edward's Hospital Fund for London during the years reported and are continuing having been transferred to The King's Fund on 1 January 2009.

BALANCE SHEETS

As at 31 December 2008

	Notes	CONSOLIDATED		CHARITY	
		2008 £000	2007 £000	2008 £000	2007 £000
FIXED ASSETS					
Tangible assets	10	19,425	17,897	19,417	17,897
Investments	11/12	102,503	137,806	102,554	137,856
Total Fixed Assets		121,928	155,703	121,971	155,753
CURRENT ASSETS					
Debtors	13	3,009	1,988	2,888	1,732
Cash at bank and in hand		380	865	177	730
Total Current Assets		3,389	2,853	3,065	2,462
CURRENT LIABILITIES					
<i>Amounts falling due within one year</i>	14				
Creditors		(4,390)	(3,498)	(4,109)	(3,157)
Grants		(1,211)	(1,454)	(1,211)	(1,454)
Total Current Liabilities		(5,601)	(4,952)	(5,320)	(4,611)
NET CURRENT LIABILITIES		(2,212)	(2,099)	(2,254)	(2,149)
LONG TERM LIABILITIES					
<i>Amounts falling due after one year</i>	15				
Grants		(591)	(1,005)	(591)	(1,005)
Total assets excluding pension liability		119,125	152,599	119,124	152,599
Pension scheme liability	16	(4,711)	(3,354)	(4,711)	(3,354)
Total assets including pension liability		114,414	149,245	114,414	149,245
FUNDS	17				
Total endowed funds		62,190	80,598	62,190	80,598
Designated fund for tangible own use assets		19,417	17,897	19,417	17,897
Pension fund reserve		(4,711)	(3,354)	(4,711)	(3,354)
Unrestricted funds		37,518	54,104	37,518	54,104
Total unrestricted funds		52,224	68,647	52,224	68,647
Total funds		114,414	149,245	114,414	149,245

Approved by the Management Committee at a meeting on 20 May 2009 and presented to the General Council on the same day.

Strone Macpherson, Treasurer
20 May 2009

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 £000	2007 £000
Net cash outflow from operating activities	A	(7,289)	(9,131)
<i>Returns on investment</i>			
Dividends and interest received		3,211	3,051
Investment property income received		158	192
Net cash inflow from investing activities		3,369	3,243
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets		(2,495)	(490)
Net sale / (purchase) of securities		4,221	13,743
Receipts from sale of investment properties less costs		-	850
Net cash inflow from capital expenditure & financial investment		1,726	14,103
<i>Management of liquid resources</i>			
Reduction / (increase) in cash deposits held as investments	B	1,709	(7,504)
Increase / (decrease) in cash in the year	B	(485)	711

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

	2008 £000	2007 £000
Net outgoing resources	(2,789)	(3,065)
Investment income	(3,369)	(3,243)
Depreciation charged on tangible assets	596	444
Loss on disposal of fixed assets	371	-
Current service cost less contributions to the pension scheme	87	165
Contributions to past service cost of the pension scheme	(1,347)	(2,697)
Other finance income from the pension scheme	(52)	(188)
Decrease in stocks	-	21
Increase in debtors	(1,022)	(474)
Increase / (decrease) in short term creditors	650	(74)
Decrease in long term creditors	(414)	(20)
Net cash outflow from operating activities	(7,289)	(9,131)

Note B : Analysis of changes in net funds

	At 1 January 2008 £000	Movement £000	At 31 December 2008 £000
Cash at bank and in hand	865	(485)	380
Cash deposits held as investments	12,549	(1,709)	10,840
Total net funds	13,414	(2,194)	11,220

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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 Edward's Hospital Fund for London (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 Edward's Hospital Fund for London 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.

The NHS Pension Scheme is a multi-employer defined benefits scheme and therefore contributions have been accounted for, in the period to which they relate, as if it were a defined contribution scheme.

The King's Fund Group Personal Pension Plan is a defined contribution scheme and contributions have been accounted for in the period to which they relate.

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 retained independent consulting quantity surveyors.

No depreciation is provided to write down the cost of the structure of the freehold buildings owned by the King's Fund. The Trustees have determined that, taking account of the long estimated life of the buildings, at least 100 years, and the continuing maintenance expenditure, the depreciation charge for the year and the accumulated depreciation would not be material. In line with the requirements of FRS 11, the Trustees have reviewed "value in use" of the buildings, which they consider to be measured by their ongoing service potential to the King's Fund, and have concluded that no provision for impairment is necessary.

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.

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

Endowed funds: The Endowed Funds are maintained to generate income for the benefit of the King's Fund. Following a review, which included professional advice, the Trustees have determined that the endowed fund may be spent at its discretion.

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

	2008 £000	2007 £000
Income from securities and cash assets		
Equities	1,950	1,839
Fixed Interest funds	247	330
Property funds	276	325
Cash	747	557
Income from investment properties	158	192
	3,378	3,243

5 OTHER INCOMING RESOURCES

	2008 £000	2007 £000
Other income from The King's Fund Staff Pension & Life Assurance Plan	52	188
Return of loan to HQS Limited - previously written off	135	-
	187	188

6 INVESTMENT MANAGEMENT FEES

The cost of investment management includes a performance fee of £Nil (£317,000 in 2007) 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	2008 Total £000	2007 Total £000
Direct expenditure					
Staff related expenditure	1,942	1,217	245	3,404	3,205
Grants (7a)	-	-	1,171	1,171	1,550
Other costs	2,816	715	600	4,131	3,071
Sub Total	4,758	1,932	2,016	8,706	7,826
Support departments (7b)	3,181	1,068	807	5,056	3,477
Total resources expended	7,939	3,000	2,823	13,762	11,303

7a Analysis of Grants

	2008 £000	2007 £000
Partners for Health awards	608	1,051
Enhancing the Healing Environment national programme - see below	575	557
Other grants - Cancer Backup	-	1
Lapsed grants - prior year awards	(12)	(59)
	1,171	1,550

Partners for Health awards

	£000		£000
<i>Award round 6 - May 2008</i>			
Jewish Care	156	British Lung Foundation	140
<i>End of life support to clients with dementia and their families in a large nursing home.</i>		<i>End of life support to families with relatives with end stage lung failure.</i>	
<i>Training for staff.</i>		<i>Delivered in people's homes.</i>	
Metro Centre	156	Hope Gate Trust	156
<i>Mentoring to people from BME communities who have tested negative on an HIV test, but are exhibiting risky sexual behaviour.</i>		<i>Support to HIV positive users to disclose their status to relatives and others.</i>	
	312		296
	Total Partners for Health		608

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>	
Birmingham & Solihull Mental Health NHS Trust	30	Barnsley NHS Primary Care Trust	15
Dorset Healthcare NHS Trust	15	Bolton, Salford & Trafford Mental Health Trust	15
Humber Mental Health NHS Teaching Trust	15	Bradford District Care Trust	15
Lancashire Care NHS Trust	30	Calderstones NHS Trust	15
North Essex Mental Health Partnership	15	Coventry & Warwickshire Partnership Trust	15
Northumberland, Tyne & Wear NHS Trust	30	Derbyshire Mental Health Services NHS Trust	15
Oxfordshire & Buckinghamshire MH NHS Trust	30	Devon Partnership NHS Trust	15
Sheffield Care Trust	15	Dorset Primary Care Trust	15
Surrey and Borders NHS Trust	15	Hertfordshire Partnership Trust	15
Tees, Esk & Wear Valleys NHS Trust	15	Kent & Medway NHS & Social Care Partnership	15
Worcestershire Mental Health Partnership Trust	15	Leeds Partnerships NHS Foundation Trust	30
	225	Milton Keynes Primary Care Trust	15
		North Yorkshire & York Primary Care Trust	15
<i>Prisons</i>		Northumberland, Tyne & Wear NHS Trust	15
HM Prison Belmarsh	15	Nottinghamshire Healthcare NHS Trust	15
HM Prison Brixton	15	Pennine Care Mental Health NHS Trust	15
HM Prison Feltham	15	South Essex Partnership NHS Foundation Trust	15
HM Prison Holloway	20	Sussex Partnership NHS Trust	15
	65		285
	Total EHE National Programmes		575

7b Support departments	Distribution method	Developing people and organisations £000	Developing policies and ideas £000	Developing services £000	2008 Total £000	2007 Total £000
Building services incl. depreciation	i	315	127	26	468	264
Conference and catering services	ii	586	95	25	706	471
Communications	iii	212	344	185	741	500
Other support functions	iv	2,068	502	571	3,141	2,242
Total costs of support departments		3,181	1,068	807	5,056	3,477

Distribution methods:

- i Pro rata to the relative floor area occupied by staff offices and related functions, eg conference rooms.
- ii Pro rata to recorded internal usage.

- iii Pro rata to the estimated usage of the various departments including Marketing and Public Relations.
- iv 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

	2008 £000	2007 £000
Wages and salaries	5,020	4,672
Social security costs	434	382
Pension costs	653	593
Total emoluments	6,107	5,647

The total for Wages and salaries includes expenditure on temporary and seconded staff of £323,000 (£441,000 in 2007).

	2008	2007
Average number of staff		
Development of people and organisations	34	27
Development of policies and ideas	25	22
Development of services	5	7
Support departments including external conference services	52	53
TOTALS	116	109

	2008	2007
The numbers of employees with remuneration exceeding £60,000 were:		
£60,000 - £69,999	4	4
£70,000 - £79,999	6	10
£80,000 - £89,999	2	-
£90,000 - £99,999	2	3
£100,000 - £109,999	2	-
£170,000 - £179,999	1	1

Contributions were made to the King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 12 (14 in 2007) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 4 (4 in 2007) higher-paid employees. Contributions totalling £7,000 were made to The King's Fund Group Personal Pension Scheme, which is a defined contribution scheme established in 2008, for 1 higher-paid employee.

9 RESOURCES EXPENDED ON GOVERNANCE

	2008 £000	2007 £000
Auditors' remuneration - external audit fees (2006)	-	18
- external audit fees	21	20
- external audit fees (KEHF Limited)	6	6
- other services	7	6
Legal fees - review of constitution	57	15
Other professional fees	3	-
Trustees - reimbursement of expenses incurred	5	4
	99	69

£5,041 was reimbursed to two Trustees in 2008 in respect of travel and subsistence expenses (£3,619 to one Trustee in 2007). No Trustee received nor waived any remuneration during the year.

10 CONSOLIDATED AND CHARITY TANGIBLE ASSETS

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	2008 Total assets £000	2007 Total assets £000
Cost					
At 1 January	15,150	3,973	2,866	21,989	21,499
Additions	145	816	1,534	2,495	490
Disposals	(108)	(324)	(354)	(786)	-
At 31 December	15,187	4,465	4,046	23,698	21,989
Depreciation					
At 1 January	-	1,901	2,191	4,092	3,648
Charge for the year	-	220	376	596	444
Disposals	-	(205)	(210)	(415)	-
	-	1,916	2,357	4,273	4,092
Net Book Value					
At 31 December	15,187	2,549	1,689	19,425	17,897
Previous Year	15,150	2,072	675	17,897	

11 INVESTMENTS AT MARKET VALUE

	Held in the UK £000	Outside the UK £000	2008 Total £000	2007 Total £000
Securities:				
Equities	29,103	45,249	74,352	101,401
Fixed Interest funds	-	-	-	5,513
Property funds	4,247	-	4,247	5,895
Absolute Return funds	-	-	-	306
Private Equity funds	6,064	-	6,064	3,999
Cash	10,840	-	10,840	12,549
Investment properties	7,000	-	7,000	8,143
Consolidated Total	57,254	45,249	102,503	137,806
Shareholding in subsidiary company	51	-	51	50
Charity Total	57,305	45,249	102,554	137,856

The investment properties were valued by Smiths Gore as at 31 December 2008.

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

	2008 £000	2007 £000
Opening balance at 1 January	137,856	134,281
Net monies disinvested	(5,930)	(7,088)
Increase/(decrease) on revaluation	(29,373)	10,613
Consolidated closing balance at 31 December	102,553	137,806
Subscription for shares in subsidiary company	-	50
Charity closing balance at 31 December	102,553	137,856

12 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 2008, the company had fixed assets valued at £8,823 (£Nil in 2007) and the value of its net current assets was £41,991 (£50,000 in 2007) matching the value of the shareholders funds.

In the year to the same date, the company had income of £1,167,000 (£581,000 in 2007) and expended £1,082,000 (£539,000 in 2007) thereby generating an operating profit of £85,000 (£42,000 in 2007). The Directors have proposed that a sum equivalent to the taxable 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.

13 DEBTORS

	CONSOLIDATED		CHARITY	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade debtors	1,366	1,002	999	481
Amounts owed by KEHF Limited	-	-	162	223
Prepayments and accrued income	1,600	945	1,600	945
Other debtors	43	41	43	41
Donations from KEHF Limited	-	-	84	42
	3,009	1,988	2,888	1,732

14 CURRENT LIABILITIES : AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	CONSOLIDATED		CHARITY	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade creditors	1,054	595	761	254
Amounts owed to KEHF Limited	-	-	14	14
Deferred income - see analysis below	2,411	1,751	2,409	1,751
Taxation and social security	155	165	155	165
Other creditors and accruals	770	987	770	987
	4,390	3,498	4,109	3,157
Grants payable	1,211	1,454	1,211	1,454
	5,601	4,952	5,320	4,611
	Balance at 1 January 2008	Released in 2008	Additional deferrals	Balance at 31 December 2008
	£000	£000	£000	£000
Deferred income analysis				
Consultancy fees received in advance	241	202	1,498	1,537
Programme fees received in advance	771	771	726	726
Grants received in advance	660	550	26	136
Sponsorship received in advance	75	75	-	-
Deposits including KEHF Limited	4	4	12	12
	1,751	1,602	2,262	2,411

15 LONG TERM LIABILITIES : AMOUNTS FALLING DUE AFTER ONE YEAR

	CONSOLIDATED		CHARITY	
	2008	2007	2008	2007
	£000	£000	£000	£000
Grants payable	591	1,005	591	1,005
	591	1,005	591	1,005

16 PENSION SCHEMES***The King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan***

The King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan (the Plan) is a defined benefit scheme. The Plan was open to all employees of the King's Fund who were not members of another scheme until it was closed to new members on 28 February 2008.

Changes in the present value of the Plan liability are as follows:	2008	2007
	£000	£000
Opening value of the Plan liability	33,793	36,224
Current service cost	616	669
Employee contributions	210	200
Interest costs	1,916	1,821
Actuarial gains	(3,429)	(3,924)
Benefits paid	(1,847)	(1,197)
Closing value of the Plan liability	31,259	33,793
Changes in the fair value of Plan assets are as follows:	2008	2007
	£000	£000
Opening fair value of Plan assets	30,439	28,831
Expected return	1,968	2,009
Employee contributions	210	200
Employers' contributions	1,876	3,201
Actuarial losses	(6,098)	(2,605)
Benefits paid	(1,847)	(1,197)
Closing fair value of Plan assets	26,548	30,439

Employers' contributions included £1,347,000 (£2,697,000 in 2007) in respect of past service costs.

In addition, the Plan has pension liabilities which are insured with a value of approximately £1.1 million (£1.2 million in 2007). 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.

	2008 £000	2007 £000
Total expense recognised in the Statement of Financial Activities:		
Current service cost	616	669
Interest on the Plan liabilities	1,916	1,821
Expected return on the Plan assets	(1,968)	(2,009)
Total amount charged within net outgoing resources	564	481
Actuarial loss / (gain)	2,669	(1,320)
Total amount charged / (credited) to the Statement of Financial Activities	3,233	(839)
Proportion of total Plan assets by asset class:	2008	2007
Equities (including property)	38%	53%
Bonds	38%	38%
Index-linked	15%	8%
Other	2%	1%
Cash	7%	-

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.

	2008 £000	2007 £000
Actual return on Plan assets	(4,130)	(596)

The principal actuarial assumptions used at the balance sheet date	2008	2007
Discount rate	6.10%	5.70%
Rate of increase in salaries	3.75%	4.25%
General price inflation	2.75%	3.25%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.15%	4.00%
Service after 1 April 2000	2.70%	3.10%
Expected return on Plan assets	5.39%	6.57%

The King's Fund expects contributions of £1,000,000 to be made to the Plan in the year ending 31 December 2009. This sum includes monthly payments of £40,000, 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.

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
History of Plan experience					
Present value of the Plan liabilities	31,259	33,793	36,224	32,141	28,608
Fair value of the Plan assets	26,548	30,439	28,831	26,579	22,631
Deficit in the Plan	(4,711)	(3,354)	(7,393)	(5,562)	(5,977)
Experience adjustments - gains / (losses)					
~ on Plan liabilities	3,429	3,924	(3,086)	(2,795)	(631)
~ on Plan assets	(6,098)	(2,605)	938	2,818	631

NHS Pension Scheme

In addition to the Plan, the King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 17 (14 in 2007) members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2008 the King's Fund contributed £106,258 (£94,349 in 2007) to the scheme. The employer's contribution rate is set by the Government Actuary at 14%.

The King's Fund Group Personal Pension Scheme

Furthermore, the King's Fund contributes to the Group Personal Pension scheme, a defined contribution scheme established in 2008, for 13 members of staff as at the Balance Sheet date. The King's Fund contributed £21,714 to the scheme. The employer's contribution rates are twice that of each individual employee and range from 6% to 12%.

Pension charges

The pension charges for the period are show below:

	2008 £000	2007 £000
Pension charges:		
King's Fund Staff Pension and Life Assurance Plan	525	500
NHS Pension Scheme	106	94
King's Fund Group Personal Pension Plan	22	-
Total charges	653	594

17 SPLIT OF ASSETS BETWEEN FUNDS

	Endowed Funds £000	Unrestric- ted Funds £000	2008 Total funds £000	2007 Total funds £000
Tangible assets	-	19,425	19,425	17,897
Investments : Securities	62,190	33,313	95,503	129,663
Investments : Property	-	7,000	7,000	8,143
Net current liabilities	-	(2,212)	(2,212)	(2,099)
Long term liabilities	-	(591)	(591)	(1,005)
Pension fund reserve	-	(4,711)	(4,711)	(3,354)
Total funds	62,190	52,224	114,414	149,245

18 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 2008, the market value of the King's Fund investments held by Schroder Investment Management Limited, a division of Schroders plc, totalled £36,321,000 (£47,865,000 in 2007). In 2008, £182,000 (£197,000 in 2007) 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 King's Fund liquidated its investment in the M&G Charibond in August 2008 and realised a sum of £2,600,000 (these investment were valued at £2,757,000 at 31 December 2007). 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

TRUSTEES AND COMMITTEE MEMBERS

MANAGEMENT COMMITTEE AND TRUSTEES OF THE KING EDWARD'S HOSPITAL FUND FOR LONDON

Chairman

Sir Cyril Chantler

Treasurer

Mr Anthony McGrath (to 31 December 2008)

Vice Chairman

Sir William Wells (to 31 December 2008)

Professor Jacqueline Docherty

Ms Jude Goffe

Professor Julian Le Grand

Treasurer

Mr Strone Macpherson (from 1 January 2009)

Vice Chairman

Dr Penny Dash (from 1 January 2009)

Mr Simon Stevens

Mr David Wootton

INVESTMENT COMMITTEE

Chairman Mr Strone Macpherson

Sir John Bradfield CBE

Ms Mary-Ann Daly

Mr Michael Dobson

Ms Jude Goffe

Mr Michael McIntock

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

REMUNERATION COMMITTEE

Chairman Dr Penny Dash

Sir Cyril Chantler

Mr Strone Macpherson

Mr David Wootton

SENIOR MANAGEMENT TEAM AND SENIOR ASSOCIATES

SENIOR MANAGEMENT TEAM

Chief Executive Niall Dickson

Director of Strategy 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

Mr Paul Corrigan

Baroness Cumberlege of Newick

Professor Nancy Devlin

Dr Michael Dixon OBE

Mr Yohannes Fassil

Dr Julien Forder

Mr Tom Hughes-Hallett

Mr David Knowles CBE

Mr Richard Lewis

Mr Malcolm Lowe-Lauri

Mr Alasdair Liddell CBE

Professor Laurie McMahon

Mr Keith Palmer

Mr Ray Pawson

Dr Rebecca Rosen

Professor Louis Smidt

Ms Julia Unwin CBE

Mr Andrew Webster

PRINCIPAL OFFICE

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Marathon Asset Management Ltd

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