



Ideas into action

King's Fund

TRUSTEES' REPORT &
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

The King's Fund is an independent charitable foundation working for better health, especially in London. We carry out research, policy analysis and development activities; working on our own, in partnerships, and through grants. We are a major resource to people working in health, offering leadership and education courses; seminars and workshops; publications; information and library services; and conference and meeting facilities.

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CONTENTS

Legal and administrative information

Patron, President and General Council	1
Committee members	2
Senior staff and associates	3
Professional advisers	4

Trustees' Report 2003 **5**

Introduction	5
Constitutional matters	5
Organisational matters	5
Trustees' responsibilities	5
Financial strategy and reserves	6
Key events in 2003	6
Major activities for 2004	7
Grants awarded in 2003	8
Financial review	12
Investment policy and performance	12

Independent auditors' report to the Trustees of the King's Fund **14**

Respective responsibilities of trustees and auditors	14
Basis of opinion	14
Unqualified opinion	14

Statement of financial activities **15**

Balance sheet **16**

Cash flow statement **17**

Notes to the accounts **18**

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Other members

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COMMITTEE MEMBERS

Management Committee: The Charity Trustees

Chairman Sir Graham Hart KCB (*to 1 July 2004*)

Chairman Professor Sir Cyril Chantler (*from 2 July 2004*)

Vice-chairman Professor Adrian Eddleston

Treasurer Mr Anthony McGrath

Professor Elizabeth Anionwu CBE

Dame Ann Bowtell DCB

Professor Howard Glennerster

Professor Andrew Haines

Ms Mary Ney

Ms Angela Sarkis CBE

Mr Bryan Sanderson

Sir William Wells

Executive Committee

Chairman Sir Graham Hart KCB (*to 1 July 2004*)

Chairman Professor Cyril Chantler (*from 2 July 2004*)

Professor Adrian Eddleston

Mr Anthony McGrath

Sir William Wells

Investment Committee

Dr John Bradfield CBE

Sir Michael J Colman Bt (*to 31 May 2004*)

Mr Michael Dobson

Mr Valentine Fleming (*to 31 May 2004*)

Mr Marius Gray

Mr Strone Macpherson

Mr Anthony McGrath, **Chairman**

Mr Max Ward

Grants Committee

Dr Sheila Adam

Dr Dinesh Bhugra

Dame Ann Bowtell DCB, **Chair**

Ms Valerie Coleman

Mr Kenneth Neville-Davies (*from 1 December 2003*)

Professor Howard Glennerster

Ms Karen Goodman

Mr Eric Samuel

Professor Fiona Ross

Ms Melba Wilson

Audit Committee

Mr Michael Dobson, **Chairman**

Mr Valentine Fleming (*to 31 May 2004*)

Mr Strone Macpherson

Mr Anthony McGrath

Mr Bryan Sanderson CBE

Remuneration Committee

Professor Adrian Eddleston

Sir Graham Hart, KCB, **Chairman** (*to 1 July 2004*)

Professor Sir Cyril Chantler, **Chairman** (*from 2 July 2004*)

Mr Anthony McGrath

Ms Mary Ney

Sir William Wells

SENIOR STAFF AND ASSOCIATES

BOARD OF DIRECTORS

Chief Executive Niall Dickson

Deputy Chief Executive and Director of Resources Frank Jackson OBE

Director of Development Steve Dewar

Director of Policy Jennifer Dixon

Director of Communications Michelle Dixon

Director of Leadership Development David Knowles

SENIOR ASSOCIATES (as of 1 July 2004)

Mr Stuart Bell

Professor John Billings

Mark Britnell

Baroness Cumberlege of Newick

Dr Michael Dixon OBE

Lord Hunt of King's Heath

Sir Donald Irvine CBE

Dr Chai Patel CBE

Ms Claire Perry

Ms Julia Unwin OBE

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Investment Advisers

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TRUSTEES' REPORT 2003

Introduction

The Trustees submit their annual report and audited financial statements for the year ended 31 December 2003. The report and financial statements of the King's Fund have been prepared in accordance with the provisions of the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities and relevant accounting standards.

Constitutional matters

The King's Fund began its existence in 1897 from an initiative of the 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.'

Organisational matters

The members of General Council of the King's Fund are reappointed annually by the President with whom 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.'

Day-to-day managerial responsibility is delegated to the Chief Executive and senior staff of the King's Fund.

The Treasurer of the King's Fund, the Chairman and the Vice-chairman of the Management Committee are reappointed annually by the President, and members of the Management Committee are appointed for a five-year term, which may be renewed. The Management Committee, and the Executive Committee, which currently comprises three annually appointed Trustees plus one other Management Committee nominee, each meet at least four times a year.

The Investment, Audit, Remuneration and Grants Committees, whose members are appointed by the Management Committee, meet on a regular basis and reports of those meetings are submitted to the next available meeting of the Management Committee. There are agreed terms of reference for all committees. For the purposes of charity law and reporting, the Management Committee of the King's Fund are deemed to be its Trustees.

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.

Trustees' responsibilities

Charity law requires the Trustees to prepare financial statements for each financial year that 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 the 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 that 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 form a key component, are designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. They include:

- a three-year corporate strategy, a one-year financial plan and 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 periodically review, and where appropriate revise, the schedule of major risks to which the King's Fund may be exposed.

In addition the Trustees have:

- set policies on internal controls
- clarified the responsibility of management to implement the Trustees' policies and identify and evaluate risks for their consideration
- communicated to the employees that they have responsibility for internal control as part of their accountability for achieving objectives
- embedded the control system in the operations of the King's Fund so that it becomes part of the culture
- developed systems to respond quickly to evolving risks arising from factors within the King's Fund and to changes in the external environment
- included procedures for immediately reporting failings to appropriate levels of management and the Trustees, together with details of corrective action being undertaken.

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 is at least equal to the King's Fund's expenditure, and to do so without taking excessive risks
- to limit the net annual expenditure of the King's Fund to five per cent of its earning assets averaged over five years
- to maintain reserves so as to safeguard for the longer term the financial wellbeing and charitable activities of the King's Fund.

The Trustees are mindful of the need when adopting a 'total return' approach to the King's Fund's investments, to protect the capital of the endowed funds.

The free reserves of the King's Fund are deemed to be the amount of capitalised income less investment in fixed assets for the charity's own use. The Trustees consider the level of reserves, £50.0 million (£40.3 million in 2002), to be at a level that is consistent with funding the programme of work set out in the three-year corporate strategy and the assessed financial risks associated with the current structure of the organisation and its activities.

Key events in 2003

In the past year, the King's Fund has continued its efforts to improve health care, and to promote better health and wellbeing, in London and beyond.

The four main activities of the King's Fund – shaping health policy, developing effective services and healthy communities, building capacity and leadership, and acting as a resource to the health and social care community – give it unique access to the full spectrum of those involved in health.

Work continued with policy-makers, NHS staff and community-based organisations to achieve change in key areas. Our leadership development programmes helped some 1,500 people build their personal and professional effectiveness, while more than £2.2 million was invested in grants for academic, voluntary and other organisations taking forward innovative projects to improve the health of Londoners.

Key activities in 2003 included:

- **The launch of a programme of policy work aiming to help shape the new NHS, following on from the work of an independent group set up by the King's Fund and chaired by Lord Haskins looking at the future of the NHS** Work was focused in three main areas: the role of market forces, expanding patient choice, and developing the concept of an arm's-length NHS agency to help create a new, more mature relationship between the health service and Government. Outputs included three discussion papers, a series of events for opinion-formers and targeted mailings. The concept of an NHS agency was also taken up by a cross-party alliance of Peers and was debated further during the passage of the Health and Social Care Bill in the House of Lords in autumn 2003.
- **The development of the King's Fund as a resource for the health and social care community** We made substantial improvements to public spaces and launched new services to offer an improved package of physical resources, including café, conference and meeting facilities, library services, and a new sales and information point.
- **The publication of our annual London labour market review, *In Capital Health?*** The key message of this publication was that managers and policy-makers need to develop recruitment and retention strategies that go with the grain of the capital's challenges, such as a highly mobile population, rather than fight against them. This was followed up with a successful conference for stakeholders in September 2003.
- **The £1 million national extension of the King's Fund's Enhancing the Healing Environment programme, in partnership with NHS Estates** The development, announced at an event attended by HRH The Prince of Wales, President of the King's Fund, has enabled 23 strategic health authorities outside the capital to nominate one acute, mental health or primary care trust to undertake a project, led by frontline staff and patients. The schemes, which are expected to be completed in late 2004/early 2005, will range from refurbishing corridors, waiting areas and wards to the creation of gardens, artworks and quiet spaces.
- **The completion of an 18-month inquiry examining how mental health care in London has changed since the first King's Fund mental health inquiry in 1997** The inquiry report, *London's State of Mind*, found that, while there are many examples of good services, with each area now having an assertive outreach team, London remains reliant on admitting people with mental health problems to hospital rather than helping them stay in the community. It made a series of recommendations, with priority on developing a London-wide mental health plan with a focus on increasing community mental health care and specialist housing and improving conditions on hospital wards, the King's Fund appointed a senior mental health adviser to help ensure the work is taken forward.

All the above activities were planned for in the King's Fund's Corporate Strategy and Financial Plan for 2003.

Major activities for 2004

Major activities for 2004 will include:

- **Rolling out a programme of work to improve care for people with chronic conditions** This begins in January 2004 with a report on managed care organisations in the United States and their implications for improving the management of chronic diseases. Building from that, the programme will work with several primary care trusts in London to analyse hospital data and develop new ways of working; review the evidence on case management; and analyse the impact of wider health policies on chronic care.
- **Launching a new programme, *Putting Health First*** This aims to generate debate and practical ideas for building an effective health system geared to helping people stay healthy as well as treating them when they are ill. A discussion paper and event in March 2004 will be followed up with a series of research projects examining issues such as developing a new kind of local health organisation, public health leadership and the role of incentives, plus a major conference in May.
- **An 18-month inquiry into London's care market** This looks at whether or not the capital is delivering sufficient care services of the right quality to meet the needs of London's diverse older population.
- **Developing our programme of work on the NHS workforce** This includes a new project studying the impact of international recruitment on London's NHS and on health care workers' countries of origin.

- **Piloting a new Leadership for Social Change programme to develop experienced leaders and thinkers who are committed to social change that improves the health and wellbeing of Londoners** The programme builds on learning from a recent Millennium Commission/King's Fund scheme to help community leaders deliver small-scale health projects across London. It also draws on our learning from the King's Fund's grants programme, which invests £1.2 million a year in supporting health-focused voluntary organisations in the capital to take forward health improvement.

The Trustees will monitor the progress of the above planned activities throughout 2004.

Grants awarded in 2003

In its grant-making, the King's Fund works at grassroots level, providing grants to a wide range of community-based initiatives to promote health in London, designed by people living and working in Greater London. The King's Fund is particularly interested in ideas that can be 'scaled up' and act as a catalyst to wider change. Further information on the King's Fund's grant-giving and how to apply for grants can be found on the Fund's website at www.kingsfund.org.uk/grants

The following table shows the name of each recipient organisation and the amount of all grants awarded during the year by the Grants Committee. Where an organisation has received two or more grants, these are listed separately.

	DEVELOPMENT GRANTS	27 awards
	These grants are awarded from work in priority areas identified by the by the Grants Committee from time to time. Development grants may may cover a period of up to three years.	£
Children in Crisis	A health education programme targeting Southwark primary schools covering drug, alcohol and tobacco issues.	55,824
Core Leadership Programme	King's Fund sponsored leadership development fellowship for two years.	70,000
Derman	Mental health support service for members of the Kurdish and Turkish communities.	96,530
East London Business Alliance	Expansion of GP mentoring scheme in East London.	22,870
Family Service Units	Counselling service for children with mental health problems who have been excluded from school.	75,000
Havering Primary Care Trust	To support older volunteers to visit people in Romford aged over 75 and to help assess their continuing health needs.	50,000
Health for Young People	To hold community health sessions and increase the number of peer mentors to staff them.	73,605
Kairos in Soho	Funding for chief executive officer post.	70,731
Kalayaan	Health activities for migrant domestic workers.	91,156
King's College London, Institute of Psychiatry	Research into the mental state of adolescents in prison, who have witnessed a suicide attempt.	63,467
King's College London/ Refugee Council	Research into the physical and emotional health needs of unaccompanied refugee children.	80,500
King's College, Guy's and St Thomas' School of Medicine	Pilot for a user-centred assessment questionnaire aimed at people suffering psychological difficulties.	19,697
London Action Trust	Development of a holistic approach across agencies to the needs of women suffering mental health problems and domestic violence.	85,706
National Network for the Arts in Health	Funding for a business development officer to plan and initiate income-generating activities.	50,000
Nubian Life Resource Centre Ltd	Three-year pilot funding for the introduction of citizen advocacy to vulnerable African-Caribbean older people and their families.	86,382
Parentline plus	Free parenting courses to the most vulnerable families whose children attend eight schools in the London boroughs of Enfield and of Ealing.	17,707

Post-Adoption Centre	Promoting the work of the Post-Adoption Centre in black and minority ethnic communities through employing service development staff.	117,331
Refugee Council	To meet the Refugee Council's costs of taking part in the King's College study of unaccompanied refugee children (<i>see above</i>).	6,150
Refugee Council	Extension funding for a health policy adviser to work with the statutory and the non-statutory health sectors.	60,000
Respond	Provision of psychotherapeutic interventions for young people with learning disabilities who have suffered abuse.	89,034
Rethink	Funding for a London-focused training programme to help 96 people with mental health problems improve their campaigning skills.	59,000
Revolving Doors Agency	Funding for small teams to support young people with mental health problems in contact with the criminal justice system.	91,307
St Mary's NHS Trust	Grant for the first Injury Minimisation Programme for Schools (IMPS), a health education scheme for primary-school children in London.	83,001
SUSTAIN	Funding for a hospital food procurement officer to work with catering departments.	80,000
University College London	Research project to understand and describe the politics and networks of the London Health Commission's approach to health promotion.	19,728
University of Oxford	Study into the health of women in prisons and making recommendations for their care.	49,019
Westminster Advocacy Service for Senior Residents	Funding for a full-time dementia advocacy worker.	28,555
Total Development Grants		£1,692,300
	SMALL GRANTS	44 awards
	These are grants up to a maximum of £5,000 given to support the setting up of new health projects targeting disadvantaged groups, or to encourage exploration of the sharing of new ideas in the health field, through publication, conferencing and networking.	£
African Family Development Association	Sickle cell information and education workshops.	4,500
African People's Link	Information fair on health and other services for Africans in North Kensington.	860
African Refugees Project	Support for club providing social, educational, emotional, physiological and health support for refugees and asylum seekers.	4,970
African Youth Development	Sessions on sexual health issues for young people.	5,000
Alpha Grove Centre	Personal development programme for young people with or at risk of mental health problems.	3,828
Baby Milk Action	Marketing campaign informing health centres in London of concerns about pressure on consumers to buy branded baby milk.	5,000
Bangladeshi Women's Co-ops Limited	Running a food co-op.	4,484
Better Days Cancer Care	Providing a regular venue for the meeting of the Young Carers' Group.	5,000
Cameroonian Youth Association	Sessions in Haringey with drug and alcohol action team for young people.	1,184
Centre for Inter-African Relations	Workshops to train community volunteers to befriend and visit patients at home.	3,000
CORECOG	Sexual health promotion, information and advice sessions.	3,000
Croydon Youth Congolese Association	Health promotion seminars and workshops for young people.	3,000

Dadihiye Somali Development Organisation	Helping Somali refugees and asylum-seekers in south-west London access mainstream services.	1,500
Different Strokes – Haringey	Recovery sessions for young stroke survivors.	1,300
East London Food Access (ELFA)	Two food access co-operatives.	4,480
Enabled London Ltd	Providing access to digital information about recreational activities for people with disabilities.	5,000
Enfield Asian Welfare Association	Improving culturally sensitive day-care provision and services.	4,992
Epilepsy Action	One-day conference on epilepsy.	1,000
Epilepsy Action London Forum	Provision of training and support to run EALF branches more efficiently.	2,600
Ethiopian Development Association	Workshop to raise awareness among refugees of the health risks of smoking.	1,000
Hackney Congolese Community Support Group	Peer education programme for Congolese teenage parents.	2,000
Horn of Africa Somali Women's Organisation	Two health sessions for 230 Somali women.	2,000
Islington Bangladesh Association	A series of bilingual health care workshops.	3,200
Jewish Bereavement Counselling Service	Training for bereavement counsellors.	3,800
Kenyan Society of London	Two workshops to discuss STIs and testicular cancer, plus producing and disseminating Swahili leaflets on hepatitis and cancer.	1,000
Kids Kitchen	Promoting practical cookery teaching and healthy eating amongst school children.	3,500
Kimbanguist Association of London	A healthy cooking workshop.	1,500
London Carers' Group	Monthly two-hour meetings for carers, to be publicised among PCTs, relevant care professionals and schools.	1,680
Lyley Jones Society	Advertising the organisation's services to parents and carers of early diagnosed hearing-impaired infants.	2,640
Mental Health Carers Support Association	A six-month training programme for 15 mental health carers to apply and refine skills to support themselves, family and relatives.	2,700
MS Development Corporation Ltd	Training for 15 volunteer health advocates to support refugee communities affected by HIV/AIDS and other diseases.	4,750
Northern Bridge Productions	Production of a booklet entitled <i>Addiction</i> , with 25 London contributors.	2,500
Oasis Education Alliance	Raising awareness of the indoor and outdoor pollutants that trigger asthma episodes, and how to avoid them.	1,500
Organisation of HIV Positive African Men	Discussion sessions for HIV-positive African men.	3,090
Single Parents' Holistic Project	Monthly seminars for lone parents and their children to discuss issues important to them.	1,500
Somali Elderly and Disabled Centre	A fortnightly luncheon club to provide advice on health and diet.	4,412
St John's Palliative Care Centre	Supporting a women's group within the hospice for young black African women with HIV/AIDS.	2,702
Stroke Care	A series of workshops on strokes aimed at the vulnerable elderly, disabled and alcoholic post stroke-sufferers, their relatives and carers.	3,030

TAGEERO (Health and Social Care Access for Refugees)	A drop-in centre for Somalis to provide information, advice, advocacy and practical support to access appropriate mental health services.	4,770
The Panjabi Centre	Consultancy advice on the organisation's business plan and strategy.	500
UK Health Equity Network (HEN)	Maintenance and further development of the HEN website.	2,220
War on Need International	A pilot Growing Well project to equip young African people in West London with the skills, knowledge and attitude to enable them to take greater control of their lives.	2,000
Women and Health	Evaluation of the organisation's counselling service.	1,500
Worldwide House of Hope	Two workshops on the topics of women's health and child health care.	800
Total Small Grants		£124,992
CONSULTANCY FUND		2 awards
Payments from the Consultancy Fund, to support the engagement of specialist assistance, are made where such a need is identified by the Grants monitoring team.		£
Refugee Council	To meet the Refugee Council's costs of participating in a study by King's College of unaccompanied refugee children.	1,300
Immigrant Counselling and Psychotherapy	Funding of £5,500 for a business strategy consultant.	5,500
Total Consultancy Fund		£6,800
EVALUATION FUND		2 awards
Post-project evaluation may be commissioned for work in new or developmental areas to inform the decision-making process for future grant applications.		£
London Catalyst – Sundial Centre	To develop a range of attractive activities for older people that provide opportunities to learn, to acquire new skills and to engage with other people.	3,000
Advocacy Across London	Evaluation of the impact of wider implications of the advocacy charter, which has been distributed to advocacy projects across London.	5,000
Total Evaluation Grants		£8,000
TOTAL OF GRANTS AWARDED IN 2003		£1,832,092
A reconciliation of previously notified grant commitments, awards made during the year and amounts actually paid is as follows:		
		£000
Commitments at 1 January 2003		1,830
Adjustments for revised grant awards		35
Awards made during 2003		1,832
Grants paid during 2003		(1,296)
Commitments at 31 December 2003		<u>2,401</u>

The grants paid during 2003 and the commitments arising from the Grants Committee's decisions at the 31 December 2003 are referred to in Notes 4 and 10 respectively of the Notes to the accounts.

In addition to the above grant activities, the King's Fund made payments from its own resources in 2003 of £726,000 in relation to Millennium Grants and £212,000 in other grants (see Note 4 to the accounts). These are payments of grants awarded and reported in previous years.

In addition to its own grant programmes, the King's Fund has administered the Millennium Awards Scheme and provided in-house professional support. The Millennium Awards Scheme is a lottery-funded initiative, giving individuals the opportunity to gain skills and to receive a grant to carry out a community-benefit project. The King's Fund is one of more than 100 Award Partners nationally involved in the programme. The income and expenditure associated with this programme is shown under the Analysis of Charitable Expenditure – Programmes and Projects in Note 4 to the accounts.

Financial review

Income and expenditure

Total income for the year amounted to £7.6 million (£8.3 million in 2002), of which £4.9 million (£4.8 million in 2002) was generated from activities in furtherance of the objects of the King's Fund and £2.7 million (£3.5 million in 2002) was derived from the investment portfolio.

Income arising from the King's Fund's charitable objectives rose by £0.1 million, principally as a result of an increase in Other Charitable Activities arising significantly from increased conference and catering services to clients in the health and social care sector. Leadership Development income was marginally down on the year in what is becoming an increasingly competitive market. Income from Publications and Information Services also fell sharply in the year reflecting the strategic management decision to close the King's Fund bookshop. Investment income from securities fell by £0.8 million in the year reflecting the reduced investment yields available worldwide. Such reductions in income have to be seen in the context of the King's Fund's financial strategy referred to above with its emphasis on 'total return' – that is, income and capital growth.

Total expenditure of the King's Fund was £12.7 million (£13.9 million in 2002). Expenditure was reduced in the year on all heads of expenditure classified as being in furtherance of the King's Fund's objects. This reflected the budgetary strategy for 2003, which was designed to bring the King's Fund's level of annual expenditure into line with its available resources as determined from the financial strategy referred to on page 6 of this report. The significant element of that strategy was the need to take account of the previous three years of significant decline in stock market values. An analysis of the charitable expenditure is shown at Note 4 to the accounts.

The average number of staff, expressed as full-time equivalents (FTE), employed by the King's Fund during the year was 115, compared with 131 in 2002. This reduction was a major component of the budgetary restrictions put in hand in 2002 and resulted in a reduction in the annual wage bill of £1 million. Further analysis is shown in Note 11 to the accounts.

The outcome for the year – namely expenditure exceeding income by £5.1 million – was in line with the budgetary strategy approved by the Trustees' at the outset of the year.

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

The value of the King's Fund's fixed assets held for its own use increased by £0.2 million in the year, reflecting additional capital expenditure partly offset by ongoing depreciation. At the year end the value of those assets was £18.6 million (see Note 5 to the accounts)

Investment policy and performance

At 31 December 2003, the net value of the investment assets of the King's Fund was £104.5 million, an increase of £11.2 million over the year. This increase reflected the upward movement of stock markets worldwide but was also enhanced by good performance of the King's Fund's investment managers.

The King's Fund has adopted an investment policy that seeks to optimise performance through a diversified asset portfolio. The target and actual allocations, reflecting the investment policy by asset class, is shown opposite. The Investment Committee of the King's Fund reviews the actual and target allocations on a quarterly basis, and also addresses any performance and stock selection issues with each of the King's Fund's Investment Managers, taking independent advice where necessary.

Asset Class	Target Allocation	Minimum	Maximum	Actual Allocation
UK Equities	40.0%	65.0%	80.0%	44.21%
Non-UK Equities	32.5%			35.56%
Fixed Interest	7.5%	5.0%	15.0%	5.82%
Alternative Investments	15.0%	5.0%	15.0%	6.07%
Cash	5.0%	5.0%	15.0%	8.34%
TOTAL	100.0%			100.00%

It should be noted that the King's Fund as a matter of policy does not invest in tobacco companies. The remit of the fund managers is to maximise total return, within an agreed level of risk. Actual results of the various fund managers and the indices used to measure performance, in sterling terms for 2003 were as follows:

Fund manager	Principle asset class	Funds under management 31 December 2003 £000	Benchmark	Benchmark return	Actual return
Marathon Asset Management Ltd	Global Equities	£39,944	MSCI World Index +2%	21.9%	30.0%
Schroder Investment Management Ltd	UK Equities	£44,404	FTSE All Share Index +2%	23.2%	25.2%
JP Morgan	Cash (Euros)	£3,419	7 Day Libid +0.25%	2.2%	10.6%
CCLA Investment Management Ltd	UK Fixed Interest	£2,874	FTSE BG All Stocks Index	-0.5%	-3.6%
M&G Group Ltd	UK Fixed Interest	£2,921	FTSE BG All Stocks Index	-0.5%	0.3%
UBS Global Asset Management (UK) Ltd	Property	£3,048	IPD (UK) Index	5.4%	-0.3%
Charities Property Fund	Property	£3,001	IPD (UK) Index	6.3%	4.7%

In 2004 further investments have been made, as part of the agreed strategy, into the alternative investment class by investments in Pine Grove Associates and Quellos Strategic Partners II, two USA-based Hedge Funds, and into SPEFOF II, a private equity 'fund of funds' vehicle, operated by Schroder Investment Management Ltd.

The King's Fund's Trustees are satisfied that their investment policies are sound and their appointed managers are performing well.

Donations and legacies

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

Her Majesty the Queen, HRH The Duke of Gloucester, W & D Backhouse, The Bawden Fund, V Dodson, The Forrester Trust, K M Halton, A Heilbron, D J Knowles, G Pampiglione, D & K L Welbourne, and anonymous donors.



Anthony McGrath
Treasurer

29 May 2004

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 2003, which comprise the Statement of Financial Activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity Trustees, as a body, in accordance with Regulation 6(2) of the Charities (Accounts and Reports) Regulations 1995 (SI 1995/2724) as amended by Regulation 4(a) of the Charities (Accounts and Reports) Regulations 2000 (SI 2000/2868). Our audit work has been undertaken so that we might state to the charity trustees those matters we are required to state to them in an auditor's 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 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' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual 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 other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 that 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 mis-statement, 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 of the state of affairs of the charity as at 31 December 2003 and of its 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

Chartered Accountants and Registered Auditors
25 New Street Square
London EC4A 3LN

29 April 2004

STATEMENT OF FINANCIAL ACTIVITIES

Incorporating an Income and Expenditure Account

For the year ended 31 December 2003

	Notes	Restricted funds £000	Endowed funds £000	Unrestricted funds £000	2003 Total funds £000	2002 Total funds £000
INCOMING RESOURCES						
Donations and legacies		-	-	8	8	10
<i>Activities in furtherance of the King's Fund objects</i>						
Programmes and projects		397	-	512	909	917
Leadership development		-	-	2,713	2,713	2,790
Publication and information services		-	-	146	146	234
Other charitable activities		-	-	1,102	1,102	837
Activities in furtherance of objects		397	-	4,473	4,870	4,778
<i>Investment income</i>						
Income from securities and cash assets		-	-	2,536	2,536	3,340
Income from properties		-	-	163	163	160
Activities for generating funds	3	-	-	2,699	2,699	3,500
Total incoming resources		397	-	7,180	7,577	8,288
RESOURCES EXPENDED						
<i>Cost of generating funds</i>						
Cost of investment management	3	-	-	1,013	1,013	478
<i>Charitable expenditure</i>	4					
<i>Activities in furtherance of the King's Fund objects</i>						
Grants payable		-	-	2,234	2,234	2,566
Programmes and projects		405	-	1,573	1,978	2,852
Leadership development		-	-	2,295	2,295	2,610
Publication and information services		-	-	1,139	1,139	1,151
Other charitable activities		-	-	575	575	740
Activities in furtherance of objects		405	-	7,816	8,221	9,919
<i>Support costs</i>						
Support costs and depreciation		-	-	2,997	2,997	2,895
<i>Management and administration</i>						
Senior management and professional services		-	-	447	447	591
Total resources expended		405	-	12,273	12,678	13,883
Net incoming/(outgoing) resources		(8)	-	(5,093)	(5,101)	(5,595)
Net gains/(losses) on investment assets		-	7,663	9,477	17,140	(23,154)
Net movement in funds		(8)	7,663	4,384	12,039	(28,749)
Balances brought forward at 1 January		245	47,473	64,259	111,977	140,726
Balances carried forward at 31 December		237	55,136	68,643	124,016	111,977

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

BALANCE SHEET

For the year ended 31 December 2003

		As at 31 December 2003			As at 31 December 2002		
	Notes	£000	£000	£000	£000	£000	£000
FIXED ASSETS							
Tangible assets held for the King's Fund's use	5		18,637			18,415	
Investments	6		<u>104,545</u>	123,182		<u>93,338</u>	111,753
CURRENT ASSETS							
Debtors	7	1,574			940		
Stocks		105			104		
Cash at bank and in hand		<u>698</u>	2,377		<u>525</u>	1,569	
Creditors – amounts falling due within one year	8		<u>(1,543)</u>			<u>(1,345)</u>	
Net current assets				834			224
Total assets				<u>124,016</u>			<u>111,977</u>
FUNDS							
Restricted funds			237			245	
Endowed funds			55,136			47,473	
Designated fund for tangible own use assets			18,637			18,415	
Unrestricted funds			<u>50,006</u>	124,016		<u>45,844</u>	111,977
Total funds				<u>124,016</u>			<u>111,977</u>

Approved by the Audit Committee on 29 April 2004, under the delegated authority of the Management Committee, and presented to General Council on 1 July 2004.



Anthony McGrath
Treasurer

29 April 2004

CASH FLOW STATEMENT

For the year ended 31 December 2003

	2003 £000	2003 £000	2002 £000	2002 £000
<i>Operating activities</i>				
Net cash outflow from operating activities		(5,112)		(4,421)
<i>Capital expenditure and financial investment</i>				
Payments to acquire tangible fixed assets	(649)		(739)	
Purchase of securities	(17,107)		(108,098)	
Sale of securities	19,984		121,833	
Expenditure on maintaining investment properties	-		(76)	
Net cash inflow for capital expenditure and financial investment		2,228		12,920
Increase/(decrease) in cash in the year		(2,884)		8,499

NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net outgoing resources to net cash outflow from operating activities	2003 £000	2002 £000
Net outgoing resources	(5,101)	(5,595)
Depreciation charged on tangible assets	426	368
Loss on disposal of fixed assets	-	25
Decrease/(increase) in stocks	-	56
Increase in debtors	(634)	635
Increase in creditors	197	90
Net cash outflow from operating activities	(5,112)	(4,421)

	At 1 January 2003 £000	Movement £000	At 31 December 2003 £000
Analysis of changes in cash during the year			
Investment cash	11,494	(3,057)	8,437
Cash at bank and in hand	525	173	698
	12,019	(2,884)	9,135

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

1 BASIS OF PREPARATION

The accounts have been prepared in accordance with the historical cost convention as modified by the revaluation of listed investments and investment properties. They have been prepared in accordance with the Charities Act 1993, the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities, published in October 2000, and applicable accounting standards.

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 on 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 in 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.

Other expenditure

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

Costs of generating funds represent the fees paid to those charged with the management, including advice thereon, and custody of the investments of the King's Fund, including property. Support costs represent the outgoings incurred directly in support of expenditure on the objects of the King's Fund and include the costs of administering the grants programme, maintaining and running the freehold premises at 11–13 Cavendish Square; common services including finance, personnel, ICT (information communications and telecoms); and depreciation on tangible assets. Management and administration costs are those incurred in connection with administration of the King's Fund, including the office of the Chief Executive, and compliance with constitutional and statutory requirements, including where applicable, the engagement of professional advisers, for example, auditors and lawyers.

Pension costs

In accordance with the requirements of SSAP24, the cost of providing pensions and related benefits is charged to the Statement of Financial Activities over the employees' service lives on the basis of a constant percentage of earnings which is an estimate of the regular cost. Variations from regular cost, arising from periodic actuarial valuations are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings. Any difference between the charge to the Statement of Financial Activities and the contributions payable to the scheme is shown as an asset or a liability in the Balance Sheet.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31 December 2003, calculated in accordance with the requirements of FRS17, with comparative data for the preceding year. For the purpose of these financial statements, the figures shown below are illustrative only and do not impact on the balance sheet as at 31 December 2003.

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

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

Depreciation is calculated so as to write off the cost of the tangible assets, excluding freehold land and 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.

Freehold land and buildings held for the King's Fund's use are not depreciated. The King's Fund's buildings are maintained in a condition to ensure that the buildings have a sufficiently long useful economic life that any depreciation charge and accumulated depreciation would be immaterial. A review of the useful economic life of the building is performed annually (*see also* Note 5). Inalienable and historic assets are capitalised, except where their cost or value at date of gift is immaterial.

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 King's Fund's professional advisers.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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 much 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 (*see also* Notes 9 and 10 to the accounts).

Endowed funds The King's Fund has hitherto assumed that it had no power to spend its endowed funds and it is held in perpetuity to generate income to further the objectives of the King's Fund. The King's Fund is currently reviewing that assumption.

Designated funds held for own use tangible fixed assets These are funds, which are unrestricted but which are fully tied up within the King's Fund's own use tangible assets, such as premises at 11–13 Cavendish Square, London W1G 0AN, and the depreciated plant and machinery and office equipment 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 INVESTMENT INCOME AND EXPENDITURE

	2003 £000	2002 £000
Listed securities and cash assets	2,536	3,340
Properties	163	160
	2,699	3,500

The transitional tax credit included above was £52,000 (£163,000 in 2002).

The cost of investment management shown on the Statement of Financial Activities as £1.0 million (£0.5million in 2002) includes a performance fee payable to Marathon Asset Management Ltd of £0.635 million in accordance with their management contract. That sum is paid by a reduction in the number of units held to the King's Fund's credit in the Marathon Global Fund and is reflected in the Creditors figure shown on the Balance Sheet.

4 ANALYSIS OF CHARITABLE EXPENDITURE

	Staff costs £000	Other costs £000	2003 £000	2002 £000
Grants paid	-	2,234	2,234	2,566
Programmes and projects	1,143	835	1,978	2,852
Leadership development	1,126	1,169	2,295	2,610
Publication and information services	526	613	1,139	1,151
Other charitable activities	161	414	575	740
Sub total	2,956	5,265	8,221	9,919
Support costs	1,437	1,560	2,997	2,895
Management and administration	226	221	447	591
Total charitable expenditure	4,619	7,046	11,665	13,405

The cost of Grants administration, see below, is included within Support costs and not in Grants payable.

Included in Grants paid, see above:

	2003 £000	2002 £000
Grants Committee awards	1,296	1,690
Millennium grants	726	740
Other grants	212	136
Grants paid	2,234	2,566

Included in Support costs, see above:

	2003 £000	2002 £000
Depreciation charged on tangible assets	426	368
Grants administration	247	251
	673	619

Included in Management and administration, see above:

	2003 £000	2002 £000
Trustees' indemnity insurance	0	10
<i>Auditors' remuneration</i>		
External audit fees	30	35
Internal audit fees	8	16
Other services	4	1
	42	62

5 TANGIBLE ASSETS HELD FOR THE KING'S FUND'S USE

	Freehold land and buildings £000	Plant, machinery and office equipment £000	Computer hardware and software £000	Total assets 2003 £000	Total assets 2002 £000
<i>Cost</i>					
At 1 January	14,864	5,495	169	20,528	20,082
Additions	-	621	28	649	739
Disposals	-	(96)	-	(96)	(293)
At 31 December	14,864	6,020	197	21,081	20,528
<i>Depreciation</i>					
At 1 January	-	1,973	141	2,114	2,014
Charge for the year	-	399	27	426	368
Disposals	-	(96)	-	(96)	(268)
At 31 December	-	2,276	168	2,444	2,114
<i>Net book value</i>					
At 31 December	14,864	3,744	29	18,637	18,414
Previous Year	14,864	3,527	28	18,414	

The King's Fund's own use property, 11–13 Cavendish Square, London W1, including plant, machinery, fixtures and fittings but excluding computer hardware and software, is included in the Balance Sheet at its net book value (£18,608,000) in accordance with the SORP. As required by FRS11 (Impairment of Fixed Assets and Goodwill), the King's Fund has obtained an appropriate existing use valuation of the property. The value was estimated, on the basis of professional advice, at £20,000,000 at 31 December 2003. The King's Fund has also determined that both the estimated life of the building, at least 100 years, and the immaterial level of any depreciation in value, exempt it from depreciation charges, as provided within FRS15 (Tangible Fixed Assets).

6 INVESTMENTS AT MARKET VALUE

	Securities £000	Property £000	2003 £000	2002 £000
Investment properties	-	4,934	4,934	4,593
<i>Securities</i>				
Listed	91,174	-	91,174	77,249
Unlisted	-	-	-	2
Cash	8,437	-	8,437	11,494
	99,611	4,934	104,545	93,338
Investments in the UK*	95,089	4,934	100,023	65,247
Investments outside the UK	4,522	-	4,522	28,091
	99,611	4,934	104,545	93,338

* Comprising 11.32% of the Marathon Global Fund Portfolio

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

	2003 £000	2002 £000
Opening balance 1 January	93,338	121,582
Add purchases	17,107	108,098
Less sales	(19,984)	(121,833)
Add increase/less decrease in cash balances	(3,056)	8,569
Add increase/less decrease on cash revaluation	17,140	(23,078)
Closing balance 31 December	104,545	93,338

7 DEBTORS

	2003 £000	2002 £000
Trade debtors	1,069	401
Prepayments and accrued income	505	503
Loans repayable after more than 1 year	-	-
Other debtors	-	36
	1,574	940

8 CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2003 £000	2002 £000
Grants payable	-	270
Trade creditors	444	413
Deferred income	181	78
Taxation and social security	-	82
Other creditors and accruals	918	502
	1,543	1,345

Commitments

At 31 December 2003, the outstanding balance awarded by the Grants Committee of the King's Fund was £2,401,000 (£1,830,000 in 2002). These sums have not been included in the financial statements as liabilities because the conditions for payment have not yet been met. The King's Fund will finance these liabilities when they become payable from its unrestricted General Fund.

9 SPLIT OF ASSETS BETWEEN FUNDS

	Restricted funds £000	Endowed funds £000	Unrestricted funds £000	Total funds 2003 £000	Total funds 2002 £000
Tangible assets held for the King's Fund's own use	-	-	18,637	18,637	18,415
Investments	-	55,136	49,409	104,545	93,338
Net current assets	237	-	607	834	224
	237	55,136	68,643	124,016	111,977

10 MOVEMENTS IN RESTRICTED FUNDS

	Balance at 1 January 2003	Incoming resources and transfers in	Outgoing resources and transfers out	Balance at 31 December 2003
	£000	£000	£000	£000
Programmes and projects	245	397	(405)	237
	<u>245</u>	<u>397</u>	<u>(405)</u>	<u>237</u>

11 EMPLOYEES

	2003 £000	2002 £000
Wages and salaries	3,944	4,828
Social security costs	326	363
Pension costs	349	421
Total emoluments	4,619	5,612

The total for Wages and salaries includes expenditure on temporary and seconded staff of £197,000 (£260,000 in 2002).

	2003 FTE	2002 FTE
<i>Average number of full time equivalent employees (including externally funded)</i>		
Grants	5	6
Programmes and projects	32	32
Leadership development	18	23
Publication and information services	17	20
Other charitable activities	4	4
Support functions	36	43
Management and administration	3	3
TOTALS	115	131

	2003	2002
<i>Numbers of employees with remuneration exceeding £50,000</i>		
£50,000 – £59,999	4	1
£60,000 – £69,999	9	13
£70,000 – £79,999	4	3
£80,000 – £89,999	-	-
£90,000 – £99,999	-	-
£100,000 – £109,999	1	1
£110,000 – £119,999	1	1

Contributions of £112,000 (£137,000 in 2002) were made to the King's Fund Staff Pension and Life Assurance Plan, which is a defined benefits scheme, for 14 (15 in 2002) higher paid employees and of £26,510 (£22,000 in 2002) to the NHS Superannuation Scheme, which is also a defined benefits scheme, for four (four in 2002) higher-paid employees.

12 RELATED PARTY TRANSACTIONS

Investment Committee

Mr Michael Dobson, a member of the King's Fund Investment Committee, is the Chief Executive of Schroders plc, one of the King's Fund's investment managers. As at 31 December 2003, the market value of the King's Fund investments held by Schroder Investment Management (UK) Limited, an institutional division of Schroders plc, totalled £44,404,000 (£54,240,000 in 2002). In 2003, £180,000 (£197,000 in 2002) was charged to the Statement of Financial Activities for investment management fees to Schroder Investment Management.

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 King's Fund's investment portfolio.

13 PENSION SCHEMES

The King's Fund operates a funded defined benefits scheme, the King's Fund Staff Pension and Life Assurance Plan (the Plan).

Actuarial valuation – SSAP24

The latest triennial actuarial valuation of the Plan was carried out as at 1 April 2003 by an independent qualified actuary using the Market Led approach and based upon the principal assumptions listed below:

Plan returns pre-retirement.....	7.50% pa
Plan returns post-retirement	5.25% pa
Price inflation	2.50% pa
Salary increases	3.50% pa
Pension increases pre 6 April 2000	4.00% pa
Pension increase post 5 April 2000	2.50% pa

As at this date the market value of the assets was £18,363,000, which represented an Minimum Funding Requirement (MFR) funding level of 84.7%. The actuary has established that based on investment conditions at the time of publication of the actuarial review (December 2003) the MFR level had improved to 97%.

Actuarial valuation – FRS17

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31 December 2003, calculated in accordance with the requirements of FRS17, with comparative data for the preceding year. The figures shown below are illustrative only and do not impact on the balance sheet as at 31 December 2003.

An assessment of the Plan was carried out at the beginning and at the end of the period based on the following main economic assumptions, which were appropriate at the date of each assessment:

	At 31 December 2003	At 31 December 2002
Discount rate	5.50%	5.50%
Rate of increase in salaries	3.75%	3.25%
General price inflation	2.75%	2.25%
<i>Rate of increase in pension payments</i>		
in respect of service prior to 1 April 2000	4.00%	4.00%
for service after 1 April 2000	2.50%	2.25%

Based on these assumptions the deficit in the scheme at each assessment date was:

	At 31 December 2003 £000	At 31 December 2002 £000
Total market value of scheme assets	20,600	17,700
Present value of scheme liabilities	(26,600)	(23,600)
Net pension liability	(6,000)	(5,900)

In addition, the Plan has pension liabilities which are insured with a value of approximately £1.7 million (£2.0 million in 2002). 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.

The fair value of the Plan's assets at the beginning and at the end of the period are set out below along with the expected rate of return for each class:

	31 December 2003 £000	Expected return % p.a.	31 December 2002 £000	Expected return % p.a.
Equities (including property)	17,700	7.75	14,600	7.50
Bonds	2,400	5.50	2,300	5.50
Cash	500	4.00	800	3.75
Total	20,600	7.40	17,700	7.10

The analysis of the amount that would be charged to operating profit was:

	At 31 December 2003 £000	At 31 December 2002 £000
Current service cost	500	750
Past service cost	-	-
(Gains)/losses arising from settlements and curtailments	-	-
Total operating charge	500	750

The analysis of the amount that would be credited to other finance income was:

	At 31 December 2003 £000	At 31 December 2002 £000
Expected return on Pension Plan assets	1,200	1,540
Interest on Pension Plan liabilities	(1,300)	(1,150)
Net return	(100)	390

	2003 £000	2002 £000
Analysis of amounts that would be recognised in the statement of financial activities		
Actual return less expected return on Pension Plan assets	2,100	(5,570)
Gains and losses arising on the Plan liabilities	(1,300)	-
Changes in assumptions underlying the present value of the Plan liabilities	(700)	(2,080)
Actuarial gain that would be recognised in the Statement of Financial Activities	100	(7,650)

Set out below is an analysis of the movement in the Plan surplus during the year:

	2003	2002
	£000	£000
Surplus in the Plan at beginning of the year	(5,900)	1,800
<i>Movement during the year</i>		
Current service cost	(500)	(750)
Contributions	400	500
Other finance income	(100)	200
Actuarial gain/(loss)	100	(7,650)
Deficit in the Plan at end of the year	(6,000)	(5,900)

If the above amounts had been recognised in the financial statements, the King's Fund net asset position would have been as follows:

	At 31	At 31
	December	December
	2003	2002
	£000	£000
Net assets excluding pension asset	124,016	111,977
Pension asset	(6,000)	(5,900)
Net assets including pension asset	118,016	106,077

The contributions made into the Plan by the King's Fund during the year were £323,000 (£375,000 in 2002). HQS Limited (see Note 17) participates in the Plan as an Associated Employer. The King's Fund bears the majority of the liability and has, therefore, disclosed the whole scheme in its Financial Statements. Both employers pay contributions at the same rate, which is determined by the King's Fund and is for 2003 set at 12%, into the Plan. That rate of contribution increased from the 1 January 2004 to 24%.

NHS Pensions Scheme

In addition to the Plan, the King's Fund also contributes to the NHS Pensions Scheme, a defined benefit scheme, for 11 members of staff as at the balance sheet date, who are eligible to belong to this scheme. In 2003 the King's Fund contributed £26,510 (£42,400 in 2002) to the scheme. The employer's contribution rate is set by the Government Actuary at 7% but is due to increase to 14% with effect from 1 April 2004.

The pension charge for the period for both defined benefit schemes (King's Fund and NHS) was £349,118 (£420,683 in 2002).

The NHS scheme is unfunded but actuarial valuations are undertaken by the Government Actuary every five years. The current valuation was undertaken at 31 March 1999. That valuation indicated total liabilities at the valuation date of £71.3 billion offset by estimated future contributions from members of £11.1 billion and notional investments of £46.4 billion. There was therefore a balance of liabilities to be met by contributions from employers of £13.8 billion.

14 TRUSTEES' EXPENSES

A total of £426 (£462 in 2002) was reimbursed to four (three in 2002) Trustees in respect of reimbursed travel and subsistence expenses incurred during the year. No Trustee received or waived any remuneration during the year.

15 HEALTH QUALITY SERVICE

The Management Committee, at its meeting on 2 December 1999, agreed to advance a loan to the Health Quality Service after it was established as a separate charitable company limited by guarantee, HQS Limited, on 1 January 2000. The outstanding balance of that loan at the 31 December 2001 is recognised in an agreement and is subject to interest charges, the income from which is reflected in the incoming resources of the Statement of Financial Activities.



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The King's Fund is an independent charitable foundation working for better health, especially in London. We carry out research, policy analysis and development activities, working on our own, in partnerships, and through grants. We are a major resource to people working in health, offering leadership and education courses; seminars and workshops; publications; information and library services and conference and meeting facilities.

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