



Trustees' report

King's Fund

AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

King's **Fund**

**TRUSTEES' REPORT AND
FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2004

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

Published by:

King's Fund
11–13 Cavendish Square
London W1G 0AN
www.kingsfund.org.uk

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Charity registration number: 207401

First published 2005

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www.kingsfund.org.uk/document.rm?id=190

Compiled by Phil Brown, Head of Finance

Typeset by Phil Brown

Cover design by Vertigo Design

Printed and bound in Great Britain

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Patron

Her Majesty The Queen

President

HRH The Prince of Wales KG KT PC GCB

GENERAL COUNCIL

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Ex-officio members

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The Lord Bishop of London
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The President of the Royal College of Paediatrics and Child Health
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The President of the Royal College of Speech and Language Therapists
The President of the Royal College of Surgeons of England
The Chairman of the Academy of Medical Royal Colleges
The President of the Institute of Healthcare Management
The London Regional Commissioner, NHS Appointments Commission

Other members

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COMMITTEE MEMBERS

MANAGEMENT COMMITTEE AND TRUSTEES OF THE KING'S FUND

Chairman Sir Graham Hart KCB (to 1 July 2004)	Professor Howard Glennerster
Chairman Sir Cyril Chantler (from 2 July 2004)	Professor Sir Andrew Haines
Vice Chairman Professor Adrian Eddleston	Ms Mary Ney
Treasurer Mr Anthony McGrath	Mr Bryan Sanderson CBE
Professor Elizabeth Anionwu CBE	Ms Angela Sarkis CBE (to December 2004)
Dame Ann Bowtell DCB	Sir William Wells

INVESTMENT COMMITTEE

Chairman Mr Anthony McGrath
Dr John Bradfield CBE
Sir Michael Colman Bt (to May 2004)
Mr Michael Dobson
Mr Valentine Fleming (to May 2004)
Mr Marius Gray (to July 2004)
Mr Strone Macpherson
Mr Michael McLintock (from November 2004)
Mr Max Ward

GRANTS COMMITTEE

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Dr Dinesh Bhugra
Ms Valerie Coleman
Professor Howard Glennerster
Ms Karen Goodman
Mr Kenneth Neville-Davies
Professor Fiona Ross
Mr Eric Samuel
Ms Melba Wilson

AUDIT COMMITTEE

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Mr Valentine Fleming (to April 2004)
Mr Strone Macpherson
Mr Anthony McGrath
Mr Bryan Sanderson CBE

REMUNERATION COMMITTEE

Chairman Sir Cyril Chantler
Professor Adrian Eddleston
Mr Anthony McGrath
Ms Mary Ney
Sir William Wells

BOARD OF DIRECTORS AND SENIOR ASSOCIATES

BOARD OF DIRECTORS

Chief Executive Niall Dickson

Deputy Chief Executive and Director of Resources Frank Jackson OBE (to July 2005)

Director of Funding and Development Steve Dewar

Director of Policy Jennifer Dixon

Director of Communications Michelle Dixon

Director of Finance and ICT Frank Gargent (from April 2005)

Director of Leadership Development David Knowles

SENIOR ASSOCIATES

Mr Stuart Bell

Professor John Billings

Mr Mark Britnell

Baroness Cumberlege of Newick

Dr Michael Dixon

Lord Hunt of Kings Heath (to May 2005)

Dr Chai Patel

Ms Claire Perry

Ms Melba Wilson

Ms Julia Unwin OBE

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TRUSTEES' REPORT 2004

Introduction

The Trustees submit their annual report and audited financial statements for the year ended 31 December 2004. 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 then Prince of Wales to allow for the collection and distribution of funds in support of the hospitals of London. The current organisation is governed in accordance with the King Edward's Hospital Fund for London Act 1907, which stipulates both the Objects and Management of the King's Fund [the Corporation], namely: *'The objects of the Corporation are to administer ... moneys or property held or obtained by the Corporation ... towards the support benefit or extension of the hospitals of London ... and to do all such things as may be incidental or conducive to the attainment of the foregoing objects'* and *'The direction and management of the affairs of the Corporation and the administration and distribution of property and income thereof shall ... be vested in the President and General Council'*. Furthermore, *'A majority of the members of the General Council present at a meeting of the President and General Council may ... delegate the power of the General Council ... to any committee constituted under this Act.'*

Organisational matters

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

The members of the Management Committee of the King's Fund are, for the purposes of charity law and reporting, deemed to be its Trustees. Members of the Management Committee are appointed for a three year term which may be followed by a second three year period if mutually acceptable. In special circumstances, members might serve for a third three year period. The Treasurer of the King's Fund plus the Chairman and Vice-Chairman of the Management Committee are appointed annually. In appointing or reappointing Trustees, the President is advised by the existing Trustees who have a responsibility to seek out and attract persons of appropriate skills and calibre to augment or replace current members.

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

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

The Investment, Audit, Remuneration and 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.

Trustees' responsibilities

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

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

- prepared the financial statements on a going-concern basis.

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

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

The systems of internal control, of which the financial regulations form a key component, are designed to provide reasonable, but not absolute, assurance against material misstatement 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 controls as part of their accountability for achieving objectives
- 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 Fund's expenditure, and to do so without taking excessive risks
- to limit the net annual expenditure of the King's Fund, taking into account extraordinary expenditure on maintaining its tangible assets, to 5 per cent of its earning assets averaged over eight 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 Trustees also recognise that the financial structure of the King's Fund is such that drawings from capital to bridge the gap between income, both from investments and from its 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 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, £40.7 million (£46.0 million in 2003), after allowing for the deficit £6.0 million on the King's Fund Staff Pension and Life Assurance Plan, 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 2004

In the past year, the King's Fund has continued its work to secure better health and health care for all, in London and beyond.

The goal of the King's Fund is to develop the ideas, people and organisations on which effective health and health care depend. The King's Fund is working to extend its reach and impact in three main areas: shaping informed policy, developing effective practice and services, and supporting individuals and organisations.

The King's Fund continued to exercise influence at all levels – from national policy-makers to those working alongside some of London's most disadvantaged communities. The leadership development programmes continued to build managerial capacity among NHS executives and clinicians. Through the grants programme, awards totalling almost £1.6 million were invested in supporting community-based organisations working to improve health in London.

Key activities in 2004 included:

- **Improving care for people with long-term conditions** Work of the King's Fund helped shape government policy in an area of increasing importance for policy-makers: how best to support the UK's estimated 17 million people living with long-term (chronic) conditions. A major study was launched into what lessons might be learned from US managed care organisations, following this up with practical work with 14 London primary care trusts to analyse the numbers of people with long-term conditions they were treating, and what kinds of support were being offered. The King's Fund also undertook a critical review of case-management, personalised care packages tailored to the needs of high-risk individuals, a central plank of proposed Government strategies in this area.
- **Care Services Inquiry** A major investigation into care services for older people in London was launched, issuing a call for evidence from professionals and practitioners in the field, as well as older people and carers directly affected by those services. The King's Fund has also undertaken studies in key areas such as the commissioning of services; trends in demand for and supply of care in the capital; how the care market operates; and middle-aged people's expectations of care services for the future. The full report will be published in summer 2005.
- **Putting health first** A 12-month programme aimed at generating debate and practical ideas on how to develop a health system that gives priority to promoting health and reducing health inequalities was launched with an influential discussion paper, followed up by a major conference in the summer. The work continued with scrutiny of the role of evidence in complex community-based initiatives, in partnership with the Rockefeller Foundation; the role of community-based health advocates in ensuring access to appropriate health services for disadvantaged communities; and public attitudes to government and personal responsibilities for health. In addition, a research study was conducted on the role of incentives among health service professionals to promote wider population health. The work informed several of the proposals later put forward in the Government's autumn White Paper, *Choosing Health*.
- **The health care workforce** The King's Fund published interim findings from its major survey on internationally recruited nurses in London, looking at their experiences of the NHS, and how well they are supported by their employers. In a linked strand of work, a discussion paper was published and a debate held about the changing nature of medical professionalism, focusing in particular on how GPs see their roles and collective responsibilities at a time of rapid change in their duties, including the new GP contract and new arrangements in key areas of working such as out-of-hours cover.
- **Enhancing the healing environment** A guide to encourage frontline health care staff to take the lead in improving run-down hospital environments was published. The guide drew on learning from a £2 million programme of work, launched in 2001, with nurse-led teams in London. The programme has now been rolled out nationally covering the 23 strategic health authorities outside the capital, thanks to a £1 million contract from NHS estates, with additional funding from The Burdett Trust for Nursing and the Calouste Gulbenkian Foundation.

Major activities for 2005

Major activities for 2005 will include:

- **Investigating social care funding** The King's Fund has launched a major investigation into the funding of social care for older people in England. The Social Care Review will be led by Sir Derek Wanless as it follows on from his independent inquiry for the Government into future health care spending. Sir Derek expects to report the findings of the Review in spring 2006.
- **New funding and development programme** The King's Fund is taking a new approach to its role as a giver of grants with the launch of its Partners for Health in London scheme in the summer. The scheme will focus funding and development efforts in four areas where it is believed that health needs are unmet, and there is scope to improve services and share learning. The four areas, which will be key in the distribution of over £1 million per annum, are: end-of-life care, sexual health, mental health advocacy, and integrated health care.
- **Care Services Inquiry** The 18-month inquiry into care services for older Londoners will culminate in the publication of the final report in the summer. The report will build upon the interim report published in October 2004 which recorded serious shortcomings in the quality and range of care provided. As with previous inquiries, the King's Fund will follow up this work, not least through the Wanless Social Care Review.
- **Analysing future health care funding** The King's Fund will publish a major report in the autumn examining the likely impact of projected falls, from the current very high levels, of increases in health care funding projected after the year 2007/08. It is thought that such changes may well re-ignite the debate over the future of a free-to-all NHS.
- **Ensuring fairer access for black and ethnic minorities** In the latter part of the year, the King's Fund will conduct an audit into the scale of inequalities in access to health care facing Londoners from black and minority ethnic (BME) communities. The resulting report will include a critical analysis of the range and effectiveness of the solutions on offer.
- **New website** The summer will see the re-launch of the King's Fund website which is being designed to act as a modern, effective resource for people working in health and social care. The website will also enable such people to interact with the King's Fund in new and improved ways, with more online services such as email alerts.
- **Other areas of focus** The following list highlights some of the many other areas to which the King's Fund will devote energy and resources during the year:
 - ~ More frequent and revised Leadership Development programmes such as Specialist Registrar, Successful Nurse Leaders and the Top Manager Programme;
 - ~ Reviewing the high levels of violence on acute psychiatric wards, a key finding of the King's Fund report on mental health services published in 2003, in collaboration with the London Development Centre for Mental Health;
 - ~ Publishing the findings of an initiative to bring together around 60 governors from the first wave of foundation trusts; and
 - ~ Expanding the work of the King's Fund on the challenges facing London's health care workforce including the publication of the largest-ever survey of internationally recruited nurses based in the capital.

The Trustees will monitor the progress of the above planned activities throughout 2005.

Grants awarded in 2004

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 at www.kingsfund.org.uk/funding.

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

These grants are awarded for work in priority areas identified by the Grants Committee from time to time. Development grants may cover a period of up to three years.

Awardee	Description	Grant
Action For Advocacy	Funding for a Policy & Communications Manager.	£100,000
Bell Farm Christian Centre	Supporting disadvantaged communities in Hillingdon to access advice, information and health care.	£90,000
Clore Leadership Programme	Support costs for programme.	£3,500
Connect	To develop a toolkit to enable service providers to be more involved in the organisation's work.	£87,230
Cricklewood Homeless Concern	Funding for a specialist Community Psychiatric worker to work towards an integrated approach to mental health service delivery in the Brent area.	£68,421
Enabled London Ltd	A web-based disability access project.	£70,000
Enfield Women's Aid Ltd	Funding for a domestic violence outreach worker for three years.	£94,405
Family Welfare Association, North and East London	Funding for a bi-lingual family support worker offering counselling and advice, to Vietnamese families in Hackney, Haringey and Islington.	£140,445
Jigsaw4u	Development Worker to facilitate the participation of children and young people in the Children's Trust.	£95,660
King's College London, Institute of Psychiatry-Health Services Research Dept	Employment programme for patients with severe mental illness, run in partnership with Status Employment.	£100,093
Lewisham Young Women's Resource Project	Funding for an Emotional Health Training Development Worker, to work in Lewisham schools.	£25,644
Place 2 Be	Development of internal assessment and evaluation framework.	£140,515
Positive Place	Funding for an African Caribbean Peer Support Worker offering emotional support, training and education to prevent the spread of HIV in South London.	£80,463
SIGN	London Advocacy Project for Deaf people with mental health problems.	£81,000
Social Action for Health	Funding for a self management and prevention programme for people from the Bengali, Somali and Caribbean communities in East London living with a chronic condition.	£68,771
Southwark Irish Pensioners Project	Funding for a Mental Health worker to visit and support Irish People in psychiatric hospitals.	£50,741
St James's House	Funding for a Job Retention Officer to identify individuals in the first stages of mental ill health and support them in retaining their employment.	£55,118

Awardee	Description	Grant
TLC Care Services	Funding for a Project Worker to improve the care pathway for stroke survivors in Hackney.	£74,976
Total Development Grants [18 awards]		£1,426,982

Small Grants

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.

Awardee	Description	Grant
A Healing Journey	To run a London based course for gay men dealing with primary problems and issues in the gay community and supporting HIV+ men.	£4,800
Africa Foundation Stone	Workshops on obesity for children and their families in Waltham Forest.	£4,464
African People's Link	One day event to raise awareness of TB in Westminster.	£1,520
APPLE	A half-term programme in Ealing, offering children free access to a multi-sports programme, healthy foods and information about local services.	£1,070
Brent Indian Community Centre	Workshops held in Brent, promoting healthy lifestyles.	£4,330
Bromley Refugee Network	Promoting Refugee Health Needs in Bromley.	£5,000
CHANA Charitable Trust	Support groups for couples experiencing difficulties with fertility.	£4,040
Development Support Agency	Drop-in centre and referral service for victims of female genital mutilation and sexually transmitted infections based in Harrow.	£5,000
Environment and Health Action Network	Sexual health awareness workshops for women from African communities living in Barnet.	£3,970
FrancoEAST	A needs assessment programme focusing on drugs and substance misuse in Lewisham.	£4,162
Gender Identity Research & Education Society	Contribution to research project developing standards of care for adolescents dealing with gender identity issues.	£1,600
Health Link	To pilot the engagement of homeless people in monitoring A & E services through Patient Forums.	£4,850
Hearts of Barnet	A referral scheme for people diagnosed with Coronary Heart Disease.	£4,500
In the Picture	Promoting community interpreters in the Southwark area.	£4,020
London Drug & Alcohol Network	Funding to compile a report on alcohol treatment statistics from substance misuse agencies across London.	£2,000
One-to-One (Enfield)	Health awareness workshops for people with learning difficulties living in Enfield.	£4,450
Panjabi Centre	Project using radio to promote health care issues and access to services for the Panjabi community in Southall.	£4,960
Refugee Information Centre	Workshops focusing on teenage pregnancy and STD prevention for French speaking refugee communities in Bromley.	£3,500
Sicklenemia	Design and maintenance of a website dealing with Sickle Cell disease.	£4,992
Somali Bravanese Women's Organisation	Awareness raising project on issues of FGM and HIV/AIDs for the Somali Bravanese community in Waltham Forest.	£4,720

Awardee	Description	Grant
Somali Education Centre	Healthy lifestyle workshops for the Somalis community living in Islington.	£5,000
Spitalfields City Farm	Healthy eating and cooking project for Bangladeshi community in Tower Hamlets.	£5,000
Tamil Refugee Action Group	Seminar on cancer for Tamil community living in London	£1,100
The Arabic Speakers Development Organisation	Project offering health support and information to Arabic speaking people in the Paddington area.	£5,000
Waaberi Community Development Association	Health promotion for young Somali refugees in Lambeth.	£5,000
Waltham Forest Asian Seniors' Club	Healthy eating workshops.	£4,700
West London Churches Homeless Concern	Induction programme at the West London Night Shelters	£2,000
Westminster Advocacy Service for Senior Residents (WASSR)	Cost/Benefit Analysis of WASSR's Advocacy Provision	£4,200
Yan-Huang Cultural and Arts Association	Project to identify the health needs of Chinese people in Greenwich and work with the PCT to address these needs.	£5,000
Zimbabwe Women's Network UK	Project to identify the priority health areas within the Zimbabwean community in the Richmond area.	£4,720
Total Small Grants [30 awards]		£119,668

Consultancy Fund

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.

Awardee	Description	Grant
Chinese Mental Health Association	Consultancy re: Feasibility study for a Tea House Social Enterprise	£8,000
National Association of Hospital and Community Friends	To promote a report on 'Volunteering in London Health Care Settings'.	£2,300
Place 2 Be	Consultancy re evaluation application.	£9,000
Westminster Advocacy Service for Senior Residents (WASSR)	Consultancy to evaluate financial systems.	£5,367
Total Consultancy Fund [4 awards]		£24,667

A reconciliation of previously notified grant commitments, awards made during the year and amounts actually paid is as follows:

	£000
Commitments at 1 January 2004	2,401
Adjustment for revised grant awards	36
Awards made during 2004	1,571
Grants paid / provision made for future payments during 2004	(3,908)
Commitments at 31 December 2004	100

As part of its ongoing appraisal of best accounting practice, the King's Fund reviewed the application of its accounting policy on grants payable. It has determined that, whilst all grant agreements contain detailed financial controls to ensure the proper distribution of the award, in most instances these do not represent conditions that might prevent future payments being made. Such payments on these grants have therefore been included as liabilities, payable either within the next financial year (£1,381,000) or a longer period (£1,071,000), on the Balance Sheet.

The grants paid during 2004 and the commitments arising from the Grants Committee's decisions at the 31 December 2004 are referred to in Notes 4, 8 and 9 to the Accounts.

In addition to the above grant activities, the King's Fund made payments from its own resources in 2004 of £471,000 (£726,000 in 2003) in relation to Millennium Grants and £461,000 (£212,000 in 2003) in other grants as shown in 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 also administered the Millennium Awards Scheme from its inception in 2001 to its conclusion in September 2004, to which it provided in-house professional support. The Millennium Awards Scheme was 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 was one of more than 100 Award Partners nationally involved in the programme. The income and expenditure associated with this programme is included within Programmes and Projects in Note 4 to the Accounts.

Financial review 2004

Income and expenditure

Total income for the year amounted to £8.3 million (£7.6 million in 2003), of which £5.4 million (£4.9 million in 2003) was generated from activities in furtherance of the objects of the King's Fund and £2.9 million (£2.7 million in 2003) was derived from the investment portfolio.

Income arising from the King's Fund's charitable objects rose by £0.5 million as a result of an increase in income generated by *Leadership Development* plus, in *Other charitable activities*, significantly increased income from conference and catering services provided to clients in the health and social care sector. Income from *Publication and Information Services* was marginally higher than the previous year, reflecting the completion of changes commenced in 2003. Investment income from securities rose by £0.2 million in the year.

Total expenditure of the King's Fund was £15.3 million (£12.9 million in 2003 as restated), an increase of £2.4 million. The cost of investment management fell by £0.4 million in the year, largely as a result of a reduction in the performance management fee payable to Marathon Asset Management as shown in Note 3 to the Accounts.

Charitable expenditure increased by £2.8 million of which the key component was the decision to recognise all future grant payments, save those subject to explicit performance hurdles, which resulted in a one off charge of £2.5 million which is reflected in the increased liabilities on the Balance Sheet. The net increase in other areas was only £0.3 million, less than the growth in income. An analysis of charitable expenditure is shown in Note 4 to the Accounts.

In line with previous practice in implementing required reporting changes at the earliest opportunity, the King's Fund has fully implemented FRS17 (Retirement Benefits) in 2004, one year ahead of the requirement. There are two key effects of this implementation. The first is to account for the level of contributions required to maintain the King's Fund Staff Pension and Life Assurance Plan (the Plan), as defined by a qualified actuary, rather than the sums actually paid as was required under SSAP24, the predecessor regulation. The second, and more

obvious, is the requirement to bring the value of the net asset or liability within the Plan into the accounts of the King's Fund. The prior year adjustment required to effect this change can be seen in the Statement of Financial Activities and the actual level of the liability on the Balance Sheet. The supporting information is shown in Note 14 to the Accounts.

The average number of staff, expressed as full-time equivalents (FTE), employed by the King's Fund during the year was 112, compared with 115 in 2003. Further analysis is shown in Note 12 to the Accounts.

The outcome for the year, namely expenditure exceeding income by £7.0 million was in line with the financial strategy set out above in the Trustees' Report, that is to say that it was met by planned drawings from capital, and the budget 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 decreased by £0.15 million in the year as a result of depreciation on existing assets exceeding capital expenditure. At the year end the value of those assets was £18.5 million as shown in Note 5 to the Accounts.

Investment policy and performance

At 31 December 2004, the net value of the investment assets of the King's Fund was £108.3 million (£104.5 million in 2003). Adjusting for the withdrawals used to finance the activities of the King's Fund, investment assets rose by 10.1%. Within that total, £4.4 million (£4.9 million in 2003, £4.3 million excluding properties sold in 2004) represents the value of the directly held properties. The investments of the King's Fund benefited from the upward movement of stock markets worldwide and were also enhanced by good performance from the King's Fund's investment managers. Against this must be set the material decline in the value of the dollar which has affected those assets denominated in that currency, notably the investment in Absolute Return funds.

The King's Fund has adopted an investment policy which seeks to optimise performance through a diversified asset portfolio, excluding the directly held property investments. The target allocation, reflecting the investment policy by asset class, is shown below along with actual distribution at 31 December 2004. 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 Distribution
UK Equities	40.0%	} 65.0%	} 80.0%	40.5%
Non-UK Equities	32.5%			33.9%
Fixed Interest	7.5%	5.0%	15.0%	5.6%
Alternative Assets				
Absolute Return	5.0%	0.0%	5.0%	4.7%
Private Equity	5.0%	0.0%	5.0%	1.0%*
Property	5.0%	3.0%	7.0%	6.4%
Cash	5.0%	3.0%	10.0%	7.9%
TOTAL	100.0%			100.0%

* This investment represents the first of four equal annual payments of €1.5 million. The second payment was made in April 2005.

It should be noted that the King's Fund, as a matter of policy, does not invest directly in tobacco companies. 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 2004 plus the actual results of the relevant fund managers, with comparison to the indices 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	39,822	MSCI World Index +2%	9.0%	11.4%
Schroder Investment Management Ltd	UK Equities	37,626	FTSE All Share Index + 2%	14.9%	12.1%
CCLA Investment Management Ltd	UK Fixed Interest	2,862	FTSE BG All Stocks Index	3.0%	2.9%
M & G Group Ltd	UK Fixed Interest	2,920	FTSE BG All Stocks Index	3.0%	3.1%
UBS Global Asset Management (UK) Ltd	Property	3,422	IPD (UK) Index	5.0%	3.5%
Charities Property Fund	Property	3,185	IPD (UK) Index	5.0%	3.1%
Quellos *	Absolute Return	2,439	LIBOR 3 month sterling +4%	8.2%	-1.4%
Pine Grove *	Absolute Return	2,457	LIBOR 3 month sterling +4%	8.2%	-0.6%
Schroders *	Private Equity	1,062	MSCI World +5%	11.6%	3.8%
J P Morgan	Cash (Euros)	357	7 Day Euro LIBOR + 0.25%	2.9%	3.2%
Schroder Investment Management Ltd	Cash	5,258	7 Day LIBID + 0.25%	4.7%	6.6%
National Westminster Bank plc *	Cash	2,546	LIBOR 3 month sterling	1.7%	1.5%

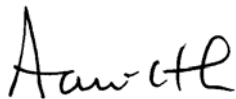
* Investments made during 2004 - benchmarks and actual returns calculated from the date of inception.

The Trustees are satisfied that the investment policies of the King's Fund are sound and the appointed managers are performing satisfactorily.

Donations and legacies

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

Her Majesty the Queen, W & D Backhouse, The Bawden Fund, A H Chester, Lord Hayter, A N Heilbron, D J Knowles, F Reynolds, The Royal Bank of Scotland, D & K L Welbourne, and anonymous donors.



Anthony McGrath, Treasurer
7 June 2005

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 2004 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 misstatements 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 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 of the state of affairs of the charity as at 31 December 2004 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 LLP
Chartered Accountants and Registered Auditors
8 June 2005

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

STATEMENT OF FINANCIAL ACTIVITIES
Incorporating an Income and Expenditure Account
For the year ended 31 December 2004

	Notes	Restricted funds £000	Endowed funds £000	Un-restricted funds £000	2004 Total funds £000	2003 Total <i>Restated</i> £000
INCOMING RESOURCES						
Donations and legacies		-	-	13	13	8
<i>Activities in furtherance of the objects of the King's Fund</i>						
Programmes and Projects		150	-	634	784	909
Leadership Development		-	-	3,068	3,068	2,713
Publication and Information Services		-	-	156	156	146
Other charitable activities		-	-	1,397	1,397	1,102
Activities in furtherance of objects		150	-	5,255	5,405	4,870
<i>Investment income</i>						
Income from securities and cash assets		-	-	2,655	2,655	2,536
Income from properties		-	-	179	179	163
Activities for generating funds	3	-	-	2,834	2,834	2,699
Total incoming resources		150	-	8,102	8,252	7,577
RESOURCES EXPENDED						
<i>Cost of generating funds</i>						
Cost of investment management	3	-	-	635	635	1,013
<i>Charitable expenditure</i>						
<i>Activities in furtherance of the objects of the King's Fund</i>						
Grants payable		-	-	4,840	4,840	2,234
Programmes and Projects		298	-	1,500	1,798	2,012
Leadership Development		-	-	2,597	2,597	2,354
Publication and Information Services		-	-	1,177	1,177	1,178
Other charitable activities		-	-	971	971	577
Activities in furtherance of objects	4	298	-	11,085	11,383	8,355
<i>Support costs</i>						
Support costs and depreciation		-	-	2,810	2,810	3,054
<i>Management and administration</i>						
Senior management & professional services		-	-	468	468	456
Total resources expended		298	-	14,998	15,296	12,878
Net outgoing resources		(148)	-	(6,896)	(7,044)	(5,301)
Net gains on investment assets		-	4,145	3,701	7,846	17,140
Actuarial gain / (loss) on pension scheme		-	-	(300)	(300)	100
Net movement in funds		(148)	4,145	(3,495)	502	11,939
Balances at 1 January - previously reported		237	55,136	68,643	124,016	111,977
Prior year adjustment for pension scheme liability	1	-	-	(6,000)	(6,000)	(5,900)
Balances at 1 January - restated		237	55,136	62,643	118,016	106,077
Balances carried forward at 31 December		89	59,281	59,148	118,518	118,016

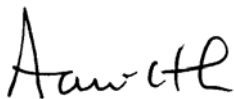
All of the operations represented by the information above are continuing.

BALANCE SHEET

As at 31 December 2004

	Notes	31 December 2004			31 December 2003 (<i>Restated</i>)		
		£000	£000	£000	£000	£000	£000
FIXED ASSETS							
Tangible assets held for the King's Fund's use	5		18,490			18,637	
Investments	6		<u>108,261</u>	126,751		<u>104,545</u>	123,182
CURRENT ASSETS							
Debtors	7	1,686			1,574		
Stocks		79			105		
Cash at bank and in hand		<u>1,003</u>	2,768		<u>698</u>	2,377	
CURRENT LIABILITIES							
<i>Amounts falling due within one year</i>	8						
Creditors		(2,549)			(1,543)		
Grants		<u>(1,381)</u>	(3,930)		<u>-</u>	(1,543)	
NET CURRENT ASSETS / (LIABILITIES)				(1,162)			834
LONG TERM LIABILITIES							
<i>Amounts falling due after one year</i>	9						
Grants				(1,071)			-
Total assets excluding pension liability				124,518			124,016
Pension scheme liability				(6,000)			(6,000)
Total assets including pension liability				118,518			118,016
FUNDS							
Restricted and endowed funds							
Restricted funds			89			237	
Endowed funds			<u>59,281</u>	59,370		<u>55,136</u>	55,373
Unrestricted funds							
Designated fund for tangible own use assets			18,490			18,637	
Unrestricted funds			<u>46,658</u>	65,148		<u>50,006</u>	68,643
Total funds excluding pension scheme liability				124,518			124,016
Pension scheme liability				(6,000)			(6,000)
Total funds including pension scheme liability				118,518			118,016

Approved by the Trustees at a meeting of the Management Committee on 7 June 2005 and presented to General Council on 19 July 2005.



Anthony McGrath, Treasurer
7 June 2005

CASHFLOW STATEMENT

For the year ended 31 December 2004

	2004 £000	2004 £000	2003 £000	2003 £000
<i>Operating activities</i>				
Net cash outflow from operating activities		(3,500)		(5,112)
<i>Capital expenditure and financial investment</i>				
Payments to acquire tangible fixed assets	(325)		(649)	
Purchase of securities	(21,105)		(17,107)	
Sale of securities	24,353		19,984	
Net receipts from sale of investment properties	818		-	
Net cash inflow for capital expenditure and financial investment		3,741		2,228
Increase / (decrease) in cash in the year		241		(2,884)

NOTES TO THE CASHFLOW STATEMENT

Reconciliation of net outgoing resources to net cash outflow from operating activities	2004 £000	2003 £000
Net outgoing resources	(7,044)	(5,301)
Depreciation charged on tangible assets	472	426
Current service cost less contributions to the Plan	(300)	200
Decrease in stocks	26	-
Increase in debtors	(112)	(634)
Increase in short term creditors	2,387	197
Increase in long term creditors	1,071	-
Net cash outflow from operating activities	(3,500)	(5,112)

	At 1 January 2004 £000	Movement £000	At 31 December 2004 £000
Analysis of changes in cash during the year			
Investment cash	8,437	(64)	8,373
Cash at bank and in hand	698	305	1,003
	9,135	241	9,376

NOTES TO THE ACCOUNTS

For the year ended 31 December 2004

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.

Prior year adjustment for pension scheme liability

The King's Fund has fully adopted the provisions of FRS17 this year. Accordingly the unrestricted funds at 1 January 2003 and 1 January 2004 have been restated to reflect the net liability in the King's Fund Staff Pension and Life Assurance Plan at these dates. The pension costs charged to net outgoing resources in the year ended 31 December 2003, which were previously accounted for in accordance with SSAP24, have been restated in accordance with FRS17.

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.

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 and communications technology); 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

The King's Fund has fully adopted the provisions of FRS17 in the accounts for the year to 31 December 2004, one year ahead of the requirement. The impact of this adoption has been the necessity to make a prior year adjustment to the fund balances brought forward to recognise the liability to the King's Fund Staff Pension and Life Assurance Scheme (the Plan), as reported in the notes to the accounts for the years ended 31 December 2002 and 2003.

The difference between the current service cost and the level of contributions has been included in the restated Statement of Financial Activities for the year to 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 they have a sufficiently long useful economic life such that any depreciation charge and accumulated depreciation would be immaterial. A review of the useful economic life of the building is performed regularly as detailed in Note 5 to the Accounts.

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, as itemised in Notes 10 and 11 to the Accounts.

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

Designated funds held for own use tangible fixed assets: These funds, which are unrestricted, are fully tied up within the King's Fund's own use tangible assets, 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 INVESTMENT INCOME AND EXPENDITURE

	2004 £000	2003 £000
Listed securities and cash assets	2,655	2,536
Properties	179	163
	2,834	2,699

The transitional tax credit included above was £24,000 (£52,000 in 2003).

The cost of investment management shown on the Statement of Financial Activities as £635,000 (£1,013,000 in 2003) includes a performance fee payable to Marathon Asset Management Ltd of £305,000 (£635,000 in 2003) in accordance with their management contract. That sum was paid from cash reserves in 2005 in order not to deplete the holdings in the Marathon Global Fund which has now been closed to new investment. It is reflected in the Creditors figure shown on the Balance Sheet at 31 December 2004.

4 ANALYSIS OF CHARITABLE EXPENDITURE

	Staff Costs £000	Other Costs £000	2004 £000	2003 <i>Restated</i> £000
Grants payable	–	4,840	4,840	2,234
Programmes and Projects	1,111	687	1,798	2,012
Leadership Development	1,201	1,396	2,597	2,354
Publication and Information Services	825	352	1,177	1,178
Other charitable activities	99	872	971	577
Sub Total	3,236	8,147	11,383	8,355
Support costs	1,391	1,419	2,810	3,054
Management and administration	275	193	468	456
Total charitable expenditure	4,902	9,759	14,661	11,865

Included in *Grants payable* above:

	2004 £000	2003 £000
Grants Committee awards	3,908	1,296
Millennium grants	471	726
Other grants	461	212
	4,840	2,234

Included in *Support costs* above:

	2004 £000	2003 £000
Depreciation charged on tangible assets	472	426
Grants administration	313	247
	785	673

Included in *Management and administration* above:

	2004 £000	2003 £000
Auditors' remuneration - external audit fees	24	30
- internal audit fees	–	8
- other services	1	4
	25	42

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	2004 Total assets £000	2003 Total assets £000
Cost					
At 1 January	14,864	6,020	197	21,081	20,528
Additions	3	231	91	325	649
Disposals	–	(48)	(39)	(87)	(96)
At 31 December	14,867	6,203	249	21,319	21,081
Depreciation					
At 1 January	–	2,276	168	2,444	2,114
Charge for the year	–	428	44	472	426
Disposals	–	(48)	(39)	(87)	(96)
	–	2,656	173	2,829	2,444
Net Book Value					
At 31 December	14,867	3,547	76	18,490	18,637
Previous Year	14,864	3,744	29	18,637	

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 (£18,414,000) 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	2004 £000	2003 £000
Investment properties	–	4,473	4,473	4,934
Securities: Directly held listed	37,524	–	37,524	39,525
Held in unitised funds	57,891	–	57,891	51,649
Cash	8,373	–	8,373	8,437
	103,788	4,473	108,261	104,545
Investment assets in the UK	59,070	4,473	63,543	64,601
Investment assets outside the UK	44,718	–	44,718	39,944
	103,788	4,473	108,261	104,545

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

	2004 £000	2003 £000
Opening Balance at 1 January	104,545	93,338
Add Purchases	21,105	17,107
Less Sales	(24,353)	(19,984)
Less Reduction in Cash Balances	(64)	(3,056)
Less Net receipts on sale of investment properties	(818)	–
Add Increase on Revaluation	7,846	17,140
Closing Balance at 31 December	108,261	104,545

7 DEBTORS

	2004 £000	2003 £000
Trade debtors	1,206	1,069
Prepayments and accrued income	450	505
Other debtors	30	–
	1,686	1,574

8 CREDITORS : AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2004 £000	2003 £000
Grants payable	1,381	–
Trade creditors	422	444
Deferred income	1,219	181
Taxation and social security	10	–
Other creditors and accruals	898	918
	3,930	1,543

9 CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR

	2004 £000	2003 £000
Grants payable	1,071	–
	1,071	–

Commitments

At 31 December 2004, the outstanding balance of grants awarded by the Grants Committee of the King's Fund was £100,000 (£2,401,000 in 2003). 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 funds.

10 SPLIT OF ASSETS BETWEEN FUNDS

	Restricted Funds £000	Endowed Funds £000	Unrestric- ted Funds £000	2004 Total funds £000	2003 Total funds £000
Tangible assets for the King's Fund's own use	–	–	18,490	18,490	18,637
Investments : Securities	–	59,281	44,507	103,788	99,611
Investments : Property	–	–	4,473	4,473	4,934
Net current assets/(liabilities)	89	–	(1,251)	(1,162)	834
Long term liabilities	–	–	(1,071)	(1,071)	–
Total funds excluding pension liability	89	59,281	65,148	124,518	124,016
Pension scheme liability	–	–	(6,000)	(6,000)	(6,000)
	89	59,281	59,148	118,518	118,016

11 MOVEMENTS IN RESTRICTED FUNDS

	Balance at 1 January 2004 £000	Incoming resources £000	Outgoing resources £000	Balance at 31 December 2004 £000
Programmes and Projects	237	150	(298)	89

12 EMPLOYEES

	2004	2003
	£000	<i>Restated</i> £000
Wages and salaries	4,161	3,944
Social security costs	346	326
Pension costs	395	549
Total emoluments	4,902	4,819

The total for Wages and salaries includes expenditure on temporary and seconded staff of £247,000 (£197,000 in 2003).

	2004	2003
	FTE	FTE
Average number of full-time equivalent employees (including externally funded)		
Grants	4	5
Programmes and Projects	26	24
Leadership Development	20	18
Publication and Information Services	25	25
Other charitable activities	4	4
Support functions	30	36
Management and administration	3	3
TOTALS	112	115

	2004	2003
The numbers of employees with remuneration exceeding £50,000 were:		
£50,000 – £59,999	4	4
£60,000 – £69,999	10	9
£70,000 – £79,999	2	4
£80,000 – £89,999	1	–
£100,000 – £109,999	1	1
£110,000 – £119,999	–	1
£140,000 – £149,999	1	–

Contributions of £316,000 (£112,000 in 2003) were made to the King's Fund Staff Pension and Life Assurance Plan, which is a defined benefits scheme, for 15 (14 in 2003) higher-paid employees and of £29,000 (£27,000 in 2003) to the NHS Pension Scheme, which is also a defined benefits scheme, for three (four in 2003) higher-paid employees.

13 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 2004, the market value of the King's Fund investments held by Schroder Investment Management Limited, an institutional division of Schroders plc, totalled £43,544,000 (£44,404,000 in 2003). In 2004, £238,000 (£180,000 in 2003) 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 King's Fund's investment portfolio.

Mr Michael McLintock, who was appointed a member of the King's Fund Investment Committee in November 2004, is the Chief Executive of M&G and a board member of Prudential plc. The units held by the King's Fund in the M&G Charibond were valued at 31 December 2004 at £2,920,000. Fees charged by the fund are paid from dividends 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 King's Fund's investment portfolio.

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. Provisions were made in earlier years against the possibility of non repayment of the full sum. On 1 January 2005, the assets of HQS Limited were transferred to CHKS Limited which will make payment based on their audited value as at 31 December 2004. HQS Limited has appointed three senior staff of the King's Fund as directors in place of those that resigned on the asset transfer. The role of these directors is to ensure successful closure and audit of the accounts to 31 December 2004 and to wind down the company during 2005 with a view to it being struck off the register of companies following audit of the 2005 accounts.

14 PENSION SCHEMES

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

A full actuarial valuation of the Plan was carried out at 31 March 2003 by a qualified independent actuary. The figures were updated to 31 December 2003 and again to 31 December 2004 using the following assumptions:

	At 31 December 2004	At 31 December 2003	At 31 December 2002
Discount rate	5.25%	5.50%	5.50%
Rate of increase in salaries	3.75%	3.75%	3.25%
General price inflation	2.75%	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%	4.00%
for service after 1 April 2000	2.50%	2.50%	2.25%

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

	At 31 December 2004 £000	At 31 December 2003 £000	At 31 December 2002 £000
Total market value of the Plan assets	22,600	20,600	17,700
Present value of the Plan liabilities	(28,600)	(26,600)	(23,600)
Net pension liability	(6,000)	(6,000)	(5,900)

In addition, the Plan has pension liabilities which are insured with a value of approximately £1.5m (£1.7m in 2003). 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 2004 £000	Expected rate of return % p.a.	31 December 2003 £000	Expected rate of return % p.a.	31 December 2002 £000	Expected rate of return % p.a.
Equities (including property)	18,500	7.75	17,700	7.75	14,600	7.50
Bonds	2,000	5.25	2,400	5.50	2,300	5.50
Cash	2,100	4.75	500	4.00	800	3.75
Total	22,600	7.24	20,600	7.40	17,700	7.10

The analysis of the amount charged to net outgoing resources was:

	At 31 December 2004 £000	At 31 December 2003 £000
Current service cost	400	500
Past service cost	-	-
Losses / (gains) arising from settlements and curtailments	-	-
Total operating charge	400	500

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

	At 31 December 2004 £000	At 31 December 2003 £000
Expected return on the Plan assets	1,500	1,200
Interest on the Plan liabilities	(1,500)	(1,300)
<i>Net return</i>	<u>–</u>	<u>(100)</u>

Analysis of amounts recognised in the Statement of Financial Activities	2004 £000	2003 £000
Actual return less expected return on the Plan assets	700	2,100
Gains and losses arising on the Plan liabilities	–	(1,300)
Changes in assumptions underlying the present value of the Plan liabilities	(1,000)	(700)
Actuarial gain / (loss) recognised in the Statement of Financial Activities	<u>(300)</u>	<u>100</u>

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

	2004 £000	2003 £000
Deficit in the Plan at beginning of the year	(6,000)	(5,900)
Movement during the year:		
Current service cost	(400)	(500)
Contributions	700	400
Other finance income	–	(100)
Actuarial gain / (loss)	(300)	100
Deficit in the Plan at end of the year	<u>(6,000)</u>	<u>(6,000)</u>

HQS Limited, see Note 13, participated 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 was for 2004 set at 24%, into the Plan. HQS Limited has no members of the Plan as from 1 January 2005.

NHS Pension Scheme

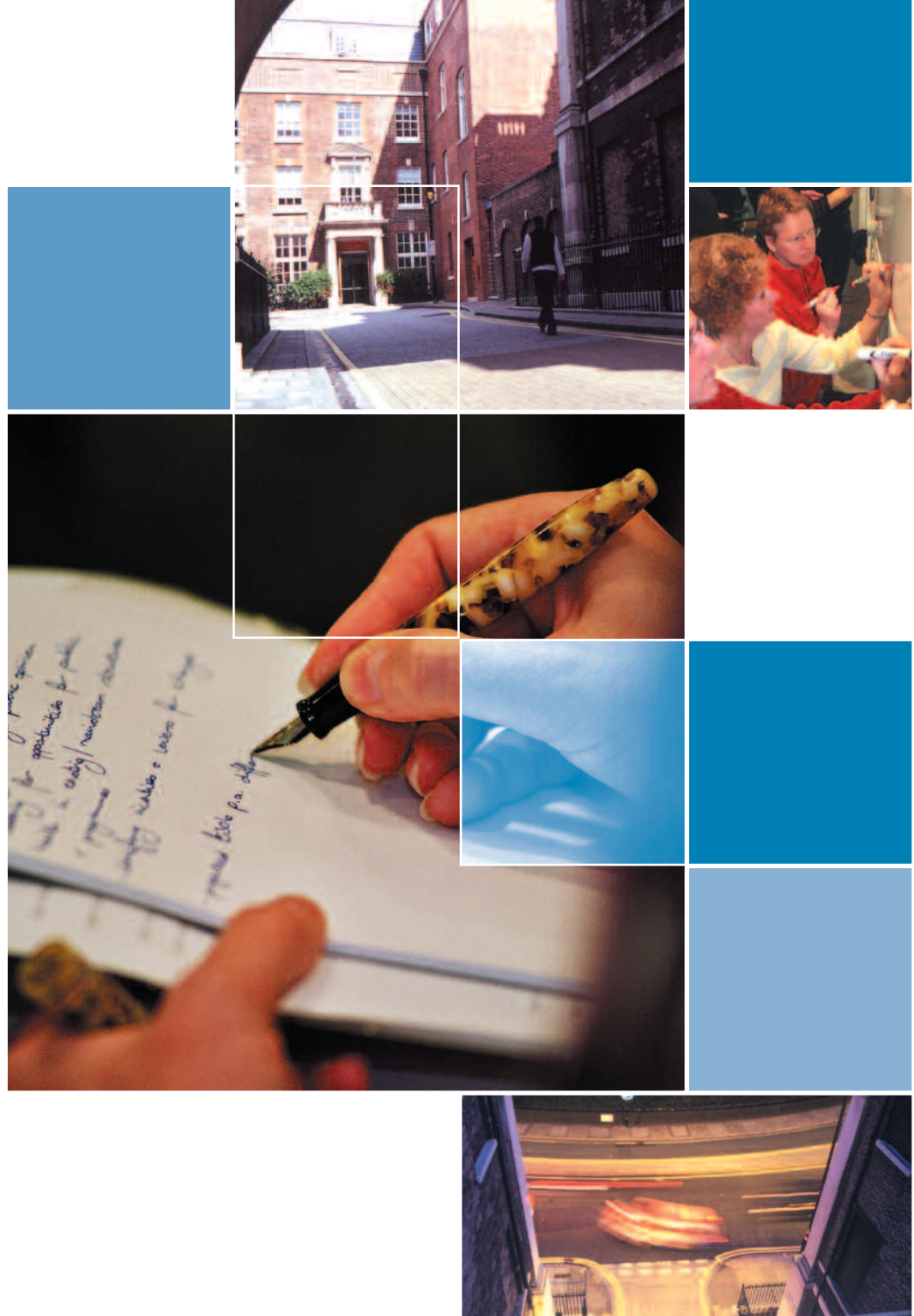
In addition to the Plan, the King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 8 members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2004 the King's Fund contributed £42,381 (£26,510 in 2003) to the scheme. The employer's contribution rate is set by the Government Actuary at 14%.

The NHS scheme is unfunded but actuarial valuations are undertaken by the Government Actuary every five years. The latest available information is taken from the report on the period 1 April 1994 to 31 March 1999, published in 2003. The report 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.

The pension charge for the period for both defined benefit schemes (King's Fund and NHS) was £409,212 (£549,118 in 2003 - restated).

15 TRUSTEES' EXPENSES

A total of £352 (£426 in 2003) was reimbursed to one Trustee (four Trustees in 2003) in respect of travel and subsistence expenses. No Trustee received or waived any remuneration during the year.



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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 funding. We are a major resource to people working in health, offering leadership development programmes; seminars and workshops; publications; information and library services; and conference and meeting facilities.

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