

Trustees' Report and Financial Statements

Year ended
31 December 2009



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

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

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Printed and bound in Great Britain

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TRUSTEES' REPORT

Introduction

The King's Fund ('the Fund') is a charity registered with the Charity Commission for England and Wales, registration number 1126980. Details of the principal office, trustees, chief executive and senior staff, and principal advisers are shown below in the Legal and Administrative Information section.

The trustees submit the Report and audited Consolidated Financial Statements of The King's Fund, for the year ended 31 December 2009, which have been prepared in accordance with the provisions of the current Statement of Recommended Practice (SORP 2005) *Accounting and Reporting by Charities* and relevant accounting standards.

Structure, governance and management

The Fund was incorporated by Royal Charter on 4 November 2008 to take on the assets and undertaking of the King Edward's Hospital Fund for London, a statutory corporation created by Act of Parliament (the *King Edward's Hospital Fund for London Act 1907*), which is registered with the Charity Commission for England and Wales, registration number 207401. The transfer of the assets and undertaking to the Fund was completed on 1 January 2009.

The Fund is governed by the provisions of its Royal Charter and Byelaws; any revocation, alteration or additions to the Byelaws must be approved by the Privy Council.

The objects of the Fund are the promotion of health and the alleviation of sickness for the benefit of the public, by working with and for health care organisations, provided that such work will confer benefit, whether directly or indirectly, on health care in London. In this context, 'health care organisations' means those organisations involved in the commissioning, monitoring or supply and provision of health care.

Her Majesty the Queen is Patron of the Fund and His Royal Highness The Prince of Wales is its President. The Byelaws provide for a minimum of four and a maximum of twelve trustees, who are also ex-officio Members of the Fund. Trustees are appointed for an initial term of three years and may be reappointed for a second term or, exceptionally, a third term. Appointment as a trustee is open to any suitably qualified member of the public. Newly appointed trustees are provided with an induction programme, which introduces them to activities of the Fund and their responsibilities as a trustee.

The trustees have appointed a Chief Executive, to whom they have delegated the responsibility for realising the Fund's strategies and objectives and for the day-to-day management of the Fund. The Chief Executive acts within a Governance Framework approved by the trustees. He is supported by a Senior Management Team.

The Board of Trustees meets four times a year with the Chief Executive and the Senior Management Team to transact business that has not been formally delegated to the Chief Executive and to consider other matters related to the operations of the Fund. One of the four meetings is designated the Annual General Meeting, at which the Trustees' Annual Report and Financial Statements for the preceding year are considered and approved. Two further meetings are held with the Chief Executive alone to consider policy direction and issues of wider strategy.

The Board of Trustees has established a number of standing sub-committees to assist it in its deliberations:

- Audit Committee, to oversee the preparation and independent audit of the Fund's financial statements, and to review the procedures for the identification and management of risks to which the Fund is exposed
- Investment Committee, to be responsible for the strategic direction of investment of the Fund's endowment and oversight of its investment managers
- Remuneration Committee, to approve annual pay settlements for the Chief Executive and other Fund staff
- Nominations Committee, to manage the process for the selection and appointment (including re-appointment) of trustees.

The trustees have identified and considered the major strategic, operational and financial risks to which the Fund is exposed, and they are satisfied with the procedures that have been established to review these risks and with the action plans adopted to mitigate exposure to them.

Public benefit

The Fund's objects are stated above. The Fund seeks to promote health and alleviate sickness, and so provide public benefit, by working with and for health care organisations in a variety of different ways, always with the ultimate objective of helping those organisations to become more effective and/or more efficient in delivering health care to the public at large. Any personal benefit derived from the Fund's activities is merely incidental to its aims in working with health care organisations.

The Fund's annual operational plans are set in the context of its medium-term strategic corporate objectives. The major elements of these plans and the Fund's achievements against these during the year are set out below. In approving the Fund's operational plans, the trustees are mindful of the Charity Commission's general guidance on public benefit.

Objectives and outcomes 2009

In December 2008 the Fund's Board of Trustees agreed a three-year strategy (2009–2011), which would deliver five key corporate objectives.

To be the most influential, independent source of health care policy ideas and analysis in England [cf *Ideas and Analysis* in the Financial Statements]

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

During 2009 the Fund aimed to:

- Conduct a series of high-impact projects on topics of relevance to the key audiences on the Fund.

We published five major policy reports which were well received and began a range of projects which will report during 2010.

- Launch a major inquiry into the quality of general practice to report in 2010.

The inquiry was launched and will report in 2010.

- Develop a strategy to engage key opinion-formers and policy-makers together with a tailored communications programme.

A strategy to engage with strategic health authority chief executives was developed and implemented in 2009.

- Publish material that generates debate and demonstrates the Fund's ability to be a thought leader.

Media coverage, a survey of parliamentarians and various other feedback sources within the NHS suggest that our reputation goes from strength to strength. Our work has been cited by all political parties and the number of mentions of our work in parliament increased by 25 per cent on the previous year.

- Develop a programme of research and writing around leadership, continuing to establish the Fund's voice in the NHS and beyond on the principles and practices of effective leadership and how leadership development can be employed to best effect.

We published five articles on the subject of leadership in 2009.

- At least maintain the current media profile and use it to demonstrate the value of the Fund's independent expertise.

Our media mentions increased by 12 per cent on 2008.

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

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

During 2009 the Fund aimed to:

- Introduce a Friends scheme, bringing together a range of information and support products.

The Friends scheme was launched in April 2009 and there were more than 1,000 registered Friends by the end of the year.

- Increase and diversify the paid-for conferences programme.

We held 14 paid-for conferences and attracted more than 1,600 delegates, a slight increase on the previous year.

- Expand the Fund's range of information and analysis resources for policy-makers, managers and clinicians.

We published twenty briefings and responses and our relaunched website using new media such as blogs and audiocasts as a means of providing information and analysis.

- Continue to provide a high-quality information service to the NHS through the Fund's contracts to deliver a range of specialist electronic health care libraries.

We currently deliver four specialist electronic health care libraries to the NHS.

- Re-develop the website to ensure it more fully reflects the Fund's refreshed brand, increases reach, adds value for key audiences and increases business effectiveness.

The redeveloped website was relaunched in 2009.

To be a centre of innovative high-impact development interventions supporting the changing nature of leadership in health care [cf *Developing leaders*]

During 2009 the Fund aimed to:

- Establish The King's Fund Chief Executive Network, providing support to help chief executives to meet the challenges of driving forward complex health organisations during a period of rapid reform.

The changing financial climate meant that we changed the nature of membership for the Chief Executive Network, offering bespoke events to chief executives on a one-off basis rather than a formal network as originally planned.

- Launch an improved and expanded range of leadership products for clinicians.

We launched a range of clinical leadership programmes which attracted 256 participants.

- Launch and build an international virtual community of emerging leaders in health and health care.

We launched the Global Emerging Leaders Network, which had 388 members at the end of the year.

- Support organisational effectiveness through a range of consultancy interventions.

We supported 30 organisations through consultancy.

- Create a set of The King's Fund diagnostic and development tools to support individual, team and organisation development.

We developed a Board Observation Tool for PCT boards. This is used for simulations as part of development programmes and observations of boards in real time.

- Ensure the success of the growing number of networks supported by the Fund including the whole system demonstrator action network (WSDAN), Enhancing the Healing Environment (EHE) network, Chief Executive network, Foundation Trust Governors' Network and the GlaxoSmithKline Impact Award Winners network.

Our relaunched website has been a key tool in supporting the range of networks in the Fund.

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

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

During 2009 the Fund aimed to:

- Launch a programme of activities with the aim of improving the safety of maternity services in England;
The Safer Births Network was launched to improve the safety of maternity services, working with 12 NHS trusts. We have also commissioned research which will report in 2010 and are working with a range of national partners.
- Establish a cross-Fund programme to achieve quantifiable improvement in the delivery of care to people at the end of their lives.
We have established a programme of work including building on our Enhancing the Healing Environment programme, a high-level summit held with the Leeds Castle Foundation and a range of research projects.
- Ensure that The Point of Care programme meets targets in piloting new approaches to improving patient experience in acute hospitals.
The Point of Care programme met its targets, working with acute hospitals to introduce new interventions.
- Expand further the EHE programme, particularly into prison health care.
Programmes for dementia and prison health care were established, attracting large numbers of applications.
- Publish and disseminate findings from completed Partners for Health projects where they have the ability to influence health care practice.
We have published summaries of findings on our website for three projects: Chinese National Health Living Centre mental health advocacy project; Mind in Croydon mental health advocacy project; and St Christopher's Hospice on their end-of-life care project. Future reports will be made available through the Fund Information and Library on-line service.
- Develop new 'practical learning' outputs to enable fast dissemination of insight from projects about improving organisations, services and individuals.
Products for The Point of Care Hospital Pathways Programme and Safer Births were in development during 2009 and will be published during 2010
- Launch a national event programme to engage medical students on the future of medical professionalism.
We launched a programme with partners including the General Medical Council, Royal College of Physicians and the NHS Institute, holding six events across the country in 2009 with 456 medical students. A further seven events are to be held in 2010.

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

The modernisation of the building has been completed, providing new facilities for visitors and event delegates and a new Information Centre. Our aim is to provide the highest standards of customer support and care – a welcoming, safe and effective environment for visitors.

The Fund's financial strategy is designed to ensure the long-term viability of the Fund and to support its activities. To increase its impact and reach, and to ensure the Fund protects its endowment, there are plans to raise additional income from a variety of sources.

The Fund aims to be a very good employer, attracting and retaining the highest quality talent to deliver its mission. The Fund will continue to improve its use of external advisers and associates to provide a more flexible pool of expertise to supplement internal skills.

During 2009 the Fund aimed to:

- Maintain contingency plans to address any financial downturn.

Contingency plans were put in place and systems developed to forecast and closely monitor income and expenditure.

- Improve customer care by ensuring a high-quality service at all levels that promotes the Fund's work and messages consistently.

A customer care training programme for staff was implemented to coincide with the launch of our new facilities in April 2009.

- Produce comprehensive guidance for all staff on how to use and protect the brand, deliver a writing skills programme across the organisation to cut the use of jargon, encourage clarity of expression and generally improve the quality of the outputs.

The writing skills programme has been commissioned and will be delivered in 2010.

- Ensure appropriate recruitment to deliver the commitments in the operational plan, including expansion of the fundraising and marketing teams, filling vacancies in the Policy team, and restructuring the Information and Library Service team.

The Information and Library Service team has been restructured and key vacancies in the Policy team were filled.

- Act on the findings arising from the staff survey.

We implemented a range of measures arising from the findings, including a development programme for middle managers

- Agree marketing strategies for the leadership directorate and for conference and catering that help these businesses target their audiences and build awareness and customer response.

We appointed a dedicated marketing manager to work with both of these areas and developed marketing strategies.

Plans for 2010

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

Changes in the political landscape offer both opportunities and threats. The Fund will offer independent and impartial analysis on the main health and health care challenges facing any future government and will put forward ways these issues might be addressed. To extend our influence and impact we will ensure that our analysis and findings are relevant to those responsible for commissioning and running local services and presented in a form that makes them as accessible as possible. During 2010 we will:

- Conduct a series of high-impact projects on topics of relevance to our key audiences.
- Conclude our major inquiry into the quality of general practice.
- Maximise the influence of our work by diversifying our product range, for example, using newer forms of communication such as blogs, interactive forums, podcasts and follow-up materials from conferences.
- Implement a general election strategy.
- Run a series of road shows in partnership with others for medical students around the country to engage the next generation of doctors and develop thinking around professionalism.

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

We will continue to build closer relationships with more customers and to ensure that the various services we provide are appropriate and relevant to those we seek to influence and support. In particular we aim to widen our reach and increase our relevance with senior managers and clinicians by developing products suited to their needs and best reflecting our strengths. During 2010 we will:

- Review the way in which we produce and disseminate information with a view to creating a Fund-wide strategy which takes into account changing technology and the central role of the web.

- Maintain our current media profile and parliamentary profile and use it to demonstrate the value of our independent expertise.
- Make better use of new media to bring activities taking place in our building to a wider audience, including webinars, virtual conferences, and audio/video of key events and speakers.
- Deliver an expanding programme of paid-for events, which will enhance our reputation for high-quality engagement and innovative programmes with more attendees and increasing net contribution to the Fund.

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

We have a diverse portfolio that includes advertised programmes and networks with fixed participant fees, commissioned programmes and organisational development for individual organisations. We also work on national contracts with partners to deliver system-wide change. The leadership development market is extremely competitive and we need to articulate the specific advantages of working with us. To ensure we remain competitive we will build on what we have achieved in 2009. During 2010 we will:

- Review and refresh the programme portfolio, ensuring that it offers programmes that meet the needs of NHS leaders, and enhances our open programmes through further integration with other areas of the Fund.
- Build new relationships through contracts with individual NHS organisations, primarily through increasing our organisational development activity.
- Build on our new clinical leadership activity with the addition of a new in-house programme and ensure this is all effectively marketed.
- Develop a communications strategy to raise the profile of our leadership work and establish the Fund's voice in the debate on NHS leadership.

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

We will build on the work we have begun to undertake in helping to improve services on the ground. We will learn about what works and use our influencing and disseminating skills to ensure the spread of robust approaches to improvement across the health care system. Our performance will be judged by our ability to attract engagement and funding from a range of partners and our ability to develop practical products and approaches that are applied by the wider health care system. During 2010 we will:

- Consolidate and integrate existing programmes into an integrated and identifiable Health Care Improvement Directorate.
- Begin to establish the Fund as a thought leader in Health Care Improvement through publications, seminars, speaking at conferences and WebExs.
- Devise and launch at least one new major development improvement programme linked to the Fund's themes or other key NHS priorities. This will include recruiting partner support where appropriate.

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

We will continue to provide the highest standards of customer support and care – a welcoming, safe and effective environment for visitors. The Fund's work will be underpinned by a financial strategy designed to ensure the long-term viability of the Fund and to support its activities. The Fund will aim to be a very good employer, ensuring that it attracts and, where appropriate, retains the highest quality talent to deliver its mission. The Fund will continue to improve its use of external advisers and associates to provide a more flexible pool of expertise to supplement internal skills. During 2010 we will:

- Support completion of review/reorganisation of Investment Committee activities.
- Undertake an internal audit of financial systems and implement recommendations.
- Improve website content for conference and catering business including a separate site for No.11 Cavendish Square.

- Re- run the 2008 staff satisfaction survey and act on its findings.
- Market the Friends' scheme, significantly increasing the number of members and ensure that our facilities, especially the Friends' lounge, are more widely used. We will also investigate the feasibility of introducing a 'smart' card to enable members to pay for goods and services and access the lounge.

Financial strategy and reserves

The Fund's investment strategy is to manage its investments to achieve over the medium to long term a total return – that is, income and capital growth combined – that maintains the real value of those investments after allowing for expenditure, and to do so without taking excessive risks. The reference date for the purpose of assessing the real value of the investments is 1 January 2009, the date on which the Fund took on the assets and undertaking of the King Edward's Hospital Fund for London.

The real value of investments is calculated after allowing for changes in the purchasing power of sterling as measured by movements in the Retail Prices Index (RPI). The trustees believe that this is a reasonable measure of the impact of price changes on the Fund's purchasing power, but they keep this under review.

The Fund's spending policy is to limit annual net cash outgoings, excluding items of extraordinary capital expenditure, which are judged on their merits, to an amount that the trustees believe to be sustainable in the medium term and that preserves its real purchasing power through time. The trustees review the spending limit periodically. The trustees recognise that each year the Fund will need to draw from the investment capital to bridge the gap between income, both from investments and activities, and expenditure and set the budget accordingly. The reporting requirements of the SORP necessarily show this gap as a net outgoing of resources in the year.

The level of free reserves, which are the unrestricted funds less investment in fixed assets for the charity's own use, has been appraised in the light of future modelling of the financial strategy. The trustees, in their adoption of the development plan, accepted that these reserves, which amount to £36.1 million (£32.8 million in 2008), after providing a reserve £1.9 million (£4.7 million in 2008) to match the calculated deficit on the King Edward's Hospital Fund for London Staff Pension and Life Assurance Plan, are at an appropriate level.

Financial review 2009

The figures for 2008, which are provided for comparative purposes, relate to the activities of the King Edward's Hospital Fund for London (KEHFL). The analysis of income and resources expended on charitable activities has been presented in the same form as that adopted by the Fund when it took on the assets and undertaking of KEHFL on 1 January 2009.

Consolidated income and expenditure

Total income for the year amounted to £13.8 million (£12.8 million in 2008), of which £9.1 million (£7.7 million in 2008) was generated from charitable activities and £4.7 million (£5.1 million in 2008) was derived from the investment portfolio and other activities.

Income arising from the charitable activities rose by £1.4 million, mainly as a result of a further increase in income from Leadership programmes, within *Developing leaders*.

Incoming resources from generated funds were down on 2008. Income from *External conference and catering services* increased by almost 29 per cent as income from the new facilities reversed the depressed income levels of the previous year to be reversed. *Investment income* fell, however, by almost 30 per cent largely as a result of reduced dividend levels and the very low interest rates received on cash deposits.

Total expenditure of the Fund was £17.6 million (£15.6 million in 2008), an increase of £2.0 million. *Resources expended on generating funds* was considerably higher than last year largely due to a performance management fee payable to one investment manager plus increased costs in *External conferences and catering* resulting from higher activity levels.

Resources expended on charitable activities were higher overall. Increases are reported for *Ideas and analysis* (policy research and analysis) and *Developing leaders* (Leadership programmes). Falls in the level of spending on *Information and support* and *Improvement interventions* can be attributed to changes in the pattern of work undertaken in the year.

The average number of staff employed by the Fund during the year was 128 compared with 116 in 2008. Further analysis is shown in Note 8 to the Financial Statements.

The outcome for the year, namely, expenditure exceeding income by £3.8 million (£2.8 million in 2008) was in line with the financial strategy set out above, that is to say that it was met by planned drawings from capital, and was within the budget approved by the trustees at the outset of the year.

KEHF Limited, a company registered in England - no. 2754697, is wholly owned by The King's Fund and provides conference, catering and ancillary services to external hirers of the conference suites at Cavendish Square. After a disappointing trading year, the company generated a net loss of £27,000 on a turnover of £1,527,000.

Tangible assets held for the use of the Fund

The value of the tangible assets held by the Fund for its own use increased for the second consecutive year as the costs of completing the redevelopment of the ground floor of Cavendish Square considerably exceeded the depreciation charged on existing and new assets in the year. At the year end the value of those assets was £20.6 million (£19.4 million in 2008) as shown in Note 10 to the Financial Statements.

Investment policy and performance

At 31 December 2009, the total value of the investment assets of the Fund was £118.1 million (£102.6 million in 2008). Adjusting for the withdrawals used to finance the activities of the Fund, investment assets rose by 18.7% (decrease of 22.4% in 2009) which was derived from marked increases in the value of equities both in the UK and worldwide partially offset by reductions in the values of property and private equity funds. The rise in the recorded value of the non-UK Equity portfolio was offset to a significant extent by a rise in the value of Sterling against the United States Dollar in which it is denominated. Within the overall total, the value of the directly held agricultural properties increase by less than 1% (decrease of 14% in 2008) to almost £7.1 million (£7.0 million in 2008).

The Fund has adopted an investment policy which seeks to optimise performance through a diversified asset portfolio. The target allocation, reflecting the investment policy by asset class but excluding directly held agricultural properties, is shown below along with actual distribution at 31 December 2009 - figures for the preceding year are provided for comparison. The Investment Committee reviews the actual and target allocations on a quarterly basis and also addresses any performance and stock selection issues with each of the investment managers, taking independent advice where necessary.

Asset Class	Target Allocation	Minimum	Maximum	Actual Distribution 2009	Actual Distribution 2008
UK Equities	40.0%	} 65.0%	} 80.0%	35.0%	35.7%
Non-UK Equities	32.5%			46.5%	40.5%
Fixed Interest	7.5%	5.0%	15.0%	0.0%	0.0%
Alternative Assets					
Absolute Return	5.0%	0.0%	5.0%	0.0%	0.0%
Private Equity	5.0%	0.0%	5.0%	4.2%	6.3%
Property	5.0%	3.0%	7.0%	3.4%	4.4%
Cash	5.0%	3.0%	10.0%	10.9%	13.1%
TOTAL	100.0%			100.0%	100.0%

No significant changes were made during the year although a sum of £5.0 million was withdrawn from the global equity investments to reduce the allocation to that asset class. The sum was transferred to cash where it is being held pending decisions on significant changes in the management of the Fund's portfolio. Further withdrawals from equities were effected in January and April 2010 to secure more of the gains in the value of equities worldwide.

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

The remit of the fund managers is to maximise total return, within an agreed level of risk. The volume of funds under management within the portfolios at the 31 December 2009 plus the actual results of the relevant fund managers during the year, with comparison to the benchmarks used to measure performance, in sterling terms, were as follows:

Fund manager	Principal asset class	Funds £000	Benchmark	Benchmark return	Actual return
Marathon Asset Management Ltd	Global Equities	51,715	MSCI World Index +2%	18.2%	28.1%
Schroder Investment Management Ltd	UK Equities	38,947	FTSE All Share Index + 2%	32.6%	37.4%
UBS Global Asset Management (UK) Ltd	Property	1,831	IPD (UK) Index	2.2%	-10.4%
Charities Property Fund	Property	1,958	IPD (UK) Index	2.2%	2.2%
Schroders / SVG SPEFOF II	Private Equity	3,284	MSCI World Index +5%	21.9%	-32.6%
Schroders / SVG ^① SPEFOF IV	Private Equity	1,411	MSCI World Index +5%	21.9%	-36.1%
Royal London Cash Management	Cash	12,009	LIBID - 7 day - sterling	0.6%	1.6%

① Call of 10% of commitment during the year

The value of the main equity investment rose significantly during the year with the performance of both managers exceeding their respective benchmark. Values of property funds declined as the difficulties of the real estate market continued; the performance of UBS Triton was particularly disappointing in comparison to that of the Charities Property Fund. The value of the Private Equity funds reduced for a number of reasons including impact of fees charged by the underlying funds at an early stage in the life of the SPEFOF IV. Furthermore, PE valuations have an inbuilt lag of six months which means that improved economic outlook seen in the latter part of the year will not have been reflected in the above figures.

Donations and legacies

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

Her Majesty the Queen, The Bawden Fund, Donald Forrester Trust, A N Heilbron, H S Warren Smith, Mrs Stella Mary Sweet, D & K L Welbourne, and anonymous donors.

Statement of trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and the group and of their net outgoing resources for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sir Cyril Chantler
Chairman
10 May 2010

Auditor's Report
and
Financial Statements

Independent auditor's report to the trustees of The King's Fund

We have audited the group and charity financial statements of The King's Fund for the year ended 31 December 2009 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 19. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an 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 and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

The trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993.

We also report if, in our opinion, the information given in the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of opinion

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

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

Opinion

In our opinion, the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charity's affairs as at 31 December 2009 and of its incoming resources and application of resources for the year then ended; and
- have been prepared in accordance with the Charities Act 1993.

Horwath Clark Whitehill LLP

Statutory Auditor

Date 11 May 2010

St Bride's House

10 Salisbury Square

London EC4Y 8EH

Consolidated Statement of Financial Activities

For the year ended 31 December 2009

	Notes	Unrestricted funds £000	Expendable endowment £000	2009 Total funds £000	2008 Total funds £000
INCOMING RESOURCES					
<i>Incoming resources from generated funds</i>					
Donations and legacies		576	–	576	5
External conference & catering services		1,478	–	1,478	1,147
Tenancies		299	–	299	356
Investment income	4	2,374	–	2,374	3,378
		4,727	–	4,727	4,886
<i>Incoming resources from charitable activities</i>					
Ideas and analysis		1,027	–	1,027	682
Information and support		599	–	599	578
Developing leaders		6,460	–	6,460	5,347
Improvement interventions		984	–	984	1,081
		9,070	–	9,070	7,688
<i>Other incoming resources</i>	5	–	–	–	187
Total incoming resources		13,797	–	13,797	12,761
RESOURCES EXPENDED					
<i>Resources expended on generating funds</i>					
External conference & catering services		1,289	–	1,289	912
Tenancies		320	–	320	432
Investment management costs	6	1,325	–	1,325	345
		2,934	–	2,934	1,689
<i>Resources expended on charitable activities</i>					
Ideas and analysis		3,208	–	3,208	2,419
Information and support		1,235	–	1,235	1,467
Developing leaders		7,519	–	7,519	7,063
Improvement interventions		2,238	–	2,238	2,813
	7/8	14,200	–	14,200	13,762
<i>Resources expended on governance</i>	9	37	–	37	99
<i>Other outgoing resources</i>	10	475	–	475	–
Total resources expended		17,646	–	17,646	15,550
Net outgoing resources		(3,849)	–	(3,849)	(2,789)
Net gains/(losses) on investment assets		6,002	12,949	18,951	(29,373)
Actuarial gain / (loss) on pension scheme		2,828	–	2,828	(2,669)
Net movement in funds		4,981	12,949	17,930	(34,831)
Balances brought forward at 1 January		52,224	62,190	114,414	149,245
Balances carried forward at 31 December		57,205	75,139	132,344	114,414

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

Balance Sheets

As at 31 December 2009

	<i>Notes</i>	CONSOLIDATED		CHARITY	
		2009 £000	2008 £000	2009 £000	2008 £000
FIXED ASSETS					
Tangible assets	11	20,591	19,425	20,587	19,417
Investments	12/13	118,088	102,503	118,138	102,554
Total Fixed Assets		138,679	121,928	138,725	121,971
CURRENT ASSETS					
Debtors	14	3,332	3,009	3,005	2,888
Cash at bank and in hand		252	380	225	177
Total Current Assets		3,584	3,389	3,230	3,065
CURRENT LIABILITIES					
<i>Amounts falling due within one year</i>	15				
Creditors		(7,150)	(4,390)	(6,816)	(4,109)
Grants		(723)	(1,211)	(723)	(1,211)
Total Current Liabilities		(7,873)	(5,601)	(7,539)	(5,320)
NET CURRENT LIABILITIES		(4,289)	(2,212)	(4,309)	(2,255)
LONG TERM LIABILITIES					
<i>Amounts falling due after one year</i>	16				
Grants		(160)	(591)	(160)	(591)
Total assets excluding pension liability		134,230	119,125	134,256	119,125
Pension scheme liability	17	(1,886)	(4,711)	(1,886)	(4,711)
Total assets including pension liability		132,344	114,414	132,370	114,414
FUNDS	18				
Expendable endowment		75,139	62,190	75,139	62,190
Designated fund for tangible own use assets		20,591	19,417	20,587	19,417
Pension fund reserve		(1,886)	(4,711)	(1,886)	(4,711)
Unrestricted funds		38,500	37,518	38,530	37,518
Total unrestricted funds		57,205	52,224	57,231	52,224
Total funds		132,344	114,414	132,370	114,414

Approved by the Board of Trustees at a meeting on 10 May 2010.

Strone Macpherson, Treasurer
10 May 2010

Consolidated Cashflow Statement

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Net cash outflow from operating activities	A	(3,764)	(7,289)
<i>Returns on investment</i>			
Dividends and interest received		2,187	3,211
Investment property income received		187	158
Net cash inflow from investing activities		2,374	3,369
<i>Capital expenditure and financial investment</i>			
Payments to acquire tangible fixed assets		(2,103)	(2,495)
Net sale / (purchase) of securities		4,537	4,221
Net cash inflow from capital expenditure & financial investment		2,434	1,726
<i>Management of liquid resources</i>			
Reduction / (increase) in cash deposits held as investments	B	(1,172)	1,709
Increase (decrease) in cash in the year	B	(128)	(485)

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

	2009 £000	2008 £000
Net outgoing resources	(3,849)	(2,789)
Investment income	(2,374)	(3,369)
Depreciation charged on tangible assets	937	596
Loss on disposal of fixed assets	–	371
Current service cost less contributions to the pension scheme	9	87
Contributions to past service cost of the pension scheme	(480)	(1,347)
Other finance income from the pension scheme	–	(52)
Other finance expenditure to the pension scheme	475	–
Increase in debtors	(323)	(1,022)
Increase in short term creditors	2,272	650
Decrease in long term creditors	(431)	(414)
Net cash outflow from operating activities	(3,764)	(7,289)

Note B : Analysis of changes in net funds

	At 1 January 2009 £000	Movement £000	At 31 December 2009 £000
Cash at bank and in hand	380	(128)	252
Cash deposits held as investments	10,840	1,172	12,012
Total net funds	11,220	1,044	12,264

Notes to the Financial Statements

For the year ended 31 December 2009

1 Basis of preparation

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

The King's Fund took on the assets and undertaking of the King Edward's Hospital Fund for London on 1 January 2009 and the foregoing Financial Statements apply to its first year of operation. The financial performance of the latter in 2008 has been expressed in the same format as in the reporting year to allow for accurate comparisons.

The consolidated financial statements for both years incorporate the results of the wholly owned subsidiary company, KEHF Limited, registration number 2754697, made up to 31 December each year.

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

2 Accounting policies

Donations and legacies

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

Grants receivable

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

Investment income

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

Other income

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

Grants payable

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

Expenditure

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

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

Pension Costs

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

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

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

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

Tangible assets

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

Depreciation is calculated so as to write off the cost of the tangible assets on a straight line basis over the expected useful economic lives of the assets concerned which are taken as:

Plant and machinery:-

Electrical installations 5 to 30 years

Mechanical installations 5 to 30 years

Lifts 30 years

Furniture, fittings and equipment:-

Catering equipment 10 to 20 years

Furniture and fittings 5 to 20 years

ICT hardware and software 3 years

Office equipment 3 years

Freehold buildings 50 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 is not depreciated.

Investments

Most investments are valued at mid-market prices at the Balance Sheet date. The private equity investments are held in funds of funds. No readily identifiable market price is available for these unquoted funds and therefore they are included at the most recent valuations provided by the manager. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

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

Foreign currencies

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

Funds

Expendable endowment: The Expendable Endowment is maintained to generate income for the benefit of The King's Fund although the capital sum may be spent at the discretion of the Trustees.

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

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

3 Taxation

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

4 Investment income

	2009 £000	2008 £000
Income from securities and cash assets		
Equities	1,619	1,950
Fixed Interest funds	–	247
Property funds	265	276
Cash	303	747
Income from investment properties	187	158
	2,374	3,378

5 Other incoming resources

	2009 £000	2008 £000
Expected return on the assets of The King's Fund Staff Pension & Life Assurance Plan less interest on accrued pensions	–	52
Return of loan to HQS Limited - previously written off	–	135
	–	187

6 Investment management fees

The cost of investment management includes a performance fee of £1,060,000 (Nil in 2008) payable to Marathon Asset Management Ltd, in accordance with their management contract.

7 Analysis of resources expended on charitable activities

	Ideas and analysis £000	Inform- ation and support £000	Developing leaders £000	Improve- ment inter- ventions £000	2009 Total £000	2008 Total £000
Direct expenditure						
Staff related expenditure	1,309	442	1,679	438	3,868	3,404
Grants (7a)	–	–	–	108	108	1,171
Other costs	672	275	2,878	835	4,660	4,131
Sub Total	1,981	717	4,557	1,381	8,636	8,706
Support departments (7b)	1,227	518	2,962	857	5,564	5,056
Total resources expended	3,208	1,235	7,519	2,238	14,200	13,762

7a Analysis of grants

	2009 £000	2008 £000
Partners for Health awards	13	608
Enhancing the Healing Environment national programme - see below	95	575
Lapsed grants - prior year awards	–	(12)
	108	1,171

Partners for Health awards	£000
Peninsula Medical School	
The CACTUS Study - extension to 2007 award	13
Total Partners for Health	13

Enhancing the Healing Environment National Programmes

Prisons		End of Life Care	
HM Prison Belmarsh	15	HM Prison Albany	10
HM Prison Brixton	15		10
HM Prison Feltham	15		
HM Prison Holloway	10		
HM Prison Pentonville	30		
	85	Total EHE National Programmes	95

7b Support departments	‡	Ideas and analysis £000	Information and support £000	Developing leaders £000	Improvement interventions £000	2009 Total £000	2008 Total £000
Building services incl. depreciation	i	92	42	91	26	251	468
Conference and catering services	ii	65	89	413	86	653	706
Communications	iii	200	72	459	139	870	741
Other support functions	iv	870	315	1,999	606	3,790	3,141
Total costs of support departments		1,227	518	2,962	857	5,564	5,056

‡ Distribution methods:

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

8 Employees

	2009 £000	2008 £000
Wages and salaries	5,837	5,020
Social security costs	508	434
Pension costs	700	653
Total emoluments	7,045	6,107

The total for Wages and salaries includes expenditure on temporary and seconded staff of £425,000 (£323,000 in 2008).

	2009	2008
Average number of staff		
Ideas and analysis	28	21
Information and support	16	13
Developing leaders	26	23
Improvement interventions	7	9
Support departments including external conference services	51	50
TOTALS	128	116

	2009	2008
The numbers of employees with remuneration exceeding £60,000 were:		
£60,000 – £69,999	6	4
£70,000 – £79,999	3	6
£80,000 – £89,999	3	2
£90,000 – £99,999	3	2
£100,000 – £109,999	2	2
£170,000 – £179,999	–	1
£180,000 – £189,999	1	–

Contributions were made to The King's Fund Staff Pension and Life Assurance Plan, which is a defined benefit scheme, for 11 (12 in 2008) higher-paid employees and to the NHS Pension Scheme, which is also a defined benefit scheme, for 6 (4 in 2008) higher-paid employees. Contributions totalling £9,700 (£7,000 in 2008) were made to The King's Fund Group Personal Pension Scheme, which is a defined contribution scheme, for 1 higher-paid employee.

9 Resources expended on governance

	2009 £000	2008 £000
Auditors' remuneration - external audit fees	22	21
- external audit fees (KEHF Limited)	6	6
- other services	–	7
Legal fees - review of constitution	4	57
Other professional fees	2	3
Trustees - reimbursement of expenses incurred	3	5
	37	99

£3,321 was reimbursed to two trustees in 2009 in respect of travel and subsistence expenses (£5,041 to two trustees in 2008). No trustee received nor waived any remuneration during the year.

10 Other outgoing resources

	2009 £000	2008 £000
Interest on accrued pension liabilities less expected return on the assets of The King's Fund Staff Pension & Life Assurance Plan	475	–
	475	–

11 Consolidated and charity tangible assets

	Freehold land and buildings £000	Plant and machinery £000	Furniture, fittings and equipment £000	2009 Total assets £000	2008 Total assets £000
Cost					
At 1 January	15,187	4,465	4,046	23,698	21,989
Additions	803	585	715	2,103	2,495
Disposals	–	–	(215)	(215)	(786)
At 31 December	15,990	5,050	4,546	25,586	23,698
Depreciation					
At 1 January	–	1,916	2,357	4,273	4,092
Charge for the year	160	226	551	937	596
Disposals	–	–	(215)	(215)	(415)
At 31 December	160	2,142	2,693	4,995	4,273
Net Book Value					
At 31 December	15,830	2,908	1,853	20,591	19,425
Previous Year	15,187	2,549	1,689	19,425	

Following the completion of the recent development of the charity's facilities, the trustees have reviewed the future estimated life of the freehold buildings. Based on this the trustees have revised the estimated future life of the buildings to 50 years and the costs of the buildings, excluding the amounts attributable to the freehold land (£7,977,000), are being depreciated over this period commencing in 2009.

12 Investments at market value

	Held in the UK £000	Outside the UK £000	2009 Total £000	2008 Total £000
Securities:				
Equities	38,827	51,716	90,543	74,352
Property funds	3,789	–	3,789	4,247
Private Equity funds	4,695	–	4,695	6,064
Cash	12,012	–	12,012	10,840
Investment properties	7,049	–	7,049	7,000
Consolidated Total	66,372	51,716	118,088	102,503
Shareholding in subsidiary company	50	–	50	50
Charity Total	66,422	51,716	118,138	102,553

The investment properties were valued by Smiths Gore as at 31 December 2009.

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

	2009 £000	2008 £000
Opening balance at 1 January	102,503	137,806
Net monies disinvested	(3,366)	(5,930)
Increase/(decrease) on revaluation	18,951	(29,373)
Consolidated closing balance at 31 December	118,088	102,503
Shareholding in subsidiary company	50	50
Charity closing balance at 31 December	118,138	102,553

13 Subsidiary company

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

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

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

At the 31 December 2009, the company had fixed assets valued at £4,411 (£8,823 in 2008) and the value of its net current assets was £47,704 (£41,991 in 2008) matching the value of the shareholders funds.

In the year to the same date, the company had income of £1,527,000 (£1,167,000 in 2008) and expended £1,554,000 (£1,082,000 in 2008) thereby generating an operating loss of £27,000 (profit of £85,000 in 2008).

14 Debtors

	CONSOLIDATED		CHARITY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade debtors	1,759	1,366	1,119	999
Amounts owed by KEHF Limited	–	–	254	162
Prepayments and accrued income	771	1,313	770	1,313
Amounts owed by The King's Fund SPLAP	181	287	181	287
Legacies due but not received	573	–	573	–
Other debtors	48	43	48	43
Donations from KEHF Limited	–	–	–	84
Loan to KEHF Limited	–	–	60	–
	3,332	3,009	3,005	2,888

The King's Fund advanced a loan of £60,000 to KEHF Limited on 22 December 2009. Interest is payable on the loan at the rate 1.0% per annum above the National Westminster base rate per annum from time to time. The loan, which is secured by a charge on the assets of the company, is repayable within six calendar months of the drawing.

15 Current liabilities : amounts falling due in less than one year

	CONSOLIDATED		CHARITY	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade creditors	1,106	1,069	698	761
Amounts owed to KEHF Limited	–	–	3	14
Deferred income - see analysis below	3,517	2,396	3,587	2,409
Taxation and social security	220	155	220	155
Other creditors and accruals	2,307	770	2,308	770
	7,150	4,390	6,816	4,109
Grants payable	723	1,211	723	1,211
	7,873	5,601	7,539	5,320

	Balance at 1 January 2009 £000	Released in 2009 £000	Additional deferrals £000	Balance at 31 December 2009 £000
Deferred income analysis				
Consultancy fees received in advance	972	568	643	1,047
EHE distributions received in advance	565	335	470	700
Programme fees received in advance	726	554	1,594	1,766
Grants received in advance	121	121	–	–
Deposits including KEHF Limited	12	12	4	4
	2,396	1,590	2,711	3,517

16 Long term liabilities : amounts falling due after one year

	CONSOLIDATED		CHARITY	
	2009 £000	2008 £000	2009 £000	2008 £000
Grants payable	160	591	160	591
	160	591	160	591

17 Pension schemes

The King's Fund Staff Pension and Life Assurance Plan

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

The amounts recognised in the Balance sheet are as follows:	2009 £000	2008 £000
Fair value of Plan assets	31,953	26,548
Present value of Plan liabilities	(33,839)	(31,259)
Net Plan liability	(1,886)	(4,711)

Changes in the present value of the Plan liability are as follows:	2009 £000	2008 £000
Opening value of the Plan liability	31,259	33,793
Current service cost	488	616
Employee contributions	191	210
Interest costs	1,897	1,916
Actuarial gains/(losses)	1,467	(3,429)
Benefits paid	(1,463)	(1,847)
Closing value of the Plan liability	33,839	31,259

Changes in the fair value of Plan assets are as follows:	2009 £000	2008 £000
Opening fair value of Plan assets	26,548	30,439
Expected return	1,422	1,968
Employee contributions	191	210
Employers' contributions	959	1,876
Actuarial gains/(losses)	4,296	(6,098)
Benefits paid	(1,463)	(1,847)
Closing fair value of Plan assets	31,953	26,548

Employers' contributions included £480,000 (£1,347,000 in 2008) in respect of past service costs.

In addition, the Plan has pension liabilities which are insured with a value of approximately £741,000 (£1.1 million in 2008). 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.

	2009 £000	2008 £000
Total expense recognised in the Statement of Financial Activities:		
Current service cost	488	616
Interest on the Plan liabilities	1,897	1,916
Expected return on the Plan assets	(1,422)	(1,968)
Total amount charged within net outgoing resources	963	564
Actuarial loss / (gain)	(2,829)	2,669
Total amount charged / (credited) to the Statement of Financial Activities	(1,866)	3,233

	2009	2008
Proportion of total Plan assets by asset class:		
Equities (including property)	52%	38%
Bonds	32%	38%
Index-linked	9%	15%
Other	6%	2%
Cash	1%	7%

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

	2009 £000	2008 £000
Actual return on Plan assets	5,718	(4,130)

	2009	2008
The principal actuarial assumptions used at the balance sheet date		
Discount rate	5.75%	6.10%
Rate of increase in salaries - first three years	2.45%	3.75%
- thereafter	3.70%	3.75%
General price inflation	3.45%	2.75%
Rate of increase in pension payments:		
Service prior to 1 April 2000	4.30%	4.15%
Service after 1 April 2000	3.25%	2.70%
Expected return on Plan assets	6.47%	5.39%

The King's Fund expects contributions of £950,000 to be made to the Plan in the year ending 31 December 2009. This sum includes monthly payments of £40,000, rising to £41,000 on 1 October 2010, in respect of past service costs. The payments in respect of past service costs have been calculated to eliminate the Plan deficit over a period of ten years.

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
History of Plan experience					
Present value of the Plan liabilities	33,839	31,259	33,793	36,224	32,141
Fair value of the Plan assets	31,953	26,548	30,439	28,831	26,579
Deficit in the Plan	(1,886)	(4,711)	(3,354)	(7,393)	(5,562)
Experience adjustments on Plan liabilities	(1,467)	3,429	3,924	(3,086)	(2,795)
Experience adjustments on Plan assets	4,296	(6,098)	(2,605)	938	2,818

NHS Pension Scheme

In addition to the Plan, The King's Fund also contributes to the NHS Pension Scheme, a defined benefit scheme, for 17 (17 in 2008) members of staff as at the Balance Sheet date who are eligible to belong to this scheme. In 2009 The King's Fund contributed £111,601 (£106,258 in 2008) to the scheme. The employer's contribution rate is set by the Government Actuary at 14%.

The King's Fund Group Personal Pension Scheme

Furthermore, the King's Fund contributes to the Group Personal Pension scheme, a defined contribution scheme established in 2008, for 25 (13 in 2008) members of staff as at the Balance Sheet date. The King's Fund contributed £68,482 (£21,714 in 2008) to the scheme. The employer's contribution rates are twice that of each individual employee and range from 6% to 12%.

The pension charges for the period are show below:

	2009	2008
	£000	£000
Pension charges:		
King's Fund Staff Pension and Life Assurance Plan	520	525
NHS Pension Scheme	112	106
King's Fund Group Personal Pension Plan	68	22
Total charges	700	653

18 Split of assets between funds

	Expendable endowment £000	Unrestric- ted funds £000	2009 Total funds £000	2008 Total funds £000
Tangible assets	–	20,591	20,591	19,425
Investments : Securities	75,139	35,900	111,039	95,503
Investments : Property	–	7,049	7,049	7,000
Net current liabilities	–	(4,261)	(4,261)	(2,212)
Long term liabilities	–	(160)	(160)	(591)
Pension fund reserve	–	(1,886)	(1,886)	(4,711)
Total funds	75,139	57,233	132,372	114,414

19 Related party transactions

Mr Michael Dobson, a member of The King's Fund Investment Committee, is the Chief Executive of Schroders plc. As at 31 December 2009, the market value of the King's Fund investments held by Schroder Investment Management Limited, a division of Schroders plc, totalled £43,535,000 (£36,321,000 in 2008). In 2008, £144,000 (£182,000 in 2008) was charged to the Statement of Financial Activities for investment management fees payable to Schroder Investment Management Limited.

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

Mr Dobson's resignation from the Investment Committee was accepted at a meeting on 23 February 2010.

**Legal
and
Administrative Information**

Board of Trustees of The King's Fund

Sir Cyril Chantler (Chairman)
Dr Penny Dash (Vice-chairman)
Dame Jacqueline Docherty
Ms Jude Goffe

Mr Strone Macpherson (Treasurer)
Professor Julian Le Grand
Mr Simon Stevens
Mr David Wootton

Sub-Committees

Investment Committee

Mr Strone Macpherson (Chair)
Sir John Bradfield CBE
Ms Mary-Ann Daly
Mr Michael Dobson (until 23 February 2010)
Ms Jude Goffe
Mr Michael McLintock (until 19 November 2009)
Mr Gary Steinberg (until 19 November 2009)
Mr Max Ward

Remuneration Committee

Dr Penny Dash (Chair)
Sir Cyril Chantler
Mr Strone Macpherson
Mr David Wootton

Nominations Committee

Sir Cyril Chantler (Chair)
Dr Penny Dash
Mr Strone Macpherson
Mr David Wootton

Audit Committee

Mr David Wootton (Chair)
Ms Jude Goffe
Mr Strone Macpherson

Senior Management Team

Chief Executive: Niall Dickson (until 31 December 2009) Professor Chris Ham (from 6 April 2010)

Director of Policy: Anna Dixon

Director of Finance and ICT: Frank Gargent

Director of Strategy: Steve Dewar (until 29 May 2009)

Director of Leadership: Karen Lynas (until 10 November 2009)

Director of Health Care Improvement: Mark Jennings (from 8 June 2009)

Director of Communications: Michelle Dixon (until 30 July 2009) Rebecca Gray (from 16 November 2009)

Commercial Director: Jonathan Morris (from 5 October 2009)

Head of Personnel: Shirley Collier

Principal Office

The principal office of The King's Fund is:

11–13 Cavendish Square

London

W1G 0AN

Telephone : 020 7307 2400

Facsimile : 020 7307 2801

WebSite : www.kingsfund.org.uk

Professional Advisers

Bankers

National Westminster Bank Plc

1 Cavendish Square

London W1A 4NU

Quantity Surveyors

Burke Hunter Adams LLP

40 Rivington Street

London EC2A 3LX

Auditors

Horwath Clark Whitehill LLP

St Bride's House

10 Salisbury Square

London EC4Y 8EH

Investment Advisers

Cambridge Associates Ltd

80 Victoria Street

London SW1E 5JL

Insurance Brokers

James Hallam Ltd

Meridien House

69-71 Clarendon Road

Watford WD17 1DS

Solicitors

Farrer & Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

Custodians

JPMorgan Chase Bank

Chaseside

Bournemouth BH7 7DA

Actuaries

Buck Consultants Ltd

160 Queen Victoria Street

London EC4V 4AN

Investment Managers: Securities

Equities

Schroder Investment Management Ltd

31 Gresham Street

London EC2V 7QA

Marathon Asset Management Ltd

Orion House

5 Upper St Martin's Lane

London WC2H 9EA

Cash

Royal London Cash Management Ltd

55 Gracechurch Street

London EC3V 0RL

Investment Managers: Property

UBS Global Asset Management (UK) Ltd

21 Lombard Street

London EC3V 9AH

Charities Property Fund

Lansdowne House, 57 Berkeley Square

London W1J 6ER

Smiths Gore

Eastgate House, Eastgate Street

Winchester SO23 8DZ