

From the Chair

The attached annual report and financial statements report on another eventful year.

The objectives of the Trustees are to support worthwhile projects and initiatives which will improve patient care. This is delivered through expenditure directly related to the patient experience or in support of cutting edge research. We also invest in the development and training of Trust staff.

In the past year the Charity has made two very significant commitments, both of which are provided for in the accounts. The first relates to the Royal National Throat Nose and Ear Hospital where the Charity has taken a significant decision to support the Trust in its plans to re-develop the site. This will take the form of an outright donation, together with the establishment of a fund-raising appeal to raise £5m towards the first phase of the project.

The second project relates to the Royal Free Hospital where the Trustees have agreed to fund the redevelopment of both the internal and external front entrance area to improve the patient experience and to provide better traffic flows and more parking for the disabled.

The Charity has continued to support projects ranging from the purchasing of equipment to the funding of research and the direct provision of services to enhance the patient experience.

The Charity has substantially reviewed its governance arrangements, gaining approval for our revised Charity Commission Scheme, revising its standing orders and financial instructions and developing its own risk register. The Trustees have also issued written guidance on the administration of restricted funds.

In addition after competitive interviews the Charity has appointed its own property and legal advisors and no longer relies on the NHS Trust's advisors for its professional advice.

I would like to conclude by thanking the patients, relatives, friends and staff who have so generously supported the Charity throughout the year.

Pamela J Chesters

1) Reference and Administrative Details

Governing Instrument:	Section 11 of the National Health Service Act 1990
Registered charity number:	1060924
Registered office:	Pond Street, Hampstead London NW3 2QG
Trustees:	Mrs P Chesters, Chair Dr J Carrier Mrs J Morgan Mr M Morton Ms J Palca
Co Opted Trustees:	Mrs N Begent Mr D Bernstein Mr A Lewis (appointed a trustee in April 2008) Mrs W Lowrie Mr A Way
Bankers:	Lloyds TSB plc 40 Rosslyn Hill London NW3 1NL
Auditors:	Audit Commission 1 st Floor Millbank Tower Millbank London SW1P 4HQ
Investment managers:	Black Rock Investment Management (UK) Ltd King William Street London WC4R 9AS Rathbones Investment Management Ltd 159 New Bond Street London W1S 2UD
Property advisers:	E A Shaw Chartered Surveyors 9-12 Bow Street Covent Garden London WC2E 7AB
Legal advisers:	Mills and Reeve LLP Francis House 112 Hills Road Cambridge CB2 1PH

2) Structure, Governance and Management of the Charitable Funds

2.1 Background

When the National Health Service was created in 1948, boards of governors were given the responsibility for managing the endowment funds that many hospitals, notably the major London teaching hospitals, had built up over many generations.

In 1974, when the NHS was reorganised, boards of governors were abolished and the administration of endowment funds passed to Special Trustees appointed by the Secretary of State for Health.

In April 2000 a new body, the Trustees for the Royal Free Hampstead NHS Trust came into being. This body, formed by the merger of the former Special Trustees for the Royal Free Hospital, and the former Special Trustees of the Royal National Throat Nose and Ear Hospital, was effected under the powers of Section 11 of the National Health Services Act 1990. The organisation is now known as the Royal Free Hampstead Charitable Trust, and operates under a Charity Commission Scheme dated 8 January 2008.

2.2 Management

The unrestricted funds of the Charity are managed directly by the Trustees (see below). The Trustees have full control over the management, investment and deployment of the trust property relating to the assets vested in them. Also within the Charity, and overseen by the Trustees, are a number of restricted (earmarked) funds relating to particular wards and departments. The charity manages spending through local fund advisers who are allocated part of the total budget to spend in accordance with agreed authorisation limits. Fund managers for each of the restricted funds manage these funds on a day to day basis within the standing orders and powers of the Trustees of the Royal Free Hampstead Charitable Trust.

During 2007/8, a revised approach to the management of restricted funds was adopted. A major rationalisation of the structure of these funds was coupled with the introduction of new operational procedures for their governance and use. Many funds for similar purposes were consolidated, and by March 2008, the number of such funds had fallen from nearly 400 to below 350: this process will continue in 2008/9. It was also decided that in future, a significant part of these funds would be invested in cash and bonds, instead of equities, as small funds cannot easily withstand the risks of equity investments. Fundholders of larger funds, some of which are more suitable for equity investment, will be asked to produce spending plans for their funds: this is intended both to help the Trustees discharge their responsibilities effectively, and secondly, to strike the best balance between investing for growth, and for income.

2.3 Investment powers

The investment powers are conferred by the Trustee Act 2000 and have been formalised in a Charity Commission Scheme dated 8 January 2008.

2.4 The Trustees

The Trustees are responsible for the overall management and control of the Charitable Fund and are required to:

- Control, manage and monitor the use of the fund's resources
- Provide support, guidance and encouragement for all its income raising activities whilst managing and monitoring the receipt of all income.
- Ensure that best practice is followed in the conduct of all its affairs fulfilling all its legal responsibilities.
- Ensure that the investment strategy and its performance is continually reviewed whilst being aware of ethical considerations.

Trustee meetings are held four times per year and decisions are taken by voting Trustees. The Trustees elect from amongst themselves a Chair.

2.5 Appointment

Trustees are appointed by the NHS Appointments Commission, in line with national guidance requiring a balance between NHS linked trustees, and lay trustees. The Trustees also co-opt non-voting members in order to provide additional skills or experience as required.

During 2007/8, the Appointments Commission agreed to increase the number of trustees from five to seven, and two new trustees were recruited after the end of the financial year. One of these new trusteeships is NHS-linked and has been filled by Mr Adam Lewis, hitherto a co-opted trustee. Details of the Trustees during the year are as follows:

Mrs Pamela Chesters became Chair of the Royal Free Hampstead NHS Trust Board in December 2001 and was nominated by the NHS Trust to be a Trustee. Her professional background is in the oil industry where she worked for British Petroleum for nearly twenty years, latterly as Chief Executive Officer of Duckhams Oils. She served as an elected Councillor on the London Borough of Camden from 1990 to 2000.

Dr John Carrier was a member and Vice Chairman of Hampstead Health Authority from its inception and was appointed to the Board of the Royal Free Hampstead NHS Trust in 1990 serving initially as Vice Chairman, then as Chairman from 1997 until November 2001. He became a Special Trustee of the Royal National Throat Nose and Ear Hospital in 1996 and of the

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Royal Free Hospital in 1999, until November 2001 and became the representative of Camden Primary Care Trust in April 2003.

Mr Martin Morton was appointed in October 2001. He has been an NHS in-patient at the Royal Free and has lived locally since 1957. When working he became a Director of the Confederation of British Industry, and Deputy Secretary: he is now its Pension Fund Pensioner Trustee. He is a Friend of the Royal Free and serves on the hospital's Users' Panel. He was an elected member of St. Pancras and Camden Councils for 25 years, is a school governor and is involved with the Camden Civic Society and Highgate Cemetery Charity.

Ms Julia Palca was appointed in May 2005. Julia has a degree in Law and Politics from Durham University and began her career in 1978 at a specialist defamation law firm in London. After spending time in a large London Law firm, and then starting up the litigation department at Mirror Group Newspapers, Julia joined her present law firm Olswang, a central London firm focusing on the media and property sectors. Julia is a partner in the firm and founded its litigation department, specialising in employment and media litigation.

Following a bout of cancer in 1998, Julia's interests widened. Among other things, she became a trustee of Macmillan Cancer Support, where she is Chairman of its Remuneration Committee, and a Board member of the Institute of Employment Studies. She is a local Hampstead resident, living in Pond Street with her husband and three children.

Mrs Janet Morgan was a nurse at University College Hospital prior to becoming the founding MD/Chairman of Grosvenor International, a small upmarket independent boutique Estate Agency. She is also very active in the charitable sector and her work includes supporting the Alzheimer's Research Trust for which she is a life patron, founding the Lithuanian Orphans Support Trust, chairing the European Committee of the International Women's forum and working to found and support a cross-party non-sectarian group in Northern Ireland. Mrs Morgan became a Trustee of the Royal Free Charitable Trust in May 2005.

2.5.1 Co-opted Trustees

Mrs Nicky Begent was appointed in January 2004. Having completed a PhD for research work at the Department of Pharmacology of the Institute of Basic Medical Sciences, she did several years of research at Kings College and later was appointed Research Administrator at Charing Cross and Westminster Medical School. She worked voluntarily as fundraiser for the Ronald Raven Cancer Research Trust and is now Chairman of Friends of the Royal Free Hospital (Charity) and a director of Friends of the Royal Free Hospital Ltd (The Friends Shop).

Mr Danny Bernstein was appointed in February 2006. He has been an airline executive since 1974 and in 1991 was appointed Managing Director of Monarch Airlines Ltd. He is currently Non-executive Chairman of Monarch as well as Chairman of the British Air Transport Association, the national organisation that represents all U.K. Airlines. He is also a non- executive director of the Watermark Group plc and the Royal Free Hampstead NHS Trust.

Mrs Wiera Lourie has been associated with the Royal Free Hospital for 34 years. She started as a volunteer, and soon joined the Friends of the Royal Free Hospital Executive Committee, becoming Vice Chairman and then Chairman, a position she held for 10 years. She continues to work for the Friends as their President, and is also a member of the Royal Free Hospital panel of users, and of the Works of Art Committee.

Mr Adam Lewis trained in medicine at St Bartholomew's Hospital and subsequently at the Royal Free Hospital, where he was a consultant general surgeon for many years. He also served as Medical Director of the Royal Free Hampstead NHS Trust, and as a member of the Court of Examiners for the Royal College of Surgeons of England. In 1991 he was appointed Surgeon to the Royal Household and in 2001 became Sergeant Surgeon to Her Majesty The Queen. His appointment as Master of the Worshipful Company of Barbers takes effect from August 2008.

Mr Andrew Way joined The Royal Free Hampstead NHS Trust in July 2005 as Chief Executive Office (CEO). He was previously CEO of Heatherwood and Wexham Park Hospitals NHS Trust, and prior to that Chief Operating Officer at Hammersmith Hospitals NHS Trust. Andrew oversaw one of the most significant turnarounds in the NHS at the Royal Free, taking the organisation from deficit to surplus, from zero stars in 2005 to "excellent" in the Healthcare Commission ratings and "good" in the Auditors Local Evaluations in 2007. During this time the Royal Free maintained the best hospital mortality index in England as measured by the Dr Foster organisation.

2.6 Trustee Induction and Training

The Chair of the Trustees ensures that all new and existing Trustees are fully briefed on the key issues facing the Royal Free Hampstead Charitable Trust including the objectives of the charity, Charity Commission information on Trustee responsibilities and receive copies of previous reports, accounts and other key documents. The Charitable Trust is a member of the Association of NHS Charities, whose activities are open to all trustees and senior staff.

3) Strategic Objectives and Activities

The objectives of the Trustees are to support worthwhile projects and initiatives that

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- improve services, facilities and the environment for patients and staff of the Royal Free Hampstead NHS Trust;
- promote medical knowledge through research and by dissemination;
- preserve the heritage of The Royal Free Hampstead NHS Trust.

The Trustees' funds have been built up over many years from

- gifts and bequests from grateful patients and their families;
- donations from other supporters of the hospital;
- investments.

The overall strategy of the Charity during the year was to achieve the charitable objectives by the following means:

- Patients Welfare and Amenities – Purchase of items of equipment and the provision of facilities not normally provided by or in addition to the normal NHS provision, such as extra amenities at Christmas.
- Staff Welfare and Amenities - to improve facilities and services for staff and to provide rewards over and above those that would normally be provided by the NHS such as long service and achievement awards.
- Preservation of the heritage of The Royal Free – by giving ongoing support to the hospital archivist.

3.1 Relationships with related Parties / External Bodies

Subject to their powers and duties as Trustees for the Royal Free Hampstead Charitable Trust, the Trustees will aim to follow the policies and decisions of the Royal Free Hampstead NHS Trust, which is responsible for ensuring the satisfactory delivery of healthcare within the Royal Free Hospital, Queen Mary's Hospital and the Royal National Throat, Nose and Ear Hospital. Staff within these hospitals identify and advise the charity on local priorities and assist the Trustees in monitoring the use of the charitable funds.

Close links are also maintained with the hospital League of Friends and other charities and voluntary organisations which provide charitable support to the hospitals of the NHS Trust.

All Trustees and co-opted trustees have declared all relevant interests in other organisations, especially organisations closely connected with the Royal Free Hampstead NHS Trust.

4) Achievements and Performance

During the year the Trustees have met the charitable objectives through the continuation of work started in earlier years. Additionally, very significant commitments were made in 2007/8 which will come to fruition in subsequent years.

5) Financial Review

5.1 Sources of Funds

In the financial year ended 31 March 2008, the total income of the Charitable Trust was £4,795k. This compared well with the previous year's recurrent income of £4,693K. Of recurrent income, 61.9% came from donations from organisations and individuals, including grateful patients, relatives and other supporters and staff who raised money. From internally generated funds, 22.9% came from dividends and interest on financial investments, 9.5% from legacies, and 5.7% from investment properties.

Legacies received in the year totalled £453K, which compared favourably with the previous year's total of £511K.

5.2 Financial and Property Investments

Income from financial and property investments totalled £1,372K, significantly higher than the previous year's figure of £1,008K, as a result of the Charitable Trust having large cash deposits in 2007/8 (deriving from a property sale in 2006/7) which were reinvested pending being applied for charitable purposes. The Charitable Trust's financial investment portfolio has been managed since January 1997 by Merrill Lynch Investment Management (now Black Rock Investment Management (UK) Ltd). The policy of the Trustees is to achieve a reasonable level of income and capital growth having regard to the requirement not to invest in the securities of organisations involved in activities incompatible with the objectives and ethos of the National Health Service. The performance of investments is reviewed regularly in comparison with suitable benchmarks. However, the year 2007/8, most notably its last quarter, was a particularly turbulent period for financial markets, with the relevant indices at 31st March 2008 (at which date the valuation of the investments is reflected in the accounts) being well below their peak.

In 2007/8 the Charitable Trust maintained the smaller investment portfolio it inherited in March 2007 from the former Dresden Assistance Fund for the Royal Free Hospital (previously a separate charity) and which is managed by Rathbones. Following receipt of a revised Charity Commission Scheme governing the activities of the Charitable Trust, and the desire to apply

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different investment criteria to restricted and unrestricted funds, the management of all the financial investments will be rationalised in 2008/9.

Also in 2007/8, the Charitable Trust appointed E A Shaw, Chartered Surveyors, as its property adviser and began a major review of its property assets. These are valued at £6,654K in the accounts, following a full revaluation at 31 March 2008 undertaken by E A Shaw.

5.3 Where the money went

In the financial year ended 31 March 2008 the Charitable Trust's total expenditure was £11,969K. This included two major grant commitments for future years - £5,000K towards the redevelopment of the Royal National Throat Nose and Ear Hospital, and £3,300K for the major refurbishment of the main entrance and immediate surroundings of the Royal Free Hospital to provide a more welcoming patient environment. After fundraising, management, investment management and audit costs of £375K, the balance of £3,294K was spent in furtherance of the charitable objectives of patient and staff welfare and amenities (including supporting staff attending conferences or undertaking other forms of professional development), research, and items of equipment.

A significant grant of £500K to University College London was made from a restricted fund dedicated to general research. This will enable research facilities on the Royal Free site to be refurbished to house a new Centre for Protein Crystallography, and for which matching funding is being obtained from other sources. The Royal Free Hospital and The Royal National Throat Nose and Ear Hospital are both recognised national and international centres of excellence, with highly developed infrastructures of education, training and research to which many restricted funds, whose income derives either directly from clinicians or via their efforts, are devoted.

The provision of Complementary Therapies, an area for which the NHS Trust has become particularly known, and which has previously benefited from Charitable Trust support, received additional support during the year.

5.4 Risk Management

The Trustees for the Royal Free Hampstead NHS Trust recognise that they have a responsibility to minimise the risk to which their activities could be exposed. They acknowledge that risk is an inherent feature of all activity and that the management of risk is vital if the objects of the charity are to be met. The Trustees have in place a mechanism for the identification, assessment and regular review of risk and systems have been established to mitigate the effect of those risks. One of the risks that the Trustees have identified is that many of the income streams that are received are subject to factors that are outside of the charity's control. These include:

- Investment gains - subject to stock market fluctuations.

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- Investment gains on properties – subject to property price fluctuation
- Legacy income – unknown by nature and fluctuates from year to year.

In light of the uncertainty of income the Trustees have adopted a reserves policy whereby the accumulated unrealised gains have been held in reserve. This reserve is represented by investments which generate future income streams that will be used for meeting the Charitable Trust's ongoing expenditure.

6) Plans for the Future Period

2007/8 saw the continuation of a period of consolidation for the Charitable Trust which began in 2006/7, as it prepared for the coming to fruition of the major grant support agreed for the physical infrastructure of The Royal National Throat Nose and Ear Hospital, and of the Royal Free Hospital. The Charitable Trust eagerly looks forward to the success of these initiatives but also accepts the challenge of rebuilding its reserves in subsequent years following the major call upon them that these grants entail. However, its regular, ongoing undertakings, which in various ways enhance the experiences of both patients and staff of the hospitals, will continue to be met.

Signed:**Pamela J Chesters (Chair) on behalf of the Trustees**

Date: July 2008

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Statement of Financial Activities for the year ended 31 March 2008

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	2007/08 Total Funds	2006/07 Total Funds
Incoming Resources						
Incoming Resources from Generated Funds						
Voluntary Income		£000	£000	£000	£000	£000
Donations and Grants		67	2,903	0	2,970	4,182
Legacies		223	230	0	453	511
Total Voluntary Income		290	3,133	0	3,423	4,693
Investment Income	7.2					
Financial investments		356	413	0	769	666
Property investments		273	0	0	273	273
Bank deposit interest		330	0	0	330	69
Total Income from Generated Funds		1,249	3,546	0	4,795	5,701
Profit on disposal of charitable property		0	0	0	0	43
Total Incoming Resources		1,249	3,546	0	4,795	5,744
Resources Expended						
Cost of Generating Funds	3					
Cost of generating voluntary income		146	0	0	146	81
Investment management costs		80	0	0	80	80
Property management costs		14	0	0	14	7
Total Cost of Generating Funds		240	0	0	240	168
Charitable Activities	2	8,412	3,212	0	11,624	3,041
Governance Costs	3	74	31	0	105	63
Total Resources Expended		8,726	3,243	0	11,969	3,272
Net incoming/(outgoing) resources before transfers		(7,477)	303	0	(7,174)	2,472
Gross transfer between funds		0	0	0	0	0
Net incoming/(outgoing) resources		(7,477)	303	0	(7,174)	2,472
Gains on revaluation of property investments		889	0	0	889	(1,196)
Gains/(losses) on revaluation of financial investments		(471)	(984)	0	(1,455)	770
Gains/(losses) on disposal of investments		(3)	47	0	44	(270)
Net movement in funds		(7,062)	(634)	0	(7,696)	1,776
Fund balances brought forward at 1 April 2007		18,562	11,609	598	30,769	28,993
Fund balances carried forward at 31 March 2008		11,500	10,975	598	23,073	30,769

The notes on pages 4 to 12 form part of these accounts

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Balance Sheet as at 31 March 2008

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2008 Total Funds £000	2007 Total Funds £000
Fixed Assets						
Intangible Assets	6	9	0	0	9	0
Investments	7	14,113	10,553	598	25,264	25,706
Total Fixed Assets		14,122	10,553	598	25,273	25,706
Current Assets						
Debtors	8	499	68	0	567	1,667
Short term deposits		5,000	500	0	5,500	4,200
Cash at bank and in hand		535	474	0	1,009	102
Total Current Assets		6,034	1,042	0	7,076	5,969
Creditors: amounts falling due within one year	9	(3,656)	(620)	0	(4,276)	(906)
Net Current Assets/(Liabilities)		2,378	422	0	2,800	5,063
Total Assets less Current Liabilities		16,500	10,975	598	28,073	30,769
Creditors: amounts falling due after more than one year		(5,000)	0	0	(5,000)	0
Total Net Assets		11,500	10,975	598	23,073	30,769
Funds of the Charity						
Capital Funds						
Endowment Funds	10.1			598	598	598
Income Funds						
Restricted	10.3		10,975		10,975	11,609
Unrestricted		11,500			11,500	18,562
Total Funds		11,500	10,975	598	23,073	30,769

The notes on pages 4 to 12 form part of these accounts

Chairman _____

Date _____

Trustee _____

The Royal Free Hampstead Charitable Trust

Cash Flow Statement for the year ended 31 March 2008

	Note	2007/08	2006/07
		£000	£000
Cash inflow/(outflow) from operating activities	11.1	926	(581)
Returns on investment and servicing of finance			
Investment income		1,372	1,008
Capital expenditure and financial investment			
Payments to purchase fixed assets		(11)	0
Receipts from sales of fixed assets		0	4,436
Payments to purchase investments		(1,040)	(4,104)
Receipts from sales of investments		960	3,540
Net cash inflow/(outflow) from capital expenditure and financial investment		(91)	3,872
Increase/(decrease) in cash and liquid resources	11.2	2,207	4,299

The notes on pages 4 to 12 form part of these accounts

Notes to the Accounts

1 Accounting Policies

1.1 Accounting Convention

The financial statements have been prepared under the historic cost convention, except for investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005, applicable UK accounting standards and the Charities Act 1993.

1.2 Fund Structure

Restricted funds are funds for which a legal restriction exists over their use, as determined by the donor. This could be a restriction to a particular department of the hospital (eg, cardiac or renal) or to a particular sphere of activity (eg, research, equipment).

Unrestricted funds are available for use at the discretion of the trustees for general charitable purposes throughout the hospitals of The Royal Free Hampstead NHS Trust.

Endowment funds are funds for which the capital is held in perpetuity but the income from which may be used for restricted or unrestricted purposes, as determined by the donor.

1.3 Incoming Resources

All incoming resources are included in full in the Statement of Financial Activities as soon as the following three factors can be met:

- (i) entitlement - arises when a particular resource is receivable or the charity's right becomes legally enforceable.
- (ii) certainty - when it is reasonably certain that the incoming resources will be received.
- (iii) measurement - when the monetary value of the incoming resources can be measured with sufficient reliability.

Legacy income is only included where receipt is reasonably certain and the amount is known with certainty, or the sum has been received. As at 31 March 2008 the Charitable Trust was the sole residuary beneficiary of an estate, whose residue is estimated at £1.2 million. The main asset of this estate is a residential property with a probate valuation of £775,000, and which had not been sold at 31 March 2008.

1.4 Resources Expended

Liabilities are recognised as resources expended if the charity has a legal or constructive obligation committing it to the expenditure, or if the charity has a constructive obligation to make a transfer of value to a third party. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the particular category.

1.5 Allocation of Overhead and Support Costs

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Overhead costs have been divided into five broad categories (see note 3), and apportioned between the categories of expenditure (cost of generating funds, governance, and charitable expenditure), on the basis of their relevance to each category and type of fund. In 2007/8 a direct charge was made to restricted funds in recognition of the overhead and support costs relating to these funds.

The Charitable Trust has four staff, two of whose salaries are wholly charged to cost of generating funds, one wholly to governance and one wholly to charitable funds. This is felt to be a fair reflection of the use of their time. A further charge of £18,000 was made by the NHS Trust to the Charitable Trust in recognition of secretarial support and (for the first part of 2007/8) the services of senior members of NHS Trust staff.

1.6 Investments

Investments are shown in the balance sheet at market value.

Property assets, all but one of which are leased to The Royal Free Hampstead NHS Trust, are shown in the accounts at a value of £6,654,000, as valued at 31st March 2008 by E A Shaw, Chartered Surveyors.

The properties are let at an annual rental of £272,500.

1.7 Realised Gains and Losses

All gains and losses are reported in the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (or date of purchase if later). Unrealised gains and losses are calculated as the difference between market value at the year end and opening market value (or date of purchase if later).

1.8 Change in the Basis of Accounting

There have been no changes in the basis of accounting during the year.

1.9 Prior Year Adjustments

There have been no prior year adjustments.

1.10 Pooling Scheme

An official pooling scheme for all funds held under the auspices of The Royal Free Hampstead Charitable Trust is contained within a Charity Commission Scheme dated 8 January 2008. This Scheme encompasses all funds previously held by the Special Trustees for The Royal Free Hospital, the Special Trustees for The Royal National Throat Nose and Ear Hospital, and the Dresden Assistance Fund for the Royal Free Hospital.

The scheme does not distinguish between the different types of funds (unrestricted, restricted and endowment), all of which are pooled together

2. Analysis of Charitable Expenditure

	Grants	Direct	Support	Total	Total
	£000	£000	Costs	2007/08	2006/07
			£000	£000	£000
Patient Welfare and Amenities	4	21	0	25	44
Staff Welfare and Amenities	55	519	5	579	151
Research	0	1,136	10	1,146	186
Major redevelopment and refurbishment of NHS Trust	8,300	0	0	8,300	0
Others	53	1,507	14	1,574	2,660
Total	8,412	3,183	29	11,624	3,041

The exceptional grant of £8.3 million to the Royal Free Hampstead NHS Trust comprises support for the redevelopment of the Royal National Throat Nose and Ear Hospital (£5 million), and a major refurbishment of the front entrance and associated areas of the Royal Free Hospital (£3.3 million).

2.1 Grants Payable to Institutions

	Amount of grant
	£000
Royal Free Hampstead NHS Trust	8,398
The Royal Free Association	7
NHS Retirement Fellowship	7
Total	8,412

2.2 Grants Payable by Category (all from unrestricted funds)

	Activities	Apportioned	Total	Total
	Undertaken	Support	2007/08	2006/07
	Directly	Costs		
	£000	£000	£000	£000
Patient Welfare and Amenities	4	0	4	20
Staff Welfare and Amenities	55	0	55	89
Research	0	0	0	52
Contributions to NHS	8,300	0	8,300	80
Others	53	0	53	220
Total Grants Payable	8,412	0	8,412	461

No support costs have been apportioned to grants payable because such costs are minimal as compared with those relating to direct charitable expenditure (see note 1.5).

2.3 Direct Charitable Expenditure (all from restricted funds)	Activities Undertaken Directly £000	Apportioned Support Costs £000	Total 2007/08 £000	Total 2006/07 £000
Patient Welfare and Amenities	21	0	21	24
Staff Welfare and Amenities	519	5	524	63
Research	1,136	10	1,146	133
Others	1,507	14	1,521	2,360
Total Direct Charitable Expenditure	3,183	29	3,212	2,580

3 Analysis of Overhead and Support Costs by Activity

	Total £000	Governance £000	Cost of Generating Funds £000	Charitable Activities £000
Fundraising Department				
Salaries	90	0	90	0
Consultancy	46	0	46	0
Other costs including database	10	0	10	0
Finance Department	87	57	0	30
Audit	21	21	0	0
Investment & Property Management Fees	94	0	94	0
Others (including bought-in services from NHS)	27	27	0	0
Total Costs	375	105	240	30

The above table shows the allocation of overheads between different types of expenditure. During 2007/8 a new basis of apportioning these costs between unrestricted and restricted funds was introduced. A total of £60,000 was recharged to restricted funds by way of a levy on each individual fund, as a contribution towards the total overhead and support costs.

4 Analysis of Total Resources Expended

	Cost of Generating Funds £000	Charitable Activities £000	Governance £000	Total Costs £000
Auditors remuneration*	0	0	21	21
Bought in services from NHS**	90	29	47	166
Others	150	11,595	37	11,782
Total	240	11,624	105	11,969

* This relates exclusively to the cost of the statutory audit.

**This item relates to the salaries of employees of The Royal Free Hampstead NHS Trust who provided services to The Royal Free Hampstead Charitable Trust, together with associated overheads, as follows:

Fundraising staff £90,000 (included under Cost of Generating Funds)

Finance staff £87,000 (split between Charitable Activities, and Governance)

Contribution to general overheads £18,000 (included under Governance)

5 Changes in Resources available for charity use

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2008 £000	Total 2007 £000
Net movement in funds for the year	(7,062)	(634)	0	(7,696)	1,776
Net movement in tangible fixed assets	9	0	0	9	(4,393)
Net movement in funds available for future activities	(7,053)	(634)	0	(7,687)	(2,617)

6 Intangible Fixed Asset - Computer Software

	Gross Value £000	Depreciation £000	Net Book Value £000
Balance as at 31 March 2007	0	0	0
Acquisition	11	(2)	9
Balance as at 31 March 2008	11	(2)	9

7 Analysis of Fixed Asset Investment Portfolio

	2008	2007
	£000	£000
Market value as at 1 April	25,706	25,838
Less: Disposals at carrying value	(916)	(3,810)
Add: Acquisitions at cost	1,040	4,104
Net gain/(loss) on revaluation	(566)	(426)
Market value as at 31 March	25,264	25,706

7.1 Market value at 31 March

	Held In UK £000	Held Overseas £000	2008 Total £000	2007 Total £000
Investment properties	6,654	0	6,654	5,765
Investments listed on Stock Exchange	194	16	210	348
Investments in a Common Investment Fund	17,969	0	17,969	19,308
Cash held within the investment portfolio	431	0	431	285
Total Investments	25,248	16	25,264	25,706

7.2 Analysis of Investment Portfolio Income

	Held In UK £000	Held Overseas £000	2008 Total £000	2007 Total £000
Investment properties	273	0	273	273
Investments listed on Stock Exchange	7	0	7	4
Investments in a Common Investment Fund	745	0	745	633
Cash held as part of the investment portfolio	17	0	17	29
Total Investments	1,042	0	1,042	939

Interest of £330,000 (2006/7: £69,000) was earned on cash held outside the investment portfolio.

8 Analysis of Debtors

	2008	2007
	£000	£000
Accrued income	25	20
Other debtors	542	1,647
Total debtors falling due within one year	567	1,667

No debtors were due after more than one year at either 31 March 2008 or 31 March 2007.

9 Analysis of Creditors	2008	2007
	£000	£000
Accruals	3,930	175
Other creditors	346	498
Total creditors falling due within one year	4,276	673
Grant accrual due after more than one year	5,000	0
Total creditors due after more than one year	5,000	0
Total creditors	9,276	673

10 Analysis of material funds

10.1 Endowment Fund Balances	Opening Balance	Incoming Resources	Resources Expended	Transfers	Gains/Losses	Closing Balance
	£000	£000	£000	£000	£000	£000
Crawshay	220	0	0	0	0	220
Cookson	65	0	0	0	0	65
Hart	58	0	0	0	0	58
Samaritan	47	0	0	0	0	47
Abrahams	31	0	0	0	0	31
Others	177	0	0	0	0	177
	598	0	0	0	0	598

10.2 Details of Endowment Funds

Crawshay	To fund Crawshay Ward
Cookson	To fund an oncology fellowship and memorial lecture
Hart	To fund Hart Ward
Samaritan	To provide funds for needy patients
Abrahams	To fund research into scleroderma

The Royal Free Hampstead Charitable Trust 2007/08

10.3 Restricted Fund Balances	Opening Balance	Incoming Resources	Resources Expended	Transfers	Losses	Closing Balance
	£000	£000	£000	£000	£000	£000
Clinical Biochemistry	1,286	490	(406)	0	(116)	1,254
Beckett Legacy	874	106	(56)	0	(78)	846
Research General	730	151	(503)	0	(22)	356
Dresden Assistance	386	8	(6)	0	(16)	372
Cancer Research	450	161	(2)	0	(55)	554
Thoracic Medicine	365	55	(2)	0	(36)	382
Medical Microbiology	296	46	(3)	0	(29)	310
Garrett Anderson Ward	253	133	(29)	0	(32)	325
Nan Blofeld Fellowship	228	39	(10)	0	(23)	234
Bed Endowment	220	29	(170)	0	(3)	76
Saxl Legacy	149	22	(1)	0	(15)	155
AIDS	122	23	(10)	0	(11)	124
Uzzi Kattan Parkinson's Disease	104	57	(2)	0	(11)	148
Rheumatology	67	400	(266)	0	(18)	183
Haematology	64	310	(36)	0	(33)	305
Myeloma	43	27	(33)	107	(13)	131
Lysosomal Storage Disorders	0	236	(1)	0	(26)	209
Others	5,972	1,253	(1,707)	(107)	(400)	5,011
Total Restricted Funds	11,609	3,546	(3,243)	0	(937)	10,975

The opening balances in the above table include prior year unrealised gains, and the losses column comprises unrealised losses except in two cases. The Dresden Assistance Fund was invested separately from other restricted funds in 2007/8: the figure of £16,000 shown against that fund comprises realised losses of £4,000, and unrealised losses of £12,000. In the residual category of "others", unrealised losses of £451,000 were offset by realised gains of £51,000.

10.4 Details of Restricted Funds

Clinical Biochemistry	To fund research and teaching in clinical biochemistry
Beckett Legacy	To fund scholarships and lecturerships in medicine
Research General	To fund research
Dresden Assistance	To support needy patients upon discharge from hospital
Cancer Research	To fund research into cancer
Thoracic Medicine	To support provision of services for HIV patients
Medical Microbiology	To fund research and teaching in medical microbiology
Garrett Anderson Ward	To support provision of services for HIV patients
Nan Blofeld Fellowship	To fund research into otorhinolaryngology
Bed Endowment Fund	To provide beds and similar amenities for patients
Saxl Legacy	To foster the care of cancer patients
AIDS	To support provision of services for AIDS patients
Uzzi Kattan Parkinson's Disease	To fund research into Parkinson's disease
Rheumatology	To fund research into rheumatology
Haematology	To support the haematology department
Myeloma	To support research into myeloma
Lysosomal Storage Disorders	To redevelop the Lysosomal Storage Disorders Unit

11 Notes to the Cash Flow Statement

11.1 Reconciliation of cashflows from operating activities to net incoming/outgoing resources

	2007/08	2006/07
	£000	£000
Net incoming/(outgoing) resources	(7,174)	2,472
Non-operating items - investment income	(1,372)	(1,008)
Depreciation charges	2	0
Profit on the sale of fixed asset	0	(43)
(Increase)/decrease in debtors	1,100	(1,261)
Increase/(decrease) in creditors	8,370	(741)
Cash inflow/(outflow) from operating activities	926	(581)

11.2 Analysis of changes in cash and short term investments and deposits

	Balance	In Year
	2007	Change
	£000	£000
Short term investments and deposits	4,200	1,300
Cash in hand and at bank	102	907
Change in cash and liquid resources	4,302	2,207

12 Contingent Liabilities

There were no contingent liabilities at either 31 March 2008 or 31 March 2007.

13 Post Balance Sheet Events

There were no such events relating to either 2007/8 or 2006/7.

14 Loans and Guarantees secured against assets of the charity

There were no such loans in either 2007/8 or 2006/7.

15 Trustees and Connected Persons Transactions

During the year 2007/8 no trustee or member of the key management staff or persons related to them has undertaken any material transactions with the Charitable Trust.

No trustee was reimbursed for any expenses or received any remuneration in 2007/8.

The trustees did not hold indemnity insurance in either 2007/8 or 2006/7.

16 Related Party Interests

The Charitable Trust makes grants to The Royal Free Hampstead NHS Trust. During 2007/8, relevant interests of trustees and officers in other organisations are:

Mrs Pamela Chesters was Chairman of The Royal Free Hampstead Charitable Trust, and also Chairman of The Royal Free Hampstead NHS Trust.

Dr John Carrier was a trustee of the Royal Free Hampstead Charitable Trust, and Chairman of Camden Primary Care Trust. He was also a trustee of The Royal Free Cancerkin Breast Cancer Trust, a charity based at the Royal Free Hospital which provides treatment and support to breast cancer patients.

Mr Danny Bernstein was a co-opted trustee of The Royal Free Hampstead Charitable Trust, and also a non-executive director of The Royal Free Hampstead NHS Trust.

Mrs Nicky Begent and Mrs Wiera Lourie were co-opted trustees of The Royal Free Hampstead Charitable Trust, and respectively, Chairman, and President, of The Friends of the Royal Free Hospital, (registered charity no 266632) which makes grants to the hospitals of The Royal Free Hampstead NHS Trust.

Mr Andrew Way was a co-opted trustee for part of the year (prior to which he was Honorary Secretary of The Royal Free Hampstead Charitable Trust), and also Chief Executive of The Royal Free Hampstead NHS Trust.

Mrs Mary Leadbeater was Honorary Treasurer of the Royal Free Hampstead Charitable Trust for part of the year, during the whole of which she was Director of Finance of The Royal Free Hampstead NHS Trust.

The Royal Free Hampstead Charitable Trust

Statement of trustees' responsibilities

The trustees are responsible for:

- (i) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the funds held on trust and to enable them to ensure that the accounts comply with requirements in the Charities Act 1993;
- (ii) establishing and monitoring a system of internal control;
- (iii) establishing arrangements for the prevention and detection of fraud and corruption.

The trustees are required under the Charities Act 1993 to prepare accounts for each financial year so as to give a true and fair view of the financial position of the funds held on trust. In preparing those accounts, the trustees are required to:

- (i) apply on a consistent basis accounting policies laid down by the Charity Commission;
- (ii) make judgements and estimates which are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The trustees confirm that they have met the responsibilities set out above and complied with the requirements for preparing the accounts on a going concern basis. The financial statements have been compiled from and are in accordance with the Charitable Trust's financial records.

By order of the trustees

Chairman _____

Trustee _____

Independent Auditor's report to the trustees of The Royal Free Hampstead Charitable Trust

I have audited the financial statements of The Royal Free Hampstead Charitable Trust for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

Respective responsibilities of trustees and auditors

The responsibilities of the trustees for preparing the Annual 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.

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

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

I read the Trustees' Annual Report and consider the implications for my report if I become aware of any apparent misstatements within it.