

Hilton in the Community Foundation

Annual report and financial statements

Year ended

31 December 2002

Charity number: 1084220

HILTON IN THE COMMUNITY FOUNDATION

Annual report and financial statements for the year ended 31 December 2002

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Board of trustees

Anthony Harris, Chairman (died 11 March 2003) *

Bryan Taker, Chairman (appointed 8 May 2003) *

Peter Anderson (appointed 8 May 2003) **

Paul Harvey (appointed 12 Dec 2002) *

Grant Hearn (resigned 30 Jan 2003) *

Anji Hunter (appointed 8 May 2003) **

Tahir Mohsan (appointed 29 July 2002) **

The Lord Montagu of Beaulieu (resigned 8 May 2003) **

Wolfgang Neumann (appointed 28 March 2003) *

Robert Powell **

Patrick Shervington (resigned 29 July 2002) **

Dame Maureen Thomas **

* *Hilton International nominated trustees*

** *Independent co-opted trustees*

Chief Executive

Patrick Shervington (appointed 29 July 2002)

Registered office

c/o Hilton International
Maple Court
Central Park
Reeds Crescent
Watford WD24 4QQ

Principal office

Hilton London Area Office
225 Edgware Road
London W2 1JU

Tel: 020 7616 6516

Fax: 020 7616 6563

Email: hilton_foundation@hilton.com

Website: www.hiltongroup.com

Solicitors

Bates, Wells & Braithwaite
Cheapside House
138 Cheapside
London EC2V 6BB

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Bankers

Royal Bank of Scotland
Corporate Banking Office
P.O. Box 450
5-10 Great Tower Street
London EC3P 3HX

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2002

The Board of Trustees presents its report together with the audited financial statements of Hilton in the Community Foundation (the "Foundation", the "charity") for the year ended 31 December 2002.

Constitution and objects

Hilton in the Community Foundation is constituted under a trust deed dated 21st December 2000 and is a registered charity (no. 1084220).

The objects of the charity are to apply the income from the trust fund to such charitable institutions or towards or for the advancement or in furtherance of such charitable purposes in such manner and in such proportions as the trustees may from time to time in their absolute discretion determine.

Principal activities

The trustees duly determined that from the establishment of the Foundation and for the time being the principal focus should be directed towards three broad areas of charitable need, namely:

- Young people and education
- Hospitality and leisure causes
- Disaster relief

It was further resolved that 25% of applied income should currently be reserved for disaster relief worldwide wherever Hilton International operates.

Trustees

The trustees, who served during the year to 31 December 2002, are listed on page 1.

Hilton International (the "appointing body") nominates at least two trustees to the Board of the Foundation. Each nominated trustee is appointed for a term of three years and may be re-appointed for a further term by the appointing body. Nominated trustees are employees of the appointing body and are required to resign as nominated trustees should they leave this employment.

The four original trustees were the first co-opted trustees. They were appointed to hold office for a period of two years and were re-appointed in accordance with the trust deed, except Colonel Patrick Shervington, who resigned following his appointment as the first chief executive officer of the Foundation.

There shall be at least four co-opted trustees appointed to the Board of Trustees. They hold office for a period of two years and may be re-appointed.

The trustees are all unpaid volunteers in that capacity. A trustee may receive reasonable and proper remuneration for services rendered to the charity and reasonable out of pocket expenses. Details of payments made during the year are set out in note 6.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2002

Organisation

The trustees meet quarterly as a full Board. Subcommittees are formed for specific functions, including grants and events.

The day to day running of the charity is delegated to the chief executive, who is supported by additional members of staff as required for the effective management of the charity. During the year, the part time posts of director of the Foundation and assistant were re-assigned as part time director and assistant of special projects. Two new posts were introduced – a full time PA to the chief executive with additional responsibilities as Foundation secretary and office manager, and a part time contracted consultant for fundraising, marketing and communications.

Grant making policy

Within the principal objects laid down by the trustees, there are three distinct phases in the consideration, authorisation and disbursement of charitable funds.

The chief executive and his staff review all applications. Those confirmed as being beyond the parameters set out by the trustees are rejected and the applicants informed.

Those applications agreed to be potentially suitable for support from the Foundation are submitted to the grants committee, under the chairmanship of a trustee, for consideration. This committee is responsible for assessing each request and calling for additional information as may be necessary. Cases are then rejected, deferred or submitted to the full Board of Trustees for endorsement.

The grants committee has a further remit to examine the disposal of the funds by the beneficiary charities to ensure their proper and effective utilisation.

Wherever appropriate, annual grants are authorised for periods of up to five years with the purpose of developing partnerships between the Foundation, local hotels and the nominated charities. The trustees have also agreed that 50% of funds raised by a hotel may be disbursed to local causes, subject to endorsement. To ensure a rapid response, trustees may endorse bids for disaster relief out of committee.

During the year, the charity awarded grants totalling £319,830 (*£224,049 in 2001*). Details of these grants are set out in Note 7. Grants are recognised in full in the statement of financial activities in the period they are awarded to the extent that a legal commitment exists.

Financial review and investment policy

The charity's total income for the year was £628,320 (*£761,999 in 2001*). Income from fundraising activities remained fairly constant at £385,283 (*£388,347 in 2001*), whilst merchandising and investment income increased.

The decrease in total income in 2002 was due to the reduced funding from Hilton International. In 2001, in order to kick start the newly established Foundation, Hilton International matched funds raised £1 for £1, giving a total of £364,402. For 2002 and future years, it was decided to allocate a set grant to cover the administrative and overhead costs required for the efficient running of the charity. In 2002, the sum allocated was £200,000.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2002

There are no restrictions on the charity's power to invest. The trustees set the investment strategy after considering income requirements, the risk profile and the advice of Hilton Group's Treasury department.

Expenditure on charitable activities increased to £373,232 (£259,463 in 2001). At 31 December 2002 the charity's total fund balances had grown to £480,568 (£387,651 in 2001).

Reserves policy

The trustees have approved a reserves policy. Its objective is to achieve a balance between the need to use voluntary income received to fulfil the Foundation's strategic objectives and the need to retain funds to give sufficient financial flexibility to respond to opportunities and to protect the long term future of the charity's operations.

Designated funds

As part of this policy, the trustees decided to create the following designated funds:

- **Disaster relief**
The trustees have designated 25% of the surplus available for grants in 2001 and 2002 for disaster relief so the charity is able to respond immediately to disasters in the communities that Hilton serves worldwide. The trustees will keep the level of this fund under review to maintain a reasonable balance between current expenditure and the ability to respond to future disasters.
- **Hotel nominations**
The trustees have agreed that 50% of the funds raised by individual hotels could be used for grants to charities nominated by the respective hotel and endorsed by the trustees. Measures are in place to ensure that this fund is spent effectively and promptly.
- **LivingWell**
The trustees agreed in 2002 that the net income raised by LivingWell clubs should be designated for grants to charities nominated by LivingWell and endorsed by the trustees. The trustees envisage that grants will be made from this fund on a regular basis so the fund balance will be minimal.
- **Regional Schools Food Technology Units**
Following the success of the community project at St Augustine's CE High School, Maida Vale, London, the trustees are considering plans to replicate the project in the three other Hilton UK regions – Scotland & Ireland; Central & North; South. The trustees designated £100,000 during the year for investment in future projects.
- **Capital**
This designation represents the extent to which funds are invested in tangible fixed assets for use by the charity, and are therefore not available for other purposes.

General reserves

The trustees consider that unrestricted funds not committed or invested in tangible fixed assets should be between three to six months of non-grant expenditure to allow the charity in this early stage in its development to invest for growth and also to provide a buffer against future uncertainties.

The trustees review the reserves policy annually as part of the consideration of the budgetary parameters for the forthcoming financial year.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2002

Risk management

The trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity, and are satisfied that systems are in place to mitigate their exposure to the major risks.

Review of activities

In 2002, the charity built on the foundations laid in its first year of operation under the inspirational leadership of Anthony Harris, who tragically died in March 2003.

The national Foundation ball held at London Hilton on Park Lane was a notable success, raising over £100,000 net surplus. Other regional balls held in aid of the Foundation in Birmingham, Glasgow and Norwich raised a further £29,506. The Hilton hotels and LivingWell clubs throughout the United Kingdom also undertook their own imaginative fundraising activities, with Hilton Blackpool coming top of the league table for the second year running, raising just under £10,000.

The charity continued to develop its charitable giving programme, building key partnerships with both national and local charities.

The Foundation, in partnership with Westminster Kingsway College and the Westminster Education Action Zone, funded a new Food Technology facility and ongoing training programme at St Augustine's CE High School. The Foundation contributed £122,345 towards the project. The facility was opened in September 2002 and provides opportunities for young people as well as others in the local community to develop their understanding of catering and encourage and support careers in the hospitality industry. The school has developed links with local employers, including the Hilton London Metropole, who provide mentors and work placement opportunities.

In 2002, the charity also made its first grants for disaster relief, totalling £79,588. The charity made a grant of £63,880 (€100,000) to provide relief for those worst effected by the effects of the severe flooding in central Europe, focusing on the local communities around the Dresden and Prague Hilton hotels. The charity also awarded an immediate grant of £15,708 (\$25,000) for local support in the immediate aftermath of the typhoon that hit the Western Pacific island of Guam.

LivingWell clubs disbursed £20,000 for their selected charity of the year, Whizz Kidz, which aims to improve the lives of disabled children in the UK through the provision of customised mobility equipment.

Future developments

The trustees endorsed the chief executive's initial business plan, which focused on five key strategic areas, namely to:

- Raise awareness and profile of the charity across Hilton Group and other key groups;
- Diversify and grow fundraising income, in particular through tax efficient giving including the launch of a payroll giving campaign;
- Target charitable grant making;
- Expand the Foundation overseas;
- Establish a sound financial and administrative infrastructure to support the charity's growth.

Hilton UK and Ireland have set an ambitious fundraising target to raise £750,000 for the Foundation by the end of 2004. With the Foundation's team now in place, the charity expects to make good progress towards these strategic objectives in this period.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2002

Prior year comparatives

During the year the trustees have developed and refined the classification of the income and expenditure figures in the accounts. This new format is designed to provide more information on the charity's activities. Accordingly, the 2001 comparatives have been re-stated to enable a like for like comparison.

Statement of Trustees' responsibilities

The Foundation's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting by Charities" issued in 1995 (revised 2000), and with applicable accounting standards.

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to 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.

Auditors

Ernst & Young have expressed their willingness to continue in office. A resolution to reappoint them as auditors will be proposed at the next trustees meeting.

Approved and signed on behalf of the Board of Trustees

Bryan Taker
Chairman

Robert Powell
Trustee

Dame Maureen Thomas
Trustee

Date: 16th September 2003

HILTON IN THE COMMUNITY FOUNDATION

Independent report of the auditors to the trustees of Hilton in the Community Foundation

We have audited the charity's financial statements for the year ended 31st December 2002, which comprise the Statement of Financial Activities, the charity Balance Sheet and related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

The report is made solely to the trustees in accordance with Section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities (contained within the Report of the Board of Trustees), the trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 an 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 of the state of the affairs of the charity as at 31st December 2002 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

ERNST & YOUNG LLP
Registered Auditor
LONDON

Date: 16th September 2003

HILTON IN THE COMMUNITY FOUNDATION

Statement of financial activities for the year ended 31 December 2002

	Notes	Total 2002 Unrestricted Funds £	Total 2001 Unrestricted (restated) £
Incoming resources			
Hilton Group funding		200,000	364,402
Donations and gifts	3	385,283	388,347
<i>Activities for generating funds:</i>			
Merchandising income	3	22,439	4,218
Investment income & interest	4	20,598	5,032
Total incoming resources		628,320	761,999
<i>Less cost of generating funds:</i>			
Fundraising & publicity costs		148,530	105,742
Merchandising costs		13,641	9,143
<i>Total cost of generating funds</i>		162,171	114,885
Net incoming resources available for charitable application		466,149	647,114
Charitable expenditure			
<i>Costs of activities in furtherance of the charity's objects:</i>			
Grants payable	7	319,830	224,049
Education & awareness		8,369	3,860
Support costs		26,595	13,321
Management & administration		18,438	18,233
Total charitable expenditure		373,232	259,463
Total resources expended	5	535,403	374,348
Net incoming resources for the year		92,917	387,651
Fund balances brought forward at 1 January 2002	13	387,651	-
Fund balances carried forward at 31 December 2002	13	480,568	387,651

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

HILTON IN THE COMMUNITY FOUNDATION

Balance sheet as at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Tangible assets	8	5,785	-
Investments	9	558,492	291,756
		<u>564,277</u>	<u>291,756</u>
Current assets			
Debtors	10	36,326	206,379
Cash at bank and in hand		111,644	108,044
		<u>147,970</u>	<u>314,423</u>
Creditors: amounts falling due within one year	11	<u>205,679</u>	<u>159,528</u>
Net current (liabilities) / assets		<u>(57,709)</u>	<u>154,895</u>
Total assets less current liabilities		506,568	446,651
Creditors: amounts falling due after more than one year	12	<u>26,000</u>	<u>59,000</u>
Total net assets		<u>480,568</u>	<u>387,651</u>
Funds	13, 14		
Unrestricted funds:			
General reserves		143,415	387,651
Designated funds		337,153	-
		<u>480,568</u>	<u>387,651</u>

The financial statements were approved by the Board on 16th September 2003 and signed on its behalf by

Bryan Taker
Chairman

Robert Powell
Trustee

Dame Maureen Thomas
Trustee

The notes on pages 10 to 17 form an integral part of these financial statements.

HILTON IN THE COMMUNITY FOUNDATION

Notes of the financial statements for year ended 31 December 2002

1. Accounting policies

The principal accounting policies adopted are as follows:

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000). In preparing the financial statements the charity followed best practice as laid down in the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000) issued in October 2000.

1.2 Prior year comparatives

During the year the trustees have developed and refined the classification of the income and expenditure figures in the accounts. This new format is designed to provide more information on the charity's activities. Accordingly, the 2001 comparatives have been re-stated to enable a like for like comparison.

1.3 Fund accounting

The financial statements of a charity must differentiate between restricted and unrestricted funds.

Restricted funds are subject to conditions imposed by the donor.

Designated funds are amounts that have been put aside at the discretion of the trustees out of unrestricted general funds for specific future purposes or projects.

Unrestricted general funds comprise accumulated surpluses and deficits after transfers to designated funds.

The nature and purpose of each fund are set out in note 13 to the financial statements.

1.4 Incoming resources

All incoming resources are included in the period in which they are receivable, which is when the charity becomes entitled to the resource.

1.5 Resources expended

Expenditure is accounted for on an accruals basis. Expenditure is allocated by reference to its functional classification and not by type of expenses. Where costs cannot be directly attributed, they have been allocated between direct charitable and other activities on a staff time basis.

Costs of generating funds are those incurred in organising fundraising events and in seeking voluntary contributions and do not include costs of disseminating information in support of the charity's charitable activities.

Support costs comprise costs for processing grants and applications, including support to actual and potential applicants.

Management and administration costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

1.6 Grants payable

The grants awarded by the trustees are recognised in the statement of financial activities in the year that they are made to the extent that a legal or constructive obligation exists.

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

1.7 Tangible fixed assets and depreciation

Individual tangible fixed assets costing £100 or more are capitalised at cost and depreciated.

Depreciation is provided by the straight line method, calculated to write off assets over their estimated useful lives at the following rates:

Computer equipment	over three years
Other office equipment	over three years
Furniture and fittings	over four years

1.8 Fixed asset investments

Investments are included at their market value at the balance sheet date. Any gain or loss on revaluation is taken to the statement of financial activities.

1.9 Value added tax

Value added tax is only partially recoverable by the charity, and therefore the non-recoverable element is included as a separate item of expenditure under the relevant expenditure headings in the statement of financial activities.

2. Cashflow statement

A cashflow statement has not been prepared as the charity is entitled to the small company exemption as outlined in FRS1.

3. Donations, gifts and merchandising income

	2002 £	2001 (restated) £
Hotel & LivingWell own fundraising	131,307	216,054
The London Hilton on Park Lane ball	161,478	60,700
Other regional Foundation balls	29,506	25,442
Other event fundraising	31,083	81,946
General donations	8,830	1,133
Hilton suppliers' donations	23,079	1,072
Trust income	-	2,000
	<hr/> 385,283	<hr/> 388,347
Merchandising income	22,439	4,218
	<hr/> 407,722	<hr/> 392,565

4. Investment income

	2002 £	2001 £
RBS Global Treasury Sterling Fund dividends receivable	18,467	4,800
Bank interest receivable	2,131	232
	<hr/> 20,598	<hr/> 5,032

5. Total resources expended

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

	Grants £	Staff costs £	Other direct costs £	* Other allocated costs £	Total 2002 £	<i>Total 2001 (restated) £</i>
Costs of generating funds						
Fundraising & publicity costs	-	64,704	76,105	7,721	148,530	105,742
Merchandising costs	-	-	13,641	-	13,641	9,143
Charitable expenditure						
Young people & education grants	219,592	-	-	-	219,592	180,000
Hospitality & leisure grants	18,100	-	-	-	18,100	39,000
Disaster relief grants	79,588	-	-	-	79,588	-
Hotel nominated grants	2,550	-	-	-	2,550	5,049
Education & awareness	-	4,091	3,696	582	8,369	3,860
Support costs	-	23,974	-	2,621	26,595	13,321
Management & administration	-	8,922	8,657	859	18,438	18,233
Total resources expended	319,830	101,691	102,099	11,783	535,403	374,348

* Other allocated costs reflect the allocation of overheads, including depreciation and the staff costs of support services such as finance, to different activities on a staff time basis.

	2002 £	<i>2001 £</i>
Net incoming resources are stated after charging:		
Auditors' remuneration – audit fees	3,000	3,000
Irrecoverable VAT	23,238	-
Depreciation	300	-
	26,538	3,000

6. Staff costs and trustees' remuneration

	2002 £	<i>2001 £</i>
Wages and salaries	82,132	50,000
Social security costs	6,752	5,371
Pension costs	4,760	-
Agency staff & marketing consultant's costs	8,047	1,080
	101,691	56,451
The average number of full time equivalent employees, during the year was:	2	1.3

No employee (2001: nil) earned more than £50,000 per annum.

During the year, the trustees (2001: nil) did not receive any reimbursement of expenses, nor emoluments for their roles as trustees.

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

7. Grants payable

	2002	2001
	No. of grants	£
	£	£
The amount payable in the year comprises:		
Young people & education		
British Olympic Foundation	-	60,000
Children Nationwide	1	4,775
Children's Heart Foundation	1	10,000
Outward Bound Trust	-	65,000
Police Community Clubs of England	1	20,000
Royal Schools for the Deaf, Manchester	1	1,998
Saracens Foundation	1	14,974
St Augustine's School	1	-
- new food technology facilities	-	122,345
- Westminster College link programme	-	24,000
Treloar Trust	1	10,000
Uphill Ski Club	1	5,500
Whizz Kidz (1)	1	20,000
Woodland Trust	1	10,000
	10	219,592
Hospitality & leisure causes		
Academy of Food and Wine Service	1	15,000
Queen Elizabeth Foundation for Disabled	1	3,100
	2	18,100
Disaster relief		
Dresden & Prague	1	63,880
Guam	1	15,708
	2	79,588
Other hotel nominated charities		
Dreams Come True (2)	1	1,200
Holiday Care	1	-
Other grants (2)	2	850
Airborne Forces Charitable Trust	1	500
	5	2,550
Total Institutional Grants	19	319,830
		224,049

(1) Grants made from LivingWell fund in 2002 – see note 13.

(2) Grants made from Hotel nomination fund in 2002 – see note 13.

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

	2002 £	2001 £
Reconciliation of grants payable:		
Commitments at 1 January 2002	161,880	-
Commitments made in the year	319,830	224,049
Grants payable for the year	319,830	224,049
Grants paid during the year	(301,650)	(62,169)
Commitments at 31 December 2002	180,060	161,880
	2002 £	2001 £
Commitments at 31 December 2002 are payable as follows:		
Within one year (note 11)	154,060	102,880
After more than one year (note 12)	26,000	59,000
	180,060	161,880

8. Tangible fixed assets

	Computers & other equipment £	Furniture & fittings £	Total £
<i>Cost or valuation</i>			
At 1 January 2002	-	-	-
Additions at cost	5,117	968	6,085
As at 31 December 2002	5,117	968	6,085
<i>Accumulated depreciation</i>			
At 1 January 2002	-	-	-
Charge for year	141	159	300
As at 31 December 2002	141	159	300
<i>Net book value</i>			
At 31 December 2001	-	-	-
At 31 December 2002	4,976	809	5,785

The net book value at 31 December 2002 represents the fixed assets used primarily for activities to generate funds and managing and administering the charity.

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

9. Investments

	2002	2001
	£	£
Market value at 1 January 2002	291,756	-
Acquisitions at cost	270,000	287,000
Sales proceeds from disposals	(20,000)	-
Dividends received in the year and reinvested	16,736	4,756
	<hr/>	<hr/>
Market value at 31 December 2002	558,492	291,756
	<hr/>	<hr/>
Historical cost as at 31 December 2002	558,492	291,756
	<hr/>	<hr/>

All investments are held in The Royal Bank of Scotland Global Treasury Sterling Fund, which invests in (near) cash instruments. There is no difference between the market value and historical cost of the funds.

10. Debtors

	2002	2001
	£	£
Amounts due from Hilton Group	34,386	206,228
Accrued income	1,775	151
Income tax recoverable	165	-
	<hr/>	<hr/>
	36,326	206,379
	<hr/>	<hr/>

11. Creditors: amounts falling due within one year

	2002	2001
	£	£
Grants payable (note 7)	154,060	102,880
Other creditors	25,786	3,000
Accruals	25,833	53,648
	<hr/>	<hr/>
	205,679	159,528
	<hr/>	<hr/>

12. Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Grants payable (note 7)	26,000	59,000
	<hr/>	<hr/>

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

13. Funds

	At 1 Jan 2002	Income	Expend- iture	Transfers	At 31 Dec 2002
	£	£	£	£	£
Designated funds					
Disaster Relief Fund (1)	-	103,187	(79,588)	151,997	175,596
Hotel Nomination Fund (2)	-	57,822	(2,050)	-	55,772
LivingWell Fund (3)	-	18,857	(20,000)	1,143	-
Regional Schools Food Technology Unit Fund (4)	-	-	-	100,000	100,000
Capital Fund (5)	-	-	-	5,785	5,785
	-	179,866	(101,638)	258,925	337,153
General reserve (6)	387,651	448,454	(433,765)	(258,925)	143,415
	387,651	628,320	(535,403)	-	480,568

Notes

(1) *Disaster relief fund* – with nearly 400 hotels in the Hilton International network around the world, the trustees established a disaster relief fund to provide more help and expertise for disaster relief in the communities Hilton serves. 25% of the surplus available for grants in 2001 and 2002 was transferred into this fund during the year.

(2) *Hotel nomination fund* – during the year, the trustees agreed that the net income raised by individual hotels could be used for grants to charities nominated by the respective hotel. The grants must still fall within the Foundation's grant giving policy and they are approved through the Foundation's normal grant giving procedures.

(3) *LivingWell fund* – during the year, the trustees agreed that the net income raised by LivingWell clubs in 2002 should be designated for grants to charities nominated by LivingWell. In 2002, LivingWell selected Whizz Kidz as their main charity. The grants must still fall within the Foundation's grant giving policy and they are approved through the Foundation's normal grant giving procedures.

(4) *Regional schools catering unit fund* – following the success of the state of the art food technology facilities that the Foundation funded at St Augustine's School, London the trustees established a fund to provide similar facilities in suitable schools in other UK regions.

(5) *Capital fund* – represents the net book value of tangible fixed assets and is therefore not available for other purposes.

(6) *General fund* - represents the unrestricted funds, which the trustees are free to use in accordance with the charitable objects.

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2002

14. Analysis of net assets between funds

Fund balances at 31 December 2002 are represented by:	Restricted funds £	Designated funds £	General Funds £	Total £
Tangible fixed assets	-	5,785	-	5,785
Investments	-	333,183	225,309	558,492
Current assets	-	35,093	112,877	147,970
Current liabilities	-	(36,908)	(168,771)	(205,679)
Long term liabilities	-	-	(26,000)	(26,000)
Total net assets	-	337,153	143,415	480,568

15. Fund balance

Hilton in the Community Foundation is a charitable trust and is governed by its trust deed. Accordingly, no share capital account is presented.