

Hilton in the Community Foundation

Annual report and financial statements

Year ended

31 December 2003

Charity number: 1084220

HILTON IN THE COMMUNITY FOUNDATION

Annual report and financial statements for the year ended 31 December 2003

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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 (resigned 5 March 2004) *

Grant Hearn (resigned 30 Jan 2003) *

Anji Hunter (appointed 8 May 2003) **

Tahir Mohsan **

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

Wolfgang M Neumann (appointed 28 March 2003) *

Robert Powell **

Dame Maureen Thomas DBE **

** Hilton International nominated trustees*

*** Independent co-opted trustees*

Chief Executive

Patrick Shervington MBE

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Solicitors

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

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

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 2003

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 2003.

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
- International disaster relief

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

At a strategy review meeting held on 28th November 2003, the Board directed that designated funds reserved for disaster relief should not exceed £250,000. See reserves policy section on page 5.

Trustees

The trustees, who served during the year to 31 December 2003, 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 current policy of the Board is for three nominated trustees to be appointed to include a representative from LivingWell.

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. Currently there are five co-opted trustees and the Board has resolved to appoint a sixth, whilst not changing the quorum for meetings set out in the Trust Deed. This states that there should be at least one nominated trustee and at least two co-opted trustees present.

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 2003

Organisation

The trustees meet quarterly as a full Board. Sub-committees 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 one new post was introduced – a part time Head of Finance.

On 15th March 2004 the Chairman confirmed a restructuring of staff with a view to establishing closer links to the Hilton UK and Ireland management team, thus recognising the current dependency on this geographic area. This step will also lead to essential economies in administrative costs funded by Hilton International. The Chairman re-affirmed the requirement for the Foundation to retain its independent status as a registered charitable trust.

Two posts have been made redundant; the Chief Executive and the part-time Administrative Assistant. A full time Finance and Fundraising Executive post has been established. The Director of Special Projects is being re-assigned, under new contractual arrangements, to coordinate the Foundation ball 2004. It is intended that in the future a Director will manage the Foundation.

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. The committee meets quarterly. It 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.

During the year the committee was given delegated authority from the Board to authorise single grants of up to £20,000. All grants exceeding £20,000 and all grants involving a partnership arrangement of two or more years are referred to the Board. This authority is currently withdrawn pending the re-structuring of the Foundation.

The grants committee has a further remit to examine the disposal of the funds by the benefiting charities to ensure their proper and effective utilisation. It also provides guidance for charities to provide appropriate performance indicators.

Grants may be renewed annually to a maximum period of five years subject to continuing need and the effective utilisation of funds and, where applicable, human and material resources provided. The purpose of developing such partnerships is the perceived mutual benefit for the charities so nominated, the Foundation and local Hilton hotels.

The trustees have agreed that 50% of funds raised by a hotel may be disbursed to local causes within the broad areas of charitable need determined by the trustees. Such disbursements are subject to endorsement by the Chief Executive who has delegated authority for grants up to £5,000.

To ensure a rapid response, trustees may endorse bids for international disaster relief out of committee.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2003

During the year, the charity awarded grants totalling £354,428 (*£319,830 in 2002*). 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 may be considered to exist.

Financial review and investment policy

The charity's total income for the year was £948,601 (*£628,320 in 2002*). Income from fundraising activities has increased by 34% to £680,895 (*£385,283 in 2002*), whilst merchandising and investment income has remained constant.

In 2001, the charity's first full year of operation, Hilton International matched funds raised (£364,402).

For 2002 and future years, it was decided to allocate a finite grant to cover the administrative and overhead costs required for the efficient running of the charity. This was initially set at £250,000 for 2003 and future years (*£200,000 in 2002*). In the middle of the year the budget was subsequently reduced to £230,000, to include up to £30,000 to support the set up costs of the Hilton Group payroll giving scheme that was re-launched in June 2003.

The Chairman has confirmed that Hilton International will continue to cover the full administrative costs of the Foundation and has allocated a budget of £175,000 for 2004, plus a commitment to pay redundancy costs.

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 £468,106 (*£373,232 in 2002*). At 31 December 2003 the charity's total fund balances had grown to £648,938 (*£480,568 in 2002*). These figures reflect the successful implementation of the Board's policy to diversify fundraising, contain costs and to make timely grants to approved charities and other charitable causes.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2003

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:

- ***International disaster relief***
During the year, the trustees designated 25% of the net amount raised by the Foundation to 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. The Board has resolved to maintain a reserve of £250,000 with any surplus re-allocated to general funds for utilisation towards the Foundation's other two charitable objectives.
- ***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. Measures are in place to ensure that this fund is spent effectively and promptly and within the remits periodically directed by the Board to the Chief Executive.
- ***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 Board. The trustees envisage that grants will be made from this fund on a regular basis so the fund balance will be minimal. LivingWell, whilst reserving its wish to nominate any number of charities to be supported centrally or by individual clubs, confirmed that it would focus fundraising activities towards one principal charity for 2003 and 2004.
- ***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 other areas. 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 2003

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 2003, the charity continued to build on the foundations laid in its first two years of operations under the inspirational leadership of Anthony Harris, who tragically died in March 2003.

An appeal, the Anthony Harris Memorial Fund, was launched and has raised £42,865. The trustees, in close consultation with Anthony Harris's family, will allocate the fund to projects that will help to perpetuate his memory.

The national Foundation ball held at London Hilton on Park Lane was a notable success, raising almost £170,000 net surplus. Other regional balls held in aid of the Foundation in Birmingham, Glasgow and Brighton raised a further £75,403 (2002: £29,506). The Hilton hotels and LivingWell clubs throughout the United Kingdom also undertook their own imaginative fundraising activities, with Hilton Dunblane coming top of the league table, raising just over £13,500, pipping Hilton Blackpool who came top in 2002 (£9,658).

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

Several new initiatives raised substantial new funds. Major emphasis was given to tax-efficient giving, both through Gift Aid and especially through a re-launched payroll giving campaign. Close to 800 employees in the UK now subscribe to the scheme (14 in 2002). Hilton enables them to support the Foundation and other charities of their choice; the company pays for the administrative costs of payroll giving and adds 10% to individual donations, so matching the Government's 10% incentive which regrettably ceased on 31st March 2004.

The Foundation has been further supported by the introduction from September 2003 of a new Family Rate for Hilton hotels in the UK, resulting in £35,000 additional income and the potential for considerably increased sums in future years.

LivingWell clubs disbursed £25,000 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, and £13,074 to the Prostate Cancer charity as well as smaller grants to local charities.

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;
- Target charitable grant making;
- Expand the Foundation overseas gradually over time in selected countries;
- 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. The target was officially launched in June 2003 by Wolfgang M Neumann, President of Hilton UK and Ireland and trustee of the Foundation, and good progress had been made by the end of the year.

HILTON IN THE COMMUNITY FOUNDATION

Report of the Board of Trustees for the year ended 31 December 2003

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

Approved and signed on behalf of the Board of Trustees

Bryan Taker
Chairman

Date: April 2004

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 2003, 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 as to whether 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 2003 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

ERNST & YOUNG LLP
Registered Auditor
LONDON

Date: April 2004

HILTON IN THE COMMUNITY FOUNDATION

Statement of financial activities for the year ended 31 December 2003

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2003 £	Total 2002 £
Incoming resources					
Hilton Group funding		230,000	-	230,000	200,000
Donations and gifts	3	638,030	42,865	680,895	385,283
<i>Activities for generating funds:</i>					
Merchandising income	3	16,643	-	16,643	22,439
Investment income & interest	4	21,063	-	21,063	20,598
Total incoming resources		905,736	42,865	948,601	628,320
<i>Less cost of generating funds:</i>					
Fundraising & publicity costs		299,096	-	299,096	148,530
Merchandising costs		13,029	-	13,029	13,641
<i>Total cost of generating funds</i>		312,125	-	312,125	162,171
Net incoming resources available for charitable application		593,611	42,865	636,476	466,149
Charitable expenditure					
<i>Costs of activities in furtherance of the charity's objects:</i>					
Grants payable	7	354,428	-	354,428	319,830
Education & awareness		36,326	-	36,326	8,369
Support costs		45,463	-	45,463	26,595
Management & administration		31,889	-	31,889	18,438
Total charitable expenditure		468,106	-	468,106	373,232
Total resources expended	5	780,231	-	780,231	535,403
Net incoming resources for the year		125,505	42,865	168,370	92,917
Fund balances brought forward at 1 January 2003	13	480,568	-	480,568	387,651
Fund balances carried forward at 31 December 2003	13	606,073	42,865	648,938	480,568

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 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	8	13,671	5,785
Investments	9	558,873	558,492
		<u>572,544</u>	<u>564,277</u>
Current assets			
Stock		4,418	-
Debtors	10	103,047	36,326
Cash at bank and in hand		217,516	111,644
		<u>324,981</u>	<u>147,970</u>
Creditors: amounts falling due within one year	11	<u>235,587</u>	<u>205,679</u>
Net current (liabilities) / assets		<u>89,394</u>	<u>(57,709)</u>
Total assets less current liabilities		<u>661,938</u>	<u>506,568</u>
Creditors: amounts falling due after more than one year	12	<u>13,000</u>	<u>26,000</u>
Total net assets		<u>648,938</u>	<u>480,568</u>
Funds	13, 14		
Restricted funds		42,865	-
Unrestricted funds:			
General reserves		126,590	143,415
Designated funds		479,483	337,153
		<u>648,938</u>	<u>480,568</u>

The financial statements were approved by a resolution of the Board dated 1st April 2004 and signed on its behalf by

Bryan Taker
Chairman

Date: April 2004

The notes on pages 11 to 19 form an integral part of these financial statements.

HILTON IN THE COMMUNITY FOUNDATION

Notes of the financial statements for year ended 31 December 2003

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 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.

1.3 Incoming resources

All incoming resources are included in the SOFA in the period in which they are receivable, which is when the charity becomes entitled to the resource and the amount can be quantified with reasonable accuracy.

1.4 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.

1.5 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 2003

1.6 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

1.7 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.

1.8 Stock

Stock is included at lower of cost and net realisable value.

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

	2003	2002
	£	£
Hotel own fundraising	209,210	106,164
LivingWell own fundraising	34,497	25,143
London Hilton on Park Lane ball (gross)	258,706	161,478
Other regional Foundation balls (net)	75,403	29,506
Other event fundraising	2,440	31,083
General donations, including the Anthony Harris Memorial Fund, see note 13	100,244	8,830
Hilton suppliers' donations	395	23,079
Merchandising Income	16,643	22,439
	<hr/>	<hr/>
	697,538	407,722
	<hr/>	<hr/>

4. Investment income

	2003	2002
	£	£
RBS Global Treasury Sterling Fund dividends receivable	18,606	18,467
Bank interest receivable	2,457	2,131
	<hr/>	<hr/>
	21,063	20,598
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HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2003

5. Total resources expended

	Grants £	Staff costs £	Other direct costs £	* Other allocated costs £	Total 2003 £	<i>Total 2002 £</i>
Costs of generating funds						
Fundraising & publicity costs	-	143,245	137,137	18,714	299,096	148,530
Merchandising costs	-	-	13,029	-	13,029	13,641
Charitable expenditure						
Young people & education grants	233,994	-	-	-	233,994	220,792
Hospitality & leisure grants	102,329	-	-	-	102,329	18,100
Disaster relief grants	-	-	-	-	-	79,588
Other grants	18,105	-	-	-	18,105	1,350
Education & awareness	-	12,911	21,316	2,099	36,326	8,369
Support costs	-	41,157	-	4,306	45,463	26,595
Management & administration	-	20,892	8,844	2,153	31,889	18,438
Total resources expended	354,428	218,205	180,326	27,272	780,231	535,403

* 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.

	2003 £	<i>2002 £</i>
Net incoming resources are stated after charging:		
Auditors' remuneration – audit fees	3,000	3,000
Irrecoverable VAT	19,564	23,238
Depreciation	3,287	300
	25,851	26,538

6. Staff costs and trustees' remuneration

	2003 £	<i>2002 £</i>
Wages and salaries	153,593	82,132
Social security costs	14,267	6,752
Pension costs	17,011	4,760
Agency staff & marketing consultant's costs	33,334	8,047
	218,205	101,691
The average number of full time equivalent employees, during the year was:	4	2

One employee (2002: *nil*) earned between £60,000 and £70,000 per annum. No other employee earned over £50,000 per annum.

During the year, the trustees (2002: *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 2003

7. Grants payable

		2003	2002
	No. of grants	£	£
The amount payable in the year comprises:			
Young people & education			
Aviemore Community Children's Group (2)	1	2,500	-
Calvert Trust (2)	1	1,250	-
Caring Together (2)	1	3,800	-
Children in Need (1)	1	1,670	-
Children Nationwide		-	4,775
Children's Heart Foundation		-	10,000
Christs Hospital	1	10,000	-
Community Central Hall, Glasgow	1	5,000	-
Donna's Dream House (2)	1	2,500	-
Dreams Come True (2)	1	1,500	1,200
East Anglia Children's Hospice (2)	1	2,500	-
Enable	1	10,000	-
Great Ormond Street Hospital (2)	1	1,000	-
Help a London Child	1	11,527	-
King's Theatre, Glasgow (2)	1	4,700	-
Longford Community School (2)	2	7,500	-
Maggies Highland (1)	1	1,000	-
Make a Wish Foundation (2)	1	3,000	-
Masterclass	1	20,000	-
National Blind Children's Society	1	5,000	-
National Youth Orchestra	1	10,000	-
Outward Bound	1	2,128	-
Police Community Clubs of England	1	20,000	20,000
Princess Royal Trust for Carers	1	10,000	-
Red Gates School (2)	1	1,627	-
Royal Schools for the Deaf, Manchester		-	1,998
Saracens Foundation		-	14,974
Scottish Society for Autism (2)	1	1,500	-
South Gloucestershire Council (2)	1	2,152	-
St Augustine's School	1	12,000	122,345
St Marylebone C of E School (2)	1	2,000	-
Teenage Cancer Trust	1	30,000	-
The Snowdon Award Scheme	2	5,200	-
Treloar Trust	1	940	10,000
Uphill Ski Club		-	5,500
Variety Club (Mallard School, Glasgow)	1	17,000	-
Whizz Kidz	1	25,000	20,000
Woodland Trust		-	10,000
	34	233,994	220,792

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2003

Hospitality & leisure causes	No. of grants	2003	2002
		£	£
Academy of Food and Wine Service	1	15,000	15,000
Adopt a School	1	20,000	-
Lucca Leadership Trust	1	5,000	-
Queen Elizabeth Foundation for Disabled	2	15,100	3,100
Springboard Charitable Trust	1	40,000	-
United Response	1	5,000	-
Wigan Leisure & Culture Trust	2	2,229	-
	9	102,329	18,100
Disaster relief			
Dresden & Prague		-	63,880
Guam		-	15,708
		-	79,588
Other hotel & LivingWell nominated charities			
Prostate Cancer Charity (1)	1	13,074	-
Other grants (2)	10	4,031	1,350
	11	17,105	1,350
Total Institutional Grants	54	353,428	319,830
Total Individual Grants	1	1,000	-
Total Grants	55	354,428	319,830

(1) Grants made from LivingWell fund in 2003 – see note 13.

(2) Grants made from Hotel nomination fund in 2003 – see note 13.

	2003	2002
	£	£
Reconciliation of grants payable:		
Commitments at 1 January 2003	180,060	161,880
Commitments made in the year	354,428	319,830
Grants payable for the year	354,428	319,830
Grants paid during the year	(370,328)	(301,650)
Commitments at 31 December 2003	164,160	180,060
Commitments at 31 December 2003 are payable as follows:		
Within one year (note 11)	151,160	154,060
After more than one year (note 12)	13,000	26,000
	164,160	180,060

8. Tangible fixed assets

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2003

	Computers & other equipment £	Furniture & fittings £	Total £
<i>Cost or valuation</i>			
At 1 January 2003	5,117	968	6,085
Additions at cost	9,957	1,216	11,173
As at 31 December 2003	15,074	2,184	17,258
<i>Accumulated depreciation</i>			
At 1 January 2003	141	159	300
Charge for year	2,850	437	3,287
As at 31 December 2003	2,991	596	3,587
<i>Net book value</i>			
At 31 December 2002	4,976	809	5,785
At 31 December 2003	12,083	1,588	13,671

The net book value at 31 December 2003 represents the fixed assets used primarily for activities to generate funds and managing and administering the charity.

9. Investments

	2003 £	2002 £
Market value at 1 January 2003	558,492	291,756
Acquisitions at cost	-	270,000
Sales proceeds from disposals	(20,000)	(20,000)
Dividends received in the year and reinvested	20,381	16,736
Market value at 31 December 2003	558,873	558,492
Historical cost as at 31 December 2003	558,873	558,492

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.

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2003

10. Debtors

	2003	2002
	£	£
Other debtors	416	-
Amounts due from Hilton Group	20,141	34,386
Prepayments and accrued income	82,326	1,775
Income tax recoverable	164	165
	<u>103,047</u>	<u>36,326</u>

11. Creditors: amounts falling due within one year

	2003	2002
	£	£
Grants payable (note 7)	151,160	154,060
Other creditors	28,381	25,786
Accruals	56,046	25,833
	<u>235,587</u>	<u>205,679</u>

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

	2003	2002
	£	£
One Grant payable to Outward Bound Trust (note 7)	<u>13,000</u>	<u>26,000</u>

HILTON IN THE COMMUNITY FOUNDATION

Notes to the financial statements for the year ended 31 December 2003

13. Funds

	At 1 Jan 2003	Income	Expend- iture	Transfers	At 31 Dec 2003
	£	£	£	£	£
Restricted funds					
Anthony Harris Memorial Fund (1)	-	42,865	-	-	42,865
Designated funds					
Disaster Relief Fund (2)	175,596	56,968	-	-	232,564
Hotel Nomination Fund (3)	55,772	113,936	(36,460)	-	133,248
LivingWell Fund (4)	-	34,497	(34,497)	-	-
Regional Schools Food Technology Unit Fund (5)	100,000	-	-	-	100,000
Capital Fund (6)	5,785	-	-	7,886	13,671
	337,153	205,401	(70,957)	7,886	479,483
General reserve (7)	143,415	700,335	(709,274)	(7,886)	126,590
	480,568	948,601	(780,231)	-	648,938

Notes

(1) *Anthony Harris Memorial fund* – during the year, the trustees launched an appeal in memory of Anthony Harris, the founder of the charity, who tragically died in March 2003. The fund will be used to fund long term charitable projects that are felt particularly to represent his interests and thus provide a suitable lasting legacy to his charitable work.

(2) *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.

(3) *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.

(4) *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 2003, LivingWell continued to support 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.

(5) *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.

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

(7) *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 2003

14. Analysis of net assets between funds

Fund balances at 31 December 2003 are represented by:	Restricted funds £	Designated funds £	General Funds £	Total £
Tangible fixed assets	-	13,671	-	13,671
Investments	-	470,386	88,487	558,873
Current assets	42,865	32,846	249,270	324,981
Current liabilities	-	(37,420)	(198,167)	(235,587)
Long term liabilities	-	-	(13,000)	(13,000)
Total net assets	42,865	479,483	126,590	648,938

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.