

# **HILTON IN THE COMMUNITY FOUNDATION**

**Annual report and financial statements  
Year ended  
31 December 2006**

Charity Number: 1084220

**HILTON IN THE COMMUNITY FOUNDATION**  
**REPORT OF THE BOARD OF TRUSTEES**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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**HILTON IN THE COMMUNITY FOUNDATION****REPORT OF THE BOARD OF TRUSTEES****FOR THE YEAR ENDED 31 DECEMBER 2006****REFERENCE AND ADMINISTRATION DETAILS****Foundation President**

Ian Carter  
(appointed 15 June 2006)

David Michels  
(appointed November 2000, resigned 15 June 2006)

**Board of Trustees**

Hugh Taylor, Chairman  
(appointed 17 May 2006) \*

Wolfgang M Neumann, Chairman  
(appointed 28 March 2003, appointed Chairman 8 May 2004,  
resigned 17 May 2006) \*

Peter Anderson  
(appointed 8 May 2003, reappointed 20 April 2005) \*\*

The Rt Hon Lord Paddy Ashdown  
of Norton-sub-Hamdon GCMG KBE PC  
(appointed 15 December 2006)\*\*

Keith Burnet  
(appointed 24 November 2005, resigned 15 September 2006)\*

Ramesh Dewan  
(appointed 3 September 2004) \*\*

William Differ  
(appointed 15 December 2006) \*\*

Howard Friedman  
(appointed 8 September 2005, resigned 12 February 2007) \*

Anji Hunter  
(appointed 8 May 2003, reappointed 20 April 2005) \*\*

Desmond Nichols  
(appointed 15 September 2006)\*\*

Tahir Mohsan  
(appointed 12 December 2002, reappointed 26 November 2004)\*\*

Dame Maureen Thomas DBE  
(appointed 17 November 2000, reappointed 12 December 2002,  
reappointed 20 April 2005) \*\*

Simon Vincent (appointed 12 February 2007)

\* *Hilton International nominated Trustees*

\*\* *Independent co-opted Trustees*

**Director**

Simon Sheehan  
(appointed 1 October 2004)

**Registered Name**

Hilton in the Community Foundation  
Registered Charity No. 1084220

**Registered office**

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

**Principal office**

Hilton in the Community Foundation  
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Website: [www.hilton-foundation.org.uk](http://www.hilton-foundation.org.uk)

**Solicitors**

Berwin Leighton Paisner  
Adelaide House  
London Bridge  
London  
EC4R 9HA

**Auditors**

Knox Cropper  
8/9, Well Court  
London  
EC4M 9DN

**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 2006**

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

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 2006.

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

#### ***TRUSTEES***

The Trustees who served during the year to 31 December 2006 are listed on page 2.

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.

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. Co-opted Trustees are identified by fellow trustees or individuals within Hilton International.

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. Trustee Indemnity Insurance, as agreed with the Charity Commission, is covered by the annual grant from Hilton International.

The Foundation has a formal procedure for inducting Trustees to ensure that they are fully familiar with past history and current strategies and activities. Training is provided at the request of Trustees. On an ongoing basis, pertinent Charity Commission briefings as well as Foundation updates, including a quarterly update, are provided to all Trustees.

#### ***HILTON RELATIONSHIP***

The Foundation is intricately linked to and supported by Hilton International. As Hilton International's nominated charity, the Foundation is allowed access to fundraise within Hotels, Clubs and Support Offices to guests, suppliers, contacts and employees. The support provided by Hilton International to the Foundation takes many forms, including the permanent secondment of five employees to run the Foundation and the provision of hotel and conference facilities for fundraising events without charge, or at discounted rates. No remuneration is paid to Hilton or Hilton personnel in respect of their participation in fundraising activities. All decisions concerning the Foundation and its grant giving are taken by the Trustees or their appointed committees and are independent from Hilton International.

Under the terms of a Funding Agreement, signed 7<sup>th</sup> July 2006, Hilton International makes an annual donation to meet the Foundation's core administration costs so that the Foundation's net fundraising income can be used to make grants for charitable purposes. The Funding Agreement will continue in force unless and until terminated by either party giving no less than 15 months' written notice of termination to expire no earlier than 31 December 2010. The Foundation's Reserves Policy has been adjusted to reflect this financial security.

Any Trustee of the Foundation who is an employee of Hilton International or any company associated with Hilton International withdraws from any Foundation meeting at which the relationship with Hilton International is discussed or reviewed.

A Commercial Participatory Agreement was signed on 7<sup>th</sup> July 2006 between the Foundation and Hilton International to formalise fundraising and volunteering activities of Hilton personnel for and on behalf of the Foundation.

## HILTON IN THE COMMUNITY FOUNDATION

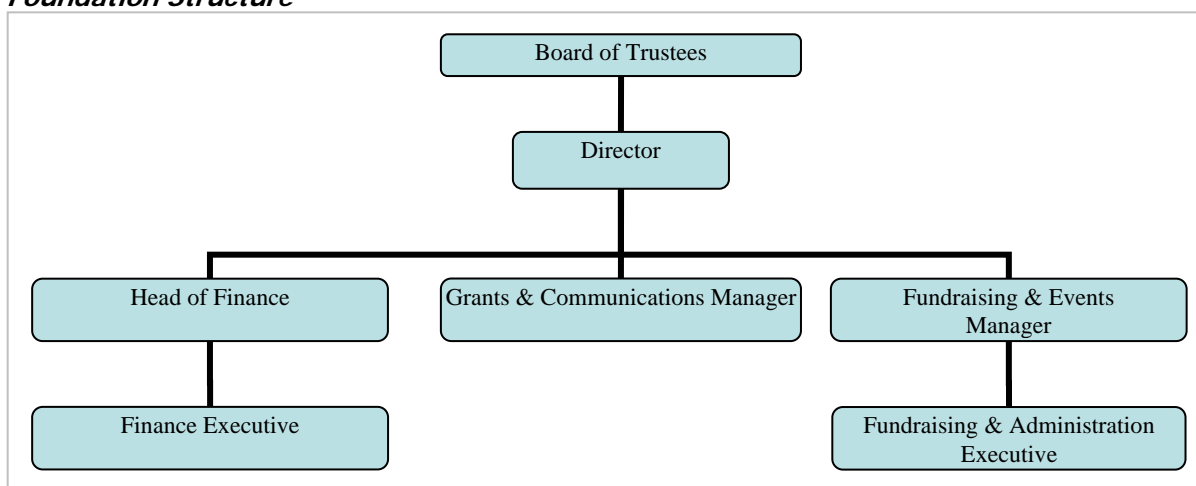
### REPORT OF THE BOARD OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2006

#### **ORGANISATION**

The Trustees meet quarterly as a full Board. Subcommittees are formed for specific functions, including grants and events. Whilst the strategic direction is decided by the Trustees, the day-to-day decision making process has been delegated to the Director of the Foundation within specific parameters.

#### **Foundation Structure**



#### **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 Director and his staff review all applications. Those confirmed as being beyond the remits set out by the Trustees are rejected and the applicants informed. Those applications under £5,000, and, after review, felt to be within the parameters of the Foundation, are approved by the Director. Those applications within the funding parameters of the Foundation and over £5,000 are submitted to the Grants Committee for consideration. This Committee, under the chairmanship of a Trustee, is responsible for assessing each request and calling for additional information as may be necessary. Cases are then rejected, deferred, approved (if requests are under £10,000) or submitted to the full Board of Trustees for endorsement (if requests are over £10,000).

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 can be authorised for periods of up to three 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 £1,314,589 (2005 : £1,268,706) an increase of 4%. 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 or constructive commitment exists.

**HILTON IN THE COMMUNITY FOUNDATION****REPORT OF THE BOARD OF TRUSTEES****FOR THE YEAR ENDED 31 DECEMBER 2006*****INVESTMENT POLICY***

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. The Trustees do not consider high risk or speculative investments as being suitable to invest the charity's reserves and therefore avoid such types of investments.

The charity sometimes needs to react very quickly in awarding grants to local charities and to particular emergencies in regards to disaster relief. Therefore, the Trustees have adopted a policy of keeping at least 50% of its reserves in short-term deposits that can be accessed readily. The remaining 50% of reserves are held in various medium-long term investments. It is the charity's policy to hold investments in ethical industries.

***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. With a Funding Agreement in place with Hilton International until at least 2010 the Trustees have reduced the minimum level of reserves for financial security to six months of administration costs, currently about £40,000.

***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 the Charity's exposure to such risks. A Commercial Participatory Agreement was signed on 7<sup>th</sup> July 2006 to mitigate the risk to the Foundation from the fundraising activities held for and on behalf of the Foundation by Hilton International and its team members.

**OBJECTIVES AND ACTIVITIES**

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***

Hilton in the Community Foundation is committed to supporting those most in need to have a brighter future. Focusing on young people, the Foundation supports activities in education and health to relieve suffering and equip individuals. At times of humanitarian disaster, the Foundation also quickly responds to support relief efforts in affected areas.

The Trustees determined that the principal focus should be directed towards three broad areas of charitable need, namely:

- Young people and health
- Young people and education
- Disaster relief

Grant giving is primarily restricted to charities operating within the UK and Ireland. However through the Disaster Relief remit and on specific long-term development projects in the areas of education and health, grants are made to international charities working in areas where Hilton has a presence.

## **HILTON IN THE COMMUNITY FOUNDATION**

### **REPORT OF THE BOARD OF TRUSTEES**

#### **FOR THE YEAR ENDED 31 DECEMBER 2006**

##### ***REVIEW OF ACTIVITIES***

2006 was another successful year for the Foundation where grant giving increased by 4% reaching 347,687 young people, income increased by 20% and administration cost reduced to 15% of income.

The cost of generating funds was 16% of income (2005 : 14%). Activities included sponsored events, staff socials, fundraising dinners, raffles and payroll giving. The Foundation Ball held at London Hilton on Park Lane was a notable success, raising income of £275,724 (£215,742 net surplus) (2005 : *income £283,874 and net surplus £211,245 after debtor adjustment*). Other regional balls held in aid of the Foundation raised a further £292,459 (2005 : £100,232).

A fundraising target of £572,165 was set for the 72 Hilton Hotels and support offices in the UK and Ireland. £564,635 (99%) was reached (2005 : *target £495,110 and achieved £357,396 - 72%*). Hilton Craigendarroch came top of the league table, raising £3,368.32 (281% of their target). Although a transition year for Hilton International (with its purchase by Hilton Hotel Corporation from parent company, Hilton Group, and the sale of stand-alone LivingWell clubs), Hilton Hotels and LivingWell Clubs throughout the UK and Ireland undertook numerous imaginative fundraising activities to reach this target. This voluntary activity by Hilton team members equates to over 15,000 volunteering hours (at least 4 hours per week per hotel).

To maintain the growth in fundraising and to broaden the appeal and support from non-Hilton sources, the Trustees further refined the Fundraising strategy to include:

1. Building upon the 5 fundraising "products" (Small Change, Big Difference Campaign; Payroll Giving; HCF Balls; Staff and Family Rates; and Hotel Fundraising) and explore ways in which earnings can be enhanced from each area of activity.
2. Identifying a small number of additional income streams that can each, in their own right, contribute significant funds to the Foundation.
3. Better organise the Foundation for future fundraising to oversee the development of these existing and new initiatives through reconfiguration and by the creation of an additional post.
4. Strengthening the Board of Trustees by seeking representation from high profile individuals with complimentary skills and standing to those of the existing Board members.

Following the successful reduction in reserves in 2005 and with the expected increase in fundraising in 2006, the Trustees instructed the Foundation to again match the 2005 levels of grant giving. The Foundation therefore continued to develop its charitable giving programme, improving grant procedures, and proactively building key partnerships with both national and local charities. In 2006, 226 grants to 178 charities, totalling £1,314,589 (119% of the 2006 grant fund, 92% of charitable income for 2006) benefiting 347,687 young people, were awarded, an average of £3.78 per person (2005: *170 grants to 145 charities totalling £1,268,706 benefiting more than 90,000 young people*).

**HILTON IN THE COMMUNITY FOUNDATION**

**REPORT OF THE BOARD OF TRUSTEES**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

The Foundation endeavours to have an open and clear application process, ensuring national coverage of grant giving. The following summaries grant giving for 2006.

Grant Decision Making Process	2006 Amount	2006 Percentage	2005 Amount	2005 Percentage
Total applications and requests received in year (excluding 303 raffle requests)	457	-	56	-
Received applications approved by Director (including sponsored and LivingWell grants)	188	41%	138	25%
Received applications reviewed by Grants Committee	68	15%	44	8%
Reviewed applications approved by Grants Committee (excluding those referred to Trustees)	10	67%	29	66%
Received applications reviewed by Trustees (excluding 2 Disaster Relief and campaign applications)	26	6%	20	4%
Reviewed applications approved by Trustees	26	100%	18	90%
Approved applications (excluding 2 Disaster Relief and campaign applications)	224	49%	165	29%

Remit	No. of Grants	Amount Requested	Amount Awarded	No. of Beneficiaries	Proportion of Grants	Proportion of Request Awarded	Proportion of Funds Awarded	Proportion of Beneficiaries
Young People & Education	125	£1,094,598	£668,255	177,841	55.5%	61%	50.8%	51%
Young People & Health	99	£913,186	£646,102	164,846	43.5%	71%	49.1%	48%
Disaster Relief	2	£232	£232	5,000	1.0%	100%	0.1%	1%
<b>Total</b>	<b>226</b>	<b>2,008,016</b>	<b>1,314,589</b>	<b>347,687</b>	<b>100%</b>	<b>65%</b>	<b>100%</b>	<b>100%</b>

## HILTON IN THE COMMUNITY FOUNDATION

### REPORT OF THE BOARD OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2006

Grant Type	No. of Grants	Amount Awarded	No. of Beneficiaries	Proportion of Grants	Proportion of Funds	Proportion of Beneficiaries
£1 on the Room	2	£202,028	1,880	1%	15%	<1%
Central Grants	68	£699,489	174,098	30%	53%	50%
Disaster Relief Grants	1	£132	n/a	0.5%	<1%	n/a
Emergency Fund	0	£0	0	0%	0%	0%
LivingWell Grants	1	£17,462	380	0.5%	1%	<1%
Regional Schools Food Technology Unit	0	£0	0	0%	0%	0%
Restricted	6	£203,963	2,250	3%	16%	<1%
Sponsored Grants	148	£191,515	169,079	65%	15%	49%
<b>Total</b>	<b>226</b>	<b>1,314,589</b>	<b>347,687</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Regional Spread	No. of Grants	Amount Requested	Amount Awarded	No. of Beneficiaries	Proportion of Grants	Proportion of Request Awarded	Proportion of Funds Awarded	Proportion of Beneficiaries
Nationwide	50	£919,077	£540,599	258,454	22%	59%	41%	74%
Ireland	4	£8,800	£8,800	1,236	2%	100%	1%	<1%
London	28	£479,204	£271,239	17,654	12%	57%	21%	5%
Midlands	18	£43,862	£43,862	1,125	8%	100%	3%	<1%
North	30	£138,721	£111,785	34,249	13%	81%	9%	10%
Northern Ireland	3	£7,200	£7,200	810	1%	100%	<1%	<1%
Scotland	38	£189,062	£129,202	6,377	17%	68%	10%	2%
South East	41	£165,615	£135,739	15,107	18%	82%	10%	4%
South West	8	£18,013	£32,011	3,920	4%	178%	2%	1%
Wales	4	£20,868	£16,558	8,375	2%	79%	1%	2%
International	2	£17,594	£17,594	380	1%	100%	1%	<1%
<b>Total</b>	<b>226</b>	<b>2,008,016</b>	<b>1,314,589</b>	<b>347,687</b>	<b>100%</b>	<b>65%</b>	<b>100%</b>	<b>100%</b>

## HILTON IN THE COMMUNITY FOUNDATION

### REPORT OF THE BOARD OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2006

Project Type	No. of Grants	Amount Requested	Amount Awarded	No. of Beneficiaries	Proportion of Grants	Proportion of Request Awarded	Proportion of Funds Awarded	Proportion of Beneficiaries
Activity Courses	29	£353,246	£176,164	28,649	13%	50%	13%	8%
Arts & Culture	16	£109,478	£53,793	18,831	8%	49%	4%	5%
Awareness Education	29	£338,728	£192,382	138,010	13%	57%	15%	40%
Community Projects	18	£56,298	£24,786	33,145	8%	44%	2%	10%
Disaster Relief	1	£132	£132	n/a	<1%	100%	<1%	n/a
Equipment	57	£186,483	£187,581	15,742	25%	101%	14%	5%
General Donation	21	£63,260	£63,260	107,021	9%	100%	5%	31%
Hospice & Palliative Care	21	£366,131	£357,333	3,245	9%	98%	27%	1%
Refurbishments	10	£83,440	£83,810	1,063	4%	101%	6%	<1%
Respite Holidays	10	£27,685	£14,185	338	4%	51%	1%	<1%
Salaries	3	£249,799	£91,017	522	2%	36%	7%	<1%
Training	11	£173,336	£70,146	1,121	5%	40%	5%	<1%
<b>Total</b>	<b>226</b>	<b>2,008,016</b>	<b>1,314,589</b>	<b>347,687</b>	<b>100%</b>	<b>65%</b>	<b>100%</b>	<b>100%</b>

Hilton Hotels were given the deadline of July 2006 to nominate a local charity to receive a grant from 2005 Hotel Nominated Funds. If a suitable charity was not identified by this point, then the balance on the individual hotel's funds was transferred to general reserves to be distributed through the central grant process. This deadline elicited 101 grants for the remaining 2005 funds to 94 charities totalling £117,299 and £139,900 from 2006 funds, a total of £257,199 (*in 2005 110 grants totalling £257,795*) and directly promoted positive local relationships with charities and benefiting 60,493 young people.

## HILTON IN THE COMMUNITY FOUNDATION

### REPORT OF THE BOARD OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2006

*Evaluation of 2006 Objectives*

Objective	Activities	Result
Develop five year objective and strategy	<ul style="list-style-type: none"> <li>• Trustee workshop</li> <li>• Objective and Strategy document</li> </ul>	<ul style="list-style-type: none"> <li>• Vision and strategy endorsed 16 March</li> <li>• Fundraising strategy endorsed 23 June</li> </ul>
Investigate international expansion of fundraising and grant giving	<ul style="list-style-type: none"> <li>• Feasibility study commissioned</li> <li>• Explore synergies with charitable arm of Hilton Hotel Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• International giving extend beyond Disaster relief to long-term education and health projects endorsed 15 December</li> </ul>
Maintain level of grant giving	<ul style="list-style-type: none"> <li>• £1,250,000 distributed in grants</li> </ul>	<ul style="list-style-type: none"> <li>• £1,314,589 grants distributed in 2006</li> </ul>
Improved grant giving	<ul style="list-style-type: none"> <li>• Compare grant giving procedures against industry best practice standards</li> </ul>	<ul style="list-style-type: none"> <li>• Information sharing through the Association of Charitable Foundations' networks</li> <li>• Grant staff training on analysis of financial accounts</li> <li>• Further refinements of application form</li> </ul>
Improve grant monitoring	<ul style="list-style-type: none"> <li>• Introduce system of spot audits for large grants</li> <li>• Target of 75% of grant reports received within 3 months of expiry of grant</li> <li>• Develop indicators for measuring impact of grants</li> </ul>	<ul style="list-style-type: none"> <li>• 32% of central grants in 2005 have already returned grant report forms.</li> <li>• 347,687 young people benefited from the grants made in 2006, a 206% increase (2005 : 113,592 young people). Ensuring this number of young people are reached has become part of the reporting process for Central Grants.</li> <li>• Given the wide plethora of grants, further development of consolidated impact measurements are needed including the number of young people returning to formal education, number receiving informal training, number returning to the workforce.</li> </ul>
Develop longer-term grant partnerships	<ul style="list-style-type: none"> <li>• Three year funding awarded to over 10% of grantees</li> </ul>	<ul style="list-style-type: none"> <li>• Only 1% of grants awarded over three years. Additional grantees are encouraged to apply for second/third year funding once they have demonstrated first year results.</li> </ul>
Reduce fundraising as a percentage of income	<ul style="list-style-type: none"> <li>• Review of expenditure</li> <li>• Increase donations in kind</li> <li>• Increase income</li> </ul>	<ul style="list-style-type: none"> <li>• With the increase in the number of events and payments through the Foundation (as opposed to receiving a net donation from external events), the percentage of fundraising to income increased to £210,782, 16% (2005 : 14%)</li> <li>• Net income increased by 4% from £1,268,707 to £1,314,589.</li> </ul>

**HILTON IN THE COMMUNITY FOUNDATION**

**REPORT OF THE BOARD OF TRUSTEES**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

Objective	Activities	Result
£1,364,500 raised	<ul style="list-style-type: none"> <li>• Foundation Champion workshop to support and motivate hotels and Clubs</li> <li>• Clear and consistent communications of grant giving</li> <li>• Improve support to fundraising activities</li> <li>• Increase involvement of Hilton International members in grantee liaison</li> </ul>	<ul style="list-style-type: none"> <li>• 56 out of 71 hotels attended the workshop in February 2006</li> <li>• Thanks to regular communications material about fundraising activities and grant giving, hotel involvement in grantee visits, as well as the Foundation Champion workshop, the Foundation experienced a noticeable increase in activity from the Foundation Champions in the hotels and resulted in £1,314,589 being raised in 2006 (£564,635 from hotels directly, a 57% increase on 2005).</li> </ul>
Increase payroll giving	<ul style="list-style-type: none"> <li>• Increase number of payroll givers to the Foundation from 2% to 5% of Hilton UK and Ireland workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Payroll Giving procedures changes so that the scheme is presented by Hilton Human resources and Foundation champions to avoid administration costs and to ensure correct representation of the Foundation activities. With the additional fundraising events in the Hotel payroll giving just becomes one mechanism for giving from the same pool of resources.</li> <li>• 40 new individuals started Payroll Giving in 2006 however the percentage of Hilton UK &amp; Ireland workforce remained at 2%</li> </ul>
Investigate legacy market	<ul style="list-style-type: none"> <li>• Feasibility study of entering legacy market</li> </ul>	<ul style="list-style-type: none"> <li>• A background document was presented to the Trustees on 15 September. Given the grant giving nature of the Foundation and the Hilton International connection of potential donors, it was felt that although the Foundation may lack the emotional pull compared to other charities that the Fundraising and Events Manager should investigate further in 2007.</li> </ul>

## HILTON IN THE COMMUNITY FOUNDATION

### REPORT OF THE BOARD OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2006

#### **FINANCIAL REVIEW**

Income from fundraising activities has increased by 25% to £1,272,644 (2005 : £1,017,758), whilst merchandising and investment income was £45,404 (2005 : £56,812).

Hilton International funding, which covers the core administration cost of the Foundation, was reduced this year to £71,271 (2005 : £72,146), following savings in administration. As well as providing office space and facilities, Hilton International provided five seconded staff to work in the Foundation and agreed to cover the cost for an additional senior post for fundraising, recruitment for which started in 2006. The staff costs involved were £153,939 (2005 : £135,467), making Hilton International's total financial commitment £225,210 (2005 : £207,613).

The charity's total income for the year was £1,543,258 (2005 : £1,282,183).

Expenditure on charitable activities increased to £1,415,746 (2005 : £1,361,355). At 31 December 2006 the charity's total fund balances were £372,366 a reduction of 36% (2005 : £579,543).

#### **RESTRICTED FUNDS**

Due to fundraising restrictions, the following funds exist:

- ***Tsunami appeal***  
Further small donations for this fund were received in 2006, and donated to Save the Children (£53,001 was donated to Children of Tapuaka and Save the Children in 2005, and £100,000 to the Daily Mail Fund in 2004.) In 2006 grants of £133 were made from this fund (100% of donations received).
- ***£1 on room campaign***  
The Small Change, Big Difference campaign was extended to run for an additional month in 2006. Launched in October 2006 for three months, Hilton guests in the UK and Ireland are asked to accept an optional £1 or €1 on their bill. Funds raised, net of marketing material costs, are awarded to the nominated charity(ies). Funds raised in Ireland remain in the Republic and are awarded to a nominated charity. In 2006 grants of £202,028 were made from this fund, an increase of £29,880, 17% (2005 : £172,148).
- ***BALL FUNDS***  
Each year, the Foundation Balls held in the Hilton Park Lane and the Hilton Glasgow, nominate a charity to which 50% of the net proceeds are donated. In 2006 the London Ball raised £107,539 for the Shooting Star Children's Hospice, and £30,740 was donated to the Prince and Princess of Wales Hospice from the proceeds of the Glasgow Ball.

#### **DESIGNATED FUNDS**

As part of the reserves policy, the Trustees decided to create the following designated funds:

- ***Disaster relief***  
The Trustees have designated a reserve of £150,000 per annum be set aside for disaster relief. This enables the Foundation to respond immediately to disasters in the communities that Hilton International 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. In 2006 no grants were made from this fund (2005 : £82,081).
- ***Hotel nominations***  
The Trustees have agreed that 50% of the funds raised by individual hotels can be used for grants to charities nominated by the respective hotel, subject to endorsement by the Trustees. Measures are in place to ensure that this fund is spent effectively and promptly. Should the hotel choose not to nominate a local charity then funds are distributed through the central grant making procedure. In 2006 grants of £257,199 were made from this fund (2005 : £257,795).

## HILTON IN THE COMMUNITY FOUNDATION

### REPORT OF THE BOARD OF TRUSTEES

#### FOR THE YEAR ENDED 31 DECEMBER 2006

- ***LivingWell***

The Trustees agreed in 2002 that the net income raised by LivingWell clubs should be designated for grants to charities nominated by LivingWell, subject to endorsement by the Trustees. On 9<sup>th</sup> August 2006, Hilton International sold the stand-alone LivingWell clubs and so the Trustees decided to include the fundraising efforts of the remaining in-hotel clubs within Hotel Nominations and de-designated the LivingWell fund. Prior to de-designation, in 2006 grants of £17,462 were made from this fund. (2005 £19,861).

- ***Regional Schools Food Technology Unit***

On 23 June the Trustees decided to de-designate this fund and transfer the remaining balance to General Reserves. Any new applications falling under this remit would be awarded grants from General Reserves if successful. Prior to de-designation, in 2006, no grants were made from this fund.

- ***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 about six months of administration expenditure.

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

#### **FUTURE DEVELOPMENTS**

The Foundation continues to strive towards its goal of raising a total Grant Fund of £10m by 2010 (At end of 2006 £4,520,456 has been raised - £356,000 (9%) ahead of plan). Key developments for 2007 will be: to identify and secure new sources of income; to maintain the level of support from our existing supporters; to continually improve grant giving and monitoring procedures; and to maintain transparent and efficient administration of the Foundation.

As well as additional fundraising balls in 2007, a new national event and a media campaign, the Foundation plans to again hold the Foundation Champion Workshop so that current levels of support are maintained, let alone increased. This will be supported throughout the year by road-shows and communication activities, which will be reviewed throughout the year so that they remain fresh and speak to our target audiences.

Our target for 2007 is to raise a grant fund of £1,400,000 gross, a 30% increase from 2006. This increase will primarily come from existing and new large black-tie events, a new national event. This planned increase will offset the loss of LivingWell income (£50K).

The Foundation's proposed 2007 budget has a 24% increase in overall expenditure, 109K. Excluding inflationary increases, all additional expenditure that is funded by Hilton International (Administration, Communications, Grant Administration and Salaries) is due to the costs associated with the new Fundraising and Events Manager post. Increases in non-Hilton funded expenditure, namely fundraising costs, are due to the planned additional events.

**HILTON IN THE COMMUNITY FOUNDATION****REPORT OF THE BOARD OF TRUSTEES****FOR THE YEAR ENDED 31 DECEMBER 2006*****2007 OBJECTIVES***

Objective	Target and Activities
Improved Grant Giving	<ul style="list-style-type: none"> <li>• £1,300,000 distributed in grants</li> <li>• Introduce system of spot audits for large grants</li> <li>• Develop indicators for measuring impact of grants</li> <li>• Compare grant giving procedures against industry best practice standards</li> <li>• Develop international grant giving programme</li> </ul>
£1,493,000 Grant Fund raised	<ul style="list-style-type: none"> <li>• Foundation Champion workshop to support and motivate hotels and Clubs</li> <li>• Clear and consistent communications of grant giving</li> <li>• Improve support to fundraising activities</li> <li>• Expand existing events through corporate sponsorship</li> <li>• Develop new events, including one national event, and other fundraising activities</li> <li>• Broaden the appeal to non-Hilton audiences and develop corporate partnerships</li> </ul>

**STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The Foundation's accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005, 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.

**HILTON IN THE COMMUNITY FOUNDATION**

**REPORT OF THE BOARD OF TRUSTEES**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**AUDITORS**

Knox Cropper 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**

Hugh Taylor  
**Chairman**

Peter Anderson  
**Trustee**

**9 March 2007**

**INDEPENDENT AUDITORS' REPORT**  
**TO THE TRUSTEES OF**  
**HILTON IN THE COMMUNITY FOUNDATION**

We have audited the financial statements of Hilton in the Community Foundation for the year ended 31 December 2006 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

This report is made solely to the charity's trustees, as a body, in accordance with Section 43 of the Charities Act 1993 and regulations made under Section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

The trustees' responsibilities 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 (contained within the Report of the Board of Trustees).

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 International Standards on Auditing (UK and Ireland).

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Board of Trustees. 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE TRUSTEES OF**  
**HILTON IN THE COMMUNITY FOUNDATION**

**OPINION**

In our opinion the financial statements:-

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Hilton in the Community Foundation's affairs as at 31 December 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

**8/9 Well Court**  
**London EC4M 9DN**  
**9 March 2007**

**Chartered Accountants**  
**Registered Auditors**

**HILTON IN THE COMMUNITY FOUNDATION**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 *(As Restated) £
<b>Incoming Resources</b>					
Incoming resources from generated funds					
Hilton International funding		71,271	-	71,271	72,146
Hilton donated staff costs		153,939	-	153,939	135,467
		225,210	-	225,210	207,613
<b>Activities for generating funds</b>					
Fundraising	3	877,531	395,113	1,272,644	1,017,758
Merchandising income	3	21,147	-	21,147	20,509
<b>Investment Income</b>					
Investment income & interest	4	24,257	-	24,257	36,303
<b>Total Incoming Resources</b>		1,148,145	395,113	1,543,258	1,282,183
<b>Resources Expended</b>					
Cost of generating voluntary income					
Fundraising trading:		231,956	58,982	290,938	224,333
Cost of goods sold and other costs		16,201	-	16,201	13,962
		248,157	58,982	307,139	238,295
Charitable expenditure					
Young People & Education		724,204	-	724,204	644,731
Young People & Health		350,107	340,307	690,414	546,926
Disaster Relief		995	133	1,128	169,698
		1,075,306	340,440	1,415,746	1,361,355
Governance		27,550	-	27,550	30,532
<b>Total Resources Expended</b>	5	1,351,013	399,422	1,750,435	1,630,182
Net (Outgoing) Resources for the year					
Transfers between funds		(202,868)	(4,309)	(207,177)	(347,999)
Fund balances brought forward at 1 January 2006		(4,250)	4,250	-	-
		579,484	59	579,543	927,542
<b>Fund balances carried forward at 31 December 2006</b>	12	£372,366	£ -	£372,366	£579,543

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

\* To comply with the Statement of Recommended Practice issued by the Charity Commission in March 2005 the corresponding amounts have been restated. The restatement is simply one of analysis. The results for the preceding year and reserves at the preceding year end are unaffected.

**HILTON IN THE COMMUNITY FOUNDATION****BALANCE SHEET****AS AT 31 DECEMBER 2006**

	Notes	2006 £	2005 £
<b>FIXED ASSETS</b>			
Tangible assets	8	3,514	4,355
Investments	9	326,782	420,473
		<u>330,296</u>	<u>424,828</u>
<b>CURRENT ASSETS</b>			
Debtors	10	139,827	141,164
Cash at bank and in hand		177,425	250,580
		<u>317,252</u>	<u>391,744</u>
<b>CREDITORS:</b> Amounts falling due within one year	11	272,182	237,029
<b>NET CURRENT ASSETS</b>		<u>45,070</u>	<u>154,715</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	11	3,000	-
<b>TOTAL NET ASSETS</b>		<u>£372,366</u>	<u>£579,543</u>
<b>FUNDS</b>			
Restricted funds		-	59
Unrestricted funds:			
Designated funds		293,420	388,217
General reserves		78,946	191,267
<b>TOTAL FUNDS</b>	12	<u>£372,366</u>	<u>£579,543</u>

The financial statements were approved by the Board on 9 March 2007 and signed on its behalf by:

Hugh Taylor  
**Chairman**

Peter Anderson  
**Trustee**

The notes on pages 20 to 28 form an integral part of these financial statements.

**HILTON IN THE COMMUNITY FOUNDATION****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2006****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 January 2005). 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 2005) issued by the Charity Commission March 2005.

**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 12 to the financial statements.

**1.3 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.

**1.4 Resources expended**

Expenditure is accounted for on an accruals basis. Expenditure is allocated by reference to its functional classification and not by type of expense. The expenditure heads in the statement of financial activities include both direct costs and allocated overheads. Overheads are apportioned 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.

Governance costs are those incurred in connection with the general running of the charity as opposed to the management and administration of its activities. They include costs relating to constitutional and statutory requirements.

Support costs comprise costs for processing grants and applications, including support to actual and potential applicants as well as costs associated with the management and administration of the charity's activities. These costs are allocated to activities on an actual basis where possible, by staff time or based on the number of grants awarded.

**1.5 Grants payable**

The grants awarded by the Trustees represent its charitable expenditure and 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 (Continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**1. ACCOUNTING POLICIES (Continued)**

**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 Value added tax**

The charity is not registered for value added tax, and therefore input tax is not recoverable. Non-recoverable value added tax, together with the expenditure to which it relates, is included as a separate item of expenditure under the relevant expenditure headings in the statement of financial activities.

**2. CASH FLOW STATEMENT**

A cash flow 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**

	<b>2006</b>	<b>2005</b>
	£	£
Hotel own fundraising	365,379	302,043
LivingWell own fundraising	21,546	7,860
The London Hilton on Park Lane ball	275,724	291,475
Other regional Foundation balls	292,459	100,232
Tsunami Appeal Income	72	49,467
General donations	102,144	94,933
Small Change Campaign	215,320	171,748
	1,272,644	1,017,758
Merchandising income	21,147	20,509
	£1,293,791	£1,038,267

**4. INVESTMENT INCOME**

Investment income receivable	15,645	26,342
Bank interest receivable	8,612	9,961
	£24,257	£36,303

**HILTON IN THE COMMUNITY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**5. TOTAL RESOURCES EXPENDED**

**Total Resources expended**

	Fundraising costs £	Merchandise costs £	Governance costs £	Charitable expenditure £	2006 Total £
Allocated Staff costs	66,352	2,535	10,324	74,728	153,939
Allocated Office costs	11,673	446	1,816	13,145	27,080
Allocated Communication costs	6,773	-	-	6,773	13,546
Direct expenditure	206,140	13,220	15,410	6,511	241,281
Grants	-	-	-	1,314,589	1,314,589
<b>Total 2006</b>	<b>£290,938</b>	<b>£16,201</b>	<b>£27,550</b>	<b>£1,415,746</b>	<b>£1,750,435</b>
<b>Total 2005</b>	<b>£224,333</b>	<b>£13,962</b>	<b>£30,532</b>	<b>£1,361,355</b>	<b>£1,630,182</b>

Staff and office costs are divided into the areas of activity of the charity : fundraising, merchandise sales, charitable expenditure and governance, on the basis of the cost of related staff time. Communication costs are divided equally between fundraising and charitable expenditure.

**Charitable Expenditure**

	Grants £	Allocated Staff Costs £	Allocated Office Costs £	Allocated Communication Costs £	Direct Costs £	2006 Total £
Young People & Education	668,255	41,331	7,271	3,746	3,601	724,204
Young People & Health	646,102	32,734	5,759	2,967	2,852	690,414
Disaster Relief	232	663	115	60	58	1,128
<b>Total 2006</b>	<b>£1,314,589</b>	<b>£74,728</b>	<b>£13,145</b>	<b>£6,773</b>	<b>£6,511</b>	<b>£1,415,746</b>
<b>Total 2005</b>	<b>£1,268,706</b>	<b>£64,944</b>	<b>£19,085</b>	<b>£7,568</b>	<b>£1,052</b>	<b>£1,361,355</b>

**Governance Costs**

	2006 £	2005 £
Allocated Staff costs	10,324	9,997
Allocated Office costs	1,816	2,938
Annual Report	6,345	6,789
Legal Fees	3,642	5,874
Trustee Meeting costs	960	1,034
Audit Fees	3,525	3,525
Trustee Insurance	938	375
	<b>£27,550</b>	<b>£30,532</b>

**Net (outgoing)/incoming resources are stated after charging:**

Auditors' remuneration – audit fees	3,525	3,525
Depreciation	3,310	7,005

**HILTON IN THE COMMUNITY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

6. **STAFF COSTS AND TRUSTEES' REMUNERATION**

	<b>2006</b>	<b>2005</b>
	£	£
Wages, salaries and redundancy costs	129,060	107,480
Social security costs	10,652	9,548
Pension costs	14,227	18,439
	<hr/>	<hr/>
	153,939	135,467
Agency staff & marketing consultant's costs	-	3,146
	<hr/>	<hr/>
	£153,939	£138,613
	<hr/>	<hr/>
The average number of full time equivalent employees during the year was:	5	4

During the year five members of staff employed by Hilton International were seconded to work for the Foundation, and the cost of their employment of £153,939 was met by Hilton International. No employee earned over £60,000 per annum.

During the year, the Trustees (2005: nil) did not receive any reimbursement of expenses, nor emoluments for their roles as Trustees. Trustee Indemnity Insurance of £938 was payable in 2006.

7. **GRANTS PAYABLE**

The amount payable in the year comprises:	<b>Grant Type</b>	<b>2006</b>
		£
<b>Young People &amp; Education</b>		
Grants equal or under £10,000		
101 Grants		227,760
Grants over £10,000		
Masterclass	Restricted	10,265
HopScotch Children's Charity	Central Grant	10,370
Help A Local Child	Restricted	10,535
Show Racism the Red Card	Central Grant	10,700
The No Way Trust Limited	Central Grant	11,000
Henry Tyndale School	Central Grant	12,000
Treloar Trust	Sponsored	12,000
Action for Kids	Central Grant	14,526
Rutland House School for Parents	Central Grant	15,000
Crisis Skylight Café	Central Grant	15,000
The Rugby Portobello Trust	Central Grant	16,000
Sheffield Cathedral	Central Grant	17,240
World Vision UK	LivingWell	17,462
John Grooms	Central Grant	18,991
Show Racism the Red Card	Central Grant	20,000
Medical Engineering Resource Unit	Central Grant	20,000
Dunedin School	Central Grant	20,000
The Venture Trust	Central Grant	20,527
AHOY	Central Grant	21,293
Weston Spirit	Central Grant	25,000
Henshaws Society for Blind People	Central Grant	25,234

**HILTON IN THE COMMUNITY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**7. GRANTS PAYABLE (CONTINUED)**

		<b>2006</b>
		£
Shelter	Central Grant	26,300
The Ark Foundation (Hospitality Action)	Central Grant	35,000
Help A Local Child	Restricted	36,052
		668,255
 <b>Young People &amp; Health</b>		
Grants equal or under £10,000		
88 Grants		143,776
Grants over £10,000		
Music in Hospitals	Central Grant	10,150
Eating Disorders Association	Central Grant	10,600
The Ear Foundation	Central Grant	11,564
Caxton Youth Organisation	Central Grant	12,363
Diabetes UK	Central Grant	17,500
Calvert Trust	Central Grant	22,550
Film It!	Central Grant	28,000
The Prince & Princess of Wales Hospice	Restricted	30,740
DebRA	Central Grant	55,490
The Shooting Star Children's Hospice	Restricted	107,539
Association of Children's Hospices (ACH)	£1 on Room	195,830
		646,102
 <b>Disaster Relief</b>		
Grants equal or under £10,000		
2 Grants		232
		232
 <b>2006 Grant Total</b>		
		£1,314,589
 <b>RECONCILIATION OF GRANTS PAYABLE :</b>		
	<b>2006</b>	<b>2005</b>
	£	£
Commitments at 1 January 2006	210,678	254,775
Commitments made in the year	1,314,589	1,268,706
Grants payable for the year	1,525,267	1,523,481
Grants paid during the year	(1,264,116)	(1,312,803)
Commitments at 31 December 2006	£261,151	£210,678
<b>Commitments at 31 December 2006 are payable as follows:</b>		
Within one year (note 11)	258,151	210,678
After one year (note 11)	3,000	-
	£261,151	£210,678

**HILTON IN THE COMMUNITY FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**8. TANGIBLE FIXED ASSETS**

	<b>Computers &amp; Other Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	£	£	£
<i>Cost or valuation</i>			
At 1 January 2008	13,705	3,776	17,481
Additions at cost	1,747	722	2,469
Disposals at cost	-	-	-
As at 31 December 2006	<u>15,452</u>	<u>4,498</u>	<u>19,950</u>
<i>Accumulated depreciation</i>			
At 1 January 2006	11,167	1,959	13,126
Charge for year	2,188	1,122	3,310
Disposals at cost	-	-	-
As at 31 December 2006	<u>13,355</u>	<u>3,081</u>	<u>16,436</u>
<i>Net book value</i>			
At 31 December 2006	<u>£2,097</u>	<u>£1,417</u>	<u>£3,514</u>
At 31 December 2005	<u>£2,538</u>	<u>£1,817</u>	<u>£4,355</u>

The net book value at 31 December 2006 represents the fixed assets used primarily for activities to generate funds and managing and administering the charity.

**9. INVESTMENTS**

	<b>2006</b>	<b>2005</b>
	£	£
Market value at 1 January 2006	420,473	687,081
Acquisitions at cost	175,000	450,000
Sales proceeds from disposals	(270,000)	(740,000)
Dividends received in the year and reinvested	1,309	23,392
Market value at 31 December 2006	<u>£326,782</u>	<u>£420,473</u>
Historical cost as at 31 December 2006	<u>£326,782</u>	<u>£420,473</u>

Investments are held in The Royal Bank of Scotland Global Treasury Sterling Fund, which invests in (near) cash instruments, and in Charity Aid Foundation Fixed Rate Selector accounts. There is no difference between the market value and historical cost of the funds.

**10. DEBTORS**

Prepayments and accrued income	89,701	110,885
Other debtors	50,126	27,779
Income tax recoverable	-	2,500
	<u>£139,827</u>	<u>£141,164</u>

**HILTON IN THE COMMUNITY FOUNDATION****NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2006**
**11. CREDITORS:  
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2006</b>	<b>2005</b>
	£	£
Grants payable (note 7)	258,151	210,678
Other creditors	3,285	7,600
Amounts due to Hilton International	433	5,708
Accruals	10,313	13,043
	<u>£272,182</u>	<u>£237,029</u>

**AMOUNTS  
FALLING DUE AFTER MORE THAN ONE YEAR**

Grants payable (note 7)	<u>£ 3,000</u>	<u>£ -</u>
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**12. FUNDS**

	<b>At 1 Jan 2006</b>	<b>Income</b>	<b>Expenditure</b>	<b>Transfers</b>	<b>At 31 Dec 2006</b>
	£	£	£	£	£
<b>RESTRICTED FUNDS</b>					
UK Small Change Campaign (1)	-	209,121	209,121	-	-
Eire Small Change Campaign (1)	-	6,198	6,198	-	-
*Park Lane Ball (2)	-	137,863	139,613	1,750	-
Glasgow Ball (2)	-	41,857	44,357	2,500	-
Tsunami Appeal (3)	59	74	133	-	-
	<u>59</u>	<u>395,113</u>	<u>399,422</u>	<u>4,250</u>	<u>-</u>
<b>DESIGNATED FUNDS</b>					
Disaster relief Fund (4)	150,000	-	-	-	150,000
Hotel Nomination Fund (5)	131,836	278,142	257,199	(12,873)	139,906
LivingWell Fund (6)	2,026	21,546	20,987	(2,585)	-
Regional Schools Food Technology Unit Fund (7)	100,000	-	-	(100,000)	-
Capital Fund (8)	4,355	-	-	(841)	3,514
	<u>388,217</u>	<u>299,688</u>	<u>278,186</u>	<u>(116,299)</u>	<u>293,420</u>
<b>GENERAL RESERVE (9)</b>	<u>191,267</u>	<u>848,457</u>	<u>1,072,827</u>	<u>112,049</u>	<u>78,946</u>
<b>TOTAL FUND BALANCE</b>	<u>£579,543</u>	<u>£1,543,258</u>	<u>£1,750,435</u>	<u>£ -</u>	<u>£372,366</u>

**HILTON IN THE COMMUNITY FOUNDATION****NOTES TO THE FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2006****12. FUNDS (Continued)**

- (1) *£1 on the room campaign fund* - The Small Change, Big Difference campaign was extended to run for an additional month in 2006. Launched in October 2006 for three months, Hilton guests in the UK and Ireland are asked to accept an optional £1 or €1 on their bill. Funds raised, net of marketing material costs, are awarded to the nominated charity(ies). Funds raised in Ireland remain in the Republic and are awarded to a nominated charity. In 2006 grants of £202,028 were made from this fund,
- (2) *Ball funds* - Each year, the Foundation Balls held in the Hilton Park Lane and the Hilton Glasgow, nominate a charity to which fifty percent of the net proceeds are donated. In 2006 the London Ball raised £107,539 for the Shooting Star Children's Hospice, and £30,740 was donated to the Prince and Princess of Wales Hospice from the proceeds of the Glasgow Ball.
- (3) *Tsunami appeal* - Further small donations for this fund were received in 2006, and donated to Save the Children (£53,001 was donated to Children of Tapuaka and Save the Children in 2005, and £100,000 to the Daily Mail Fund in 2004.) In 2006 a grant of £132 was made from this fund (100% of donations received).
- (4) *Disaster relief fund* - with nearly 400 hotels in the Hilton International network around the world, the Trustees established a disaster relief fund to provide help and expertise for disaster relief in the communities Hilton serves. Maximum annual grants of £150,000 are designated for this purpose.
- (5) *Hotel nomination fund* - the Trustees agreed that 50% of 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. Six months after the end of the fundraising target period remaining funds are transferred to General fund.
- (6) *LivingWell fund* - The Trustees agreed in 2002 that the net income raised by LivingWell clubs should be designated for grants to charities nominated by LivingWell, subject to endorsement by the Trustees. On 9th August 2006, Hilton International sold the stand-alone LivingWell clubs and so the Trustees decided to include the fundraising efforts of the remaining in-hotel clubs within Hotel Nominations and de-designated the LivingWell fund.
- (7) *Regional Schools Food Technology Unit* - On 23rd June 2006 the Trustees decided to de-designate this fund and transfer the remaining balance to General Reserves. Any new applications falling under this remit would be awarded grants from General Reserves if successful.
- (8) *Capital fund* - represents the net book value of tangible fixed assets and is therefore not available for other purposes.
- (9) *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 (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

13. **ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>Restricted Funds</b>	<b>Designated Funds</b>	<b>General Funds</b>	<b>Total</b>
	£	£	£	£
Fund balances at 31 December 2006 are represented by:				
Tangible Fixed Assets	-	3,514	-	3,514
Investments	-	289,906	36,876	326,782
Current Assets	-	-	317,252	317,252
Creditors	-	-	(275,182)	(275,182)
<b>TOTAL NET ASSETS</b>	<b>£ -</b>	<b>£293,420</b>	<b>£78,946</b>	<b>£372,366</b>

14. **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.