

HILTON IN THE COMMUNITY FOUNDATION

**Annual report and financial statements
Year ended
31 December 2008**

Charity Number: 1084220 (England & Wales) 38995 (Scotland)

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

REFERENCE AND ADMINISTRATION DETAILS

Foundation President

Ian Carter
(appointed 15 June 2006)

Board of Trustees

At date of approval of the financial statements

Simon Vincent, Chairman *
(appointed 12 February 2007, appointed Chairman 19 December 2007)

Peter Anderson **
(appointed 8 May 2003, reappointed 20 April 2005,
reappointed 9 March 2007)

Ramesh Dewan **
(appointed 3 September 2004, reappointed 9 March 2007)

William Differ **
(appointed 15 December 2006, reappointed 12 December 2008)

Stuart Dudley *
(appointed 4 April 2008)

Rudi Jagersbacher *
(appointed 12 December 2008)

Tahir Mohsan **
(appointed 12 December 2002, reappointed 26 November 2004,
reappointed 9 March 2007)

Dame Maureen Thomas DBE **
(appointed 17 November 2000, reappointed 12 December 2002,
reappointed 20 April 2005, reappointed 9 March 2007)

Former trustees who held office during the period up to the date the financial statements were approved

The Rt Hon Lord Paddy Ashdown of Norton-sub-Hamdon GCMG
KBE PC **
(appointed 15 December 2006, resigned 16 January 2008)

Desmond Nichols **
(appointed 15 September 2006, resigned 14 June 2008)

* *Hilton nominated Trustees (3 year position)*

** *Independent co-opted Trustees (2 year position)*

Director

Simon Sheehan
(appointed 1 October 2004)

Registered Name

Hilton in the Community Foundation
Registered Charity No. 1084220 (England
& Wales) 38995 (Scotland)

Principal office

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Website: 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 TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Trustees present their report together with the audited financial statements of Hilton in the Community Foundation (the "Foundation", or the "charity") for the year ended 31 December 2008.

Hilton in the Community Foundation is constituted under a trust deed dated 21 December 2000 and is a registered charity in England and Wales (No. 1084220) as well as in Scotland (Scottish Charity Register SCO 38995).

TRUSTEES

The Trustees who served during the year to 31 December 2008 and to the date the report was approved are listed on page 2.

Hilton International Co. ("Hilton") nominates at least two Trustees 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 Hilton or an associated company and are required to resign as nominated Trustees should they leave this employment.

The trust deed specifies that there shall be at least four co-opted Trustees. They are appointed or re-appointed by the Trustees and 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.

The Trustees are all unpaid volunteers in that capacity. A Trustee may receive reasonable and proper remuneration for professional 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.

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. As Hilton's nominated charity, the Foundation is allowed access to fundraise within Hotels and Support Offices to guests, suppliers, contacts and employees. The support provided by Hilton to the Foundation takes many forms, including the permanent secondment of seven employees to run the Foundation, office space and the provision of hotel and conference facilities for fundraising events without charge, or at discounted rates. No remuneration is paid by the Foundation 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.

Under the terms of a Funding Agreement, signed 7 July 2006, Hilton 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.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

HILTON RELATIONSHIP (Continued)

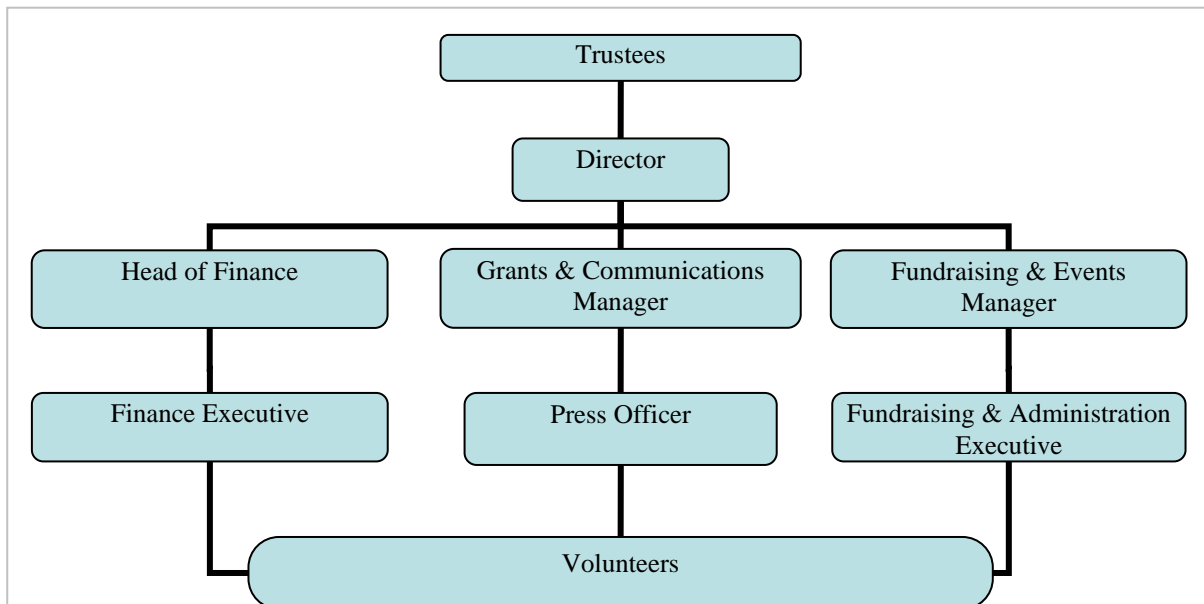
Any Trustee of the Foundation who is an employee of Hilton or any company associated with Hilton withdraws from any Foundation meeting at which the relationship with Hilton is discussed or reviewed.

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

ORGANISATION

The Trustees meet quarterly. 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



PRINCIPAL FINANCIAL MANAGEMENT POLICIES

The Foundation prepares an annual budget, which is approved by the Trustees. Monthly accounts are prepared and discussed with the finance committee to ensure that variances from the budget are monitored by the Board. Quarterly accounts are discussed at the Trustee meetings. Cash balances in excess of the Foundation's immediate requirements are placed on interest bearing deposit accounts.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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 within remit and under £5,000, and, after review, felt to be worthy of support are approved by the Director. A shortlist of the strongest 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 grant awards are under £10,000) or submitted to the Board for endorsement (if grant awards are over £10,000).

The Grants Committee has a further remit to examine the use 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 two years (prior to 2009 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 or support office may be disbursed to local causes, subject to endorsement and approval by the Director. To ensure a rapid response, Trustees may approve disaster relief grants between the regular scheduled meetings.

During the year, the Foundation awarded grants totalling £1,177,602 (2007: £1,270,009) a decrease of 7%. 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 commitment exists.

INVESTMENT POLICY

There are no restrictions on the charity's power to invest. However, the Trustees policy is to hold investments in ethical funds. The Trustees set the investment strategy after considering income requirements and the risk profile. 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 for 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 to long-term investments.

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 until at least 2010 the Trustees have reduced the average level of reserves for financial security to six months of administration costs, currently about £40,000.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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 July 2006 to mitigate the risk to the Foundation from the fundraising activities held for and on behalf of the Foundation by Hilton 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

The 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 and international fund

Grant giving is primarily focussed to charities operating within the UK and Ireland. However, through the Disaster Relief and International Fund, projects in the areas of education and health are supported by grants to UK based charities for use in areas outside the UK and Ireland.

REVIEW OF ACTIVITIES

2008 was another good year for the Foundation with grant giving totalling £1,177,602 (2007: £1,270,009) benefiting 169,702 young people; gross income increasing by 10% to £1,833,301 (2007: £1,666,561). Staff and administration costs, which are funded by Hilton, increased to 16% of the gross income stream (2007: 15%).

The cost of generating voluntary income funds increased to 23% of gross income (2007: 18%) due to increased event fundraising. 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 gross income of £465,926, and a £377,498 net surplus (2007: *income* £296,019 and *net surplus* £229,089). Other balls held in support of the Foundation raised a further net surplus of £292,295 (2007: £384,673).

A fundraising target of £650,470 was set for the 77 Hilton Hotels and support offices in the UK and Ireland. £664,745 (102%) was reached (2007: *target* £576,540 and *achieved* £759,808 - 132%). Hilton London Metropole came top of the league table, raising £57,871 (297% of its target). Hilton Hotels throughout the UK and Ireland undertook numerous imaginative fundraising activities to reach this target. This voluntary activity by Hilton team members equates to over 20,000 volunteering hours (at least 5 hours per week per hotel).

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
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REVIEW OF ACTIVITIES (Continued)

To maintain the growth in fundraising and to broaden the appeal and support from non-Hilton sources, the Foundation continued to implement the fundraising strategy, which includes:

1. Building upon the 5 fundraising “products” (Small Change, Big Difference Campaign; Payroll Giving; HCF Balls; Staff and Family Rates; and Hotel Fundraising) and exploring ways in which earnings can be enhanced from each area of activity. In 2008 the Small Change, Big Difference Campaign was trialled in seven mainland Europe hotels and two Asia-Pacific hotels raising a combined total of £12,337. 2009 plans include extending this campaign to other mainland Europe hotels.
2. Approaching corporations for financial and event support via Hilton connections.
3. Engage local community support via sponsorship events and grant giveaways.

The Foundation continued to develop its charitable giving programme, developing an international giving programme, improving grant procedures, and proactively building key partnerships with both national and local charities. In 2008, 294 grants to 210 charities, totalling £1,177,602 (95% of the 2008 grant fund) benefiting 169,702 young people, were awarded, an average of £6.94 per person (2007: 240 grants to 188 charities totalling £1,270,009 benefiting more than 1,501,498 young people, an average of £0.84 per person).

“Grant Giveaways” in partnership with local newspapers to identify local charitable causes were used as a mechanism by hotels to distribute their sponsored grants funds. This enabled the local selection committee to reach and identify small local community groups that could potentially receive support.

On 28 November 2007 the Foundation officially registered with the Office of the Scottish Regulator. Activities in Scotland for 2008 include the 12 Scottish Hotels and offices raising £143,259, representing 9.6% of fundraising income (2007: £116,174, 9% of fundraising income). This includes the largest fundraiser in Scotland, the Glasgow Ball, which raised £86,918 (2007: £48,509). Grants to charities located in Scotland, excluding grants to national charities, totalled £62,655, reaching 5,392 young people via 44 grants to 38 charities (2007: £72,000, reaching 5,619 young people via 46 grants to 41 charities). This represents 16% of our grants awarded and 5% of our funds awarded (2007: 19% of our grants awarded and 6% of our funds awarded).

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

The Foundation endeavours to have an open and clear application process. The following summarises grant giving for 2008. (2007 in brackets)

Grant Decision Making Process	2008 Amount	2008 Percentage	2007 Amount	2007 Percentage	2006 Amount	2006 Percentage	2005 Amount	2005 Percentage
Total applications and requests received in year	1007	-	628	-	457	-	552	-
Received applications approved by Director (including sponsored grants and campaigns)	260	26%	203	32%	188	41%	138	25%
Received applications reviewed by Grants Committee	64	6%	63	10%	68	15%	44	8%
Reviewed applications approved by Grants Committee (excluding those referred to Trustees)	16	25%	14	22%	10	15%	29	66%
Received applications reviewed by Trustees (excluding 4 grants from previous year or decision direct to trustee level)	15	1%	19	3%	26	6%	20	4%
Reviewed applications approved by Trustees	14	93%	19	100%	26	100%	18	90%
Approved applications (excluding 4 grants from previous year or decision direct to trustee level)	290	29%	236	38%	224	49%	185	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	163 (141)	£769,856 (£981,049)	£669,424 (£622,948)	34,335 (136,618)	55% (59%)	87% (63%)	57% (49%)	20% (9%)
Young People & Health	127 (93)	£679,563 (£728,385)	£400,686 (£514,490)	113,867 (1,360,947)	43% (39%)	59% (71%)	34% (40%)	67% (91%)
Disaster Relief & International Fund	4 (6)	£250,385 (£132,360)	£107,492 (£132,571)	21,500 (3,933)	2% (2%)	43% (100%)	9% (11%)	13% (0%)
Total	294 (240)	£1,699,804 (£1,841,794)	£1,177,602 (£1,270,009)	169,702 (1,501,498)	100% (100%)	69% (69%)	100% (100%)	100% (100%)

**HILTON IN THE COMMUNITY FOUNDATION
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Grant Type	No. of Grants	Amount Awarded	No. of Beneficiaries	Proportion of Grants	Proportion of Funds	Proportion of Beneficiaries
Central Grants	39 (68)	£353,550 (£604,019)	14,761 (1,481,254)	13% (28%)	30% (48%)	9% (99%)
Hotel Nominated Fund (sponsored grants)	175 (160)	£230,512 (£363,964)	87,486 (15,568)	60% (67%)	20% (29%)	52% (1%)
Disaster Relief & International Fund	2 (6)	£24,385 (£132,571)	700 (3,933)	1% (2.5%)	2% (10%)	1% (<1%)
Restricted (Events and Campaigns)	75 (6)	£393,025 (£169,455)	41,655 (743)	25% (2.5%)	33% (13%)	25% (<1%)
£1 on the room	3 (0)	£176,130 (£0)	25,100 (0)	1% (0%)	15% (0%)	14% (0%)
Total	294 (240)	£1,177,602 (£1,270,009)	169,702 (1,501,498)	100% (100%)	100% (100%)	100% (100%)

The hotels and support offices were given the deadline of July 2008 to nominate a local charity to receive a grant from 2007 Hotel Nominated Funds. If a suitable charity was not identified by this point, then the balance of the individual hotel's or support office's funds was transferred to general reserves to be distributed through the central grant process. This deadline elicited 111 sponsored grants in 2008 from the remaining 2007 funds, totalling £141,326 (2007: 110 sponsored grants in 2007 from the remaining 2006 funds, totalling £136,736) and directly promoted positive local relationships with charities and benefited 82,160 (2007: 10,813) young people.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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
UK wide	38 (48)	£425,943 (£747,610)	£446,713 (£518,536)	22,802 (1,444,595)	13% (20%)	105% (69%)	38% (41%)	13% (96%)
Republic of Ireland	10 (4)	£198,480 (£82,858)	£35,500 (£44,044)	768 (934)	3% (2%)	18% (53%)	3% (3%)	<1% (<1%)
London	27 (19)	£127,579 (£198,905)	£53,490 (£120,544)	2,842 (3,845)	9% (8%)	42% (61%)	5% (9%)	2% (<1%)
Midlands	39 (22)	£111,311 (£76,936)	£87,008 (£79,156)	2,218 (2,734)	13% (9%)	78% (103%)	7% (6%)	1% (<1%)
North	44 (40)	£182,549 (£151,769)	£131,784 (£107,871)	97,570 (16,729)	15% (17%)	72% (71%)	11% (8%)	57% (1%)
Northern Ireland	1 (1)	£1,239 (£2,330)	£1,239 (£2,330)	6 (25)	<1% (<1%)	100% (100%)	<1% (<1%)	<1% (<1%)
Scotland	44 (46)	£71,155 (£138,714)	£62,655 (£72,000)	5,392 (5,619)	15% (19%)	88% (52%)	5% (6%)	3% (<1%)
South East	72 (34)	£272,071 (£164,113)	£202,430 (£109,855)	15,089 (19,600)	24% (14%)	74% (67%)	17% (9%)	9% (1%)
South West	9 (12)	£35,048 (£61,926)	£24,248 (£30,440)	1,350 (1,771)	3% (5%)	69% (49%)	2% (2%)	1% (<1%)
Wales	5 (10)	£21,643 (£93,831)	£21,643 (£62,221)	165 (1,853)	2% (4%)	100% (66%)	2% (5%)	<1% (<1%)
International	5 (4)	£253,785 (£122,802)	£110,892 (£123,012)	21,500 (3,793)	2% (2%)	44% (100%)	9% (10%)	13% (<1%)
Total	294 (240)	£1,699,804 (£1,841,794)	£1,177,602 (£1,270,009)	169,702 (1,501,498)	100% (100%)	69% (69%)	100% (100%)	100% (100%)

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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	54 (59)	£218,181 (£616,356)	£182,656 (£401,619)	44,290 (9,757)	18% (25%)	84% (65%)	16% (32%)	26% (1%)
Arts & Culture	3 (3)	£63,180 (£3,409)	£23,180 (£1,859)	1,808 (240)	1% (1%)	37% (55%)	2% (<1%)	1% (<1%)
Awareness Education	29 (25)	£68,943 (£83,774)	£58,241 (£78,654)	6,141 (66,175)	10% (10%)	84% (94%)	5% (6%)	4% (4%)
Community Projects	15 (8)	£17,643 (£67,841)	£16,893 (£38,326)	60,545 (4,499)	5% (3%)	96% (56%)	1% (3%)	36% (<1%)
Disaster Relief	1 (4)	£40,000 (£75,159)	£40,000 (£75,369)	20,000 (353)	<1% (2%)	100% (100%)	3% (6%)	12% (<1%)
Equipment	98 (75)	£593,107 (£401,269)	£575,262 (£255,863)	28,019 (1,411,751)	33% (31%)	97% (64%)	49% (20%)	17% (94%)
General Donation	0 (11)	£0 (£17,169)	£0 (£17,169)	0 (450)	0% (5%)	NA (100%)	0% (1%)	0% (<1%)
Hospice & Palliative Care	13 (19)	£173,968 (£27,901)	£33,968 (£27,901)	1,727 (955)	4% (8%)	20% (100%)	3% (2%)	1% (<1%)
Refurbishments	21 (12)	£92,621 (£78,903)	£89,199 (£33,478)	3,537 (1,451)	7% (5%)	96% (42%)	8% (3%)	2% (<1%)
Respite Holidays	7 (2)	£233,241 (£213,287)	£27,302 (£212,142)	221 (73)	2% (1%)	12% (99%)	2% (17%)	<1% (<1%)
Salaries	1 (2)	£5,100 (£5,850)	£5,100 (£5,850)	120 (65)	<1% (1%)	100% (100%)	<1% (<1%)	<1% (<1%)
Therapy, Counselling or Other Treatment	40 (13)	£79,277 (£107,733)	£57,296 (£47,470)	2,797 (1,435)	14% (5%)	72% (44%)	5% (4%)	2% (<1%)
Training	12 (7)	£114,543 (£143,143)	£68,505 (£74,309)	497 (4,294)	4% (3%)	60% (52%)	6% (6%)	<1% (<1%)
Total	294 (240)	£1,699,804 (£1,841,794)	£1,177,602 (£1,270,009)	169,702 (1,501,498)	100% (100%)	69% (69%)	100% (100%)	100% (100%)

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

Evaluation of 2008 Objectives

Objective	Planned Activities	Result
Improved Grant Giving	<ul style="list-style-type: none"> • £1,250,000 distributed in grants • Maintain responsiveness and timeliness to increasing number of grant applications • Maintain geographical and thematic spread of grants • Improved grant monitoring 	<ul style="list-style-type: none"> • £1,177,601 distributed in grants – reduction due to decrease in income from fundraising activities and the desire to maintain a reserve for the first quarter of 2009 whilst fundraising activities start up. • Applications rose from 628 in 2007 to 1,007 in 2008 (excludes general enquires and raffle requests). All applicants received a response at most two weeks after the quarterly grant deadline. • Although central grants are dependent on which applicants are submitted, part of the short-listing process reviews the geographical spread of the applicants. Northern Ireland remains an area where we wish to increase our grant giving and in response a £10K give-away to local community groups is planned for the beginning of 2009. • 45 grant reports were due in 2008 from previous grants. 32 have been received (71%), 13 are over due (29%). From those received 25% exceed project targets; 22% met project targets; and 53% met project objectives but failed to reach the expected number of beneficiaries – providing a satisfactory explanation for the reduced numbers (2007: 32% of reporting grantees exceed project targets; 24% met project targets; and 44% met project objectives but failed to reach the expected number of beneficiaries).
Grant fund of £1,356,000 raised	<ul style="list-style-type: none"> • Increased income from the National Event, raising over £90,000 and increased participation from local community 	<ul style="list-style-type: none"> • Grant Fund of £1,242,591 was raised 92% of budget (3% increase on 2007). Gross income increasing by 10% to £1,833,301 (2007:£1,666,561). Shortfalls on budgeted income occurred due to Small Change, Big Difference and over expectations for the national event and corporate sponsorship. • National event raised a gross income of £67,629, a 51% increase on 2007 net income. By allowing 100% of net funds raised to be awarded to local causes, the hotels were encouraged to engage with their local community as well as their local charity partner, to increase participation.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

Objective	Planned Activities	Result
	<ul style="list-style-type: none"> • Increased proportion of Hilton suppliers supporting the Foundation. Target 25% (currently 9%) • Maintain level of income from hotels and support offices and existing supporters 	<ul style="list-style-type: none"> • Relationships with Hilton suppliers have been strengthened via a systematic approach working in conjunction with Hilton's Procurement team. This has translated to more financial and in-kind support as well as broadening the number of suppliers involved with the Foundation. Partnerships are also being sought with corporations building on the existing Hilton Sales relationships either around specific events or for longer-term funding partnerships. • A fundraising target of £650,470 was set for the 77 Hilton Hotels and support offices in the UK and Ireland. £664,745 (102%) was reached, – 27 (35%) hotels exceeding their individual target and 43 (56%) reached over 75% of their individual target.
Maintain present level of activity in Scotland	<ul style="list-style-type: none"> • Distribute approximately 20% of our grants in Scotland • Maintain support from Scottish hotels • Increase income from the Glasgow Ball by 10% • Promote activities in Scotland via regional media 	<ul style="list-style-type: none"> • £62,655 was distributed in Scotland via 44 grants (15% of grants made, 5% of funds awarded). This does not include an additional grant of £43,107 raised from the Glasgow Ball which was awarded to The Stewart & McKenna Foundation for its orphanage in Kenya. • The 12 Scottish hotels and offices with a target raised £66,341 (88% of their target) – 42% exceeding target and 67% raising over 75% of their target. This excludes an additional £76,918 from the Glasgow Ball. (In 2007 45% of hotels in Scotland exceeded their target, 73% of hotels reaching over 75% of their target). Scottish Hotels and offices raising £143,259, 9.5% of fundraising • The Glasgow Ball raised £86,918 (2007: £48,509) a 79% increase on 2007. This demonstrates the strength of the partnership with the beneficiary charity, The Stewart & McKenna Foundation. • 42 articles were published in Scottish publications, including a grant give-away in Dundee, which overall had an estimated Advertising Value Equivalent of £23,537.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

FINANCIAL REVIEW

Income from fundraising activities has increased by 11% to £1,501,053 (2007: £1,354,445), whilst investment income was £17,670 (2007: £21,464). There was no merchandising income this year (2007: £23,497).

Hilton funding, which covers the core administration cost of the Foundation, was increased this year to £84,297 (2007: £76,825). As well as providing office space and facilities, Hilton provided seven seconded staff to work in the Foundation. The staff costs involved were £217,281 (2007: £190,330), making Hilton's total financial commitment £301,578 (2007: £267,155).

The charity's total income for the year was £1,833,301 (2007: £1,666,561).

Expenditure on charitable activities decreased to £1,315,157 (2007: £1,384,800). At 31 December 2008 the charity's total fund balances were £368,156, an increase of 21% (2007: £303,167).

RESTRICTED FUNDS

Due to fundraising restrictions, the following funds exist:

- **£1 on room campaign**
The 2008 Small Change, Big Difference campaign was launched in October 2008 for three months. This year for the first time, seven mainland European hotels and two from the Asia-Pacific area also participated in the Campaign. Hilton guests are asked to accept an optional £1 or €1 or \$1 on their bill. Funds raised, net of marketing material costs, are awarded to the nominated charities: Save the Children's International Emergency Fund and Barretstown in the Republic of Ireland. The 2007 campaign in aid of Children with Leukaemia and Irish Autism Action, was extended until the end of January 2008.
- **Regional Ball Fund**
Each year, the Foundation Balls held in the London Hilton Park Lane and the Hilton Glasgow nominate a charity to which fifty percent of the net proceeds are donated. In 2008 the London Ball raised £377,498 for the Foundation and Lords Taverners' Disability Sports Appeal, whilst £86,918 was raised for the Foundation and The Stewart McKenna Foundation at the Glasgow Ball.
- **National Event Fund**
The Foundation's second, "Around the World in a Day", National Event was held in June 2008. This year, net funds raised by each hotel were donated to a local charity nominated by the hotel.
- **Marathon Fund**
Forty places for the London Marathon were obtained for Foundation runners, from Outward Bound and Treloars and four runners participated in the Great North Run in aid of DEBRA. The total amount of sponsorship raised was £61,074.

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

DESIGNATED FUNDS

As part of the reserves policy, the Foundation has the following designated funds:

- ***Dewan Foundation Fund***

The Dewan Foundation, established by Ramesh Dewan, a trustee of the Foundation, funded part of the costs of employing a PR Officer for six months. The PR officer is now a permanent member of staff, seconded by Hilton to work for the Foundation.

- ***Disaster Relief & International Fund***

The Trustees have designated a reserve of up to £150,000 per annum to be set aside for disaster relief, grants to UK based charities for use in areas outside the UK and Ireland and international grants. This enables the Foundation to respond immediately to disasters in the communities that Hilton serves worldwide. The Trustees 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 2007 this designated fund was extended to include grants for international projects operated by UK based charities falling under the Foundation's existing focus (Young People & Education and Young People & Health). Funds raised by hotels outside the UK and Ireland (other than restricted funds) are treated as income of this fund. In 2008 grants of £24,386 were made from this fund (2007: £125,370).

- ***Hotel nomination Fund***

The Trustees have agreed that 50% of the funds raised by individual hotels and support offices can be used for grants to charities nominated by the respective hotel or support office, subject to endorsement by the Trustees (the decision process is delegated to the Director). Measures are in place to ensure that this fund is spent effectively and promptly. Should the hotel or support office choose not to nominate a local charity then funds are distributed through the central grant making procedure. In 2008 grants of £230,830 were made from this fund (2007: £363,964).

- ***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.

- ***Hilton Administration Fund***

The fund reflects the unexpended balance on administration grants paid to the Foundation by Hilton.

GENERAL RESERVES

The Trustees consider that the average level of unrestricted funds not committed or invested in tangible fixed assets should represent six months of administration costs. The level of general reserves currently held is above the optimal identified by the Trustees but the Grants Committee, on a quarterly basis, take account of the level of general reserves and taper their awards accordingly.

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 2008**

FUTURE DEVELOPMENTS

The Foundation continues to strive towards its goal of raising a total Grant Fund of £10m by 2010. At end of 2008 £6,963,857 has been raised - 4% ahead of plan. Key areas for 2009 will be to extend fundraising to mainland Europe, engaging local hotels to adopt our model of grant giving where local charitable laws allow. Additionally as new properties are opened by Hilton, the Foundation will work with them to raise funds for local charitable causes. Our target for 2009 is to raise a grant fund of £849,900 and distribute grants totalling £850,000, a reduction on 2008 to reflect the difficult fundraising environment expected for 2009.

In response to the ever increase number of applicants received and a diminishing central grant fund the Foundation will trial the introduction of four key target groups to receive support under our current remits. It is hoped that this will enable the Foundation to have greater impact with its grant giving as well as save resources and revise expectations for those charities that the Foundation is not able to support by having greater defined remits. Selected in consultation with our Foundation Champions and Grants Committee these four target groups for 2009 are:

- Disabled children
- Children in hospital
- Homelessness
- Life-limited children in hospices

These groups will be reviewed from time to time. This new focus affects central grant applications and does not impact on sponsored grants, allowing the Foundation to still respond to local needs.

2009 OBJECTIVES

Objective	Target and Activities
Focused Grant Giving	<ul style="list-style-type: none"> • £850,000 distributed in grants • Introduction and monitoring of new grant focus for central grants
Grant fund of £849,900 to be raised	<ul style="list-style-type: none"> • Extend fundraising to mainland Europe hotels • Increased income from the National Event and increased participation from local community • Broaden support for Foundation events and grant giving from non-Hilton sources
Maintain present level of activity in Scotland	<ul style="list-style-type: none"> • Maintain overall support from Scottish hotels focusing more on local giving and volunteering • Fundraising decreased by 20% from Scottish Hotels

**HILTON IN THE COMMUNITY FOUNDATION
REPORT OF THE BOARD OF TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2008**

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.

Laws applicable to charities in England and Wales and in Scotland 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

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 Trustees

Simon Vincent
Chairman

Peter W Anderson
Trustee

Ramesh Dewan
Trustee

22 April 2009

**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 2008 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 2008).

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 Trustees).

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 Trustees 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 Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the 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.

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 2008 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.

**HILTON IN THE COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Incoming Resources					
Incoming resources from generated funds					
Voluntary income					
Hilton funding		84,297	-	84,297	76,825
Hilton donated staff costs		217,281	-	217,281	190,330
Dewan Foundation funding		13,000	-	13,000	-
		<u>314,578</u>	<u>-</u>	<u>314,578</u>	<u>267,155</u>
Activities for Generating Funds					
Fundraising	3	900,696	600,357	1,501,053	1,354,445
Merchandising income	3	-	-	-	23,497
Investment income & interest	4	17,670	-	17,670	21,464
		<u>1,232,944</u>	<u>600,357</u>	<u>1,833,301</u>	<u>1,666,561</u>
Total Incoming Resources					
Resources Expended	5				
Costs of generating funds					
Cost of generating voluntary income		354,716	67,116	421,832	307,274
Fundraising trading: Cost of goods sold and other costs		-	-	-	15,415
		<u>354,716</u>	<u>67,116</u>	<u>421,832</u>	<u>322,689</u>
Charitable expenditure					
Young People & Education		419,774	325,914	745,688	690,388
Young People & Health		303,572	156,534	460,106	558,972
Disaster Relief & International Fund		26,256	83,107	109,363	135,440
		<u>749,602</u>	<u>565,555</u>	<u>1,315,157</u>	<u>1,384,800</u>
Governance		31,323	-	31,323	28,271
		<u>1,135,641</u>	<u>632,671</u>	<u>1,768,312</u>	<u>1,735,760</u>
Total Resources Expended					
Net Incoming/(Outgoing) Resources for the year		97,303	(32,314)	64,989	(69,199)
Transfers between funds		(1,954)	1,954	-	-
Fund balances brought forward at 1 January 2008		190,301	112,866	303,167	372,366
Fund balances carried forward at 31 December 2008	12	<u>285,650</u>	<u>82,506</u>	<u>368,156</u>	<u>303,167</u>

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 2008**

	Notes	2008 £	2007 £
FIXED ASSETS			
Tangible assets	8	5,050	4,366
Investments	9	200,560	183,817
		205,610	188,183
CURRENT ASSETS			
Debtors	10	135,901	261,632
Cash at bank and in hand		159,818	98,813
		295,719	360,445
CREDITORS: Amounts falling due within one year	11	133,173	235,661
NET CURRENT ASSETS		162,546	124,784
CREDITORS: Amounts falling due after more than one year	11	-	9,800
TOTAL NET ASSETS		368,156	303,167
FUNDS			
Restricted funds		82,506	112,866
Unrestricted funds:			
Designated funds		177,538	180,842
General reserves		108,112	9,459
TOTAL FUNDS	12	368,156	303,167

The financial statements were approved by the Trustees on 22 April 2009 and signed on their behalf by:

Simon Vincent
Chairman

Peter W Anderson
Trustee

Ramesh Dewan
Trustee

The notes which follow form an integral part of these financial statements.

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

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 Charities Acts and Financial Reporting Standard for Smaller Entities (effective January 2008). 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 in March 2005.

1.2 Fund accounting

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

- *Restricted funds* are amounts which are subject to conditions imposed by the donor or which are collected for a specific purpose other than the general funds of the Foundation.
- *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 Foundation becomes entitled to the resource.

Hilton funding is limited by budget and based on actual costs calculated on an accruals basis. Hilton donated staff costs are the aggregate staff costs notified to the Foundation by Hilton and recognised on an accruals basis.

Fundraising income received from the hotels and support offices is recognised when notified by the hotels and support offices on an accruals basis. Other fundraising income, merchandising income and investment income are recognised on an accruals basis.

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.

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 Foundation'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. Staff and office costs are divided into the areas of activity of the Foundation: 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.

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.

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

4. INVESTMENT INCOME

	2008	2007
	£	£
Investment income receivable	9,753	10,716
Bank interest receivable	7,917	10,748
	<u>17,670</u>	<u>21,464</u>

5. TOTAL RESOURCES EXPENDED

	Fundraising costs	Merchandise costs	Governance costs	Charitable expenditure	2008 Total	2007 Total
	£	£	£	£	£	£
Allocated Staff costs	99,985	-	14,697	102,599	217,281	190,330
Allocated Office costs	24,527	-	3,605	25,167	53,299	33,187
Allocated Communication costs	6,166	-	-	6,167	12,333	9,668
Direct expenditure	291,154	-	13,021	3,622	307,797	232,566
Grants	-	-	-	1,177,602	1,177,602	1,270,009
Total 2008	<u>421,832</u>	<u>-</u>	<u>31,323</u>	<u>1,315,157</u>	<u>1,768,312</u>	<u>1,735,760</u>
Total 2007	<u>307,274</u>	<u>15,415</u>	<u>28,271</u>	<u>1,384,800</u>	<u>1,735,760</u>	

Staff and office costs are divided into the areas of activity of the Foundation: 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	Direct Costs	Allocated Staff Costs	Allocated Office Costs	Allocated Communication Costs	2008 Total	2007 Total
	£	£	£	£	£	£	£
Young People & Education	669,424	2,008	56,883	13,954	3,419	745,688	690,388
Young People & Health	400,686	1,565	44,320	10,871	2,664	460,106	558,971
Disaster Relief & International Fund	107,492	49	1,396	342	84	109,363	135,441
Total 2008	<u>1,177,602</u>	<u>3,622</u>	<u>102,599</u>	<u>25,167</u>	<u>6,167</u>	<u>1,315,157</u>	<u>1,384,800</u>
Total 2007	<u>1,270,009</u>	<u>5,130</u>	<u>89,263</u>	<u>15,564</u>	<u>4,834</u>	<u>1,384,800</u>	

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

5. TOTAL RESOURCES EXPENDED (CONTINUED)

Governance Costs	2008	2007
	£	£
Allocated Staff costs	14,697	12,351
Allocated Office costs	3,605	2,154
Annual Report	7,197	6,986
Legal Fees	-	-
Trustee Meeting costs	224	960
Audit and Accountancy Fees	4,025	4,245
Trustee Insurance	1,575	1,575
	<u>31,323</u>	<u>28,271</u>
 Net incoming/(outgoing) resources are stated after charging:		
Auditors' remuneration – audit fees	4,025	4,054
Depreciation	<u>2,871</u>	<u>2,052</u>

6. STAFF COSTS

	2008	2007
	£	£
Salary costs	185,384	161,638
Social security costs	16,954	14,911
Pension costs	14,943	13,781
	<u>217,281</u>	<u>190,330</u>
The average number of full time equivalent employees during the year was:	<u>7</u>	<u>6</u>

During the year seven full and part-time members of staff employed by Hilton were seconded to work exclusively for the Foundation, and the cost of their employment of £217,281 was met by Hilton. None of them were paid over £60,000 per annum.

TRUSTEES EMOLUMENTS AND RE-IMBURSEMENT OF EXPENSES

During the year, the Trustees received £nil reimbursement of expenses (2007: £75). No emoluments were paid to Trustees in 2007 or 2008. Trustee Indemnity Insurance of £1,575 was payable in 2008, the cost of which was covered by the administration grant from Hilton.

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

7. GRANTS PAYABLE

The amount payable in the year comprises:	Grant Type	2008 £
Young People & Education		
Grants equal or under £10,000		
152 Grants		219,922
Grants over £10,000		
Treloar Trust	Restricted	11,665
Living Paintings	Central	12,000
Ilderton Foundation	Central	12,739
Birmingham Focus on Blindness	Central	15,000
Help a South Wales Child	Sponsored	15,677
DEAFAX	Central	16,500
Freeman College	Central	19,965
Neuromuscular Centre	Central	20,000
Outward Bound Trust	Restricted	47,392
The Jigsaw Trust	Central	57,539
The Lord's Taverners Disability Sports Project	Restricted	221,025
		<u>669,424</u>
 Young People & Health		
Grants equal or under £10,000		
120 Grants		195,301
Grants over £10,000		
Autism Bedfordshire	Central	10,250
Debra Ireland	Central	10,990
Stick 'n' Step	Central	11,030
Music in Hospitals	Central	12,780
The Wallness Children's Charity - The Five Stars Scanner Appeal	Sponsored	13,589
Waverley Care	Central	17,000
Children with Leukaemia	Restricted	129,746
		<u>400,686</u>
 Disaster Relief & International Fund		
Hospices of Hope (Hospices of Hope Romania Ltd)	Central	10,000
Save the Children	Restricted	40,000
The Stewart & McKenna Foundation	Restricted	43,107
Eye Contact	Central	14,385
		<u>107,492</u>
 2008 Grant Total		<u><u>1,177,602</u></u>

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

7. GRANTS PAYABLE (CONTINUED)

	2008	2007
	£	£
RECONCILIATION OF GRANTS PAYABLE :		
Commitments at 1 January 2008	210,327	261,151
Commitments made in the year	1,177,602	1,270,009
Grants payable for the year	1,387,929	1,531,160
Grants paid during the year	(1,320,010)	(1,320,833)
Commitments at 31 December 2008	67,919	210,327
Commitments at 31 December 2008 are payable as follows:		
Within one year (note 11)	67,919	200,527
After one year (note 11)	-	9,800
	67,919	210,327

8. TANGIBLE FIXED ASSETS

	Computers & Other Equipment	Furniture & Fittings	Total
	£	£	£
<i>Cost or valuation</i>			
At 1 January 2008	18,237	4,498	22,735
Additions at cost	3,555	-	3,555
Disposals at cost	(9,686)	(1,278)	(10,964)
As at 31 December 2008	12,106	3,220	15,326
<i>Accumulated depreciation</i>			
At 1 January 2008	14,797	3,572	18,369
Charge for year	2,366	505	2,871
Disposals at cost	(9,686)	(1,278)	(10,964)
As at 31 December 2008	7,477	2,799	10,276
<i>Net book value</i>			
At 31 December 2008	4,629	421	5,050
At 31 December 2007	3,440	926	4,366

The net book value at 31 December 2008 represents the fixed assets used primarily for activities to generate funds and managing and administering the charity.

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

9. INVESTMENTS

	2008	2007
	£	£
Market value at 1 January 2008	183,817	326,782
Acquisitions at cost	100,000	-
Sales proceeds from disposals	(90,000)	(150,000)
Dividends received in the year and reinvested	6,743	7,035
Market value at 31 December 2008	<u>200,560</u>	<u>183,817</u>
Historical cost as at 31 December 2008	<u>200,560</u>	<u>183,817</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, and a Standard Life Fixed Rate Bond. There is no difference between the market value and historical cost of the funds.

10. DEBTORS

Accrued income due from Hilton	99,147	186,432
Accrued investment income	1,016	254
Prepayments	263	263
Income tax recoverable	4,200	-
Other debtors	31,275	74,683
	<u>135,901</u>	<u>261,632</u>

11. CREDITORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR

Grants payable (note 7)	67,919	200,527
Other creditors	31,210	26,271
Amounts due to Hilton	12,599	1,758
Accruals	21,445	7,105
	<u>133,173</u>	<u>235,661</u>

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Grants payable (note 7)	<u>-</u>	<u>9,800</u>
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12. FUNDS

**HILTON IN THE COMMUNITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	At 1 Jan 2008 £	Income £	Expenditure £	Transfers £	At 31 Dec 2008 £
RESTRICTED FUNDS					
£1 on the Room Campaign 2007(1)	109,867	26,263	136,130	-	-
£1 on the Room Campaign 2008(1)	-	131,702	54,084	-	77,618
Park Lane Ball (2)	-	269,064	268,920	-	144
Glasgow Ball (2)	-	52,278	52,326	48	-
National Event Fund 2007 (3)	2,999	545	3,544	-	-
National Event Fund 2008 (3)	-	58,820	56,452	-	2,368
Sponsored Event Fund 2008 (4)	-	61,074	61,215	1,906	1,765
Sponsored Event Fund 2009 (4)	-	611	-	-	611
	<u>112,866</u>	<u>600,357</u>	<u>632,671</u>	<u>1,954</u>	<u>82,506</u>
DESIGNATED FUNDS					
Dewan Foundation Fund (5)	-	13,000	13,000	-	-
Disaster Relief and International Fund (6)	19,843	505	24,386	4,038	-
Hotel Nomination Fund (7)	156,633	235,385	230,830	-	161,188
Capital Fund (8)	4,366	-	-	684	5,050
Hilton Administration Fund (9)	-	300,533	289,233	-	11,300
	<u>180,842</u>	<u>549,423</u>	<u>557,449</u>	<u>4,722</u>	<u>177,538</u>
GENERAL RESERVE (10)	<u>9,459</u>	<u>683,521</u>	<u>578,192</u>	<u>(6,676)</u>	<u>108,112</u>
	<u>190,301</u>	<u>1,232,944</u>	<u>1,135,641</u>	<u>(1,954)</u>	<u>285,650</u>
TOTAL FUND BALANCE	<u>303,167</u>	<u>1,833,301</u>	<u>1,768,312</u>	<u>-</u>	<u>368,156</u>

- (1) *£1 on the Room Campaign Fund* - The 2008 Small Change, Big Difference campaign was launched in October 2008 for three months. This year for the first time, seven mainland European hotels and two from the Asia-Pacific area also participated in the Campaign. Hilton guests are asked to accept an optional £1 or €1 or \$1 on their bill. Funds raised, net of marketing material costs, are awarded to the nominated charities: Save the Children's International Emergency Fund and Barretstown in the Republic of Ireland. The 2007 campaign in aid of Children with Leukaemia and Irish Autism Action, was extended until the end of January 2008.
- (2) *Regional Ball Fund* - 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 2008 the London Ball raised £377,498 for the Foundation and Lords Taverners' Disability Sports Project, whilst £86,918 was raised for the Foundation and The Stewart McKenna Foundation at the Glasgow Ball.
- (3) *National Event Fund* - The Foundation's second, "Around the World in a Day", National Event was held in June 2008. This year, net funds raised by each hotel were donated to a local charity nominated by the hotel.

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12. FUNDS (CONTINUED)

- (4) *Sponsored Events Fund* - Forty places for the London Marathon were obtained for Foundation runners, from Outward Bound and Treloars and four runners participated in the Great North Run in aid of DEBRA. The total amount of sponsorship raised was £61,074.
- (5) *Dewan Foundation Fund* - The Dewan Foundation, established by Ramesh Dewan, a trustee of the Foundation, funded part of the costs of employing a PR Officer for six months. The PR officer is now a permanent member of staff, seconded by Hilton to work for the Foundation.
- (6) *Disaster Relief and International Fund* - with nearly 400 hotels in the Hilton 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. In 2007 this fund was extended to include grants to international projects operated by UK based charities. Funds raised by hotels outside the UK and Ireland (other than restricted funds) are treated as income of this fund.
- (7) *Hotel Nomination Fund* - the Trustees agreed that 50% of the net income raised by individual hotels and support offices could be used for grants to charities nominated by the respective hotel or support office. 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 the General Fund.
- (8) *Capital Fund* – represents the net book value of tangible fixed assets and is therefore not available for other purposes.
- (9) Hilton Administration Fund – represents the unrestricted administration grant received from Hilton.
- (10) *General Fund* – represents the unrestricted funds, which the Trustees are free to use in accordance with the charitable objects.

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds £	Designated Funds £	General Funds £	Total £
Fund balances at 31 December 2008 are represented by:				
Tangible Fixed Assets	-	5,050	-	5,050
Investments	-	172,488	28,072	200,560
Current Assets	82,506	-	213,213	295,719
Creditors	-	-	(133,173)	(133,173)
TOTAL NET ASSETS	82,506	177,538	108,112	368,156

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14. RELATED PARTY TRANSACTIONS

Three of the Foundation's trustees, including the Chairman, are nominated by Hilton. The Foundation is intricately linked to and supported by Hilton. As Hilton's nominated charity, the Foundation is allowed access to fundraise within Hotels and Support Offices to guests, suppliers, contacts and employees. The support provided by Hilton to the Foundation takes many forms, including the permanent secondment of seven 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 by the Foundation 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.

Under the terms of a Funding Agreement, signed 7 July 2006, Hilton 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.

Any Trustee of the Foundation who is an employee of Hilton or any company associated with Hilton withdraws from any Foundation meeting at which the relationship with Hilton is discussed or reviewed. Trustees do not participate in any decision regarding a grant to a charity with which they have a connection.

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

Income received from Hilton during the year is disclosed on the face of the SOFA, whilst amounts due from and to Hilton at the year end are disclosed in notes 10 and 11. Amounts raised through the efforts of Hilton hotels and support offices are included in note 3.

A grant of £13,000 was received during the current year from the Dewan Foundation with which one of the trustees has a connection [Note 12 (5)].

Also a grant of £57,000 was made to the Jigsaw Trust. One of the Foundations' trustee's is a trustee of the Jigsaw Trust and declared their interest and removed themselves from the decision making process.

In the normal course of events a number of trustees, as individuals, may participate in some of the Foundation's fundraising events on the same terms as those available to members of the general public.