



THE HEALING FOUNDATION

Rebuilding the bodies, minds and lives of people with disfigurements

THE ANNUAL REPORT & AUDITED ACCOUNTS

31 March 2006

Chairman of the Board of Trustees
The Rt Hon the Lord Patten of Barnes

*The Healing Foundation
at The Royal College of Surgeons of England
35-43 Lincoln's Inn Fields
London WC2A 3PE*

Registered Charity No. 1078666

Registered Company No. 3831398

OUR VISION

Our vision is a society where physical and emotional scarring is minimised, physical dexterity is maximised and no one is excluded because of their appearance.

OUR MISSION

To champion the cause of people living with disfigurements and loss of function by funding research into pioneering surgical and psychological healing techniques and, through research, raise awareness and provide information about the cause and sources of support.

The Healing Foundation

Reference and administrative details

For the year ended 31 March 2006

Status

The organisation is a charitable company limited by guarantee, incorporated on 25 August 1999 and registered as a charity on 17 December 1999.

Governing Document

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association.

Summary of Investment Powers

To invest and deal with any money not immediately required for its objects in or upon any investments, securities, or property.

Company Number

3831398

Charity Number

1078666

Registered office and operational address

35-43 Lincoln's Inn Fields, London, WC2A 3PE

Honorary Officers

The Rt Hon the Lord Patten of Barnes (Chairman)

Mr Hugh Twiss (Hon Treasurer)

Principal Staff

Mr Brendan Eley (Chief Executive)

Dr Wendy Edwards (Research & Training Manager)

Miss Jasbeer Kaur (Company Secretary)

Miss Rachel Wawn (Development Manager)

Principal Members of the Healing Foundation

British Association of Plastic Surgeons (BAPS)

British Association of Aesthetic Plastic Surgeons (BAAPS)

British Burn Association (BBA)

British Psychological Society (BPS)

British Society for Surgery of the Hand (BSSH)

Craniofacial Society of Great Britain & Ireland (CFSGB&I)

The Healing Foundation

Reference and administrative details

For the year ended 31 March 2006

Patron

HRH, The Countess of Wessex

Vice Presidents

Dr Geraldine Brough

Professor Sir Kenneth Calman

Mr Jeff Ord, HM Chief Inspector of Fire Services (Scotland)

Sir Graham Meldrum, HM Chief Inspector of Fire Services (England, Wales & N Ireland)

Sir Keith Povey, HM Chief Inspector of Constabulary

General Sir Michael Walker, Chief of the Defence Staff

Board of Trustees

The Rt Hon Lord Patten of Barnes (Chairman)

Mr David Allen

Mr Peter Dziejowski (BBA)

Mr Martin Mace (CSGB&I)

Mr Robert Page (BAPS)

Mr David Roodyn

Mr Jagtar (Jack) Singh

Mr Hugh Twiss (Hon Treasurer)

Mr Michael Brennen (BSSH)

Mr Christopher Khoo (BAPS)

Mr Douglas McGeorge (BAAPS)

Lt General Anthony Palmer

Professor Nichola Rumsey (BPS)

Professor Sir John Temple

Appeal Chairman

Mr David Jones Chairman, NEXT plc

The Executive Appeal Team

Mr David Allen – Chairman DHL UK

Mr Richard Handover – former Chairman, WH Smith Group plc

The Rt Hon the Lord Patten of Barnes

Mr David Roodyn – Roodyn Manski Solicitors

Mrs Jenny Rose

Mr Stuart Rose – Chief Executive, Marks & Spencer plc

Mr William Rucker – Chief Executive, Lazard UK

Bankers

Coutts & Co, St Martin's Office, 440 Strand, London, WC2R 0QS

Cater Allen Ltd, 2 Triton Square, Regent's Place, London, NW1 3AN

Solicitors

Bates Wells & Braithwaite, Cheapside House, 138 Cheapside, London EC2E 6BB

Auditors

Sayer Vincent, Chartered Accountants, Registered Auditors, 8 Angel Gate, City Road, London EC1V 2SJ

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

The trustees present their report and the audited financial statements for the year ended 31 March 2006.

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice - Accounting and Reporting by Charities (issued in March 2005).

Structure, governance & management

The organisation is a charitable company limited by guarantee, incorporated on 25 August 1999 and registered as a charity on 17 December 1999

The company was established under a memorandum of association which established the objects and powers of the charitable company and is governed under its articles of association.

Trustee Recruitment, Appointment and Induction

There are fifteen places on the Board of Trustees of which fourteen are currently filled. Each of the six 'Principal Member' organisations of the Healing Foundation (British Association of Plastic Surgeons, British Association of Aesthetic Plastic Surgeons, British Burn Association, British Psychological Society, British Society for Surgery of the Hand, Craniofacial Society of Great Britain and Ireland) nominates one of their members to serve on the Board (these are known as Nominated Trustees). The Armed Forces also recommends a representative (currently and usually the Deputy Chief of the Defence Staff – Personnel) and a representative of the Fire Services (recommended by HM Chief Inspector of Fire Services) also serves on the Board. The remaining seven places on the Board are 'co-opted' members nominated and elected by the Board. This includes the Chairman, the Honorary Treasurer and the Chairman of the Research & Development Council.

On appointment, all Trustees undergo an induction interview, usually with the Chief Executive and Honorary Treasurer, where their responsibilities and duties as a Trustee are formally outlined and an update on current business is provided. Charity Commission materials are provided offering further information as well as all copies of relevant documents such as the Memorandum & Articles of Association, the Management Plan, the Organisation Manual, Personnel Policy, the Financial Controls & Procedures Manual, the Manual for the Management of Research and Development and the Appeal Strategy.

Further training is offered at quarterly Trustees' meeting and has included training in Major Donor fundraising and regular presentations by Healing Foundation grant-holders about work funded by the charity.

Organisational structure

The Patron of the Healing Foundation is HRH, The Countess of Wessex and a small number of individuals serve as Vice Presidents. The Patron and Vice Presidents serve no constitutional function.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Only representatives of the six Principal Members of the Healing Foundation can vote at General Meetings of the charity.

Each year (usually in April) the Board of Trustees approves the Management Plan which is made up of three year and one year Corporate Objectives, Enabling Objectives and identifies Critical Success Factors. The Management Plan includes the annual budget.

Research activity is managed by the Research & Development Council which meets twice a year and whose Chairman is a Trustee. Financial and general management matters are overseen by the Finance & General Purposes Sub-Committee, which meets at least quarterly and is chaired by the Honorary Treasurer (also a Trustee). The Executive Appeal Team, a member of which is also a serving Trustee, drives fundraising activity. All decisions are made by the Board of Trustees following recommendations by any of these standing committees.

Objectives and activities

Objects and Aims of the charity

The objects of the charity are the relief of sickness and the protection and preservation of public health by;

1. Carrying out and funding research into the improvement of treatments for the benefit of people who suffer from physical, psychological, social, or emotional disadvantage as a result of physical disfigurement or functional impairment present at birth or acquired through accident, disease, or illness and into the prevention of accidents which may cause such conditions, and
2. Disseminating the useful results of such research and to help train health workers in appropriate treatments throughout the world, and
3. Informing people about the availability of such treatments.

The vision of the Healing Foundation is of a society where physical and emotional scarring is minimised, physical dexterity is maximised and no one is excluded because of their appearance. The charity's mission is to champion the cause of people living with disfigurement and visible loss of function by funding research into pioneering surgical and psychological healing techniques and, through research, raise awareness and provide information about the cause and sources of support available. Our aim is to fundraise in the most targeted and cost-effective way possible; to fund and manage research of the very highest quality in the UK and Republic of Ireland for the benefit of people and their families living with disfigurement and visible loss of function; and to manage the charity in a business-like and professional way.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Objectives for the year

The charity's objectives for the year can be broken down into three key areas and are;

The Appeal

To continue the Healing Foundation Appeal to raise £12 million, focusing on 'major donor' support from individuals, grant-makers and companies, developing long term relations to provide consolidated future income.

Research

To establish, manage and deliver research projects identified in the 'Research Strategy 2002' and develop the new 'Research Strategy 2006'.

Financial management and corporate governance

To maintain a professionally led, efficiently run and financially sound organisation in support of all charitable activity.

Strategies

The strategies to achieve these objectives can be summarised as follows;

The Appeal

- (1) To maintain the primary fundraising focus on major support from high net worth individuals through the networks of the Executive Appeal Team (EAT).
- (2) To support and steward existing donors and to engage further, high-level, committed, individual, trust and corporate donors.
- (3) To support fundraising activity with a professional, targeted Communications Strategy aimed at increasing the charity's reputation and developing an appropriate profile among target audiences.

Research

- (1) To implement the approved plans to manage research through the Research & Development Council.
- (2) The primary strategic research objective is to fund, establish and monitor projects within the appeal target, as funds become available.
- (3) To complete the review of the Healing Foundation Research Strategy.
- (4) To apply funds which become available outside the constraints of the appeal, to selected areas of research or training.

Financial management and corporate governance

- (1) To maintain and support the Healing Foundation's Honorary Management structure and associated activities.
- (2) To maintain and review effective financial control processes, including the Healing Foundation's policies on investment and reserves.
- (3) To retain, manage and direct the executive team.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Significant activities

The year 2005-06 has seen progress in all of the Healing Foundation's key areas of fundraising and research.

Fundraising

The Healing Foundation continues to pursue a comprehensive and proven fundraising strategy built on the firm foundations of major donor fundraising at the highest level.

The Executive Appeal Team has recently been joined by Mr David Kershaw. The membership now includes;

- Mr David Jones – Chairman, NEXT plc
- Mr David Allen – Chairman DHL UK
- The Rt Hon the Lord Patten of Barnes
- Mr David Kershaw – Chief Executive, M&C Saatchi
- Mr David Roodyn – Roodyn Manski Solicitors
- Mrs Jenny Rose
- Mr Stuart Rose – Chief Executive, Marks & Spencer plc
- Mr William Rucker – Chief Executive, Lazard UK

The work of David Jones and his team, in line with our strategy, is to identify other individuals of wealth and influence and engage them in the cause of the Healing Foundation through carefully planned one-to-one approaches, visits to plastic surgery units and meetings with Ambassadors.

Research

The Healing Foundation continues to fund some of the major research projects identified in the appeal target and our arrangements for the management of this research have been tested and found to be satisfactory.

Of particular significance, is the arrival at the Healing Foundation Centre at Manchester University, of Professor Enrique Amaya, the Healing Foundation Professor of Tissue Regeneration. Work has also started on the Healing Foundation's major Psychological Project at the Centre for Appearance Research (CAR) at the University of the West of England in Bristol.

At the end of the financial year, the closing date for submission for the Healing Foundation Chair of Burn Injury Study had passed. Five strong applications will now be assessed over the summer of 2006 and the successful host institution identified before the end of November.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Management of Research

Research is the core business of the Healing Foundation. The Foundation has policies for the management of research and training, which comply with the guidelines set by the Association of Medical Research Charities (AMRC). They include:

- The structure to manage the process, which is provided by the Research & Development Council.
- The arrangements for the development, review and maintenance of our research strategy, which is currently the projects in our appeal target.
- The provision of open and fair arrangements for the application and selection process for funding research projects, including the essential requirement of independent peer review by appropriately qualified professionals.
- The Foundation's Rules and Conditions for the award of grants.
- The arrangements to identify and manage potential conflicts of interests.

During the year, the Research Council conducted an extensive consultation among Principal Members, academics, clinicians, patient groups and other interested parties to identify the research priorities for the future within our area of interest.

The Application and Selection Process

As a member of the Association of Medical Research Charities (AMRC), the Healing Foundation is committed to an open, independent and professionally administered peer review and selection process. A priority for projects to be funded, recommended by the Research & Development Council, has been approved by the Board in our Research Strategy. When funding becomes available for an approved project, an 'application pack' is drawn up and approved by the Research Council. At the same time, an application and selection timetable is agreed and the project is advertised as widely as possible within the relevant research community. In preparation, a suitably qualified Peer-Review Panel is assembled, often of international standing, if the area of work so demands.

After the closing date for applications, the Management Group of the Research Council considers all applications to eliminate any proposals, which fall outside the Foundation's charitable objects and/or endorsed areas of interest.

Following assessment by the external independent peer reviewers, the subsequent "long list" of candidate applications is then considered by the Research Council. Members of the Research Council consider the scientific and management merits of each application. Where appropriate, an interview panel is considered. Suitable safeguards have also been made to ensure impartiality, through the rotation of both Council members and Peer Reviewers, and no member takes part in the review of projects where a potential conflict of interest might exist.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

For major awards, following Research Council discussion and consideration of the peer review assessments, a recommendation for funding is then made by the Research Council, to the Board of Trustees who approve an award for research or training, subject to the Foundation's established Rules and Conditions. For fellowships, the Board of Trustees delegates the selection of the successful candidates to the Research & Development Council.

Research in Burn Care

The initial donation of £250,000 for research in burn care, which was obtained in 2000 as part of the preparation for the Appeal, has been allocated fully and will be expended by November 2006.

The Psychological Research Fellowship was awarded to the Centre for Appearance Research at the University of the West of England, to address a key recommendation in the National Burn Care Review Report, reported in September 2005. The Research Council has requested an additional final report for this project. Findings from this project have since been used in the deliberations of the National Burn Care Group and a subsequent update will be provided in September 2006.

In October 2004, Mrs Beverley Embling began the Healing Foundation's two year nursing bursary 'fellowship' based at Frenchay Hospital, Bristol. A final report on progress in this research is anticipated in the autumn of 2006.

Research Projects funded through the Appeal

The Research Council, guided by fundraising imperatives, continues to oversee the implementation of the Foundation's approved Research Strategy.

The Chair of Tissue Regeneration

In September 2005, Professor Enrique Amaya took up his position as the Healing Foundation Professor of Tissue Regeneration at the Healing Foundation Centre, at Manchester. Professor Amaya will build an initial team of researchers within the Centre, which is housed in the University of Manchester's Michael Smith building. This process began in November 2005 when Professor Amaya visited the Universities of Beijing and Taiwan where he delivered a short series of seminars and held informal meetings to discuss his regenerative work in England. As result, three students from the Universities have been offered four-year PhD studentships within the Healing Foundation Centre. Due to start in October 2006 (1) and October 2007 (2) these positions – valued at approximately £100,000 each – are being kindly supported by a donor who wishes to be anonymous.

Meanwhile, Professor Amaya is leading the Selection Panel to appoint a second Healing Foundation Professor – fully funded by the University of Manchester as part of its original match funding commitment - within the Healing Foundation Centre.

The Healing Foundation is particularly grateful to the University of Manchester for the cooperation, shared vision and commitment to this important area of our work.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

The Chair of Burn Injury Study

This is a multi-disciplinary project and will include provision for research across the 'burn community'. During the year, £500,000 was committed by an individual donor to support burn care research in memory of the late Michael Brough – the plastic surgeon instrumental in founding the Healing Foundation. It was agreed that these funds could be applied to the Burn Chair. Applications were therefore invited from interested and qualified UK Universities in partnership with leading clinical centres, to host the Healing Foundation Chair. The closing date passed on 31 March 2006 and five strong bids will be considered – by an International Peer Review and Selection Panel – over the summer of 2006 before site-visits and interviews in the early autumn. The Research & Development Council will consider the outcome of this process in September and a recommendation will be made to the Board of Trustees in October/November 2006.

The Lead Psychological Research Project

This multi-centred project, valued at £500,000 over three years, began in September 2005. The University of the West of England, led by Professor Nichola Rumsey, will lead the research.

This is the largest project of its type in our area of interest. It aims to 'identify the factors that predict successful psychological adjustment in people with disfigurement and visible loss of function'. Some spend has been incurred following the appointment of the first, full-time researcher on this project but some delays have also arisen because of contractual negotiations between the University of the West of England and other academic participants. These are now resolved and over £220,000 has been designated by the Board of Trustees, from unrestricted funds, to support this project over the next financial year.

The Patient Information Project

This important, three-year project, generously supported by the GUS Charitable Trust is progressing well.

In January 2006, an 'interim report' was published detailing findings from the initial quantitative, focus-group and interview data that had been gathered. This 92-page report was supported by a four-page summary 'factsheet' and both publications are freely available on the Healing Foundation and Picker Institute websites.

Quantitative research is now underway and the final report is expected later in 2006.

Continuing Fellowship Programmes

The Healing Foundation continues to enjoy productive research partnerships with the Royal College of Surgeons of Edinburgh and the Royal College of Surgeons of England.

Further fellowships will be offered in 2006 in partnership with the British Association of Aesthetic Plastic Surgeons, the British Society for Surgery of the Hand and the Royal College of Surgeons in Ireland.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

The Michael Brough Research Fund

Over £340,000 in donations and pledges has now been committed to the fund established in memory of Michael Brough, the plastic surgeon instrumental in the establishment of the Healing Foundation. Approximately £140,000 of this had been received by March 2006 (both in the general Michael Brough Research Fund and specifically in support of the first Michael Brough Research Fellow).

In November 2005, the first Healing Foundation Michael Brough Research Fellowship was awarded to Mr Darryl Dunn, a plastic surgeon studying at the University of Bristol, to continue his investigations in to the spread of 'malignant melanoma'. This award, funded from unrestricted funds and monies donated in memory of Michael Brough is also generously supported by the British Association of Plastic Surgeons.

The remaining monies committed to this fund will be used in the establishment of the Healing Foundation Chair of Burn Injury Study and for continuing fellowships and awards in the future.

Volunteer help

The Healing Foundation relies on the help of volunteers in all aspects of its activities. This support is provided by members of the Board of Trustees, the Research & Development Council and the Executive Appeal Team who all give their time freely. The Foundation is also especially grateful for the continued support and advice of staff from Huntsworth plc, Trimedia Communications UK and avenuehkm.

Achievements and performance

Fundraising performance

The fundraising year has been difficult. The price paid for the advantage of having a prestigious Executive Appeal Team is that individual members have significant other commitments. This has meant that peer to peer approaches have not kept pace with our original plan for the year. Fundraising at other levels was also frustrated in 2005-06 by the departure of the Foundation's Development Manager, recruited to a new role abroad (a new Development Manager has since been recruited). Nevertheless, figures for the year show that fundraising was not significantly affected (two donations anticipated in 2005-06 but now due after the year end would have meant that fundraising income was higher than the previous year had they been received in year). The recent recruitment of a new Development Manager and the continued expansion of the Foundation's fundraising base give Trustees confidence that the Appeal will continue and conclude, as planned, within the next three years.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Financial review

Reserves policy

The Healing Foundation has restricted funds for research in burn care and these are allocated fully until FY 2006/07. There are also restricted funds, which have been, and will be, generated in the appeal. These will be retained for use, depending on the specified restriction, either to create funding to establish and maintain the two Chairs in the appeal, or used directly, to fund particular research projects. Where it is considered prudent, funds will be retained until sufficient money is available to fund these specific projects in full, unless there is considered to be a satisfactory prospect of obtaining funds to meet any shortfall within the timeframe of a particular project. Any unrestricted funds, which are not required to meet short-term core-cost requirements or are dedicated to reserves, will be considered for designation to a particular project.

We continue to develop and retain sufficient unrestricted funds to meet ongoing core costs. The intention is to set aside sufficient unrestricted reserves to meet any potential shortfall in income to cover core costs – providing a six-month cushion against unforeseen contingencies – and to meet redundancy costs should the Foundation ever have to be closed down.

Investment policy

Arrangements for investment management are established with Sarasin Chiswell as our investment manager and advisor and will utilize, as appropriate, their Alpha range of Common Investment Funds.

The Trustees have established an overall investment policy, which involves the Foundation's available funds being categorised in one of three ways, for each of which there is an appropriate investment policy. Namely:

Short term - in this category will be funds, which are budgeted for spending within an eighteen month period. These will be held in appropriate high interest bank accounts, term deposits or liquidity funds, with the maturity of the deposits being managed to match both the liabilities and maximize the interest earned on them.

Medium term - represents funds not needed within an eighteen month period, but available for spending within five years. They will be invested in the Alpha Common Investment Fund for Income and Reserves, whose portfolio combines Government and Corporate Bonds with about 20% in ordinary shares and has the aim of generating above average levels of immediate income, with a degree of capital appreciation and limited short to medium-term risk of capital loss.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Long term – represents the endowment funds, which are not required within five years. They will be invested in the Alpha Common Investment Fund for Endowments. This fund seeks long-term capital and income growth from a broadly diversified portfolio of which 70% would normally be in shares with the balance in bonds, cash, property and alternative assets. The central assumption here is that growth in dividends generates capital growth and that ordinary shares represent the best long-term store of value.

The use of Common Investment Funds enables the Foundation to access asset classes which might otherwise be closed to it at this stage of its development and to achieve appropriate diversification and a broad spread of risk. These Common Investment Funds are charities in their own right, pooling the funds of other charities with these similar objectives.

The Alpha funds will make substantial asset allocation changes when necessary to protect capital, reduce volatility and enhance long-term returns. The selection of individual shareholdings is guided by a global, thematic research process which incorporates an ethical screening process.

The Trustees will regularly review with Sarasin Chiswell the Foundation's Investment Policy and the performance of these funds, and make any appropriate changes in light of the Foundation's development, changes in markets or any other relevant factors.

Risk Assessment

The Board maintains a risk assessment system which is based on a numerical assessment of risk, with an accompanying management commentary, and Trustees consider these reports regularly. The aim is to highlight and measure potential risks to the success of an activity or process, assess the impact and put in place appropriate management action. The system encompasses all areas of our activities, although, the continuing increased activity in research and development, marks this area out for ongoing development.

Accordingly, we can confirm that the major risks to which the Foundation is exposed have been reviewed and systems are in place to mitigate those risks.

Plans for future periods

The immediate priority of the Trustees is to continue and conclude the fundraising appeal in order that all projects identified within the original research strategy can be established.

Beyond this however, Trustees have already started to consider research priorities beyond the current programme of appeal-related projects. In FY 2006/07, a new Research Strategy will be recommended by the Research & Development Council for approval by the Board. This strategy identifies new areas of research and support where future Healing Foundation activity, especially fundraising, will be focussed.

These new challenges will call for a review of our fundraising strategy to ensure that the charity's senior volunteer fundraisers remain engaged and enthused in supporting the charity's work through their own donations and introductions to others.

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Responsibilities of the Trustees

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the year then ended.

In preparing these financial statements which give a true and fair view, the Trustees should follow best practice and:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the “going concern” basis unless it is inappropriate to assume that the company will continue on that basis.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy, at any time, the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985.

The Trustees are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware. The trustees also confirm that they have taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

The Trustees

Trustees, who are also Directors under company law, who served during the year and up to the date of this report were as follows:

The Rt Hon the Lord Patten of Barnes (<i>Chairman</i>)	Mr David Allen
Mr Michael Brennen (BSSH)	Mr Peter Dziewulski (BBA)
Mr Chris Khoo (BAPS) (resigned December 2005)	Mr Martin Mace (CSGB&I) (resigned June 2005)
Mr Douglas McGeorge (BAAPS)	Lt General Anthony Palmer (resigned July 2005)
Mr Robert Page (BAPS)	Air Marshal David Pocock (appointed Sept 2005)
Mr David Roodyn	Professor Nichola Rumsey (BPS)
Mr Jagtar (Jack) Singh	Mr Tim Streatfeild (appointed February 2006)
Mr Adrian Sugar (CSGB&I) (appointed June 2005)	Professor Sir John Temple
Mr Hugh Twiss (<i>Hon Treasurer</i>)	

The Healing Foundation

Report of the trustees

For the year ended 31 March 2006

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2006 was 6 (2005 - 6). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

Auditors

Sayer Vincent were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the trustees on 23 June 2006 and signed on their behalf by

The Rt Hon the Lord Patten of Barnes, CH

Independent auditors' report

To the members of

The Healing Foundation

We have audited the financial statements of The Healing Foundation for the year ended 31 March 2006 which comprise the statement of financial activities, balance sheet and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005).

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

The trustees (who are also directors of The Healing Foundation for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005). The responsibilities of the trustees are set out in the statement of responsibilities 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 Companies Act 1985. We report to you whether, in our opinion, the information given in the the trustees' report is consistent with the financial statements. We also report to you if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the trustees' remuneration and other transactions is not disclosed.

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, the chair's report and the treasurer's report. 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 financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report

To the members of

The Healing Foundation

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 as modified by the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005), of the charitable company's state of affairs as at 31 March 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 Companies Act 1985.
- The information given in the trustees' report is consistent with the financial statements

SAYER VINCENT

Chartered accountants & registered auditors
London

The Healing Foundation

Statement of financial activities *(incorporating an income and expenditure account)*

For the year ended 31 March 2006

	Note	Restricted £	Unrestricted £	2006 Total £	2005 Total £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	2	27,769	365,183	392,952	312,647
Investment income		49,263	17,272	66,535	50,710
<i>Incoming resources from charitable activities</i>					
Research programmes	3	508,848	-	508,848	680,497
Total incoming resources		585,880	382,455	968,335	1,043,854
Resources expended					
<i>Costs of generating funds:</i>					
Costs of generating voluntary income		-	128,789	128,789	128,953
<i>Charitable activities</i>					
Research programmes		126,102	22,362	148,464	138,529
Research development		-	123,159	123,159	114,052
Governance		-	36,340	36,340	38,622
Total resources expended	4	126,102	310,650	436,752	420,156
Net incoming resources	5	459,778	71,805	531,583	623,698
Funds at 1 April 2005		1,067,675	747,720	1,815,395	1,191,697
Funds at 31 March 2006		1,527,453	819,525	2,346,978	1,815,395

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 12 to the financial statements.

The Healing Foundation

Balance sheet

31 March 2006

	Note	£	2006 £	2005 £
Tangible fixed assets	8		1,517	2,566
Current assets				
Debtors	9	23,007		102,977
Short term deposits		2,157,659		1,669,880
Cash at bank and in hand		216,141		74,519
			2,396,807	1,847,376
Creditors: amounts falling due within one year				
	10	51,346		34,547
Net current assets			2,345,461	1,812,829
Net assets	11		2,346,978	1,815,395
	0			
Funds				
Restricted funds			1,527,453	1,067,675
Unrestricted funds				
Designated funds			599,596	400,000
General funds			219,929	347,720
Total funds	12		2,346,978	1,815,395

Approved by the trustees on 23 June 2006 and signed on their behalf by

The Rt Hon the Lord Patten of Barnes, CH

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

1. Accounting policies

- a) The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in March 2005).
- b) Voluntary income is received by the way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Intangible income and gifts in kind are not included unless they represent goods or services which would have otherwise been purchased, in which case they are valued and brought in as income and the appropriate expenditure.
- c) Revenue grants are credited to the Statement of Financial Activities when received or receivable whichever is earlier, unless they relate to a specific period, in which case they are deferred.
- d) Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation of fixed assets purchased with such grants is charged against the restricted funds.
- e) Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure, which meets these criteria are charged to the fund together with a fair allocation of management and support costs.
- f) Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.
- g) Resources expended are recognised in the period in which they are incurred. Resources expended include attributable VAT, which cannot be recovered.

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the costs of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, are apportioned between activities as described in note 4.

- h) The costs of generating funds relate to the costs incurred by the charity in raising funds for the charitable work.
- i) Governance costs include the management of the charity's assets, organisational management and compliance with constitutional and statutory requirements.

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

1. Accounting policies (continued)

- j) Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life. The depreciation rates in use are as follows:

Computer Equipment :	3 years
Office Furniture and Equipment :	4 years

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

- k) Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities in the year in which they fall due.
- l) The charitable company makes contributions on behalf of its employees into their personal pension funds. The amounts charged in the Statement of Financial Activities represent the contributions payable to the funds in respect of the accounting period. Outstanding pension contributions at the year end are included in creditors.
- m) Grants payable are charged to the Statement of Financial Activities in the year in which the offer is conveyed to the recipient, except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

2. Donations

	Restricted	Unrestricted	2006 Total	2005 Total
	£	£	£	£
David Jones	-	-	-	95,000
PF Charitable Trust	-	25,000	25,000	25,000
Aggregate Industries	-	20,000	20,000	20,000
Girdlers	-	-	-	1,200
Michael Brough Research Fund	27,769	-	27,769	38,288
Intangible Income	-	-	-	15,000
Gentlemens Night Out Club	-	-	-	7,000
Mr John Hargreaves	-	-	-	5,000
Mr Charles Martyn Hemphill	-	5,000	5,000	5,000
Lord Harris of Peckam	-	30,950	30,950	-
Mr Michael Bishop	-	20,000	20,000	-
Mr William Rucker	-	20,000	20,000	-
Mr Joseph Hotung	-	25,000	25,000	-
Anonymous	-	50,000	50,000	-
Mrs Celia Atkin	-	7,000	7,000	-
Cayo Foundation	-	5,000	5,000	-
Anonymous	-	100,000	100,000	50,000
Gift Aid Claims	-	33,451	33,451	49,624
Sundry Donations	-	23,782	23,782	1,535
Total	<u>27,769</u>	<u>365,183</u>	<u>392,952</u>	<u>312,647</u>

3. Activities in furtherance of the charity's objects: Research Programmes

	2006 Total	2005 Total
	£	£
Anonymous	300,000	619,447
ICAP	110,000	-
National Assembly for Wales	98,848	-
GUS Charitable Trust	-	61,050
Total	<u>508,848</u>	<u>680,497</u>

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

4. Total resources expended

	Cost of Generating Voluntary Income	Research Grants	Research Development	Support Costs	Governan ce	2006 Total	2005 Total
	£	£	£	£	£	£	£
Staff Costs (Note 6)	57,282	-	76,376	38,188	19,094	190,940	186,326
Other Staff Costs	754	-	1,006	503	251	2,514	2,339
Rent	6,223	-	8,298	4,149	2,074	20,744	20,542
Meeting Costs	244	-	325	162	81	812	1,160
Computer Costs	3,990	-	5,320	2,660	1,330	13,300	18,018
Consultancy	-	-	-	-	2,145	2,145	1,909
Photocopying	136	-	181	90	45	452	465
Postage	338	-	450	225	113	1,126	793
Printing	717	-	956	478	239	2,390	3,776
Other Office Costs	530	-	706	353	177	1,766	1,071
Stationery	726	-	968	484	242	2,420	1,958
Telephone/Fax	293	-	390	195	98	976	988
Legal Fees	-	-	-	-	1,154	1,154	353
Audit and Accountancy Fees	-	-	-	-	5,968	5,968	6,507
Conference & Seminar Fees	-	-	-	-	-	-	535
Professional Association Fees	206	-	275	138	69	688	1,253
Staff Travel	449	-	599	300	150	1,498	2,084
Trustees' Travel Expenses	187	-	250	125	62	624	909
R & D Council travel & subsistence	888	-	1,184	592	296	2,960	1,007
Depreciation	527	-	703	352	176	1,758	2,049
Recruitment	-	-	-	1,351	-	1,351	-
Appeal Costs	30,126	-	-	-	-	30,126	24,712
Insurance	-	-	-	-	2,576	2,576	2,873
Research Programmes							
- Burn Care Grants	-	61,029	-	-	-	61,029	81,229
- Burn Care Support Costs	-	-	-	-	-	-	-
- Lead Psychological Project	-	12,849	-	-	-	12,849	-
- Malignant Melanoma Project	-	9,932	-	-	-	9,932	-
- Patient Information Project	-	55,141	-	-	-	55,141	57,300
Research Support costs	-	-	-	9,513	-	9,513	-
Total resources expended	103,616	138,951	97,987	59,858	36,340	436,752	420,156
Support Costs	25,173	9,513	25,172	(59,858)	-	-	-
Total resources expended	128,789	148,464	123,159	-	36,340	436,752	420,156

Support costs have been allocated to each activity on the basis of staff time being 50% to fundraising and publicity and 50% to research.

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

5. Net incoming resources for the year

This is stated after charging / crediting:

	2006	2005
	£	£
Depreciation	1,758	2,049
Trustees' remuneration	Nil	Nil
Trustees' reimbursed expenses	624	909
Trustees' indemnity insurance	525	608
Auditors' remuneration:		
▪ Audit	5,968	5,117
Operating lease rentals:		
▪ Property	<u>20,744</u>	<u>20,541</u>

6. Staff costs and numbers

Staff costs were as follows:

	2006	2005
	£	£
Salaries and wages	156,775	153,367
Social security costs	17,602	16,601
Pension contributions	<u>16,563</u>	<u>16,358</u>
	<u>190,940</u>	<u>186,326</u>

The number of employees whose salary exceed £60,000 are:-

	2006	2005
£60,001 - £70,000	<u>1</u>	<u>-</u>

Employer's pension contributions of £6,502 (2005:£6,300) were made in respect of this employee.

The average weekly number of employees (full-time equivalent) during the year was as follows:

	2006	2005
	No.	No.
Fundraising and Publicity	1.70	1.40
Research Development	1.30	1.50
Support Costs	0.80	0.70
Governance	<u>0.50</u>	<u>0.40</u>
	<u>4.30</u>	<u>4.00</u>

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

7. Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

8. Tangible fixed assets

	Computer equipment £	Total £
Cost		
At the start of the year	15,175	15,175
Additions in year	709	709
	<hr/>	<hr/>
At the end of the year	15,884	15,884
Depreciation		
At the start of the year	12,609	12,609
Charge for the year	1,758	1,758
	<hr/>	<hr/>
At the end of the year	14,367	14,367
Net book value		
At the end of the year	1,517	1,517
	<hr/> <hr/>	<hr/> <hr/>
At the start of the year	2,566	2,566
	<hr/> <hr/>	<hr/> <hr/>

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

9. Debtors

	2006 £	2005 £
Other debtors	20,627	100,635
Prepayments	2,380	2,342
	<u>23,007</u>	<u>102,977</u>

10. Creditors: amounts due within 1 year

	2006 £	2005 £
Other creditors	13,582	5,134
Accruals	37,764	29,413
	<u>51,346</u>	<u>34,547</u>

11. Analysis of net assets between funds

	Restricted funds £	Designated funds £	General funds £	Total funds £
Tangible fixed assets	-	-	1,517	1,517
Net current assets	1,527,453	599,596	218,412	2,345,461
Net assets at the end of the year	<u>1,527,453</u>	<u>599,596</u>	<u>219,929</u>	<u>2,346,978</u>

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

12. Movements in funds

	At the start of the year £	Incoming resources £	Outgoing resources £	Transfers £	At the end of the year £
Restricted funds:					
Research Projects - Burn Care	64,690	6,776	(61,029)	-	10,437
Research Projects - Patient Information	73,561	-	(55,141)	-	18,420
Research Projects - Chair of Tissue	885,501	322,161	-	-	1,207,662
Research Projects - Aesthetic Plastic Surgery	-	116,776	-	-	116,776
Research Projects - Welsh Office of R & D	-	105,623	-	-	105,623
Michael Brough Malignant Melanoma Fund	-	25,000	(9,932)	-	15,068
Michael Brough Research Fund	43,923	9,544	-	-	53,467
Total restricted funds	1,067,675	585,880	(126,102)	-	1,527,453
Unrestricted funds:					
<i>Designated funds:</i>					
Chair Burn Injury Study	155,000	100,000	-	(155,000)	100,000
Fellowships	100,000	-	-	190,000	290,000
Lead Psychological Project	145,000	-	(12,849)	77,445	209,596
<i>Total designated funds</i>	400,000	100,000	(12,849)	112,445	599,596
General funds	347,720	282,455	(297,801)	(112,445)	219,929
Total unrestricted funds	747,720	382,455	(310,650)	-	819,525
Total funds	1,815,395	968,335	(436,752)	-	2,346,978

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

12. Movements in funds (continued)

Purposes of restricted funds

Research Projects - Burn Care

This research project fund represents grants made for medical research in burn care as follows:

	£
Surgical Research Fellowship - Sheffield University £40,000 over two years commencing Aug 02	5,000
Surgical Research Fellowship - Edinburgh University £40,000 over two years - commencing Aug 02	18,750
Psychological Research Fellowship - University of the West of England £80,000 over two years commencing Jun 03	7,279
Higher Nurse Training - Mphil University of the West of England £60,000 over two years - starting in Sep 04	30,000
	<hr/>
At 31st March 2006	<u>61,029</u>

Research Projects - Appeal

The Appeal target includes four major lead projects and a range of smaller projects. These will be funded as funds become available (see annual report). The first project to be funded is:

	£
Patient Information Project - Picker Institute Europe, Oxford £160,700 over three years - commencing Sep 03	
Direct Project Costs	55,141
Support Costs	-
	<hr/>
	<u>55,141</u>

The Chair of Tissue Regeneration - the third tranche of monies in support of the professor have now been received.

The Lead Psychological Research Project

There are no restricted funds currently available for this project, however, the Trustees' have designated £222,445 to cover the costs of this project in 2006-07. Fundraising for this project will continue.

	£
Direct Project Costs	12,849
Support Costs	-
	<hr/>
	<u>12,849</u>

The Healing Foundation

Notes to the financial statements

For the year ended 31 March 2006

12. Movements in funds (continued)

The Chair of Burn Injury Study

In 2005-6, an individual donor committed £250,000 for research in burn care and a further £250,000 for research in memory of Michael Brough. It has since been agreed that this total gift of £500,000 be used to support the Chair of Burn Injury Study and the previously designated £155,000 has been assigned to other projects. In April 2005, the first of five ‘tranches’ of this commitment – of £100,000 – was received.

Fellowships

A two year research fellowship, established in memory of the late Michael Brough, has been awarded to Darryl Dunn, a plastic surgeon from Bristol who is studying the ‘spread of malignant melanoma’. This is supported from unrestricted funds raised in the appeal, monies raised in memory of Michael Brough, and funds contributed by the British Association of Plastic Surgeons.

Two awards were also made during the year in partnership with the Wales Office of Research and Development (WORD). Mr Joseph Hardwick will be studying ‘impaired wound healing in humans’ at the University of Cardiff and Dr Tammy Boyce will be studying ‘audience perceptions of disfigurement on British television’ at the Cardiff School of Journalism, Media & Cultural Studies. The Healing Foundation commitment to these projects is a total of £25,000 per year for two years. Funds have been redesignated accordingly to support these commitments.

13. Operating lease commitments

The charity had annual commitments at the 31 March 2006 under operating leases expiring as follows:

	Property	
	2006	2005
	£	£
2 - 5 Years	<u>20,744</u>	<u>20,541</u>
	<u><u>20,744</u></u>	<u><u>20,541</u></u>