



ANNUAL REPORT AND ACCOUNTS

Year ended
31 March 2005

Ordered by the House of Commons to be printed on 20th July, 2005

Registered Charity No. 284748

Contents

Report of the Council	3
Foreword to the Accounts	7
Statement of Council Members' and Accounting Officer's Responsibilities	11
Statement on Internal Control	12
Report of the auditors	14
Financial Statements	16
Notes to the Financial Statement	19

Report of the Alcohol Education and Research Council for the year ended 31 March 2005

The Council presents its report along with the financial statements of the charity for the year ended 31 March 2005. The financial statements comply with the provisions of section 10 of the Licensing (Alcohol Education and Research) Act 1981 and the Statement of Recommended Practice 'Accounting and Reporting by Charities'.

Constitution and objects

The Alcohol Education and Research Fund is constituted under the provisions of section 6 of the Licensing (Alcohol Education and Research) Act 1981 and is a registered charity.

The Secretary of State for Culture, Media and Sport is the sponsoring authority for the Council. The Council's day to day contact with the sponsoring authority is through the Division of Tourism of the Department of Culture, Media and Sport

Section 7 of the 1981 Act provides that the Fund is to be vested in and administered by the Council and applied for such charitable purposes within the United Kingdom as the Council may from time to time determine from among the following:

- (a) The education of the public as to the causes and effects of, and means of preventing, excessive consumption of alcohol;
- (b) The care and rehabilitation of persons convicted of offences involving drunkenness;
- (c) The provision of treatment and other help for persons dependent on alcohol or given to excessive consumption of alcohol; and
- (d) Research into matters relevant to any of the purposes mentioned in paragraphs (a) to (c), and the publication of the results of such research.

The Act provides additionally that, in determining how the Fund is to be applied for the purposes of (b) and (c) the Council shall give priority to support for novel schemes for achieving those purposes.

The Council has defined its current objectives in the following *Statement of Purpose*:

The Council seeks to develop the capacity of people and organisations to address alcohol issues and also develop the evidence base linked to alcohol policy. Effective dissemination of this evidence to researchers, policy makers and practitioners is an important component of the strategy.

These objectives were redefined as part of the output from the ongoing strategic review of AERC's activities.

Membership of the Council

The Members of the Council who served during the financial year are listed at Annex A of this Annual Report. Council Members are appointed for three years of service, are non-executive and are unpaid. The Secretary of State for the Department of Culture, Media and Sport appoints Council Members. The full Council, and each of its three committees, meet not less than three times annually. The Council has access to independent financial and legal advice to ensure that the Council manages its affairs in a proper manner.

In total, Council members voluntarily gave around 150 days of their time, working for the AERC.

Organisation

The Council meets three times per year and makes decisions relating to strategies and priorities. There are two main committees that make decisions about the funding of specific projects. The Research Committee and the People & Organisations Committee consider applications for grants in their areas. They have delegated authority to refuse applications but decisions to award grants are subject to a mechanism agreed by the Council.

Research

The main objective of the research strategy is the improvement of the evidence base. The Research Committee is open to a wide range of methodologies including qualitative and quantitative approaches, single case studies and systematic reviews.

Development

One aim is to improve the alcohol-related practice of both generic and specialist alcohol workers. Promoting organisational development and translating evidence into policy and practice are other main objectives. These objectives are being pursued by the People & Organisations Committee.

Research & Development Priorities

Each year the Council reconsiders priority areas for funding. In the year 2004-2005 the main priority was interventions directed at changing whole communities.

One major development is the United Kingdom Community Alcohol Prevention Project (UKCAPP). This project is based in Cardiff, Birmingham & Glasgow. Each centre is developing a community action programme involving several strands such as training bar staff, police initiatives to prevent public disorder and mobilising the community to be positive towards alcohol initiatives. The whole project is being evaluated by the Bath Mental Health R&D Unit.

Other R&D projects funded in this financial year include:

- Improving parent/young people communication about alcohol and the supervision of sensible drinking within the family;
- The influence of alcohol on blood pressure and the incidence of hypertension;
- Systematic review: Interventions involving bar staff and environments to prevent injuries;
- Behavioural interventions for the family members of people with alcohol problems: a systematic review;
- Promoting safe and sensible attitudes to alcohol in children and their families: The further development and evaluation of a family and school alcohol awareness programme; and
- Development, implementation and evaluation of a pilot project to deliver interventions on alcohol issues in community pharmacies.

Studentships

In addition to our policy of funding a number of students on taught courses we are exploring the effectiveness of collaboration with the Economic & Social Research Council to fund PhD students. Our first initiative is based within the Geography department of Leeds University with a focus on the environmental influences on binge drinking.

Small grants

Our small grant initiative is very popular and in 2004-2005 the Council funded fourteen projects at a cost £81,330.

Grant making policy

The Council provides four types of grant:

- Research grants;
- People & Organisation Development grants;
- Small grants (up to £5,000); and
- Studentship grants, to support fees and expenses linked to taught courses.

The Council is well known within the alcohol field and, with the exception of the studentship scheme it does not need to advertise for applications. Full information about the grant application procedures is available on the Council's website www.aerc.org.uk.

As matters of policy the Council will not normally contribute to the running costs of organisations or fund bio-medical projects.

The Council requires each holder of a research or development grant to provide:

- A full report of the project. In the case of research grants this will be a full academic report; and
- A draft *Alcohol Insight* which summarises the key findings and their implications.

Annex A

Members of the Alcohol Education and Research Council who served during the year to 31 March 2005:

Dr Noel Olsen	Chairman
Mr Ian Ford	Chairman of the Finance & General Purposes Committee Appointed 1 April 2004
Dr John Kemm	Chairman of the Research Committee
Mrs Daljit Sidebottom	Chairman of the Developing People and Organisations Committee
Dr Jonathan Chick	
Ms Jean Cousins	Appointed 1 April 2004
Ms Joyce Craig	Appointed 1 April 2004
Professor Ilana B Crome	
Ms Rhoda Emlyn-Jones	
Professor David Foxcroft	Appointed 1 April 2004
Mr Peter Harraway	
Professor Gerard Hastings	Appointed 1 April 2004
Professor Richard Hobbs	Appointed 1 April 2004
Dr Pui-Ling Li	
Ms Gaye Pedlow	

Director, Scientific Advisor and Accounting Officer

Professor Ray Hodgson

Accountants

Chantrey Vellacott DFK, Russell Square House, 10-12 Russell Square, London WC1B 5LF

Administrative Office

Room 408, Horseferry House, Dean Ryle Street, London SW1P 2AW

Auditors

Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Bankers

CAF Bank Ltd, King's Hill, West Malling, Kent ME19 4TA
The Bank of New York Limited, One Canada Square, London E14 5AL

Investment Managers

Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN

Solicitors

Arlingtons Sharmas, 6 Arlington Street, London SW1A 1RE

Foreword to the Accounts

Basis of preparation of Financial Statements

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in October 2000 and comply with Section 10 (i) (b) (ii) of the licensing (Alcohol Education and Research) Act 1981.

Going Concern

The Council receives no grants from the Department of Culture, Media and Sport, or from any other government department, and has sufficient funds at its disposal to finance its ongoing grant commitments. There is no restriction on the reallocation of the fund's investments to supplement annual income to support its grant commitments. Accordingly, the Council considers it appropriate to prepare its financial statements on the going concern basis.

The Alcohol Education and Research Council

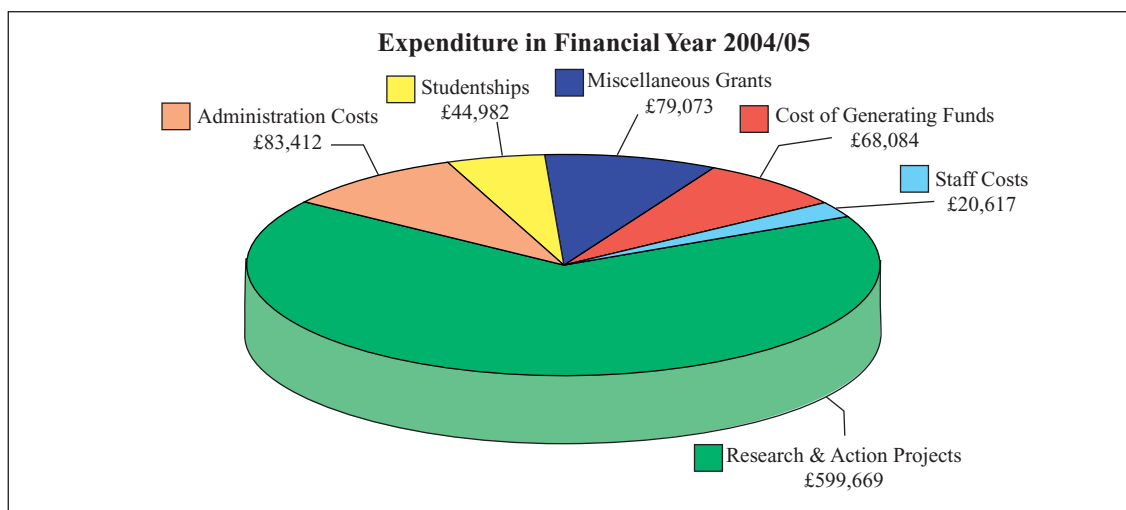
The Fund owes its origin to the Licensing (Alcohol Education and Research) Act 1981. This Act was introduced by the Government to wind up the *Licensing Compensation Scheme*, which had been established early in the 20th century as a mechanism for reducing the number of pubs in the hope that this would reduce drunkenness and drunken offences. The liquidation of the licensing compensation funds, which was finally completed in 1997, produced a total of £3,118,599.

Results for the year

The value of the Fund at 31 March 2005 was £11,363,702, an increase of £750,790 over the value of 31 March 2004 (£10,612,912). The increase in the value of the fund reflects the ongoing recovery of the UK stock market which commenced in 2003/4 following two years of declining values. The Council continues to maintain a conservative investment policy, where the opportunities for capital growth are constrained by the requirement to generate a minimum level of investment income.

The total income of the Council in the financial year was £705,441 (2003/4 £630,828). The increase in income of £74,613 (11.8%) is due to growth in UK Equity dividends, and an increase in bequests and donations from £4,810 in 2003/4 to £41,121 in 2004/5.

Total expenditure amounted to £895,837 (2003/4, £507,813), of which, £83,412 (2003/4, £101,927) was accounted for by management and administrative expenses.



Review of Investment Policy and Performance

By section 7(5) of the Licensing (Alcohol Education and Research) Act 1981 as amended, the Council is empowered to invest any sums that are not immediately required for any other purpose in any investments in which trustees may invest under the general power of investment in section 3 of the Trustee Act 2000 (as restricted by sections 4 and 5 of that Act).

Baillie Gifford & Co manages the Fund on behalf of the Council. Following consultation with Baillie Gifford, The Council has decided to maintain its investment policy which seeks to generate income from investments in corporate bonds and UK equities. Included within the corporate bond portfolio is a holding in the pooled Baillie Gifford High Yield Bond Fund where, although there are no formal bond rating restrictions applicable, the Investment Manager is required to notify the Council if the pooled fund's exposure to bonds rated lower than B- exceed 10%. At 31 March 2005 this investment represented 6.8% of the Fund's value.

An income benchmark target of £605,000 has been agreed with Baillie Gifford for the year to 31 March 2006.

To achieve this level of income will require the Investment Manager to outperform the benchmark return which is a composite return as outlined below:

ASSET CLASS	INDICES	WEIGHTING
<i>UK Equities</i>	Micropal Equity Income Sector Average Return	67%
<i>Corporate Bonds</i> – Investment Grade	Merrill Lynch > 5 year Corporate Bonds	26%
– Sub-Investment Grade	Merrill Lynch Sterling High Yield	6%
<i>Cash</i>	LIBID 7 Day	1%

The only restriction that the Council places upon Baillie Gifford's investment discretion is that the Fund may not invest directly in any company involved in the manufacture of tobacco. Under section 4(1) of the Trustee Act 2000 the Council is obliged to have regard *inter alia* to the *suitability* of investments. As a charity involved in addictive health issues the Council believes that it would be extremely damaging to its reputation were it to be seen by the public at large to be investing in tobacco companies. The Council are of the opinion that this restriction falls within the acceptable criteria outlined in the Charity Commissioners Guidance Note CC14 – Investment of Charitable Funds.

The fund managers submit a monthly report to the Council on the valuation of the fund and on transactions in the portfolio. A full report is sent each quarter to each member of the Council, which in addition provides an overview of performance, a report on the economic outlook and other relevant issues. The fund managers regularly attend meetings of the Finance and General Purposes committee and from time to time attend meetings of the Council.

In terms of performance against the benchmark, Baillie Gifford & Co produced a total return of 15.3% against a return on the benchmark of 14.3%. The Council is of the opinion that investment performance can only be effectively assessed over a longer timeframe than one year. The Council is pleased to note that Baillie Gifford's average annualised performance over a 3 and 5 year timeframe has exceeded the benchmark as follows:-

	<u>3 Years</u>	<u>5 Years</u>
	<u>% p.a.</u>	<u>% p.a.</u>
Fund	8.2	6.0
Benchmark	6.7	4.9

Each month the fund manager transfers to the Council's deposit account with CAF Bank Ltd the investment income and bank interest that has been received in the past month.

Fundraising

The Council is actively seeking to expand its funding base through collaboration with other funding bodies such as the "Wales Office of Research & Development for Health & Social Care (WORD)" and the "World Health Organisation". The Council will also apply to be an "Award Partner" with the Big Lottery Fund to focus upon alcohol and healthy lifestyles.

The Council has also, from time to time, received donations or bequests. Under section 4 of the Alcoholics Anonymous (dispositions) Act 1986 any bequests made to the *Alcoholics Anonymous Fellowship* are deemed to have been made to the Council.

In the course of 2004/5 the Council received £41,121 in donations and bequests.

Reserves policy

It is the Council's policy to maintain approximately 1 – 2 per cent of the Fund in cash under the control of the fund manager.

The Council has considered the Charity Commission Guidance Note CC 19 dated April 2002. It is the Council's intention not to accumulate reserves, but to expend income year on year. However, due to the nature of the projects that it finances, it is possible for the Council to overspend or underspend in any one year depending upon the quality of grant applications received and the timing of grant claims. The Council reviews this policy on an annual basis.

Prompt Payment Policy

The Council follows the Treasury's guidance on payment of invoices. In 2004/5 the Council paid as many as possible of its invoices within the target 30 days.

Council Members and Staff Transactions

A full register of interests of Council members is held by the Council at its offices, where it may be seen on application to the Accounting Officer. Details of related party transactions in 2004/5 are disclosed in note 14 in the financial statements.

Audit

Under statute, the Comptroller and Auditor General is the auditor of the Council's Accounts for the year ended 31 March 2005. The audit fee in respect of this work was £3,100.

Noel David Lyche Olsen
Chairman of the Council

14 July 2005

Ray Hodgson
Director and Accounting Officer

14 July 2005

Statement of Council Members' and Accounting Officer's Responsibilities

Under the Licensing (Alcohol Education and Research) Act 1981 and the Charities Act 1993, the Council is required to prepare a statement of financial accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Council's financial activities during the year and of its financial position at its year end.

In preparing the Council's accounts, Members are required to:

- Observe the accounts direction issued by the Secretary of State*, including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statement on the ongoing basis, unless it is inappropriate to presume the Council will continue in operation.

Professor Ray Hodgson is the designated Accounting Officer for the Council and his relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

Noel David Lyche Olsen
Chairman of the Council

14 July 2005

Ray Hodgson
Director and Accounting Officer

14 July 2005

* A copy is available from the administrative office, Room 408 Horseferry House, Dean Ryle Street, London SW1P 2AW. A charge will be made for this.

Statement on Internal Control

Scope of Responsibility

As Accounting Officer and Chair of the Council (as a representative of the Council) we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives as set out in our Statement of Purpose, whilst safeguarding the public funds and Council assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him in Government Accounting.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically. The system of internal control has been in place in the Alcohol Education and Research Council for the year ended 31 March 2005 and up to the date of the approval of the annual report and accounts, and accords with Treasury Guidance.

Capacity to Handle Risk

The Council reviews its risk management arrangements each year. These arrangements include addressing risks involved in strategy and policies, people, partnerships, processes and priorities.

The Risk and Control Framework

The key elements of the risk strategy are to:

- Make the identification of risks an integral part of the planning process. Objectives have been set and then risks are linked directly to them;
- Assess risks on the basis of the likelihood and impact, and evaluate the impact of controls to distinguish between inherent risk and residual risk;
- Integrating risk assessment into all key areas of Council activities; and
- Reviewing strategic risks and progress against them.

Strategies are currently in place to address the following key risks:

- Fall in the value of investments;
- Catastrophic IT malfunction and loss of files;
- Loss of key staff resulting in loss of the core knowledge required to run the Council;
- Failure of grant holders to deliver; and
- Fall in the reputation of the Council and loss of support from the research community.

Review of Effectiveness

As Chairman of the Council and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of the Finance and General Purposes Committee, who have responsibility for monitoring risk management procedures and the maintenance and operation of the system of internal control, and comments made by the external auditors in their management letter and other reports.

We have been advised by the Council and the Finance and General Purposes Committee on the implications of the result of our review of the effectiveness of the system on internal control.

Significant Internal Control Problems

There are no significant internal control problems to report.

Noel David Lyche Olsen
Chairman of the Council

14 July 2005

Ray Hodgson
Director and Accounting Officer

14 July 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 16 to 27 under the Licensing (Alcohol Education and Research) Act 1981. These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport and approved by Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 19.

Respective responsibilities of the Council, the Accounting Officer and Auditor

As described on page 11, the Council Members and the Director of the Alcohol Education and Research Council (AERC), as Accounting Officer, are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Council is also responsible for the preparation of the other contents of the Annual Report and Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Licensing (Alcohol Education and Research) Act 1981 and directions made by the Secretary of State thereunder, and whether in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the other contents of the Foreword are not consistent with the financial statements, if the AERC has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 12 to 13 reflects the AERC's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the AERC's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with the United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the AERC's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Audit opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Alcohol Education and Research Council as at 31 March 2005 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended and have been properly prepared in accordance with the Licensing (Alcohol Education and Research) Act 1981 and directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

15 July 2005

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2005**

			2005 Unrestricted Funds £	As Restated 2004 Unrestricted Funds £
	Notes			
Incoming resources				
Voluntary:				
– donations			41,121	4,810
Investment income	3		664,320	626,018
Total incoming resources			705,441	630,828
Resources expended				
Cost of generating funds:				
Investment Management fees		51,079	51,204	
VAT (irrecoverable)		13,929	9,308	
Fundraising		3,076	3,615	
			68,084	64,127
Charitable expenditure:				
Research and action projects	13	599,669	288,662	
Grants payable – studentship	13	44,982	7,983	
Grants payable – small	13	79,073	25,165	
Staff costs	5	20,617	19,949	
		744,341	341,759	
Management and administration	4	83,412	101,927	
			827,753	443,686
Total resources expended			895,837	507,813
Net (outgoing)/incoming resources			(190,396)	123,015
Notional cost of capital	1.8		(384,590)	(338,969)
			(574,986)	(215,954)
Add back: Notional cost of capital			384,590	338,969
			(190,396)	123,015
Other recognised gains and losses				
(Losses)/Gains on investment assets:				
– realised	7	(11,639)	194,459	
– unrealised	7	952,825	1,538,669	
Net Movement in Fund			750,790	1,856,143
Fund balance brought forward at 1 April			10,612,912	8,654,752
Prior year adjustment	1.1		–	102,017
Fund balance carried forward at 31 March			11,363,702	10,612,912

There are no recognised gains or losses other than those dealt with through the Statement of Financial Activities.

The notes on pages 19 to 27 form part of these financial statements.

**BALANCE SHEET
AT 31 MARCH 2005**

	Notes	2005	2004
		£	£
Fixed Assets			
Office equipment	6	768	2,329
Investments	7	11,632,878	10,646,727
		<u>11,633,646</u>	<u>10,649,056</u>
Current Assets			
Debtors	9	109,964	106,014
Cash at bank		671,486	593,666
		<u>781,450</u>	<u>699,680</u>
Creditors: amounts falling due within one year	10	(977,972)	(637,329)
Net Current (Liabilities) / Assets		(196,522)	62,351
Creditors: amounts falling due after more than one year	10	(73,422)	(98,495)
Net Assets		<u>11,363,702</u>	<u>10,612,912</u>
Funds:			
Unrestricted Funds	1.7	<u>11,363,702</u>	<u>10,612,912</u>

The notes on pages 19 to 27 form part of these financial statements.

Approved by Council on 30 June 2005 and signed on its behalf on 14 July 2005 by:

Noel David Lyche Olsen
Chairman of the Council

Professor Ray Hodgson
Director and Accounting Officer

**CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005	2004 Restated
		£	£
Net cash inflow from operating activities	14	122,785	55,037
Non-operational cashflows			
Payments for fixed assets		—	(2,303)
Payments for investments		(2,379,683)	(2,363,210)
Proceeds from sales of investments		<u>2,413,133</u>	<u>2,263,495</u>
		33,450	(102,018)
Net cash inflow/(outflow) for the year	14	<u>156,235</u>	<u>(46,981)</u>

The notes on pages 19 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

1 Accounting Policies

1.1 Investment Income

Investment income comprises interest and dividends received in the year and receivable at the year-end, and is shown inclusive of recoverable tax.

Prior to 2004/05, the accounting policy was to account for investment income on a cash received basis. Because there has been a change in accounting policy, which has a material impact on the accounts, the 2003/4 investment income, debtors and the cash flow statement have been restated in accordance with Financial Reporting Standards 3 – *Reporting Financial Performance*.

1.2 Expenditure

Grants are accounted for by recognising the grants at the date on which they receive formal approval. All approved grants are therefore regarded as commitments.

Administrative and other expenditure is charged to the statement of financial activities in the year in which it is incurred.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows:

Office equipment 25% – 33% straight line

1.4 Investments

Investments are included at their market value at the balance sheet date. Market value includes accrued interest on Corporate bonds and Government stocks.

1.5 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken into the statement of financial activities.

1.6 Taxation

As a registered charity the fund is not liable to taxation on its charitable activities, other than in respect of unrecoverable tax on dividend income.

1.7 Funds

The Unrestricted Funds comprise income which the Council is free to use in accordance with its objects.

1.8 Notional Cost of Capital

In accordance with Treasury guidance, a notional cost of capital of 3.5% (2003/04 3.5%) is charged in the Statement of Financial Activities in arriving at a net outgoing/incoming resources figure. This is reversed so that no provision is included on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

2 Constitution

The Alcohol Education and Research Fund is provided for as a statutory charity under the terms of the Licensing Act (Alcohol Education and Research) Act 1981, which was brought into operation on 1 October 1981 by Statutory Instrument 1981 No 1324. The fund is applied for the charitable purposes outlined in Section 7 sub-sections 2-4 of the Act.

3 Investment Income

	2005	2004
	£	£
Corporate bonds and British Government stocks	185,198	184,230
Equities and convertible loan stocks	444,866	423,630
Bank deposit interest	34,256	18,158
	<u>664,320</u>	<u>626,018</u>

4 Management and administration of the Charity

	Notes	2005	2004
		£	£
Accounting officer		12,400	12,000
Secretarial assistance		26,998	27,961
Pension costs		1,622	1,300
National Insurance		4,194	4,183
Staff Costs	5	<u>45,214</u>	<u>45,444</u>
Rent and service charges		4,875	5,426
Director's office assistance		1,200	6,676
Insurance		—	979
IT costs		5,551	4,853
Printing, postage and stationery		614	5,171
Travel expenses	8	767	3,436
Meetings of Full Council	8	7,934	16,912
Research committee meetings	8	1,546	2,140
Education committee meetings	8	2,103	2,126
Finance and GP committee meetings	8	867	28
Staff Training		250	1,150
Auditors' remuneration		3,100	3,000
Accountancy fees		4,083	2,800
Bank charges		76	225
Chairman's expenses (travelling and subsistence)		3,671	—
Depreciation		1,561	1,561
		<u>83,412</u>	<u>101,927</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

5 Staff costs

The Council have employed two part time staff during the year (2004: two), who were engaged in administrative duties.

Staff costs for the above persons were:	2005	2004
	£	£
Salaries	57,998	57,961
Social security costs	6,211	6,132
Pension costs	1,622	1,300
	<u>65,831</u>	<u>65,393</u>

No employee received remuneration in excess of £50,000 per annum (2004: none).

The Accounting Officer (Director) received emoluments of £31,000 during the year (2004: £30,000) and no pension contributions. The costs, including national insurance contributions, in relation to the Accounting Officer (Director), have been allocated between charitable, and management and administration costs, in the ratio 60:40, to reflect the time spent on each activity.

6 Tangible fixed assets

	Office Equipment £
Cost	
At 1 April 2004	13,352
Additions	—
At 31 March 2005	<u>13,352</u>
Depreciation	
At 1 April 2004	11,023
Charge for the year	1,561
At 31 March 2005	<u>12,584</u>
Net book value	
At 31 March 2005	<u>768</u>
At 31 March 2004	<u>2,329</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

7 Listed investments

	2005	2004
At valuation:	£	£
Listed investments 1 April	10,529,919	8,697,076
Additions	2,662,623	2,707,346
Disposals	(2,707,712)	(2,413,172)
Unrealised gains on revaluation	952,825	1,538,669
Listed investments 31 March	11,437,655	10,529,919
Cash awaiting re-investment	195,223	116,808
	11,632,878	10,646,727

Analysis by type:

	2005 Market Value £	Cost £	2004 Market Value £	Cost £
Corporate bonds and British Government stocks	3,580,384	3,286,745	3,547,653	3,364,649
Equities and convertible loan stocks	7,857,271	6,694,234	6,982,266	6,362,633
Cash awaiting re-investment	195,223	195,223	116,808	116,808
	<u>11,632,878</u>	<u>10,176,202</u>	<u>10,646,727</u>	<u>9,844,090</u>

The following investments each account for over 5% of the portfolio by value at 31 March 2005:

	Market Value
Baillie Gifford High Yield Bond	£795,858
Vodafone Group Ordinary Shares	£628,659

Realised (Losses) / Gains:

In 2004/05 AERC received a number of bonus shares. In addition a number of shares were also replaced as a result of mergers and takeovers. The net effect of these changes was a realised loss of £10,335 (2003/04 £ Nil).

The difference between the total market value of shares disposed and the cash received resulted in a realised loss of £1,304 (2003/04 gain £194,459).

8 Trustees' reimbursements

Included in the cost of meetings is a total of £5,329 (2004: £11,868) reimbursed to or paid directly on behalf of 14 trustees (2004: 14). No remuneration is paid to trustees. Grant funding received by trustees is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

9 Debtors

	2005	2004
	£	Restated £
Tax recoverable	4,602	3,997
Fixed interest due	4,438	9,062
Equity dividends declared but not yet received	82,026	74,124
Managed & Unitised Fund income	18,898	18,831
	<u>109,964</u>	<u>106,014</u>

10 Creditors

	2005	2004
	£	£
Amounts falling due within one year:		
Accrued expenses	12,315	22,672
Research and action projects	861,362	493,338
Small Grants	69,553	26,165
Studentship grants	34,742	95,154
	<u>977,972</u>	<u>637,329</u>
Amounts falling due after more than one year:		
Research and action projects	67,802	96,505
Studentship grants	5,620	1,990
	<u>73,422</u>	<u>98,495</u>

11 Financial Instruments

FRS 13, *Derivatives and other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Council faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet have been omitted from this note.

Liquidity and Currency Risk

The Alcohol and Research Council has no borrowings and does not rely on departmental or other grants for its cash requirements. Income is generated primarily from its investments which as at 31 March 2005 were £11.6 million. It is therefore not exposed to liquidity risk. Furthermore as all material assets and liabilities are denominated in sterling, it is also not exposed to currency risk.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

11 Financial Instruments (cont.)

Interest Rate Risk

Financial assets

	Floating Rate	Asset Earning
	£	Equity Return
	£	£
At 31 March 2005		
Sterling:		
Cash at Bank	671,486	—
Cash awaiting reinvestment investments.	195,223	—
Fixed Asset Investments	—	11,437,655
Total	866,709	11,437,655
At 31 March 2004		
Sterling:		
Cash at Bank	593,666	—
Cash awaiting reinvestment investments.	116,808	—
Fixed Asset Investments	—	10,529,919
Total	710,474	10,529,919
Reconciled to the Accounts		
	2005	2004
	£	£
Fixed Asset Investments	11,632,878	10,646,727
Cash at Bank	671,486	593,666
Total	12,304,364	11,240,393

12 Cash balances

	2005	2004	Change
	£	£	in year
Cash on deposit at bank	671,486	593,666	77,820
Cash awaiting re-investment	195,223	116,808	78,415
	866,709	710,474	156,235

13 Grants payable

	Research & action projects	Studentship grants	Small grants	2004 total	2005 total
	£	£	£	£	£
Commitments at 1 April 2004	589,843	97,144	26,165	713,152	799,338
Awarded in Year	599,669	61,714	81,330	742,713	358,867
Payments made during the year	(260,348)	(101,765)	(35,686)	(397,799)	(407,996)
Grants Cancelled	—	(16,731)	(2,256)	(18,987)	(37,057)
Commitment at 31 March 2005	929,164	40,362	69,553	1,039,079	713,152

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

13 Grants payable (cont.)

Details of grants paid during the year and outstanding at the year end are as follows:

	Paid	Outstanding	Payable
	£	£	
Institutional grants (Research and action projects)			
University of Bath	—	1,808	2005/06
Leeds Addiction Unit	2,000	3,400	2005/06
Pontypridd & Rhondda NHS Trust	20,451	11,024	2005/06
Imperial College School of Medicine	7,983	3,037	2005/06
University College, London	4,837	6,183	2005/06
National Deaf Services	—	2,250	2005/06
The University of East London	4,722	2,905	2005/06
Black and Ethnic Minorities Project	4,500	32,750	2005/06
Manchester Royal Infirmary	22,701	3,166	2005/06
Glasgow Caledonian University	—	5,270	2005/06
University of Newcastle-upon-Tyne	28,912	25,149	2005/06
Glasgow University School of Dentistry	27,664	20,170	2005/06
Imperial College Department of A and E Medicine	14,649	10,505	2005/06
Educari	—	2,819	2005/06
Galahad SMS Ltd	—	10,000	2005/06
Dorset Healthcare NHS Trust	4,083	1,091	2005/06
University of Wales Institute, Cardiff	—	993	2005/06
University of Birmingham	33,541	16,229	2005/07
Oxford Brookes University	17,408	37,570	2005/06
The University of Birmingham	8,319	33,641	2005/07
The University of Bath	—	41,960	2005/07
The University of Bath	—	30,000	2005/06
Alcohol Concern	—	6,800	2005/06
Alcohol Concern	16,638	6,362	2005/06
Goldsmith's College, University of London	11,512	44,840	2005/06
TSA	—	35,078	2005/06
London School of Hygiene & Trop – Nanchahal	—	48,397	2005/06
London School of Hygiene & Trop – Roberts	—	20,996	2005/06
University of Bath	—	55,414	2005/07
Community Action – Cardiff	7,364	42,591	2005/06
Community Action – Birmingham	—	49,999	2005/07
Community Action – Glasgow	—	50,000	2005/06
Community Action - Evaluator - Uni of Bath	—	81,129	2005/07
UWIC	—	40,833	2005/06
Community Safety Unit, Suffolk Police	—	50,000	2005/06
Womens Resource & Development Agency	—	14,745	2005/06
Robert Gordon University	3,957	26,295	2005/06
UK CAP R&D	19,106	53,765	2005/06
Carried forward	260,347	929,164	

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

13 Grants payable (cont.)

Brought forward	260,347	929,164	
(Small Grants)			
Middlesex University	3,157	1,843	2005/06
Greater Easterhouse Alcohol Awareness Project	3,346	1,654	2005/06
Alcohol Concern	3,931	–	2005/06
Glasgow Caledonian University	3,921	1,204	2005/06
University of Wales, Bangor	4,039	–	2005/06
Alcohol & Health Research Trust	135	–	2005/06
FASawareUK	1,000	–	2005/06
Brook	–	5,000	2005/06
University of Bath	–	5,000	2005/06
Mr Stuart Linke	169	–	2005/06
Old Library Trust	1,300	–	2005/06
University of Ulster	–	5,000	2005/06
University of Stirling	–	4,995	2005/06
University of Southampton	–	3,900	2005/06
NOFAS-UK	5,000	–	2005/06
Addiction Recovery Foundation	5,000	–	2005/06
OCHRAD	–	4,929	2005/06
CATH	–	4,550	2005/06
East Kent Community Alcohol Service	–	5,000	2005/06
Breakthrough Breast Cancer	–	3,180	2005/06
TIE Review	–	4,200	2005/06
Pub-Watch Scheme	4,689	–	2005/06
University of Bristol	–	4,244	2005/06
City of Stoke on Trent	–	5,000	2005/06
University of the West of England	–	4,855	2005/06
Cardiff Alcohol and Drug Team	–	5,000	2005/06
Grants to individuals			
Studentship grants (see below)	101,765	40,361	
	397,799	1,039,079	

Grants to individuals
(Studentship grants)

The Council paid grants to 19 students in the year totalling £101,765 after deduction of sums refunded (2004: 21 students, total £53,168). The grants covered course fees and, in the case of full-time students, included maintenance and other allowances on a scale similar to that of the Economic and Social Research Council.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2005

14 Cash Flow Statement

	2005 £	2004 Restated £
Reconciliation of net movement in funds to net cash inflow from operating activities		
Net (outgoing)/incoming resources	(190,396)	123,015
Depreciation	1,561	1,561
Profit on disposal of tangible fixed assets	—	—
(Increase)/decrease in debtors	(3,950)	144
Increase/(decrease) in current liabilities	340,643	(71,603)
(Decrease)/increase in long-term liabilities	(25,073)	1,920
Net cash inflow from operating activities	122,785	55,037
Analysis of changes in cash during the year (Note 11)		
Cash at bank	77,820	54,525
Cash awaiting re-investment	78,415	(101,506)
	156,235	(46,981)

15 Related party transactions

Of the grants paid during the year, the following Council members have been involved in projects and, during the course of the project, they or their unit have received funding from the institution to which the grant was made. The details are as follows:-

Oxford Brookes University

One of the grant holders is Professor David Foxcroft, who is a member of the council.

Cardiff University

One of the grant holders is Ms Rhoda Emlyn-Jones, who is a member of the council

In addition, fees amounting to £1,200 were paid in the year to the Accounting Officer's son-in-law for IT services. The work paid for was commissioned following a competitive tendering process, which did not involve the Accounting Officer, and which confirmed the quotation accepted as being the lowest received.

The Council's investments include a holding of 32,000 ordinary shares in Diageo plc. Mrs Pedlow, Council Member, is an employee of Diageo plc, and Mr Ford, Council Member, is an employee of The North British Distillery Company Limited, a subsidiary of Lothian Distillers Ltd which is 50% owned by Diageo plc. At 31 March 2005 this holding was valued at £238,720. The decision to invest in Diageo plc was made under delegated powers granted to Baillie Gifford & Co. The Council does not influence decisions to invest in specific equity or bond investments.

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