

ANNUAL REPORT AND ACCOUNTS

Year ended 31 March 2009



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Year ended 31 March 2009

Presented pursuant to section 10(4) of the Licensing
(Alcohol Education and Research) Act 1981

Registered Charity No. 284748

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**Report of the Alcohol Education and Research Council
for the year ended 31 March 2009**

The Council presents its report along with the financial statements of the charity for the year ended 31 March 2009. The financial statements comply with the provisions of section 10 of the Licensing (Alcohol Education and Research) Act 1981, the Statement of Recommended Practice ‘*Accounting and Reporting by Charities*’, and the Financial Reporting Manual (FRoM).

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. 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.

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 these objectives.

These objectives were redefined as part of the output from the ongoing strategic review of AERC’s activities. The Council confirms that it has referred to the Charity Commission’s guidance on public benefit when reviewing the AERC’s aims and objectives and in planning future activities and setting the grant making policy for the year.

Strategic development

A Strategic review undertaken in 2008 reached the following main conclusions:

- It was agreed to appoint a full-time Chief Executive for the first time.
- The Council should retain an educational role aimed at building capacity, and developing people and organisations.
- There should be a systematic approach to dissemination with research findings being brought together, presented clearly and widely disseminated. A more proactive approach should be taken with the media. There should be a recognised protocol for dealing reactively with the media.

- It was decided to fund one flagship project per year over the next three years. Each project would receive funding of up to £100,000 annually for up to three years.
- It was decided to defer a decision on whether or not to accept any potential funding from the drinks industry for two years. The new Chief Executive would firstly explore other avenues of fundraising.
- It was agreed to target an increase in Council's non-investment income of £50,000 per annum cumulatively over the following five years.

Membership of the Council

The Members of the Council who served during the financial year are listed on page 7 of this Annual Report. Council Members are initially appointed to serve for a period of three years, and may be reappointed for a second period of three years (the maximum period any member can serve is six years). Council members are non-executive and are unpaid. Newly appointed members attend an induction session involving the Council as a whole before attending their first Council meeting. The full Council, and each of its three committees, normally meets 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 annually, working for the AERC.

Chief Executive appointment

Dave Roberts joins the AERC as Chief Executive after ten years as Chief Executive of the Community Foundation for Merseyside, one of the most significant in a UK network of community foundations which is the largest independent funder of the voluntary sector in the UK. In that capacity, he has been responsible for developing partnerships and drawing in funds from a range of public, private and charitable sources and developing award-winning grant making processes. Dave's earlier career had been within regeneration and local government. He lives in North Wales and his time at the AERC will be divided between home and the London office.

Structure, governance & management

The members of the Council meet three times per year and makes decisions relating to strategies and priorities. There were two main committees in 2008/9 which made decisions about the funding of specific projects each consisting of four to eight members. The Research Committee and the People & Organisations Committee considered applications for grants in their areas. In 2009/10 these committees will merge to form the Research and Development Committee. These committees had, and will have, delegated authority to refuse applications, but decisions to award grants are subject to a mechanism agreed by the Council. All major Research or Development applications are reviewed by at least two experts in the field. Small grants are assessed by one member and the Director unless they are clearly inappropriate in which case the Director has delegated responsibility to reject them. Studentships were administered by the People & Organisations Committee, and in future will be administered by a sub-committee of the Research and Development Committee.

The Secretary of State for the Department of Health is the sponsoring authority for the Council.

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. The register of interests is also available from the Council's website, www.aerc.org.uk. Details of related party transactions in 2008/9 are disclosed in note 20 in the financial statements.

Objectives, Achievements and Performance

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

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.

The following R&D projects were funded this year. They were selected from 60 applications after each was peer reviewed by at least two experts in the field.

- Middlesex University: Exploring partnerships as a mechanism for Local Alcohol Policy implementation.
- London School of Hygiene and Tropical Medicine: Alcohol Industry Influence on Public Policy: A Case Study of Pricing and Promotions Policy.
- University of Bedfordshire: An evaluation of the 'Option 2' Intensive Family Preservation Service.
- Newcastle University: A survey of General Practitioners knowledge, attitudes and practices regarding the prevention and management of alcohol-related problems: an update of a World Health Organisation survey ten years on.
- Oxford Brookes University: What are the best screening tools for use in screening and brief intervention (SBI) programmes in different populations and settings: systematic review and meta-analysis?
- University of Birmingham: Development of a comprehensive training package to support the dissemination and use in routine practice of a brief, structured, evidence based intervention to help family members of alcohol and drug misusers.
- University of Huddersfield: Building an evidence base on alcohol supply points: A pilot project to generate intelligence for managing areas with licensed premises.
- Ranzetta Consulting: An Alcohol Academy.
- TACADE: Early identification and interventions with young people in schools who are at risk of problematic alcohol use.

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.

The Council also follows best practice in maintaining the independence of research funding and ensures that sponsored researchers and research institutions abide by best practice in research ethics, minimising the likelihood of harm to volunteers.

Community Interventions

One major development, funded by the Council, is the United Kingdom Community Alcohol Prevention Project (UKCAPP). This project is based in Cardiff, Birmingham & Glasgow. Each centre has developed 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 was evaluated by the Bath Mental Health R&D Unit. The findings were reported in a conference:

Community Partnerships to Reduce Alcohol-related Harm; University of Bath, 16 April 2008.

Delegates included: The Member of Parliament for Bath, Directors of Public Health, representatives of the DH Alcohol Policy Team, Diageo plc, Joseph Rowntree Foundation, Welsh Assembly Government, All-Party Parliamentary Beer Group, Alcohol Concern, and local health, police, drug and alcohol action teams

Manuals & Tool-Kits

Another important development is the expansion of the Council website (www.aerc.org.uk) in order to provide access to final reports, manuals and tool-kits that emerge from funded projects. This section of the website will become increasingly important as further useful resources are added. For example it now includes:

- The manual for the Fast Alcohol Screening Test.
- A tool-kit to guide professionals who are working with the children and families of alcohol misusers.
- A manual on alcohol education: A guide for teachers, employers and other programme developers.
- The effect of alcohol advertising and marketing on drinking behaviour in young people: A systematic review

The aim is to provide one component of a systematic dissemination strategy.

The AERC Alcohol Library

The AERC website now includes an Alcohol Library. This covers our own publications and also gives rapid access to other databases. It is a very efficient way of accessing the alcohol research literature.

Small grants

Small projects are funded up to a maximum of £5,000. The Council funds small research projects, pilot research studies or demonstration projects with a strong evaluation component. Small grants can also fund projects that increase the capacity of individuals and organisations to deal with alcohol issues. The Council gives preference to projects that will have a demonstrable impact. The Council funded small grants totalling £110,494 (before taking account of grant de-commitments) in the year to 31 March 2009 (2008 - £93,996).

Studentships

Each year AERC funds at least a dozen studentships on reputable alcohol related courses. Seventeen new students were awarded funding in 2008/9 (2007/8; eighteen).

Beneficiaries

The main beneficiaries of the work that we fund are people who are suffering, or are at risk of suffering, from the negative consequences of excessive alcohol consumption. Our work encompasses the whole of the United Kingdom and we adhere to best practice in making sure that our grant programmes and the evidence base that they create are widely accessible.

Any benefit received by researchers and research institutions and healthcare bodies is purely coincidental to the objects of our work.

Financial review

The financial review, summarised in the following table, relates to the objectives described above.

Programme	Grant funded activities	Support costs	Total
(Figures are net of grant de-commitments)	£	£	£
Research and Development	376,251	94,565	470,816
Small grants	69,247	25,496	94,743
Studentships	51,178	16,376	67,554
Total	496,676	136,437	633,113

Future plans

Last years report made reference to a new five-year strategy which was under development. The Strategic Review (see Page 2) represented a major step in designing the Council's future strategy, which will continue to be developed, steered by our Chair, Robin Davidson, and our Chief Executive, Dave Roberts.

For 2008/9 it was decided to have an open policy on grant applications and not to impose priority areas for research and development.

The Council also asks that researchers publishing in academic journals should use a part of their research grant to fund open access so that everybody has free access to their publications.

Financial Instruments

The principle financial risks to which the Council is exposed are: liquidity risk; interest rate risk; and currency risk. The Council has approved policies for the management of these risks.

a) Liquidity risk

The Alcohol Education 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 the 31 March 2009 were £8.8m (2008: £11.9m). It therefore does not consider its exposure to liquidity risk to be significant.

b) Interest rate risk

The council has exposure to changes in interest rates which impact on the Council's income from its cash holdings. The Council has decided not to hedge interest rate risk. However, it has decided to substantially reduce its cash holdings, which in a period of low interest rates, will reduce its exposure to this risk.

c) Currency risk

The Council has exposure to movements in currency exchange rates as far as its limited overseas investments are concerned. The Council seeks to minimise this risk by the use of currency forward contracts.

Basis of preparation of Financial Statements

The Financial Statements have been prepared in accordance with the Council's Accounting Policies, 1.1 'Basis of Accounting' as set out on page 21.

Going Concern

Currently, the Council receives no grants from the Department of Health 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.

Members of the Council who served during the year to 31 March 2009:

Professor Robin Davidson	Chairman
Ms Joyce Craig	Chair of the Developing People & Organisations Committee and Member of the Finance & General Purposes Committee
Ms Rhoda Emlyn-Jones	Chair of the Developing People & Organisations Committee (retired from the Council on 14 May 2008)
Mr Ian Ford	Chair of the Finance & General Purposes Committee
Dr Pui-Ling Li	Chair of the Research Committee and Member of the Finance and General Purposes Committee
Professor Virginia Berridge	Member of the Research Committee
Professor Christopher Day	Member of the Research Committee
Professor David Foxcroft	Member of the Research and Developing People & Organisations Committees
Professor Ian Gilmore	
Professor Gerard Hastings	Member of the Research Committee
Professor Eileen Kaner	Member of the Research Committee
Mrs Lesley King Lewis	Member of the Finance & General Purposes and Developing People & Organisations Committees
Mr Drew Munro	Member of the Developing People & Organisations Committee (retired from the Council on 31 March 2009).

Director, Scientific Advisor and Accounting Officer

Professor Ray Hodgson

Accountants

Ernst & Young LLP, Ten George Street, Edinburgh EH2 2DZ

Administrative Office

Elliott House (EH 1.4), 10-12 Allington Street, London SW1E 5EH

Auditors

Comptroller and Auditor General, National Audit Office, 151 Buckingham Palace Road, London SW1W 9SS

So far as the Accounting Officer, and each person who was a Council member at the date of approving this report, are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of the Council and the Council's auditor, the Accounting Officer has taken all the steps that he is obliged to take as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. Having made enquiries of the Accounting Officer, fellow Council members and the Council's auditor, each Council member has taken all the steps that he/she is obliged to take as a Council member in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Registered Charity no. 284748

Remuneration Report

The members of the Finance & General Purposes Committee, as detailed on page 7, undertake the duties and responsibilities of a remuneration committee.

The Council members themselves are not remunerated. The Council's policy on the remuneration of the Chief Executive, who took up employment after 31 March, and who therefore received no remuneration in 2008/9, of the Director, and of the Grants Manager, being the only three staff employed by the Council, is to align their salaries with reference to relevant Civil Service salary scales.

The two employees who were employed throughout the year also received pension contributions, or payments in lieu of pension contributions, of 6% of salary. Payments in lieu of pension contributions are subject to Income Tax and National Insurance Contributions.

The Director also served as the Council's Scientific and Accounting Officer during 2008/9. His contract, dated 28 March 2003, is reviewed annually. His notice period is three months, which equates to the Council's maximum liability to compensation for early termination.

The Director received emoluments of £37,380 during the year (2008:£35,600) and a payment in lieu of pension contributions of £2,243 (2008:£2,136). There are no performance conditions to be met by the Director. The information in this paragraph is subject to audit.

Financial Review

Results for the year

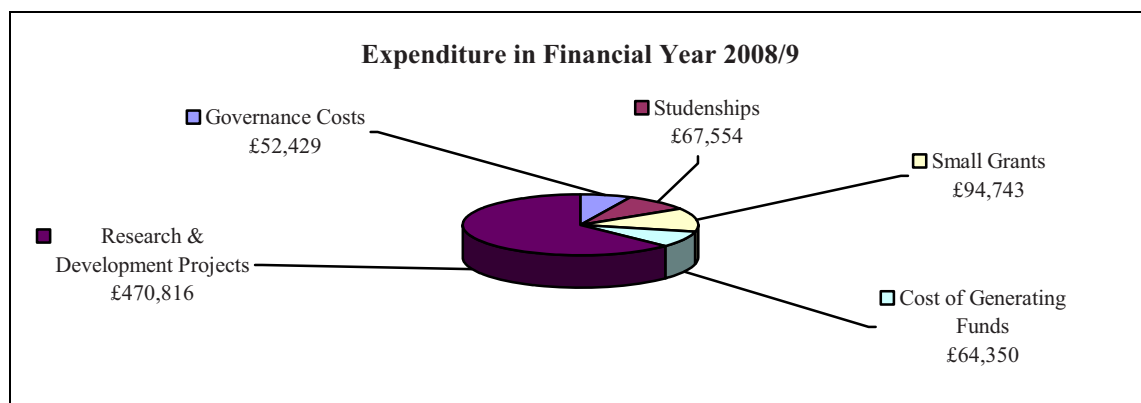
The value of the Fund at 31 March 2009 was £8,426,998, a fall of £3,300,105 from 31 March 2008 (£11,727,103). The decrease in the value of the fund reflects the sharp fall in the value of both UK equities and corporate bonds, and reflects the recession in the U.K. economy experienced during the period.

A further detailed review of the Council's investment strategy was undertaken during the year in conjunction with the Investment Manager. As a consequence, a decision was taken to begin the reinvestment of that part of the fund which had been converted to cash in the previous year. In addition, the Council's investments in UK equities was realigned to target an overall return, rather than to focus primarily on income. Investment overseas was implemented for the first time. This diversification is intended to increase overall investment returns in the future.

The Council continues to maintain an investment policy where the opportunities for capital growth are balanced with a requirement to generate a minimum level of investment income.

The total income of the Council in the financial year was £570,615 (2007/8 £741,582). The decrease in income of £170,967 (23%) was mainly due to falling levels of dividend income, particularly in the banking and financial sectors.

Total expenditure amounted to £749,892 (2007/8, £637,738), of which, £52,429 (2007/8, £19,650) was accounted for by governance costs. The increase in governance costs arose mainly from professional fees incurred in connection with the Council's strategic review, and in connection with the recruitment of the chief executive.



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 agreed an investment policy which seeks to generate both income and capital appreciation from investments in government and corporate bonds, and equities, both in the UK and overseas. The primary investment objective is for the total investment return, for both income and capital appreciation, to outperform the bespoke benchmark outlined below by 1% per annum over rolling five year periods.

ASSET CLASS	INDICES	WEIGHTING
<i>UK Equities</i> - UK - Global	FTSE All Share MSCI AC World	57% 10%
<i>Corporate Bonds</i> - Investment Grade - Sub-Investment Grade	Merrill Lynch > 5 year Corporate Bonds Merrill Lynch Sterling High Yield	26% 6%
<i>Cash</i>	LIBID 7 Day	1%

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-exceeds 10%. At 31 March 2009 this investment represented 3.7% of the Fund's value.

Notwithstanding the objective of achieving a total return of capital appreciation and income, an income benchmark target of £495,000 has been agreed with Baillie Gifford for the year to 31 March 2010. The Investment Manager is given flexibility to deviate from this income target by up to 10%.

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 previous month.

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 Investment Manager submits 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, which in addition provides an overview of performance, a report on the economic outlook and other relevant issues. The Investment Manager regularly attend meetings of the Finance and General Purposes committee and from time to time attend meetings of the Council.

During the year the Investment Manager delivered a level of return which outperformed the target return. Against a benchmark of -23.5%, Baillie Gifford produced a total return of -22.5%, bettering the benchmark by 1.0%. The negative returns reflect the prevailing economic conditions in the UK and overseas. The Council, however, believes that investment performance can only be effectively assessed over a longer timeframe than one year, and is pleased to note that the Investment Manager's average annualised performance over three and five years has exceeded the benchmark as follows:

	<u>3 Years</u> % p.a.	<u>5 Years</u> % p.a.
Fund	-8.8	1.2
Benchmark	-9.7	0.1

Fundraising

The Council will be seeking to enhance its income from fundraising substantially in the future (see ‘Strategic development’, on Page 2). It also continues to seek to expand its funding base through collaboration with other funding bodies in the alcohol field.

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 2008/9 the Council received £1,758 in donations and bequests (2007/8; £1,460).

Reserves policy

It is the Council’s policy to maintain a minimum of 1 – 2 per cent of the Fund in cash under the control of the fund manager. At 31 March 2009, the total cash held by the fund managers was above this target level, being 12% (2008; 26%) of the fund. This was due to the agreed temporary reallocation of the Council’s investments undertaken in 2007, whereby part of the equity holding was sold and the proceeds retained as cash. This was not intended to be a permanent reallocation of assets and the position is reviewed regularly. The cash holding is planned to reduce further in 2009/10.

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 2008/9 the Council paid all undisputed invoices within 30 days of receipt.

Audit

Under statute, the Comptroller and Auditor General is the auditor of the Council’s Accounts for the year ended 31 March 2009. The audit fee in respect of this work was £3,300.

Robin Davidson
Chairman of the Council

Dave Roberts
Accounting Officer

24 June 2009

24 June 2009

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 Health 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.

Mr Dave Roberts 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.

Robin Davidson
Chairman of the Council

Dave Roberts
Accounting Officer

24 June 2009

24 June 2009

* A copy is available from the administrative office, Elliott House (EH 1.4), 10-12 Allington Street, London SW1E 5EH. 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 2009 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.

Risk Review Statement

A comprehensive review was undertaken during 2008/9 to identify all potential operational, financial and corporate risks, assess their likelihood of occurring and the potential severity of their impact, and also identify any past occurrences.

This review, undertaken by the Finance and General Purposes Committee on behalf of the Council, concluded that none of the potential risks had resulted in any actual loss by the Council, and also that the Council was not exposed to any material impending risk at the time of the review.

The review did however identify two areas where internal controls could be improved. Consequently, additional controls and checks have been established to ensure the validity of grant payments and members' travel and subsistence expenses. In future, information on the travel and subsistence payments claimed by each member will be made transparent to all other members.

Further risk reviews will be undertaken annually as part of the financial planning and reporting processes to identify additional potential risks and assess their likely impact on the Council.

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.

Robin Davidson
Chairman of the Council

Dave Roberts
Accounting Officer

24 June 2009

24 June 2009

THE ALCOHOL EDUCATION AND RESEARCH COUNCIL

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Alcohol Education and Research Council for the year ended 31 March 2009 under the Licensing (Alcohol Education and Research) Act 1981. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council Members, the Accounting Officer and auditor

The Council Members and Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Licensing (Alcohol Education and Research) Act 1981 and directions made thereunder by the Secretary of State for Health with the consent of the HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council Members' and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited 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 Health with the consent of the HM Treasury. I report to you whether, in my opinion, the information, which comprises the Report of the Council and the Financial Review, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Alcohol Education and Research Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Alcohol Education and Research Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Alcohol Education and Research Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council Members and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Alcohol Education and Research Council'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Licensing (Alcohol Education and Research) Act 1981 and directions made thereunder by the Secretary of State for Health with the consent of the HM Treasury, of the state of the Alcohol Education and Research Council's affairs as at 31 March 2009 and of its incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited 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 Health with the consent of the HM Treasury; and
- the information, which comprises the Report of the Council and the Financial Review, included in the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS*

8 July 2009

The Alcohol Education and Research Council

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 Unrestricted Funds £	2008 Unrestricted Funds £
Incoming resources			
Incoming resources from generated funds:			
Voluntary donations		1,758	1,460
Investment income	3	568,777	740,122
Other incoming resources		80	-
Total incoming resources		570,615	741,582
Resources expended			
Cost of generating funds:			
Costs of generating voluntary income	4a	7,604	-
Investment management costs	4a	56,746	70,859
		64,350	70,859
Charitable expenditure:			
Research and development projects		504,390	380,848
Small Grants		135,990	118,784
Studentship		87,344	102,811
Charitable activities		727,724	602,443
Grant de-commitments		(94,611)	(55,214)
	4a	633,113	547,229
Governance costs	4a	52,429	19,650
Total resources expended	4a	749,892	637,738
Net (outgoing)/incoming resources	5	(179,277)	103,844
Notional cost of capital	1.10	(352,697)	(440,803)
		(531,974)	(336,959)
Add back: Notional cost of capital		352,697	440,803
Net (outgoing)/incoming resources before other recognized gains and losses		(179,277)	103,844
Other recognized gains and losses			
Losses on investment assets:			
-realised	8	(1,250,010)	(272,612)
-unrealised	8	(1,856,960)	(1,565,746)
Currency losses (net)		(13,858)	-
Net Movement in Funds		(3,300,105)	(1,734,514)
Reconciliation of Funds			
Fund Balance brought forward		11,727,103	13,461,617
Total Funds carried forward	13	8,426,998	11,727,103

All charitable activities relate to continuing operations.

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

The notes on pages 21 to 37 form part of these financial statements.

**BALANCE SHEET
AT 31 MARCH 2009**

	Notes	2009		2008	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	7		1,201		-
Investments	8		8,776,375		11,897,239
			<u>8,777,576</u>		<u>11,897,239</u>
Current Assets					
Debtors	10	27,148		115,994	
Cash at bank	14	482,826		569,039	
		<u>509,974</u>		<u>685,033</u>	
Creditors: amounts falling due within one year	11	<u>823,313</u>		<u>834,529</u>	
Net Current Liabilities			<u>(313,339)</u>		<u>(149,496)</u>
Total assets less current liabilities			<u>8,464,237</u>		<u>11,747,743</u>
Creditors: amounts falling due after more than one year	12		(37,239)		(20,640)
Net Assets			<u>8,426,998</u>		<u>11,727,103</u>
Funds:					
Unrestricted Funds	1.8, 13		<u>8,426,998</u>		<u>11,727,103</u>

The notes on pages 21 to 37 form part of these financial statements.

Approved by Council on 24 June 2009 and signed on its behalf by:

Robin Davidson
Chairman of the Council

Dave Roberts
Accounting Officer

**CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009	2008
		£	£
Net cash (outflow)/inflow from operating activities	19	(98,506)	32,258
Capital expenditure and financial Investment			
Payments for investments	8	(6,742,105)	(5,237,313)
Payments to acquire tangible fixed assets	7	(1,601)	-
Proceeds from sales of investments		<u>4,701,209</u>	<u>7,458,766</u>
		(2,042,497)	2,221,453
Net cash (outflow)/inflow for the year	19	<u>(2,141,003)</u>	<u>2,253,711</u>

The notes on pages 21 to 37 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

1 Accounting Policies

1.1 Basis of accounting

The Council has adopted the following policies which should be read in conjunction with the financial statements set out on pages 18 to 20. These have been prepared under the historical cost convention, modified by the revaluation of investments, in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005, the Financial Reporting Manual (FrEM) and applicable UK Accounting Standards, and comply with Section 10(1)(b)(ii) of the Licensing (Alcohol Education and Research) Act 1981.

1.2 Investment Income

Investment income comprises interest and dividends receivable in the year and is shown inclusive of recoverable tax. Donated goods or services are included at market value.

1.3 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. Grants not drawn down in the year are carried forward. These grants are recorded as due within one year applying the prudence principle. Outstanding grant commitments are reviewed annually to identify amounts that will not be paid in full and are cancelled (see Note 18b).

Administrative and other expenditure is charged to the statement of financial activities in the year in which it is incurred. The allocation of costs is as stated in Note 4a.

Where possible expenditure has been allocated to specific categories in the SOFA and where this is not possible the costs have been allocated as stated in Note 4a.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets costing £500 or more are capitalised on initial acquisition and included in the balance sheet at cost or valuation including costs attributable to bringing the assets into working condition for their intended use. Expenditure which enhances the tangible fixed assets is capitalised at cost. Fixed assets donated for the Trust's own use are capitalised at their current value.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment over 4 years straight line.

1.5 Investments

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

1.6 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.

1.7 Taxation

As a registered charity the fund is not liable to taxation on its charitable activities.

1.8 Funds

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

1.9 Pension

The Council does not have an Occupational pension scheme, but contributes a proportion of members salaries to private savings schemes. These amounts are expensed through the SOFA.

1.10 Cost of Capital

The cost of capital is calculated using an interest rate of 3.5%.

1.11 Forward currency contracts

The Council uses forward currency contracts to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the statement of financial activities

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

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

	2009 £	2008 £
Fixed Interest		
Corporate bonds and British Government stocks	215,343	195,280
Overseas bonds	3,671	-
Equities – UK franked	208,829	427,848
Irrecoverable tax on Equities	(21,160)	(53,287)
Managed and unitised - UK	<u>41,833</u>	<u>40,315</u>
	448,516	610,156
Bank deposit interest	118,740	129,954
Other income	1,521	12
	<u>568,777</u>	<u>740,122</u>

4a Total Resources Expended

	Charitable activities	Costs of generating funds			2009	2008
		Investment management costs £	Costs of generating voluntary income £	Governance £	Total £	Total £
Director's IT Assistance	2,362			263	2,625	1,380
Scientific officer	11,858			1,318	13,176	13,011
Grants and Committees manager	34,328			3,814	38,142	36,928
Office administrative services	243			27	270	210
Rent	7,968			885	8,853	8,832
Insurance	296			33	329	534
IT costs	5,896			655	6,551	3,105
Printing, postage and stationery	4,686			521	5,207	3,060
Travel expenses	1,447			161	1,608	747
Meetings of Full Council	3,596			400	3,996	4,228
Induction and Strategy meetings	4,684			520	5,204	7,599
Research committee meetings	988			110	1,098	1,375
Education committee meetings	427			48	475	316
Finance and GP committee meetings				1,263	1,263	1,134
Staff training					-	135
Auditors' remuneration for audit services				3,300	3,300	3,200
Accountancy fees				5,000	5,000	6,000
Bank charges	27			3	30	11
Chairman's expenses	3,691			410	4,101	6,082
Depreciation	360			40	400	-
Research facilitation	<u>30,742</u>				<u>30,742</u>	<u>30,457</u>
Carried Forward	113,599	-	-	18,771	132,370	128,344

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

4a Total Resources Expended (cont.)

	Charitable activities	Costs of generating funds Investment management costs £	Costs of generating voluntary income £	Governance £	2009 Total £	2008 Total £
Brought Forward	113,599	-	-	18,771	132,370	128,344
Investment Management fees		52,874			52,874	67,057
Custody fees		3,872			3,872	3,093
Irrecoverable VAT	17,434			1,938	19,372	14,809
NCVO and AMRC Subscriptions	1,093				1,093	709
Payroll Services	900			100	1,000	1,000
Peer review costs	3,411				3,411	1,322
Professional fees – strategy plan				24,016	24,016	-
Recruitment costs			7,604	7,604	15,208	-
	136,437	56,746	7,604	52,429	253,216	216,334
	Note 4b					
Research and development projects	409,825				409,825	301,327
Grants payable - small	110,494				110,494	93,996
Grants payable - studentship	70,968				70,968	81,295
Note 4b, 18a	591,287	-	-	-	591,287	476,618
	727,724	56,746	7,604	52,429	844,503	692,952
Grant de-commitments (note 18a)	(94,611)				(94,611)	(55,214)
SOFA – page 18	633,113	56,746	7,604	52,429	749,892	637,738
	Note 4b					

Allocation of costs

The director's salary and associated national insurance and pension costs have been split 30:70 between salary and research facilitation costs.

Peer review costs and subscription fees for grant making purposes are wholly attributable to grant applications. Direct administration costs such as the costs associated with Finance and General Purposes Committee Meetings, audit and accounting fees and strategy plan professional fees, are accounted exclusively as Governance Costs. Shared governance costs, including the cost of induction and strategy meetings are allocated 90:10 between charitable activities and governance in line with prior years.

4b Analysis of Charitable Expenditure

Analysis of Charitable Expenditure	%	Grants £	Allocation of Support Costs £	Grant de-commitments £	2009 Total £	2008 Total £
Research and development projects	69.3	409,825	94,565	(33,574)	470,816	361,952
Small	18.7	110,494	25,496	(41,247)	94,743	101,763
Studentship	12.0	70,968	16,376	(19,790)	67,554	83,514
Total	100	591,287	136,437	(94,611)	633,113	547,229

Note 4a

Support costs have been allocated to charitable expenses in proportion to grant awards made.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

5 Net incoming resources

This is stated after charging:	2009	2008
	£	£
Auditors remuneration – audit services	3,300	3,200
Accountants’ fees - other services	5,000	6,000
Depreciation	400	-
	<u>8,700</u>	<u>9,200</u>

6 Staff costs

The Council have employed two part time staff during the year (2008: two), who were engaged in administrative duties. In both 2008 and 2009, this equated to 1.4 full time equivalent members of staff.

Staff costs for the above persons were:	2009	2008
	£	£
Salaries	70,130	67,375
Social security costs	7,722	7,038
Pension costs	4,208	4,007
Class 1A National Insurance and PAYE on pension costs for the three years to 31 March 2008	-	1,879
	<u>82,060</u>	<u>80,299</u>

No employee received remuneration in excess of £60,000 per annum (2008: none).

7 Tangible fixed assets

	Office Equipment £
Cost	
At 1 April 2008	6,694
Additions	1,601
Disposals	<u>(2,740)</u>
At 31 March 2009	<u>5,555</u>
Depreciation	
At 1 April 2008	6,694
Charge for the year	400
Depreciation on disposals	<u>(2,740)</u>
At 31 March 2009	<u>4,354</u>
Net book value	
At 31 March 2009	<u>1,201</u>
At 31 March 2008	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

8 Listed investments

There are no programme related investments. Investments are included at their market value at the balance sheet date and are held primarily to provide an investment return.

At valuation:	2009	2008
	£	£
Listed investments 1 April 2008	8,796,344	12,856,155
Additions at cost	6,742,105	5,237,313
Disposals	(5,951,219)	(7,731,378)
Unrealised losses on revaluation	(1,856,960)	(1,565,746)
	<hr/>	<hr/>
Listed investments 31 March 2009	7,730,270	8,796,344
Cash held pending re-investment	1,046,105	3,100,895
	<hr/>	<hr/>
	8,776,375	11,897,239

Analysis by type:

	2009		2008	
	Market Value	Cost	Market Value	Cost
	£	£	£	£
Fixed interest:				
Corporate bonds and British Government stocks	2,625,809	3,781,889	3,200,615	3,365,163
Overseas bonds	27,157	35,518	-	-
UK Equities	4,066,600	4,744,839	5,595,729	6,175,877
Long term Capital Growth Fund	1,010,704	1,134,499	-	-
Cash awaiting re-investment	1,046,105	1,046,105	3,100,895	3,100,895
	<hr/>	<hr/>	<hr/>	<hr/>
	8,776,375	10,742,850	11,897,239	12,641,935

Realised Losses:

The difference between the total market value of shares disposed as at 1 April 2008 and the cash proceeds resulted in a realised loss of £1,250,010 (2008: loss of £272,612). Realised loss of £14,482 (2008: Nil) on forward currency contracts is included in the currency loss in the Statement of Financial Activities.

Material investments

At the year end one individual investment, the Baillie Gifford Long Term Capital Growth Fund was valued at £1,010,704, representing 11.5% of the investment portfolio.

9 Trustees' reimbursements and remuneration

Included in the cost of meetings is a total of £7,598 of travel and hotel costs (2008: £14,171) reimbursed to or paid directly on behalf of eight trustees (2008: 15). No remuneration is paid to trustees. Grant funding received by trustees is disclosed in Note 20.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

10 Debtors

	2009 £	2008 £
Tax recoverable	85	-
Fixed interest due on securities	-	9,063
Equity dividends declared but not yet received	15,441	91,625
Accrued interest receivable on time deposits	712	10,711
Prepayments	1,800	564
Other debtors	9,110	4,031
	<u>27,148</u>	<u>115,994</u>

All amounts due within one year.

Other debtors includes forward currency contract assets of £36 (2008: Nil) in line with accounting policy 1.11.

11 Creditors – amounts falling due within one year:

	2009 £	2008 £
Accrued expenses	11,580	10,050
Research and development projects	661,590	635,008
Small Grants	93,874	128,182
Studentship grants	56,269	61,289
Other creditors	-	-
	<u>823,313</u>	<u>834,529</u>

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

	2009 £	2008 £
Research and development projects	27,964	-
Studentship grants	9,275	20,640
	<u>37,239</u>	<u>20,640</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

13 Unrestricted funds reconciliation

	2009 £	2008 £
Balance brought forward	11,727,103	13,461,617
Incoming resources	570,615	741,582
Outgoing resources	(749,892)	(637,738)
Losses	(3,120,828)	(1,838,358)
	<u>8,426,998</u>	<u>11,727,103</u>

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

14 Analysis of net assets

	2009 £	2008 £
Tangible fixed assets	1,201	-
Investments	8,776,375	11,897,239
Debtors	27,148	115,994
Cash at bank	482,826	569,039
Creditors	(860,552)	(855,169)
	<u>8,426,998</u>	<u>11,727,103</u>

15 Financial Instruments

An explanation of the Councils financial instrument risk management objectives, policies and strategies are set out in the Report of the Council on page 6 and in the accounting policies on pages 21 to 22.

Currency Risk

At 31 March 2009 the Council had foreign exchange forward contracts in place to purchase €10,000 (2008: nil). The marked to market fair value of such contracts held at 31 March 2009 was £36.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009

16 Financial Instruments (cont.)

Interest Rate Risk

Financial assets

	Floating Rate	Asset Earning
	£	Equity Return
		£
At 31 March 2009		
Sterling:		
Cash at Bank	482,826	-
Cash awaiting reinvestment investments	1,046,105	-
Fixed Asset Investments	-	7,730,270
Total	1,528,931	7,730,270
At 31 March 2008		
Sterling:		
Cash at Bank	569,039	-
Cash awaiting reinvestment investments	3,100,895	-
Fixed Asset Investments	-	8,796,344
Total	3,669,934	8,796,344
Reconciled to the Accounts		
	2009	2008
	£	£
Fixed Asset Investments	8,776,375	11,897,239
Cash at Bank	482,826	569,039
Total	9,259,201	12,466,278

17 Cash balances

	2009	2008	Change
	£	£	in year
			£
Cash on deposit at bank	482,826	569,039	(86,213)
Cash awaiting re-investment	1,046,105	3,100,895	(2,054,790)
	1,528,931	3,669,934	(2,141,003)

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

18a Grants payable Summary

	Research & development projects £	Small grants £	Studentship grants £	2009 total £	2008 total £
Commitments at 1 April 2008	635,008	128,182	81,929	845,119	962,432
Awarded in Year	409,825	110,494	70,968	591,287	476,618
Payments made during the year	(321,705)	(103,555)	(67,563)	(492,823)	(538,717)
Grants Cancelled	(33,574)	(41,247)	(19,790)	(94,611)	(55,214)
Commitment at 31 March 2009	689,554	93,874	65,544	848,972	845,119
				Note 18b	
Resources expended charge for the year					
Awarded in Year	409,825	110,494	70,968	591,287	476,618
Grants Cancelled	(33,574)	(41,247)	(19,790)	(94,611)	(55,214)
Resources expended	376,251	69,247	51,178	496,676	421,404
				Note 4	

Full details of grants paid during the year and outstanding at the year end are listed in Appendix 1 to the Financial Statements.

18b Total Grant Commitments as at 31 March 2009 are as follows:

	Amount due within one year	Amount due in > one year	Total Commitments as at 31 March 2009
Research & Development Projects	661,590	27,964	689,554
Small Grants	93,874	-	93,874
Studentship Grants	56,269	9,275	65,544
Total	811,733	37,239	848,972

Grants to individuals (Studentship grants)

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.

Grant Under-spending

A full review of outstanding grant commitments identified a number of approved grants which will not now be paid in full. These amount to £40,176 (net of providing for an overspend of Small Grants amounting to £135) and were cancelled prior to the year-end.

This is in addition to the cancellation in the year of grants amounting to £54,435 (net) as set out in Note 18b to the Financial Statements for the year ending 31 March 2008.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

19 Cash Flow Statement

	2009 £	2008 £
Reconciliation of net movement in funds to net cash (outflows)/inflow from operating activities		
Net (outgoing)/ incoming resources	(179,277)	103,844
Decrease in debtors	88,846	68,564
Decrease in current liabilities	(11,216)	(121,844)
Increase/(decrease) in long-term liabilities	16,599	(18,306)
Exchange differences	(13,858)	-
Depreciation	400	-
Net cash (outflow)/inflow from operating activities	<u>(98,506)</u>	<u>32,258</u>
Analysis of changes in cash during the year (Note 17)		
Cash at bank	(86,213)	16,436
Cash awaiting re-investment	<u>(2,054,790)</u>	<u>2,237,275</u>
	<u>(2,141,003)</u>	<u>2,253,711</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

20 Related party transactions

The Alcohol Education and Research Council is a Non-Departmental Public Body sponsored by the Department of Health which is regarded as a related party. During the year, the Council has undertaken no significant transactions with the Department or its other sponsored bodies. No key staff have undertaken any material transactions with the Council.

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:-

R05/02 London School of Hygiene and Tropical Medicine

One of the grant holders, Professor Virginia Berridge, is a member of the Council.

R08/05 Oxford Brookes University

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

R02/08 London School of Hygiene and Tropical Medicine

Professor Virginia Berridge of the London School of Hygiene and Tropical Medicine is a member of the Council.

R04/08 Newcastle University

Professor Christopher Day and Professor Eileen Kaner of Newcastle University are both members of the Council.

DP08/06 University of Birmingham

One of the grant holders, Professor Alex Copello, was an advisor to the Research Committee, and will be an advisor to the Research and Development Committee.

SG08/09 121 Oxford Brookes University

The grant holder, Professor David Foxcroft, is a member of the Council.

In addition, fees amounting to £7,305 (2008: £2,791) were paid in the year to a relative of the Accounting Officer for IT services. The work paid for was commissioned and following a competitive tendering process, which did not involve the Accounting Officer, and which confirmed the quotation accepted as being the lowest received.

The temporary office assistant costs disclosed in Note 4a (£270) represents payments made to Miss Nerissa Tilouche, daughter of the Council's Grants Manager, Mrs Andrea Tilouche.

Mr Ford, Council Member, is an employee of The North British Distillery Company Limited. The North British Distillery Company Limited provides accountancy, finance, payroll and information technology services to AERC free of charge. The estimated market value of these services is £1,000 (2008: £1,000).

21 Post Balance sheet events

No significant post balance sheet events have been identified that would necessitate revision of the results of the Financial Statements or disclosures in the notes to the Financial Statements.

In accordance with the requirements of FRS21, 'Events after the balance sheet date', post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and report of the Comptroller and Auditor General.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

Appendix 1

Grant recipient	Grant ref	Balance Brought forward as at 1 April 2008 £	Grants awarded in the year £	Grants De-committed in the year £	Payments made £	Outstanding Balance as at 31 March 2009 £	
						Amount due within one year	Amount due in more than one year
Research & Development Projects							
University of Bath	R01/05 / R2/99	1,808		(1,808)		-	
University College, London	R01/01	6,183		(6,183)		-	
Black and Ethnic Minorities Project	A01/03	10,750		(10,750)		-	
Imperial College Department of A and E Medicine	R02/03	4,200		(4,200)		-	
University of Birmingham	R03/01	1,609		(1,609)		-	
The University of Birmingham	DP03/03A	4,578		(316)	4,262	-	
London School of Hygiene & Trop – Nanchahal	R04/02	1,050		(1,050)		-	
University of Bath	R04/04	7,450			7,450	-	
Community Action - Glasgow	CA04/03	21,759		(181)	21,578	-	
UWIC	DP04/01	23,422				23,422	
Community Safety Unit, Suffolk Police	DP04/02	12,658				12,658	
UK CAP R&D	CA04/05	50,637			5,406	45,231	
University of Leicester	R05/01	173		(173)		-	
London School of Hygiene & Trop – Berridge	R05/02	741		(97)	644	-	
London School of Hygiene & Trop - McCambridge	R05/03	37,757			18,160	19,597	
Glasgow Caledonian University – Shewan	R05/04	3,737		(3,737)		-	
Glasgow Caledonian University – Forsyth	R05/05	2,679		(2,679)		-	
Alcohol & Health Research Trust	R05/06	14,900			14,900	-	
Glasgow Caledonian University – Watson	DP05/01	3,777				3,777	
TSA	R06/01	1,670			1,670	-	
University of Nottingham	R06/02	30,433			7,007	23,426	
University of Leeds – Hadfield	R06/03	18,638			14,959	3,679	
University of Bristol	R06/04	25,162	2,028	(790)	26,400	-	
University of Leeds - Bewick	R06/05	31,990			23,018	8,972	
SOLUCIA	DP06/01	13,568			13,568	-	
UCL	DP06/02	-	900		900	-	
Body of Christ Charity	DP06/03	12,318			12,318	-	
Cardiff Institute of Society, Health & Ethics	R01/2007	59,101			21,797	37,304	
University of Northampton	R02/2007	54,909			28,076	26,833	
Glasgow Caledonian University	R03/2007	31,774			29,297	2,477	
Northumbria University	R04/2007	49,077				49,077	
Carried forward		538,508	2,928	(33,573)	251,410	256,453	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

Appendix 1 (cont.)

Grant recipient	Grant ref	Balance brought forward as at 1 April 2008 £	Grants awarded in the year £	Grants De-committed in the year £	Payments made £	Outstanding Balance as at 31 March 2009 £	
						Amount due within one year	Amount due in more than one year
Brought forward		538,508	2,928	(33,573)	251,410	256,453	-
Cambridgeshire County Council	DP01/2007	43,700			30,901	12,799	
Project 28	DP02/2007	52,800			32,067	20,733	
Middlesex University	R01/2008		75,659			63,195	12,464
London School of Hygiene & Tropical Medicine - Holden	R02/2008		49,845			49,845	
University of Bedfordshire	R03/2008		58,802			58,802	
Newcastle University	R04/2008		40,972			40,972	
Oxford Brookes University	R05/2008		36,072			36,072	
University of Birmingham	DP06/2008		23,750			23,750	
University of Huddersfield	DP07/2008		46,246		7,327	38,919	
Ranzetta Consulting	DP08/2008		30,051			30,051	
TACADE	DP 09/2008		45,500			30,000	15,500
Rounding Adjustments				(1)		(1)	
Total Research & Development Projects		635,008	409,825	(33,574)	321,705	661,590	27,964
Small Grants							
University of Bath	SG04/05 9	1,000			1,000	-	
University of Southampton	SG04/05 14	2,266			2,266	-	
Leeds North East PCT	SG05/06 27	3,500			3,500	-	
Northumbria University	SG05/06 44	4,882		(4,882)		-	
Alcohol Concern	SG05/06 45	5,000		(5,000)		-	
The Gwalia	SG05/06 47	5,000		(5,000)		-	
Glasgow Caledonian University – Forsyth	SG05/06 49	2,108		(2,108)			
Priority Youth Housing	SG05/06 51	4,500		(4,500)			
Middlesex University – LARG Team	SG06/07 59	3,400		(1,900)	1,500	-	
Gloucestershire Community Health	SG06/07 60	4,979			4,979	-	
Drinksense	SG06/07 61	5,000				5,000	
Liverpool JMU	SG06/07 62	4,915		(4,915)		-	
Journal – Drugs: education prevention policy	SG06/07 65	4,000		(4,000)		-	
Leeds Addiction Unit	SG06/07 69	1,341		75	1,416	-	
Rushden Mind	SG06/07 75	4,820		(4,820)		-	
The Sandyford Initiative	SG07/07 78	5,000	2,500		7,177	323	
Alcohol Training Workshop	SG 07/08 79	424				424	
Oxford Brookes University	SG 07/08 80	4,995			3,983	1,012	
Rochdale MBC	SG 07/08 82	4,665			4,665	-	
Leeds Metropolitan University	SG 07/08 83	5,000				5,000	
Toxteth TV	SG 07/08 84	4,698		32	4,730	-	
University of Sussex	SG 07/08 85	4,980			2,508	2,472	
National Health Forum	SG 07/08 87	5,000				5,000	
Weston Spirit	SG 07/08 89	3,188		(3,188)		-	
Carried forward		94,661	2,500	(40,206)	37,724	19,231	

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

Appendix 1 (cont.)

Grant recipient	Grant ref	Balance brought forward as at 1 April 2008 £	Grants awarded in the year £	Grants De-committed in the year £	Payments made £	Outstanding Balance as at 31 March 2009 £	
						Amount due within one year	Amount due in more than one year
Brought forward		94,661	2,500	(40,206)	37,724	19,231	
Home-Start Wyre Forest	SG 07/08 90	2,359		(19)	2,340	-	
Hope Gate Trust	SG 07/08 91	4,878				4,878	
UCL	SG 07/08 92	4,627		24	4,651	-	
Thames Valley University	SG 07/08 93	5,000			2,345	2,655	
University of Wales Bangor	SG 07/08 94	1,894			1,894	-	
Kingston University	SG 07/08 95	4,744				4,744	
Leeds Addiction Unit	SG 07/08 96	5,019			4,119	900	
Cumbria Youth Alliance	SG07/08 97	5,000				5,000	
Alcohol & Health Research Unit, UWE	SG08/09 98		5,000		5,000	-	
NOFAS-UK	SG08/09 99		5,000		5,000	-	
Institute of Psychiatry, KCL	SG08/09 100		4,680			4,680	
Middlesex University	SG08/09 101		4,880			4,880	
Bath Spa University	SG08/09 102		4,969			4,969	
Canterbury Christchurch University	SG08/09 103		2,400		1,400	1,000	
Queen Margaret University, Edinburgh	SG08/09 104		4,380			4,380	
Bangor University	SG08/09 105		371	4	375	-	
Ranzetta Consulting	SG08/09 106		5,000	(1,050)	3,950		
University of Lincoln	SG08/09 107		4,960			4,960	
University of Cumbria	SG08/09 108		4,600			4,600	
Cardiff Council Community Alcohol & Drug Team	SG08/09 109		5,000			5,000	
Lancashire Constabulary Headquarters	SG08/09 110		3,717		3,717	-	
University of Bristol	SG08/09 111		5,000			5,000	
NEWI University of Wales	SG08/09 112		3,000			3,000	
Angus DAAT	SG08/09 113		5,000			5,000	
Alcohol Focus Scotland	SG08/09 114		5,000		1,458	3,542	
HAGA/Barnet General Hospital	SG08/09 115		5,912		5,912	-	
The Royal Society of Edinburgh	SG08/09 116		5,000		5,000	-	
NDSAG	SG08/09 117		4,000		4,000	-	
6 th INEBRIA Conference	SG08/09 118		5,000		5,000	-	
University of Glasgow	SG08/09 119		4,975			4,975	
UCLAN	SG08/09 120		4,962		4,482	480	
Oxford Brookes University	SG08/09 121		1,438		1,438	-	
Alcohol & Health Research Unit, UWE	SG08/09 122		3,000		3,000	-	
The Trust for the Study of Adolescence	SG08/09 123		750		750	-	
Total Small Grants		128,182	110,494	(41,247)	103,555	93,874	

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

Appendix 1 (cont.)

Grant recipient	Grant ref	Balance brought forward as at 1 April 2008 £	Grants awarded in the year £	Grants De-committed in the year £	Payments made £	Outstanding Balance as at 31 March 2009 £	
						Amount due within one year	Amount due in more than one year
Studentship Grants							
Student Bursaries	SB	180	900		1,080	-	
Mrs Pauline Russ	TC03/10	1,680				1,680	
Miss Kate Brightmore	TC04/02	1,300		(1,300)		-	
Mr Anthony Rhone	TC04/08	6,225		(6,225)		-	
Miss Claire Anderson	TC05/01	1,435				1,435	
Mr Chris Baker	TC05/02	2,000			2,000	-	
Ms Caroline Thompson	TC05/09	2,000			2,000	-	
Mr Matthew Stephen Higgs	JS05/13	4,000			4,000	-	
Mr Paul Airlie	TC06/01	2,115			790	1,325	
Mr Andrew Brown	TC06/02	1,400	228		1,628	-	
Mrs Anne Marie Carlin	TC06/03	700		(700)		-	
Mr Paul Edwards	TC06/04	2,975		(2,975)		-	
Mr Anthony Lilley	TC06/09	2,184				2,184	
Mrs Debbie Paton	TC06/10	2,000		(2,000)		-	
Mrs Annaleena Williams-Drabble	TC06/14	4,000			2,000	2,000	
Ms Hilary Rutter	TC07/01	1,580		(1,580)		-	
Miss Cassie Dyer	TC07/02	2,475			2,475	-	
Miss Emma Buckley	TC07/03	4,650			3,255	1,395	
Mr Brent Clark	TC07/04	4,650			3,255	1,395	
Miss Carol Miles	TC07/07	4,650		(4,650)		-	
Miss Trudy Sealy	TC07/08	7,750	250			6,450	1,550
Mr Owen Bailey	TC07/09	360		(360)		-	
Mrs Kashmir Goddard	TC07/10	1,980	90		2,070	-	
Mr Andrew Walsh	TC07/11	1,980	90		2,070	-	
Miss Maxine Frodsham	TC07/14	2,000				2,000	
Mrs Gillian Le Page	TC07/15	4,880	20		1,650	1,625	1,625
Miss Jennifer McGlinchey	TC07/17	3,370			1,665	1,705	
Ms Maryam Hassan	TC07/18	7,410			480	6,930	
Mr Mark Adley	TC08/01		1,570		785	785	
Mr Daniel David Barritt	TC08/02		4,100		2,050	2,050	
Ms Maggie Boreham	TC08/03		8,000		3,255	3,145	1,600
Miss Rebecca Burnton	TC08/04		4,800		3,255	1,545	
Miss Candice Donn	TC08/05		4,800		3,200	1,600	
Mr Kevin Ellis	TC08/06		2,000		2,000	-	
Mr Imram Mahomed	TC08/07		4,000		2,000	2,000	
Ms Nicola Palmer	TC08/09		2,000		2,000	-	
Miss Sarah Pearson	TC08/10		3,900		1,250	1,350	1,300
Mr Rishipal Singh	TC08/11		4,000		2,000	2,000	
Miss Anna Sperlich	TC08/12		8,000		3,200	3,200	1,600
Miss Joanna Victor-Smith	TC08/13		3,350		1,570	1,780	
Miss Susan Waterston	TC08/14		4,000		2,000	2,000	
Miss Rachel Whyte-Macpherson	TC08/15		4,800		3,255	1,545	
Mr Goran Zdrale	TC08/16		8,000		3,255	3,145	1,600
Mr Chima Humphrey Duru	TC08/17		2,070		2,070	-	
Total Studentship Grants		81,929	70,968	(19,790)	67,563	56,269	9,275

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

Appendix 1 (cont.)

Grant recipient	Grant ref	Balance brought forward as at 1 April 2008 £	Grants awarded in the year £	Grants De-committed in the year £	Payments made £	Outstanding Balance as at 31 March 2009	
						Amount due within one year	Amount due in more than one year
Total Commitments		845,119	591,287	(94,611)	492,823	811,733	37,239
							848,972
							Note 18a



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