



**ANNUAL REPORT AND ACCOUNTS**

Year ended 31 March 2007

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

Registered Charity No. 284748

Ordered by the House of Commons to be printed on 18 July 2007

**HC 868**

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## **Report of the Alcohol Education and Research Council for the year ended 31 March 2007**

The Council presents its report along with the financial statements of the charity for the year ended 31 March 2007. 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 (FRM).

### **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 20<sup>th</sup> 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.

### **Membership of the Council**

The Members of the Council who served during the financial year are listed on page 8 of this Annual Report. Council Members are appointed for three years of service, 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, meets approximately 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.

There is a Register of Members' Interests and this is available to view on the Council's website, [www.aerc.org.uk](http://www.aerc.org.uk).

### **Structure, governance & management**

The members of the Council meet 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 each consisting of eight members. 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. All major Research or Development applications are reviewed by at least two experts in the field. Small grants are assessed by two members and the Director. Studentships are administered by the People & Organisations Committee.

The Secretary of State for Culture, Media and Sport was the sponsoring authority for the Council until January 2007. The Council's day to day contact with the sponsoring authority was through the Division of Tourism of the Department of Culture, Media and Sport. Following the recommendations made in a review of the AERC undertaken in 2005, sponsoring responsibility transferred to the Department of Health on 2 January 2007.

In May 2006, the Council moved into new premises at the Queen Anne Business Centre.

### **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 2006/7 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 32 applications after each was peer reviewed by at least two experts in the field.

- Researching the effects of Digital Storytelling as a Brief Intervention delivered in non-medical settings.

- An investigation of anger-driven and fear-driven alcohol-related aggression in young male prisoners.
- The orientation and integration of local and national alcohol policy.
- Are You Looking at Me II? Effects of Alcohol Consumption on the Processing of Perceptual Cues of Emotional Expression.
- An electronic feedback and social norms intervention to decrease university students' consumption of alcohol: a multi-centre evaluation.
- African Communities Alcohol Referral Project.
- Further Development and Updating of the "Down Your Drink" website.
- Alcohol awareness and support project for black African young people who are refugees and asylum seekers, French speaking and living in Hackney.
- Addressing Alcohol Problems – a New National Summer School Initiative.

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.

### **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 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.

### **Manuals & Tool-Kits**

Another important development is the expansion of the Council website ([www.aerc.org.uk](http://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.

Final reports on research and development projects are also posted in this section. The aim is to provide one plank of a systematic dissemination strategy.

### **Priorities**

The following priorities were identified for funding in 2006/07

- Facilitate an Alcohol Summer School for two successive years. The school would be attached to an institution such as a university and run by conveners with a track record in the alcohol field.

- £10,000 would be available to cover the cost of meetings and travel for two or three experts (possibly one from abroad) if there was a high probability that such an initiative would facilitate progress in the alcohol field and would result in an important and influential publication. Examples could be:
  - What would be the next step in the field of alcohol education in the UK?
  - What would an evidence based alcohol policy look like?
  - What interactions occur between cross-border shopping and changes in alcohol taxation?
- Examine the effects of brief interventions delivered in non-medical settings such as social work, the criminal justice system or the workplace.
- Explore the formation and implementation of alcohol policy, including research on how different actors – such as government departments, local authorities, the drinks industry, professional organisations and non-government organisations – perceive alcohol problems and how they seek to influence policy.
- Explore factors influencing the development and treatment of alcohol-related problems in the elderly population.

### 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 £96,566 in the year to 31 March 2007 (2006 - £92,226).

### Studentships

Each year AERC funds at least a dozen studentships on reputable alcohol related courses. Fourteen new students were funded in 2006/07.

### Financial review

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

<b>Programme</b>	<b>Grant funded activities</b>	<b>Support costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Research	228,599	49,370	277,969
Development	99,827	21,559	121,386
Small grants	96,566	20,874	117,440
Studentships	80,880	17,486	98,366
<b>Total</b>	<b>505,872</b>	<b>109,289</b>	<b>615,161</b>

### Future plans

A review of the AERC, carried out by an independent consultant, has concluded:

1. That the AERC is asked to focus its expenditure on the development of a multi disciplinary programme of research, including support to individual researchers. The development of the Drinkaware Trust with a specific role in public education should enable the AERC to clarify its focus.

2. That the AERC is asked to re-order its governance arrangements to be more closely aligned with current good practice. This should include the creation of a smaller Council, operating as a strategic board of trustees, appointed by the relevant government department, in accordance with OCPA rules, and the creation of separate specialist advisory groups.
3. That consideration should be given to moving the sponsorship of the AERC within government away from DCMS.

These changes will be implemented during the year 2007-2008. More detailed and specific changes will be formulated by the Council.

#### **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 March 2005 and comply with Section 10 (i) (b) (ii) of the licensing (Alcohol Education and Research) Act 1981.

#### **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 Alcohol Education and Research Council who served during the year to 31 March 2007:**

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

**Director, Scientific Advisor and Accounting Officer**

Professor Ray Hodgson

**Accountants**

Ernst & Young LLP, 10 George Street, Edinburgh EH2 2DZ

**Administrative Office**

Queen Anne Business Centre, 28 Broadway, London SW1H 9JX

**Auditors**

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

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 and General Purposes Committee 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 Director, Scientific Advisor and Accounting Officer, and of the Grants Manager, being the only two staff employed by the Council, is to align their salaries with reference to relevant Civil Service salary scales.

The Director is also the Scientific and Accounting Officer. His contract is short term and is reviewed annually. His notice period is one month with no compensation for early termination.

The two employees also receive pension contributions of 6% of salary each year.

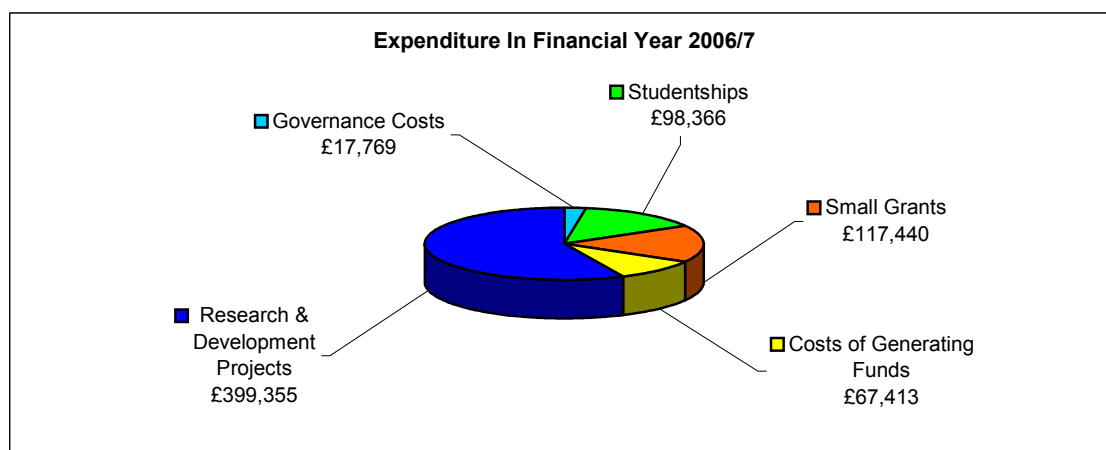
## Financial Review

### Results for the year

The value of the Fund at 31 March 2007 was £13,461,617, an increase of £265,936 over the value of 31 March 2006 (£13,195,681). 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 a requirement to generate a minimum level of investment income.

The total income of the Council in the financial year was £699,804 (2005/6 £660,053). The increase in income of £39,751 (6.0%) is mainly due to higher dividend receipts from the Fund's equity investments.

Total expenditure amounted to £700,343 (2005/6, £659,915), of which, £17,769 (2005/6, £18,879) was accounted for by governance costs.



### 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 corporate bonds and UK equities. 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.

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 2007 this investment represented 1.5% of the Fund's value.

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%

Notwithstanding the objective of achieving a total return of capital appreciation and income, an income benchmark target of £615,000 has been agreed with Baillie Gifford for the year to 31 March 2008. The investment manager is given flexibility to deviate from this income target by up to 10%.

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, 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.

During the year the fund managers delivered a level of return which underperformed the target level. Against the benchmark of 8.4%, Baillie Gifford & Co produced a total return of 7.0%. However, 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>% p.a.</u>	<u>5 Years</u> <u>% p.a.</u>
<b>Fund</b>	<b>14.4</b>	<b>10.5</b>
Benchmark	14.1	9.1

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

### **Fundraising**

The Council actively seeks 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 2006/7 the Council received £1,020 in donations and bequests (2005/6; £5,610).

### **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. At 31 March 2007, the total cash held by the fund managers was above this target level, being 6.3% of the fund. This was due to timing differences arising from the proceeds of disposals taking place shortly before that date awaiting reinvestment.

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 2006/7 the Council paid as many as possible of its invoices within its target of 30 days.

### **Audit**

Under statute, the Comptroller and Auditor General is the auditor of the Council's Accounts for the year ended 31 March 2007. The audit fee in respect of this work was £3,200.

*Noel David Lyche Olsen*  
**Chairman of the Council**

*Ray Hodgson*  
**Director and Accounting Officer**

9 July 2007

9 July 2007

### **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**

*Ray Hodgson*  
**Director and Accounting Officer**

9 July 2007

9 July 2007

\* A copy is available from the administrative office, Room 178, Queen Anne Business Centre, 28 Broadway, London SW1H 9JS. 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 2007 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**

*Ray Hodgson*  
**Director and Accounting Officer**

9 July 2007

9 July 2007

**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 2007 under the Licensing (Alcohol Education and Research) Act 1981. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow 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 being audited.

**Respective responsibilities of the Council, the Director, and auditor**

The Council and the Director, as Accounting Officer, are responsible for preparing the Annual Report, 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 Culture, Media and Sport with the consent of the 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 Culture, Media and Sport with the consent of the Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Report of the Council and the Financial Review, is consistent with the financial statements. I also report 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.

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. 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 opinion**

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 and the Director 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 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 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**

#### **Audit Opinion**

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 Culture, Media and Sport with the consent of the Treasury, of the state of the Alcohol Education and Research Council as at 31 March 2007 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 Culture, Media and Sport with the consent of the Treasury; and
- information given within the Annual Report, which comprises the Report of the Council and the Financial Review, is consistent with the financial statements.

#### **Audit Opinion on Regularity**

In my opinion, in all material respects, the expenditure and income 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.

*John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP*

16 July 2007

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007 Unrestricted Funds £	2006 Unrestricted Funds (restated) £
<b>Incoming resources</b>			
Incoming resources from generated funds:			
Voluntary donations		1,020	5,610
Investment income	3	698,784	654,443
<b>Total incoming resources</b>		<b>699,804</b>	<b>660,053</b>
<b>Resources expended</b>			
Cost of generating funds:			
Voluntary donations		-	322
Investment management costs	4a	67,413	59,983
		67,413	60,305
Charitable expenditure:			
Research and development projects		399,355	364,648
Small Grants		117,440	114,881
Studentship		98,366	101,202
Charitable activities	4a	615,161	580,731
Governance costs	4a	17,769	18,879
		632,930	599,610
<b>Total resources expended</b>	4a	<b>700,343</b>	<b>659,915</b>
<b>Net (outgoing)/incoming resources</b>	5	<b>(539)</b>	138
<b>Notional cost of capital</b>	1.10	<b>(466,516)</b>	(429,789)
		<b>(467,055)</b>	(429,651)
<b>Add back: Notional cost of capital</b>		<b>466,516</b>	429,789
<b>Net incoming resources before other recognized gains and losses</b>		<b>(539)</b>	138
<b>Other recognised gains and losses</b>			
Gains/losses on investment assets:			
-realised	8	197,181	141,884
-unrealised	8	69,294	1,689,957
<b>Net Movement in Funds</b>		<b>265,936</b>	1,831,979
<b>Reconciliation of Funds</b>	13		
Fund Balance brought forward		13,195,681	11,363,702
<b>Total Funds carried forward</b>		<b>13,461,617</b>	<b>13,195,681</b>

All charitable activities relate to continuing operations.

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

The notes on pages 22 to 36 form part of these financial statements.

**BALANCE SHEET  
AT 31 MARCH 2007**

	Notes	2007		2006	
		£	£	£	£
<b>Fixed Assets</b>					
Office equipment	7		-		-
Investments	8		<u>13,719,775</u>		<u>13,479,698</u>
			<b>13,719,775</b>		<b>13,479,698</b>
<b>Current Assets</b>					
Debtors	10	<b>184,558</b>		119,920	
Cash at bank		<u>552,603</u>		<u>639,017</u>	
		<b>737,161</b>		<b>758,937</b>	
<b>Creditors: amounts falling due within one year</b>	11	<u>956,373</u>		<u>996,419</u>	
<b>Net Current Liabilities</b>			<u>(219,212)</u>		<u>(237,482)</u>
<b>Total assets less current liabilities</b>			<b>13,500,563</b>		<b>13,242,216</b>
<b>Creditors: amounts falling due after more than one year</b>	12		<b>(38,946)</b>		<b>(46,535)</b>
<b>Net Assets</b>			<u>13,461,617</u>		<u>13,195,681</u>
<b>Funds:</b>					
Unrestricted Funds	1.8, 13		<u>13,461,617</u>		<u>13,195,681</u>

The notes on pages 22 to 36 form part of these financial statements.

**Approved by Council on 9 July 2007 and signed on its behalf by:**

*Noel David Lyche Olsen*  
Chairman of the Council

*Professor Ray Hodgson*  
Director and Accounting Officer

**CASHFLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007		2006	
		£	£	£	£
<b>Net cash outflow from operating activities</b>	<b>19</b>		<b>(112,812)</b>		<b>(17,490)</b>
<b>Capital expenditure and financial investment</b>					
Payments for investments	<b>8</b>	<b>(3,470,641)</b>		<b>(3,665,722)</b>	
Proceeds from sales of investments		<b>4,221,362</b>		<b>3,594,816</b>	
			<b>750,721</b>		<b>(70,906)</b>
<b>Net cash inflow/(outflow) for the year</b>	<b>19</b>		<b>637,909</b>		<b>(88,396)</b>

The notes on pages 22 to 36 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

**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 17 to 19. These have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005 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.

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 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
------------------	-------------------------

**1.5 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.

**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%.

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**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**

	2007 £	2006 £
Corporate bonds and British Government stocks	198,926	189,727
Convertible loan stocks	-	9,240
Equities	475,270	391,119
Irrecoverable tax on Equities	(53,962)	(40,865)
Managed and utilised funds	33,621	65,206
Bank deposit interest	43,810	38,596
Other income	1,119	1,420
	<u>698,784</u>	<u>654,443</u>

**4a Total Resources Expended**

	Notes	Charitable £	Fundraising £	Governance £	2007 Total £	2006 Total £
Director's IT Assistance		1,080	-	120	1,200	1,200
Scientific officer		9,086	-	1,009	10,095	11,700
Secretarial assistance		26,977	-	2,998	29,975	28,975
Pension costs		3,409	-	378	3,787	3,658
National insurance		3,862	-	429	4,291	4,142
Rent and service charges		8,850	-	983	9,833	6,496
Insurance		472	-	52	524	518
IT costs		2,978	-	331	3,309	3,625
Printing, postage and stationery		3,326	-	370	3,696	1,586
Travel expenses		889	-	98	987	749
Meetings of Full Council in and out of London		3,270	-	363	3,633	16,409
Research committee meetings		187	-	21	208	1,508
Education committee meetings		546	-	60	606	890
Finance and GP committee meetings		-	-	1,493	1,493	1,075
Staff training		77	-	8	85	-
Dissemination		-	-	-	-	200
Auditors' remuneration for audit services	5	-	-	3,200	3,200	3,200
Accountancy fees	5	-	-	4,000	4,000	4,760
Bank charges		48	-	5	53	58
Chairman's expenses		3,066	-	341	3,407	2,194
Depreciation		-	-	-	-	768
Research facilitation		26,009	-	-	26,009	25,816
<b>Carried Forward</b>		<b>94,132</b>	<b>-</b>	<b>16,259</b>	<b>110,391</b>	<b>119,527</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**4a Total Resources Expended (cont.)**

	Notes	Charitable £	Fundraising £	Governance £	2007 Total £	2006 Total £
<b>Brought Forward</b>		<b>94,132</b>	-	<b>16,259</b>	<b>110,391</b>	119,527
Investment Management fees		-	64,994	-	<b>64,994</b>	57,670
Custody fees		-	2,099	-	<b>2,099</b>	2,313
Irrecoverable VAT		12,697	-	1,410	<b>14,107</b>	12,562
Fundraising		-	320	-	<b>320</b>	322
Payroll Services		900	-	100	<b>1,000</b>	1,000
Peer review costs		1,560	-	-	<b>1,560</b>	-
Other expenditure		-	-	-	-	210
		<b>109,289</b>	<b>67,413</b>	<b>17,769</b>	<b>194,471</b>	193,604
	<b>Note 4b</b>					
Research and development projects	<b>18a</b>	328,426	-	-	<b>328,426</b>	292,792
Grants payable - small	<b>18a</b>	96,566	-	-	<b>96,566</b>	92,226
Grants payable - studentship	<b>18a</b>	80,880	-	-	<b>80,880</b>	81,293
		<b>505,872</b>	-	-	<b>505,872</b>	466,311
	<b>Note 4b</b>					
<b>SOFA – page 19</b>		<b>615,161</b>	<b>67,413</b>	<b>17,769</b>	<b>700,343</b>	659,915

**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 are wholly attributable to grant applications, and direct administration costs such as the costs associated with Finance and General Purposes Committee Meetings, and audit and accounting fees, are accounted exclusively as Governance Costs. Prior year figures have been re-stated to effect this change, increasing governance costs, and reducing charitable expenditure by £5,660.

Shared governance costs 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	2007 Total	2006 Total (restated)
Research and development projects	64.9%	328,426	70,929	<b>399,355</b>	364,648
Small	19.1%	96,566	20,874	<b>117,440</b>	114,881
Studentship	16.0%	80,880	17,486	<b>98,366</b>	101,202
Total	100%	505,872	109,289	<b>615,161</b>	580,731
		<b>Note 4a</b>	<b>Note 4a</b>	<b>Note 4a</b>	

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**5 Net incoming resources**

This is stated after charging:	<b>2007</b>	2006
	<b>£</b>	£
Auditors remuneration – audit services	<b>3,200</b>	<b>3,200</b>
Accountant – accounting services	<b>4,000</b>	<b>4,760</b>
	<u><b>7,200</b></u>	<u><b>7,960</b></u>

**6 Staff costs**

The Council have employed two part time staff during the year (2006: two), who were engaged in administrative duties.

Staff costs for the above persons were:	<b>2007</b>	2006
	<b>£</b>	£
Salaries	<b>63,625</b>	<b>61,475</b>
Social security costs	<b>6,854</b>	<b>6,614</b>
Pension costs	<b>3,787</b>	<b>3,658</b>
	<u><b>74,266</b></u>	<u><b>71,747</b></u>

No employee received remuneration in excess of £60,000 per annum (2006: none).

The Accounting Officer received emoluments of £33,650 during the year (2006: £32,500) and pension contributions of £2,019 (2006: £1,950).

**7 Tangible fixed assets**

	<b>Office Equipment £</b>
<b>Cost</b>	
At 1 April 2006	<b>13,352</b>
At 31 March 2007	<u><b>13,352</b></u>
<b>Depreciation</b>	
At 1 April 2006	<b>13,352</b>
Charge for the year	<b>-</b>
At 31 March 2007	<u><b>13,352</b></u>
<b>Net book value</b>	
At 31 March 2007	<u><b>-</b></u>
At 31 March 2006	<u><b>-</b></u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**8 Listed investments**

<b>At valuation:</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Listed investments 1 April	<b>13,340,401</b>	11,437,655
Additions	<b>3,470,641</b>	3,665,722
Disposals	<b>(4,024,181)</b>	(3,452,933)
Unrealised gains on revaluation	<b>69,294</b>	1,689,957
	<hr/>	<hr/>
Listed investments 31 March	<b>12,856,155</b>	13,340,401
Cash awaiting re-investment	<b>863,620</b>	139,297
	<hr/>	<hr/>
	<b>13,719,775</b>	<b>13,479,698</b>

**Analysis by type:**

	<b>2007</b>		<b>2006</b>	
	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Corporate bonds and British Government stocks	<b>3,472,062</b>	<b>3,202,455</b>	3,577,555	3,225,317
Equities and convertible loan stocks	<b>9,384,093</b>	<b>7,767,831</b>	9,762,846	7,409,646
Cash awaiting re-investment	<b>863,620</b>	<b>863,620</b>	139,297	139,297
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>13,719,775</b>	<b>11,833,906</b>	<b>13,479,698</b>	<b>10,774,260</b>

All investments are held in the UK.

**Realised Gains/(Losses):**

The difference between the total market value of shares disposed and the cash received resulted in a realised profit of £197,181 (2006: £141,884). There were no other realised gains/losses on investments in the year.

At the year end the only individual investment that accounted for 5% or more of the portfolio of investments, was the Fund's holding of shares in GlaxoSmithKline plc which was valued at £673,508, representing 5.2% of total listed investments.

**9 Trustees' reimbursements and remuneration**

Included in the cost of meetings is a total of £6,843 of travel and hotel costs (2006: £8,476) reimbursed to or paid directly on behalf of 15 trustees (2006: 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 2007**

**10 Debtors**

	2007	2006
	£	£
Tax recoverable	1,871	1,283
Fixed interest due	37,864	17,172
Equity dividends declared but not yet received	117,652	95,759
Prepayments	564	2,019
Other debtors	26,607	3,687
	<u>184,558</u>	<u>119,920</u>

All amounts due within one year.

**11 Creditors – amounts falling due within one year:**

	2007	2006
	£	£
Accrued expenses	27,813	33,740
Research and development projects	739,134	788,322
Small Grants	121,185	97,124
Studentship grants	63,167	51,874
Other creditors	5,074	25,359
	<u>956,373</u>	<u>996,419</u>

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

	2007	2006
	£	£
Research and development projects	29,796	34,001
Studentship grants	9,150	12,534
	<u>38,946</u>	<u>46,535</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**13 Unrestricted funds reconciliation**

	2007 £	2006 £
Balance brought forward	13,195,681	11,363,702
Incoming resources	699,804	660,053
Outgoing resources	(700,343)	(659,915)
Gains and losses	266,475	1,831,841
	<u>13,461,617</u>	<u>13,195,681</u>

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

**14 Analysis of net assets**

	2007 £	2006 £
Investments	13,719,775	13,479,698
Debtors	184,558	119,920
Cash at bank	552,603	639,017
Creditors	(995,319)	(1,042,954)
	<u>13,461,617</u>	<u>13,195,681</u>

**15 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 FRS13, 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 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 2007 were £13.7M (2006: £13.5M). 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. The Council has chosen not to manage its interest rate risk as it does not believe it to be significant.

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**16 Financial Instruments (cont.)**

**Interest Rate Risk**

*Financial assets*

	Floating Rate £	Asset Earning Equity Return £
<b>At 31 March 2007</b>		
Sterling:		
Cash at Bank	552,603	-
Cash awaiting reinvestment investments	863,620	-
Fixed Asset Investments	-	12,856,155
<b>Total</b>	<b>1,416,223</b>	<b>12,856,155</b>
<b>At 31 March 2006</b>		
Sterling:		
Cash at Bank	639,017	-
Cash awaiting reinvestment investments	139,297	-
Fixed Asset Investments	-	13,340,401
<b>Total</b>	<b>778,314</b>	<b>13,340,401</b>
<b>Reconciled to the Accounts</b>		
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Fixed Asset Investments	13,719,775	13,479,698
Cash at Bank	552,603	639,017
<b>Total</b>	<b>14,272,378</b>	<b>14,118,715</b>

**17 Cash balances**

	2007 £	2006 £	Change in year
Cash on deposit at bank	552,603	639,017	(86,414)
Cash awaiting re-investment	863,620	139,297	724,323
	<b>1,416,223</b>	<b>778,314</b>	<b>637,909</b>

**18a Grants payable Summary**

	Research & development projects £	Small grants £	Studentship grants £	2007 total £	2006 total £
Commitments at 1 April 2006	822,323	97,123	64,409	983,855	1,039,079
Awarded in Year (Note 4a)	328,426	96,566	80,880	505,872	479,610
Payments made during the year	(381,819)	(72,504)	(72,972)	(527,295)	(521,534)
Grants Cancelled	-	-	-	-	(13,300)
Commitment at 31 March 2007	<b>768,930</b>	<b>121,185</b>	<b>72,317</b>	<b>962,432</b>	<b>983,855</b>

Note 18b

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**18b Details of grants paid during the year and outstanding at the year end are as follows:**

Grant recipient	Grant ref	Balance brought forward as at 1 April 2006 £	Grants awarded in the year £	Payments made £	Outstanding Balance as at 31 March 2007 £	
					Amount due within one year	Amount due in more than one year
<b>Research &amp; Development Projects</b>						
University of Bath	R01/05 / R2/99	1,808	-	-	1,808	-
University College, London	R01/01	6,183	-	-	6,183	-
National Deaf Services	R01/03	2,250	-	-	2,250	-
Black and Ethnic Minorities Project	A01/03	12,250	-	1,500	10,750	-
University of Newcastle-upon-Tyne	R02/01	9,742	-	-	9,742	-
Glasgow University School of Dentistry	R02/02	2,695	-	-	2,695	-
Imperial College Department of A and E Medicine	R02/03	10,505	-	6,305	4,200	-
University of Wales Institute, Cardiff	R02/05	993	-	993	-	-
University of Birmingham	R03/01	15,567	-	593	14,974	-
Oxford Brookes University	R03/02	10,772	-	10,768	4	-
The University of Birmingham	DP03/03A	32,774	-	8,857	23,917	-
The University of Bath	DP03/03B	18,903	-	8,831	10,072	-
The University of Bath	DP03/04A	1,454	-	1,400	54	-
Alcohol Concern	DP03/04B	1,142	-	-	1,142	-
Goldsmith's College, University of London	R03/06	18,037	-	15,705	2,332	-
TSA	R04/01	9,233	-	9,233	-	-
London School of Hygiene & Trop - Nanchahal	R04/02	18,680	-	13,680	5,000	-
London School of Hygiene & Trop - Roberts	R04/03	2,846	-	2,822	24	-
University of Bath	R04/04	31,293	-	23,843	7,450	-
Community Action - Cardiff	CA04/01	16,044	-	16,044	-	-
Community Action - Birmingham	CA04/02	28,296	-	23,274	5,022	-
Community Action - Glasgow	CA04/03	50,000	-	5,643	44,357	-
Community Action - Evaluator - University of Bath	CA04/04	63,931	-	38,288	25,643	-
<b>Carried forward</b>		<b>365,398</b>	<b>0</b>	<b>187,779</b>	<b>177,619</b>	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**18b Details of grants paid during the year and outstanding at the year end are as follows (cont.):**

Grant recipient	Grant ref	Balance brought forward as at 1 April 2006 £	Grants awarded in the year £	Payments made £	Outstanding Balance as at 31 March 2007 £	
					Amount due within one year	Amount due in more than one year
<b>Brought forward</b>		<b>365,398</b>	<b>0</b>	<b>187,779</b>	<b>177,619</b>	<b>0</b>
UWIC	DP04/01	40,833	-	17,411	23,422	-
Community Safety Unit, Suffolk Police	DP04/02	50,000	-	6,787	43,213	-
Womens Resource & Development Agency	DP04/03	5,311	-	-	5,311	-
Robert Gordon University	DP04/04	10,105	-	9,452	653	-
UK CAP R&D	CA04/05	53,137	-	-	53,137	-
University of Leicester	R05/01	46,745	-	15,500	31,245	-
London School of Hygiene & Trop - Berridge	R05/02	36,000	-	23,466	12,534	-
London School of Hygiene & Trop - McCambridge	R05/03	49,767	-	-	49,767	-
Glasgow Caledonian University - Shewan	R05/04	38,146	-	34,409	3,737	-
Glasgow Caledonian University - Forsyth	R05/05	46,964	-	44,285	2,679	-
Alcohol & Health Research Trust	R05/06	30,000	-	-	30,000	-
Glasgow Caledonian University - Watson	DP05/01	49,917	-	13,947	35,970	-
TSA	R06/01	-	50,410	-	50,410	-
University of Nottingham	R06/02	-	38,728	-	38,728	-
University of Leeds - Hadfield	R06/03	-	50,330	-	48,875	1,455
University of Bristol	R06/04	-	41,680	-	41,680	-
University of Leeds - Bewick	R06/05	-	47,450	-	19,109	28,341
SOLUCIA	DP06/01	-	43,800	9,903	33,897	-
UCL	DP06/02	-	15,950	-	15,950	-
Body of Christ Charity	DP06/03	-	22,318	10,000	12,318	-
University of Kent	DP06/04	-	17,760	8,880	8,880	-
<b>Total Research &amp; Development Projects</b>		<b>822,323</b>	<b>328,426</b>	<b>381,819</b>	<b>739,134</b>	<b>29,796</b>
<b>Small Grants</b>						
Middlesex University	SG03/04 1	961	-	961	-	-
Glasgow Caledonian University	SG03/04 4	1,204	-	-	1,204	-
University of Bath	SG04/05 9	1,000	-	-	1,000	-
University of Ulster	SG04/05 12	5,000	-	5,414	(414)	-
University of Stirling	SG04/05 13	37	-	-	37	-
<b>Carried forward</b>		<b>8,202</b>	<b>0</b>	<b>6,375</b>	<b>1,827</b>	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**18b Details of grants paid during the year and outstanding at the year end are as follows  
(cont.):**

Grant recipient	Grant ref	Balance brought forward as at 1 April 2006 £	Grants awarded in the year £	Payments made £	Outstanding Balance as at 31 March 2007 £	
					Amount due within one year	Amount due in more than one year
<b>Brought forward</b>		<b>8,202</b>	<b>0</b>	<b>6,375</b>	<b>1,827</b>	<b>0</b>
University of Southampton	SG04/05 14	3,900	-	1,634	2,266	-
OCHRAD	SG04/05 17	4,153	-	4,150	3	-
CATH	SG04/05 18	4,550	-	-	4,550	-
East Kent Community Alcohol Service	SG04/05 19	5,000	-	-	5,000	-
University of Bristol	SG04/05 23	4,243	-	3,243	1,000	-
City of Stoke on Trent	SG04/05 24	5,000	-	-	5,000	-
University of the West of England	SG04/05 25	4,854	-	4,678	176	-
Leeds North East PCT	SG05/06 27	3,500	-	-	3,500	-
Medical Council on Alcohol	SG05/06 28	234	-	-	234	-
Royal Gwent Hospital	SG05/06 29	1,500	-	-	1,500	-
Lothian and Borders Police	SG05/06 30	191	-	-	191	-
Cardiff University	SG05/06 31	15	-	-	15	-
University of the West of England	SG05/06 32	1,400	-	1,400	-	-
Manchester Metropolitan University	SG05/06 33	4,826	-	4,081	745	-
North Bristol NHS Trust	SG05/06 37	1,000	-	-	1,000	-
Glasgow Caledonian University	SG05/06 38	4,764	-	4,764	-	-
PUAC	SG05/06 42	4,975	-	5,000	(25)	-
Claire Novak	SG05/06 43	650	-	478	172	-
Northumbria University	SG05/06 44	4,880	-	-	4,880	-
Alcohol Concern	SG05/06 45	5,000	-	-	5,000	-
University of Ulster at Magee Campus	SG05/06 46	4,826	-	-	4,826	-
The Gwalia	SG05/06 47	5,000	-	-	5,000	-
Glasgow Caledonian University - Forsyth	SG05/06 49	4,996	-	-	4,996	-
University of Bristol - Mufano	SG05/06 50	4,964	-	-	4,964	-
Priority Youth Housing	SG05/06 51	4,500	-	-	4,500	-
Matchbox Training	SG06/07 52	-	4,750	4,755	(5)	-
NOFAS-UK	SG06/07 53	-	5,000	5,000	-	-
Brunel University – J Harwin	SG06/07 54	-	381	381	-	-
S Sykes	SG06/07 55	-	1,400	1,400	-	-
<b>Carried forward</b>		<b>97,123</b>	<b>11,531</b>	<b>47,339</b>	<b>61,315</b>	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**18b Details of grants paid during the year and outstanding at the year end are as follows  
(cont.):**

Grant recipient	Grant ref	Balance brought forward as at 1 April 2006 £	Grants awarded in the year £	Payments made £	Outstanding Balance as at 31 March 2007 £	
					Amount due within one year	Amount due in more than one year
<b>Brought forward</b>		<b>97,123</b>	<b>11,531</b>	<b>47,339</b>	<b>61,315</b>	<b>0</b>
Brunel University – D Forrester	SG06/07 56	-	4,400	-	4,400	-
University of Bath	SG06/07 57	-	2,100	2,100	-	-
Alcohol Concern	SG06/07 58	-	5,000	5,000	-	-
Middlesex University – LARG Team	SG06/07 59	-	3,400	-	3,400	-
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	-
Cardiff Community Safety Partnership	SG06/07 63	-	3,000	3,000	-	-
Latin Smile UK	SG06/07 64	-	4,990	1,211	3,779	-
Journal – Drugs: education prevention policy	SG06/07 65	-	4,000	-	4,000	-
Queen Margaret College, Edinburgh	SG06/07 66	-	3,020	1,854	1,166	-
Dr Lesley Smith	SG06/07 67	-	5,000	5,000	-	-
University of East Anglia	SG06/07 68	-	4,787	-	4,787	-
Leeds Addiction Unit	SG06/07 69	-	4,971	-	4,971	-
Chelmsford CHESS Night Shelter	SG06/07 70	-	5,000	-	5,000	-
Professor Mark Johnson	SG06/07 71	-	3,000	-	3,000	-
Young Voice	SG06/07 72	-	4,653	-	4,653	-
No Limits	SG06/07 73	-	5,000	4,000	1,000	-
Our Addictions’ Conference	SG06/07 74	-	3,000	3,000	-	-
Rushden Mind	SG06/07 75	-	4,820	-	4,820	-
<b>Total Small Grants</b>		<b>97,123</b>	<b>96,566</b>	<b>72,504</b>	<b>121,185</b>	<b>0</b>
<b>Studentship Grants</b>						
Ms Barbara Elliott	RS00/02	10,077	-	10,077	-	-
Ms Claire Novak	RS02/02	-	3,000	3,000	-	-
Ms Barbara Clarke	TC02/10	187	-	-	187	-
Miss Adela Campbell	TC02/11	1,560	-	-	1,560	-
Miss Jane Ann Lee	TC03/04	430	-	-	430	-
Ms Janice Sullivan	TC03/05	320	340	660	-	-
Mrs Pauline Russ	TC03/10	1,680	-	-	1,680	-
Miss Kate Brightmore	TC04/02	2,800	-	1,500	1,300	-
Ms Beth Cundy	TC04/03	-	2,000	-	2,000	-
Mr Sean O’Neill	TC04/07	7,000	-	-	7,000	-
<b>Carried forward</b>		<b>24,054</b>	<b>5,340</b>	<b>15,237</b>	<b>14,157</b>	<b>0</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**18b Details of grants paid during the year and outstanding at the year end are as follows  
(cont.):**

Grant recipient	Grant ref	Balance brought forward as at 1 April 2006 £	Grants awarded in the year £	Payments made £	Outstanding Balance as at 31 March 2007 £	
					Amount due within one year	Amount due in more than one year
<b>Brought forward</b>		<b>24,054</b>	<b>5,340</b>	<b>15,237</b>	<b>14,157</b>	<b>0</b>
Mr Anthony Rhone	TC04/08	6,225	-	-	6,225	-
Miss Claire Anderson	TC05/01	3,410	-	-	3,410	-
Mr Chris Baker	TC05/02	-	4,000	2,000	2,000	-
Mr Frank Buabeng	TC05/03	-	3,085	3,085	-	-
Mrs Jenifer Dew	TC05/05	4,410	-	1,500	2,910	-
Mr Ian Ranson	TC05/08	1,880	120	2,000	-	-
Ms Caroline Thompson	TC05/09	-	4,000	2,000	2,000	-
Ms Clair Vainola	TC05/10	7,210	-	-	7,210	-
Mr James Varty	TC05/11	2,130	-	1,460	670	-
Ms Nicola Watkinson	TC05/12	3,090	400	3,490	-	-
Mr Matthew Stephen Higgs	JS05/13	12,000	-	4,000	4,000	4,000
Mr Paul Airlie	TC06/01	-	3,300	1,580	1,720	-
Mr Andrew Brown	TC06/02	-	7,500	3,000	3,000	1,500
Mrs Anne Marie Carlin	TC06/03	-	1,400	700	700	-
Mr Paul Edwards	TC06/04	-	4,950	1,185	2,115	1,650
Mrs Glynnie Grey	TC06/05	-	2,800	1,400	1,400	-
Miss Gemma Johnson	TC06/06	-	1,400	1,400	-	-
Ms Louise Keogh	TC06/07	-	15,085	15,085	-	-
Miss Alexandra Mary Lawrence	TC06/08	-	2,000	2,000	-	-
Mr Anthony Lilley	TC06/09	-	2,300	-	2,300	-
Mrs Debbie Paton	TC06/10	-	3,700	850	2,850	-
Mrs Anna Joy Ross	TC06/11	-	4,500	3,000	1,500	-
Ms Tracy Smith	TC06/12	-	4,500	3,000	1,500	-
Ms Geraldine Wateridge	TC06/13	-	4,500	3,000	1,500	-
Mrs Annaleena Williams-Drabble	TC06/14	-	6,000	2,000	2,000	2,000
<b>Total Studentship Grants</b>		<b>64,409</b>	<b>80,880</b>	<b>72,972</b>	<b>63,167</b>	<b>9,150</b>
<b>Total Grants</b>		<b>983,855</b>	<b>505,872</b>	<b>527,295</b>	<b>923,486</b>	<b>38,946</b>
<b>Total Commitments</b>						<b>962,432</b>
						<b>Note 18a</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**18b Grants payable (cont.)**

**Total Grant Commitments as at 31 March 2007 are as follows:**

	<b>Amount due within one year</b>	<b>Amount due in &gt; one year</b>	<b>Total Commitments as at 31 March 2007</b>
Research & Development Projects	739,134	29,796	768,930
Small Grants	121,185	0	121,185
Studentship Grants	63,167	9,150	72,317
<b>Total</b>	<u>923,486</u>	<u>38,946</u>	<u>962,432</u>

**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, undertaken shortly after the financial year-end, identified a number of approved grants which will not now be paid in full. These amount to £34,620 (net of providing for an overspend of Small Grants amounting to £444), and the commitments concerned will be cancelled in the financial year 2007/8.

**19 Cash Flow Statement**

	<b>2007 £</b>	<b>2006 £</b>
<b>Reconciliation of net movement in funds to net cash inflow from operating activities</b>		
Net incoming resources	(539)	138
Depreciation	-	768
Increase in debtors	(64,638)	(9,956)
(Decrease)/increase in current liabilities	(40,046)	18,447
Decrease in long-term liabilities	(7,589)	(26,887)
<b>Net cash inflow from operating activities</b>	<u>(112,812)</u>	<u>(17,490)</u>
<b>Analysis of changes in cash during the year (Note 17)</b>		
Cash at bank	(86,414)	(32,469)
Cash awaiting re-investment	724,323	(55,926)
	<u>637,909</u>	<u>(88,395)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 MARCH 2007**

**20 Related party transactions**

The Alcohol Education and Research Council is a Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport until 31 March 2007. The Department for Culture, Media and Sport 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:-

**R03/02 Oxford Brookes University**

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

**CA04/01 Cardiff University**

One of the grant holders is Ms Rhoda Emlyn-Jones who is a member of the Council.

**R05/02 London School of Hygiene and Tropical Medicine**

This grant was awarded in 2005. One of the grant holders, Professor Virginia Berridge, was appointed as a member of the Council on 1 April 2007.

In addition, fees amounting to £2,820 (2006: £2,393) 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 Council's investments include a holding of 34,400 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 2007 this holding was valued at £354,148 (2006: £311,836). 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.

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 (2006: £1,000).

**21 Post Balance sheet events**

A full review of outstanding grant commitments was undertaken shortly after the financial year-end which identified a number of approved grants which will not now be paid in full. Full disclosure has been made in Note 18 to the Financial Statements.

The financial statements were authorised for issue by the Accounting Officer on 7 July 2007.