

ACTION ON SMOKING AND HEALTH
(A company limited by guarantee and not having a share capital)

Company No. 998971
Charity No. 262067

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2006

Action on Smoking and Health

Report of the Trustees

31st March 2006

The Trustees are pleased to present their report and the financial statements of the charity for the year ended 31st March 2006.

Legal & Administrative Details

Legal Status

Action on Smoking and Health ("ASH") is registered in England as company number 998971 and as charity number 262067.

Registered Office

102-108 Clifton Street
London
EC2A 4HW

Website

www.ash.org.uk

Directors & Trustees

The Directors of the charitable company are its trustees for the purposes of charity law and throughout this report are referred to as the Trustees.

The following Trustees were in office at the 31st March 2006 and had served throughout the year, except where shown:

Professor John Britton	
Mr John Edwards	- Treasurer
Dr Anna Gilmore	
Mr Ed Gyde	
Dr Martin Jarvis	
Ms Patricia Jones	
Ms Jean King	- Vice-Chair
Ms Betty McBride	
Dr Jennifer Mindell	
Dr Lesley Owen	
Mr Donald Reid	- Chair
Mr David Simpson	- resigned 14 th December 2005

Senior Staff

The senior member of staff to whom day to day management of the charity is delegated by the Trustees is the Director, Ms Deborah Arnott. The Company Secretary is the Business Manager, Mr Philip Rimmer.

Auditors

Kingston Smith
Devonshire House
60 Goswell Road
London
EC1M 7AD

Principal Bankers

Barclays Bank plc
London Corporate Banking
7th Floor, United Kingdom House
180 Oxford Street
London
W1D 1EA

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

Structure, Governance & Management

ASH is a company limited by guarantee without share capital. Its governing documents are its Memorandum and Articles of Association.

The Trustees form the Board of Management of the charity. For the purposes of the Companies Act 1985 as the Directors of ASH they are also Members of the Council. The Trustees are elected by the other Members of the Council, who are also the members of the Company, at the Annual General Meeting. One third of the Trustees are required to retire at each Annual General Meeting. Retiring Trustees are eligible for re-election.

The Director of ASH, a paid member of staff, is responsible for the day to day running of the organisation and is responsible to the Board of Management who meet at least four times a year and are responsible for setting the strategic objectives.

So as to maintain a pool of skilled potential Trustees, new Council Members are constantly sought by the Board of Management, particularly from within the health, public health, public relations and political spheres. As new Trustees are recruited from the membership of the Council they tend to be grounded in the policies, working practices and procedures of the Board.

All new Trustees are advised of their responsibilities by the Chair and the Business Manager. In addition, they receive an induction pack containing Board policies and advice booklets from the Charity Commission. The training needs of the Trustees are examined and acted upon as part of the regular review of risks.

Related Parties and Partner Organisations

ASH is entitled to one position on the Board of No Smoking Day. Currently, the Director, Deborah Arnott sits on their Board.

Statement of Risk

The Trustees have examined the major risks to which the charity is exposed and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to control these risks. Detailed consideration of risks is delegated to the Business Manager, who acts as Risk Manager and reports to the Board. Risks are identified, assessed and controls established throughout the year. However, a comprehensive review of risks takes place every two years. The last such review was completed in March 2004. As part of their Strategic Review held between April 2004 and March 2005, the Trustees reviewed the key risks faced by the charity.

Objects, aims and objectives

As stated in its Memorandum of Association, the objects of the charity are:

- 1) To preserve and protect the health of the community both physical and mental and in the furtherance of this purpose to provide other charitable relief for those practising or likely to practise cigarette and other forms of smoking.
- 2) To advance the education of the public concerning the effects of cigarette and other forms of smoking and their effects on the health of the community and the individual.
- 3) To assist, carry out, promote and encourage research into cigarette and other forms of smoking and to collect and study information relating thereto with a view to publication of the same and the communication of information in connection therewith to the general public and others having legitimate interest in receiving such information for the benefit of the health of the community at large.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

In February 2004, the Trustees agreed that the organisation should develop a Strategic Plan to guide the charity over the three financial years, from April 2005 to March 2008. Over the following twelve months, through a series of consultations, workshops and meetings, the Trustees, staff and stakeholders developed the plan which was agreed at a Board meeting held in March 2005.

The plan set ASH's strategic priorities for the three years and established a process to monitor, review and evaluate ASH's progress following the implementation. Staff have been charged with the responsibility of achieving various objectives through their annual business plans and the Director will provide Trustees with regular progress reports.

The six strategic priorities and associated objectives, are as follows:

1) Advocacy & Policy Development

To press for concrete and evidence based measures to effect policy change and reduce the harm caused by tobacco.

Objectives:

- To achieve legislation for smokefree workplaces and enclosed public places.
- To ensure all tobacco control policies contribute, as far as is possible, to the reduction of health inequalities, poverty and social exclusion.
- To ensure effective monitoring and enforcement of tobacco control policies such as the advertising ban.
- To support the maintenance of high tobacco taxation and the minimisation of smuggling.
- To promote the ratification and effective implementation of the Framework Convention on Tobacco Control.
- To promote the provision of effective information for consumers, such as: mass media campaigns, education and product labelling.
- To lobby for adequate government investment in tobacco control policies.
- To promote the most effective stop smoking services.

2) Information & Research

To maintain, develop and enhance the quality, reputation and integrity of the information which ASH provides.

Objectives:

- a) Sound quality control of all information provided.
- b) To monitor, analyse and expose the tactics and messages of the tobacco industry.
- c) Constant review of informational needs of ASH and others in the field.
- d) Effective collection and storage of information required.
- e) Ensuring that all information resources are up to date.

3) Networking & Enabling Networking

To be the main nexus for UK tobacco networking. To be the feed-in point and key contributor for regional and international networking within the context of our strategic priorities.

Objectives:

- To maximise the effectiveness of existing networks and to develop new ones, locally, nationally and internationally. To identify and rank potential new partners.
- To communicate using materials which are appropriate to the various segments of the target audience.
- The effective use of technology in servicing and enabling networks.
- Innovation in the methods used to enable networks.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

4) Governance

To maintain the long-term effective governance of the charity.

Objectives:

- To ensure the maintenance of best practice in relation to charity, company, employment and other law. In this respect the regular risk assessment process is of particular importance.
- To implement effective recruitment and succession planning and diversification of the Board of Trustees, Advisory Council and staff.
- To provide for a regular outside evaluation of the charity and its work which is relevant to its objectives.
- To conduct an annual review of the strategic plan.

5) Resources & Sustainability

To secure appropriate funding and other resources for the achievement of the organisation's objectives in a sustainable way.

Objectives:

- To maintain good relations with the three current key funders.
- Review periodically other potential sources of funding, especially for new initiatives. Expansion beyond the three key funders should be evidence based and only cost effective grants should be sought.
- Retaining and recruiting high quality staff.

6) Image & Communication

To maintain and develop our image and reputation through the development of rolling strategies/plans for communications, advocacy, PR, marketing and branding which are both closely linked to desired outcomes and cost effective. To promote and employ our information resources effectively.

Objectives:

- To identify and use the most effective communication routes.
- To remain aware that different methods of communication may be required for different audiences.
- Communicate a positive image to both hostile groups and under-utilised stakeholder groups.
- The introduction of and effective use of any new technologies and methods which are both appropriate and cost-effective.
- To be creative and innovative – always looking for new opportunities.
- To develop and maintain performance measures.
- The effective use of available technology.
- To develop innovative and effective ways of keeping the harmful effects of tobacco in the public eye, in order to influence opinion formers and decision makers.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

Activities

Introduction

2005-06 was a successful year in which ASH's work in certain areas progressed at a far faster rate than could have been foreseen. The charity joined forces with other organisations to help maximise our impact and with the help of all those involved in the 'Smokefree ACTION' coalition we have made huge progress towards making all workplaces and enclosed public places smokefree.

During the year ASH continued to provide the research and information to assist the development of improved public health policies that will contribute to reducing the terrible toll of addiction, disease and death caused by tobacco.

Smokefree Environments

When work in this area started two years ago there was no prospect of smokefree workplace legislation. Comprehensive government legislation for smokefree workplaces is currently due to be implemented in England by the summer of 2007.

ASH made two detailed submissions to the smokefree section of the Department of Health consultation on the Health Improvement & Protection Bill (subsequently the Health Bill). Working with the Chartered Institute of Environmental Health, we also provided information to the Health and Safety Executive about the regulatory implications of the draft legislation.

During the House of Commons Health Select Committee hearings on smokefree legislation ASH provided written evidence to, and was later asked to give oral evidence before, the committee.

Smoking Cessation Treatments

ASH continues its efforts to encourage policies for the wider availability and use of Nicotine Replacement Therapy (NRT).

We contributed to the Royal College of Physicians' Tobacco Advisory Group submission to the Department of Health consultation on the Quality and Outcomes Framework (QOF) for General Practitioners (GPs). This recommended revision to ensure the system rewards GPs for brief advice and referral to stop smoking services for all smokers, rather than just for recording smoking status.

During the year ASH Director, Deborah Arnott, was appointed to a National Institute for Health and Clinical Excellence (NICE) public health programme guidance group on smoking cessation and provided advice and information during its rapid review of brief interventions and referral for smoking cessation.

The "one stop shop" for smoking cessation on the ASH website has now been up and running for more than three years and is regularly updated. It is currently the third most requested section of the ASH website.

Nicotine & Tobacco Regulation

We continue to monitor the situation with regard to these matters at UK, EU and WHO Framework Convention on Tobacco Control (FCTC) levels. We have worked closely with organisations such as the Department of Health and the Medicines and Healthcare Products Regulatory Agency (MHRA) to encourage the wider availability and accessibility of Nicotine Replacement Therapy (NRT).

ASH was represented on the expert working group of the Committee on Safety of Medicines set up by MHRA to look at revising the licensing of NRT. This led to the introduction of a new indication for reducing to quit, and revisions of the licensing indications to extend the licence period to 9 months and to allow the use of NRT by adolescents, pregnant smokers and those with cardio-vascular disease.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

ASH commissioned the team responsible for the original 'Thorax' guidelines to produce two briefings for healthcare professionals about the new licence conditions. These were put on our website and were widely publicised through our networks and the Department of Health Regional Tobacco Policy Managers to cessation services. This was very well received by both the Department of Health and MHRA.

Health Inequalities

ASH is now approaching completion of an interactive map of wards in England and Wales showing smoking prevalence rates mapped against the ODPM index of deprivation. Technical problems with this project have led to it taking somewhat longer than originally anticipated. However, once completed, this will provide an important resource for policy makers.

Thanks to assistance from Department of Health statisticians, ASH publicised data showing that workers in routine and manual occupations were more likely to be exposed to secondhand smoke in the workplace compared to people in professional occupations.

Smoking Related Disease

In August 2005 ASH produced a report where we revealed the devastating health consequences of a common but little-understood circulatory disease, peripheral arterial disease (PAD). Smokers have a 10-16 times greater risk of developing PAD than non-smokers. The report was released in collaboration with the British Heart Foundation and the British Vascular Foundation.

Research

Two key pieces of research were undertaken during the year. Firstly, a review for NICE of the effectiveness of short-term interventions in helping smokers to quit. Secondly, for the Department of Health, an examination of smokers actual 'puffing' habits in order to compare this with the international standards for machine testing cigarette smoking. The latter research will be completed during 2006-07.

International

ASH is collaborating with the Australian Victoria Health Centre for Tobacco Control in a project being carried out by specialist academic media lawyers to help with the development of a protocol on cross border advertising under the WHO FCTC. This will identify relevant issues and provide policy recommendations for regulatory and technological responses on the issue of cross border tobacco advertising under the Framework Convention on Tobacco Control.

Taxation and Smuggling

ASH produced a submission to the Chancellor of the Exchequer, supported by numerous other health charities, regarding changes to tobacco taxes in the Budget. It recommended raising tax by at least the rate of inflation, improving the strategy to reduce tobacco smuggling, monitoring the impact of the government's proposed smokefree legislation on health inequalities and the need to improve the market reporting of data.

During the year ASH met with the National Audit Office (NAO) to discuss HM Revenue & Customs' smuggling strategy. We continue to press the government to ensure that smuggling is more effectively controlled by making the tobacco producers introduce tracking and tracing technology and to support the introduction of a protocol on smuggling under the Framework Convention on Tobacco Control.

Tobacco Advertising

Since the implementation of the final stage of the tobacco advertising ban we have been carefully monitoring the situation to try to stop any direct or indirect breaches of the law. ASH made representations to the European Commission and to the motor cycle industry following breaches of the European Tobacco Advertising Directive and also urged the Commission to take action against Member States which had failed to transpose the Directive into national law.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

ASH also worked with local authorities to monitor and report breaches of the Point of Sale Regulations for tobacco products.

Broadcasting & Film

During the year ASH contributed to the consultation held by the Office of Communications (OFCOM) on their 'Broadcasting Code' and its approach regarding the portrayal of tobacco smoking in television. After the final code was published, in May 2005, we felt that the guidance on the portrayal of smoking was inadequate and continued discussions with them regarding its interpretation and application. Following our intervention the guidance notes were strengthened. ASH also took part in a pre-consultation exercise with OFCOM regarding their procedure for handling complaints. This is on-going.

Reduced Ignition Propensity Cigarettes

An average of 4,000 accidental domestic fires and around 125 deaths, a year in the UK are caused by smokers' materials. In an effort to see this reduced, ASH started work encouraging the European Commission to set standards for fire-safe Reduced Ignition Propensity (RIP) cigarettes at European level under the General Product Safety Directive.

Website

With more than 6,000 active pages, the ASH website is widely acknowledged as one of the best tobacco sites in the world. It has a huge searchable content on every aspect of tobacco control and is easily accessible with hundreds of downloadable documents. The site has become a key factor in our ability to provide information, campaign successfully and to network cost-effectively both nationally and internationally.

During 2005-06 the ASH website had over 1,351,378 visitors compared with 856,874 in 2004-05, an increase of 58% year on year and an average of 3,702 a day. Our three most popular resources over the year were the set of 27 Factsheets, the visual resources and the quitting smoking pages.

Information & Publications

ASH Daily News, a free daily review of the news coverage of tobacco issues distributed by e-mail, now has more than 1,400 subscribers. In addition, the briefing is freely available to all members of the UICC - Globalink network, currently just over 5,000 people.

During the year we added two new Factsheets on "Smoking and Eye Disease" and "Secondhand Smoke in the Home". There are now a total of 27 Factsheets, each covering a different aspect of tobacco and health. The three most popular Factsheets on our website were "Nicotine & Addiction", "Passive Smoking" and "Smoking Statistics: who smokes & how much".

ASH's ongoing work to raise awareness about the health risks from secondhand smoke was reported widely in both print and broadcast media. ASH staff were also interviewed on numerous other smoking and health studies and on topics such as the proposals to include pictorial health warnings on tobacco packaging. Over the year, based on figures from professional media monitors contracted by ASH, it is estimated that ASH's total media reach was around 337 million -an average of 6.5 million per week.

Grant Making

The Trustees do not make grants.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

Achievements & Performance

As an integral part of the strategic review, the Trustees agreed a series of success indicators for each of the six strategic priorities. Progress on these has been as follows:

1) Advocacy & Policy Development

- Comprehensive smokefree legislation for England and Wales will be in force in most workplaces by summer 2007.
- A smuggling protocol was on the agenda for the 1st Conference of the Parties of the Framework Convention on Tobacco Control (FCTC) held in February 2006. A working party is being set up to take this forward.
- The establishment of a parliamentary lobby on the Public Health Bill (including parliamentarians, health charities, medical colleges and other NGOs.), coordinated by ASH proved to be very effective.
- The development and promotion of an effective and agreed strategy on nicotine regulation and harm reduction was achieved, though this now requires updating.
- After considerable work by ASH the MHRA have changed the way they license NRT making it more widely accessible, removing contraindications for CVD, underage use and pregnancy, increasing the length of use to 9 months and introducing an indication for reduce to quit for NRT.

2) Information & Research

- The ASH website continues to be seen by other groups as the leading site for information on tobacco control and receives much positive feedback.
- The aim had been to maintain the level of 'hits' on the ASH website. However, use has continued to grow, by 58%, from 2,348 daily users during 2004-05 to 3,702 during 2005-06.
- A plan for checking and updating the informational needs of the charity has been developed and is now in place.

3) Networking & Enabling Networking

- Other groups involved in tobacco control continue to expect ASH to take a leadership role in tobacco control, via coalitions such as Smokefree ACTION and UK Net.

4) Governance

- All statutory reporting was completed on time.
- The Board began a review of its needs and potential recruits, for both the Board and Council, to be completed during 2006.

5) Resources & Sustainability

- We continue to have an effective working relationship with all our key funders.
- A site visit to ASH is planned by the British Heart Foundation (BHF) and Cancer Research UK for 2006-07.

6) Image & Communication

- It is intended that our 'reach' in both the print and broadcast media should be maintained over a rolling three year period. We have not yet had three years worth of records but over the last year our weekly reach has been 6.5 million people, not including the internet, and on average there were 12 references to ASH in the print media and 7 appearances on radio and TV each week.
- During the year support for smokefree workplaces rose to over 70% amongst the general public. For smokefree licensed premises the rise between Spring 2004 and 2005 was from 51% to 66%.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

Financial Review

The year has been financially successful, with a modest £64K increase in funds. Total income of £821K was 50% higher than the previous year – largely as a result of an increase in funding for new research. 87% of this income came as grants or research contracts – predominantly from government agencies and from the British Heart Foundation and Cancer Research UK.

Charitable expenditure, at £757K, increased by 39% on the previous year. ASH finished the year with cash balances of £590K (up from £424K last year) and net assets of £468K.

Having made transfers of £182K from general funds to meet deficiencies on the various projects for which restricted funds were available, the balance of general funds at the end of the year was up by £61K at £401K (of which, branches held £29K).

Reserves

The Trustees have established a policy whereby the unrestricted funds not committed or invested in tangible fixed assets (the 'free reserves') held by the charity should be between 3 and 6 months of the resources expended annually, which presently equates to £160,000 to £380,000 in general funds. At this level, the Trustees feel that they would be able to continue the current activities of the charity in the event of a significant drop in funding. It would obviously be necessary to consider how the funding would be replaced or activities changed in order to continue to pursue the charitable objectives.

As a result of an unexpected level of income from legacies received between 2004 and 2006, the current level of free reserves is approximately £21,000 above the desired range. This has enabled the Trustees to agree to budget for drawing down the free reserves in a gradual and responsible manner over the next three financial years, in order to fund additional work.

Principal Funding Sources

The principal sources of project funding for the charity are the Department of Health Section 64 General Scheme, the British Heart Foundation (BHF), Cancer Research UK and the National Institute for Health & Clinical Excellence (NICE). Both Cancer Research UK and BHF also provide the charity with core funding for our entire program of work.

Investments

When not required, the free reserves held by the charity are placed on short-term Treasury Deposits.

Funds in Deficit

None.

Plans for Future Periods

Introduction

The charity's objectives for the period 2005-08 are as laid out in the Strategic Plan detailed above. During the coming year particular emphasis will be given to activities in the following areas:

Smokefree Environments

ASH will continue to play the leading role in co-ordinating and developing the strategy for the loose coalition of charities, health groups and Royal Colleges supporting the introduction of smokefree policies in the UK in workplaces and enclosed public places.

Website

Since September 2005 planning has begun for a complete overhaul and re-design of the ASH website, including a dedicated searchable archive section. The first stage was an interactive questionnaire on the home page to enable user feedback about the site as it is. Tenders for the design and development work were due to be received by May 2006 and the work should be completed by the end of 2006.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2006

Smoking Cessation Treatments

The Government has invested heavily in smoking cessation and this is a major success story. However, delivery can still be improved and we work with others to inform the debate in DH about how this can best be achieved. Specifically we will continue to gather evidence and press government ministers and the Medicines & Healthcare Products Regulatory Agency (MHRA) to make Nicotine Replacement Therapy (NRT) available to all those who need it, including those with current medical conditions which make smoking particularly dangerous.

Reduced Ignition Propensity Cigarettes

The charity will continue with its efforts, in what is a new area of work, to encourage the European Commission to set standards for fire-safe Reduced Ignition Propensity (RIP) cigarettes at European level under the General Product Safety Directive.

Health Inequalities

Smoking continues to be a major contributory factor to health inequalities. ASH will continue to focus on this in every area of our work. As smoking rates fall, the death and disease caused are increasingly focused on those who are less well off.

Assets Held as Custodian

None.

Thanks

The Trustees would like to thank the British Heart Foundation, Cancer Research UK, the Department of Health and our individual members for supporting our work during the year. In addition, they would like to thank the ASH staff for all of their work during the year.

Sir Richard Doll

Professor Sir Richard Doll, whose research established the causative association between smoking and lung cancer, cardiovascular disease and many other disorders, died after a short illness on Sunday 24 July 2005, aged 92. As his longstanding colleague Sir Richard Peto said on hearing of his death, "Richard Doll's work has prevented millions of premature deaths in the 20th century and will prevent tens of millions of premature deaths in the present century. He was unique in medical history."

As President of the charity he was a great supporter of ASH's work for smokefree workplaces, saying, "It is clear that a lot of people have not yet appreciated the full extent of the hazards of smoking. It is vital that ASH continues its efforts to inform people, to persuade the Government to improve facilities for the treatment of addiction, and to bring about a ban on smoking at the workplace, comparable to the ban on other chemical hazards."

Richard remained a leader in his field of epidemiology and the spread of disease until his death. He is sadly missed by his colleagues and friends at ASH.

Action on Smoking and Health
Report of the Trustees (continued)
31st March 2006

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the income and expenditure of the company for that period.

In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit information

So far as each of the directors at the time the trustees' report is approved is aware:

- a) there is no relevant information of which the auditors are unaware; and
- b) they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Directors

Donald Reid
Chairman

Date:

Action on Smoking and Health

Independent Auditors' Report

To the members of Action on Smoking and Health

We have audited the financial statements of Action on Smoking and Health for the year ended 31st March 2006 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

The trustees' (who are also the directors of Action on Smoking and Health for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report, which incorporates the Directors' Report required by the Companies Act 1985, and report to you our opinion on whether it is consistent with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs as at 31st March 2006 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information in the Trustees' Annual Report is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD
Date:

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Action on Smoking and Health
Statement of Financial Activities
(Incorporating an Income and Expenditure Account)
For the year ended 31st March 2006

	Note	Unrestricted Funds		Restricted Funds	Total 2006	Total 2005
		General £	Designated £	£	£	£
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary income						
Grants received	2	154,935	-	-	154,935	151,593
Donations and legacies received		79,074	-	-	79,074	42,421
Interest received		14,945	-	-	14,945	13,560
<i>Incoming resources from charitable activities</i>						
Grants received	2	-	-	450,500	450,500	316,932
Contract income		110,690	-	-	110,690	-
Subscriptions		2,544	-	-	2,544	7,539
Sales of literature and services		7,289	-	-	7,289	9,626
Other income		556	-	-	556	4,713
Total Incoming Resources		<u>370,033</u>	<u>-</u>	<u>450,500</u>	<u>820,533</u>	<u>546,384</u>
Resources Expended						
Charitable activities						
Policy Research and Information	3	118,248	3,225	620,089	741,562	523,858
Governance	4	6,899	-	8,473	15,372	19,919
Total Resources Expended		<u>125,147</u>	<u>3,225</u>	<u>628,562</u>	<u>756,934</u>	<u>543,777</u>
Net Income for the year before transfers		244,886	(3,225)	(178,062)	63,599	2,607
Transfers	6	(183,947)	2,062	181,885	-	-
Net Movement in Funds		60,939	(1,163)	3,823	63,599	2,607
Funds brought forward		<u>339,567</u>	<u>63,276</u>	<u>1,800</u>	<u>404,643</u>	<u>402,036</u>
Funds Carried Forward		<u>400,506</u>	<u>62,113</u>	<u>5,623</u>	<u>468,242</u>	<u>404,643</u>
		Note 12	Note 11	Note 10		

All of the above results are derived from continuing activities. There were no recognised gains or losses other than those stated above.

Action on Smoking and Health
(A company limited by guarantee and not having a share capital)
Balance Sheet at 31st March 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed Assets					
Tangible assets	7		5,296		6,459
Investments			<u>24</u>		<u>24</u>
			5,320		6,483
Current Assets					
Debtors	8	32,236		27,134	
Cash at bank and in hand		<u>590,479</u>		<u>424,444</u>	
		622,715		451,578	
Creditors: Amounts falling due within one year	9	<u>(159,793)</u>		<u>(53,418)</u>	
Net Current Assets			<u>462,922</u>		<u>398,160</u>
Net Assets			<u><u>468,242</u></u>		<u><u>404,643</u></u>
Funds					
Restricted					
Central funds	10	1,800		1,800	
Branch funds	10	3,823		<u>-</u>	
			5,623		1,800
Unrestricted					
Designated funds	11		62,113		63,276
General Funds					
Central funds	12	371,799		302,299	
Branch funds	12	<u>28,707</u>		<u>37,268</u>	
			<u>400,506</u>		<u>339,567</u>
			<u><u>468,242</u></u>		<u><u>404,643</u></u>

The accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These accounts were approved by the board of directors
on _____ and signed on its behalf by:

Donald Reid

John Edwards

Action on Smoking and Health

Notes to the Financial Statements

For the year ended 31st March 2006

1 Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Statement of Recommended Practice (SORP 2005), "Accounting and Reporting by Charities", the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2005).

The charity has taken advantage of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities.

The financial statements incorporate the activities of the branches of the charity on a line by line basis.

Comparative figures

The comparative figures for the Statement of Financial Activities have been amended to reflect the revised formats of SORP 2005.

Company status

The charity is a company limited by guarantee. In the event of the charity being wound up, the liability of each member in respect of the guarantee is limited to £1.

Income

Income is recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only where the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period. Life subscriptions are included as income in full in the year of receipt. Legacies are included in the accounts at the point where the amount receivable can be measured with sufficient reliability; this is normally the point of receipt by the charity.

Resources expended

Expenditure is recognised when a liability is incurred. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

- Charitable activities include expenditure associated with the development of policy, research, information and related activities and include both the direct costs and support costs relating to those activities.
- Governance costs include the costs of providing the strategic direction of the organisation and of meeting constitutional and regulatory requirements.
- Support costs are the costs of central functions which relate to the whole organisation. These have been allocated to cost categories on the basis of staff time occupied in each area.

Pension contributions

The company makes contributions to a defined contribution scheme for eligible members of staff the amount being determined in relation to the individual's current salary. Additional contributions are made to the individual personal pension scheme of one member of staff. No amounts were outstanding or prepaid at the balance sheet date.

Operating leases

Rentals applicable to operating leases are charged to the SOFA (Statement of Financial Activities) over the period in which the cost is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised at their cost to the charity.

Depreciation is provided on expenditure at rates calculated to write off each asset over its estimated remaining life. The estimated lives of the classes of assets are as follows:

Fixtures, fittings and office equipment	3-5 years
Computer equipment and software	3 years

Investments

Investments are held in tobacco related companies to give ASH the right to attend annual general meetings. The holdings are minimal and it is therefore considered appropriate to disclose them at historical cost rather than market value as required by SORP.

Dividend income is negligible and has, therefore, been included with interest received.

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2006 (Continued)

1 Accounting Policies (continued)

Fund Accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the objectives of the charity. Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised for particular purposes. The aim and use of each restricted and designated fund is given in the notes.

2 Grants	2006	2005
	£	£
<i>Voluntary income</i>		
Supporting charities	154,935	151,593
	<hr/> <hr/>	<hr/> <hr/>
<i>Arising from charitable activities</i>		
Department of Health	215,000	172,400
Wales Assembly Government	80,000	80,000
Other Regional Offices	-	40,000
Supporting charities	155,500	<i>(21,012)</i>
	<hr/>	<hr/>
	450,500	271,388
Local projects	-	3,520
	<hr/>	<hr/>
	450,500	274,908
	<hr/> <hr/>	<hr/> <hr/>

3 Charitable activities

The detailed charitable activities are more fully described in the trustees' report and relate to interlinked areas of policy, research and information.

	<i>Total</i>	<i>Total</i>
	<i>2006</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Direct project costs	276,049	106,363
Direct salary costs	345,680	288,388
Support costs	119,833	129,107
	<hr/>	<hr/>
	741,562	523,858
	<hr/> <hr/>	<hr/> <hr/>

Support costs are those shared costs which relate to the operation of the organisation and include:

Staff costs	42,121	37,083
Depreciation	3,225	5,706
Travel and meeting costs	2,468	4,534
Conferences, consultancy & seminar costs	4,743	9,330
Office running costs	49,310	42,064
Telephone and postage	8,816	13,870
Printing, stationery and design	5,200	7,322
Other costs	3,950	9,198
	<hr/>	<hr/>
	119,833	129,107
	<hr/> <hr/>	<hr/> <hr/>

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2006 (Continued)

4 Governance costs		<i>Total 2006</i>	<i>Total 2005</i>
		<i>£</i>	<i>£</i>
Board expenses		1,168	161
Audit fees		5,387	5,370
Other fees paid to auditors		719	959
Branch audit fees		1,626	1,429
Legal and professional fees:	Central	1,473	-
	Branch	5,000	12,000
		<u>15,373</u>	<u>19,919</u>

Three directors (2005 - one) were reimbursed for expenses incurred in attending meetings totalling £367 (2005: £161)
 No director received any remuneration.

5 Staff Costs		<i>2006</i>	<i>2005</i>
		<i>£</i>	<i>£</i>
Gross pay		339,460	284,897
Social security		35,149	28,456
Pension contributions		9,718	8,072
Other staff costs		3,777	4,046
		<u>388,104</u>	<u>325,471</u>

No member of staff was paid in excess of £60,000 for the year (2005: None).

The average number of staff employed, including part time staff, allocated according to function was:		<i>2006</i>	<i>2005</i>
		<i>No</i>	<i>No.</i>
Central charitable activities		7.50	6.75
Branch charitable activities		10.00	5.00
		<u>17.50</u>	<u>11.75</u>

6 Transfers between funds	<i>Unrestricted Funds</i>		<i>Restricted Funds</i>
	<i>General</i>	<i>Designated</i>	<i>Funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Core contribution to projects	(181,885)	-	181,885
Purchase of fixed assets	(2,062)	2,062	-
	<u>(183,947)</u>	<u>2,062</u>	<u>181,885</u>

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2006 (Continued)

7 Fixed Assets	Office Fixtures, Fittings and Equipment
	£
Cost	
At 1st April 2005	85,006
Additions	<u>2,062</u>
At 31st March 2006	<u>87,068</u>
Depreciation	
At 1st April 2005	78,547
Charge for the year	<u>3,225</u>
At 31st March 2006	<u>81,772</u>
Net Book Value	
At 31st March 2006	<u>5,296</u>
<i>At 31st March 2005</i>	<u>6,459</u>

All fixed assets are held for use in the charitable activities of ASH.

8 Debtors	2006	2005
	£	£
All amounts fall due within one year		
Other debtors	24,285	4,705
Accrued income	-	16,378
Prepayments	<u>7,951</u>	<u>6,051</u>
	<u>32,236</u>	<u>27,134</u>

9 Creditors: Amounts falling due within one year	2006	2005
	£	£
Trade creditors	60,928	15,530
Deferred income	63,375	-
Other creditors	27,415	1,375
Taxation and social security	967	2,122
Accruals	<u>7,108</u>	<u>34,391</u>
	<u>159,793</u>	<u>53,418</u>

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2006 (Continued)

10 Restricted Funds		Funds Brought Forward £	Incoming Resources £	Resources Expended £	Transfers from General Funds £	Funds Carried Forward £
Central						
Beyond Smoking Kills - the next steps	(a)	-	207,454	(327,554)	120,100	-
Smokefree Environments	(b)	-	104,246	(151,744)	47,498	-
International	(c)	-	33,800	(48,087)	14,287	-
Legal Representation	(d)	1,800	-	-	-	1,800
		<u>1,800</u>	<u>345,500</u>	<u>(527,385)</u>	<u>181,885</u>	<u>1,800</u>
Branch						
Welsh Projects	(e)	-	80,000	(80,000)	-	-
Other branch projects	(f)	-	25,000	(21,177)	-	3,823
		<u>-</u>	<u>105,000</u>	<u>(101,177)</u>	<u>-</u>	<u>3,823</u>
		<u>1,800</u>	<u>450,500</u>	<u>(628,562)</u>	<u>181,885</u>	<u>5,623</u>

- (a) This project provides an information base and communications to support further progress on tobacco control policy and smoking cessation following on from the White Paper "Smoking Kills". The Department of Health made a Section 64 grant of £180,000 to this project.
- (b) This project provides an information base and communications to support progress on reducing exposure to secondhand tobacco smoke in the workplace and enclosed public places.
- (c) This project provides research, information and communications in relation to the international cross border elements of tobacco control policy.
- (d) The legal representation fund relates to money held to enable the support of individuals in test cases.
- (e) These projects were locally funded for work in Wales.
- (f) This project relates to money received for local initiatives.

11 Designated Funds		Funds Brought Forward £	Incoming Resources £	Resources Expended £	Transfers from General Funds £	Funds Carried Forward £
Capital equipment		6,459	-	(3,225)	2,062	5,296
Tobacco Control Alliance (TCA)		56,817	-	-	-	56,817
		<u>63,276</u>	<u>-</u>	<u>(3,225)</u>	<u>2,062</u>	<u>62,113</u>

The capital equipment fund represents money set aside for the replacement of fixed assets. In previous years it related solely to computer equipment but has now been extended in line with Charity Commission recommendations to represent the total value of fixed assets held. Depreciation relating to the underlying assets has been charged to the fund.

The TCA fund represents the transfer of funds from the TCA on its cessation which have been set aside by directors to enable the continuation of the work within ASH.

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2006 (Continued)

12 General Funds	Funds Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Funds Carried Forward £
Central funds	302,299	362,784	(109,337)	(183,947)	371,799
Branch funds	37,268	7,249	(15,810)	-	28,707
	<u>339,567</u>	<u>370,033</u>	<u>(125,147)</u>	<u>(183,947)</u>	<u>400,506</u>

13 Analysis of Net Assets between Funds	Fixed Assets £	Net Current Assets £	Total Net Assets £
Restricted funds			
Central funds	-	1,800	1,800
Branch funds	-	3,823	3,823
Unrestricted Funds			
Designated funds	5,296	56,817	62,113
General funds			
Central funds	24	371,775	371,799
Branch funds	-	28,707	28,707
	<u>5,320</u>	<u>462,922</u>	<u>468,242</u>

14 Operating Lease Commitments

The company had annual commitments under operating leases as follows:

	2006 Land and Buildings £	2005 Land and Buildings £
Expiring:		
- in less than one year	-	3,625
- in between two and five years	21,600	-
	<u>21,600</u>	<u>3,625</u>