

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 2007

Action on Smoking and Health

Report of the Trustees

31st March 2007

The Trustees are pleased to present their report and the financial statements of the charity for the year ended 31st March 2007.

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 2007 and had served throughout the year, except where shown:

Professor John Britton	
Mr John Edwards	- Treasurer - resigned 13 th December 2006
Lord Faulkner of Worcester	- elected 13 th December 2006
Dr Anna Gilmore	
Mr Ed Gyde	
Mr Malcolm Hall	- Treasurer - elected 13 th December 2006
Dr Martin Jarvis	
Ms Patricia Jones	
Ms Jean King	- Vice-Chair
Ms Betty McBride	
Dr Jennifer Mindell	
Professor John Moxham	- co-opted 21 st June 2006, elected 13 th December 2006
Dr Lesley Owen	
Mr Donald Reid	- Chair

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 J.J.P
Devonshire House
60 Goswell Road
London
EC1M 7AD

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

Principal Bankers

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

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 Advisory Council. The Trustees are elected by the other Members of the Advisory 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 Advisory 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 Advisory 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 September 2006.

Objectives

As stated in its Memorandum of Association, the objectives 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.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

- 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.

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.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

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.

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 are 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 2007

Activities

Introduction

2006 was probably the most important year in ASH's history, given the passing by the UK Parliament of the Health Act which cleared the way for the introduction of the ban on smoking in all workplaces and enclosed public places in England, Wales and Northern Ireland.

When the ban came into force, Health Secretary Alan Johnson described it as the "single most important public health legislation for a generation".

Smokefree Environments

When work in this area started three years ago there was no prospect of smokefree workplace legislation. Comprehensive government legislation for smokefree workplaces was implemented in England on 1st July 2007.

The Health Bill in England received Royal Assent in July 2006. The government then undertook a consultation on the regulations of the bill and on increasing the age of purchasing cigarettes from 16 to 18. ASH contributed to both of these consultations.

The gaining of comprehensive smokefree legislation marks the culmination of years of hard work. The smokefree action campaign is the biggest social change lobbying campaign of recent times in the UK.

Around 600,000 people are expected to quit smoking across England as a consequence of the smokefree legislation. Millions of nonsmokers will be able to work and attend leisure venues without their health being adversely affected by other people's smoking. This legislation is truly the most important in public health for a generation.

Peter Hollins, Director General of the British Heart Foundation, said, "ASH is a casebook example of how a small but well-organised and effective group can stimulate and guide a powerful movement. ASH provided a sense of direction, many of the resources needed to support the work of others, and a sharp sense of campaigning tactics and political intelligence. Their work is essential."

Rt. Hon. Kevin Barron MP said, "ASH has a high reputation among Parliamentarians for its work. They provided MPs with lucid, accurate and timely research and briefing materials on secondhand smoke. ASH submitted written and oral evidence of the highest calibre to the Health Select Committee's inquiry into smoking in public places. This was crucial in assisting the committee to reach the conclusions it did."

Professor Dame Carol Black, President of the Royal College of Physicians, said, "The Royal College of Physicians established ASH in 1971 because we saw a real need for an effective pressure group to work on evidence based tobacco control policy. The RCP has continued to support ASH's work ever since. I believe it has played a vitally important role in reducing the amount of harm caused by smoking in Britain."

ASH would like to thank the members of the Smokefree Action Coalition: health groups, trade unions, local authorities, public and environmental health organisations, members of the hospitality trade associations, individual politicians and the great many individuals and groups at local and regional levels who were involved in the campaign.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

Smoking Cessation Treatments & Nicotine Regulation

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

The smoking cessation pages on the ASH website are frequently visited and are regularly updated. They are currently the third most requested section of the ASH website.

The National Institute for Health and Clinical Excellence (NICE) guidance on Varenicline was not going to be available until 2007 yet this new cessation product was launched in December 2006 in the UK. Health professionals were calling for advice so ASH commissioned the writers of the original "Thorax" smoking cessation guidelines to produce guidance notes on it. These were promoted through Regional Tobacco Policy Managers, Globalink and the health media and are available on the ASH website.

We continue to monitor the situation with regard to all smoking cessation 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 & Healthcare Regulatory Agency (MHRA) to encourage the wider availability and accessibility of NRT and other smoking cessation treatments.

Health Inequalities

Health inequalities are clearly demonstrated by the ASH mapping project. In October 2006, ASH launched an interactive map that reveals the close match between smoking and poverty in England.

The mapping project shows the smoking rates and indices of deprivation for each ward and can be searched by region and district, or by entering a specific postcode. Since the project was launched online it has had more than 14,500 unique visitors.

In the most deprived ward, Princess, in Knowsley, Merseyside 52% of residents smoke, while the figure in the least deprived ward, Keyworth North in Rushcliffe, South Nottingham, is only 12%.

The maps are available at: <http://www.ash.org.uk/html/mappingproject/mappingproject.html>

International

ASH continues to work to ensure the effective implementation of the Framework Convention on Tobacco Control (FCTC), working in collaboration with the Framework Convention Alliance (FCA).

ASH, working in collaboration with the FCA, has been instrumental in ensuring effective representation for civil society to attend meetings regarding Article 9 (regulation of contents of tobacco products) of the FCTC. The regulation of tobacco contents is a complex field. ASH is pleased that a progress report, rather than the guidelines, will be presented at the next Conference of the Parties (COP) in June 2007. This will include a number of recommendations put forward by civil society.

ASH collaborated with Jonathan Liberman, from the Centre for Tobacco Control, Health Victoria, Australia in a project on cross border tobacco advertising, supported by Cancer Research UK. On the basis of his work on the project, Mr Liberman was appointed as a member of the expert group set up to prepare a template for a protocol on cross-border advertising, commissioned by the World Health Organisation (WHO)

ASH and the Smokefree Action Coalition won the Global Smokefree Partnership award for "Outstanding campaign" at the 13th World Conference on Tobacco and Health in Washington DC, USA, in July 2006.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

Taxation and Smuggling

ASH continued to meet regularly with HM Treasury and HM Revenue & Customs (HMRC) to discuss issues around tax and smuggling. ASH also made its annual budget submission to the Chancellor, supported by many other health charities.

This year we were pleased that HMRC finally launched a strategy for controlling smuggling of handrolled tobacco. The voluntary Memoranda of Understanding with the tobacco manufacturers are now backed up by legislation which came into force in October 2006. Under this legislation HMRC is now able to fine tobacco manufacturers up to £5 million if they fail to take sufficient steps to prevent their products being smuggled into the UK. Whether this legislation will be effective remains to be seen.

Advertising & Broadcasting

ASH made representations to the European Commission and motor cycle industry in August 2006 following breaches of the European Tobacco Advertising Directive. The Commission is now undertaking legal action against Member States that have failed to transpose the Directives into national law after the July 2005 deadline.

During 2006 ASH has worked with the Office of Communications (OFCOM) and was successful in ensuring the guidance notes on smoking on television were clarified and tightened.

To coincide with the 2007 BAT AGM, ASH launched a major report on the global activities of the company in marketing cigarettes to young people, particularly in the developing world.

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. There is an established standard for Reduced Ignition Propensity (RIP) cigarettes already in place in New York State and Canada. This requires cigarettes to be redesigned to reduce the likelihood that they will start fires by up to two thirds.

ASH has set up an alliance called the RIP Coalition to work with sister organizations in Europe to encourage the European Commission to set standards for RIP cigarettes at European level under the General Product Safety Directive (GPSD). The coalition is made up of UK organisations committed to reform on this front and, during November 2006, ASH helped launch its website which can be seen at <http://www.firesafercigarettes.org.uk/>.

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 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 2006-07 the ASH website had over 1,209,000 visitors, an average of 3,300 a day. For the second year in a row, our three most popular resources over the year were the set of 28 Factsheets, the visual resources and the quitting smoking pages.

Currently the website is going through redevelopment and re-branding to make information easier to find. ASH is also establishing an archive section for historical information.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

Information & Publications

ASH Daily News, a free daily review of the news coverage of tobacco issues distributed by e-mail, now has more than 1,300 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 one new Factsheet on "Waterpipes", also known as hookahs, in the context of their use in smoking in Shisha Cafes. There are now a total of 28 Factsheets, each covering a different aspect of tobacco and health. The three most popular Factsheets on our website were: "No.11 - What happens when you stop smoking"; "No. 2 – Smoking statistics: illness & death" and "No. 24: Stopping smoking: ASH's 15 tips".

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 smoking and health studies and on topics such as the 2006 Health Act (on smoking in workplaces) and 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 173 million - an average of 3.33 million per week.

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

- Successfully led a coalition campaigning for smokefree places to be implemented on 1 July 2007 to cover all enclosed public places and workplaces. This will include all Youth Offender Institutions and the presumption is that adult prisons will go smokefree too in the longer-term. From 1 July 2008 all psychiatric premises will also go smokefree. England will be the largest jurisdiction in the world by population to go comprehensively smokefree so far.
- The tobacco advertising ban is in force and its effectiveness continues to be monitored.
- A high tax policy is being maintained and tobacco smuggling is being contained.
- Smoking cessation services are now part of the mainstream NHS.
- ASH played a significant role in ensuring that the Framework Convention on Tobacco Control (FCTC) was the fastest ever global treaty to be ratified. At the first Conference of the Parties in February 2006 it was agreed that work should be started to develop protocols on smuggling and cross-border advertising and guidelines on protection from secondhand smoke and product regulation and work is progressing in all these areas.
- Work is progressing to develop a standard for Reduced Ignition Propensity (RIP) cigarettes at EU level under the General Product Safety Directive. Our lobbying and coalition building ensured that the UK supported this initiative and we have been told by Commission officials that UK support has been crucial in ensuring progress in this area.
- The Medicines & Healthcare Regulatory Agency (MHRA) has changed the way it licenses 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, at least in part as a result of intensive lobbying by ASH.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

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 ASH website has been developed into one of the best tobacco sites in the world. It currently averages 3,300 unique visitors a day.
- Plan for checking and updating the informational needs of the charity 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, the RIP Coalition and UK Net.

4) Governance

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

5) Resources & Sustainability

- We continue to have an effective working relationship with all our key funders.
- A site visit to ASH by the British Heart Foundation (BHF) and Cancer Research UK was completed successfully during May 2007.

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 3.33 million people (defined as the cumulative number of people exposed to coverage in which ASH was mentioned in all of the UK media, including television, radio and the press but not including the internet).

Financial Review

The year saw a decrease in funds of £12,000. Total income of £768,000 was 6% lower than the previous year. This reflected the inclusion in 2005/6 of a £72,000 legacy which was not replicated in 2006/7.

Charitable expenditure, at £780,000, increased by 6% on the previous year. ASH finished the year with cash balances of £634,000 (up from £590,000 last year) and net assets of £456,000.

Having made transfers of £205,000 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 down by £24,000 at £376,000 (of which, branches held £23,000).

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 £161,000 to £321,000 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 allows for expenditure for just under two months above the desired range. The Trustees intend to budget for drawing down the free reserves in a gradual and responsible manner in order to fund additional work.

Action on Smoking and Health

Report of the Trustees (continued)

31st March 2007

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) and Cancer Research UK. Both Cancer Research UK and BHF also provide the charity with core funding for our entire programme of work.

Investments

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

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:

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.

Website

A complete overhaul and re-design of the ASH website, including a dedicated searchable archive section, should be completed by the end of 2007.

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 the Department of Health about how this can best be achieved. Specifically we will continue to gather evidence and press the Department of Health and the Medicines & Healthcare Products Regulatory Agency (MHRA) to make Nicotine Replacement Therapy (NRT) available and accessible 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.

Smuggling

Negotiations begin early next year for a protocol under the WHO Framework Convention on Tobacco Control on illicit trade, with a target date for adoption of 2010. The charity will work to ensure that support is developed in the UK for a best practice protocol, which will further drive down the illicit trade in tobacco products in this country for both manufactured and counterfeit product. Consumption of smuggled product is concentrated among lower income groups so this will help tackle health inequalities.

Thanks

The Trustees would like to thank the BHF, 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 their tremendous commitment and record the Trustees' appreciation for the significant advances which they have achieved during the year.

Action on Smoking and Health
Report of the Trustees (continued)
31st March 2007

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

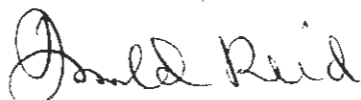
In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards and statements of recommended practice have been followed, 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: there is no relevant information of which the auditors are unaware; and 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: 20/09/07

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 2007 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 responsibilities of the trustees (who are also the directors of Action on Smoking and Health for the purposes of company law) 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 whether, in our opinion, the information given in the Trustees' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2007 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: 24th September 2007

V. G. S. S. LLP

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 2007

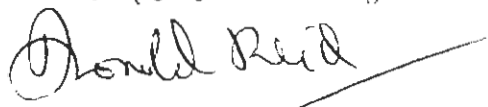
	Note	Unrestricted Funds General £	Designated Funds £	Restricted Funds £	Total 2007 £	Total 2006 £
Incoming Resources						
<i>Incoming resources from generated funds</i>						
Voluntary income						
Grants received	2	158,693	-		158,693	154,935
Donations and legacies received		11,143		346	11,489	79,074
Interest received		20,027		-	20,027	14,945
<i>Incoming resources from charitable activities</i>						
Grants received	2	-		505,628	505,628	450,500
Contract income		65,206		-	65,206	110,690
Subscriptions		2,575		-	2,575	2,544
Sales of literature and services		2,909		-	2,909	7,289
Other income		1,215		-	1,215	556
Total Incoming Resources		<u>261,768</u>	<u>-</u>	<u>505,974</u>	<u>767,742</u>	<u>820,533</u>
Resources Expended						
Charitable activities						
Policy Research and Information	3	44,823	4,410	692,833	742,066	741,562
Governance	4	35,758		1,800	37,558	15,372
Total Resources Expended		<u>80,581</u>	<u>4,410</u>	<u>694,633</u>	<u>779,624</u>	<u>756,934</u>
Net Income for the year before transfers		181,187	(4,410)	(188,659)	(11,882)	63,599
Transfers	6	<u>(205,271)</u>	<u>8,719</u>	<u>196,553</u>	<u>1</u>	<u>-</u>
Net Movement in Funds		(24,084)	4,309	7,894	(11,881)	63,599
Funds brought forward		<u>400,506</u>	<u>62,113</u>	<u>5,623</u>	<u>468,242</u>	<u>404,643</u>
Funds Carried Forward		<u><u>376,422</u></u>	<u><u>66,422</u></u>	<u><u>13,517</u></u>	<u><u>456,361</u></u>	<u><u>468,242</u></u>
		Note 12	Note 11	Note 10		

Action on Smoking and Health
(A company limited by guarantee and not having a share capital)
Balance Sheet at 31st March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed Assets					
Tangible assets	7		9,605		5,296
Investments			<u>24</u>		<u>24</u>
			9,629		5,320
Current Assets					
Debtors	8	45,858		32,236	
Cash at bank and in hand		<u>633,841</u>		<u>590,479</u>	
		679,699		622,715	
Creditors: Amounts falling due within one year	9	<u>(232,968)</u>		<u>(159,793)</u>	
Net Current Assets			<u>446,731</u>		<u>462,922</u>
Net Assets			<u><u>456,360</u></u>		<u><u>468,242</u></u>
Funds					
Restricted					
Central funds	10	-		1,800	
Branch funds	10	<u>13,517</u>		<u>3,823</u>	
			13,517		5,623
Unrestricted					
Designated funds	11		66,422		62,113
General Funds					
Central funds	12	353,404		371,799	
Branch funds	12	<u>23,017</u>		<u>28,707</u>	
			<u>376,421</u>		<u>400,506</u>
			<u><u>456,360</u></u>		<u><u>468,242</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 27/04/07 and signed on its behalf by:



Donald Reid



Malcolm Hall

Action on Smoking and Health

Notes to the Financial Statements

For the year ended 31st March 2007

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.

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 2007 (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

	2007	2006
	£	£
<i>Voluntary income</i>		
Supporting charities	<u>158,693</u>	<u>154,935</u>
<i>Arising from charitable activities</i>		
Department of Health	210,400	215,000
Wales Assembly Government	110,000	80,000
Supporting charities	<u>185,228</u>	<u>155,500</u>
	<u>505,628</u>	<u>450,500</u>

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.

	Total 2007	Total 2006
	£	£
Direct project costs	242,748	276,049
Direct salary costs	340,916	345,680
Support costs	<u>158,402</u>	<u>119,833</u>
	<u>742,066</u>	<u>741,562</u>

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

Staff costs	57,376	42,121
Depreciation	4,410	3,225
Travel and meeting costs	2,988	2,468
Conferences, consultancy & seminar costs	7,721	4,713
Office running costs	61,475	49,310
Telephone and postage	10,350	8,816
Printing, stationery and design	8,687	5,200
Other costs	<u>5,395</u>	<u>3,950</u>
	<u>158,402</u>	<u>119,833</u>

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2007 (Continued)

4 Governance costs		Total 2007 £	Total 2006 £
Board expenses		369	1,167
Audit fees - current year		6,100	5,300
Audit fees - prior year underprovision		810	87
Other fees paid to auditors		851	719
Branch audit fees		1,880	1,626
Legal and professional fees:	Central	14,697	1,473
	Branch	12,851	5,000
		<u>37,558</u>	<u>15,372</u>

One director (2006 - three) was reimbursed for expenses incurred in attending meetings totalling £149 (2006: £367)
 No director received any remuneration.

5 Staff Costs		2007 £	2006 £
Gross pay		330,185	339,160
Social security		34,617	35,119
Pension contributions		14,079	9,718
Other staff costs		19,411	3,174
		<u>398,292</u>	<u>387,801</u>

The remuneration of one member of staff fell into the range £60,000 - £70,000. The pension cost of this individual was £3,600.

The average number of staff employed, including part time staff, allocated according to function was:

	2007 Number	2006 Number
Central charitable activities	8.00	7.00
Branch charitable activities	9.00	10.00
	<u>17.00</u>	<u>17.00</u>

6 Transfers between funds	Unrestricted Funds		Restricted Funds
	General £	Designated £	£
Core contribution to projects	(196,553)	-	196,553
Purchase of fixed assets	(8,718)	8,718	-
	<u>(205,271)</u>	<u>8,718</u>	<u>196,553</u>

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2007 (Continued)

7 Fixed Assets	Office Fixtures, Fittings and Equipment
	£
Cost	
At 1st April 2006	87,068
Additions	8,719
Disposals	<u>(37,168)</u>
At 31st March 2007	<u>58,619</u>
Depreciation	
At 1st April 2006	81,772
Charge for the year	4,410
Disposals	<u>(37,168)</u>
At 31st March 2007	<u>49,014</u>
Net Book Value	
At 31st March 2007	<u>9,605</u>
<i>At 31st March 2006</i>	<u>5,296</u>

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

8 Debtors	2007	2006
	£	£
All amounts fall due within one year		
Other debtors	33,982	24,285
Prepayments	<u>11,876</u>	<u>7,951</u>
	<u>45,858</u>	<u>32,236</u>
9 Creditors: Amounts falling due within one year	2007	2006
	£	£
Trade creditors	68,605	60,928
Deferred income	60,000	63,375
Other creditors	66,375	27,415
Taxation and social security	414	967
Accruals	<u>37,574</u>	<u>7,108</u>
	<u>232,968</u>	<u>159,793</u>

Action on Smoking and Health
Notes to the Financial Statements
For the year ended 31st March 2007 (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)	-	192,900	(337,468)	144,568	
Smokefree Environments	(b)	-	90,600	(111,126)	20,526	
BAT AGM	(c)	-	10,375	(24,460)	14,085	
International	(d)	-	76,753	(94,127)	17,374	
Legal Representation	(e)	1,800	-	(1,800)	-	
		<u>1,800</u>	<u>370,628</u>	<u>(568,981)</u>	<u>196,553</u>	
Branch						
Welsh Projects	(f)	-	110,346	(108,376)	-	1,970
North West Projects	(g)	3,823	25,000	(17,276)	-	11,547
		<u>3,823</u>	<u>135,346</u>	<u>(125,652)</u>		<u>13,517</u>
		<u>5,623</u>	<u>505,974</u>	<u>(694,633)</u>	<u>196,553</u>	<u>13,517</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 £185,400 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 related to the preparation of a report for the British American Tobacco Annual General Meeting.
- (d) This project provides research, information and communications in relation to the international cross border elements of tobacco control policy.
- (e) The legal representation fund relates to money held to enable the support of individuals in test cases.
- (f) These projects were locally funded for work in Wales.
- (g) These projects were locally funded for work in the North West.

11 Designated Funds		Funds Brought Forward £	Incoming Resources £	Resources Expended £	Transfers from General Funds £	Funds Carried Forward £
Capital equipment		5,296		(4,410)	8,719	9,605
Tobacco Control Alliance (TCA)		56,817	-	-		56,817
		<u>62,113</u>	<u>-</u>	<u>(4,410)</u>	<u>8,719</u>	<u>66,422</u>

The capital equipment fund represents money set aside for the replacement of fixed assets.

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 2007 (Continued)

12 General Funds	Funds Brought Forward £	Incoming Resources £	Resources Expended £	Transfers £	Funds Carried Forward £
Central funds	371,799	257,221	(70,344)	(205,272)	353,404
Branch funds	28,707	4,547	(10,237)	-	23,017
	<u>400,506</u>	<u>261,768</u>	<u>(80,581)</u>	<u>(205,272)</u>	<u>376,421</u>

13 Analysis of Net Assets between Funds	Fixed Assets £	Net Current Assets £	Total Net Assets £
Restricted funds			
Central funds		-	
Branch funds		13,517	13,517
Unrestricted Funds			
Designated funds	9,605	56,817	66,422
General funds			
Central funds	24	353,380	353,404
Branch funds		23,017	23,017
	<u>9,629</u>	<u>446,731</u>	<u>456,360</u>

14 Operating Lease Commitments

The company had annual commitments under operating leases as follows:

	2007 Land and Buildings £	2006 Land and Buildings £
Expiring:		
- in between two and five years	<u>21,600</u>	<u>21,600</u>