



**BRITISH LUNG
FOUNDATION**

BRITISH LUNG FOUNDATION

REFERENCE AND ADMINISTRATIVE DETAILS

Registered office : Lung Foundation House, 73 – 75 Goswell Road, London EC1V 7ER
Company number : 1863614
Charity number : 326730
Bankers : HSBC plc, Onslow Square Branch, 1 Sydney Place, London SW7 3NW
Investment managers : Deutsche Asset Management, One Appold Street, London EC2A 2UU
Solicitors : Bates, Wells & Braithwaite, 2 - 6 Cannon Street, London EC4M 6YH
Auditors : Sayer Vincent, 8 Angel Gate, City Road, London EC1V 2SJ

Board of Trustees: Dr Mark Britton Chairman
Mr Ian Hudson Honorary Treasurer
Dr David Bellamy (appointed 2/12/04)
Mr Jamie Borwick
Dr Noemi Eiser
Mrs Christine Fehrenbach
Dr Brian Harrison (resigned 30/11/04)
Dr Warren Lenney
Mr Gregor Michie
Dr Mike Morgan (resigned 14/6/05)
Dr Keith Prowse (appointed 10/5/05)
Mrs Phyllida Pyper
Dr Louise Restruck
Amanda Sater
Professor Stephen Spiro
Professor Monica Spiteri
Mr Max van der Schalk
Professor Moira Whyte

Key staff: Chief Executive Dame Helena Shovelton
Head of Finance, Company Secretary Debbie Whatt
Head of Fundraising Rebecca Porta
Head of Information & Publications Humphrey Couchman
Head of PR & Public Affairs Sue Knight
Head of Nations & Breathe Easy Fran McCabe

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British Lung Foundation

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 30 JUNE 2005

The Board of Trustees presents its report and accounts for the year ended 30 June 2005.

1 STRUCTURE, GOVERNANCE AND MANAGEMENT

Nature of governing document

The British Lung Foundation is a registered charity and a company limited by guarantee. The governing document is the Memorandum and Articles of Association. The Board of Trustees comprise the Members of the British Lung Foundation.

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 30 June 2005 was **18** (2004: 17).

Recruitment and appointment of Trustees

Trustees are recruited through contacts of the current Board members, through business contacts of the charity, through recruitment agencies and through national advertising. Potential trustees are interviewed by the Nominations Subcommittee. Trustees are appointed by the Board of Trustees for a period of 3 years at an Annual General Meeting, and this appointment can be extended a further 3 years by mutual agreement.

Policies and procedures for induction and training of Trustees

Trustees are invited to attend the head office for a day to meet all the staff and have induction meetings with senior management team members. Trustees are able to undertake training specific to their role (eg. investment training for the Treasurer) and attend annual Away Days.

Organisational structure and how decisions are made

The Trustees are the Directors and Members of the company limited by guarantee. The Trustees who have served during the year and since the year end are listed on page 1. No member of the Board or Advisory Council receives any remuneration for their services. The Board meets every 2 months. Subcommittees meet quarterly and report to the Board. The Subcommittees are the Breathe Easy Subcommittee, the Corporate Guidelines Subcommittee, the Finance & Establishment Subcommittee, the Governance working group, the Information & Publications Subcommittee, the Nominations Subcommittee, the Public Relations Subcommittee, and the Scientific Subcommittee.

Details of Trustees who are in receipt of research grants awarded to their employing institutions are given under note **6** to the accounts, and details of Trustees' expenses paid during the year are given under note **16**.

Connections to a wider network

The British Lung Foundation is a member of the Association of Medical Research Charities and maintains close links to the British Thoracic Society. The charity and many of its Trustees sit on other respiratory health committees and initiatives across Britain.

Related parties

The charity's related parties relevant to these accounts:

- BLF Trading Ltd – a trading subsidiary,
- BLF Ltd – dormant,

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- The Leeds Trust (Florence Michael Fund) (charity number 326730-1) – a subsidiary permanent endowment fund for the relief of diseases of the chest.
- The Tuberculosis Fund (charity number 326730-2) – a subsidiary permanent endowment fund for the relief of sickness and distress of people infected with tuberculosis, and the preservation and protection of public health by the provision of information about tuberculosis and undertaking or assisting with research into tuberculosis and disseminating the useful results.
- The Burrow Hill Training Fund (charity number 220302) – the British Lung Foundation is the corporate trustee of this charity. The Fund exists to make grants for training or in cases of need to men suffering from tuberculosis or diseases of the chest, preference being given to men suffering as a consequence of service in Her Majesty's Forces.

Trustees' responsibilities for financial statements

United Kingdom Company law requires the Directors - the charity's Trustees - to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group at the end of the year, and of the income and expenditure and incoming resources and application of resources of the group for the year then ended. In preparing those financial statements, the Trustees have:

- (i) selected suitable accounting policies and then applied them on a consistent basis;
- (ii) made judgements and estimates that are reasonable and prudent;
- (iii) stated whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (iv) prepared the financial statements on the going concern basis.

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

2 OBJECTIVES AND ACTIVITIES

Objects of the British Lung Foundation

The objects in the Memorandum of Association are:

“The Foundation is established for the relief of persons suffering from diseases of the lung, in particular by:

- (i) the promotion of medical research into the prevention, treatment, alleviation and cure of the said diseases;
- (ii) the dissemination of the useful results of such research for the benefit of the public; and
- (iii) the promotion of post graduate training and the creation of fellowships in hospitals, medical centres and research institutes”.

Charity's aims

The British Lung Foundation's aims are:

- (i) providing information and education to make more widely known the extent of lung disease and the need to advance lung research;

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- (ii) providing support and advice for people living with lung disease by means of disease information factsheets and other publications, and particularly by the Foundation's network of Breathe Easy groups; and
- (iii) funding medical research to improve prevention, diagnosis and treatment of lung disease.

Objectives for the year

The objectives for the year were to successfully launch the helpline, Baby Breathe Easy, the exercise project sponsored by the Department of Health, the BLF Nurses project, to meet an ambitious target to raise £4.2 million gross income and to donate at least £1 million to medical research into lung disease.

Charity's strategies & significant activities

The British Lung Foundation has completed the first year of its three year corporate plan written in June 2004. The main strategy is to engage members of the public through the supply of information, support and advice in the anticipation that providing these services to members of the public will encourage them to support the charity.

The main activities, other than fundraising, have therefore been the launch of 4 additional services:

- Helpline – after locating and equipping new offices in Liverpool, in January 2005 a national helpline was launched. Four members of staff provide general and benefits advice, including a respiratory nurse who is able to provide general medical advice. This initiative has been generously supported by a grant from the Henry Smith Foundation of £125,000 with the charity covering the remaining costs. The helpline is contactable on 08458 505020 between 10am and 6pm.
- Baby Breathe Easy – the current Breathe Easy groups typically comprise of older members, and therefore a need for groups for babies and their parents had been identified. A two year pilot project has been launched. This project has been fully funded through the generous support of GlaxoSmithKline.
- Exercise classes – the charity conducted a campaign for pulmonary rehabilitation to be available throughout the country. Some Breathe Easy groups had already started running exercise classes at the request of their members. In response to this campaign, the Department of Health agreed to fund a pilot project to review the results of continuing exercise classes for patients who had previously undertaken pulmonary rehabilitation.
- BLF Nurses – there is a lack of palliative care for lung patients in the NHS, unlike cancer and heart disease for which palliative care is available. The charity has therefore sought to establish BLF Nurses within hospitals to provide a spectrum of care from hospital discharge avoidance, early supported discharge and end of life care. The charity is contributing towards the salaries and training of these staff under the agreement that after two years the posts continue and are funded wholly by the respective Primary Care Trusts.

Volunteer help

Volunteers in head office assist with fundraising, information distribution and administration. A total of **3,495** hours were worked (2004: 4,673), which if valued at the wage of a clerical employee at £10.25 per hour (as this is the work they undertake) would amount to donated services of **£35,824** (2004: valued at national minimum wage £4.50/hr, £21,028). These donated services have not been included in the statutory accounts. BLF also benefits from the time dedicated by its trustees and committee members and volunteers in head office, and the regional offices by their volunteers and committee members.

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(Continued)

BLF benefits from the time dedicated by the Breathe Easy group members, especially those who run the groups in committee positions. It has not been possible to calculate the number of hours contributed by these people, but they are estimated to be at least **10,000** hours, which if valued at national minimum wage of £4.85/hr would amount to a gift of **£48,500**.

3 ACHIEVEMENTS AND PERFORMANCE

Performance achieved against objectives set

The helpline was successfully launched in March 2005. It is currently on track to take 10,000 calls in its first year.

Nine Baby Breathe Easy group organisers started in December 2004, and 7 have successfully launched their groups.

The Exercise Project was successfully launched in March 2005 with classes being run for 20 groups each week.

Over 90 applications for BLF Nurses were received. The charity put aside £100,000 from this year's fundraising surplus to launch 5 posts immediately and these posts were awarded in September 2005. Additionally a further 10 posts have been awarded in Glasgow at a cost of £226,000, which will be raised by BLF Scotland over the next two years.

Income

The charity has adopted SORP 2005 early and this implementation has given the charity the opportunity to review all its accounting policies. The accounting policy for revenue grants has been changed and the various TB Funds have been consolidated leading to the prior year adjustments outlined in note 19. During the year under review the charity raised consolidated total income of **£6,113,045** (restated 2004: £4,879,506).

Charitable expenditure

The charity's charitable expenditure includes research grants, research department costs, Breathe Easy costs, public education and patient literature costs, and governance costs as detailed in the Consolidated Statement of Financial Activities. Total charitable expenditure was **£3,515,794** (restated 2004: £2,982,523), being **58p per £1 raised** (2004: 63p).

In addition the Trustees have designated funds (note 14) from this year's surplus for expenditure in 2005/6. These include £596,000 on development of charitable activities as outlined in point 5 later in the Report. Taking this into account, **total charitable expenditure is 67p per £1 raised**.

The charity has total Unrestricted Funds of **£2,053,175** (2004: £767,580). Designated funds amounting to £1,406,060 are detailed in note 14 to the accounts, leaving general funds of £647,115.

Research

For the year ended 30 June 2005, we awarded 9 new grants totalling £883,252 and a further 2 grants from The Tuberculosis Fund amounting to £234,980, ie. **11** grants totalling **£1,118,232** (2004: £1,032,514) to lung research programmes based in universities and hospitals throughout the United Kingdom.

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(Continued)

The number of projects supported by the British Lung Foundation has now reached **311** (2004: 300). A total of **£18,699,070** (2004: £17,580,838) has been awarded in research grants since the charity was established in 1984.

The areas covered by British Lung Foundation research include:

- adult respiratory distress syndrome
- air pollution
- asthma
- bronchiectasis
- bronchitis
- chronic obstructive pulmonary disease
- cystic fibrosis
- emphysema
- fibrosing alveolitis
- lung cancer
- pneumonia
- respiratory problems in premature babies
- sarcoidosis
- sleep apnoea
- smoking
- transplants
- tuberculosis

Public education

We have continued to raise awareness of the lungs and to convey the extent and devastating effects of lung disease. Lung disease affects over 8 million people in the UK today and is the cause of 18.5% of all deaths.

The British Lung Foundation's trustees, staff, researchers and supporters have worked hard during the year to continue to inform the public of the many threats to good lung health, of the work of the charity, and of the need for more lung research.

Our representatives have helped to highlight these issues when called upon by local and national media to comment on areas of public interest, such as the effects of air pollution and the re-emergence of tuberculosis as a threat in some parts of the country.

The work of our regional offices in the Midlands (Leicester), North East (Newcastle), North West (Liverpool), Scotland (Glasgow), and South West (Bristol) increases public awareness of lung issues throughout the United Kingdom. The London & South region works out of the head office.

Patient literature and advice

We estimate that approximately **720,000** British Lung Foundation leaflets and information sheets were sent out (2004: 480,000). This reflects growing demand particularly from hospitals and increasing numbers of GP surgeries who are now requesting our publications. We also aimed to increase the number of leaflet display boards in hospital respiratory clinics. The boards have been redesigned and the total now stands at **141** (2004: 120). The charity has allocated funds in 2005/6 to ensure that every chest clinic in England and Wales has at least one display board, and we aim to meet this strategic objective this year.

The range of topics covered by these leaflets and factsheets now includes:

air pollution and your lungs, air travel, airline oxygen policies, allergy, alpha-1 anti-trypsin deficiency, acute respiratory distress syndrome (ARDS), asbestos, aspergillosis, asthma, baby Breathe Easy leaflet, Breathe Easy joining leaflet – Health Professionals, Breathe Easy joining leaflet - individuals, bird flu, BLF generic leaflet, bronchiectasis, bronchiolitis in infancy, bronchoscopy, cfc-free inhalers, complementary therapies, chronic obstructive pulmonary disease (COPD), exercise and the lungs, exercises for the lungs, extrinsic allergic alveolitis, fibrosing alveolitis, get the best from your doctor, going on holiday with a lung condition, Legionnaire's disease, children's lung disease, lymphangiomyomatosis (LAM), lung cancer, lung transplantation, lung volume reduction surgery, mesothelioma, nebuliser

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suppliers, nebulisers, non-invasive ventilation, occupational lung disease, oxygen, oxygen suppliers, pneumonia, pneumothorax, pulmonary embolism, pulmonary hypertension, pulmonary rehabilitation, respiratory syncytial virus (RSV), sarcoidosis, smoking and your lungs, snoring and sleep apnoea, steroid treatment for asthma, steroid treatment for lungs, taking antibiotics, the way our lungs work, tuberculosis, volunteering leaflet, and your home and your lungs.

Breathe Easy magazine has been replaced by the Breathing Space magazine, published on behalf of the BLF by Origin Publishing Ltd, part of BBC Worldwide. Breathing Space is a lifestyle magazine with a strong respiratory theme, 52 pages, published quarterly. It is mailed to all BLF and Breathe Easy supporters, and two copies are sent to every GP surgery in the UK. Reaction to the first issue has been generally very positive.

The website, www.lunguk.org, received just under 360,500 visits. The site was completely rebuilt and relaunched in July 2004, making it easier to navigate and more dynamic.

Breathe Easy groups

The British Lung Foundation's club for people with long term lung problems had nearly **23,000** (2004: 22,000) supporters and **129** (2004: 117) Breathe Easy groups at 30 June 2005. Many hundreds of Breathe Easy supporters have written or telephoned to tell us of their experiences. The club has proved to be a vital source of information for thousands of people who otherwise would not have access to such support.

Fundraising performance

With the charity on a firm footing after **20** years, we have invested in expanding and improving our fundraising activities and the administration of services such as Breathe Easy groups and information factsheets.

Fundraising costs were **£896,112** (2004: £1,000,554). Fundraising costs in 2004 were increased by the Breath of Life in memoriam campaign (£15,000), donor mailings and gift aid sign up campaign (£40,000), acquisition mailing campaigns (£200,000). Fundraising investment will enable the British Lung Foundation to encourage future donations for lung disease, with wider awareness helping us to realise our fundraising potential from the general public.

We have continued to receive support from a growing number of companies, trusts and individuals. Notes **2** and **3** to the accounts contains a summary of the main sources of income during the year. Many people made donations to the charity in memory of relatives and friends who had lived with lung disease. Others raised funds for lung research by participating on our behalf in sponsored events such as walks, runs and bike rides.

Among our corporate and trust supporters, we were pleased to enter into a number of new partnerships, while retaining the commitment of our valued long-time donors. As well as financial contributions, all areas of the British Lung Foundation's work have been greatly helped by the commitment of the many individual and corporate supporters who have given generously of their time in a voluntary capacity, or made available goods and services free of charge.

BLF Trading Ltd, the trading subsidiary of the charity, has had a successful year with gross income increasing to **£491,545** (2004: £293,937), due to increases in sponsorship and raffle income.

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(Continued)

Factors affecting performance

The main factor affecting performance has been legacy receipts of £1 million over budget. The expenditure of this additional income has been explained in section 5, Plans for Future Periods, below.

Donations in kind - gifts in kind and donated services / facilities

The charity would like to acknowledge the following generous gifts in kind from corporate sponsors and individuals:

- GlaxoSmithKline – sponsorship of staff travel and attendance, travel fellowships and a BLF reception at the American Thoracic Society & European Respiratory Society Conferences valued at £34,717.
- TMP – website development valued at £2,200, and recruitment discounts valued at £639.
- GlaxoSmithKline / ARTP / Superdrug / Boehringer Ingelheim / Vitalograph – spirometry testing and PR work for World COPD Day 2004 valued at £36,984.
- GlaxoSmithKline – Welsh COPD parliamentary dinner valued at £991.
- Abbotts – Little Lungs for Life Awareness Campaign public relations work valued at £5,000.
- GlaxoSmithKline – asthma advert in Sunday Times valued at £28,700.
- Magnet – kitchen furniture for helpline office valued at £269.
- Profile Systems – supply of nebulisers at Breathe Easy Conference valued at £320.
- Schering Plough – design and print of GP asthma poster valued at £4,486.

4 FINANCIAL REVIEW

Reserves Policy

The Trustees' Reserves Policy is to build reserves up to 3 to 6 months' overhead costs (currently £550,000 - £1,100,000). They have budgeted a reserves provision of £50,000 per year until this level is reached. Due to the high level of legacies this year the Trustees doubled this year's reserve provision to £100,000, and unspent research grant money of £80,000 has further increased the year end figure. The Trustees acknowledge that as the charity grows the necessary reserves provision will also increase.

Details of transfers to and from reserves during the year are given in note 14 to the accounts. This year designated reserves have been set up where money has been allocated to fund specific activities in the next financial year. The unrestricted fund at 30 June 2005 amounts to **£647,115**.

The unrestricted fund prior to 2004 was a free reserve. However, the purchase of the property in 2004 for £1,257,620 was from cash held for future grant payments, and therefore the unrestricted fund is no longer a free reserve. The charity holds sufficient cash to pay all creditors and research grants payable within the next year, and the Trustees have been informed that the property is worth approximately £1.4 million, and continues to appreciate in value.

Principal funding sources and how expenditure has supported key objectives

The principal funding sources are outlined in notes 2 to 5 of the accounts. The expenditure supporting key objectives is outlined in section 3 above.

Any funds in deficit

There are no restricted funds in deficit.

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(Continued)

Investment policy, performance and ethical policy

In accordance with the charity's Memorandum and Articles, the Trustees have the power to invest in such stocks, shares, investments and property in the UK as they see fit. The Trustees have undertaken a re-tendering exercise and changed investment managers to Deutsche Asset Management for the Glaxo Chair endowment fund, which exists to fund the Glaxo Chair in perpetuity. The investments have been placed in CAF Equity Growth Funds and CAF Income Bond Fund. The charity does not own any other investments.

The policy is to adopt a medium risk investment strategy based on generating income to pay the costs of the Chair. The investment managers make an annual presentation to the Board of Trustees on the performance of the fund. Professor Lamb left the Chair in March 2003, and the Chair has not yet been awarded to another institution. No adjustment to the investment strategy has been deemed necessary and the income is being allowed to build up in the fund.

Investment income and investment values are covered by notes 4 and 8 respectively. The market value of investments has risen due to current market conditions.

Special donors

The Trustees would like to acknowledge the restricted donations from the Department of Health for the exercise project, and from the Big Lottery Fund for the Breathe Easy development project and the BLF Wales project. Details of these donations are included in the financial statements as follows:

	<u>Dept of Health</u> <u>Exercise</u> <u>Project</u>	<u>Big Lottery Fund</u> <u>Breathe Easy</u> <u>Development Project</u>	<u>Big Lottery Fund</u> <u>BLF Wales</u> <u>Project</u>
<u>Restricted column of Statement of</u> <u>Financial Activities</u>	£	£	£
<i>Incoming resources from</i> <i>charitable activities</i>			
Breathe Easy	9,000	97,036	59,519
	=====	=====	=====
Brought forward in restated restricted reserves as at 1 July 2004	33,000	28,514	-
<u>Restricted column of Statement of</u> <u>Financial Activities</u>			
<i>Charitable Activities</i>			
Breathe Easy costs	36,423	125,550	20,731
	-----	-----	-----
Carried forward in restricted reserves as at 30 June 2005	5,577	-	38,788
	=====	=====	=====

The Department of Health donation has been treated as restricted and unspent income has been carried forward as restricted reserves. The Big Lottery Fund donation and related expenditure is treated as restricted, and unspent income has been carried forward as restricted reserves.

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Grant making policy

The charity invites applications for lung research projects to fund through advertising in medical journals. Applicants are invited to submit a summary of their proposals, and these summaries are reviewed by the Scientific Subcommittee. Successful applicants are then invited to submit full applications. These are then reviewed by the members of the Scientific Subcommittee and peer reviews are also sought. These grants are then ranked in order of scientific merit, and funding is given to the top ranking grants. The Chairman of the Scientific Subcommittee sits on the Board of Trustees as a Trustee, but is not permitted to apply for a grant during their Chairmanship. No other Trustees are permitted to serve on the Scientific Subcommittee, and the decisions of the Scientific Subcommittee are completely independent of the Board of Trustees and Advisory Council. Other members are only permitted to hold one grant, but are strictly prohibited from taking any part in the decision making process.

Risk

The Trustees have examined the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to manage these risks. The updated risk assessment was reviewed and approved by the Board on 27 September 2005.

Auditors

The Trustees have appointed Sayer Vincent as the Charity's auditor during the year, and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

5 PLANS FOR FUTURE PERIODS

The 2004/5 financial year was the first year of a three year corporate plan. The charity has achieved a surplus over budget of over £1 million this year due to an increase in legacy income which is carried forward in unrestricted reserves. The expenditure of this surplus was a large factor in the Board's considerations for the budget for 2005/6.

In May 2005 the Trustees decided to spend £401,250 immediately. Further amounts on charitable activities were a further £80,000 for research, £15,750 on notice boards (to achieve the strategic objective of one per chest clinic in the country), and £100,000 on the BLF Nurses project (designated fund in note 14), totalling £195,750. Other expenditure was £120,000 for database development, £15,500 for a telephone system upgrade, £20,000 on fundraising consultancy, and the remaining £50,000 was put to reserves. The additional £80,000 for research is reflected in the research expenditure of the year, but the other expenditure will appear in 2005/6.

In June 2005, the Board of Trustees agreed that the remaining £617,698 surplus would be spent as follows: £400,069 on charitable activities including a further £120,000 for research, £265,009 on additional staff involved in charitable activities, and a further £15,060 on additional public education and patient literature materials. The remaining £217,629 was allocation on £86,715 for additional fundraising staff, £90,914 on overheads and an extended face to face fundraising campaign, and a further £40,000 for the database development (database development totals £160,000 which is a designated fund per note 14). The amounts set aside for expansion of charitable activities and staff numbers are now held as a designated fund of £508,948 (see note 14). Again this expenditure will take place in 2005/6, and the £1 million carried forward in unrestricted reserves will have been expended on these activities in 2005/6. The amount for charitable activities totals £596,000 being £196,000 decided in May and £400,000 decided in June.

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The charity has now entered the second year of its corporate plan. The main strategic objectives for this year are:

- the achievement of fundraising targets to raise £5.2 million, which excluding last year's unusual legacy income is a year on year increase of £400,000,
- to successfully launch the BLF Nurses project,
- to make considerable progress to increasing the number of Breathe Easy groups to 200 by 2007,
- to review the Exercise Project with a view to deciding future provision and funding of this service,
- to further expand the range of public information offered,
- and to successfully implement the database development project to give the charity a better and more useful donor database.

Future developments

There have been no events post year end that necessitate adjustments in the accounts.

Approved by the Board of Trustees and signed on its behalf

Debbie Whatt

Company Secretary

Dated: 30 November 2005

British Lung Foundation

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LUNG FOUNDATION

We have audited the financial statements of British Lung Foundation for the year ended 30 June 2005 which comprise the consolidated statement of financial activities, balance sheets, cashflow statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out therein.

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 so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Trustees and auditors

The responsibilities of the Board of Trustees (who are also directors of British Lung Foundation for the purposes of company law) for preparing the report of the Board of Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of responsibilities of the Trustees. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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, the report of the Board of Trustees is not consistent with the financial statements, if the group and charitable company have 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 the Board of Trustees' remuneration and transactions with the group and charitable company is not disclosed.

We read other information contained in the report of the Board of Trustees and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 Board of Trustees in the preparation of financial statements, and of whether the accounting policies are appropriate to the group and 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.

Qualified opinion arising from disagreement about accounting treatment

The Research and Scientific Committee meeting, at which £1,052,855 of grants were awarded, was held in October 2005 after the year end. These grants have been accounted for in the financial statements as expenditure and creditors. In our opinion, these grants should have not been included in the financial statements for the year to 30 June 2005 as required by Financial Reporting Standard 12 – Provisions,

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH LUNG FOUNDATION

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contingent liabilities and contingent assets ("FRS12") and the Statement of Recommended Practice 2005 ("SORP 2005"). If this expenditure had been charged in the following year, this would have resulted in research grant expenditure amounting to £65,377 this year plus £1,022,590 from last year instead of £1,118,232. Research grant creditors including the post year end grants of £1,052,855 amount to £2,294,587 instead of £1,241,732; had last year's financial statements been prepared in accordance with FRS12, this would have resulted in research grant expenditure amounting to £9,924 instead of £1,032,514, and research grant creditors of £1,324,439 compared with £2,347,029.

Except for the failure to account for the grants referred to above as required by FRS12 and SORP 2005, in our opinion, the financial statements give a true and fair view of the group and charitable company's state of affairs as at 30 June 2005 and of the group's incoming resources and application of resources, including its income and expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

SAYER VINCENT

Chartered accountants & registered auditors
London

Date:

British Lung Foundation

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 30 JUNE 2005

	Unrestricted Notes	Restricted Funds	2005 Total	As restated 2004 Total	
<u>Incoming Resources</u>					
<i>Incoming resources from generated funds</i>		£	£	£	
Voluntary income	2	2,128,530	413,857	2,542,387	1,433,306
Activities for generating funds	3	1,600,861	291,743	1,892,604	2,584,169
Investment income	4	132,427	134,647	267,074	143,505
<i>Incoming resources from charitable activities</i>					
Research		-	51,750	51,750	22,500
Breathe Easy		370,018	658,537	1,028,555	559,477
Public education and patient literature		13,571	317,104	330,675	136,549
		-----	-----	-----	-----
Total incoming resources		4,245,407	1,867,638	6,113,045	4,879,506
		-----	-----	-----	-----
<u>Resources expended</u>					
<i>Costs of generating funds</i>					
Costs of generating voluntary income		850,014	46,098	896,112	1,000,554
Investment managers' fees		-	-	-	7,954
<i>Charitable activities</i>					
Research grants		450,465	667,767	1,118,232	1,032,514
Research department costs		69,226	2,612	71,838	95,117
Breathe Easy costs		778,649	408,758	1,187,407	967,299
Public education and patient literature		585,112	371,650	956,762	731,462
<i>Governance costs</i>		172,999	8,556	181,555	156,133
		-----	-----	-----	-----
Total resources expended	6	2,906,465	1,505,441	4,411,906	3,991,033
		-----	-----	-----	-----
Net incoming resources for the year before transfers		1,338,942	362,197	1,701,139	888,473
		-----	-----	-----	-----

British Lung Foundation

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 30 JUNE 2005 (Continued)

		Unrestricted Funds £	Restricted Funds £	2005 Total £	As restated 2004 Total £
	Notes				
Net incoming resources for the year before transfers		1,338,942	362,197	1,701,139	888,473
Transfer between funds	14	(53,347)	53,347	-	-
Net incoming resources for the year after transfers		1,285,595	415,544	1,701,139	888,473
Realised (losses) / gains		-	(4,527)	(4,527)	110,340
Net income for the year		1,285,595	411,017	1,696,612	998,813
Net gain on investment	8	-	216,201	216,201	48,038
Net movement in funds		1,285,595	627,218	1,912,813	1,046,851
Fund balances brought forward as previously stated	14	767,580	1,762,119	2,529,699	1,682,779
Prior year adjustment	19	-	1,305,711	1,305,711	1,105,780
Funds brought forward at the start of the year as restated		767,580	3,067,830	3,835,410	2,788,559
Fund balances carried forward at 30 June 2005	14	<u>£2,053,175</u>	<u>£3,695,048</u>	<u>£5,748,223</u>	<u>£3,835,410</u>

Under the provisions of the Companies Act 1985 a separate Income and Expenditure Account for the charity alone is not required.

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

The restricted fund balances brought forward and carried forward include £1,507,539 and **£1,764,046** respectively which relate to the endowment fund. There were no new endowments in this period and the only change to the fund is investment income of **£58,750**, a further contribution of **£35,000** from Glaxo, expenditure on the Chair of **£2,244**, investment gains of **£165,000**.

British Lung Foundation

BALANCE SHEETS AS AT 30 JUNE 2005

	Notes	Charity		Group	
		2005 £	As restated 2004 £	2005 £	As restated 2004 £
<u>Fixed assets</u>					
Tangible	7	1,207,620	1,232,620	1,207,620	1,232,620
Investments	8(a)	1,731,291	1,475,621	2,242,998	2,014,138
Investments in subsidiaries	8(b)	4	4	-	-
		<u>2,938,915</u>	<u>2,708,245</u>	<u>3,450,618</u>	<u>3,246,758</u>
<u>Current assets</u>					
Stock	9	-	-	8,856	10,195
Debtors receivable after more than one year	10	-	15,000	-	-
Debtors receivable within one year	11	781,723	374,354	615,706	329,360
Cash at bank		3,453,551	2,084,465	4,559,502	2,842,865
		<u>4,235,274</u>	<u>2,473,819</u>	<u>5,184,064</u>	<u>3,182,420</u>
<u>Creditors : amounts falling due within one year</u>					
Research grants	6	1,535,889	1,429,380	1,647,524	1,429,380
Other	12	169,639	163,057	356,892	246,739
		<u>1,705,528</u>	<u>1,592,437</u>	<u>2,004,416</u>	<u>1,676,119</u>
NET CURRENT ASSETS		<u>2,529,746</u>	<u>881,382</u>	<u>3,179,648</u>	<u>1,506,301</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,468,664</u>	<u>3,589,627</u>	<u>6,630,266</u>	<u>4,753,059</u>
<u>Creditors : due after more than one year</u>					
Research grants	6	(758,698)	(917,649)	(882,043)	(917,649)
NET ASSETS	13	<u>£4,709,963</u>	<u>£2,671,978</u>	<u>£5,748,223</u>	<u>£3,835,410</u>
<u>FUNDS</u>					
<u>Unrestricted</u>					
General funds		647,115	767,580	647,115	767,580
Designated		1,406,060	-	1,406,060	-
Restricted		892,742	396,859	1,931,002	1,560,291
Endowment		1,764,046	1,507,539	1,764,046	1,507,539
TOTAL FUNDS	13	<u>£4,709,963</u>	<u>£2,671,978</u>	<u>£5,748,223</u>	<u>£3,835,410</u>

Unrealised gains in Endowment Funds amount to **£165,000** (2004: unrealised losses £10,999), and in other Funds **£51,201** (2004: unrealised loss £9,200).

Approved by the Board of Trustees on 30 November 2005 and signed on its behalf:

Dr Mark Britton
Chairman of Board of Trustees

Ian Hudson
Honorary Treasurer

British Lung Foundation

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005

	Notes	2005 £	As restated 2004 £
Net cash inflow from operating activities	(a)	1,733,823	986,342
<hr/>			
Capital expenditure and financial investment			
Payments to acquire fixed asset investments		(540,014)	(1,782,219)
Payments for property improvements		-	(434,166)
Receipts from the disposal of fixed asset investments		522,828	1,755,352
		<hr/>	<hr/>
		(17,186)	(461,033)
		<hr/>	<hr/>
Increase in cash in the year	(b)	1,716,637	525,309
<hr/>			
(a) Reconciliation of net incoming resources to net cash inflow from operating activities			
Net incoming resources		1,701,139	888,473
Decrease in stock		1,339	13,118
Increase in debtors		(286,346)	(219,304)
Increase in creditors		292,691	279,055
Depreciation		25,000	25,000
		<hr/>	<hr/>
Net cash inflow from operating activities		£1,733,823	£986,342
<hr/>			
(b) Analysis of increase in funds			
	At 1 July 2004 £	Cash flows £	At 30 June 2005 £
Cash at bank and in hand	2,842,865	1,716,637	4,559,502
	<hr/>	<hr/>	<hr/>

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable United Kingdom accounting standards and the Companies Act 1985. They follow the recommendations in the Statement of Recommended Practice Accounting and Reporting (SORP) by Charities (issued in March 2005), except in relation to research grants as detailed in 1(f)(ii) below.

The charity has adopted SORP 2005 early and this implementation has given the charity the opportunity to review all its accounting policies. The accounting policy for revenue grants has been changed and the financial activities, assets and liabilities of the various TB Funds have been consolidated, leading to the prior year adjustments outlined in note 19.

The principal accounting policies adopted are as follows:

- (a) **Voluntary income:**
Voluntary income is received by way of donations and gifts and is included in full in the statement of financial activities when receivable. Donated services and facilities and gifts in kind are valued and brought in as income and the appropriate expenditure where the third party providing them bears the financial cost. The value placed on resources included in the statement of financial activities is the value to the charity of the service or goods received.
- (b) **Legacy income:**
Income from legacies is accounted for on a receivable basis, when there is sufficient evidence to provide the necessary certainty that the legacy will be received and the value can be measured with sufficient reliability.
- (c) **Revenue grants:**
Revenue grants are credited to the statement of financial activities when received or receivable whichever is earlier, unless they relate to a specific future period, in which case they are deferred. Where unconditional entitlement to grants receivable is dependent upon fulfilment of conditions within the charity's control, the incoming resources are recognised when there is sufficient evidence that conditions will be met. Where there is uncertainty as to whether the charity can meet such conditions the incoming resource is deferred.
- (d) **Regional and Breathe Easy groups:**
Regions are the six regional offices. The Breathe Easy groups are self-help groups around the country and are treated as branches in accordance with SORP 2005. 84 of the 132 Breathe Easy groups (2004: 67 out of 124) are included on the basis of receipts and payments for the year ended 30 June 2005 together with the bank balances at that date. Income, expenditure and bank balances of groups who have not sent completed returns at the year end are not included. All the regions are included on an accruals basis for the year ended 30 June 2005 together with the bank balances at that date. There are no material assets and liabilities at the regions or in Breathe Easy groups. Funds of the Breathe Easy groups are recognised as designated funds.
- (e) **Treatment of subsidiaries:**
The activities and balance sheet of BLF Trading Ltd have been consolidated, and the operating results of BLF Trading Ltd have been disclosed in note 5.

Consolidated financial statements ("group accounts") have been prepared in respect of the charity, its' wholly owned subsidiary BLF Trading Ltd, the Burrow Hill Training Fund, the Huggard Memorial and Mary Beck Fund, the Leeds Trust, the Nottinghamshire Care Association for Tuberculosis and the Queen Alexander Sanatorium Fund. Their results have been consolidated on a line by line basis. The Nottinghamshire Care Association for Tuberculosis was wound up during the financial year, and the Huggard Memorial and Mary Beck Fund and the Queen Alexander Sanatorium Fund were transferred into the Tuberculosis Fund on 17 March 2005.

A separate statement for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by paragraph 397 of the SORP 2005.

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

(f) Allocation of costs:

Resources expended are allocated to the particular activity where the cost relates directly to that activity, Resources expended include attributable VAT which cannot be recovered. However, the cost of overall direction and administration of each activity, comprise (1) the salary costs of the central function which is apportioned on the basis of an estimate of staff time attributable to each activity, and (2) overhead costs which are allocated by headcount.

(i) Costs of generating voluntary income

Costs of generating voluntary income relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose. Principally these costs are incurred by the fundraising department at head office and BLF Scotland. They include fundraising events, appeals expenditure, 50% of the salaries of fundraising staff, 25% of salaries of administration staff, plus 31% of overheads (based on 10 fundraising staff from 32 head office staff).

(ii) Research grants

Grants awarded from unrestricted charity funds are charged in full in the year in which they are awarded. Grants which have been awarded but not yet paid to the research institution are included in creditors and disclosed in note 6. Where expenditure is charged to unrestricted funds in anticipation of receiving restricted funding in the subsequent year an adjustment is made to reflect this.

The main Grants Round for 2004/5 was initiated in the autumn of 2004. The amount to be awarded in grants was agreed in principle by the Trustees in May 2005 but not finally allocated until the meeting of the Scientific Subcommittee held on 10 October 2005. The Trustees have decided to include the expenditure of the main grant round in this year's statutory accounts so that the accounts have been prepared on a consistent basis with previous years, and to assist readers of the accounts. Our auditors have informed us that this does not strictly comply with FRS 12 and the SORP and have referred to this departure in their report on pages 12 and 13. This was the second year that the Grant Round was concluded after the year end, as there was insufficient time to re-schedule the 2005 Grant Round, but the 2006 Grant Round and future Grant Rounds have been re-scheduled for June to enable the British Lung Foundation to comply with FRS 12 and the SORP.

A few named projects are funded by donations from major supporters, the donor having given a commitment to fund a project throughout its life. The availability of funds for such projects is advertised in the same way as for other projects, and the award of such grants is subject to the same independent peer review process as grants from unrestricted funds. Income is usually received by the charity over the course of the research project. In such circumstances, the charge to income and expenditure under 'grants awarded' is made over the life of the project to match the pattern of income received. There are no such grants in the current financial year.

The same policy has been applied to the Glaxo Chair where expenditure is to be met by future income from the investments. Amounts awarded as grants by the charity, but not yet charged to income and expenditure are **£nil** at 30 June 2005 (2004: **£nil**).

(iii) Research department costs

Research department costs represents the costs of the Research Manager (including salary) and the Scientific Committee, plus 6% of overheads (based on 2 research staff from 32 head office staff).

(iv) Breathe Easy costs

Expenditure represents the salary costs of the Breathe Easy team at head office, 25% of the cost of fundraising staff, 50% of the salary and office costs of regional staff, Breathe Easy administration costs, all sponsorship expenditure on Breathe Easy activities, and expenditure by Breathe Easy Groups on running their groups and medical equipment for their local hospitals, plus 25% of overheads (based on 8 Breathe Easy staff from 32 head office staff).

(v) Public education and patient literature

Expenditure represents the cost of producing publications and associated public relations activities. It includes all sponsorship expenditure on these activities, the salary costs of the PR

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

and Public Affairs Department, the salary costs of the Information and Publications Department, 25% of the salary costs of fundraising staff, 50% of the salary and office costs of regional staff, 25% of the salary costs of administration staff, and 13% of overheads (based on 2 staff from 32 head office staff).

(vi) Governance costs

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with the constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities. Governance costs represent 25% of salaries of staff not engaged in fundraising or charitable activities, plus 25% of overheads (based on 8 administration staff from 32 head office staff).

(g) Depreciation of fixed assets:

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life. The expected useful lives in use are as follows:

- Long leasehold property and improvements: 50 years
- Office equipment : 5 years
- Computer equipment: 3 years

All computer and office equipment has been fully depreciated. Individual items under £2,000 are not capitalised and in the current year no additions have been capitalised. Depreciation costs are allocated to activities on the basis of headcount.

(h) Investments:

Investments relate to (1) the Glaxo Chair permanent endowment fund managed by Deutsche Asset Management and (2) investments held in the Tuberculosis Fund, Burrow Hill Training Fund and the Leeds Trust. Investments are valued at market value as at the year end.

(i) Stock:

Stock represents merchandise and cards held in BLF Trading Ltd for resale and are valued at the lower of cost or net realisable value.

(j) Restricted funds:

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

(k) Unrestricted funds:

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

(l) Endowment funds:

Endowment funds, a form of restricted capital funds, are held on trust to be retained permanently for the benefit of the charity. These funds consist of investment assets. The investment gains and losses form part of the fund and so are restricted.

(m) Gains and losses:

Realised and unrealised gains and losses on assets held in a particular fund form part of that fund.

(n) Transfers between funds:

The charity fundraises retrospectively for funds towards research grants already awarded. These are regarded as restricted income and shown as such on the face of the Statement of Financial Activities (SOFA). Where funds raised in previous years are now regarded as restricted these are moved to the restricted income column via a transfer between funds shown on the face of the SOFA.

2 Voluntary income

	Unrestricted Funds	Restricted Funds	2005 Total	As restated 2004 Total
	£	£	£	£
Legacies	1,842,716	3,500	1,846,216	1,216,532
In memoriam	285,814	410,357	696,171	216,774
	£2,128,530	£413,857	£2,542,387	£1,433,306

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

3	Activities for generating funds			As restated
	Unrestricted	Restricted	2005	2004
	Funds	Funds	Total	Total
	£	£	£	£
Companies	95,549	35,000	130,549	271,580
Trusts	76,767	114,550	191,317	157,315
Individuals	722,016	109,926	831,942	738,050
Events	475,179	32,267	507,446	285,165
Regional offices	231,350	-	231,350	1,132,059
	<u>£1,600,861</u>	<u>£291,743</u>	<u>£1,892,604</u>	<u>£2,584,169</u>
	=====	=====	=====	=====
4	Investment income			
	£	£	2005	2004
			£	£
Listed investments	-	104,495	104,495	82,330
Unlisted investments	-	-	-	6,334
Interest	132,428	30,151	162,579	52,726
Other	-	-	-	2,115
	<u>£132,428</u>	<u>£134,646</u>	<u>£267,074</u>	<u>£143,505</u>
	=====	=====	=====	=====

All investments are UK holdings. The unlisted investments are represented by unit trusts which were sold in the last financial year.

5 Trading income

BLF Trading Limited is British Lung Foundation's wholly owned trading subsidiary. BLF Trading Limited carries out trading activities including sponsorship, raffles and merchandising on behalf of the charity. Its entire profits are covenanted to the charity.

	2005	2004
	Total	Total
	£	£
Activities generating voluntary income	491,545	293,937
Interest receivable	7,397	3,073
Gross income	<u>498,942</u>	<u>297,010</u>
Costs of generating voluntary income	91,170	67,483
Research grants	29,250	-
Breathe Easy costs	63,899	70,118
Public education & patient literature	128,178	107,836
Governance costs	47,368	27,217
Trading profit	<u>139,077</u>	<u>24,356</u>
Covenanted to British Lung Foundation	(139,077)	(24,356)
Retained result for the year	<u>£-</u>	<u>£-</u>
	=====	=====

The aggregate amount of capital and reserves of BLF Trading Limited at 30 June 2005 was **£2** (2004: £2).
The aggregate amount of capital and reserves of BLF Limited (see note 8) at 30 June 2005 was **£2** (2004: £2).

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

6	Total resources expended	Grants	Staff	Other	2005	As restated
		£	£	£	Total	2004
					£	Total
					£	£
	Costs of generating funds					
	Costs of generating voluntary income	-	251,019	645,093	896,112	1,000,554
	Investment managers fees	-	-	-	-	7,954
	Charitable expenditure					
	Research grants (see below)	1,090,732	-	27,500	1,118,232	1,032,514
	Research department costs	-	47,634	24,204	71,838	95,117
	Breathe Easy costs	-	535,505	651,902	1,187,407	967,299
	Public education & patient literature	-	453,402	503,360	956,762	731,462
	Governance costs	-	67,525	114,030	181,555	156,131
		<u>£1,090,732</u>	<u>£1,355,085</u>	<u>£1,966,089</u>	<u>£4,411,906</u>	<u>£3,991,031</u>

Research grants	Unrestricted	Restricted	2005	2004
	Funds	Funds	Total	Total
	£	£	£	£
(a) Charity				
Balance at 1 July 2004	<u>2,021,238</u>	<u>325,791</u>	<u>2,347,029</u>	<u>2,162,316</u>
<u>Awarded for the year:</u>				
Projects and research fellowships	655,338	161,487	816,825	1,041,345
Supplements to existing projects	39,567	-	39,567	-
Transfers to restricted on receipt of sponsorship	(214,550)	214,550	-	-
Unused awards written back	(29,890)	-	(29,890)	(8,831)
Charge to Statement of Financial Activities	<u>450,465</u>	<u>376,037</u>	<u>826,502</u>	<u>1,032,514</u>
Paid to grantholders in the year	(665,942)	(213,002)	(878,944)	(847,801)
Balance at 30 June 2005	<u>£1,805,761</u>	<u>£488,826</u>	<u>£2,294,587</u>	<u>£2,347,029</u>
Falling due within one year	<u>£1,144,407</u>	<u>£391,482</u>	<u>£1,535,889</u>	<u>£1,429,380</u>
Falling due after more than one year	<u>£661,354</u>	<u>£97,344</u>	<u>£758,698</u>	<u>£917,649</u>

(b) Group, including TB Funds

The figures for the Group include the following grants made from BLF Trading Ltd and The Tuberculosis Fund.

<u>Awarded for the year:</u>	BLF Trading Tuberculosis			Total
	Ltd	Fund	Total	Total
	£	£	£	£
Projects and research fellowships	29,250	234,980	264,230	-
Paid in the year	(29,250)	-	(29,250)	-
Balance at 30 June 2005	<u>£-</u>	<u>£234,980</u>	<u>£234,980</u>	<u>£-</u>
Falling due within one year	<u>£-</u>	<u>£111,635</u>	<u>£111,635</u>	<u>£-</u>
Falling due after more than one year	<u>£-</u>	<u>£123,345</u>	<u>£123,345</u>	<u>£-</u>

The charge to the consolidated SOFA includes £826,502 relating to the charity, £264,230 from the TB Fund, and £27,500 for travel fellowships, totalling **£1,118,232**.

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

Grant awards to trustees

The award of research grants is subject to a rigorous and objective process of review by leading lung experts. Among the grant awards under which liabilities remained as at 30 June 2005 were:

Name of trustee	Year of award	Total award £	Amount outstanding at 30/6/05 £
Dr M Morgan (University Hospitals of Leicester)	2002	£120,000	£6,163

Grants are awarded to institutions rather than individuals and did not contribute to Dr Morgan's salary. Dr Mike Morgan was a trustee when the grant was awarded and stepped down as a trustee during this year. He is not a member of the Scientific Committee which awards the grants.

7 Tangible fixed assets

Group and company	Long leasehold property £	Office furniture & equipment £	Computer equipment £	Total £
<u>Cost</u>				
As at 1 July 2004	1,257,620	3,225	73,133	1,333,978
Additions	-	-	-	-
As at 30 June 2005	<u>£1,257,620</u>	<u>£3,225</u>	<u>£73,133</u>	<u>£1,333,978</u>
<u>Depreciation</u>				
At 1 July 2004	25,000	3,225	73,133	101,358
Charge in year	25,000	-	-	25,000
As at 30 June 2005	<u>£50,000</u>	<u>£3,225</u>	<u>£73,133</u>	<u>£126,358</u>
<u>Net book value</u>				
As at 30 June 2005	<u>£1,207,620</u>	<u>£-</u>	<u>£-</u>	<u>£1,207,620</u>
As at 1 July 2004	<u>£1,232,620</u>	<u>£-</u>	<u>£-</u>	<u>£1,232,620</u>

Nearly all furniture at the Head Office was donated by Save & Prosper in 1995.

8 Investments

(a) <u>Group and company</u>	Charity				Group Total 2005 £	As restated Total 2004 £
	Glaxo Chair £	Burrow Hill £	Leeds Trust £	Tuberculosis Fund £		
<u>MARKET VALUE</u>						
As at 1 July	1,475,621	294,068	23,556	220,893	2,014,138	1,828,893
Additions	90,670	218,794	10,596	219,954	540,014	1,782,219
Disposal proceeds	-	(288,606)	(23,530)	(210,692)	(522,828)	(1,755,352)
Realised (loss) / profit on investments	-	(5,462)	(26)	961	(4,527)	110,340
Unrealised profit / (loss) on investments	165,000	23,657	1,349	26,195	216,201	48,038
As at 30 June	<u>£1,731,291</u>	<u>242,451</u>	<u>11,945</u>	<u>257,311</u>	<u>£2,242,998</u>	<u>£2,014,138</u>

Historic cost as at 30 June 2005 was **£2,037,796** (2004: £1,651,638). There are no unlisted investments.

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

Charity investments relate to the Glaxo Chair permanent endowment fund managed by Deutsche Asset Management, and group investments include The Tuberculosis Fund, Burrow Hill Training and the Leeds Trust. Investments are held in the CAF Equity Growth Fund and the CAF Income Bond Fund. Both Funds are ex-tobacco, and therefore the investments are in accordance investment policy laid out in the Report of the Trustees.

(b) <u>Investment in subsidiaries</u>	2005	2004
	£	£
Investment in subsidiaries	£4	£4
	=====	=====

Dr Mark Britton and Ian Hudson each hold as nominees for the charity one ordinary £1 share of the issued share capital of BLF Trading Limited and BLF Ltd. Both companies are registered in England and Wales.

BLF Trading Limited conducts trading activities on behalf of the British Lung Foundation. Details of these activities are given in note 5.

BLF Limited is dormant.

9	Stock	Charity		Group	
		As restated		As restated	
	2005	2004	2005	2004	
	£	£	£	£	
	Finished goods	£-	£-	£8,856	£10,195
		=====	=====	=====	=====

All stock relates to merchandise and cards held in BLF Trading Ltd.

10	Debtors receivable after more than one year	2005	2004	2005	2004
		£	£	£	£
	Amount due from subsidiary	£-	£15,000	£-	£-
		=====	=====	=====	=====

Last year's figure for debtors receivable after more than one year relates to a 5 year loan to BLF Trading Ltd which is repayable on 30 September 2005. This year the loan is in debtors receivable within one year. It was renewed for a further 5 year period at the Board of Trustees meeting on 27 September 2005. It is secured by a fixed and floating charge on BLF Trading Ltd's assets and a market rate of interest is paid.

11	Debtors receivable within one year	2005	2004	2005	2004
		£	£	£	£
	Amount due from subsidiary	271,697	69,461	-	-
	Other debtors	490,962	274,394	596,642	298,861
	Prepayments	14,388	30,499	14,388	30,499
	Accrued income receivable	4,676	-	4,676	-
		-----	-----	-----	-----
		£781,723	£374,354	£615,706	£329,360
		=====	=====	=====	=====

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

12	Creditors due within one year	Charity		Group	
		2005	As restated 2004	2005	As restated 2004
		£	£	£	£
	Sundry creditors	6,255	1,500	6,255	1,500
	Accruals	163,384	161,557	212,890	186,175
	Deferred income	-	-	137,747	59,064
		<u>£169,639</u>	<u>£163,057</u>	<u>£356,892</u>	<u>£246,739</u>

13 Analysis of net assets between funds

	General Funds	Designated funds	Other restricted funds	TB Funds	Glaxo Fund Endowment	2005 Total	Restated 2004 Total
	£	£	£	£	£	£	£
Fund balances at 30 June 2005 are represented by :							
Fixed assets investments	1,207,620	-	-	511,707	1,731,291	3,450,618	3,246,758
Current assets	1,600,384	1,406,060	1,381,568	763,297	32,755	5,184,064	3,182,420
Current liabilities	(1,499,535)	-	(391,482)	(113,399)	-	(2,004,416)	(1,676,119)
Long term liabilities	(661,354)	-	(97,344)	(123,345)	-	(882,043)	(917,649)
Total net assets	<u>£647,115</u>	<u>£1,406,060</u>	<u>£892,742</u>	<u>£1,038,260</u>	<u>£1,764,046</u>	<u>£5,748,223</u>	<u>£3,835,410</u>

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

14 Movement in funds

	At start of year as previously stated £	Prior year adjustment £	At start of year as restated £	Incoming resources £	Outgoing resources £	Transfers £	At end of year £
Restricted funds:							
Burrow Hill Training Fund	-	502,699	502,699	55,381	(5,826)	-	552,254
Huggard Memorial & Mary Beck Fund	-	37,742	37,742	2,392	(610)	(39,524)	-
Leeds Trust	-	103,126	103,126	8,141	(383)	-	110,884
Nottinghamshire Assoc	-	5,609	5,609	222	(5,831)	-	-
Queen Alexandra Fund	-	514,256	514,256	43,947	(942)	(557,261)	-
Tuberculosis Fund	-	-	-	13,787	(235,450)	596,785	375,122
Other restricted funds	254,580	142,279	396,859	1,701,221	(1,258,685)	53,347	892,742
Endowment funds	1,507,539	-	1,507,539	258,751	(2,244)	-	1,764,046
Total restricted funds	1,762,119	1,305,711	3,067,830	2,083,842	(1,509,971)	53,347	3,695,048
Unrestricted funds							
General	767,580	-	767,580	4,245,404	(2,906,462)	(1,459,407)	647,115
Designated funds							
Breathe Easy bank balances	-	-	-	-	-	127,845	127,845
Red Balloon Appeal	-	-	-	-	-	75,467	75,647
Legacy debtors at year end	-	-	-	-	-	433,800	433,800
Database development	-	-	-	-	-	160,000	160,000
BLF Nurse	-	-	-	-	-	100,000	100,000
Staff/activity expansion	-	-	-	-	-	508,948	508,948
Designated funds total	-	-	-	-	-	1,406,060	1,406,060
Total unrestricted funds	767,580	-	767,580	4,245,404	(2,906,462)	(53,347)	2,053,175
Total funds	£2,529,699	£1,305,711	£3,835,410	£6,329,246	£(4,416,433)	£-	£5,748,223

Restricted funds:

Burrow Hill Training Fund - the objects allow the Fund to apply the income of the Fund in making grants for training or in cases of need to men suffering from tuberculosis or diseases of the chest, preference being given to men suffering as a consequence of service in Her Majesty's Forces. Until the Fund's income shall be required for application in this manner it may be used for training for the sons or male dependants of such men.

Leeds Trust – the objects allow the Fund to apply the income of the Fund on chest diseases.

The Tuberculosis Fund – the objects allow the income to be used to disseminate public information and fund research into tuberculosis. The Fund was established by a Charity Commission Scheme combining the assets of the Huggard Memorial & Mary Beck Fund and the Queen Alexandra Sanatorium Fund.

Other restricted funds – sponsorship for the British Lung Foundation's activities which has not yet been spent.

Endowment Fund - the Glaxo Chair Fund consists of investments managed by Deutsche Asset Management to fund a Chair in Respiratory Research. No Chair has been in post for the last two years, but it has been re-awarded after the financial year end.

Designated funds:

Last year's unrestricted funds balance of £767,580 included £84,871 for Breathe Easy bank balances, £75,647 for the Red Balloon Appeal, and legacy debtors of £101,713, leaving reserves of £505,349. This year designated funds have been set up for these headings.

British Lung Foundation

Notes to the financial statements for the year ended 30 June 2005 (continued)

Breathe Easy bank balances – the Breathe Easy groups fundraise under the British Lung Foundation's charity registration number and hold cash balances at the year end which have been included in the statutory accounts.

Red Balloon Appeal – this balance related to funds raised by the Midlands regional office for a Chair in Respiratory Science at the University of Birmingham. The final arrangements for setting up the Chair are being made, and thereafter the charity will contribute annually to the Chair's costs.

Legacy debtors at the year end – adjustments for legacies received after the year end have been designated as they will form part of next year's expenditure and are therefore not unrestricted reserves.

Database development – the Board of Trustees have designated these funds for the database development project in 2005/6.

BLF Nurse – the Board of Trustees have designated these funds as seed corn funding to allow the BLF Nurse project to start in 2005/6.

Staff / activity expansion – the Board of Trustees have designated these funds for new staff, new charitable activities and expanded fundraising activities as part of the 2005/6 budget.

Transfers between funds consists of **£53,347** which related to previously unrestricted income which has been recognised as restricted this year. Transfers between funds consist of the establishment of the Tuberculosis Fund £596,785, creation of 6 designated funds totalling £1,406,060, and £53,347 being Breath of Life in memoriam donations for specific purposes.

15	Particulars of employees	2005	2004
		No.	No.
	Average number of employees throughout the year	56	50
		=====	=====
	<u>Total remuneration of employees</u>	£	£
	Salaries	1,234,003	1,063,159
	Social security costs	121,082	105,071
		£1,355,085	£1,168,230
		=====	=====
	The number of employees whose emoluments exceeded £60,000 is shown below :	No.	No.
	£60,001 - £70,000	1	1
		=====	=====

16 Trustees' remuneration

No fees are paid to Trustees for their services as Trustees. Directly incurred expenses are reimbursed, if claimed, and in the year ended 30 June 2005 totalled **£1,747** (2004: £1,388), claimed by 7 Trustees (2004: 5).

Indemnity insurance is provided for Trustees, and officers of the British Lung Foundation. Premiums paid during the year amounted to **£2,783** (2004: £3,417).

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Notes to the financial statements for the year ended 30 June 2005 (continued)

17 Taxation

The British Lung Foundation, Burrow Hill Training Fund, Leeds Trust and The Tuberculosis Fund are registered charities and are thus exempt from taxation of their income and gains falling within Section 505 of the Income and Corporation Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable objectives. No tax charge has arisen in the year. No tax charge has arisen in the subsidiary BLF Trading Limited due to its policy of gift aiding all taxable profits to the British Lung Foundation each year.

18 Auditors' remuneration

Auditors' remuneration for the group amounted to **£14,882** (2004: £12,221).

Other fees for services were for the audit of the raffle **£2,350** (2004: £0)

19 Prior year adjustments

Deferred income

The accounting policy for recognition of income has been amended to recognise the income as it is received, with the proportion relating to the following calendar year carried forward in the movements in funds note. Income should only be deferred where it specifically applies to future accounting periods. Previously income was deferred if it was unspent. This change in accounting policy has been made to comply with Statement Recommended Practice Accounting and Reporting for Charities (March 2005). As a result of this the prior year's figures have been restated.

Tuberculosis Funds

The accounts have been restated for the current and preceding year with regard to the consolidation of five funds; the Burrow Hill Training Fund, the Huggard Memorial Fund and Mary Beck Fund, the Leeds Trust, the Nottinghamshire Care Association for Tuberculosis, and the Queen Alexandra Sanatorium Fund. Previously these funds had not been consolidated into the Foundation's group accounts.

Significant progress with the Charity Commission has been made with the launch of a new fund, The Tuberculosis Fund, which was launched on 17 March 2005 and contains the assets of the Huggard Memorial and Mary Beck Fund and the Queen Alexandra Sanatorium Fund. This Fund has been registered as a subsidiary of the British Lung Foundation, and therefore has been consolidated into the Foundation's group accounts for the year ended 30 June 2005 (18 month period ended 30 June 2005) and the preceding period (year ended 31 December 2003).

Additionally, the Burrow Hill Training Fund and the Leeds Trust represent subsidiaries according to the control definition in accounting standard FRS2, and so have also been consolidated into the accounts for the year ended 30 June 2005 (18 month period ended 30 June 2005) and the preceding period (year ended 31 December 2003).

	Consolidation £	Deferred £	Total £
Increase in opening funds at 1 July 2003	1,064,765	41,015	1,105,780
Change in result for the year ended 30 June 2004	98,667	101,264	199,931
Increase in opening funds at 1 July 2004	1,163,432	142,279	1,305,711
Change in result for the year ended 30 June 2005	109,806	219,201	329,007
Increase in opening funds at 1 July 2005	£1,273,248	£361,480	£1,634,718