

Report of the Council  
and Financial Statements  
for the year ended  
31 December 2004



Royal  
Pharmaceutical  
Society  
of Great Britain

# Council members and advisors

## **PRESIDENT**

Dr Gillian M Hawksworth (President until 31 May 2004)  
Mr Nicholas Wood (President from 1 June 2004)

## **VICE-PRESIDENT**

Miss Alison B Ewing (Vice-President until 31 May 2004)  
Mr Hemant R Patel (Vice-President from 1 June 2004)

## **TREASURER**

Mrs Linda J Stone (Treasurer until 31 May 2004)  
Mr John Jolley (Treasurer from 1 June 2004)

Mr Gerald Alexander  
Mr Hassan Argomandkhah (from 1 June 2004)  
Mr Martin Astbury  
Mr Shiv K Bagga (from 1 June 2004)  
Mr Andrew J Burr (until 31 May 2004)  
Mr Sultan Dajani  
Mr Wally Dove (until 31 May 2004)  
Mr A Digby Emson  
Dr Phillida Entwistle  
Mrs Davan Eustace (from 1 June 2004)  
Miss Alison B Ewing  
Mrs Christine Glover  
Dr Nicola Gray  
Mrs Sally Greensmith (until 31 May 2004)  
Dr Gillian M Hawksworth  
Mr Maurice Hickey \* (from 1 June 2004)  
Mrs Patricia Hoare  
Mrs Helen Howe (until 31 May 2004)  
Mr Clive Jackson  
Prof Alistair Michell  
Mr Graham Philips (from 1 June 2004)  
Prof Michael Schofield  
Mr Douglas Simpson  
Mrs Linda J Stone  
Mr Ashwin Tanna (until 31 May 2004)  
Mr Noel Wicks

\* Mr Maurice Hickey resigned from Council in December 2004 in the same year as appointment.

## **SECRETARY**

Miss Ann M Lewis

## **PRINCIPAL OFFICE**

1 Lambeth High Street  
London  
SE1 7JN

## **AUDITORS**

Horwath Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

## **SOLICITORS**

Eversheds  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4JL

## **BANKERS**

National Westminster Bank  
91 Westminster Bridge Road  
Lambeth  
London  
SE1 7HW

## **STOCKBROKERS**

Investec Asset Management  
2 Gresham Street  
London  
EC2V 7QP

# Report of the Council

The Council presents its report and the audited financial statements of the Royal Pharmaceutical Society of Great Britain for the year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The Society's principal activities are the regulation, leadership and development of the profession of pharmacy.

## LEGAL STATUS

The Society is governed by a framework comprising its Royal Charter and legislation. This is underpinned by regulations and Byelaws. The Society was founded in 1841 and incorporated by Royal Charter in 1843. The Society's current Charter was granted in 2004.

The Charter provides the Society with a legal identity and certain powers, in addition to its statutory functions set out in legislation.

## GOVERNANCE

The Society is governed by a Council of 21 pharmacists elected by the membership and three lay members appointed by the Privy Council. The Council elects annually the President, Vice-President and the Treasurer who together with the Immediate Past President constitute the Officers. The Council appoints annually the Secretary of the Society. The Council meet six times a year to consider strategic issues affecting pharmacy and to decide on policies and also has an additional meeting prior to the Annual General Meeting. Further meetings of the Council can be called as required.

By virtue of its integrated roles of regulating the profession and safeguarding the public and leading and developing the profession, the Society performs functions of a public nature and is therefore accountable not only to its membership, but also to the public at large. In addition to the tenets espoused by the various reports on corporate governance, one of the key recommendations of the Nolan Committee on Standards in Public Life was the need for organisations to focus on achieving good governance in order to be effective in the future. The Society has recognised the need to monitor developments in corporate governance and standards in public life to ensure that the Council keeps abreast of current good practice and can revise its procedures to take account of developments.

## CORPORATE GOVERNANCE

The Corporate Governance Steering Group met five times in 2004. The following key issues were considered:

- Provision in the Byelaws to make the Code of Conduct for Council Members mandatory (confirmed by the Privy Council in December).
- Revision of the Code of Conduct section of the Council Governance Handbook.
- Dissolution of the Society's Parliamentary Fund.
- Harassment and bullying statement.
- The future role of the Honorary Auditors.
- Pension Fund trustees – composition of the board.
- Criteria for appointment of chairs of committees.
- Changes to the constitution of the Academic Pharmacy Group.
- Review of the Council Governance Handbook following the granting of the new Charter.

## AUDIT COMMITTEE AND INTERNAL AUDIT

The Audit Committee held four meetings during 2004 and the following issues were considered:

- **Risk assessment and disaster recovery.** The Committee received a presentation at each meeting on the work undertaken to date and the ongoing policy of risk assessment and disaster recovery planning to ensure the continuation of the Society's operations.
- **Internal Audit.** PKF's contract with the Society took effect from 1 January 2004. A full internal audit program was developed and implemented by the Society and PKF. During the year, the Committee received six reports on systems across all directorates within the Society. The Committee received updates on the progress made with implementing any recommendations within the internal audit reports. The Committee was fully satisfied with the progress made. A full internal audit plan encompassing 63 days of audit activity has been planned for 2005.
- **Fraud in a modern Society.** The Committee considered a number of external factors which could give the potential for fraudulent activities against the Society. The Committee identified the risks and requested the internal auditors to undertake a review to ensure the Society's internal procedures were capable of dealing with external factors to prevent fraud occurring against the Society.

■ **Tender of external auditors.** During 2004, the Committee recognised that the three year contract with Horwath Clark Whitehill (HCW) came to an end after the completion of the 2004 audit. The Committee requested a full and formal tender exercise be issued to eight firms for the external audit services for the Society.

At the Committee's November meeting, three firms were short-listed to make a presentation. In December, the Council received formal notice of the Committee's decision and agreed that HCW be re-appointed as the Society's external auditors.

■ **Training of Committee Members.** During the year, new members of the Audit Committee received training and support prior to attending their first committee meeting. This was well received and will be continued during 2005.

#### RISK MANAGEMENT

2004 saw the completion of the initial phases of the Society's risk assessment programme. Each directorate and key areas of the Society identified the potential risks and opportunities it faces. These are now being quantified to enable those events that pose the biggest threat or offer the greatest opportunity to be more readily identified. This process will continue throughout 2005 so that appropriate processes are put in place to manage these events.

The risk assessment process forms part of a bigger initiative of the Business Recovery Plan. This aims to consider all aspects of the Society's activities and to build a resilient framework and the capacity for an effective response to any potential impacts that threaten the organisation.

#### REMUNERATION COMMITTEE

The Remuneration Committee met in April 2004. The Committee agreed the Society's 2004/5 general salary increase including a review of London Weighting as a separate allowance. It was agreed to its full incorporation into base pay, where appropriate.

The Committee also agreed the individual salary increases for the Secretary and Registrar, Directors, Editorial Director of PJ Publications and the Director for the Scottish Department and the Secretary for the Welsh Executive.

#### DEVOLUTION REVIEW GROUP

At the start of 2004, a time limited review group was established by the Council to determine how the Society, as a GB body, should respond to devolution. The Review Group was chaired by Lord Fraser of Carmyllie QC and was made up of Council, Scottish Department and Welsh Executive members. The Council requested the group to review the function, structure and ways of working of the Society in England, Wales and Scotland. The Group met over a number of months in Edinburgh, Cardiff and London where evidence was taken from

a number of key stakeholders and other organisations. A consultation exercise was carried out with members and key pharmacy bodies to gauge their views on what changes the Society should make to reflect devolution. Organisations outside pharmacy were also consulted with to find out what, if any, changes they had made in response to devolution. Lord Fraser of Carmyllie QC presented his report to Council in February 2005.

#### PENSION SCHEME

During 2004 the results of the actuarial valuation as at 31 December 2003 were considered and finalised. As reported last year, it had been decided to bring the valuation forward a year to gain an accurate picture of the funding position following the closure of the scheme to new entrants in 2003.

In common with many similar pension schemes in the UK, the valuation revealed a deterioration in the funding level. This led to a significant increase in the contribution required from the Society to fund past benefits and meet the cost of future benefits accruing to members. The key factors leading to the reduction in funding were the lack of return from investment markets over the period and changes to assumptions on investment returns and mortality rates in future years.

Following the adoption of these revised assumptions and taking into account the deficit revealed by the valuation, a revised schedule of contributions was agreed between the Trustees of the Pension Fund and the Society. These revised higher rates are being implemented with effect from January 2005.

More information regarding the Pension Scheme can be found in note 14 to the financial statements. This information includes disclosures required to date by Financial Reporting Standard (FRS) 17.

#### FINANCIAL RESULTS

The 2004 year-end results show a deficit before taxation of £723,000, an improvement over the deficit recorded in 2003 of £1,247,000. These results were cast after making Gift Aid payments of £2,260,207 (2003: £850,000). In addition, to the gift aid payment made in 2003, there was also an accounting policy change following the write-off relating to Publications work in progress which amounted to £1.9 million.

The deficit for the year after taxation was £759,000 (2003: £1,140,000).

A more detailed analysis of income and expenditure has been included in note 2 to the financial statements to enhance transparency and help with the interpretation of the financial information.

## REVIEW OF BUSINESS ACTIVITIES

A summary of the financial position for 2004 is as follows:

- Total income from retention fees for both members and premises rose by approximately 11% in 2004. This was a result of a 3.4% increase in additional members and the 5.1% increase in retention fees for members. Increase in retention fee for premises rose by 23.8% to take account of work being consolidated within the Inspectorate as agreed with the Department of Health, effective from 1 January 2004.
  - The Society has been advised that funding to support the work of the Inspectorate of £68,000 from the Medicines and Healthcare products Regulatory Agency (MHRA) would cease at 31 December 2004. The Society will be seeking to recover this reduction in income through increased premise fees in 2005.
  - Overall expenditure on professional and regulatory activities increased by £1,336,000 (9.7%). This predominantly reflects the recruitment of larger numbers of professionally qualified staff. The employment of such staff has enabled the Society to expand its area of influence and address many of the challenges faced by the profession in the modern regulatory environment.
  - The roll-out of Continuing Professional Development (CPD) continued during the financial year. A total of 38,876 members are now participating.
  - The Society has committed to the Pharmacy Practice Research Trust to provide funding for a restricted research programme over a five-year period. The Trustees of the Pharmacy Practice Research Trust will be responsible for the governance of the projects and for the dissemination of results generated from the work.
  - The Practice Research Division published five major reports in 2004 and commissioned two major studies.
  - Legal expenditure across the Directorates has increased during 2004. The Fitness to Practise and Legal Affairs Directorate reported the highest increase due to an increase in more detailed, high profile cases heard during 2004 at both the Infringements Committee and Statutory Committee.
  - Council expenditure as a whole increased by 7% in 2004. This increase was due to increased committee attendance expenses during the year.
  - The costs of the Devolution Review Group were minimal during 2004. Costs were contained within each budget area.
  - Four grant applications were presented by the Society to Trustees of the Pharmaceutical Trust for Educational and Charitable Objects in 2004. Three grant awards were approved for payment to the Society and grant funding totalling £821,000 (2003: £0) was received to support the activities of the Museum, Library and the Society's ongoing support of Practice Research Trust. Further grant applications will be made during 2005.
  - The Society has continued its cash management policy with a view to maximising interest receivable, this has resulted in an increase of 36% of bank interest received in the year. A bank review will be undertaken during 2005 to further refine the long-term cash management strategy for the Society.
  - 2003 results have been restated to take account of Medicines Partnership. Previously, the annual income and expenditure for Medicines Partnership was offset to report a zero balance. A change in accounting policy has ensured the income and expenditure is reported separately. The prior year has been amended to reflect this change in policy.
  - The Publications Directorate achieved an operating contribution of £4.3m, before Gift Aid and central overhead in 2004, a small reduction on the previous year, and in line with a planned strategy of long-term repositioning and investment. Although trading conditions during the year proved challenging, tight control of costs together with greater and more focussed sales activity meant that overall performance matched budget expectations.
- The Pharmaceutical Press programme in particular saw considerable investment in both new digital products and the supporting infrastructure. These costs, coupled with lower fees from existing licensing arrangements, were not offset by revenues from new products. However *MedicinesComplete* was launched in July and revenues from this, and from new licensing agreements concluded at the end of the year, are expected to provide steady growth in future years. The launch of the 34th edition of *Martindale* achieved its volume sales targets although pricing pressure lowered margins. The rest of the programme performed well, with good sales of all titles and subscriptions for learned journals coming in ahead of expectations.
- PJ Publications had a good year, with a growth of 2% in revenues over the previous year. Classified and other categories performed in line with expectations, but the lack of new product launches reduced display advertising revenue. Various cost-saving measures agreed in the previous year brought benefits during the course of the year.

BNF Publications performed well ahead of budget. This was due to a combination of higher sales of the print edition of the *BNF* (both to the NHS and to retail customers) and tight control of costs, despite a steady investment in *BNF* digital products. Although investment continues in this area, with a PDA version of the *BNF* launched in the year, total revenues remained static. However a return to growth is expected as the *BNF*'s relationship with the National Programme for IT is clarified during 2005.

- From the Publications Directorate taxable surpluses, the Council approved Gift Aid payments totalling £2,260,207 (2003: £850,000) during the year to the following charities in 2004:
  - The Benevolent Funds of the Royal Pharmaceutical Society of Great Britain (£1,700,000)
  - Pharmaceutical Trust for Educational and Charitable Objects (£290,207)
  - Practice Research Trust Fund (£270,000).
- The Council has benefited from regular financial updates throughout the year to monitor the financial performance of the Society in terms of budgets and forecasts. In addition, a long-term financial strategy was presented during the year which was subsequently agreed by the Council after which the Council resolved to:
  - Develop a financial strategy to underpin its five-year business plan.
  - Develop a reserves policy with a view to building its financial reserves.
  - Reduce its reliance on the financial contribution from Publications.
  - Move to funding all regulatory and professional activities from membership and premises fees.
- Total accumulated funds at the end of 2004 amounted to £10,265,000 which is £759,000 lower than 2003. Despite this reduction in reserves, the Council feels the underlying finances of the Society are robust. The reduction in reserves reflects the gift aid payments made of £2,260,207 and the prior year accounting adjustments in relation to Publications work in progress.

The Society's Balance Sheet is now stronger than in prior years containing, as it now does, higher levels of cash as well as increased investments in fixed assets.

Implementation of the financial strategy referred to above will further strengthen the Society's Balance Sheet in future years.

#### STATEMENT OF THE COUNCIL'S RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Council is required to prepare, for presentation to the Honorary Auditors, financial statements which show a true and fair view of the state of the Society's affairs as at the year-end and of its surplus or deficit for the year then ended.

In order to meet this requirement the Council must be satisfied that:

- Suitable accounting policies are selected and then consistently applied.
- Judgements and estimates that are made are reasonable and prudent.
- Applicable accounting standards have been followed.
- Financial statements are prepared on a going concern basis unless it is inappropriate to assume that the Society will continue its activities.

The Council is responsible for ensuring that proper books and records are maintained, for safeguarding the assets of the Society, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### APPOINTMENT OF AUDITORS

The Society's Auditors, Horwath Clark Whitehill, transferred substantially all of their business to a limited liability partnership, Horwath Clark Whitehill LLP, on 1 April 2004. The Council have agreed that, following this change, Horwath Clark Whitehill LLP should be appointed as the Society's Auditors.

#### HONORARY AUDITORS

The Honorary Auditors meet prior to the Annual General Meeting. It is their duty to inspect and approve the financial statements prepared for them by the Council.

*By order of the Council*

**Mr John Jolley**  
Treasurer  
13 April 2005

#### HONORARY AUDITORS

The financial statements on pages 7 to 14 were approved by the Honorary Auditors on 13 April 2005.

**John E Balmford**  
**Ian MW Caldwell**  
**Anthony R Cox**  
**Brian A Wills**

**INDEPENDENT AUDITORS' REPORT TO THE COUNCIL OF THE ROYAL PHARMACEUTICAL SOCIETY OF GREAT BRITAIN**

We have audited the financial statements of the Royal Pharmaceutical Society of Great Britain for the year ended 31 December 2004 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the members of Council, as a body, in accordance with the Byelaws of the Society. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's 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 Council and the members of Council as a body, for our audit work, for this report, or for the opinion we have formed.

**RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS**

The Council is responsible for preparing the Report of the Council. As described on page 5, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom Accounting Standards.

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. We also report to you if, in our opinion, the Report of the Council is not consistent with the financial statements, if the Society has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report by the Council 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 judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

**UNQUALIFIED OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the Society as at 31 December 2004 and of its results for the year then ended.

**Horwath Clark Whitehill LLP**

Chartered Accountants and Registered Auditors  
13 April 2005  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

# The general fund

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2004

	note	2004 £'000	Restated 2003 £'000
<b>Income</b>	2	29,370	23,535
<b>Expenditure</b>	2	(30,328)	(25,035)
<b>Operating deficit</b>		(958)	(1,500)
Interest receivable and similar income	4	345	253
Interest payable on loan notes	5	(110)	-
<b>Deficit on ordinary activities before taxation</b>	6	(723)	(1,247)
<b>Taxation</b>	7	(36)	107
<b>Retained deficit for the year</b>		(759)	(1,140)
Accumulated Fund as previously reported		9,459	11,673
Prior year adjustment	1(d)	-	(1,074)
<b>Accumulated Fund as at 1 January as restated</b>		9,459	10,599
<b>Accumulated Fund as at 31 December</b>		<u>8,700</u>	<u>9,459</u>

All activities of the Society are continuing.

There are no recognised gains or losses for the current or preceding financial year other than as stated in the Income and Expenditure Account above, therefore no separate statement of recognised gains and losses has been prepared.

There is no difference between the surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalents.

## BALANCE SHEET

As at 31 December 2004

	note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Fixed assets</b>					
Tangible assets	8	6,680		6,163	
Intangible assets	9	<u>373</u>		<u>542</u>	
			7,053		6,705
<b>Current assets</b>					
Stocks	10	281		532	
Debtors	11	4,251		3,764	
Deposits and cash		<u>5,448</u>		<u>4,438</u>	
		9,980		8,734	
<b>Creditors: amounts falling due within one year</b>	12	<u>6,206</u>		<u>3,727</u>	
<b>Net current assets</b>			3,774		5,007
<b>Total assets less current liabilities</b>			<u>10,827</u>		<u>11,712</u>
<b>Creditors: amounts falling due after more than one year</b>	12		562		688
<b>Net assets</b>			<u>10,265</u>		<u>11,024</u>
<b>Funds employed</b>		<b>£'000</b>		<b>£'000</b>	
Accumulated Fund		8,700		9,459	
Replacement Fund		<u>1,565</u>		<u>1,565</u>	
		<u>10,265</u>		<u>11,024</u>	

The financial statements on pages 7 to 14 were approved by the Honorary Auditors on 13 April 2005 and were signed on behalf of the Council by:

**Mr Nicholas Wood (President)**  
**Mr John Jolley (Treasurer)**

# Cash flow statement

For the year ended 31 December 2004

	note	2004	2004	2003	2003
		£'000	£'000	£'000	£'000
<b>Operating activities</b>					
Net cash inflow/(outflow) from operating activities	15		2,042		(578)
<b>Returns on investments and servicing of finance</b>					
Interest and other similar income received			345		253
Interest payable and other similar expenditure			(110)		
Loan note repayment during the year			(63)		
<b>Taxation</b>					
UK corporation tax paid		-		(386)	
UK corporation tax refunded		1		28	
			1		(358)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(1,145)		(431)	
Purchase of intangible fixed assets		(60)		-	
Sale of fixed asset investments		-		275	
			(1,205)		(156)
<b>Increase/(decrease) in cash for the period</b>			<u>1,010</u>		<u>(839)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>					
		<b>2004</b>		<b>2003</b>	
		<b>£'000</b>		<b>£'000</b>	
Increase/(decrease) in cash for the period		1,010		(839)	
Net cash funds at 1 January 2004		4,438		5,277	
<b>Net cash funds at 31 December 2004</b>		<u>5,448</u>		<u>4,438</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 1. ACCOUNTING POLICIES

#### a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. A summary of the more important accounting policies which have been applied consistently is set out below.

#### b) Tangible fixed assets

No value is attributed in the Balance Sheet to the Society's collections of books, drug jars and silver plate, which are charged to the Income and Expenditure Account on purchase, or to the copyright of *The Pharmaceutical Journal* and other publications.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, in equal annual instalments over the expected useful economic lives of the assets. The principal annual rates in use are as follows:

	% p.a.
<i>Freehold property</i>	2
<i>Long leasehold</i>	2
<i>Plant and machinery</i>	6.7 – 10
<i>Office equipment:</i>	
<i>Motor vehicles</i>	33
<i>General office and computer equipment</i>	20
<i>PCs and peripheral equipment</i>	12 months

No depreciation is provided on freehold land and no depreciation is provided on assets in the course of construction.

#### c) Intangible assets

Intangible assets represent the acquisition of the entire share capital and publishing rights of various publications. The asset is being amortised on a straight-line basis over a five-year period. This period is the estimated period over which the value of the underlying publishing rights acquired are expected to exceed the value of the underlying asset.

#### d) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value and after making due allowance for obsolete and slow moving items. Cost represents materials, direct labour and appropriate production overheads.

In line with industry practice, the Society is now writing off publication editorial costs as incurred, having previously carried them forward as work in progress.

The previous year's results and stock balances have been restated in accordance with this revised policy

**e) Income**

Income from professional activities and publishing is stated net of Value Added Tax (VAT), where appropriate, and represents the invoiced value of goods and services supplied.

Membership fees are recognised in the Income and Expenditure Account in the year to which they relate.

Income from investments is included in the financial statements when received. Interest on loans and deposits is accrued as earned.

**f) Revenue grants**

Revenue grants receivable are matched against the expenditure of the specific projects in respect of which they are granted. Where projects span more than one accounting period, any excess of grants received over expenditure incurred to date is carried forward in the Society's Balance Sheet as a current liability.

**g) Foreign exchange**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the Balance Sheet date. Foreign exchange differences are taken to the Income and Expenditure Account in the year in which they arise.

**h) Pension costs**

Retirement benefits are provided by a defined benefits scheme, which is funded by contributions from both the Society and employees. Payments are made to a pension trust, which is financially separate to the Society. These payments are made in accordance with periodic calculations by professionally qualified actuaries. Pension costs are accounted for on a basis of charging the expected cost of providing pensions over the period during which the Society benefits from the employees' services. The effect of variations from regular costs are spread over the expected average remaining service lives of members of the scheme. The Society's defined pension scheme was closed to new entrants on 31 December 2002.

All new employees are offered the opportunity to join the Society's sponsored Group Personal Pension Scheme (GPP) run by Scottish Equitable. The GPP is a stakeholder compliant defined contribution scheme to which the Society contributes varying percentages of salary depending upon the age of the employee. Costs are accounted for on an accruals basis.

Compliance is required both with the transitional requirements of FRS 17 and, until full compliance is adopted, the existing requirements of Statements of Standard Accounting Practice (SSAP) 24. The details set out in note 16 meet the disclosure requirements of FRS 17 and SSAP 24.

**i) Operating lease rentals**

Operating lease rentals are charged to the Income and Expenditure Account as they are incurred over the lease term on a straight-line basis.

**j) Deferred taxation**

FRS 19 (deferred tax) has been adopted for these accounts. In accordance with the standard full provision is made, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws that have been enacted or substantially enacted at the Balance Sheet date, in respect of timing differences which have arisen but not reversed at the Balance Sheet date. Timing differences are differences between the Society's taxable profits and its results as stated in the accounts. Deferred tax is measured on a non-discounted basis.

2. INCOME AND EXPENDITURE

	Income		Expenditure	
	Restated		Restated	
	2004	2003	2004	2003
<i>From professional and regulatory activities</i>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Members' fees	7,895	7,223		
Premises fees	1,577	1,283		
<b>Total fee income</b>	<b>9,472</b>	<b>8,506</b>		
<b>Council</b>	-	-	572	535
<b>Corporate Affairs and Strategic Development</b>	474	57	2,161	1,907
<b>Education and Registration</b>	501	508	2,416	2,323
<b>Fitness to Practise</b>	49	316	2,880	1,823
<b>Practice and Quality Improvement</b>	70	37	748	904
<b>Public Affairs</b>	1,303	734	2,409	2,240
<b>Resources</b>	113	547	2,967	3,048
<b>Secretary and Registrar</b>	-	87	354	879
<b>Scotland and Wales</b>	57	-	731	740
<b>Transfer of central costs to Publication</b>	-	-	(1,613)	(2,016)
<b>Animal Medicines Division</b>	540	478	433	478
<b>Medicines Partnership</b>	909	559	909	559
<b>England and Wales Drug Testing Scheme</b>	-	213	-	213
<b>Enforcement of Medicines Act 1968 ((108)(2))</b>	80	74	80	74
<b>Scottish Drug Testing Scheme</b>	62	66	62	66
<b>Total from professional and regulatory activities</b>	<b>13,630</b>	<b>12,182</b>	<b>15,109</b>	<b>13,773</b>
<b>Publications Directorate</b>	15,740	11,353	11,346	8,396
<b>Gift Aid</b>	-	-	2,260	850
<b>Transfer of central costs to publications</b>	-	-	1,613	2,016
	<b>15,740</b>	<b>11,353</b>	<b>15,219</b>	<b>11,262</b>
<b>Total for the year</b>	<b>29,370</b>	<b>23,535</b>	<b>30,328</b>	<b>25,035</b>

The Society has continued to review its recharging policy. During 2004, where a directorate and/or department has incurred a specific cost, then the charge has been applied directly to them rather than through the recharging mechanism. This is reflected in the reduction of central cost recharge to Publications.

3. INFORMATION REGARDING EMPLOYEES

Employee costs represent:

	2004	Restated
	£'000	£'000
Wages and salaries	9,588	8,136
Social security costs	862	732
Other pension costs	1,346	1,300
	<b>11,796</b>	<b>10,168</b>

The average number of persons employed by the Society during the year was:

	No.	No.
Corporate Affairs and Strategic Development	23	18
Education and Registration	27	22
Fitness to Practise and Legal Affairs (incl. Inspectorate and Animal Medicines Division)	45	48
Practice and Quality Improvement	9	10
Public Affairs and Communications	21	23
Publications	93	86
Resources	35	36
Secretary and Registrar	1	1
Schemes	6	5
Scotland	8	8
Wales	4	2
	<b>272</b>	<b>259</b>
Weighted average employees	<b>No.</b>	<b>No.</b>
Monthly average of employees in post during the year	<b>262</b>	<b>245</b>

	£'000	£'000
Secretary and Registrar and Directors' remuneration:		
Basic salaries	773	582
Benefits	45	31
Pension contributions	125	102
	<b>943</b>	<b>715</b>

Secretary and Registrar and Directors' remuneration, excluding pension contributions, fell within the following ranges:

	No.	No.
£75,001-£80,000	1	1
£80,001-£85,000	-	2
£85,001-£90,000	3	2
£90,001-£100,000	2	1
£100,001-£110,000	-	1
£110,001-£120,000	1	-
£120,001-£135,000	1	1
	<b>8</b>	<b>8</b>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable	<u>345</u>	<u>253</u>

**5. INTEREST PAYABLE AND SIMILAR EXPENDITURE**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on loan notes	<u>(110)</u>	<u>-</u>

Interest is calculated on a monthly basis using the latest Bank of England base rate. The current year charge includes a prior year adjustment of £76,425

**6. DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

This is stated after charging:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Motor vehicle operating lease rentals	196	149
Depreciation of tangible fixed assets	608	517
Amortisation of intangible assets	229	216
Profit on disposal of tangible fixed assets	-	-
Auditors remuneration: as auditors	31	29
for other services	22	18
	<u>1,086</u>	<u>929</u>

**7. TAXATION**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax	-	(86)
UK corporation tax at 30% (2002: 30%) based on surplus for the year	32	-
Provision in respect of previous years	-	(21)
Overseas tax	<u>4</u>	<u>-</u>
	<u>36</u>	<u>(107)</u>

**7. TAXATION (CONTINUED)**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of current tax charge		
Loss for the period	(723)	(1,247)
Expected tax charge at 30%	<u>(217)</u>	<u>(374)</u>
Effects of:		
Non taxable income net of unrelieved operating losses	780	467
Disallowable expenditure	100	211
Capital allowances in excess of depreciation	115	75
Short-term timing differences	-	11
Deferred tax asset not provided	(63)	(9)
Gift aid payment	(665)	(185)
Overseas tax	4	-
Small companies rate difference	(18)	-
Prior year adjustment taken direct to reserves	-	(196)
Prior year tax adjustment	-	(21)
Actual tax charge	<u>36</u>	<u>(21)</u>

**Analysis of factors affecting future tax charge**

The Society's taxable position in regards to the proportion of its Publication's surplus, which is considered to be taxable, is subject to ongoing discussion and agreement with the Inland Revenue. The Society intends to make gift aid donations out of its taxable surplus thus limiting its potential tax charge.

The deferred tax provided represents the difference between the net book value of eligible assets and their tax written down value and taking into account the agreed eligible percentage of capital allowances available. There are no material deferred tax liabilities which are not provided for.

**8. TANGIBLE FIXED ASSETS**

	Freehold property	Long leasehold	Plant and machinery	Office equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
As at 1 January 2004	4,921	632	1,795	1,819	34	9,201
Additions	739	-	173	233	-	1,145
Reclassification	-	-	-	-	-	-
Disposals	(17)	-	-	(3)	-	(20)
<b>As at 31 December 2004</b>	<b>5,643</b>	<b>632</b>	<b>1,968</b>	<b>2,049</b>	<b>34</b>	<b>10,326</b>
<b>Depreciation</b>						
As at 1 January 2004	1,012	34	831	1,127	34	3,038
Charge for the year	99	13	123	376	-	611
Disposals	(1)	-	-	(2)	-	(3)
<b>As at 31 December 2004</b>	<b>1,110</b>	<b>47</b>	<b>954</b>	<b>1,501</b>	<b>34</b>	<b>3,646</b>
<b>Net book value</b>						
As at 31 December 2004	4,533	585	1,014	548	-	6,680
As at 31 December 2003	3,909	598	964	692	-	6,163

The freehold properties were valued independently as at 31 December 2004 on the basis of open market value.

The open market value of the Society's properties as at 31 December 2004 was estimated as follows:

Freehold properties £10,450,000.  
Leasehold properties £600,000.

**9. INTANGIBLE ASSETS**

	2004 £'000	2003 £'000
<b>Cost</b>		
Opening balance	1,082	1,082
Additions in year	60	-
Closing balance	<u>1,142</u>	<u>1,082</u>
<b>Amortisation</b>		
Opening balance	540	324
Charge for the year	229	216
Total amortisation	<u>769</u>	<u>540</u>
<b>Net book value</b>	<u>373</u>	<u>542</u>

**10. STOCKS AND WORK IN PROGRESS**

	2004 £'000	2003 £'000
Work in progress	32	77
Finished goods and goods for resale	249	455
	<u>281</u>	<u>532</u>

**11. DEBTORS**

	2004 £'000	2003 £'000
Trade debtors	2,896	1,735
Balances with related parties (note 18)	46	1,224
Other debtors	583	66
Prepayments and accrued income	726	739
	<u>4,251</u>	<u>3,764</u>

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004 £'000	2003 £'000
Trade creditors	1,026	860
Corporation tax	31	8
Other taxes and social security	335	346
Other creditors	686	516
Loan note	125	62
Accruals	1,033	1,148
Deferred income	2,970	787
	<u>6,206</u>	<u>3,727</u>

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2004 £'000	2003 £'000
Loan notes	562	688
	<u>562</u>	<u>688</u>

The loan notes represent monies due for the purchase of Stockley Drugs Interaction Systems Limited in 2001. The loan notes are repaid over an eight-year period.

**13. COMMITMENTS**

As at 31 December 2004, the Society has the following annual commitments.

	2004 £'000	2003 £'000
Operating leases which expire:		
Within one year	108	132
Within two to five years	132	90
	<u>240</u>	<u>222</u>
Contracts placed for future capital expenditure to be incurred within one year and not provided for in the financial statements	310	471
	<u>310</u>	<u>471</u>

**14. PENSIONS**

The Society's pension scheme is a funded defined benefit scheme. The assets of the scheme are held separately, under the control of its Trustees, and the Society does not have access to these funds. An actuarial valuation was carried out as at 31 December 2003 by consulting Actuaries, FPS, using the Attained Age method. The principal actuarial assumptions adopted in the valuation were that, over the long-term, the annual rate of return on investments would be 6.5% on existing assets and 5% on future investments; whereas increases in earnings and thus pensionable salaries would be 4%. Price inflation was assumed to be 2.5% and, correspondingly, increases to pensions in payment have been funded at this level. The actuarial value of the assets at the date of the review was £24,362,000 or 87.6% of the amount required to finance the benefits earned up to the valuation date – a valuation deficit of £3,456,000. In accordance with the requirements of FRS 17, FPS have produced the following information regarding the position of the scheme as at 31 December 2004. It should be noted that at 31 December 2004 the estimated excess of the scheme's long-term liabilities over its assets is stated at £4.4m. Over the long-term it is expected that the scheme's financial position will be strengthened as stock markets recover.

In order to correct the deficit revealed by the latest actuarial review, the Trustees have recommended a 15-year funding plan to eliminate the deficit and this was approved by the Council with an effective date of 1 January 2005. The total funding rate has remained the same for employees (7%) and the employer rate has been adjusted to 18% of salaries plus an additional funding of £30,000 per month.

It should be noted that although the scheme is funding for year on year increases to pensions in payment in line with inflation, these increases remain discretionary and the position is reviewed each year.

**FRS 17 DISCLOSURES**

**Assumptions**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>% pa</b>	<b>% pa</b>	<b>% pa</b>
Inflation rate	2.75	2.5	2.4
Discount rate	5.5	5.75	5.6
Expected return on assets	6.5	6.7	7.89
Expected rate of salary increases	4.25	4	4.15
Rate of pension increases in payment	2.75	2.5	2.4
Rate of pension increases in deferment	2.75	2.5	2.4

**Scheme assets and expected rate of return**

	<b>2004</b>		<b>2003</b>		<b>2002</b>	
	<b>Market value</b>	<b>Expected rate of return % pa</b>	<b>Market value</b>	<b>Expected rate of return % pa</b>	<b>Market value</b>	<b>Expected rate of return % pa</b>
Equities (UK)	15,580	6.75	13,853	7	10,868	8.75
Equities (overseas)	8,068	6.75	7,079	7	4,844	8.75
Corporate bonds	462	5.25	453	5.5	-	5.6
Fixed interest gilts	2,433	5.25	2,384	5.5	3,390	4.5
Index linked gilts	57	5.25	52	5.5	26	4.5
Cash	754	4	581	3	468	3.9
<b>Total</b>	<b>27,354</b>		<b>24,402</b>		<b>19,596</b>	

**Components of defined benefit cost**

Analysis of amounts charged to the income and expenditure account:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	1,023	1,090
Past service costs	177	102
<b>Total charged to operating profit in respect of defined benefit members</b>	<b>1,200</b>	<b>1,192</b>

**14. PENSIONS (CONTINUED)**

**Analysis of other amounts charged to the Income and Expenditure Account:**

*Analysis of amount credited to other finance income:*

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Interest on pension scheme liabilities	1,557	1,439
Expected return on assets in the pension scheme	(1,732)	(1,546)
Net credit to other finance income	(175)	(107)
<b>Total income and expenditure charge before deduction for tax</b>	<b><u>1,025</u></b>	<b><u>1,085</u></b>

**Analysis of amounts recognised in other gains and losses:**

Gain/(loss) on assets	865	74
Experience gain/(loss) on liabilities	(514)	2,429
Gain/(loss) on change of assumptions (financial and demographic)	(2,364)	690
<b>Total gain/(loss) recognised in other gains and losses before adjustment for tax</b>	<b><u>(2,013)</u></b>	<b><u>3,193</u></b>

**History of experience gains and losses**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Loss on scheme assets</b>			
Amount	865	74	5,453
% of scheme assets at end of period	3%	0%	28%
<b>Experience loss on scheme liabilities</b>			
Amount	(514)	2,429	57
% of scheme liabilities at end of period	(2%)	9%	0%
<b>Total actuarial loss recognised in other gains and losses</b>			
Amount	(2,013)	3,193	6,110
% of scheme liabilities at end of period	(6%)	12%	24%

**Reconciliation to the Balance Sheet**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Market value of scheme assets	27,354	24,402
Actuarial value of scheme liabilities	(31,779)	(27,083)
<b>Deficit in the scheme</b>	<b><u>(4,425)</u></b>	<b><u>(2,681)</u></b>

**14. PENSIONS (CONTINUED)**

*Analysis of the movement in deficit in the scheme during the period*

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in the scheme at beginning of period	(2,681)	(6,104)
Contributions paid	1,294	1,315
Current service cost	(1,023)	(1,090)
Past service cost	(177)	(102)
Other finance income	175	107
Actuarial gain/(loss)	(2,013)	3,193
<b>Deficit in the scheme at end of period</b>	<b><u>(4,425)</u></b>	<b><u>(2,681)</u></b>

If the pension scheme liability had been recognised in the accounts, the net assets and accumulated fund would be as follows:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance Sheet presentation</b>		
Net assets excluding pension liability	10,301	11,024
Pension liability	(4,425)	(2,681)
Net assets including pension liability	<b><u>5,876</u></b>	<b><u>8,343</u></b>

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>

**Reserves note**

Income and expenditure reserve excluding pension liability	8,736	9,459
Pension reserve	(4,425)	(2,681)
Income and expenditure reserve	<b><u>4,311</u></b>	<b><u>6,778</u></b>

**15. RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating deficit</b>	(958)	(1,500)
Depreciation of tangible fixed assets	607	517
Amortisation of intangible assets	230	216
Loss on disposal of tangible fixed assets	20	17
Decrease in stocks	251	450
(Increase)/decrease in debtors	(487)	1,539
Increase/(decrease) in creditors	2,379	(1,817)
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>2,042</u></b>	<b><u>(578)</u></b>

**16. RELATED PARTY TRANSACTIONS**

The Society carries out administrative functions for the Benevolent Fund, the Pharmaceutical Trust for Education and Charitable Objects and the Educational and Parliamentary Funds of the Royal Pharmaceutical Society of Great Britain. The Society also administers the rental of certain properties on behalf of the Benevolent Fund.

# The Benevolent Funds

FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 2004

## REPORT OF THE TRUSTEES

The Society's Council acts as Trustees of The Benevolent Funds of the Royal Pharmaceutical Society of Great Britain and presents its report and the audited financial statements of the Funds for the year ended 31 December 2004. The financial statements comply with current statutory requirements, the Trust Deed and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000).

## ORGANISATION

### Legal Status

The Society's principal activities are the regulation, leadership and development of the profession of pharmacy.

The Society is governed by a framework comprising its Charter, legislation and Byelaws. The Society was founded in 1841. In 1843 it was incorporated by Royal Charter. This has since been refined by supplemental Charters and Byelaws. In addition, parts of the Charter have been overlaid by statute. The current Charter was granted in 2004.

### Council

The Society is governed by a Council of 21 pharmacists elected by the membership and three lay members appointed by the Privy Council. The Council elects annually the President, Vice-President and the Treasurer who together with the Immediate Past President constitute the Officers. The Council appoints annually the Secretary of the Society. The Council meet six times a year to consider strategic issues affecting pharmacy and to decide on policies and has an additional meeting prior to the Annual General Meeting. Further meetings of the Council can be called as required.

The current members of the Society's Council who act as Trustees of the Funds are listed on page 17, together with details of any changes during the year.

The Benevolent Fund is administered by a full-time co-ordinator with part-time secretarial assistance, and relies on assistance in relation to the operation of the Listening Friends' Scheme and Pharmacists' Health Support Scheme. Operational policies and procedures are established by the Trustees.

The Benevolent Funds of the Society were established under the Society's regulations and its principal objectives are as follows.

## OBJECTIVES AND STRATEGY

### a) The Benevolent Fund

One of the Chartered objects of the Society is to provide relief for distressed persons, being members or former members of the Society, their widows or widowers, orphans or their dependants, and registered students of the Society. The Fund is financed partly from the income from invested capital and partly from annual donations and payments under gift aid. No genuine cases of necessity are refused assistance, either temporary or permanent.

Information and advice about the assistance available from the Benevolent Fund can be obtained from the Benevolent Fund Office at the Society's headquarters.

### b) Birdsgrove House Fund

The Birdsgrove House Fund was created by the Trustees in January 1949 to maintain the convalescent home established at Birdsgrove House in 1946 for the use of members and their wives or husbands. During the year 2004 the House had 124 convalescent guests (2003 – 233).

The Trustees have extended the facility provided at Birdsgrove House, Ashbourne, Derbyshire to include a treatment centre for health professionals with problems relating to drug or alcohol abuse. The treatment centre has a success story to report and is filling a latent need. Birdsgrove House has been given a new lease of life and there is a lot of activity and the overall response from patients has been positive. After reviewing the 2004 budget, the Trustees recognise the House will produce a balanced budget in 2005. The main funding of patients is from Primary Care Trusts and in a small number of cases the patient self funds or receives a loan to cover the cost from the Benevolent Fund. During the year the unit had 82 admissions (88 admissions during the year 2003).

A total of 34 members of staff are employed at the convalescence home and treatment centre located at Birdsgrove House.

### c) The Hills Orphan Fund and the Orphan Fund

The Hills Orphan Fund and the Orphan Fund were established to provide assistance to orphans of members of the Society.

### d) Emergency Fund

The Emergency Fund was established in 1953 to assist pharmacists who had suffered stock and premises damage as a result of floods along the east coast. After meeting all claims, it was decided that the balance on this fund would be used for the relief of pharmacists in distress arising from local or national emergencies at home or abroad.

In furtherance of these objectives during the above period, the Trustees have continued the Listening Friends' Scheme, which provides stress counselling to the membership. The remaining charitable activities of the Funds and their financial reporting are supported by the Legal and Finance departments of the Society.

## RISKS

The Trustees in conjunction with the Society have completed a risk assessment programme and identified potential risks and opportunities, which it faces. These are now being quantified to enable those events that pose the biggest threat or offer the greatest opportunity to be readily available. The process will continue throughout 2005 so that appropriate processes are put in place to manage these events.

### REVIEW OF ACTIVITY AND FUTURE DEVELOPMENTS

Support grants continued to be advanced to needy members. During the year 114 members, former members or their widow or widowers and dependants have received household/miscellaneous grants totalling £53,254 (2003 – 132 members received £36,000). Of this number 93 beneficiaries have also received regular annual grants totalling £84,048 (2003 – 97 members received £96,000).

There is a further sum of £73,217 (2003 - £70,000) which assisted with meeting expenses for Birdsgrove House, the Pharmacists' Health Support Scheme and the Listening Friends' Scheme during the year. The Hills Orphan Fund, the Orphan Fund and the Emergency Fund did not receive any applications for grants during the year.

### REVIEW OF TRANSACTIONS AND FINANCIAL POSITION

The Statement of Financial Activities is set out on page 19.

During the year funding of £3,269,595 was received, including £97,984 of donations receivable, £401,873 in respect of legacies, £27,035 of contributions received from guests at Birdsgrove House, £684,726 in respect of treatment undertaken at Hope House and £230,734 of investment income. In addition, a gift aid donation of £1,700,000 was received from the Society. The funding has been applied to the objectives of the Charity, all of the funding received being made available without restriction as to its usage.

The balances on the Charity's Unrestricted and Endowment Funds are principally invested in the Charity's investment portfolio, freehold properties and bank deposits. These assets will be used to fund the Charity's objectives during the new financial year.

#### Funds available

For the fund set out on page 19, the Trustees confirm that the Charity's assets are available and adequate to fulfil its obligations.

#### Investment policy

The Charity's investment objective is to provide the fund with a secure and growing level of income while maintaining the real value of the capital. The fund managers have been instructed of the following stock restrictions:

- The Fund should not hold stocks involved in the manufacture of tobacco.
- No single stock should represent more than 10% of the overall portfolio.
- Pooled funds managed by the fund manager should not represent more than 25% of the overall portfolio.

Additionally, permitted ranges of investments within asset classes have been identified.

#### Reserves

Freely available reserves are a pool of unapplied resources available to meet future demands on the Charity's resources.

This is "general purpose" money which means it can be spent on any of the purposes of the Charity. Free reserves of the Charity are represented by its Unrestricted Funds less the net book value of its fixed assets. As at 31 December 2004 these amounted to £5,743,000.

The Charity's policy on cash reserves is to retain free cash reserves available for general purposes of not less than 25% of annual operating expenditure (or approximately three to six months).

Reserves are required to ensure the Charity can meet its general business commitments, including those to its staff, in the event of any unexpected fall in the general level of income.

### STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Charity law requires the Trustees to prepare financial statements that show a true and fair view of the state of the Charity's affairs as at the year-end and of the resources received and expended by the Charity for the year then ended.

In order to meet this requirement the Trustees must be satisfied that:

- Suitable accounting policies are selected and then consistently applied.
- Judgements and estimates that are made are reasonable and prudent.
- Applicable accounting standards and statements of recommended practice have been followed.
- Financial statements are prepared on a going concern basis unless it is inappropriate to assume that the Charity will continue its activities.

The Trustees are responsible for ensuring that proper books and records are maintained, for safeguarding the assets of the Charity, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Auditors

The Charity's Auditors, Horwath Clark Whitehill, transferred substantially all of their business to a limited liability partnership, Horwath Clark Whitehill LLP, on 1 April 2004. The Trustees have agreed that, following this change, Horwath Clark Whitehill LLP should be appointed as the Charity's Auditors.

#### Honorary Auditors

The Honorary Auditors meet prior to the Annual General Meeting. It is their duty to inspect and approve the financial statements prepared for them by the Trustees.

*By order of the Trustees*

**Mr John Jolley**

**Treasurer**

13 April 2005

## LEGAL AND ADMINISTRATIVE DETAILS

### PRESIDENT

Dr Gillian M Hawksworth (President until 31 May 2004)  
Mr Nicholas Wood (President from 1 June 2004)

### VICE-PRESIDENT

Miss Alison B Ewing (Vice-President until 31 May 2004)  
Mr Hemant R Patel (Vice-President from 1 June 2004)

### TREASURER

Mrs Linda J Stone (Treasurer until 31 May 2004)  
Mr John Jolley (Treasurer from 1 June 2004)

Mr Gerald Alexander  
Mr Hassan Argomandkhah (from 1 June 2004)  
Mr Martin Astbury  
Mr Shiv K Bagga (from 1 June 2004)  
Mr Andrew J Burr (until 31 May 2004)  
Mr Sultan Dajani  
Mr Wally Dove (until 31 May 2004)  
Mr A Digby Emson  
Dr Phillida Entwistle  
Mrs Davan Eustace (from 1 June 2004)  
Miss Alison B Ewing  
Mrs Christine Glover  
Dr Nicola Gray  
Mrs Sally Greensmith (until 31 May 2004)  
Dr Gillian M Hawksworth  
Mr Maurice Hickey \* (from 1 June 2004)  
Mrs Patricia Hoare  
Mrs Helen Howe (until 31 May 2004)  
Mr Clive Jackson  
Prof Alistair Michell  
Mr Graham Philips (from 1 June 2004)  
Prof Michael Schofield  
Mr Douglas Simpson  
Mrs Linda J Stone  
Mr Ashwin Tanna (until 31 May 2004)  
Mr Noel Wicks

\* Mr Maurice Hickey resigned from Council in December 2004 in the same year as appointment.

### SECRETARY

Miss Ann M Lewis

### PRINCIPAL OFFICE

1 Lambeth High Street  
London  
SE1 7JN

### AUDITORS

Horwath Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

### SOLICITORS

Eversheds  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4JL

### BANKERS

National Westminster Bank  
91 Westminster Bridge Road  
Lambeth  
London  
SE1 7HW

### STOCKBROKERS

Investec Asset Management  
2 Gresham Street  
London  
EC2V 7QP

### HONORARY AUDITORS

The financial statements on pages 19 to 23 were approved by the Honorary Auditors on 13 April 2005

**John E Balmford**  
**Ian MW Caldwell**  
**Anthony R Cox**  
**Brian A Wills**

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE BENEVOLENT FUNDS OF THE ROYAL PHARMACEUTICAL SOCIETY OF GREAT BRITAIN**

We have audited the financial statements of the Benevolent Funds of the Royal Pharmaceutical Society of Great Britain for the year ended 31 December 2004 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes set out on pages 19 to 23. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 19 to 23.

This report is made solely to the Charity Trustees, as a body, in accordance with Regulation 6(2) of the Charities (Accounts and Reports) Regulations 1995 (SI 1995/2724) as amended by Regulation 4(a) of the Charities (Accounts and Reports) Regulations 2000 (SI 2000/2868). Our audit work has been undertaken so that we might state to the Charity Trustees those matters we are required to state to them in an auditor's 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 Charity Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

**Respective responsibilities of Trustees and Auditors**

The Trustees' responsibility for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities on page 16.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. 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 Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Trustees' Report 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 judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

**Unqualified opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Charity as at 31 December 2004 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

**Horwath Clark Whitehill LLP**

Chartered Accountants and Registered Auditors  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH  
13 April 2005

**BENEVOLENT FUNDS continued**

**BENEVOLENT FUNDS OF THE ROYAL PHARMACEUTICAL SOCIETY OF GREAT BRITAIN  
STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended 31 December 2004

	note	2004 Unrestricted Funds £'000	2004 Endowment Funds £'000	2003 Total £'000	2003 Total £'000
<b>Incoming resources</b>					
Donations		1,798	-	1,798	78
Investment income	2	358	-	358	335
Legacies		402	-	402	160
<i>Activities in furtherance of the Charity's objects</i>					
Birdsgrove House		712	-	712	672
<b>Total incoming resources</b>		<b>3,270</b>	<b>-</b>	<b>3,270</b>	<b>1,245</b>
<b>Resources expended</b>					
Cost of generating funds		15	-	15	10
Charitable expenditure:					
Grants and annuities		137	-	137	138
<i>Costs of activities in furtherance of the Charity's objects</i>					
- Support costs		211	-	211	121
- Birdsgrove House		1,065	-	1,065	980
Management and administration of the Charity		42	-	42	87
	3	1,455	-	1,455	1,326
<b>Total resources expended</b>	3	<b>1,470</b>	<b>-</b>	<b>1,470</b>	<b>1,336</b>
<b>Net incoming/(outgoing) resources</b>		1,800	-	1,800	(91)
Gain/(loss) on disposal of investments:					
Realised		85	42	127	(87)
Unrealised		257	131	388	841
Unrealised surplus on revaluation of property	1(d)	801	-	801	-
<b>Net movement in funds</b>		2,943	173	3,116	663
Fund balance at 1 January		3,071	3,362	6,433	5,770
Fund balance at 31 December		<b>6,014</b>	<b>3,535</b>	<b>9,549</b>	<b>6,433</b>

**BENEVOLENT FUNDS OF THE ROYAL PHARMACEUTICAL SOCIETY OF GREAT BRITAIN**

**BALANCE SHEET**

As at 31 December 2004

	note	2004 Total £'000	2003 Total £'000
<b>Fixed assets</b>			
Tangible assets	5	271	278
Investments	6	8,389	6,777
		<u>8,660</u>	<u>7,055</u>
<b>Current assets</b>			
Other debtors		467	330
Cash at bank and in hand		545	291
		<u>1,012</u>	<u>621</u>
<b>Creditors: amounts falling due within one year</b>	7	123	1,243
<b>Net current assets/(liabilities)</b>		<u>889</u>	<u>(622)</u>
<b>Net assets</b>		<u>9,549</u>	<u>6,433</u>
<b>Capital funds</b>			
Endowment Fund	8	3,535	3,362
<b>Income funds</b>			
Unrestricted Fund	8	6,014	3,071
		<u>9,549</u>	<u>6,433</u>

The financial statements on pages 19 to 23 were approved by the Honorary Auditors on 13 April 2005 and were signed on behalf of the Trustees by:

**Mr Nicholas Wood (President)**  
**Mr John Jolley (Treasurer)**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 1. ACCOUNTING POLICIES

#### a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of fixed asset investments, in accordance with applicable UK Accounting Standards. The financial statements have also been prepared in accordance with the recommendations in the Statement of Recommended Practice (SORP) – “Accounting and Reporting by Charities” – issued in October 2000 and the Charities Act 1993. A summary of the more important accounting policies which have been applied consistently is set out below.

#### b) Fund Accounting

General Unrestricted Funds represent unrestricted income, which is expendable at the discretion of the Trustees in the furtherance of the objects of the Charity.

Endowment Funds have been established where as a condition of the granting of the original funding it was requested that the resources received be treated as capital funding.

#### c) Tangible fixed assets

##### Freehold properties

Freehold land is not depreciated. Freehold properties are depreciated to their estimated residual values over their estimated economic lives. The principal annual rate in use is 2% per annum.

##### Motor vehicles and equipment

Depreciation is calculated on motor vehicles and equipment so as to write off the cost of the assets, less their estimated residual values, in equal annual instalments over their expected useful economic lives. The principal annual rate in use is 20% per annum.

#### d) Investments

Investments held as fixed assets are stated at market value.

Any surplus or deficit realised on the disposal of investments is included in the Statement of Financial Activities in arriving at the net incoming resources for the year. Any unrealised surplus or deficit incurred in revaluing investments at the year end is separately stated in the Statement of Financial Activities.

#### Investment properties

Investment properties are revalued annually and included in the Balance Sheet at their open market value. In accordance with SSAP 19, no depreciation is provided in respect of investment properties. This represents a departure from the normal accounting practice concerning the depreciation of fixed assets. These properties are held for investment purposes and the Trustees consider that the adoption of this policy is necessary to give a true and fair view.

Full valuations of investment properties are made by independent professionally qualified valuers every five years, and in the intervening years these valuations are updated by the Trustees with the assistance of independent professional advice as required. The basis of the valuation is explained in note 6.

#### e) Incoming resources

Income from investments is included in the financial statements when receivable. A legacy would be regarded as receivable when it has become reasonably certain that the legacy will be received, and the value of the incoming resource can be measured with sufficient reliability. All other sources of income are included in the financial statements on an accruals basis.

Donated assets are recognised as income at a reasonable estimate of their market value, in the period in which they are receivable.

#### f) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources.

### COST OF GENERATING FUNDS

These represent professional fees incurred in relation to the administration and management of the Charity's investment properties and security based investment portfolio.

### CHARITABLE EXPENDITURE

#### Grant and Annuities

These represent benevolent payments to members, former members of the Society, their widows or widowers, orphans or their dependants, and registered students of the Society. Financial assistance can be in the form of temporary loans, payment of specific living expenses, annual Society retention fees, treatment through Hope House where external funding is unavailable or regular maintenance support payments. Applications for grant assistance are considered locally by the Benevolent Fund Co-ordinator on their merits, ensuring compliance with the Charity's objectives, and in accordance with guidelines issued by the Trustees.

## BENEVOLENT FUNDS continued

### Support costs

These represent those costs incurred directly in support of expenditure on the objects of the Charity.

### Birdsgrove House expenses

These represent the direct costs of running the convalescence and treatment centre facilities and properties located at Ashborne, Derbyshire.

### MANAGEMENT AND ADMINISTRATION OF THE CHARITY

These costs represent those costs that are incurred in connection with the administration of the Charity and compliance with constitutional and statutory requirements.

### g) Gifts in kind

The value of services or facilities provided free of charge is recognised in the Statement of Financial Activities as both income and expenditure where the benefit is quantifiable and material and where the service or facility would otherwise have been purchased.

### h) Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the Balance Sheet date. Foreign exchange differences are taken to the Statement of Financial Activities in the year in which they arise.

### i) Taxation

As a registered Charity, the charitable funds are exempt from certain elements of corporation tax but not from VAT. Irrecoverable VAT is, in accordance with standard accounting practice, included in the cost of those items to which it relates. Income tax recoverable on income received under Gift Aid donations is accounted for on a receivable basis.

### j) Cash flow statement

The Charity is exempt from the requirement to publish a cash flow statement on the basis that it qualifies as a small charity.

### k) Tangible fixed assets

Tangible fixed assets costing more than £1,000 are capitalised and included at cost including any incidental expenses of acquisition.

## 2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2004 £'000	2003 £'000
Income from UK listed investments	195	187
Income from overseas listed investments	36	14
Interest receivable	4	7
Rental income	123	127
	<u>358</u>	<u>335</u>

## 3. TOTAL RESOURCES EXPENDED

	Staff costs 2004 £'000	Other costs 2004 £'000	Total 2004 £'000	Total 2003 £'000
<b>Charitable expenditure</b>				
Grants and annuities	-	137	137	138
Support costs	62	149	211	121
Birdsgrove House expenses	669	396	1,065	980
Management and administration of the Charity	-	42	42	87
	<u>731</u>	<u>724</u>	<u>1,455</u>	<u>1,326</u>
Cost of generating funds	-	15	15	10
	<u>731</u>	<u>739</u>	<u>1,470</u>	<u>1,336</u>

### a) Birdsgrove House/Hope House

Following an inspection visit by the National Care Standards Commission, the Trustees had to suspend convalescence visits to Birdsgrove House with effect from September 2004. Since then, all income and expenditure has been consolidated and reported as one unit. The following information separates the appropriate areas reported in 2004.

	Birdsgrove House 2004 £'000	Hope House 2004 £'000	Total 2004 £'000	Total 2003 £'000
Income	22	690	712	672
Expenditure	345	720	1,065	121
Birdsgrove House expenses	669	396	1,065	980
Net incoming/outgoing resources	<u>(323)</u>	<u>(30)</u>	<u>(353)</u>	<u>(308)</u>

## BENEVOLENT FUNDS continued

### 4. STAFF COSTS

Staff costs comprise:

	2004 £'000	2003 £'000
Wages and salaries	615	535
Social security cost	43	41
Pension costs	73	69
	<u>731</u>	<u>645</u>

The average full time equivalent number of employees during the year was:

	2004 No.	2003 No.
Birdsgrove House	34	32
Benevolent Fund	2	2
	<u>36</u>	<u>34</u>

The number of employees with remuneration, excluding pension contributions, in excess of £50,001 fell within the following ranges:

	2004 No.	2003 No.
£55,001-£60,000	<u>1</u>	<u>1</u>

The Trustees received no remuneration for its services to the Charity during the year (2003 £nil). No Trustee expenses were reimbursed.

### 5. TANGIBLE FIXED ASSETS -

	Freehold props. 2004 £'000	Equip- ment 2004 £'000	Motor vehicle 2004 £'000	Total 2004 £'000
<b>Cost or valuation</b>				
As at 1 January 2004	295	24	6	325
Additions	-	-	-	-
At 31 December 2004	<u>295</u>	<u>24</u>	<u>6</u>	<u>325</u>
<b>Depreciation</b>				
At 1 January 2004	19	22	6	47
Charge for the year	6	1	-	7
At 31 December 2004	<u>25</u>	<u>23</u>	<u>6</u>	<u>54</u>
<b>Net book value</b>				
At 31 December 2004	<u>270</u>	<u>1</u>	<u>-</u>	<u>271</u>
At 31 December 2003	<u>276</u>	<u>2</u>	<u>-</u>	<u>278</u>

The open market value of freehold properties at 31 December 2004 was £2,075,000.

The net book value at 31 December 2004 represents fixed assets used for:

Direct charitable purposes	<u>271</u>
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### 6. FIXED ASSET INVESTMENTS

	2004 £'000	2003 £'000
Investment properties (note 6a)	1,655	854
Market value of investments listed on a recognised Stock Exchange (note 6b)	<u>6,734</u>	<u>5,923</u>
	<u>8,389</u>	<u>6,777</u>

#### 6a. INVESTMENT PROPERTIES

	2004 £'000	2003 £'000
Valuation 1 January	854	854
Revaluation in year	801	-
Valuation 31 December	<u>1,655</u>	<u>854</u>

The investment properties were valued independently as at 31 December 2004 on the basis of open market value by Culverwell, a firm of independent chartered surveyors.

If the investment properties had not been revalued they would have been included at their historical cost equivalent of £68,000.

#### 6b. INVESTMENTS LISTED ON A RECOGNISED STOCK EXCHANGE

	2004 £'000	2003 £'000
Market value 1 January	5,923	5,302
Less: disposals at opening book value	(2,771)	(2,577)
Add: acquisitions at cost	3,192	2,357
Net gains on revaluation 31 December	<u>390</u>	<u>841</u>
Market value 31 December	<u>6,734</u>	<u>5,923</u>
Historical cost 31 December	<u>6,168</u>	<u>5,753</u>

#### Additional information on investments

Market value investments – UK	5,099	4,644
Market value investments – overseas	1,635	1,279
Market value 31 December	<u>6,734</u>	<u>5,923</u>

The following holdings represent more than 5% of the total value of investments:

	2004 £'000	2003 £'000
BP ordinary shares	354	-
Investec International Equity Fund	<u>1,326</u>	<u>-</u>
	<u>1,680</u>	<u>-</u>

All of the above assets were held for investment purposes rather than direct charitable purposes during the year.

### 7. CREDITORS

	2004 £'000	2003 £'000
Balances with related parties (note 10)	46	1,223
Other creditors	<u>77</u>	<u>20</u>
	<u>123</u>	<u>1,243</u>

## BENEVOLENT FUNDS continued

### 8. FUNDS

#### Endowment Fund

	As at 1 January 2004	Outgoing resources	Realised gains	Unrealised gains	As at 31 December 2004
	£'000	£'000	£'000	£'000	£'000
Benevolent Fund	3,291	-	42	131	3,464
Birdsgrove House	69	-	-	-	69
Hills Orphan Fund	1	-	-	-	1
Orphan Fund	1	-	-	-	1
	<u>3,362</u>	<u>-</u>	<u>42</u>	<u>131</u>	<u>3,535</u>

#### Unrestricted Fund

	As at 1 (Outgoing)/ January 2004	Realised incoming resources	Unrealised gains	Unrealised gains	As at 31 December 2004
	£'000	£'000	£'000	£'000	£'000
Benevolent Fund	372	1,800	41	923	3,136
Hills Orphan Fund	1,071	-	18	55	1,144
Orphan Fund	1,508	-	24	74	1,606
Emergency Fund	120	-	2	6	128
	<u>3,071</u>	<u>1,800</u>	<u>85</u>	<u>1,058</u>	<u>6,014</u>

### 9. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Fund	Endowment Fund	Total
	£'000	£'000	£'000
Fund balances at 31 December are represented by:			
Tangible fixed assets	271	-	271
Investments	4,854	3,535	8,389
Current assets	1,012	-	1,012
Current liabilities	(123)	-	(123)
	<u>6,014</u>	<u>3,535</u>	<u>9,549</u>

### 10. RELATED PARTY TRANSACTIONS

The Royal Pharmaceutical Society of Great Britain carries out administrative functions for the Benevolent Fund. The Society also administers the rental of certain properties on behalf of the Benevolent Fund.

During the year the Society raised a management charge totalling £76,000.

Additionally, the Benevolent Fund received rental income of £30,000 from the Society's occupancy of its investment properties.

# Educational and Parliamentary Funds

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

## REPORT OF THE TRUSTEES

The Society's Council act as Trustees of the Educational and Parliamentary Funds of the Royal Pharmaceutical Society of Great Britain and present their report and the audited financial statements of the Funds for the year ended 31 December 2004. The financial statements comply with current statutory requirements, the Trust Deed and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000). As in previous years the accounts include the transactions, assets and liabilities of the separately charities noted below.

## CHARITY DETAILS

A list of the names and addresses of the Educational and Parliamentary Funds' principal officers and advisors is set out on page 26.

## OBJECTIVES AND STRATEGY

The Educational Funds represent the aggregation of the following registered charities and funds, from which awards are made for research at Schools of Pharmacy and postgraduate studies.

Registered charities	Registered charity number
The Leverhulme Scholarships in connection with the Royal Pharmaceutical Society of Great Britain	325025
The Victor Reed Fund	313737
The Harrison Memorial Medal (in connection with the Royal Pharmaceutical Society of Great Britain)	314217
Devon and Cornwall Exhibition in Pharmacy	311766
The Hanbury Memorial Medal (in connection with the Pharmaceutical Society of Great Britain)	314218
The Corfield Memorial Trust	313578
The Humphreys Jones Scholarship in connection with the Royal Pharmaceutical Society of Great Britain	526146

## OTHER FUNDS/AWARDS

Jacob Bell Scholarships	Pereira Prize Fund
The F Bird Trust	Picken Scholarships
The Burroughs Scholarship	Edward Rammell Studentship
The Thomas Chase Prize	Ransom Research Fellowship
Lewis Edwards Memorial Fund	Redwood Memorial Fund
The Gwynne Donation	Martindale Memorial Fund
The Charles James Hewlett Exhibition	Matthew Henry Stiles Scholarships
Hills Prize Fund	The Manchester Pharmaceutical Association Scholarship
The Galen Trust	The Watterall Fund
The Gwynne Fund	
James Jason Petrie Bursary	

## PARLIAMENTARY FUND

In as much as the foundation of the Society itself arose from resistance to threatening parliamentary measures, the representation of pharmacy in the House of Commons has always been a matter of concern to the Council of the Society. Mr Jacob Bell, one of the founders of the Society, was the Member of Parliament for St Albans from 1850, and was instrumental in securing the passing of the first Pharmacy Act, namely, the Pharmacy Act 1852.

The Parliamentary Fund was established for the purpose of assisting pharmaceutical candidates. An invitation to members to subscribe to the new fund was first given in 1943.

## OBJECTIVES AND STRATEGY

In furtherance of these objectives during the above period, the Trustees award maintenance and tuition grants to pharmacy students. There were no grants made during the year. No applications for grants from the Parliamentary Fund were received from parliamentary candidates during the year.

## ORGANISATION

The Society is governed by a Council of 21 pharmacists elected by the membership and three lay members appointed by the Privy Council. The Council elects annually the President, Vice-President and the Treasurer who together with the Immediate Past President constitute the Officers. The Council appoints annually the Secretary of the Society. The Council meet six times a year to consider strategic issues affecting pharmacy and to decide on policies and has an additional meeting prior to the Annual General Meeting. Further meetings of the Council can be called as required.

The current members of the Society's Council who act as Trustees of the Funds are listed on page 26, together with details of any changes during the year.

There are no paid employees of the Educational and Parliamentary Funds. Their charitable activities and financial reporting are supported by the Education and Finance departments of the Society.

## REVIEW OF ACTIVITY AND FUTURE DEVELOPMENT

During the year research has been undertaken into the group structure of the charities involved in these financial statements. With the assistance from the Charity Commission the Trustees intend to seek further clarification and ascertain with its limited income the most appropriate assistance it can provide in achieving its charitable objectives.

#### GRANT MAKING POLICY

The Trustees award maintenance and tuition grants to pharmacy students. The grants are made to students for research leading to a PhD who are recommended to the Trustees by the Heads of the recognised Schools of Pharmacy.

#### REVIEW OF TRANSACTIONS AND FINANCIAL POSITION

The Statement of Financial Activities is set out on page 28.

During the year the Educational Funds received investment income of £24,236. There were no grants made in 2004 to pharmacy students (2003 – grants of £109,958 were made to 8 students).

The balance on the Educational and Parliamentary Funds' Accumulated and Endowment Funds are principally invested in the Funds' investment portfolio and bank deposits. These assets will be used to support the Funds' objectives during the new financial year.

The Parliamentary Fund received no donations during the year and no applications for funding were made during the year.

#### FUNDS AVAILABLE

For the funds set out on page 28, the Trustees confirm that the Charity's assets are available and adequate to fulfil its obligations.

#### INVESTMENT POLICY

The Trustees can invest the monies of the funds not immediately required for its purposes in such investments as may be thought fit. The Funds' investment objective is to provide a secure level of income while maintaining the real value of the capital. To this end the Trustees have been considering investments with the Charities Aid Foundation. Currently, the investment portfolio includes both equity and Treasury Stock holdings and bank deposits.

#### RISKS

The Trustees in conjunction with Society have completed a risk assessment programme and identified potential risks and opportunities, which it faces. These are now being quantified to enable those events that pose the biggest threat or offer the greatest opportunity to be more readily available. This process will continue throughout 2005 so that appropriate processes are put in place to manage these events.

#### RESERVES

As the Trust is purely a grant-making organisation and has no operational costs, the Trustees do not intend to set a minimum level of reserves. It intends to distribute all its income over time, by way of grants, in discharging its objectives. The free reserves of the Charity are represented by its Unrestricted Funds and amounted to £151,326.

#### STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Charity law requires the Trustees to prepare financial statements which show a true and fair view of the state of the Funds' affairs as at the year end and of the resources received and expended by them for the year then ended.

In order to meet this requirement the Trustees must be satisfied that:

- Suitable accounting policies are selected and then consistently applied.
- Judgements and estimates that are made are reasonable and prudent.
- Applicable accounting standards and statements of recommended practice have been followed.
- Financial statements are prepared on a going concern basis unless it is inappropriate to assume that the Funds' will continue their activities.

The Trustees are responsible for ensuring that proper books and records are maintained, for safeguarding the assets of the Funds, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS

The Charity's Auditors, Horwath Clark Whitehill, transferred substantially all of their business to a limited liability partnership, Horwath Clark Whitehill LLP, on 1 April 2004. The Trustees have agreed that, following this change, Horwath Clark Whitehill LLP should be appointed as the Charity's Auditors.

#### HONORARY AUDITORS

The Honorary Auditors meet prior to the Annual General Meeting. It is their duty to inspect and approve the financial statements prepared for them by the Trustees.

*By order of the Trustees*

**Mr John Jolley**

**Treasurer**

13 April 2005

**LEGAL AND ADMINISTRATIVE DETAILS**

**PRESIDENT**

Dr Gillian M Hawksworth (President until 31 May 2004)  
Mr Nicholas Wood (President from 1 June 2004)

**VICE-PRESIDENT**

Miss Alison B Ewing (Vice-President until 31 May 2004)  
Mr Hemant R Patel (Vice-President from 1 June 2004)

**TREASURER**

Mrs Linda J Stone (Treasurer until 31 May 2004)  
Mr John Jolley (Treasurer from 1 June 2004)

Mr Gerald Alexander  
Mr Hassan Argomandkhah (from 1 June 2004)  
Mr Martin Astbury  
Mr Shiv K Bagga (from 1 June 2004)  
Mr Andrew J Burr (until 31 May 2004)  
Mr Sultan Dajani  
Mr Wally Dove (until 31 May 2004)  
Mr A Digby Emson  
Dr Phillida Entwistle  
Mrs Davan Eustace (from 1 June 2004)  
Miss Alison B Ewing  
Mrs Christine Glover  
Dr Nicola Gray  
Mrs Sally Greensmith (until 31 May 2004)  
Dr Gillian M Hawksworth  
Mr Maurice Hickey \* (from 1 June 2004)  
Mrs Patricia Hoare  
Mrs Helen Howe (until 31 May 2004)  
Mr Clive Jackson  
Prof Alistair Michell  
Mr Graham Philips (from 1 June 2004)  
Prof Michael Schofield  
Mr Douglas Simpson  
Mrs Linda J Stone  
Mr Ashwin Tanna (until 31 May 2004)  
Mr Noel Wicks

\* Mr Maurice Hickey resigned from Council in December 2004 in the same year as appointment.

**SECRETARY**

Miss Ann M Lewis

**PRINCIPAL OFFICE**

1 Lambeth High Street  
London  
SE1 7JN

**AUDITORS**

Horwath Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

**SOLICITORS**

Eversheds  
Senator House  
85 Queen Victoria Street  
London  
EC4V 4JL

**BANKERS**

National Westminster Bank  
91 Westminster Bridge Road  
Lambeth  
London  
SE1 7HW

**STOCKBROKERS**

Investec Asset Management  
2 Gresham Street  
London  
EC2V 7QP

**HONORARY AUDITORS**

The financial statements on pages 28 to 30 were approved by the Honorary Auditors on 13 April 2005.

**John E Balmford**  
**Ian MW Caldwell**  
**Anthony R Cox**  
**Brian A Wills**

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE EDUCATIONAL AND PARLIAMENTARY FUNDS OF THE ROYAL PHARMACEUTICAL SOCIETY OF GREAT BRITAIN**

We have audited the financial statements of the Educational and Parliamentary Funds of the Royal Pharmaceutical Society of Great Britain for the year ended 31 December 2004 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes set out on pages 28 to 30. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 29 and 30.

This report is made solely to the Charity Trustees, as a body, in accordance with Regulation 6(2) of the Charities (Accounts and Reports) Regulations 1995 (SI 1995/2724) as amended by Regulation 4(a) of the Charities (Accounts and Reports) Regulations 2000 (SI 2000/2868). Our audit work has been undertaken so that we might state to the Charity Trustees those matters we are required to state to them in an auditor's 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 Charity Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

**Respective responsibilities of Trustees and Auditors**

The Trustees' responsibility for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities on page 25.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. 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 Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Trustees' Report 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 judgments made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

**Unqualified opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Charity as at 31 December 2004 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

**Horwath Clark Whitehill LLP**

Chartered Accountants and Registered Auditors  
13 April 2005  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

**EDUCATIONAL AND PARLIAMENTARY FUNDS**

**STATEMENT OF FINANCIAL ACTIVITIES**

For the year ended 31 December 2004

	note	2004 Educational Accum. £'000	2004 Educational Endow. £'000	2004 Parliamentary Accum. £'000	2004 Total Unrestricted £'000	2003 Total Unrestricted £'000
<b>Incoming resources</b>						
Donations		-	-	-	-	2
Interest receivable and similar income	2	24	-	-	24	7
Supplementation from the Society		-	-	-	-	38
<b>Total incoming resources</b>		<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>47</u>
<b>Resources expended</b>						
Charitable expenditure:						
Grants		-	-	-	-	110
Management and administration of the Funds		(4)	-	-	(4)	4
<b>Total resources expended</b>	3	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>114</u>
<b>Net movement in resources</b>		28	-	-	28	(67)
Realised gain/(loss) on disposal of investments		-	-	-	-	4
Revaluation of investments		-	4	-	4	(52)
<b>Net movement in funds</b>		<u>28</u>	<u>4</u>	<u>-</u>	<u>32</u>	<u>(115)</u>
Fund balance at 1 January 2004		104	314	19	437	552
Fund balance at 31 December 2004		<u>132</u>	<u>318</u>	<u>19</u>	<u>469</u>	<u>437</u>

**BALANCE SHEET**

As at 31 December 2004

	note	2004 Educational £'000	2004 Parliamentary £'000	2004 Total £'000	2003 Total £'000
<b>Fixed assets</b>					
Investments	4	<u>201</u>	<u>-</u>	<u>201</u>	<u>197</u>
<b>Current assets</b>					
Debtors	5	-	-	-	5
Cash at bank and in hand		<u>249</u>	<u>19</u>	<u>268</u>	<u>263</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>
<b>Net current assets</b>		<u>249</u>	<u>19</u>	<u>268</u>	<u>240</u>
<b>Net assets</b>		<u>450</u>	<u>19</u>	<u>469</u>	<u>437</u>
<b>Funds employed</b>					
Endowment Fund	7	318	-	318	314
Unrestricted Fund	7	<u>132</u>	<u>19</u>	<u>151</u>	<u>123</u>
		<u>450</u>	<u>19</u>	<u>469</u>	<u>437</u>

The financial statements on pages 28 to 30 were approved by the Honorary Auditors on 13 April 2005 and were signed on their behalf by:

**Mr Nicholas Wood (President)**

**Mr John Jolley (Treasurer)**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2004

**1. ACCOUNTING POLICIES**

**a) Accounting convention**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of fixed asset investments, in accordance with applicable UK Accounting Standards. The financial statements have also been prepared in accordance with the recommendations in the Statement of Recommended Practice (SORP) – “Accounting and Reporting by Charities” – issued in October 2000 and the Charities Act 1993. A summary of the more important accounting policies which have been applied consistently is set out below.

**b) Fund accounting**

General unrestricted funds represent unrestricted income, which is expendable at the discretion of the Trustees in the furtherance of the objects of the Charity. Such funds may be held in order to finance both working capital and capital investments.

Endowment funds have been established where as a condition of the granting of the original funding it was requested that the resources received be treated as capital funding, and unavailable for distribution as income.

**c) Investments**

Educational Fund investments held as fixed assets are stated at market value.

Any surplus or deficit realised on the disposal of investments is included in the Statement of Financial Activities in arriving at the net incoming resources for the year. Any unrealised surplus or deficit incurred in revaluing investments at the year-end is separately stated in the Statement of Financial Activities.

**d) Incoming resources**

Income from investments is included in the financial statements when received. All other sources of income are included in the financial statements on an accruals basis.

**e) Resources expended**

All grants are accounted for in the period in which beneficiaries are notified. All other expenditure is accounted for on an accruals basis.

**CHARITABLE EXPENDITURE**

**Grants**

These represent payments to external organisations or individual students in furtherance of the Funds’ objectives. Applications for funding are processed by the Society’s Education Department, and are generally awarded in the form of maintenance grants for a specific academic year.

**Management and administration of the Charity**

These represent the external professional fees incurred in auditing the funds.

**f) Foreign exchange**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the Balance Sheet date. Foreign exchange differences are taken to the Statement of Financial Activities in the year in which they arise.

**g) Cash flow statement**

The Charity is exempt from the requirement to publish a cash flow statement on the basis that it qualifies as a small charity.

**2. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2004</b>	<b>2003</b>
	<b>£’000</b>	<b>£’000</b>
Income from listed investments	19	4
Interest receivable	5	3
	<u>24</u>	<u>7</u>

**3. TOTAL RESOURCES EXPENDED**

**Educational Funds**

	<b>2004</b>	<b>2003</b>
	<b>£’000</b>	<b>£’000</b>
<b>Charitable expenditure</b>		
Maintenance grants and tuition fees payable to research students and schools of pharmacy	-	110
Management and administration of the Charity	(4)	4
<b>Total resources expended</b>	<u>(4)</u>	<u>114</u>

There were no paid employees of the Funds during the year.

The Trustees received no remuneration for its services to the funds during the year (2003 - £ Nil). No Trustee expenses were reimbursed.

**4. FIXED ASSET INVESTMENTS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Investments listed on the UK Stock Exchange at market value	<u>201</u>	<u>197</u>
	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Market value 1 January 2004	197	250
Acquisitions	-	3
Disposals at opening book value	-	(4)
Net (loss)/gains on revaluation 31 December 2004	4	(52)
Market value 31 December 2004	<u>201</u>	<u>197</u>
Historical cost 31 December 2004	<u>37</u>	<u>36</u>

The following holdings represent more than 5% of the total value of investments:

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
GlaxoSmithKline plc ordinary shares	61	64
Shell plc ordinary shares	21	19
RBS Group plc ordinary shares	63	59
Rio Tinto plc ordinary shares	37	37
	<u>182</u>	<u>179</u>

All of the above assets were held for investment purposes rather than for direct charitable purposes during the year.

**5. DEBTORS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Other Debtors	<u>-</u>	<u>5</u>
	<u>-</u>	<u>5</u>

**6. CREDITORS**

	<b>2004</b>	<b>2003</b>
	<b>£'000</b>	<b>£'000</b>
Balances with related parties (note 8)	-	11
Other creditors	<u>-</u>	<u>17</u>
	<u>-</u>	<u>28</u>

**7. FUNDS EMPLOYED**

**Endowment Fund**

	<b>As at 1</b>	<b>Realised</b>	<b>Unrealised</b>	<b>As at 31</b>
	<b>January</b>	<b>gain</b>	<b>gain</b>	<b>December</b>
	<b>2004</b>	<b>£'000</b>	<b>£'000</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Educational	<u>314</u>	<u>-</u>	<u>4</u>	<u>318</u>

**Accumulated Fund**

	<b>As at 1</b>	<b>Incoming</b>	<b>Unrealised</b>	<b>As at 31</b>
	<b>January</b>	<b>resources</b>	<b>gain</b>	<b>December</b>
	<b>2004</b>	<b>£'000</b>	<b>£'000</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Educational	104	28	-	132
Parliamentary	19	-	-	19
	<u>123</u>	<u>28</u>	<u>-</u>	<u>151</u>

**8. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

Fund balances at 31 December were represented by:

	<b>Educational</b>	<b>Educational</b>	<b>Parliamentary</b>	<b>Total</b>
	<b>Accumulated</b>	<b>Endowment</b>	<b>Accumulated</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments	-	201	-	201
Current assets	132	117	19	268
Current liabilities	-	-	-	-
	<u>132</u>	<u>318</u>	<u>19</u>	<u>469</u>

**9. RELATED PARTY TRANSACTIONS**

The Society maintains the accounting records on behalf of the Educational and Parliamentary funds of the Royal Pharmaceutical Society of Great Britain and administers the payments of grants to students, schools of pharmacy and Parliamentary candidates on the Fund's behalf.

# Pharmaceutical Trust for Educational and Charitable Objects

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

## REPORT OF THE TRUSTEES

Members of the Society's Council act as Trustees of The Pharmaceutical Trust for Educational and Charitable Objects and present their report and the audited financial statements of the Trust for the year ended 31 December 2004. The financial statements comply with current statutory requirements, the Trust Deed and the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2000).

## CHARITY DETAILS

A list of the names and addresses of the Charity's principal officers and advisors is set out on page 33.

## OBJECTIVES AND STRATEGY

The Pharmaceutical Trust for Educational and Charitable Objects was created by Trust Deed in 1938, the Trust's objects being the maintenance of the educational activities undertaken by the Society. At that time, these activities included a school of pharmacy and laboratories, known as the College of the Pharmaceutical Society, the library and museum located at the Society's headquarters, and the monitoring and revision of the educational curriculum studied by pharmacists.

## ORGANISATION

The Society is governed by a Council of 21 pharmacists elected by the membership and three members appointed by the Privy Council. The Council elects annually the President, Vice-President and the Treasurer who together with the Immediate Past President constitute the Officers. The Council meet six times a year to discuss strategic issues affecting pharmacy and to decide on policies and has an additional meeting prior to the Annual General Meeting. Additional meetings of the Council can be called as required.

The Trustees are now selected from the Officers of the Council and one other senior member to comply with the Trust Deed. The other Council members therefore resigned during the year.

The Trust does not employ any members of staff, but its charitable activities and financial reporting are supported by the education and finance departments of the Society.

## RISKS

The Trustees in conjunction with the Society have completed a risk assessment programme and identified potential risks and opportunities which it faces. These are now being quantified to enable those events that pose the biggest threat or offer the greatest opportunity to be more readily available. The process will continue throughout 2005 so that appropriate processes are put in place to manage these events.

## REVIEW OF ACTIVITY AND FUTURE DEVELOPMENTS

The Trustees awarded a payment of £821,000 to the Society. This represented a contribution of £559,000 to the Society towards the running of its information centre. The balance of £262,000 was in support of the grant payments to the Practice Research Trust Fund in relation to its operating costs and research activities.

The Statement of Financial Activities is set out on page 35.

During the year funding of £290,207 was received from the Society. The funding will be applied to the objectives of the Charity, all of the funding received being made available without restriction as to its usage by the Trust.

## FUNDS AVAILABLE

For the fund set out on page 35, the Trustees confirm that the Charity's assets are available and adequate to fulfil its obligations.

## INVESTMENT POLICY

The Trustees may invest the monies of the Charity not immediately required for its purposes in such investments as may be thought fit.

## GRANT MAKING POLICY

The policy is to make grants in accordance with the charitable objectives in accordance with the Trust Deed to contribute towards the running costs of the Society's charitable activities. This includes the running costs of the museum and information centre.

## RESERVES

As the Charity is purely a grant making organisation and has no operational costs, the Trustees do not intend to set a minimum level of reserves. It intends to distribute all its income over time, by way of grants, in discharging of its charitable objectives.

#### STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Charity law requires the Trustees to prepare financial statements, which show a true and fair view of the state of the Charity's affairs as at the year-end and of the resources received and expended by the Charity for the year then ended.

In order to meet this requirement the Trustees must be satisfied that:

- Suitable accounting policies are selected and then consistently applied.
- Judgements and estimates that are made are reasonable and prudent.
- Applicable accounting standards and statements of recommended practice have been followed.
- Financial statements are prepared on a going concern basis unless it is inappropriate to assume that the Charity will continue its activities.

The Trustees are responsible for ensuring that proper books and records are maintained, for safeguarding the assets of the Charity, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### AUDITORS

The Charity's Auditors, Horwath Clark Whitehill, transferred substantially all of their business to a limited liability partnership, Horwath Clark Whitehill LLP, on 1 April 2004. The Trustees have agreed that, following this change, Horwath Clark Whitehill LLP should be appointed as the Charity's Auditors.

#### HONORARY AUDITORS

The Honorary Auditors meet prior to the Annual General Meeting. It is their duty to inspect and approve the financial statements prepared for them by the Trustees.

*By order of the Council*

**Mr John Jolley**  
**(Treasurer)**  
13 April 2005

**CHARITY DETAILS**

Registered Charity Number: 281607

**PRESIDENT**

Dr Gillian M Hawksworth (President until 31 May 2004)

Mr Nicholas Wood (President from 1 June 2004)

**VICE-PRESIDENT**

Miss Alison B Ewing (Vice-President until 31 May 2004)

Mr Hemant R Patel (Vice-President from 1 June 2004)

**TREASURER**

Mrs Linda J Stone (until 31 May 2004)

Mr John Jolley (from 1 June 2004)

Mr Gerald Alexander

Mr Hassan Argomandkhah (from 1 June 2004)

Mr Martin Astbury

Mr Shiv K Bagga (from 1 June 2004)

Mr Andrew J Burr (until 31 May 2004)

Mr Sultan Dajani

Mr Wally Dove (until 31 May 2004)

Mr A Digby Emson

Dr Phillida Entwistle

Mrs Davan Eustace (from 1 June 2004)

Miss Alison B Ewing

Mrs Christine Glover

Dr Nicola Gray

Mrs Sally Greensmith (until 31 May 2004)

Dr Gillian M Hawksworth

Mr Maurice Hickey \* (from 1 June 2004)

Mrs Patricia Hoare

Mrs Helen Howe (until 31 May 2004)

Mr Clive Jackson

Prof Alistair Michell

Mr Graham Philips (from 1 June 2004)

Prof Michael Schofield

Mr Douglas Simpson

Mrs Linda J Stone

Mr Ashwin Tanna (until 31 May 2004)

Mr Noel Wicks

\* Mr Maurice Hickey resigned from Council in December 2004 in the same year as appointment.

**SECRETARY**

Miss Ann M Lewis

**PRINCIPAL OFFICE**

1 Lambeth High Street

London

SE1 7JN

**AUDITORS**

Horwath Clark Whitehill LLP

St Bride's House

10 Salisbury Square

London

EC4Y 8EH

**SOLICITORS**

Eversheds

Senator House

85 Queen Victoria Street

London

EC4V 4JL

**BANKERS**

National Westminster Bank

91 Westminster Bridge Road

Lambeth

London

SE1 7HW

**STOCKBROKERS**

Investec Asset Management

2 Gresham Street

London

EC2V 7QP

**HONORARY AUDITORS**

The financial statements on page 35 were approved by the Honorary Auditors on 13 April 2005.

**John E Balmford**

**Ian MW Caldwell**

**Anthony R Cox**

**Brian A Wills**

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE PHARMACEUTICAL TRUST FOR EDUCATIONAL AND CHARITABLE OBJECTS**

We have audited the financial statements of the Pharmaceutical Trust for Educational and Charitable Objects for the year ended 31 December 2004 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes set out on page 35. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 35.

This report is made solely to the Charity Trustees, as a body, in accordance with Regulation 6(2) of the Charities (Accounts and Reports) Regulations 1995 (SI 1995/2724) as amended by Regulation 4(a) of the Charities (Accounts and Reports) Regulations 2000 (SI 2000/2868). Our audit work has been undertaken so that we might state to the Charity Trustees those matters we are required to state to them in an auditor's 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 Charity Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

**Respective responsibilities of Trustees and Auditors**

The Trustees' responsibility for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities on page 32.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. 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 Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Trustees' Report 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 judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

**Unqualified opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Charity as at 31 December 2004 and of its incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

**Horwath Clark Whitehill LLP**

Chartered Accountants and Registered Auditors  
13 April 2005  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

## STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2004

	note	2004 Unrestricted Fund £'000	2003 Unrestricted Fund £'000
<b>Income and expenditure</b>			
<b>Incoming resources</b>			
Donations from the Society <sup>1</sup> (c)		290	850
Sundry income		13	1
<b>Total incoming resources</b>		<u>303</u>	<u>851</u>
<b>Resources expended</b>			
Direct charitable expenditure:			
Grants	2	821	-
Irrecoverable income tax		-	-
Management and administration of the Charity	3		(2)
<b>Total resources expended</b>		<u>821</u>	<u>(2)</u>
Net movement in funds		(518)	853
Fund balance at 1 January 2004		851	(2)
Fund balance at 31 December 2004		<u>333</u>	<u>851</u>

## BALANCE SHEET

As at 31 December 2004

	note	2004 Total £'000	2003 Total £'000
<b>Current assets</b>			
Bank account		333	851
		333	851
<b>Net assets</b>		<u>333</u>	<u>851</u>
<b>Funds</b>			
Unrestricted Fund		<u>333</u>	<u>851</u>

The financial statements on page 35 were approved by the Honorary Auditors on 13 April 2005 and were signed on behalf of the Trustees by:

**Mr Nicholas Wood (President)**  
**Mr John Jolley (Treasurer)**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

### 1. ACCOUNTING POLICIES

#### a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards. The financial statements have also been prepared in accordance with the recommendations in the Statement of Recommended Practice (SORP) – “Accounting and Reporting by Charities” – issued in October 2000 and the Charities Act 1993. A summary of the more important accounting policies which have been applied consistently is set out below.

#### b) Fund accounting

General unrestricted funds represent unrestricted income, which is expendable at the discretion of the Trustees in the furtherance of the objects of the Charity.

#### c) Income

Donations are included in the financial statements when receivable. The donation of £290,207 (2003 - £851,000) was received from the Society.

#### d) Cash flow statement

The Charity is exempt from the requirement to publish a cash flow statement on the basis that it qualifies as a small charity.

### 2. DIRECT CHARITABLE EXPENDITURE

	Total costs 2004 £'000	Total costs 2003 £'000
Grant towards the charitable activities of the Society	<u>821</u>	<u>-</u>

There were no paid employees of the Trust during the year.

### 3. MANAGEMENT AND ADMINISTRATION OF THE CHARITY

	2004 £'000	2003 £'000
Auditors' remuneration for audit services	<u>-</u>	<u>(2)</u>

The Trustees received no remuneration for its services to the Charity during the year (2003 - £Nil) and there were no reimbursed expenses (2003 - £Nil).

### 5. RELATED PARTY TRANSACTIONS

The Society maintains the accounting records on behalf of the Pharmaceutical Trust for Educational and Charitable Objects.