

BRITISH LUNG FOUNDATION  
REPORT OF THE BOARD OF TRUSTEES  
FOR THE YEAR ENDED 30 JUNE 2006

REFERENCE AND ADMINISTRATIVE DETAILS

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

Dr Keith Prowse	Chairman
Mr Ian Hudson	Honorary Treasurer
Dr David Bellamy	
Mr Jamie Borwick	Deputy Chairman
Dr Mark Britton	(Resigned 30 November 2005)
Mr Peter Dolphin	(Appointed 1 September 2006)
Dr Noemi Eiser	
Prof Ruth Endacott	(Appointed 1 July 2006)
Mrs Christine Fehrenbach	
Mr Russell Hancock	(Appointed 30 November 2005)
Sir Graham Hart	(Appointed 1 September 2006)
Prof Chris Haslett	(Appointed 27 June 2006)
Mr Graham Lancaster	(Appointed 24 November 2005)
Professor Warren Lenney	
Mr Gregor Michie	(Resigned 20 June 2006)
Ms Gillian Perkins	(Appointed 1 July 2006)
Mrs Phyllida Pyper	(Resigned 26 July 2006)
Dr Louise Restrick	(Resigned 20 June 2006)
Mrs Amanda Sater	
Mr Karamjit Singh	(Appointed 1 July 2006)
Professor Stephen Spiro	
Professor Monica Spiteri	
Mr Max van der Schalk	(Resigned 30 November 2005)
Professor Moira Whyte	(Resigned 27 June 2006)
Mr Sabah Zubaida	(Appointed 1 September 2006)

Key staff:	Chief Executive	Dame Helena Shovelton
	Head of Finance, Company Secretary	David Laughton
	Head of Fundraising	Rebecca Porta
	Head of Information & Publications	Humphrey Couchman
	Head of PR & Public Affairs	Jill Morrell

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The Board of Trustees presents its report and the financial statements for the year ended 30 June 2006.

Reference and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and, subject to accounting for grants payable, the Statement of Recommended Practice – Accounting and Reporting by Charities (issued in March 2005).

## **1 STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Nature of governing document**

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

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 30 June 2006 was 16 (2005: 18).

### **Recruitment and appointment of Trustees**

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

### **Policies and procedures for induction and training of Trustees**

Trustees are invited to attend the head office to meet all the staff and have induction meetings with senior management team members. An induction programme comprising information, governance, analysis of the corporate plan and a programme of visits to patient support groups and regional/national offices is also part of the induction programme. Trustees are able to undertake training specific to their role (eg: investment training for the Treasurer) and attend annual Away Days.

### **Organisational structure and how decisions are made**

The Trustees who have served during the year and those appointed before the date of this report are listed on page 1. No member of the Board or Advisory Council receives any remuneration for their services. The Board meets every 2 months. Subcommittees report to the Board. The Breathe Easy Subcommittee, the Corporate Guidelines Subcommittee, the Finance & Establishment Subcommittee, the Information & Publications Subcommittee and the Public Relations Subcommittee meet quarterly. The Scientific Subcommittee meets twice a year and the Nominations Subcommittee as required.

### **Connections to a wider network**

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

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**Trustees' responsibilities for financial statements**

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

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

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

The Trustees confirm that, to the best of their knowledge, there is no information relevant to the audit of which the auditors are unaware. The Trustees also confirm that they have taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

## **2 OBJECTIVES AND ACTIVITIES**

### **Objectives of the British Lung Foundation**

The objects in the Memorandum of Association are:

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

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

### **Charity's aims**

The British Lung Foundation's aims are:

- the provision of information and education to make more widely known the extent of lung disease and the need to advance lung research;
- the provision of support and advice for people living with lung disease by means of disease information factsheets and other publications, and particularly by the Foundation's network of Breathe Easy groups; and
- the funding of medical research to improve prevention, diagnosis and treatment of lung disease.

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Charity's strategies & significant activities

The British Lung Foundation has now started the first year of its corporate plan 2006-9. This has ambitious growth targets both in terms of fundraising and outputs.

The main achievements in 2005-6 have been:

- The celebration of our 20<sup>th</sup> birthday
- Helpline - our original estimate was to handle 3,000 calls in the first year. The helpline has handled 11,500 calls in year 1.
- Website - 615,000 visits in 2005-6, an increase of 71% over the previous year.
- Publications - we sent out 806,000 items, 12% more than in 2004-5.
- Baby Breathe Easy - the launch was successfully undertaken in Hamleys.
- Exercise classes - the pilot scheme has been well received.
- BLF Nurses - 5 nurses have been recruited in England and 16 in Greater Glasgow
- Professor Richard Hubbard has been appointed to the first BLF/GSK Chair in Respiratory Epidemiology at Nottingham University.

### Volunteer help

Volunteers in head office assist with fundraising, information distribution and administration. These donated services have not been evaluated for inclusion in the financial statements. BLF also benefits from the time dedicated in the regional and national offices by their volunteers and committee members and by its trustees and committee members in head office.

BLF also benefits from the time dedicated by the Breathe Easy group members, especially those who run the groups in committee positions .

### 3. FINANCIAL REVIEW

#### Results for the year

The income for the year totalled £4,423,907, a decrease of 28% on the 2005 total of £6,113,045. This reflects an overall decline in legacy income during the year. Total expenditure was £5,157,654, an increase of 17% on 2005, reflecting a continuing commitment to the maintenance of our grant programme and the expansion of the Breathe Easy network. After unrealised investment gains, the deficit for the year amounted to £554,092, an unrestricted shortfall of £817,110 and a restricted surplus of £263,018.

The balance sheet shows unrestricted and undesignated funds totalling £683,603 at 30 June 2006, an increase of £36,488 on the 2005 total. The group's funds restricted for future specific purposes amounted to £2,046,748 (2005: £1,931,002) and the endowment funds increased from £1,764,046 in 2005 to £1,911,318 at 30 June 2006. The group's cash balances, including term deposits, at 30 June 2006 amounted to £4,036,655, a decrease of £522,847 over the year.

#### Charitable expenditure

The group's charitable expenditure includes research grants, research department costs, activities in relation to Breathe Easy and patient support, campaigning and awareness raising, public education and literature and governance costs as detailed in the Consolidated Statement of Financial Activities. Total charitable expenditure was £4,146,893 (2005: £3,515,794), being **82.6p for every £1 raised** (2005: 63.7p). The current year's ratio has been calculated based on an amended income figure for this year, increased to take into

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account the £596,000 designated by the Board of Trustees in 2005 in respect of charitable expenditure to be spent in 2006, and the comparative figure has been adjusted accordingly.

#### **Reserves Policy**

The Trustees' Reserves Policy is to build reserves up to 3 to 6 months' forecast unrestricted expenditure (currently £1-2 million). At 30 June 2006, the unrestricted reserves totalled £1,236,065, although £552,462 of this is designated for known future expenditure, leaving £683,603 as free reserves.

The charity's free reserves of £683,603, which are unrestricted, undesignated funds, consist of a range of assets and liabilities. These include £1,191,624 represented by the book value of the BLF's property, purchased from unrestricted funds in 2004. The remaining balance consists of £113,631 of net current assets and £621,652 of long term creditors. The latter are research grants payable after June 2007. The charity therefore holds sufficient current assets to pay its creditors and research grants payable within the next financial year 2006/07, but most of its free reserve is tied up in the property. The property is included in the accounts at cost less depreciation.

#### **Investment policy, performance and ethical policy**

In accordance with the charity's Memorandum and Articles, the Trustees have the power to invest in such stocks, shares, investments and property in the UK as they see fit. The investments have been placed in CAF Equity Growth Funds and the CAF Income Bond Fund. The charity does not own any other investments. The policy is to adopt a medium risk investment strategy and to exclude investments in tobacco manufacturers.

#### **Grant making policy**

The charity invites applications for lung research projects to fund through advertising in medical journals. Applicants are invited to submit a summary of their proposals, and these summaries are reviewed and short listed by the Scientific Subcommittee. Short listed applicants are then invited to submit full applications. These are then reviewed by the members of the Scientific Subcommittee and peer reviews are sought. These grants are then ranked in order of scientific merit, and funding is given to the top ranking grants and taking in to account the research priorities of the BLF.

The submission deadline for applications in the forthcoming grant round for BLF project grants and fellowships will be delayed to February 2007. Grants will be awarded in November 2007. This delay of 5 months will enable the Scientific Committee to know the amount available for research before grants are made.

#### **Risk**

The Trustees have examined the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to evaluate and manage these risks.

#### **Auditors**

A resolution to re-appoint Sayer Vincent as the Charity's auditors will be proposed at the forthcoming Annual General Meeting.

#### 4. ACHIEVEMENTS AND PERFORMANCE

##### Public education

The reach of the British Lung Foundation continues to grow. The increased number of publications sent out, long term visitors to the website and callers to the helpline, together with the growing circulation of Breathing Space magazine demonstrates the success of our work towards positioning the BLF as the leading expert voice on all lung disease.

Our national and regional offices are:  
Scotland & Northern Ireland in Glasgow  
Wales in Swansea  
London & South in London  
Midlands, in Leicester  
North East in Newcastle  
North West in Liverpool  
South West in Bristol

##### Helpline

The Helpline, based in Liverpool, has been operating since March 2005. It is staffed by respiratory nurses and welfare benefits advisers, who provide advice on a broad range of topics, principally by phone, but also by email and post. The team handled over 11,500 calls this year.

##### Breathe Easy groups

The British Lung Foundation's network of groups for people with long term lung problems had nearly 24,500 (2005: 23,000) supporters and 142 (2005: 129) Breathe Easy groups at 30 June 2006. The club has proved to be a vital source of information for thousands of people who otherwise would not have access to such support.

##### Baby Breathe Easy

This network of 9 groups has established itself as an important resource for the families who attend. A highly successful launch was held at Hamleys in March. Families and their children attended from all over the UK.

##### BLF Nurses

The start of this project has been exciting with 21 BLF Nurses now placed in 6 sites in the UK. They will be primarily working with COPD patients seeking to assist in the discharge of patients from hospital and seeking to alleviate suffering and hospital admissions where possible.

##### Exercise Classes

Exercise classes for people with lung disease have been successfully piloted during the year. The results are encouraging and will be submitted as an abstract to the BTS winter meeting.

##### Public Affairs

### **NSF for COPD**

In June 2006, the government announced a National Service Framework (NSF) for Chronic Obstructive Pulmonary Disease (COPD). The British Lung Foundation has long campaigned for this and will play a vital role in shaping it before implementation in the spring of 2009.

### **Lung Health Awareness Day**

In May 2006 the BLF joined forces with the House of Commons Occupational Health Safety and Welfare service to hold a second Lung Health Awareness Day. 113 members of House of Commons/Lords staff took a spirometry test and all were given a clean bill of health. 87 MPs and one Member of the House of Lords agreed to support the British Lung Foundation's Breathe Easy Week 'Lungs are for Life' campaign and took part in a photo call for their local media.

### **Smoking Ban**

Campaigning for a ban on smoking in enclosed public places and work places has been one of the BLF's priorities. In Scotland the ban came into force on 26 March 2006; in Northern Ireland, it was announced that a comprehensive ban will come into force in April 2007. Much time was invested into the collaborative effort of the health charities to amend the Health Bill as it passed through Parliament. This resulted in legislation for a comprehensive ban in England to come into force in the summer of 2007. Additionally the Health Act 2006 devolves the powers needed by the Welsh Assembly to introduce a similar ban in Wales following votes by Assembly Members in favour of this in 2002 and 2005.

### **Action Mesothelioma Day**

The first ever Action Mesothelioma Day on 27 February was very successful. A fifteen-point Mesothelioma Charter, calling for improvements in prevention, diagnosis, treatment and care, the development of clinical guidelines and increased funding for research, was presented to 10 Downing Street with 14,294 signatures. The Charter was welcomed by the Government at a parliamentary reception attended by more than 30 MPs, Mesothelioma and asbestos support groups from across the UK joined the campaign, holding events locally and collecting signatures on the Charter. The campaign was featured in the Daily Mail and the Observer as well as more than 80 other newspaper articles and 25 radio stations across the UK.

### **World COPD Day 2005**

To mark World COPD Day in November 2005, the BLF's campaign aimed to raise awareness of the symptoms of COPD and encourage the use of spirometry testing to increase early diagnosis of the disease.

To help promote the campaign, the BLF secured the support of Superdrug in organising spirometry testing in selected Superdrug pharmacies around the UK.

A further two hundred awareness raising events took place by Breathe Easy and other groups around the nations using BLF COPD-branded t-shirts, leaflets and posters.

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To take the message to GP's, more than eleven thousand GP Practice Managers were sent World COPD Day packs including a World COPD Day poster set and BLF leaflets.

Parliamentary dinners were also held to mark World COPD Day at the House of Commons and at the National Assembly for Wales.

### Research

For the year ended 30 June 2006, we awarded 9 new grants totalling £828,226 (2005: £1,118,232) to lung research programmes based in universities and hospitals throughout the United Kingdom.

The number of projects supported by the British Lung Foundation has now reached 320 (2005: 311). A total of £19,527,296 has been awarded in research grants since the charity was established in 1984.

In addition to our expenditure on new research grants, we have been investing a great deal of time into the formation of a research strategy. During the year, the Scientific Committee were tasked with formulating a document that set out priority areas in lung disease. In February 2006 the Board of Trustees and Scientific Committee met to discuss this research strategy and the themes involved. This strategy document will help to inform the decisions that the charity makes in future, and help the BLF to raise further funds.

With a wider perspective, the British Lung Foundation has played a pivotal role in forging a research strategy across the entire UK respiratory research community, associated professional bodies and other lung research charities. Over the year, the BLF helped to organise a series of meetings and workshops which brought together the UK's top lung researchers, the Medical Research Council and charitable funding bodies to formulate a wider strategy for taking respiratory research forward in the UK. This strategy is being used to highlight the issues of underfunding in respiratory research to the Government as they carry out a consultation looking at what funding for medical research achieves. In addition, this united voice will help respiratory research to be taken seriously by the big funders of medical research.

### Fundraising performance

Although total income this year is lower than in 2005, largely as a result of a significant fall in legacy income received, there were encouraging achievements from our business development and individual giving teams. Income from events, especially running events, has exceeded our targets and we plan to maintain this trend through expansion into overseas activities, such as the New York marathon.

Fundraising costs for the year were **22.8p** for every £1 raised (2005: 14.7p). This represents an investment in our future fundraising activities.

The BLF has ambitious plans to grow its fundraising income and has recently invested in new posts to maximise income from trusts and foundations, legacies and major donors. Attracting new sources of support will enable us to plan for future growth and development.

## Objectives for the year ahead

### Support

- To open 44 new Breathe Easy groups, making 186 in total
- To increase the black and minority ethnic membership of Breathe Easy groups
- To establish and develop the role of the BLF Nurse in the UK
- To develop a sustainable strategy for Baby Breathe Easy
- To build the tools to facilitate the lung exercise programme across the UK
- To develop our helpline by increasing its capacity and promoting benefit advice
- To rebuild and improve our website
- To develop and produce our information products, including those in Welsh and those needed in Northern Ireland
- To launch a BLF membership scheme for individuals

### Change

- To secure an NSF for COPD and influence its contents to benefit patients
- To raise awareness of respiratory disease issues and promote chosen disease areas, i.e. mesothelioma, lung cancer, COPD and sleep apnoea
- To produce and implement a research strategy

### Internal Business Processes

- To improve our internal communications and HR processes
- To promote a culture of fun and openness where ideas are valued and encouraged and equality and inclusiveness are normal practice with all staff working towards a common goal
- To create a service culture from finance and administration to the organisation as a whole
- To initiate cost centre budgeting throughout the organisation to improve efficiency and lower overall costs

In order to fund these activities, we will be implementing the five year fundraising strategy.

### Corporate Plan

The 2006-9 Corporate Plan was approved by the Trustees in June 2006. The main elements are:

- **Information and Publications**

Our target is for 30% growth in supply of printed materials.  
We plan for 30% increase in call traffic to the helpline  
We plan to rebuild the website to allow for increased interactivity  
Our target is to distribute a further 30 notice boards to hospitals  
We will improve the cost-income ratio of Breathing Space  
We will continue to strive for consistent use of our brand

- **Nations, Regions, Breathe Easy and Support Projects**

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Our target is to work towards achieving 300 Breathe Easy groups by 2010  
We will develop a sustainable strategy for Baby Breathe Easy  
We will develop a sustainable strategy for Exercise classes  
We will evaluate the achievements of our BLF Nurses and seek funding for expanding the network

- **Public Affairs**

New campaigns will be launched for:

- COPD
- Mesothelioma
- Lung Cancer
- Baby Breathe Easy
- Sleep Apnoea

We plan for greater public awareness of BLF

We plan to play a full part in assisting the Department of Health create the National Service Framework for COPD

- **Research**

We look to expand our research spending

We plan to play a major role in a new UK strategic research committee

Our target is a new research strategy in place by the end of 2006-7

Approved by the Board of Trustees and signed on its behalf

David Laughton  
Company Secretary  
Dated: 29 November 2006

**British Lung Foundation**

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

We have audited the financial statements of British Lung Foundation for the year ended 30 June 2006 which comprise the statement of financial activities, balance sheets and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005).

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board of Trustees and auditors**

The Board of Trustees who are also directors of British Lung Foundation for the purposes of company law, are responsible for preparing the report of the Board of Trustees and the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005). The responsibilities of the Board of Trustees are set out in the statement of responsibilities of the Board of Trustees.

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

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

We read other information contained in the report of the Board of Trustees, and consider whether it is consistent with the audited financial statements. This other information comprises only the report of the Board of Trustees. 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees in the preparation of financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

**Qualified opinion arising from disagreement about accounting treatment**

Two meetings of the Research and Scientific committee took place during the year ended 30 June 2006. Grants totalling £828,226 were awarded at the meeting that took place in June 2006. These have been correctly accounted for in this year's financial statements. The prior year included grants of £1,052,855 which were awarded at the Research and Scientific Committee meeting held in October 2005.

In our opinion, under Financial Reporting Standard 12 - Provisions, contingent liabilities and contingent assets ("FRS 12") and the Statement of Recommended Practice, these grants should not have been included in the financial statements for the year ended 30 June 2005.

If this expenditure had been charged in the year ended 30 June 2006, this would have resulted in research grant expenditure amounting to £65,377 for the year ended 30 June 2005 plus £1,022,590 from the year ended 30 June 2004, instead of £1,118,232. For the current year this would have resulted in grant expenditure amounting to £828,226 this year plus £987,478 from the year ended 30 June 2005.

Except for the failure to account for the grants referred to above as required by FRS12 and SORP 2005, in our opinion :

Research grant creditors for the year ended 30 June 2005 included £1,052,855 of grants awarded in the year to 30 June 2006. Had last year's accounts been prepared in accordance with FRS 12, this would have resulted in research grants creditors of £1,476,712 instead of £2,525,567.

Except for the failure to account for grants referred to above as required by FRS 12 and SORP 2005, in our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice as modified by the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005), of the group and charitable company's state of affairs as at 30 June 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the Board of Trustees is consistent with the financial statements.

**SAYER VINCENT**

Chartered Accountants & Registered Auditors  
London

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**(Incorporating an income and expenditure account)  
for the year ended 30 June 2006

	Notes	Unrestricted Funds £	Restricted Funds £	Total £	2005 £
<b>Incoming resources</b>					
Voluntary income	2	883,689	140,031	1,023,720	2,542,387
Activities for generating funds	3	1,284,250	237,847	1,522,097	1,661,254
Investment income	4	133,913	109,976	243,889	267,074
Incoming resources from charitable activities	5	978,698	655,503	1,634,201	1,642,330
<b>Total incoming resources</b>		<b>3,280,550</b>	<b>1,143,357</b>	<b>4,423,907</b>	<b>6,113,045</b>
<b>Resources expended</b>					
Costs of generating funds	6	1,010,761	-	1,010,761	896,112
Charitable activities					
Research grants	7	621,652	206,574	828,226	1,118,232
Research department costs		82,048	-	82,048	71,838
Activities in relation to Breathe Easy and patient support		1,129,519	120,900	1,250,419	790,796
Campaigning and awareness raising		84,489	542,638	627,127	396,611
Public education and literature		960,173	189,882	1,150,055	956,762
Governance costs		209,018	-	209,018	181,555
<b>Total resources expended</b>		<b>4,097,660</b>	<b>1,059,994</b>	<b>5,157,654</b>	<b>4,411,906</b>
<b>Net incoming/(outgoing) resources</b>		<b>(817,110)</b>	<b>83,363</b>	<b>(733,747)</b>	<b>1,701,139</b>
Unrealised gains on investment assets		-	179,655	179,655	211,674
<b>Net movement in funds</b>		<b>(817,110)</b>	<b>263,018</b>	<b>(554,092)</b>	<b>1,912,813</b>
<b>Funds brought forward at 1 July 2005</b>		<b>2,053,175</b>	<b>3,695,048</b>	<b>5,748,223</b>	<b>2,529,699</b>
Prior year adjustment		-	-	-	1,305,711
<b>Funds carried forward at 30 June 2006</b>	13	<b>1,236,065</b>	<b>3,958,066</b>	<b>5,194,131</b>	<b>5,748,223</b>

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

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

The restricted fund balances brought forward and carried forward include £1,764,046 and £1,911,318 respectively which relate to the endowment fund. There were no new endowments in this period and the only change to the fund is investment income of £53,417, expenditure on the Chair of £42,675 and unrealised investment gains of £136,530.

**BALANCE SHEETS**

As at 30 June 2006

	Notes	Charity		Group	
		2006	2005	2006	2005
		£	£	£	£
<b>Fixed assets</b>					
Tangible	8	1,191,624	1,207,620	1,191,624	1,207,620
Investments	9	2,219,265	2,000,551	2,490,755	2,242,998
		<b>3,410,889</b>	<b>3,208,171</b>	<b>3,682,379</b>	<b>3,450,618</b>
<b>Current assets</b>					
Stock	10	-	-	-	8,856
Debtors	11	443,007	781,723	287,879	615,706
Cash at bank and in hand		1,020,583	1,520,797	1,723,466	2,173,959
Cash and bank balances- short term deposits		2,313,188	2,385,543	2,313,189	2,385,543
		<b>3,776,778</b>	<b>4,688,063</b>	<b>4,324,534</b>	<b>5,184,064</b>
<b>Current liabilities</b>					
Creditors	12	300,604	170,698	525,376	356,892
Research grants	7	1,224,200	1,647,524	1,224,200	1,647,524
		<b>1,524,804</b>	<b>1,818,222</b>	<b>1,749,576</b>	<b>2,004,416</b>
<b>Net current assets</b>		<b>2,251,974</b>	<b>2,869,841</b>	<b>2,574,958</b>	<b>3,179,648</b>
<b>Total assets less current liabilities</b>		<b>5,662,863</b>	<b>6,078,012</b>	<b>6,257,337</b>	<b>6,630,266</b>
<b>Creditors due after more than one year</b>	7	1,063,206	882,043	1,063,206	882,043
<b>Net assets</b>		<b>4,599,657</b>	<b>5,195,969</b>	<b>5,194,131</b>	<b>5,748,223</b>
<b>Funds</b>					
Unrestricted funds		683,603	647,115	683,603	647,115
Designated funds		552,462	1,406,060	552,462	1,406,060
Restricted funds		1,452,274	1,378,748	2,046,748	1,931,002
Endowment funds		1,911,318	1,764,046	1,911,318	1,764,046
<b>Total funds</b>	14	<b>4,599,657</b>	<b>5,195,969</b>	<b>5,194,131</b>	<b>5,748,223</b>

Approved by the Board of Trustees on 29 November 2006 and signed on its behalf

Dr Keith Prowse  
Chairman of the Board of TrusteesIan Hudson  
Honorary Treasurer

**CONSOLIDATED CASH FLOW STATEMENT**

	Notes	2006 £	2005 £
<b>Net cash flow from operating activities</b>	(a)	<u>(470,741)</u>	<u>1,708,823</u>
<b>Capital expenditure and financial investment</b>			
Expenditure on investments		(68,102)	(540,014)
Expenditure on fixed assets		(9,004)	-
Disposal of investments		-	522,828
Depreciation		25,000	25,000
		<u>(52,106)</u>	<u>7,814</u>
<b>Decrease in cash balances</b>	(b)	<u>(522,847)</u>	<u>1,716,637</u>

**(a) Net cash (outflow)/inflow from operating activities**

Net (outgoing)/incoming resources	(733,747)	1,701,139
Decrease in stock	8,856	1,339
Decrease/(Increase) in debtors	327,827	(286,346)
(Decrease)/Increase in creditors	(73,677)	292,691
	<u>(470,741)</u>	<u>1,708,823</u>

**(b) Decreases in cash balances**

	At 1 July 2005 £	Cash flows £	At 30 June 2006 £
Cash and bank balances	4,559,502	(522,847)	<u>4,036,655</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting policies

#### a) Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable UK accounting standards and the Companies Act 1985. They comply with the 2005 Statement of Recommended Practice for accounting and reporting by charities. (SORP 2005).

#### b) Consolidation

The financial statements include the results of BLF Trading Limited, a wholly owned subsidiary and Burrow Hill Training Fund. The Leeds Trust and the Tuberculosis Fund, subsidiary permanent endowment funds, are included in the Financial Statements of the Charity.

The 142 (2005: 129) Breathe Easy groups are treated as branches and the income, expenditure and bank balances of 137 groups (2005: 84) are included in the Financial Statements. There are six regional offices and their transactions and bank balances are included. There are no material assets and liabilities at regional offices or Breathe Easy groups.

#### c) Voluntary income

Voluntary income is included in the Statement of Financial Activities when receivable. Donated services and gifts in kind are included at values agreed with the donors. Legacies are included when there is reasonable certainty of receivability, amount and timing.

#### d) Grants receivable

Revenue grants are credited to the Statement of Financial Activities when receivable, unless they relate to a specific future period when they are deferred to that period.

#### e) Allocation of costs

Central salary costs are apportioned on the basis of staff time attributable to each activity. Overhead costs are allocated to activities on a headcount basis.

#### f) Research grants

Grants awarded are charged to the Statement of Financial Activities in the year in which they are awarded. Those grants which are payable in future periods are included in creditors as set out in note 7.

#### g) Costs of charitable activities

The costs of each category of charitable activity are the costs directly attributable to that activity and allocated central costs.

#### h) Governance costs

Governance costs include all costs of compliance with constitutional and statutory requirements, including legal and audit fees and the costs of meetings.

#### i) Depreciation

All assets purchased at a cost of more than £2,000 are capitalised. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its estimated useful life, as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**

**j) Investments**

Investments are included in the financial statements at market value.  
Any gains and losses are included in the Statement of Financial Activities.

**k) Stock**

Stock is valued at the lower of cost and net realisable value.

**l) Funds**

Unrestricted funds are those resources available for the trustees to spend on charitable activities.  
Restricted funds are to be used for specific purposes as stipulated by the donor.  
Endowment funds are held by the charity and managed according to the terms of the trust.  
Designated funds are unrestricted funds set aside for specific purposes by the trustees.

**m) Transfers between funds**

At times the charity receives funds for research grants already awarded. These are treated as restricted income. Where funds raised in previous years are now restricted in this way, they are shown by way of a transfer on the face of the SOFA.

**n) Resources expended**

Resources expended are recognised in the period in which they are incurred and include attributable VAT which cannot be recovered.

**o) Costs of generating funds**

The costs of generating funds relate to the costs incurred by the group and charitable company in raising funds for its charitable work.

## NOTES TO THE FINANCIAL STATEMENTS

**2 Voluntary income**

	Unrestricted Funds £	Restricted Funds £	Total £	2005 Total £
Legacies	582,523	-	582,523	1,846,216
In memoriam	301,166	140,031	441,197	696,171
	<b>883,689</b>	<b>140,031</b>	<b>1,023,720</b>	<b>2,542,387</b>

**3 Activities for generating funds**

	Unrestricted Funds £	Restricted Funds £	Total £	2005 Total £
Companies	61,062	197,504	258,566	130,549
Trusts	205,391	14,778	220,169	191,317
Individuals	555,349	25,565	580,914	831,942
Events	462,448	-	462,448	507,446
	<b>1,284,250</b>	<b>237,847</b>	<b>1,522,097</b>	<b>1,661,254</b>

**4 Investment income**

UK listed investments	-	68,102	68,102	104,495
Bank interest	133,913	41,874	175,787	162,579
	<b>133,913</b>	<b>109,976</b>	<b>243,889</b>	<b>267,074</b>

**5 Incoming resources  
from charitable activities**

Research	-	-	-	51,750
Activities in relation to Breathe Easy and patient support	883,104	407,102	1,290,206	1,259,905
Public education and literature	95,594	248,401	343,995	330,675
	<b>978,698</b>	<b>655,503</b>	<b>1,634,201</b>	<b>1,642,330</b>

Included within the above income notes are amounts representing gifts in kind and donated services received during the year. These total £373,917 (2005: £107,024).

## NOTES TO THE FINANCIAL STATEMENTS

**6 Total resources expended**

	<b>Grants</b>	<b>Staff costs</b>	<b>Other</b>	<b>2006</b>	<b>2005</b>
		(note 15)		<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Costs of generating funds</b>					
Fundraising costs	-	308,039	702,722	1,010,761	896,112
<b>Charitable expenditure</b>					
Research grants (note 7)	828,226	-	-	828,226	1,118,232
Research department costs	-	53,193	28,855	82,048	71,838
Activities in relation to Breathe Easy and patient support	-	576,318	674,101	1,250,419	790,796
Campaigning and awareness raising	-	191,923	435,204	627,127	396,611
Public education and literature	-	511,955	638,100	1,150,055	956,762
Governance costs	-	76,902	132,116	209,018	181,555
	<b>828,226</b>	<b>1,718,330</b>	<b>2,611,098</b>	<b>5,157,654</b>	<b>4,411,906</b>

Governance costs include:

Trustees' expenses	2,905	1,747
Auditors' remuneration	14,168	14,882
Other fees paid to auditors	15,000	2,230

**7 Research grants**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>2006</b>	<b>2005</b>
	<b>Funds</b>	<b>Funds</b>	<b>Total</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Charity and Group</b>				
Balance at 1 July 2005	1,805,761	488,826	2,294,587	2,347,029
Tuberculosis Fund	-	234,980	234,980	-
	1,805,761	723,806	2,529,567	2,347,029
Awarded in the year				
Projects and research fellowships	621,652	206,574	828,226	1,108,555
Supplements to existing projects	-	-	-	39,567
Unused awards written back	-	-	-	(29,890)
Transfers on receipt of sponsorship	-	-	-	-
Charge to SOFA	621,652	206,574	828,226	1,118,232
Paid in year	(1,070,387)	-	(1,070,387)	(935,694)
Balance at 30 June 2006	<b>1,357,026</b>	<b>930,380</b>	<b>2,287,406</b>	<b>2,529,567</b>
Falling due within one year	<b>735,374</b>	<b>488,826</b>	<b>1,224,200</b>	<b>1,647,524</b>
Falling due after more than one year	<b>621,652</b>	<b>441,554</b>	<b>1,063,206</b>	<b>882,043</b>

## NOTES TO THE FINANCIAL STATEMENTS

**8 Tangible fixed assets**

<b>Group and charity</b>	<b>Long lease- hold property £</b>	<b>Office Furniture &amp; Equipment £</b>	<b>Computer Equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 July 2005	1,257,620	3,225	73,133	1,333,978
Additions	9,004	-	-	9,004
At 30 June 2006	<u>1,266,624</u>	<u>3,225</u>	<u>73,133</u>	<u>1,342,982</u>
<b>Depreciation</b>				
At 1 July 2005	50,000	3,225	73,133	126,358
Charge for year	25,000	-	-	25,000
At 30 June 2006	<u>75,000</u>	<u>3,225</u>	<u>73,133</u>	<u>151,358</u>
<b>Net book value</b>				
At 30 June 2006	<u>1,191,624</u>	-	-	<u>1,191,624</u>
At 1 July 2005	<u>1,207,620</u>	-	-	<u>1,207,620</u>

**9 Investments**

<b>Group</b>	<b>Market value at 1 July 2005 £</b>	<b>Additions £</b>	<b>Unrealised gains (movement) £</b>	<b>Market value at 30 June 2006 £</b>
Burrow Hill	242,451	7,217	21,826	271,494
<b>Charity</b>				
Leeds Trust	11,945	369	944	13,258
Tuberculosis Fund	257,311	7,099	20,355	284,765
Glaxo Chair	1,731,291	53,417	136,530	1,921,238
<b>Group total</b>	<u>2,242,998</u>	<u>68,102</u>	<u>179,655</u>	<u>2,490,755</u>
Shares in subsidiaries	4	-	-	4
<b>Charity total</b>	<u>2,000,551</u>	<u>60,885</u>	<u>157,829</u>	<u>2,219,265</u>

Historic cost at 30 June 2006 was £2,105,898 (2005: £2,037,796). There are no unlisted investments.

These investments are held in the CAF Equity Growth Fund and CAF Bond Income Fund. These funds are in accordance with the investment policy set out in the Report of the Board of Trustees, and do not include investment in tobacco manufacturers.

The shares in the subsidiaries are the total issued share capital of BLF Trading Limited and BLF Limited. Details of the activities of BLF Trading Limited are set out in note 17. BLF Limited is dormant.

## NOTES TO THE FINANCIAL STATEMENTS

10 Stock	Charity		Group	
	2006	2005	2006	2005
	£	£	£	£
Merchandise	-	-	-	8,856

All stock comprised merchandise and cards held in BLF Trading Limited.  
There was no stock held at 30 June 2006.

11 Debtors	Charity		Group	
	2006	2005	2006	2005
	£	£	£	£
Debtors and prepayments	237,212	510,026	287,879	615,706
Amount due from subsidiary				
- Current account	190,795	271,697	-	-
- 5 year loan	15,000	-	-	-
	<b>443,007</b>	<b>781,723</b>	<b>287,879</b>	<b>615,706</b>

12 Creditors	Charity		Group	
	2006	2005	2006	2005
	£	£	£	£
Sundry creditors	81,078	122,681	123,542	122,681
Accruals	219,526	48,017	254,130	96,464
Deferred income	-	-	147,704	137,747
	<b>300,604</b>	<b>170,698</b>	<b>525,376</b>	<b>356,892</b>

## 13 Analysis of net assets between funds

Fund balances at 30 June 2006 are represented by:

	General Funds	Designated Funds	Restricted Funds	Glaxo Endowment Fund	2006 Total	2005 Total
	£	£	£	£	£	£
Fixed assets	1,191,624	-	569,517	1,921,238	3,682,379	3,450,618
Current assets	1,364,461	552,462	2,407,611	-	4,324,534	5,184,064
Current liabilities	(1,250,830)	-	(488,826)	(9,920)	(1,749,576)	(2,004,416)
Long term liabilities	(621,652)	-	(441,554)	-	(1,063,206)	(882,043)
	<b>683,603</b>	<b>552,462</b>	<b>2,046,748</b>	<b>1,911,318</b>	<b>5,194,131</b>	<b>5,748,223</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 14 Movement in funds

	At 1 July 2005 £	Incoming resources £	Outgoing resources £	Transfers	At 30 June 2006 £
<b>Restricted Funds</b>					
<b>Group</b>					
<b>Burrow Hill Training Fund</b>	<b>552,254</b>	<b>42,573</b>	<b>353</b>		<b>594,474</b>
<b>Other restricted funds</b>					
Big Lottery Fund- BLF Wales	38,787	66,972	53,878		51,881
Community Fund- BLF Scotland	-	13,800	4,490		9,310
Department of Health-Exercise project	5,552	27,000	22,326		10,226
Henry Smith Foundation - Helpline	50,000	-	50,000		-
GSK - Baby Breathe Easy project	276,744	-	186,358		90,386
Boehringer Ingelheim - World COPD	-	49,000	36,503		12,497
June Hancock Mesothelioma Research Fund	184,587	70,541	7,073		248,055
Mick Knighton Fund	109,642	4,650	3,000		111,292
Tuberculosis Fund	375,122	43,970	34,597		384,495
Leeds Trust	110,884	6,041	353		116,572
Other funds	227,430	808,518	618,388		417,560
	<b>1,378,748</b>	<b>1,090,492</b>	<b>1,016,966</b>		<b>1,452,274</b>
Total Restricted Funds	<b>1,931,002</b>	<b>1,133,065</b>	<b>1,017,319</b>		<b>2,046,748</b>
<b>Endowment Funds</b>	<b>1,764,046</b>	<b>189,947</b>	<b>42,675</b>		<b>1,911,318</b>
<b>Designated Funds</b>					
Breathe Easy Group bank balances	127,845	-	-	149,150	276,995
Red balloon appeal	75,467	-	-	-	75,467
Legacy debtors	433,800	-	-	(433,800)	-
Database development	160,000	-	-	-	160,000
BLF Nurses	100,000	-	-	(60,000)	40,000
Staff/activity expansion	508,948	-	-	(508,948)	-
Total Designated Funds	<b>1,406,060</b>	<b>-</b>	<b>-</b>	<b>(853,598)</b>	<b>552,462</b>
<b>Unrestricted Funds</b>	<b>647,115</b>	<b>3,280,550</b>	<b>4,097,660</b>	853,598	<b>683,603</b>
<b>Total unrestricted funds</b>	<b>2,053,175</b>	<b>3,280,550</b>	<b>4,097,660</b>	<b>-</b>	<b>1,236,065</b>
<b>Total Funds</b>	<b>5,748,223</b>	<b>4,603,562</b>	<b>5,157,654</b>	<b>-</b>	<b>5,194,131</b>

**Restricted funds**

The charity's funds comprise amounts restricted to specific activities and not yet spent.

The group's funds are:

**Burrow Hill Training Fund**

The Burrow Hill Training Fund (charity number 220302) – the British Lung Foundation is the corporate trustee of this charity.

The objects allow the Fund to apply the income to make grants for training or, in cases of need, to men suffering from tuberculosis or chest diseases. Preference is given to men suffering as a consequence of service in Her Majesty's forces. Until the Fund's income is required for use in this manner, it may be used for training the sons or other male dependants of such men.

**Leeds Trust**

The Leeds Trust (Florence Michael Fund) (charity number 326730-1) – a subsidiary permanent endowment fund for the relief of diseases of the chest. The objects allow the Fund to apply its income on chest diseases.

**NOTES TO THE FINANCIAL STATEMENTS****Tuberculosis Fund**

The Tuberculosis Fund (charity number 326730-2) – a subsidiary permanent endowment fund for the relief of sickness and distress of people infected with tuberculosis, and the preservation and protection of public health by the provision of information about tuberculosis and undertaking or assisting with research into tuberculosis and disseminating the useful results.

The income may be used to disseminate public information and to fund research into tuberculosis.

**Endowment Fund**

The Glaxo Chair Fund consists of investments held by CAF to fund a chair in respiratory research.

**Designated Funds**

The Breathe Easy group's bank balances and the Red Balloon Appeal are specific funds which are not available for the charity's use.

The balances of 137 groups are included (2005: 84).

The other designated funds are amounts set aside for expenditure in 2006/07.

These have been deferred from 2005/06.

<b>15 Staff costs</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Salaries	1,500,934	1,234,003
Social security costs	143,465	121,082
Pension payments	73,931	-
Total staff costs	<u><b>1,718,330</b></u>	<u><b>1,355,085</b></u>
Average number of employees	<b>No</b>	<b>No</b>
Administration and finance	8	8
Fundraising	10	10
Research and information	14	14
Regions and Breathe Easy	44	24
	<u><b>76</b></u>	<u><b>56</b></u>

The emoluments of one employee (2005: one) were in the bracket £70,001-£80,000 (2005: £60,001-£70,000)

Pension contributions for this employee amounted to £4,583 (2005: £4,583)

**16 Trustee information**

No remuneration is paid to Trustees for their services.

Travelling expenses were reimbursed to 6 Trustees ( 2005: 7) totalling £ 2,905 (2005: £1,747).

Indemnity insurance is provided for Trustees, costing £2,500 (2005: £2,500)

**NOTES TO THE FINANCIAL STATEMENTS****17 Subsidiary company**

BLF Trading Limited is the wholly owned subsidiary of British Lung Foundation. The company's trading activities include sponsorship, raffles and merchandising on behalf of the charity. All profits are paid to the charity under Gift Aid.

The results for the year are as follows:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Voluntary income	482,508	491,545
Interest receivable	9,907	7,397
Total income	<u>492,415</u>	<u>498,942</u>
Expenditure		
Costs of generating voluntary income	72,037	91,170
Research grants	-	29,250
Breathe Easy costs	-	63,899
Public education and literature	253,496	128,178
Governance costs	3,294	47,368
	<u>328,827</u>	<u>359,865</u>
Trading profit	163,588	139,077
Gift Aid payment	163,588	139,077
Retained profit for the year	<u><u>-</u></u>	<u><u>-</u></u>

The Balance Sheet comprised:

Current assets	430,219	457,188
Current liabilities	(415,217)	(457,186)
Creditors falling due after more than one year	(15,000)	-
	<u><u>£2</u></u>	<u><u>£2</u></u>