

PUBLIC INTEREST RESEARCH CENTRE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

CONTENTS AND COMPANY INFORMATION

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DIRECTORS: C B Zealley (Chairman)  
Lord Phillips of Sudbury  
A O Thorold  
M Frankel

SECRETARY: P C Medawar

REGISTERED OFFICE: 115c Milton Road  
Cambridge  
CB4 1XE

REGISTRATION NUMBER: 1112242

CHARITY NUMBER: 266466

BANKERS: Royal Bank of Scotland  
28 Cavendish Square  
London  
WIM 0DB

AUDITORS: Prentis & Co  
Chartered Accountants  
& Registered Auditors  
115c Milton Road  
Cambridge  
CB4 1XE



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31st December 2005.

## STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing those financial statements, the directors are required to:

- (i) Select suitable accounting policies and then apply them consistently.
- (ii) Make judgements and estimates that are reasonable and prudent.
- (iii) State whether the policies adopted are in accordance with the Companies Act 1985 and with applicable accounting standards and statements of recommended practice, subject to any material departures disclosed and explained in the financial statements.
- (iv) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the charity 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## OBJECTS OF THE CHARITY, PRINCIPAL ACTIVITIES AND ORGANISATION OF OUR WORK

The Charity is constituted as a company limited by guarantee, and is therefore governed by a Memorandum and Articles of Association.

The charity's object is to research the organisation and activity of government, industry, business, trade, the professions and the services and to assess their impact on the environment and life of the community and to make the result of such research available to and for the benefit of the public. Its policies in carrying out the objects remain unchanged.

The charity is organised so that the directors meet when required to oversee the administration of the charity. The objects are attained with the services of one full-time researcher who utilises the funds as needed to carry out planned research. There have been no changes in the policies adopted to achieve the charitable objectives during the year.

## DEVELOPMENTS ACTIVITIES AND ACHIEVEMENTS THIS YEAR

Our output this year was much affected by the Director's engagement as a specialist adviser (2004/05) on the Parliamentary Health Committee enquiry into The Influence of the Pharmaceutical Industry; also as the external assessor on a new Open University MBA course on Strategic Management in Life Sciences and Healthcare. The Director needed further absence from work following a family bereavement, in May 2005.

Towards the end of 2004, we finally terminated the contract with Askant, the original publisher of our book, Medicines out of Control? We purchased all remaining stock from them, at a notional price, and had sold all but a few copies of the book by the year end. Little tangible progress was made towards publishing a popularised version of the book, though much work was done in pursuing and updating issues arising - and a Japanese edition of the book was published at the end of 2005.

In November, we organised a major seminar for 90 people, on the occasion of the 80th birthday of Dr Andrew Herxheimer, one of the founding fathers of the movement for rational drug use. Half of those attending flew in from overseas, indicating the importance of the occasion. The event was judged a notable success.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## REPORT OF THE DIRECTORS CONT.....

In partnership with, among others, colleagues in Health Action International (Europe), we continued our involvement in the debate surrounding the European Commission's proposals for implementation of a comprehensive review of Pharmaceutical legislation, and there was continuing emphasis in our work on monitoring the performance of the Medicines and Healthcare products Regulatory Agency, notably in relation to the control of antidepressant drugs. Much of our published work was posted to the Social Audit website; the number of visits to ADWEB has fluctuated, but at the end of 2005 was just over 500,000 visits/year.

Our work has been overwhelmingly supported by a three grant from the Joseph Rowntree Charitable Trust. The final instalment, payable in April 2007, concludes a funding span of some 36 years; the directors deeply appreciate the Trust's generous support. The impending termination of this grant will explain the present emphasis on conservation of financial resources, with a view to ensuring the successful continuation of this organisation under new management, from next year.

## TRANSACTIONS AND FINANCIAL POSITION

The statement of financial activities shows net income for the year of £13639 (2004: £6552). Resources stand at £28170 at the year end.

## TANGIBLE FIXED ASSETS FOR USE BY THE CHARITY

Details of movements in fixed assets held for use in the charity's research work are set out in note 7 to the accounts.

## FUTURE DEVELOPMENTS

For the immediate future the Charity will continue with its work.

## RESERVES

The directors try to ensure that the charity has sufficient cash reserves to meet three months running costs, as funding is generally provided quarterly.

## RISK

The directors keep the areas of risk under review and it is on the agenda for their meetings.

## FUNDS AVAILABLE

The present level of funding is adequate to allow the charity to continue its research in the medium term.

## DIRECTORS


All directors of the company are also trustees of the charity, and there are no other trustees. All of the trustees named below served throughout the year. The Board has power to appoint additional trustees as it considers fit to do so.

C B Zealley	Chairman
Lord Phillips of Sudbury	
A O Thorold	
M Frankel	

## AUDITORS

The Auditors, Prentis & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report, which has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, was approved by the Board on 20<sup>th</sup> June 2006 and signed on its behalf.



.....  
C B ZEALLEY  
DIRECTOR

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PUBLIC INTEREST RESEARCH CENTRE LIMITED

We have audited the financial statements of Public Interest Research Centre Limited for the year ended 31st December 2005 which comprise of the Statement of Financial Activities, the Balance Sheet and related notes which have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the 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 company's 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors Responsibilities the charity's trustees who are also the directors of Public Interest Research Centre Limited for the purposes of company law are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Auditing Standards. (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 Directors' remuneration and transactions with the company is not disclosed.

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

## 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 in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 5 to the financial statements.

## OPINION

In our opinion the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charitable company's state of affairs as at 31st December 2005 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRENTIS & CO

CHARTERED ACCOUNTANTS  
& REGISTERED AUDITORS

115c Milton Road  
Cambridge  
CB4 1XE

3rd July 2006

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING AN INCOME &amp; EXPENDITURE ACCOUNT

	Notes	Restricted Funds £	Unrestricted Funds £	2005 Total £	2004 Total £
<b>INCOMING RESOURCES</b>					
Grants and Donations	2	5369	45570	50939	32224
Investment income	3	-	495	495	154
Fees and publication sales		-	6318	6318	1303
<b>TOTAL INCOMING RESOURCES</b>		<u>5369</u>	<u>52383</u>	<u>57752</u>	<u>33681</u>
<b>RESOURCES EXPENDED</b>					
Charitable Expenditure					
Cost of charitable projects		5369	32932	38301	35163
Support costs		-	3937	3937	3287
Management and administration		-	1875	1875	1783
<b>TOTAL RESOURCES EXPENDED</b>	4	<u>5369</u>	<u>38744</u>	<u>44113</u>	<u>40233</u>
<b>NET INCOME FOR THE YEAR</b>	5	-	13639	13639	(6552)
Total funds brought forward		-	14531	14531	21083
Total funds carried forward		<u>-</u>	<u>28170</u>	<u>28170</u>	<u>14531</u>

None of the companies activities were acquired or discontinued during the year and there were no recognised gains or losses for 2005 or 2004 other than those included in the Statement of Financial Activities.

The notes on pages 6 to 9 form part of these financial statements.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## BALANCE SHEET

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	7	1186	688
<b>CURRENT ASSETS</b>			
Stocks		1750	3736
Debtors	8	708	1276
Cash at bank and in hand		26586	12623
		<u>29044</u>	<u>17635</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<u>2060</u>	<u>3792</u>
<b>Net Current Assets</b>		<u>26984</u>	<u>13843</u>
<b>NET ASSETS</b>		<u>28170</u>	<u>14531</u>
<b>FUNDS</b>			
Unrestricted funds	11	28170	14531
Restricted income funds	11	-	-
		<u>28170</u>	<u>14531</u>

The financial statements which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the Board on *26th June 2006* and signed on its behalf.



.....  
C B ZEALLEY  
DIRECTOR

The notes on pages 6 to 9 form part of these financial statements.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

## (a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and include the results of the charity's operations which are described in the Directors' Report and of all which are continuing. The accounts have been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities, (SORP 2000) issued in October 2000, SORP Update Bulletin issued in December 2002, applicable accounting standards and the Companies Act 1985.

## (b) CASH FLOW STATEMENTS

The company, being a company of small size within the meaning of the Companies Act 1985, has used the exemption provided by Financial Reporting Standard No: 1 under which they are not required to include a cash flow statement as part of their financial statements.

## (c) INCOME

Grants and donations are accounted for as received by the charity.

## (d) DIRECT CHARITABLE EXPENDITURE

Direct charitable expenditure includes all costs directly incurred on charitable projects being run by the Charity.

## (e) SUPPORT COSTS

The charity carries out its main project work from a small office. The costs of this office are classified as support costs within the accounts.

## (f) VALUE ADDED TAX

Expenditure includes VAT where appropriate.

## (g) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible assets at rates calculated to write-off the costs less estimated residual value of each asset over its expected useful life as follows:

Computer equipment	- over 4 years
Fixtures, fittings, tools and equipment	- over 8 years

## (h) STOCKS

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure.

## (i) OPERATING LEASES

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profit as incurred.

## (j) PENSION CONTRIBUTIONS

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The liabilities are valued every three years by a professional qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustee on the advice of the actuary. In the intervening years, the actuary reviews the progress of the scheme. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the institution benefits from the employees' services.

## (k) FOREIGN CURRENCIES

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS

2.	GRANTS AND DONATIONS RECEIVED	Restricted Funds	Unrestricted Fund	Total 2005	Total 2004	
		£	£	£	£	
	Grants received during the year					
	Joseph Rowntree Charitable Trust	-	45000	45000	29224	
	Charities Aid	-	200	200	-	
	The 1970 Trust	-	-	-	3000	
	Stitching Health	2000	-	2000	-	
	Dr A Herxheimer	2051	-	2051	-	
	A H Seminar cash donations	1318	-	1318	-	
	General donations	-	370	370	-	
		<u>5369</u>	<u>45570</u>	<u>50939</u>	<u>32224</u>	
3.	INVESTMENT INCOME			2005	2004	
				£	£	
	Interest received on UK cash deposits			<u>495</u>	<u>154</u>	
4.	TOTAL RESOURCES EXPENDED	Direct Charitable Expenditure	Support Costs	Management and Administration	2005 Total	2004 Total
		£	£	£	£	£
	Computer support	-	1843	-	1843	-
	Research salaries	20487	-	-	20487	20502
	Research costs	467	-	-	467	3408
	Electricity	-	253	-	253	295
	Travelling expenses	1478	-	-	1478	1251
	Telephone	1806	201	-	2007	1894
	Donations	382	-	-	382	-
	Stationery and office supplies	965	-	-	965	313
	Office and equipment repair and maintenance	-	1066	-	1066	1639
	Postage	681	-	-	681	1449
	Books, subscriptions etc.	2722	-	-	2722	5804
	Audit	-	-	1576	1576	1514
	Bank charges	-	-	299	299	269
	Miscellaneous expenses	1197	-	-	1197	731
	Depreciation	-	574	-	574	1164
	Seminar costs	8116	-	-	8116	-
		<u>38301</u>	<u>3937</u>	<u>1875</u>	<u>44113</u>	<u>40233</u>
5.	DEFICIT FOR THE YEAR					
	The excess of expenditure over income for the year is stated after charging:			2005	2004	
				£	£	
	Depreciation of tangible fixed assets owned by the Charity			574	1164	
	Audit fee			<u>1576</u>	<u>1514</u>	

## MANAGEMENT THREAT IN RELATION TO NON-AUDIT SERVICES

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.



## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS

## 6. STAFF COSTS

No remuneration was paid to directors during the year nor were any expenses reimbursed to them. The staff costs were:

	2005	2004
	£	£
Salaries	17000	17000
Social security costs	1107	1122
Pension costs	2380	2380
	<u>20487</u>	<u>20502</u>

There were no pension contributions paid for staff during the year.

The average weekly number of staff employed by the charity during the year was:

	2005	2004
Direct charitable workers	<u>1</u>	<u>1</u>

No employee received remuneration of more than £50000.

## 7. TANGIBLE FIXED ASSETS

	Computer Equipment £	Fixtures and Fittings £	Total £
<b>COST</b>			
Balance at 1.1.05	8002	3030	11032
Additions	1072	-	1072
Balance at 31.12.05	<u>9074</u>	<u>3030</u>	<u>12104</u>
<b>DEPRECIATION</b>			
Balance at 1.1.05	7932	2412	10344
Charge for the year	303	271	574
Balance at 31.12.05	<u>8235</u>	<u>2683</u>	<u>10918</u>
NET BOOK VALUE at 31.12.05	<u>839</u>	<u>347</u>	<u>1186</u>
NET BOOK VALUE at 31.12.04	<u>70</u>	<u>618</u>	<u>688</u>

## 8. DEBTORS

	2005 Due within one year £	2004 Due within one year £
Gift aid	451	-
Prepayments and accrued income	-	672
Other debtors	-	350
Social Audit Ltd	257	254
	<u>708</u>	<u>1276</u>

## 9. CREDITORS

	2005 Due within one year £	2004 Due within one year £
Other creditors	-	2142
Accruals	2060	1650
	<u>2060</u>	<u>3792</u>

## 10. SHARE CAPITAL

The company is limited by guarantee and does not have any share capital. The liability of the Members is limited to £1 each in the event of the company being wound up.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

## NOTES TO THE FINANCIAL STATEMENTS

11.	MOVEMENTS OF FUNDS	Restricted	Unrestricted	Total
		Funds	Funds	
		£	£	£
	Balances brought forward at 1.1.05	-	14531	14531
	Incoming resources	5369	52383	57752
	Outgoing resources	5369	38744	44113
	Balances carried forward at 31.12.05	-	28170	28170

12.	ANALYSIS OF NET ASSETS BETWEEN THE FUNDS	Unrestricted	Restricted	Total
		£	£	
	Tangible fixed assets	1186	-	1186
	Net current assets	26984	-	26984
		28170	-	28170

## 13. COMMITMENTS

## (a) Pension Commitments

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31st March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to future service liabilities it was assumed that the valuation rate of interest would be 6% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £19,938 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31st March 2005 when the above rates will be reviewed.

The total pension cost for the institution was £2380 (2004: £2380). There were no outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of the pensionable salaries.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2005

NOTES TO THE FINANCIAL STATEMENTS

14. CONNECTED ORGANISATIONS

The charity has connections with an associated company limited by guarantee, Social Audit Ltd, which has common directors. This company has not traded during the year.

The balance due to the charity is £257 (2004: £254). Accounts are not consolidated as there are no material net assets.