



THE ROY CASTLE LUNG CANCER FOUNDATION

REPORT AND FINANCIAL STATEMENTS

31 December 2005

Company Registration No: 3059425

Registered Charity No: 1046854

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Name and registered office of the Charity

The full name of the Charity is The Roy Castle Lung Cancer Foundation.
The registered office of the Charity is 200 London Road, Liverpool, L3 9TA.

Constitution

The Memorandum and Articles of Association set out the constitution, objectives and regulations of the Charity. The company registration number is 3059425 and is registered with the Charity Commission with a registration number 1046854.

Trustees (directors), secretary and senior management

Sir Philip D Carter CBE	Chairman
Professor Raymund J Donnelly	Founder and President
Jim E Couton	
Dr David J Dunlop	
Alastair Gould	
Professor Frank Sanderson	
Lord Faulkner of Worcester	
Barbara Elliot	
Dame Gill Oliver	Appointed 28 November 2005

Company secretary

Mike Unger

Senior management

Mike Unger (Chief Executive)
Professor John K Field (Director of Research)
Paul Gauntlett (Director of Development)
Dr Jesme Baird (Medical Director)
Joyce Dunlop (Director of Patient Care)
Paula Chadwick (Head of Personnel)
Christine Owens (Head of Tobacco Control)
Mike Grundy (Head of Finance – appointed May 2005)
Pat Tisdale (Head of Retail)

Professional advisers

Auditors

Baker Tilly
Number One Old Hall Street
Liverpool
L3 9SX

Bankers

Barclays Bank plc
Martins Buildings
4 Water Street
Liverpool
L69 2DU

Investment managers

Rathbones
Port of Liverpool Buildings
Pier Head
Liverpool
L3 1NW

Solicitors

Brabners Chaffe Street
No 1 Dale Street
Liverpool
L2 2ET

The Trustees, who are also directors of the Roy Castle Lung Cancer Foundation, present their annual report and the audited consolidated financial statements for the year ended 31 December 2005.

Objects and activities

The policies of the Charity, which have not altered in the year under review, are to promote and fund research into the causes, prevention and treatment of cancers of the chest. The Charity is also committed to develop and support health promotion programmes, to heighten public awareness of lung cancer, and to promote the welfare and interests of lung cancer patients, their families and carers.

The scientific research programme into the early detection of lung cancer remains the Charity's first priority followed by patient care and tobacco control.

The Charity operates from its headquarters in Liverpool, which is the focus for its research, tobacco control, fundraising and administrative activities. Another office is maintained in Glasgow where its national network of patient care activities is co-ordinated.

Trustees

The members appoint the Trustees by ordinary resolution after formal review through the Nominations Committee. No person other than a Trustee retiring by rotation shall be appointed or re-appointed a Trustee at any general meeting unless the Trustees recommend them.

Directors and their interests

The directors who are Trustees are also the members of the company and are therefore the guarantors. The liability of the company is limited by guarantee and each guarantor undertakes to contribute up to £10 in the event of any deficiency arising on the winding up of the company.

Investment policy

An independent stockbroker manages the investments within defined areas. The stockbrokers have been instructed not to invest in tobacco-related companies and other socially unacceptable companies. The current investment policy of the Board is to hold a large proportion of surplus assets of the Charity in cash and near cash to ensure a stable platform for the organisations continued activities.

Research

During the year we continued to invest in the Charity's lung cancer research programmes and the funding of an active tobacco control programme as well as providing information and support for lung cancer patients and their families across the UK.

The Charity's unique research programme, headed by Professor John Field, into the early detection of lung cancer is assessed and validated by an international scientific advisory board and a UK grants committee, which is made up of independent, external professionals and Trustees. This pioneering work provides a national and international focus for lung cancer research and we are proud of the global impact we continue to make in our efforts to conquer this dreadful disease.

We have established a number of cutting edge collaborations with scientists and commercial organisations around the world, sharing information and results and laying the ground for the earliest realisation of our early detection objectives.

We have made considerable progress in the field of early detection using molecular techniques and have published the results of this work in high impact scientific journals during 2005 adding to our catalogue of publications over the past 10 years.

Patient Care

We are increasingly being recognised by patients and health professionals both in the UK and abroad for our expertise in the area of patient care. We have established a national network of 25 Patient Support groups.

Tobacco Control

Roy Castle Fag Ends provides a unique smoking cessation service, which is achieving success rates well above the Department of Health standard. The charity's tobacco control staff has also worked closely with other charities, the Department of Health and pharmaceutical companies developing educational materials concerning smoking. Tobacco Control also funds unique research carried out by Liverpool John Moores University into the attitudes, intentions, knowledge and smoking behaviour of a group of young people tracked from the age four to 16. In 2005 the National Clean Air Award was launched, this being the first scheme to reward employers who implement effective workplace no smoking policies.

Financial review

The Group's result for 2005, was income of £2,621,035 and expenditure £2,928,964 with a resulting deficit of £307,929.

The trading results can be analysed as follows:

- The charitable foundation generated income of £2,023,639 (including receipt of £795 from trading from subsidiary undertakings and investment gains of £101,363) and incurred expenditure of £2,378,446. The resulting deficit totalled £307,929.
- Roy Castle Retail Ltd generated income of £579,340 and incurred expenditure of £1,536,346, resulting in a profit of £42,994.
- Roy Castle Trading Ltd generated income of £18,056 and incurred expenditure of £13,928. After a transfer of £795 by Gift Aid to the charitable foundation the resulting profit for the year totalled £3,333.

The amount spent in pursuit of the objectives of the Charity stayed in line with last year at £1,917,830 (2004: £1,942,506). Investments at 31 December 2005 reported values of £733,137 capital and £41,715 cash compared to £705,555 and £167,278 respectively at the same time last year. Details of the movements on investments are shown in note 11 to the attached accounts.

As the Charity continues to mature so we continue to keep our administrative costs down to maximise funding towards our charitable objectives. We are pleased to report that the cost of generating funds of £460,616 stayed in line with last year at £387,675.

The Trustees have identified their intentions in respect of research and project grants to be funded for the period to 31 December 2006. These intentions need to be funded by fundraising activity, future grants receivable and other donations. At the balance sheet date, the budget commitments for 2006 for activities in pursuance of the Charity's objectives are the same as 2005 at £1,900,000. It is our intention to continue funding at this level during the years 2006 and 2007 subject to satisfactory income levels.

Reserves policy

The Trustees have reviewed the free reserves of the Charity which are those unrestricted funds not invested in fixed assets, designated for specific purposes or otherwise committed. The review concluded that to allow the Charity to be managed efficiently, a general reserve equivalent to approximately one year's unrestricted expenditure is required together with the financial commitments not accrued in the financial statements.

Governance & internal control

The Board of Trustees comprises 9 members. A Trustee serves for a period of three years and is available for re-election for a further period of three years.

The Board meets every second month and has adopted a schedule of matters specifically reserved to itself for decision and is assisted by a number of committees with delegated authority.

Risk management

The Foundation has a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Trustees have reviewed the adequacy of the Charity's current internal controls. The Trustees are pleased to report that the Charity's internal financial controls, in particular, conform with guidelines issued by the Charity Commission.

Principal board committees and organisation

Audit committee

Consists of three Trustees and is required to meet at least twice a year. The external auditors attend meetings by invitation. The minutes of these meetings, and of all other committees, are circulated to all Trustees.

Employment committee

Consists of three Trustees and meets twice per year, or as required (formerly the remuneration committee).

UK grants committee

Chaired by Dr David Dunlop, an Oncology Consultant at the Beatson Hospital, Glasgow, and comprises independent, experienced scientific professionals and two Trustees. The committee has responsibility to peer review, oversee and authorise all grants within the Trustee approved budget. The grants are made on the understanding that the committee peer review and authorise the grant policy.

International scientific advisory board

The research programme of the centre has been reviewed regularly since 1995 by the international scientific advisory board of the Foundation. This is chaired by Dr James Mulshine, Vice President for Research at the Robert H and Terri Cohn Research Building.

The board comprises cancer scientists of international repute. Two members of this board serve on the UK Grants Committee

Nominations committee

Meets as and when required to consider nominations for the Board of Trustees and consists of three Trustees.

Senior management

Chaired by the Chief Executive the senior management team, meets monthly and is responsible for the day to day running of the Charity, in line with the strategic plan agreed by the Trustees.

Statement of Trustees' responsibilities

Company and Charity law requires the Trustees to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Charity and the incoming resources and application of resources for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees 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. It is 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.

Auditors

A resolution to reappoint Baker Tilly will be proposed at the forthcoming Annual General Meeting.

Staff

We would like to pay tribute to the entire Foundation staff who continue to show considerable enthusiasm and commitment.

Trustees

The Board would like to thank James Davies, Ella Slack and Terry Kavanagh for the huge contribution they have made to the foundation over the years they have served as a trustee. They all retired as a trustee during the period.

Partners and supporters

We would like to record a sincere thanks to all our partners and supporters who have helped the Charity in any way this year.

On behalf of the Trustees

Sir Philip D Carter CBE

Chairman

2006

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
THE ROY CASTLE LUNG CANCER FOUNDATION**
Year ended 31 December 2005

We have audited the consolidated financial statements on pages 7 to 21.

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 Trustees and auditors

The responsibilities of the Trustees (who are also the directors of The Roy Castle Lung Cancer Foundation for the purposes of Company Law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. 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 Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

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

Number One
Old Hall Street
Liverpool
L3 9SX

Baker Tilly
Chartered Accountants
& Registered Auditor
2006

THE ROY CASTLE LUNG CANCER FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 December 2005

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 2005 £	Totals 2004 £
Incoming resources					
Activities in furtherance of the charity's objects:					
Grants receivable	2	-	788,015	788,015	680,098
Activities for generating funds:					
Income from Retail operations	12	579,340	-	579,340	739,331
Income from Trading activities	12	18,056	-	18,056	182,466
Fundraising events		261,972	740	262,712	235,704
Investment income	3	110,713	-	110,713	129,856
Donations and legacies		628,488		628,488	990,492
Other Income		132,348	-	132,348	36,318
Total incoming resources		<u>1,730,917</u>	<u>788,755</u>	<u>2,519,672</u>	<u>2,994,265</u>
Resources expended					
Cost of generating funds:					
Costs relating to Retail operations	12	536,401	-	536,401	721,839
Costs relating to Trading activities	12	13,928	-	13,928	49,219
Fundraising and publicity	4	421,722	-	421,722	318,162
		<u>972,051</u>	<u>-</u>	<u>972,051</u>	<u>1,089,220</u>
Charitable expenditure:					
Costs of activities in furtherance of the charity's objects:					
Research and project grants	5	824,077	646,434	1,470,511	1,451,559
Research support costs	6	412,700	34,619	447,319	490,947
Management and administration	7	38,894	-	38,894	69,513
		<u>1,275,671</u>	<u>681,053</u>	<u>1,956,724</u>	<u>2,012,019</u>
Total resources expended		<u>2,247,722</u>	<u>681,053</u>	<u>2,928,775</u>	<u>3,101,239</u>
Net outgoing resources before transfers		<u>(516,805)</u>	<u>107,702</u>	<u>(409,103)</u>	<u>(106,974)</u>
Net outgoing resources for the year	8	(516,805)	107,702	(409,103)	(106,974)
Net gains on investments	11	101,363	-	101,363	45,240
Net movement in funds		(415,442)	107,702	(307,740)	(61,734)
Fund balances brought forward at 1 January 2005		<u>2,500,364</u>	<u>87,529</u>	<u>2,587,893</u>	<u>2,649,627</u>
Fund balances carried forward at 31 December 2005		<u>2,084,922</u>	<u>195,231</u>	<u>2,280,153</u>	<u>2,587,893</u>

All the above results derive from continuing activities.
All gains and losses recognised in the year are included above.

The notes on pages 11 to 21 form part of these accounts.

THE ROY CASTLE LUNG CANCER FOUNDATION
STATEMENT OF FINANCIAL ACTIVITIES – CHARITY
Year ended 31 December 2005

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 2005 £	Totals 2004 £
Incoming resources					
Activities in furtherance of the charity's objects:					
Grants receivable	2	-	788,015	788,015	680,098
Activities for generating funds:					
Fundraising events		261,972	740	262,712	235,074
Investment income	3	110,713	-	110,713	136,649
Donations and legacies		628,488	-	628,488	991,122
Other Income		132,348	-	132,348	36,318
Gift Aid from subsidiary undertaking	12	795	-	795	127,198
Total incoming resources		<u>1,134,316</u>	<u>788,755</u>	<u>1,923,071</u>	<u>2,206,459</u>
Resources expended					
Cost of generating funds:					
Fundraising and publicity	4	421,722	-	421,722	318,162
		<u>421,722</u>	<u>-</u>	<u>421,722</u>	<u>318,162</u>
Charitable expenditure:					
Costs of activities in furtherance of the charity's objects:					
Research and project grants	5	824,077	646,434	1,470,511	1,451,559
Research support costs	6	412,700	34,619	447,319	490,947
Management and administration	7	38,894	-	38,894	69,513
		<u>1,275,671</u>	<u>681,053</u>	<u>1,956,724</u>	<u>2,012,019</u>
Total resources expended		<u>1,697,393</u>	<u>681,053</u>	<u>2,378,446</u>	<u>2,330,181</u>
Net outgoing resources before transfers		<u>(563,077)</u>	<u>107,702</u>	<u>(455,375)</u>	<u>(123,722)</u>
Net outgoing resources for the year	8	(563,077)	107,702	(455,375)	(123,722)
Net gains on investments	11	101,363	-	101,363	45,240
		<u>101,363</u>	<u>-</u>	<u>101,363</u>	<u>45,240</u>
Net movement in funds		(461,714)	107,702	(354,012)	(78,482)
Fund balances brought forward at 1 January 2005		<u>2,587,343</u>	<u>87,529</u>	<u>2,674,872</u>	<u>2,753,354</u>
Fund balances carried forward at 31 December 2005		<u>2,125,629</u>	<u>195,231</u>	<u>2,320,860</u>	<u>2,674,872</u>

All the above results derive from continuing activities. All gains and losses recognised in the year are included above.

The notes on pages 11 to 21 form part of these accounts.

THE ROY CASTLE LUNG CANCER FOUNDATION
BALANCE SHEETS
Year ended 31 December 2005

	Notes	Group		Charity	
		2005 £	2004 £	2005 £	2004 £
Fixed assets					
Tangible assets	10	114,974	109,331	44,676	24,302
Investments	11	733,137	705,555	733,137	705,555
Investment in subsidiary undertakings	12	-	-	129,592	154,592
		<u>848,111</u>	<u>814,886</u>	<u>907,405</u>	<u>884,449</u>
Current assets					
Stock		30,260	18,227	2,754	-
Debtors	13	257,050	292,173	238,635	286,303
Cash at bank and in hand	14	1,631,853	1,828,405	1,629,820	1,821,426
		<u>1,919,163</u>	<u>2,138,805</u>	<u>1,871,209</u>	<u>2,107,729</u>
Creditors: amounts falling due within one year	15	(487,121)	(365,798)	(457,754)	(317,306)
		<u>1,432,042</u>	<u>1,773,007</u>	<u>1,413,455</u>	<u>1,790,423</u>
Net current assets		<u>1,432,042</u>	<u>1,773,007</u>	<u>1,413,455</u>	<u>1,790,423</u>
Net assets		<u>2,280,153</u>	<u>2,587,893</u>	<u>2,320,860</u>	<u>2,674,872</u>
Funds					
Restricted funds	16	195,231	87,529	195,231	87,529
Unrestricted funds:					
- General funds	17	2,124,834	2,587,343	2,125,629	2,587,343
- Non-charitable trading funds	17	(39,912)	(86,979)	-	-
		<u>2,280,153</u>	<u>2,587,893</u>	<u>2,320,860</u>	<u>2,674,872</u>

These financial statements were approved and authorised for issue by the Board of Trustees on 2006

Sir Philip Carter CBE

Chairman

Mike Unger

Chief Executive

The notes on pages 11 to 21 form part of these accounts.

THE ROY CASTLE LUNG CANCER FOUNDATION
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2005

	Notes	2005 £	2004 £
Net cash outflow from operating activities	22	(423,536)	(1,158,640)
Returns on investments and servicing of finance			
Interest received		110,713	129,856
Net cash outflow from returns on investments and servicing of finance		(312,823)	(1,028,784)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(33,902)	(14,916)
Proceeds from sale of fixed asset investments		73,784	80,563
Net cash inflow from capital expenditure and financial investment		39,882	65,647
Net cash outflow from financing		-	-
Net decrease in cash	23/24	(272,941)	(963,137)

1 Accounting policies

The Statutory Accounts of the Charity are prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000) and applicable accounting standards. The principle accounting policies adopted by the Trustees are described below.

Accounting convention

The Statutory Accounts are prepared under the historical cost convention except that investments held as fixed assets are carried at market value.

Basis of consolidation

The consolidated accounts include the trading activities, assets, liabilities of the Charity and its subsidiary companies. The results of the subsidiaries are consolidated on a line by line basis in accordance with SORP 2000.

Incoming Resources

All income is recognised in the statement of financial activities when the conditions for receipt have been met and there is reasonable assurance of receipt. Where a claim for repayment of income tax has or will be made, such income is grossed up for tax recoverable. The following accounting policies are applied to income:

Receipts from fundraising events organised by the Charity are reported gross and the related fundraising costs are reported in other expenditure.

Donations and legacies are accounted for when conditions for receipt have been met. Material legacies receivable at the year-end are included at their expected value.

Grants are recognised in the statement of financial activities when the conditions for receipt have been met. Where a grant is received relating to a future accounting period, the statement of financial activities shows the gross amount received together with the changes in the amount deferred to future accounting periods. Deferred grant income at the year-end is included in creditors.

Assets given for use by the Charity are recognised as incoming resources at their estimated market value when receivable. If they form part of the fixed assets at the year-end they are included in the balance sheet at the value at which the gift was included in incoming resources.

Resources expended

All expenses are accounted for on an accruals basis.

The Charity's operating costs include staff costs, premises costs and other related costs. Such costs are allocated between other charitable expenditure, fundraising and marketing and management and administration. Staff costs are allocated according to the costs of staff working directly in the relevant activity and property costs are allocated to the space used by each activity. Where costs are not directly attributable to any activity, they have been apportioned using an appropriate basis.

Charitable expenditure

Direct charitable expenditure includes all expenditure directly related to the objects of the Charity.

Grants payable are approved by the board following recommendations by the Medical Grants Committee of the Board of Trustees and accounted for on an accrual basis.

Research and support costs comprise building and other costs to support the research programme.

Fundraising and publicity

Fundraising and publicity costs represent expenditure in relation to staff members who are directly engaged in fundraising, and related costs of the fundraising activity.

1 Accounting policies (continued)

Management and administration

Management and administration costs represent expenditure incurred in the management of the Charity's assets, organisational administration and compliance with constitutional and statutory requirements. It consists primarily of salaries and attributable overheads of the secretariat and finance departments.

Fund accounting

The Charity maintains various types of funds as follows:

Restricted funds represent grants received which are allocated for specific purposes which would be additional to current activities.

General unrestricted funds represent funds, which are expendable at the discretion of the Trustees in furtherance of the objectives of the Charity. Such funds may be held in order to finance both working capital and capital investment.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation, which is provided in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation applied to all assets are:

Research, office and computer equipment	10% to 25%
Motor vehicles	25%
Shop leasehold improvements	Over period of lease
Shop fixtures and fittings	Over period of lease

Investments

Investments are stated at market value. The statement of financial activities includes the net gains and losses arising on revaluations and disposals of investments throughout the year.

Leases

Rentals payable under operating leases are charged to the statement of financial activities in equal annual instalments over the period of the lease. Assets held under hire purchase or finance leases are capitalised at their fair market value and depreciated over their estimated useful lives. The finance charges are allocated over the periods of the leases in proportion to the capital amount outstanding.

Branch offices

The Charity carries out some activities through offices, which use the same name as the Charity, raise funds for the Charity and receive support from the Charity through advice and publicity materials. All transactions are accounted for gross in the accounts and all assets and liabilities are included in the Charity's balance sheet.

Charitable commitments

Commitments, which are legally binding on the Trustees, are accounted for as a resource expended in the statement of financial activities. Where the intention of financial support is not binding on the Trustees, such intentions are not accrued for but are disclosed separately in a note to the accounts.

THE ROY CASTLE LUNG CANCER FOUNDATION
NOTES TO THE ACCOUNTS
Year ended 31 December 2005

2 Grants receivable - restricted

	Group and charity	
	2005	2004
	£	£
Corporate grants	113,966	97,002
Merseyside Health Authorities – Health Action Zone	489,695	508,414
Department of Health (S64)	44,000	44,000
Scottish Executive	15,000	15,000
Community & Other	125,354	15,682
	<u>788,015</u>	<u>680,098</u>

3 Investment income - unrestricted

	Group 2005	Group 2004	Charity 2005	Charity 2004
	£	£	£	£
Interest receivable	87,542	103,817	78,506	110,610
Income from UK listed investments	23,171	26,039	23,171	26,039
	<u>110,713</u>	<u>129,856</u>	<u>101,677</u>	<u>136,649</u>

4 Fundraising and publicity costs - unrestricted

	Group and charity	
	2005	2004
	£	£
Research centre operating costs	11,100	8,897
Events	133,765	75,495
Salaries and National Insurance	256,490	219,746
Office expenses	20,367	13,728
Depreciation	-	296
	<u>421,722</u>	<u>318,162</u>

5 Research and project grants – Group and charity

	Unrestricted funds	Restricted funds	Total 2005	Total 2004
	£	£	£	£
University of Liverpool				
- Liverpool Lung Project	643,482	-	643,482	763,364
Roy Castle Nurses	-	8,982	8,982	33,565
Dept Of Health				
- Section 64	-	43,000	43,000	29,000
Scottish Executive	-	15,000	15,000	15,000
Community, Schools & other	164,334	61,420	225,754	110,660
Merseyside Health Authorities				
- Health Action Zone	16,261	518,032	534,293	499,970
	<u>824,077</u>	<u>646,434</u>	<u>1,470,511</u>	<u>1,451,559</u>

THE ROY CASTLE LUNG CANCER FOUNDATION
NOTES TO THE ACCOUNTS
Year ended 31 December 2005

6 Research support costs – Group and charity

	2005	2004
	£	£
Unrestricted		
Research Centre operating costs	61,650	60,056
Publicity and marketing	39,189	30,098
Salaries and National Insurance	298,031	300,008
Office expenses	5,303	92,664
Depreciation	8,527	1,995
	412,700	484,821
Restricted		
Office expenses	34,619	-
Depreciation	-	6,126
	447,319	490,947
	447,319	490,947

7 Management and administration costs – Group and charity

	2005	2004
	£	£
Unrestricted		
Research Centre operating costs	6,281	8,897
Salaries and National Insurance	9,723	44,446
Office expenses	22,890	13,727
Bad Debt	-	2,147
Depreciation	-	296
	38,894	69,513
	38,894	69,513

8 Net outgoing resources for the year

	Group		Charity	
This is stated after charging:	2005	2004	2005	2004
	£	£	£	£
Auditor's remuneration	18,881	26,356	13,796	20,356
Operating lease rentals				
- Land and buildings	159,200	242,094	39,757	34,968
		3		
		9,		
		7		
		5		
		7		
Depreciation				
- owned assets	28,259	38,142	8,526	8,712
	28,259	38,142	8,526	8,712
	28,259	38,142	8,526	8,712

9 Staff Costs

	Group		Charity	
	2005	2004	2005	2004
	£	£	£	£
Wages and salaries	1,183,484	1,225,159	992,680	989,155
Social security costs	104,057	99,539	90,426	81,305
Severance	-	11,162	-	11,162
Pension costs	<u>16,452</u>	<u>15,171</u>	<u>15,859</u>	<u>14,299</u>

One employee's emoluments as defined for taxation purposes was included in the band of £50,000 to £60,000 (2004: 1). The pension contribution was £Nil (2004: Nil).

No Trustee, or person related or connected by the business to them, has received any remuneration from the Charity during the year, or entered into any transaction with the Charity.

The average number of employees, calculated on a full-time equivalent basis, analysed by function was:

	Group		Charity	
	2005	2004	2005	2004
	No.	No.	No.	No.
Fundraising	9	8	9	8
Charity administration	6	5	6	5
Tobacco Control/research	23	23	23	23
Patient care	6	5	6	5
Finance	3	3	3	3
Retail operations	20	18	-	-

Research

The average number of research personnel (full time equivalent) funded by the charity, but not employed by it, during the year, in addition to the above was:

	2005	2004
	No.	No.
Liverpool Lung Project	19	19
Other Research Projects	5	5

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10 Tangible fixed assets

	Research office and computer equipment £	Motor Vehicles £	Charity Total £	Shop Fixtures & Fittings £	Shop Leasehold Improvements (short leasehold) £	Group Total £
Cost						
At 1 January 2005	33,668	44,126	77,794	19,182	193,675	290,651
Additions	28,900	-	28,900	5,002	-	33,902
Disposals	-	(44,126)	(44,126)	(2,416)	(4,287)	(50,829)
At 31 Dec 2005	62,568	-	62,568	21,768	189,388	273,724
Accumulated depreciation						
At 1 January 2005	9,366	44,126	53,492	10,821	117,007	181,320
Charge for the year	8,526	-	8,526	1,853	17,880	28,259
Disposals	-	(44,126)	(44,126)	(2,416)	(4,287)	(50,829)
At 31 Dec 2005	17,892	-	17,892	10,258	130,600	158,750
Net book value						
At 31 Dec 2005	44,676	-	44,676	11,510	58,788	114,974
At 31 Dec 2004	24,302	-	24,302	8,361	76,668	109,331

11 Fixed asset investments

	Group and charity	
	2005	2004
	£	£
Market value at 1 January 2005	705,555	740,878
Additions at cost	-	-
Disposals proceeds	(73,784)	(80,563)
Net investment gains	101,366	45,240
Market value at 31 December 2005	733,137	705,555
Historical cost at 31 December 2005	582,475	676,578
UK listed investments are represented by:		
Investment assets in the United Kingdom	712,204	641,724
Investment assets outside the United Kingdom	20,933	63,831
Total	733,137	705,555

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Investments are valued at middle market value at the year-end as determined by the Charity's investment managers.

The investment portfolio is structured as follows:	2005	2004
	£	£
Direct investment	733,137	705,555
	<u> </u>	<u> </u>

Of the direct investments £76,283 (2004 - £104,538) represents investments in fixed interest securities and gilts.

12 Non charitable trading subsidiaries

	Charity	
Investment	2005	2004
	£	£
Shares in subsidiary undertakings	4	4
Loan to subsidiary undertaking	129,592	154,588
	<u> </u>	<u> </u>
	<u>129,596</u>	<u>154,592</u>

The investment relates to the entire share capital of two subsidiaries.

A. **Roy Castle Retail Limited** a company registered in England. The subsidiary was incorporated on 27 July 1998 and operates as a trading company. It undertakes activities in order to raise funds for the charitable purposes of the Foundation and the principal trading activity is the sale of donated and bought in goods.

The intergroup indebtedness in favour of the parent undertaking is being repaid under a formal loan agreement in annual instalments over five years with interest being applied at a market rate.

B. **Roy Castle Trading Limited** a company registered in England. The subsidiary was incorporated on 19 January 2000 and operates as a trading company. It undertakes activities in order to raise funds for the charitable purposes of the Foundation and the principal trading activity is the promotion and organisation of major fund raising events.

	Roy Castle Trading Limited 2005 £	Roy Castle Retail Limited 2005 £	Total Subsidiary Trading 2005 £	Total Subsidiary Trading 2004 £
Turnover	18,056	579,340	597,396	921,797
Cost of sales	(12,741)	(89,777)	(102,518)	(139,145)
Gross profit	5,315	489,563	494,878	782,652
Administrative expenses	(1,187)	(437,535)	(438,722)	(631,913)
Operating profit/(loss)	4,128	52,028	56,156	150,739
Interest payable	-	(9,034)	(9,034)	(6,793)
Gift Aid to Roy Castle Lung Cancer Foundation	(795)	-	(795)	(127,198)
Profit/(loss) on ordinary Activities	<u>3,333</u>	<u>42,994</u>	<u>46,327</u>	<u>16,748</u>

THE ROY CASTLE LUNG CANCER FOUNDATION
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13 Debtors

	Group		Charity	
	2005	2004	2005	2004
	£	£	£	£
Other debtors	207,894	246,946	204,085	246,946
Prepayments and accrued income	49,156	45,227	14,460	16,969
Amounts owed by subsidiary undertakings	-	-	20,090	22,388
	<u>257,050</u>	<u>292,173</u>	<u>238,635</u>	<u>286,303</u>

Included within other debtors is £190,663 representing deferred consideration payable over three years to May 2008.

14 Cash at bank and in hand

	Group		Charity	
	2005	2004	2005	2004
	£	£	£	£
Deposit cash at Rathbones	41,715	167,278	41,715	167,278
Cash at bank and in hand	<u>1,590,138</u>	<u>1,661,127</u>	<u>1,588,105</u>	<u>1,654,148</u>
	<u>1,631,853</u>	<u>1,828,405</u>	<u>1,629,820</u>	<u>1,821,426</u>

15 Creditors: amounts falling due within one year

	Group		Charity	
	2005	2004	2005	2004
	£	£	£	£
Bank overdraft	91,613	15,224	91,613	-
Amounts due to University of Liverpool for grants and services	55,140	129,191	55,140	129,191
Amounts due to subsidiary undertakings	-	-	3,223	31
Other creditors	292,839	113,103	263,292	99,293
Accruals and deferred income	<u>47,529</u>	<u>108,280</u>	<u>44,486</u>	<u>88,791</u>
	<u>487,121</u>	<u>365,798</u>	<u>457,754</u>	<u>317,306</u>

THE ROY CASTLE LUNG CANCER FOUNDATION
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16 Statement of funds

Restricted funds comprise the following unexpended income for specific purposes:

Group and charity	1 January 2005 £	Income £	Expenditure £	31 December 2005 £
Restricted funds				
Research	4,199	48,830	(17,543)	35,486
Merseyside Health Authority	28,337	489,695	(518,032)	-
Health Action Zone	15,000	44,000	(43,000)	16,000
Dept Of Health, Section 64	-	15,000	(15,000)	-
Scottish Executive				
Community, schools & other	39,993	191,230	(87,478)	143,745
	<u>87,529</u>	<u>788,755</u>	<u>681,053</u>	<u>195,231</u>

17 Movement in unrestricted funds – Group and charity

	1 January 2005 £	Income £	Expenditure gains and losses £	31 December 2005 £
Charity				
Investment revaluation reserve	(39,164)	101,363	-	62,199
General fund	2,626,507	1,134,316	(1,698,188)	2,062,635
Total Charity funds	<u>2,587,343</u>	<u>1,235,679</u>	<u>(1,698,188)</u>	<u>2,124,834</u>
Less Gift Aid from Trading subsidiary	-	(795)	795	-
	<u>2,587,343</u>	<u>1,234,884</u>	<u>(1,697,393)</u>	<u>2,124,834</u>
Non charitable trading funds	<u>(86,979)</u>	<u>597,396</u>	<u>(550,329)</u>	<u>(39,912)</u>
Total Group funds	<u><u>2,500,364</u></u>	<u><u>1,832,280</u></u>	<u><u>(2,247,722)</u></u>	<u><u>2,084,922</u></u>

18 Analysis of group net assets between funds

Group	Restricted funds £	Unrestricted funds £	Total 2005 £	Total 2004 £
Fixed assets				
Tangible	-	114,974	114,974	109,331
Investments	-	733,137	733,137	705,555
Current assets	195,231	1,723,932	1,919,163	2,138,806
Current liabilities	-	(487,121)	(487,121)	(365,799)
	<u>195,231</u>	<u>2,084,922</u>	<u>2,280,153</u>	<u>2,587,893</u>
Charity				
Fixed assets				
Tangible	-	44,676	44,676	24,302
Investments	-	733,137	733,137	705,555
Investment in subsidiaries	-	129,592	129,592	154,592
Current assets	195,231	1,675,183	1,870,414	2,107,729
Current liabilities	-	(457,754)	(457,754)	(317,305)
	<u>195,231</u>	<u>2,124,834</u>	<u>2,320,065</u>	<u>2,674,873</u>

19 Charitable commitments – Group and charity

The Charity's outstanding grants commitments that are due within one year of the balance sheet date amounted to £800,000 (2005: £1,300,000).

20 Taxation

The Charity's activities are exempt from taxation under section 505 of the Income and Corporation Tax Act 1998.

21 Related party transactions

The Charity has utilised the exemption in paragraph 3(c) of FRS8 in relation to disclosure of transactions with the subsidiary companies.

22 Reconciliation of net outgoing resources to net cash outflow from operating activities

	2005	2004
	£	£
Net outgoing resources	(307,740)	(106,974)
Interest received	(110,713)	(129,856)
Depreciation of tangible fixed assets	28,259	38,142
Loss on sale of tangible fixed assets	-	-
Gain on fixed asset investments	(101,366)	-
Decrease/(increase) in stocks	(12,033)	9,273
Decrease/(increase) in debtors	35,123	20,504
Decrease/(increase) in creditors	44,934	(989,729)
Cash outflow from operating activities	(423,536)	(1,158,640)

23 Reconciliation of net cash flow to movement in net funds

	2005	2004
	£	£
(Decrease)/Increase in cash in the period	(272,941)	(963,137)
	(272,941)	(963,137)
Net Funds at 1 January 2005	1,813,181	2,776,318
Net funds at 31 December 2005	1,540,240	1,813,181

24 Analysis of net funds

	1 January	Cash flow	31 December
	2005	£	2005
	£	£	£
Cash at bank and in hand	1,828,405	(196,552)	1,631,853
Overdraft	(15,224)	(76,389)	(91,613)
	1,813,181	(272,941)	1,540,240

25 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 2065.

	Group		Charity	
	2005	2004	2005	2004
	£	£	£	£
Date of termination of lease				
Less than one year	-	3,750	-	-
Between two and five years	137,936	80,350	40,886	41,300
After five years	35,737	58,500	-	-
	173,673	142,600	40,886	41,300