

The Roy Castle Lung
Cancer Foundation

**Report and
Financial
Statements**

Year Ended
31 December 2004



FIGHTING LUNG CANCER

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Legal and administrative information

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
Graham Morris - (Resigned June 2004)
Jim E Couton
James C M Davies
Dr David J Dunlop
Alastair Gould
Les Howell CBE - (Resigned August 2004)
Professor Frank Sanderson
Ella Slack
Lord Faulkner of Worcester
Terry Kavanagh
Barbara Elliot

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 (Director of Patient Care)
Paula Chadwick (Head of Personnel)
Christine Owens (Head of Tobacco Control)
Dawn Greer (Head of Finance - resigned 8 April 2005)
Pat Tisdale (Head Of Retail)
Asaf Niaz (Head of IT)

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

Trustees' report

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 2004.

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 tobacco control and patient care.

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.

I would like to thank my Board colleagues for their huge contribution to the Foundation. Their generous support, skills and advice provide us with a vast range of knowledge and experience.

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 powers

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 to continue funding 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 I am 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 2004 adding to our catalogue of publications over 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

Trustees' report (continued)

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 2004 the National Clean Air Award was launched, this being the first scheme to reward employers who implement effective workplace no smoking policies.

Financial review

As reported in last year's accounts, seven loss making retail outlets were sold to Marie Curie Cancer Care on 22 May 2004 and a further three outlets did not have their leases renewed during the year. The loss on disposal was recognised in the financial statements for the year ended 31 December 2003. The remaining shops all in the North West, continue to trade profitably and the planned opening of new outlets will continue during 2005.

The Group's result for 2004, was income of £3,039,505 and expenditure £3,101,239 with a resulting deficit of £61,734.

The trading results can be analysed as follows:

- The charitable foundation generated income of £2,251,699 (including receipt of £127,198 from subsidiary undertakings and investment gains of £45,240) and incurred expenditure of £2,330,181. The resulting deficit totalled £78,482.
- Roy Castle Retail Ltd generated income of £739,331 and incurred expenditure of £728,632, resulting in a profit of £10,699.
- Roy Castle Trading Ltd generated income of £182,466 and incurred expenditure of £49,219. After a transfer of £127,198 by Gift Aid to the charitable foundation the resulting profit for the year totalled £6,049.

The amount spent in pursuit of the objectives of the Charity stayed in line with last year at £1,942,506 (2003: £1,877,223). Investments at 31 December 2004 reported values of £705,555 capital and £167,278 cash compared to £740,878 and £57,630 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.

I am pleased to report that the cost of generating funds of £387,675 stayed in line with last year.

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 2005 for activities in pursuance of the Charity's objectives are the same as 2004 at £1,864,971. It is our intention to continue funding at this level during the years 2005 and 2006 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 11 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.

Trustees' report (continued)

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, Head of the Intervention Section, National Cancer Institute, Washington, USA.

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

I 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 the Deputy Chairman, Graham Morris and Les Howell for the huge contribution they have made to the foundation over the years they have served as a trustee; in particular as Chairman of the Audit Committee. They both retired as a trustee during the period.

Partners and supporters

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

By order of the Trustees

Sir Philip D Carter CBE
Chairman

28 April 2005

Independent auditors' report

We have audited the consolidated financial statements on pages 6 to 19.

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 Trustees' (who are also the directors of The Roy Castle Lung Cancer Foundation Ltd 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 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 of the state of affairs of the charitable company and the group as at 31 December 2004 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.

Baker Tilly
Chartered Accountants
& Registered Auditor

Number One
Old Hall Street
Liverpool
L3 9SX

28 April 2005

Consolidated statement of financial activities

	Notes	Unrestricted Funds	Restricted Funds	Totals 2004	Totals 2003
all figures in £		£	£	£	£
Incoming resources					
Activities in furtherance of the charity's objects:					
Grants receivable	2	-	680,098	680,098	555,430
Activities for generating funds:					
Income from Retail operations	12	739,331	-	739,331	987,138
Income from Trading activities	12	182,466	-	182,466	189,928
Fundraising events		235,704	-	235,704	245,576
Investment income	3	129,856	-	129,856	62,220
Donations and legacies		990,492	-	990,492	914,511
Other Income		36,318	-	36,318	-
Total incoming resources		2,314,167	680,098	2,994,265	2,954,803
Resources expended					
Cost of generating funds:					
Costs relating to Retail operations	12	721,839	-	721,839	972,293
Costs relating to Trading activities	12	49,219	-	49,219	89,823
Fundraising and publicity	4	318,162	-	318,162	303,622
		1,089,220	-	1,089,220	1,365,738
Charitable expenditure:					
Costs of activities in furtherance of the charity's objects:					
Research and project grants	5	763,364	688,195	1,451,559	1,299,817
Research support costs	6	484,821	6,126	490,947	577,406
Management and administration	7	69,513	-	69,513	81,448
Exceptional Item	8	-	-	-	245,378
		1,317,698	694,321	2,012,019	2,204,049
Total resources expended		2,406,918	694,321	3,101,239	3,569,787
Net outgoing resources before transfers		(92,751)	(14,223)	(106,974)	(614,894)
Net outgoing resources for the year	8	(92,751)	(14,223)	(106,974)	(614,894)
Net gains on investments	11	45,240	-	45,240	(86,602)
Net movement in funds		(47,511)	(14,223)	(61,734)	(528,382)
Fund balances brought forward at 1 January		2,547,875	101,752	2,649,627	3,178,009
Fund balances carried forward at 31 December		2,500,364	87,529	2,587,893	2,649,627

All the above results derive from continuing activities.

All gains and losses recognised in the year are included above.

The notes on pages 10 to 19 form part of these accounts.

Statement of financial activities - Charity

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 2004 £	Totals 2003 £
all figures in £					
Incoming resources					
Activities in furtherance of the charity's objects:					
Grants receivable	2	-	680,098	680,098	555,430
Activities for generating funds:					
Fundraising events		235,704	-	235,074	245,576
Investment income	3	136,649	-	136,649	74,628
Donations and legacies		990,492	-	990,492	914,511
Other Income		36,318	-	36,318	-
Gift Aid from subsidiary undertaking	12	127,198	-	127,198	106,000
Total incoming resources		1,526,361	680,098	2,206,459	1,896,145
Resources expended					
Cost of generating funds:					
Fundraising and publicity	4	318,162	-	318,162	303,622
		318,162	-	318,162	303,622
Charitable expenditure:					
Costs of activities in furtherance of the charity's objects:					
Research and project grants	5	763,364	688,195	1,451,559	1,299,817
Research support costs	6	484,821	6,126	490,947	577,406
Management and administration	7	69,513	-	69,513	81,448
Exceptional Item	8	-	-	-	92,675
		1,317,698	694,321	2,012,019	2,051,346
Total resources expended		1,635,860	694,321	2,330,181	2,354,968
Net outgoing resources before transfers		(109,499)	(14,223)	(123,722)	(458,823)
Net outgoing resources for the year	8	(109,499)	(14,223)	(123,722)	(458,823)
Net gains on investments	11	45,240	-	45,240	86,602
Net movement in funds		(64,259)	(14,223)	(78,482)	(372,221)
Fund balances brought forward at 1 January		2,651,602	101,752	2,753,354	3,125,575
Fund balances carried forward at 31 December		2,587,343	87,529	2,674,872	2,753,354

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

The notes on pages 10 to 19 form part of these accounts.

Balance sheets

	Notes	Group		Charity	
		2004	2003	2004	2003
all figures in £		£	£	£	£
Fixed assets					
Tangible assets	10	109,331	132,557	24,302	18,098
Investments	11	705,555	740,878	705,555	740,878
Investment in subsidiary undertakings	12	-	-	154,592	156,800
		814,886	873,435	884,449	915,776
Current assets					
Stock		18,227	27,500	-	-
Debtors	13	292,173	312,677	286,303	382,922
Cash at bank and in hand	14	1,828,405	2,839,876	1,821,426	2,786,993
		2,138,805	3,180,053	2,107,729	3,169,915
Creditors:					
Amounts falling due within one year	15	(365,798)	(1,403,861)	(317,306)	(1,332,337)
Net current assets		1,773,007	1,776,192	1,790,423	1,837,578
Net assets		2,587,893	2,649,627	2,674,872	2,753,354
Funds					
Restricted funds	16	87,529	101,752	87,529	101,752
Unrestricted funds:					
- General funds	17	2,587,343	2,651,602	2,587,343	2,651,602
- Non-charitable trading funds	17	(86,979)	(103,727)	-	-
		2,587,893	2,649,627	2,674,872	2,753,354

These financial statements were approved by the Board of Trustees on 28 April 2005

Sir Philip Carter CBE
Chairman

Mike Unger
Chief Executive

The notes on pages 10 to 19 form part of these accounts.

Consolidated cash flow statement

	Notes	2004	2003
all figures in £		£	£
Net cash outflow from operating activities	23	(1,158,640)	(337,440)
Returns on investments and servicing of finance			
Interest received		129,856	62,220
Net cash outflow from returns on investments and servicing of finance		(1,028,784)	(275,220)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(14,916)	(62,054)
Proceeds from sale of fixed assets		-	3,100,479
Payments to acquire fixed asset investments		-	(18,524)
Proceeds from sale of fixed asset investments		80,563	48,412
Net cash inflow from capital expenditure and financial investment		65,647	3,068,313
Net cash outflow from financing		-	-
Net (decrease)/increase in cash	24/25	(963,137)	2,793,093

Notes to the Accounts

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.

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.

Notes to the Accounts (continued)

1 Accounting policies (continued)

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.

Notes to the Accounts (continued)

2 Grants receivable - restricted

	Group and charity	
	2004	2003
all figures in £	£	£
Corporate grants	97,002	78,265
Merseyside Health Authorities - Health Action Zone	508,414	414,008
Department of Health (S64)	44,000	33,000
Scottish Executive	15,000	15,000
Community & Other	15,682	15,157
	680,098	555,430

3 Investment income - unrestricted

	Group	Charity	Group	Charity
	2004	2004	2003	2003
all figures in £	£	£	£	£
Interest receivable	103,817	110,610	35,432	47,840
Income from UK listed investments	26,039	26,039	26,788	26,788
	129,856	136,649	62,220	74,628

4 Fundraising and publicity costs - unrestricted

	Group and charity	
	2004	2003
all figures in £	£	£
Research centre operating costs	8,897	15,999
Events	75,495	12,950
Salaries and National Insurance	219,746	243,634
Office expenses	13,728	20,038
Depreciation	296	11,001
	318,162	303,622

5 Research and project grants - Group and charity

	Unrestricted	Restricted	Total	Total
	funds	funds	2004	2003
all figures in £	£	£	£	£
University of Liverpool - Liverpool Lung Project	763,364	-	763,364	732,345
Roy Castle Nurses	-	33,565	33,565	34,573
Dept Of Health - Section 64	-	29,000	29,000	33,000
Scottish Executive	-	15,000	15,000	15,000
Community, Schools & other	-	110,660	110,660	48,794
Merseyside Health Authorities - Health Action Zone	-	499,970	499,970	436,105
	763,364	688,195	1,451,559	1,299,817

Notes to the Accounts (continued)

6 Research support costs - Group and charity

	2004	2003
all figures in £	£	£
Unrestricted		
Research Centre operating costs	60,056	77,327
Publicity and marketing	30,098	23,930
Salaries and National Insurance	300,008	330,299
Office expenses	92,664	96,848
Depreciation	1,995	49,002
	484,821	577,406
Restricted		
Depreciation	6,126	-
	490,947	577,406

7 Management and administration costs - Group and charity

	2004	2003
all figures in £	£	£
Unrestricted		
Research Centre operating costs	8,897	7,999
Salaries and National Insurance	44,446	34,169
Office expenses	13,727	10,020
Bad Debt	2,147	24,223
Depreciation	296	5,037
	69,513	81,448

8 Net outgoing resources for the year

This is stated after charging:

	Group		Charity	
	2004	2003	2004	2003
all figures in £	£	£	£	£
Auditor's remuneration:				
Audit fee	12,000	12,000	12,000	12,000
Other	8,356	611	8,356	611
Operating lease rentals				
- Land and buildings	242,094	282,338	34,968	30,103
Depreciation				
- owned assets	38,142	126,050	8,712	65,401
Exceptional Items				
- Loss on sale of fixed assets	-	92,675	-	92,675
- Impairment provision	-	152,703	-	-
	-	245,378	-	92,675

The impairment provision relates to amounts set against the net book value of fixed assets within Roy Castle Retail Ltd prior to disposal. The loss on sale of fixed assets arose from the sale of freehold land and buildings and research equipment to the University of Liverpool.

Notes to the Accounts (continued)

9 Staff Costs

	Group		Charity	
	2004	2003	2004	2003
all figures in £	£	£	£	£
Wages and salaries	1,225,159	1,286,757	989,155	1,005,749
Social security costs	99,539	100,966	81,305	80,439
Severance	11,162	-	11,162	-
Pension costs	15,171	12,412	14,299	11,379

One employee's emoluments as defined for taxation purposes was included in the band of £50,000 to £60,000 (2003: 1). The pension contribution was £Nil (2003: 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	
	2004	2003	2004	2003
all figures in £	No.	No.	No.	No.
Fundraising	8	12	8	12
Charity administration	5	4	5	4
Tobacco Control/research	23	24	23	24
Patient care	5	5	5	5
Finance	3	3	3	3
Retail operations	18	32	-	-

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:

	2004	2003
	No.	No.
Liverpool Lung Project	19	19
Other Research Projects	5	5

Notes to the Accounts (continued)

10 Tangible fixed assets

	Research office and computer equipment	Motor Vehicles	Charity Total	Shop Fixtures & Fittings	Shop Leasehold Improvements (short leasehold)	Group Total
all figures in £	£	£	£	£	£	£
Cost						
At 1 January 2004	18,752	67,883	86,635	53,828	507,338	647,801
Additions	14,916	-	14,916	-	-	14,916
Disposals	-	(23,757)	(23,757)	(34,646)	(313,663)	(372,066)
At 31 Dec 2004	33,668	44,126	77,794	19,182	193,675	290,651
Accumulated depreciation						
At 1 January 2004	654	67,883	68,537	43,434	403,273	515,244
Charge for the year	8,712	-	8,712	2,033	27,397	38,142
Disposals	-	(23,757)	(23,757)	(34,646)	(313,663)	(372,066)
At 31 Dec 2004	9,366	44,126	53,492	10,821	117,007	181,320
Net book value						
At 31 Dec 2004	24,302	-	24,302	8,361	76,668	109,331
At 31 Dec 2003	18,098	-	18,098	10,394	104,065	132,557

11 Fixed asset investments

	Group and charity	
all figures in £	2004 £	2003 £
Market value at 1 January 2004	740,878	684,164
Additions at cost	-	18,524
Disposals proceeds	(80,563)	(48,412)
Net investment gains	45,240	86,602
Market value at 31 December 2004	705,555	740,878
Historical cost at 31 December 2004	843,857	832,767
UK listed investments are represented by:		
Investment assets in the United Kingdom	641,724	659,777
Investment assets outside the United Kingdom	63,831	81,101
Total	705,555	740,878

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:

	2004 £	2003 £
all figures in £		
Direct investment	705,555	740,848

Of the direct investments £78,667 (2003 - £104,538) represents investments in fixed interest securities and gilts.

Notes to the Accounts (continued)

12 Non charitable trading subsidiaries

all figures in £	Charity	
	2004	2003
	£	£
Investment		
Shares in subsidiary undertakings	4	4
Loan to subsidiary undertaking	154,588	156,796
	154,592	156,800

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 2004	Roy Castle Retail Limited 2004	Total Subsidiary Trading 2004	Total Subsidiary Trading 2003
all figures in £	£	£	£	£
Turnover	182,466	739,331	921,797	1,177,066
Cost of sales	(49,000)	(90,145)	(139,145)	(211,268)
Gross profit	133,466	649,186	782,652	965,798
Administrative expenses	(219)	(631,694)	(631,913)	(850,851)
Operating profit/(loss)	133,247	17,492	150,739	114,947
Interest payable	-	(6,793)	(6,793)	(12,408)
Exceptional Item		-	-	(152,703)
Gift Aid to Roy Castle Lung Cancer Foundation	(127,198)	-	(127,198)	(106,000)
Profit/(loss) on ordinary activities	6,049	10,699	16,748	(156,164)

Notes to the Accounts (continued)

13 Debtors

	Group		Charity	
	2004	2003	2004	2003
all figures in £	£	£	£	£
Other debtors	246,946	237,063	246,946	187,362
Prepayments and accrued income	45,227	75,614	16,969	10,666
Amounts owed by subsidiary undertakings	-	-	22,388	184,894
	292,173	312,677	286,303	382,922

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

14 Cash at bank and in hand

	Group		Charity	
	2004	2003	2004	2003
all figures in £	£	£	£	£
Deposit cash at Rathbones	167,278	57,630	167,278	57,630
Cash at bank and in hand	1,661,127	2,782,246	1,654,148	2,729,363
	1,828,405	2,839,876	1,821,426	2,786,993

15 Creditors: amounts falling due within one year

	Group		Charity	
	2004	2003	2004	2003
all figures in £	£	£	£	£
Bank overdraft	15,224	63,558	-	16,431
Amounts due to University of Liverpool for grants and services	129,191	830,524	129,191	830,524
Amounts due to subsidiary undertakings	-	-	31	108,944
Other creditors	113,103	189,655	99,293	76,298
Accruals and deferred income	108,280	320,124	88,791	300,140
	365,798	1,403,861	317,306	1,332,337

16 Statement of funds

Restricted funds comprise the following unexpended income for specific purposes:

Group and charity

	1 January 2004	Income	Expenditure	Transfer	31 December 2004
all figures in £	£	£	£	£	£
Restricted funds					
Research equipment	4,999	-	(800)	-	4,199
Roy Castle KATS Fund	-	-	(82,118)	82,118	-
Merseyside Health Authority Health Action Zone	19,893	508,414	(499,970)	-	28,337
Dept Of Health, Section 64	-	44,000	(29,000)	-	15,000
Scottish Executive	-	15,000	(15,000)	-	-
Community, schools & other	76,860	112,684	(67,433)	(82,118)	39,993
	101,752	680,098	(694,321)	-	87,529

Notes to the Accounts (continued)

17 Movement in unrestricted funds - Group and charity

	1 January 2004	Income	Expenditure gains and losses	Transfer	31 December 2004
all figures in £	£	£	£	£	£
Charity					
Investment revaluation reserve	(84,404)	45,240	-	-	(39,164)
General fund	2,736,006	1,526,361	(1,635,860)	-	2,626,507
Total Charity funds	2,651,602	1,571,601	(1,635,860)	-	2,587,343
Less Gift Aid from Trading subsidiary	-	(127,198)	127,198	-	-
	2,651,602	1,444,403	(1,508,662)	-	2,587,343
Non charitable trading funds	(103,727)	915,004	(898,256)	-	(86,979)
Total Group funds	2,547,875	2,359,407	(2,406,918)	-	2,500,364

18 Analysis of group net assets between funds

	Restricted funds	Unrestricted funds	Total 2004	Total 2003
all figures in £	£	£	£	£
Group				
Fixed assets				
- Tangible	8,790	100,541	109,331	132,558
- Investments	-	705,555	705,555	740,878
Current assets	78,739	2,060,066	2,138,805	3,180,052
Current liabilities	-	(365,798)	(365,799)	(1,403,861)
	87,529	2,500,364	2,587,893	2,649,627
Charity				
Fixed assets				
- Tangible	8,790	15,512	24,302	18,098
- Investments	-	705,555	705,555	740,878
- Investment in subsidiaries	-	154,592	154,592	156,800
Current assets	78,739	2,028,990	2,107,729	3,169,915
Current liabilities	-	(317,306)	(317,305)	(1,332,337)
	87,529	2,587,343	2,674,872	2,753,354

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 £1,300,000. (2003: £1,600,000).

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.

Notes to the Accounts (continued)

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

	2004	2003
all figures in £	£	£
Net outgoing resources	(106,974)	(614,984)
Interest received	(129,856)	(62,220)
Depreciation of tangible fixed assets	38,142	126,051
Loss on sale of tangible fixed assets	-	92,675
Impairment Provision	-	152,703
Decrease/(increase) in stocks	9,273	(1,403)
Decrease/(increase) in debtors	20,504	(121,573)
(Decrease)/increase in creditors	(989,729)	91,311
Cash outflow from operating activities	(1,158,640)	(337,440)

23 Reconciliation of net cash flow to movement in net funds

	2004	2003
all figures in £	£	£
(Decrease)/Increase in cash in the period	(963,137)	2,793,093
	(963,137)	2,793,093
Net Funds at 1 January 2004	2,776,318	(16,775)
Net funds at 31 December 2004	1,813,181	2,776,318

24 Analysis of net funds

	1 January 2004	Cash flow	31 December 2004
all figures in £	£	£	£
Cash at bank and in hand	2,839,876	(1,011,471)	1,828,405
Overdraft	(63,558)	48,334	(15,224)
	2,776,318	(963,137)	1,813,181

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 2005.

	Group		Charity	
	2004	2003	2004	2003
all figures in £	£	£	£	£
Date of termination of lease				
Less than one year	3,750	-	-	-
Between two and five years	80,350	50,400	41,300	31,600
After five years	58,500	83,000	-	-
	142,600	133,400	41,300	31,600