

**THIS IS OUR
ANNUAL
REPORT 2005**

**WE ARE
MACMILLAN.
CANCER SUPPORT**

WE WANT TO DO MORE

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Our Trading name

This is the Annual Report and Accounts for 2005 of Macmillan Cancer Relief, registered charity number 261017. In April 2006 we adopted the trading name Macmillan Cancer Support, reflecting our objective to be a source of support and a force for change for people affected by cancer. A resolution proposing that our legal name should also be changed to Macmillan Cancer Support will be put to the Annual General Meeting to be held on 28th June 2006.

It's been a good year. Now we want to do much more.

In 2005 we continued to improve care for people living with cancer. But how do we measure our success? During the year, Macmillan's services helped over 300,000 people – a massive figure. Yet when you set it against the entire 1.2 million people who are living with a potentially life threatening cancer, it is clear how much further we have to go to help everyone affected by cancer.

We spent more money on expert clinical care and practical support than ever before. It was also a record year for the number of Macmillan posts we created. We achieved this thanks to more flexible arrangements with partners about who pays for Macmillan professionals and for how long. And many professionals became part of the Macmillan family without the need for us to provide start-up funding.

No other charity offers the range of cancer services that Macmillan manages or supports.

Sometimes it's more effective for us to manage services ourselves, such as our website, helplines and Macmillan Grants. However, most of our services are operated by our partners and Macmillan professionals, including Macmillan nurses, information centres and carers' support projects. Our postholder programme is at



the core of what we do, as it is Macmillan professionals who help the majority of people who turn to us.

The year has had its challenges. Our income didn't grow as fast as we had hoped. A series of natural disasters, starting with the Asian tsunami, triggered more demand than ever for people's generosity. There is also stiffer competition in the health sector from other charities and the NHS – and many charities from other sectors are chasing down donations in increasingly sophisticated ways.

The NHS is under huge financial pressure and going through big organisational changes. This means we can't plan to create as many new posts as we would like, as we're not always sure whether the NHS will be able to take over the funding when the time comes. This will probably be the case for several years as new financial arrangements start in 2007 and NHS spending slows drastically in 2008.

Now back to the good news. Our long-term strategy for improving cancer services and fundraising is in place. This new strategy is influencing all other aspects of our work, including campaigns, Macmillan Cancer Voices, support services, volunteers and human resources. It is a framework that will help us make the

very best use of our human and financial resources. It has also inspired our new trading name, Macmillan Cancer Support – so people affected by cancer more readily understand what we offer – and our bold, new look which will help us reach out to more people who need our support, as well as attracting funds.

We are a unique and remarkable organisation. And we are as dependent on the help people give us now as we were when the charity was founded by Douglas Macmillan in 1911. But instead of being helped by a small group of family and friends, we are now helped by vast numbers of dedicated supporters and volunteers, Macmillan professionals and our own staff and by countless people affected by cancer who know the value of our work. We are too many to name, but to every one of them we owe our thanks.

Left to right

Jamie Dundas – Chairman
Peter Cardy – Chief Executive

OUR ACTIVITIES

Who we are and what we do

The Trustees present their report and the audited financial statements for the year ended 31 December 2005.

Legal and administrative information set out on page 35 forms part of this report. The financial statements comply with the current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities 2005.

Macmillan Cancer Relief is registered as a charity with the Charity Commission (registered charity number 261017) and as a company limited by guarantee with the Registrar of Companies in England (registered company number 2400969). It is governed by its Memorandum and Articles of Association, copies of which can be obtained from the Company Secretary at the registered office.

In April 2006 we adopted the trading name Macmillan Cancer Support, reflecting our objective to be a source of support and a force for change for people affected by cancer. A resolution proposing that our legal name should also be changed to Macmillan Cancer Support will be put to the Annual General Meeting to be held on 28th June 2006.

The objects of the Charity, as set out in its Memorandum of Association, are 'to assist cancer sufferers by grants of cash or kind; to further cancer education; to establish, endow or make grants to hospitals, hospices, nursing or convalescent holiday homes for cancer sufferers; and to engage in any activities whatsoever which may lessen the sufferings of cancer patients and as ancillary thereto to protect and preserve the health of their families, friends and helpers'.

More people are living longer with cancer, but more are developing the disease too. Four years ago, we began our long-range planning, enabling us to scan a 10-year horizon and be ready for major changes in cancer and its impact, treatment and care. As a result, we have begun a process of change that means even more and better services are available for people living

with cancer and their families. The goal we have is to reach everyone affected by cancer who wants our support by 2010.

Our desire for change is not about leaving behind what we already do well – it's about doing it even better. We remain dedicated to improving the life of every person affected by cancer. We are a source of support that allows them to use more connected, personalised and responsive services that give them the practical and emotional support, information and medical care they need. We help them find their way through the health and social care systems and give them the chance to share their experiences with other people affected by cancer. We are a doorway to professional support that can transform their experience of cancer.

Last year we reported that our influence and campaigning role is growing too. Now it is in even sharper focus. We are a force for change. We campaign for equal access to high quality care for every person who needs it, influence new and better services, empower everyone associated with Macmillan to be effective agents of change, and put the needs and wants of people affected by cancer at the heart of all our work.

A source of support

What we did in 2005

We fund the development of many cancer services by working in partnership with other organisations, particularly the NHS, through a pump priming model. Under this model, we will fund the new service, usually for three years, on the understanding that the partner organisation undertakes to pick up the long-term funding.

In 2005 we spent a record £68.3million helping people live with cancer, which is 5% more than in 2004. This included over 350 new Macmillan professional posts, bringing the total to 3,942.

Nurses represent the highest number of Macmillan professionals, at just over 2,900. However, we have over 1,000 other types of professionals now too, with the biggest increases happening in our allied health professional, information and social care posts. We are

still expanding the expert clinical care we are known for, but at the same time we are developing more services in the community where most people now have to manage their cancer.

As a result we are reaching more people than ever before through our services. Nearly 27,000 people were given valuable financial advice and support through Macmillan Grants and the Macmillan Benefits Helpline – a 43% increase on 2004. Our Macmillan CancerLine and Mobile Macmillan Cancer Information Centre gave much needed support and information to over 37,000 people. Meanwhile, our Macmillan nurses helped over 300,000 people to live with the effects of cancer and its treatment, a 9% increase on 2004.

Our strategy for improving cancer services has evolved too. We now reach even more people who need us and we want to join up our services more effectively so that people affected by cancer have the full range of our support. We also want people to be able to help themselves if they choose.

Total Macmillan professionals and services

Nurses	2,908
Doctors	363
Allied health professionals*	330
Information professionals	143
Education professionals	57
Social workers/counsellors	98
Others	43
TOTAL	3,942
Carers/befriending schemes	51
Completed buildings	148

In 2005

Macmillan CancerLine – calls, emails & letters	33,000
Macmillan Grants – expenditure	£7.6m
Macmillan Grants – people helped	20,442
Macmillan Benefits Helpline	
– people helped	6,455
– benefits accessed for these people	£11.5m

*Physiotherapists, dietitians, speech and language therapists, etc

How we are supporting people in 2006

People living with cancer in the community need more emotional support and high quality information about cancer than ever before. To help, we are redesigning our website so that people affected by cancer can share experiences with each other and find more sources of support. We are also extending our Macmillan CancerLine opening hours, launching a second Mobile Macmillan Information Centre and – in partnership with the Department of Health in England – working with Cancer Networks so they can provide information in a more co-ordinated way. We are also providing more support for our Macmillan professionals to help them keep up with the changes needed in cancer care.



'What's needed at such a terrible time is easy access to support, care and symptom control all in one package, which is exactly what the Macmillan team here provides.'
Dr Donald Sharp,
Hull Royal Infirmary

To make sure we give people with cancer the services they want, we need to review the services we already offer and do what's necessary to fill gaps. We also have to make sure those services are as clear and co-ordinated as possible. And the only way people can use these services is if they know what we offer and how to contact us. These steps are all vital if we are to achieve our goal of reaching everyone who needs us, in the way they want to, by 2010. That is why we are investing more in reviewing our services and telling people with cancer how we can help them, in a clear, bold and inspiring way.

A force for change

2005 was a year of great change

In 2005 we built momentum as a force for change in cancer care in the UK. We pressed forward with our Better Deal campaign by lobbying for more benefits

information for cancer patients and reform to the benefits system. We also launched a report that highlights the significant extra costs that people affected by cancer have to pay to cover things like hospital travel and parking. We were pleased that the Health Select Committee launched an inquiry into NHS charges soon after. We have also won a voluntary sector award for the Better Deal campaign.

Thanks to our strong partnerships and effective lobbying there is now a ban on smoking in enclosed public places in Scotland and a similar ban in Northern Ireland, Wales and England looks certain in the near future. This is a great step towards cutting needless deaths from lung, head and neck cancers. The Government also agreed to include all cancer patients in the updated Disability Discrimination Act from the point of diagnosis. This will protect more cancer patients from discrimination in their everyday lives.

We've achieved greater priority for palliative care in the GP contract which means everyday living will be a little easier for people in their final year of life. This is reinforced by the Gold Standards Framework (a system of care at home for these people) which we've rolled out to 1,400 GP practices in England: 40% more than our original target. We continue to support its implementation in Scotland, Wales and Northern Ireland, and have handed over responsibility for roll-out in the rest of the UK to the NHS.

We inspired change for the better in other ways too. In 2005 we reported on our major study into the research priorities of people affected by cancer and presented this to other research organisations to help spark improvements. On home ground, Macmillan Cancer Voices helped to extend and improve the ways in which people affected by cancer have a say in the development of cancer services. People with cancer are also much more involved in our work at every level, including the Board of Trustees.

The changes we want to see in 2006

We want people who are affected by cancer, to have a much greater say in how cancer services are developed and about how they are treated in the community. To make this possible we want to get 2,000 people involved in Macmillan Cancer Voices by 2007 – 1,600 more than now. We are also improving the ways we gather information about the needs and priorities of people affected by cancer.



We are still pushing for policy changes to ensure people affected by cancer get the information and specialist advice they need and to cut hospital travel and parking costs. These campaigns have been taken up vigorously by the media. We are also beginning to lobby for fairer financial and insurance products for people with cancer, who are often penalised. We are researching employment issues for people with cancer and working towards the development of good practice guidelines for employers.

We are working hard to minimise the impact of NHS financial deficits on new and established Macmillan services. We are campaigning to try and ensure that people affected by cancer continue to receive the specialist care and support they need and want. We are also pressing policy makers to ensure that cancer remains a government and NHS priority across the UK, and that policy makers act on the wider care and support needs of people living with cancer.

OUR FINANCES

2005 was another good year for Macmillan. While growth was slower than in recent years, the enormous generosity of our donors together with the fantastic commitment of our volunteers and staff resulted in another record year for income at £97.7million. This enabled us to grow charitable expenditure to a new record of £68.3million. There was a net deficit in the year of £161,000.

In the opinion of the Trustees, the future prospects of the Charity and its subsidiary trading companies are satisfactory.

Charitable expenditure

Our record charitable spend of £68.3million is summarised on page 9. Pages 4 to 6 explain what we do and provide the narrative context to help understand the numbers.

The expansion of our expert care programme (Macmillan nurses, doctors and other health and social care professionals) remained the largest category of expenditure, but as noted above, our commitment to improving care in the community increased at an even faster rate.

Our spend on information buildings and services was significantly up on the prior year with a large number of information posts coming on stream during the year. Policy and campaigning also grew appreciably with the first full year of our Better Deal campaign while our research to improve cancer services showed a one-off increase with a five year grant of £0.75million to the National Cancer Research Institute being wholly expensed in 2005 under our grant commitment accounting policy.

A more detailed analysis of the spend is provided in note 7 to the accounts on page 24.

Our income and fundraising

As in previous years, the Charity's income came overwhelmingly from voluntary giving and fundraising activities.

Of our record total income of £97.7million, £92.4million (95%) came from voluntary income. A further 4% came from investment income. We invest both the cash we hold to meet unpaid grant commitments

and the long-term reserves held to protect us in times of income volatility to produce valuable income. In 2005, less than 1% of our income came from statutory grants.

After strong growth in recent years, 2005 was a more challenging year, particularly because of the calls on public generosity from events such as the Asian tsunami and Hurricane Katrina. Nevertheless our voluntary income grew by nearly 4% to £92.4million – a record for us.

Legacy income was up by £3.5million to £35million. However this income stream is not easily forecast and it would be unwise for us to assume this higher level of income will automatically continue in 2006. Legacies remain our biggest source of income contributing over a third of total voluntary income and we are continuing our multi-year investment programme in legacy development.

Income from direct marketing grew by nearly 10% to £13million, continuing the growth achieved in recent years. We significantly stepped up our multi-year investment behind this income stream and are maintaining a high level of investment in 2006.

The World's Biggest Coffee Morning continued its growth to reach £6.1million, up 15% on 2004 and almost double the amount raised in 2002, just three years ago. We are continuing to invest in this flagship fundraising event.

Elsewhere most income streams were steady although some large one-off events and corporate donations in 2004 were not repeated in 2005.

As we predicted last year, our overall fundraising cost income ratio increased from the level achieved in 2004. This reflects the combination of significantly increased multi-year investments behind legacy and direct marketing income, where the returns will not bear fruit until 2006 and beyond, together with the challenging fundraising environment mentioned above.

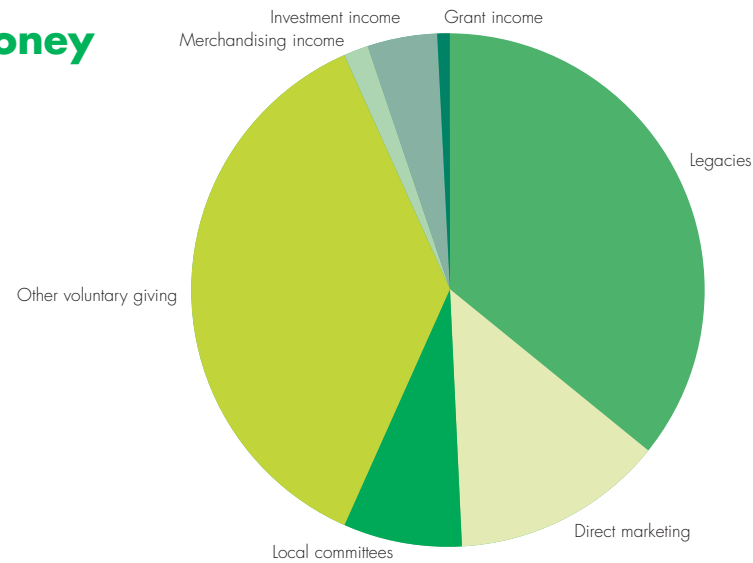
We remain committed to investing behind income streams that are key to our future but we are being careful to manage the pace of this growth. At the same time, we are combining our continuing scrutiny of our costs with wider reviews of our fundraising effectiveness.

'We have three full-time benefits advisors who have been specially trained by Macmillan Cancer Support to understand the financial effects of cancer on people's lives. Usually they go into people's homes and let them know what benefits they are entitled to and help them fill out forms.'

Tommy Gorman,
Team leader of the
Welfare Rights
Service at West
Dunbartonshire
Council

INCOME & SPEND 2005

Where our money comes from



We rely on our supporters for 99% of our income. Without you we couldn't provide any of our services for people living with cancer.

What this means

Legacies – £34,966,000
The money people leave us in their wills is the biggest source of income we have – it makes a huge difference.

Direct marketing – £13,043,000
This includes funds raised from letters and newspaper and TV adverts that ask people for money, to help pay for our services.

Local committees – £7,455,000
Funds raised by volunteers who run events and appeals for us in their local community.

Other voluntary giving – £35,839,000
This includes fundraising events like The World's Biggest Coffee Morning and our challenge event programme which covers hiking, biking and running events and support from many business partners.

Merchandising income – £1,123,000
Simple things like our Christmas cards, mugs, toys and badges add up to important income.

Investment income – £4,314,000
We invest the money relating to financial commitments not yet paid and reserves (held to cover four months projected expenditure), in order to produce valuable income.

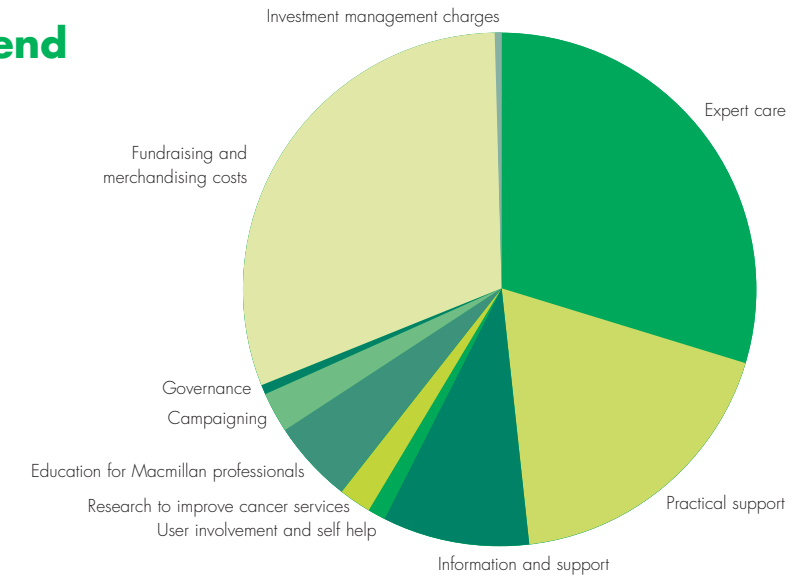
Grant income – £949,000
In 2005, less than 1% of our money came from grants such as the New Opportunities Fund.

Total – £97,689,000

How this year's figures compare

Year	Total income/ £ millions	Total expenditure £ millions
2001	72.5	64.7
2002	78.6	72.0
2003	88.9	82.2
2004	96.0	91.4
2005	97.7	98.9

How we spend our money



What this means

Source of Support

Expert care – £29,594,000
Our Macmillan nurses, doctors, and other health and social care professionals.

Practical support – £18,202,000
Our practical, everyday support includes financial advice through the Macmillan Benefits Helpline and Macmillan Grants to help cover expenses.

Information and support – £9,083,000
We give people reliable information and emotional support so they can make important decisions about their cancer care.

Force for Change

User involvement and self help and support – £1,105,000
We involve people affected by cancer in the development of cancer services they will use, through our Cancer Voices network and we fund self help and support groups.

Research to improve cancer services – £1,969,000
We undertake research to give us evidence to support our work. Our research helps us identify what people affected by cancer need and want, and informs our campaigns.

Education for Macmillan professionals and other health professionals – £5,097,000
We have an ongoing programme to ensure our professionals are kept up to date with the latest developments.

Campaigning – £2,665,000
We campaign for change. We want cancer care to be high in the minds of the Government, the Department of Health and every other body with influence.

Other expenditure

Governance – £584,000
Because we are running a large organisation we have to pay for audits, legal advice and other usual business costs.

Fundraising and merchandising costs – £30,377,000
People can't help us unless we ask them to and support their efforts. This covers the costs of all our fundraising, including events and appeals, as well as the cost of promotional materials.

Investment management charges – £248,000
To maximise the income we can make from our investments, we use an Investment bank to manage our portfolio.

Total – £98,924,000

In 2005 we spent more than we raised, by £1.2million. This was a planned deficit to enable us to increase our charitable spend and reduce the level of our reserves.

'People often know what they want but don't know where to get it. We are free to mould the service to what they need and an important part of my job is finding out what that is.'

Lorraine Painter,
Macmillan Cancer
Information and
Support Centre
Manager

Reserves

The Trustees have set a target range for general reserves taking into account the volatility of income, unbudgeted essential expenditure and other variable factors. The current level of reserves covers four months projected expenditure. Generally, we aim to spend money raised as soon as possible without relaxing our standards of what represents good spend, in order to make a real difference to the lives of people affected by cancer. In any one year, we may spend more or less than we raise because it is very difficult to synchronise our income exactly with our spending. We aim to adjust for any imbalance in the subsequent year.

As we reported last year, our general reserves at the end of 2004 were at the top end of our target range. In 2005, we incurred a planned deficit on these general reserves of £4.5million and have planned for a similar deficit in 2006.

We will soon be completing our annual review of the target level of reserves. Our continuing growth together with the recent, though gradual shift away from one-off grant expenditure towards more regular or fixed spend suggests we may need to increase our target level at some point in the future. With this in mind, we will be managing any reduction in general reserves very carefully.

Our investments

Long-term funds

Funds reflecting the Charity's longer term reserves (see reserves policy above) are managed on behalf of the Trustees by JP Morgan Private Bank. The objective set for JP Morgan is to maximise the growth of the investment fund while maintaining a prudent and balanced portfolio, but with the restriction that the Charity's funds must not be invested directly or indirectly in tobacco stocks.

The performance of JP Morgan is regularly monitored by the Trustees and was satisfactory in 2005, when the portfolio appreciated by over £3million in what was a good year for markets generally.

Short-term funds

Any surplus funds expected to be required in the short to medium term to meet existing commitments are held on deposit with the Charity's bankers or invested in highly rated money market funds.



At 31 December 2005, cash and short-term deposits of £84million underpinned our unpaid grant commitments of £86million. The majority of these monies are held in two highly-rated liquidity funds, which diversify and reduce risk and generate good returns.

GOVERNANCE

Powers and delegations

Under the Charity's Articles of Association, and subject to certain matters reserved to the members in General Meeting, the Board holds all powers and authorities of the Charity. The Board meets regularly during the year to consider, determine and review the Charity's strategies and policies and to receive reports from the Charity's senior managers. The Board has delegated some of its powers and responsibilities to its Finance and Legal Committee, Audit Committee and Remuneration Committee.

The Board has also delegated authority for certain matters to the Chief Executive and authorised sub-delegation by the Chief Executive to Executive Directors and other officers.

The Board is also advised about all aspects of its policy and work and, in particular, the views and opinions of the Charity's Members, by its Council. Members of Council are appointed by the Board for a three-year term and must be Members of the Charity.

The Charity has its UK office in London, and national and regional offices in Scotland, Wales, Northern Ireland and the English regions.

Statement of responsibilities of the Trustees

Company law requires the Trustees (who are also company directors) to prepare accounts which give a true and fair view of the state of affairs of the Charity and the Group and of the surplus or deficit of income over expenditure of the Group for the period. In the presentation of these accounts the Trustees must make judgements and estimates that are reasonable and prudent, follow suitable and consistent accounting policies and standards, which are applicable for a going concern (and in particular the Statement of Recommended Practice for charity accounting), disclosing and explaining any material departure from these policies and standards.

The Trustees are also responsible for keeping proper accounting records in accordance with company law, for safeguarding the assets of the Charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees have overall responsibility for the Charity's internal controls and the Audit Committee reviews internal risks and monitors the performance of management in controlling these risks.

The Trustees

The Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Jonathan Asquith

Professor Sir Kenneth Calman KCB FRSE (retired 30 June 2005)

Tara Donnelly (appointed 19 September 2005)

Dr Derek Douglas CBE (appointed 16 January 2006)

Jamie Dundas (Chairman)

Dr David Evered (appointed 19 September 2005)

Miss Susan Kirk

Judith Lancaster (appointed 19 September 2005)

Joe MacHale (Treasurer)

Julia Palca

David Paton OBE (retired 30 June 2005)

Mrs Roderick Petley MBE (retired 30 June 2005)

Sir Joseph Pilling KCB (appointed 5 December 2005)

Simon Prior-Palmer

Priscilla Snowball

Dr Gareth Tuckwell

Professor Sir Kenneth Calman KCB FRSE, Mr David Paton OBE and Mrs Roderick Petley MBE all retired at the 2005 AGM. The Board appointed Ms Tara Donnelly, Dr David Evered and Mrs Judith Lancaster as members of the Board to fill vacancies on 19 September 2005. The Board also appointed Sir Joseph Pilling KCB on 5 December 2005 and, most recently Dr Derek Douglas CBE on 16 January 2006. These new members each offer themselves for election as a Member of the Board for a three-year term at the forthcoming Annual General Meeting.

Mr Jamie Dundas, Mr Joe MacHale and Dr Gareth Tuckwell retire from the Board at the forthcoming Annual General Meeting and they offer themselves for re-election for a further three-year term. Mr Jonathan Asquith also retires and is not seeking re-election. The Board expresses its thanks to Mr Asquith for his extremely valuable contribution to the Charity's work over his very substantial period of service as a trustee since 1992 including ten years as treasurer.

Trustees' report

For the year ended 31 December 2005

Appointment and induction of the Trustees

The Trustees of the Charity are the members of the Board. Members of the Board are elected by the Members of the Charity at the Annual General Meeting and, subject to re-election or early retirement, serve for a three-year term. The Board has the power to fill casual vacancies by appointment until the next Annual General Meeting.

For new Trustees, Macmillan has a wide ranging induction training programme, which is also open to existing Trustees to attend. The programme, which is presented by both the officers of Macmillan and its outside advisors includes site visits, covers the aims of the organisation, how these are put into effect and the role of the Trustees.

Internal controls and risk management

The Charity has a comprehensive annual planning and budgeting process which is approved by the Trustees. Planning is based on assessment by the Charity's regional and UK management of the need for local and national improvement in cancer services and of the readiness to act of our prospective partners in the statutory, voluntary and private sectors of health and social care. Long-range planning has been introduced, which scans a ten-year horizon to anticipate major changes in cancer, its impact, treatment and care and the ageing population. Studies of the predicted workforce needs in relation to ideal models of cancer care are underway. Management of the Charity's accumulated knowledge and research is undertaken on a systematic basis to ensure optimum use of this important asset.

There is a system of financial reporting which compares actual results against the phased budget on a monthly basis. Internal controls are subject to regular review by the Charity's Internal Audit Group, which carries out a programme of cyclical reviews throughout the Charity and reports regularly to the Audit Committee.

As a part of the annual planning and budgeting process, the Charity prepares a three-year risk management plan. This identifies the most significant risks to the implementation of the corporate strategy, orders them by likelihood of occurrence and impact, indicates what action is in hand or planned to mitigate each risk

and names the Executive Director responsible for taking and monitoring the action.

During 2005 the risk management plan was reviewed, key risks were considered and necessary action was taken. This was reported to the Finance and Legal Committee. The risk management plan is reviewed each year as a part of the planning and budgeting process.

Membership

The Members of Macmillan Cancer Relief are entitled to attend its Annual General Meeting and vote on important decisions affecting the Charity. Volunteers, staff, postholders and committee members of the Charity are entitled to become Members.



Membership is also open to anyone who, in the opinion of the Board, deserves to be a Member of the Charity. Honorary Life Membership is awarded by the Board to those who have given outstanding support and service to the Charity.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 December 2005 was 11,165 (2004 – 11,978).

FURTHER INFORMATION

Employment policies and involvement

The Charity's policy is to recruit, employ and develop staff, without discrimination, on the basis of their qualifications, knowledge and experience for the work to be done.

The Charity operates a policy of equal pay and aims to ensure that salaries reflect the knowledge, skills, responsibilities and personal competency required for the satisfactory performance of each job. Salaries are also set in the context of the jobs market and comparisons are made with similar jobs in other charities and relevant organisations. Salaries are monitored by the Remuneration Committee.

The Charity operates a Staff Consultation Forum comprising 26 representatives from across the charity who meet four times a year and whose views are reported at Executive Directors Meetings.

Pension schemes

Defined benefit scheme

We operate a defined benefit scheme, which was closed to new entrants after 30 April 2004. It was the unquantifiable nature of the future liabilities of a defined benefit scheme that prompted the Trustees to close the scheme to new entrants, particularly in an environment of increasing life expectancy and reducing expectation for future investment returns.

The triennial actuarial valuation of the fund as at 31 December 2004 was completed during the year and showed a deficit of £1.2million. This actuarial valuation was recently updated as at 31 December 2005 and showed an increased deficit of £1.8million. This compares with the £3.15million deficit included in the Accounts under the more conservative FRS17 assumptions – see note 19 to the accounts.

In July 2005 we increased our employer contribution in line with the findings of the triennial actuarial valuation. We have recently reviewed the scheme and consulted with staff to limit the future costs of this scheme to the Charity. A number of changes including increased employee contributions and lower benefits accruing in respect of future service mean that the Charity's contribution will reduce in June 2006.

Defined contribution scheme

Following the closure of the defined benefit scheme to new entrants, we now also operate a defined contribution scheme. The assets of this scheme are held separately in an independently administered fund.

Trading subsidiaries

Macmillan Cancer Relief has four subsidiary trading companies that permit fundraising to support the Charity's work. All of their taxable profits each year are transferred to the Charity. Cancer Relief (Sales) Limited sells Christmas cards and other items; Macmillan Cancer Relief Trading Limited carries out fundraising events and activities; and Macmillan Cancer Relief Enterprises Limited and Cancerlink are dormant companies.

Note 5 to the Accounts summarises the results of the trading subsidiaries. Profits were below those achieved in 2004 reflecting lower sales of Christmas cards in line with general market trends together with the non-recurrence of some Corporate sponsorship received in 2004.

Related parties

Details of other related parties and connected organisations can be found in note 17 to the accounts.

Volunteers

Volunteering makes an enormous contribution to the work of the Charity. In 2005, approximately 70,000 volunteers supported the Charity's work, through fundraising, care and administration, of which 30,000 are estimated to be regularly committed volunteers. Just a few of the many different tasks undertaken by volunteers include serving on the Council and committees, providing listening skills and complementary therapies, running events, being librarians and drivers and staffing the Macmillan CancerLine. Without this huge army of support, Macmillan would not be the organisation it is today.

Auditors

BDO Stoy Hayward LLP are the Group and Charity's auditors. A resolution will be proposed at the Annual General Meeting that BDO Stoy Hayward LLP be appointed as the Group and Charity's auditors for the ensuing year.

Approved by the Trustees on 26 April 2006
and signed on their behalf by

David Farrington Acting Company Secretary

Independent auditors' report to the members of Macmillan Cancer Relief

We have audited the financial statements of Macmillan Cancer Relief for the year ended 31 December 2005 on pages 16 to 33 which have been prepared under the accounting policies set out on pages 19 to 21.

Respective responsibilities of trustees and auditors

The Trustees' responsibilities 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 Trustees' report is not consistent with the financial statements, if the charity 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 charity is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit 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 charity'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 charity and the group at 31 December 2005, and of the group's incoming resources and resources expended, including its income and expenditure, for the year then ended and;
- have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP
Chartered Accountants & Registered Auditors
Epsom, Surrey
26 April 2006

Consolidated Statement of Financial Activities

(including an income and expenditure account)
For the year ended 31 December 2005

	Note	Unrestricted £'000	Restricted £'000	2005 Total £'000	2004* Total £'000
Incoming resources					
Incoming resources from generated funds:					
Legacy income		24,104	10,862	34,966	31,428
Voluntary income	2	36,699	19,638	56,337	56,438
Grant income	3	–	949	949	3,186
Merchandising income		1,123	–	1,123	1,207
Investment income	4	4,314	–	4,314	3,789
Total incoming resources		66,240	31,449	97,689	96,048
Resources expended					
Costs of generating funds:					
Cost of generating voluntary and legacy income		22,517	7,191	29,708	25,538
Merchandising costs		669	–	669	705
Investment management costs		248	–	248	238
		23,434	7,191	30,625	26,481
Net incoming resources available for charitable application		42,806	24,258	67,064	69,567
Charitable expenditure					
Source of support	7	29,890	26,989	56,879	54,824
Force for change	7	10,397	439	10,836	9,612
Governance	6	584	–	584	499
Charitable expenditure	7	40,871	27,428	68,299	64,935
Total resources expended	6	64,305	34,619	98,924	91,416
Net (outgoing)/incoming resources before gains and transfers	8	1,935	(3,170)	(1,235)	4,632
Transfers between funds	16	(6,162)	6,162	–	–
Net (outgoing)/incoming resources		(4,227)	2,992	(1,235)	4,632
Net gains on investments	11	2,969	–	2,969	1,091
Actuarial loss on defined benefit pension scheme	19	(1,895)	–	(1,895)	(667)
Net movement in funds		(3,153)	2,992	(161)	5,056
Fund balances brought forward at 1 January as previously stated		34,412	11,444	45,856	40,064
Prior year adjustment – FRS17 restatement	19	(1,404)	–	(1,404)	(668)
Fund balances brought forward at 1 January as restated		33,008	11,444	44,452	39,396
Fund balances carried forward at 31 December		29,855	14,436	44,291	44,452

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in note 16 to the financial statements.

* The comparative figures for year 31 December 2004 have been restated due to the full adoption of FRS17 and the implementation of SORP 2005; see note 1 for more information.

Balance sheets

As at 31 December 2005

	Note	2005 £'000	Group 2004* £'000	2005 £'000	Charity 2004* £'000
Fixed assets					
Tangible fixed assets	10	1,123	414	1,123	414
Investments	11	31,181	28,788	31,181	28,788
		32,304	29,202	32,304	29,202
Current assets					
Debtors	12	22,358	18,419	23,285	19,514
Short-term deposits		73,866	35,429	73,866	35,429
Cash at bank and in hand		9,751	44,438	8,729	43,205
		105,975	98,286	105,880	98,148
Creditors: amounts falling due within one year					
Grants committed not yet paid	13	(34,514)	(40,511)	(34,514)	(40,511)
Other creditors	14	(4,363)	(3,696)	(4,269)	(3,559)
Net current assets		67,098	54,079	67,097	54,078
Total assets less current liabilities		99,402	83,281	99,401	83,280
Creditors: amounts falling due after more than one year					
Grants committed not yet paid	13	(51,961)	(37,425)	(51,961)	(37,425)
Pension scheme funding deficit	19	(3,150)	(1,404)	(3,150)	(1,404)
Net assets	15	44,291	44,452	44,290	44,451
Funds					
Restricted funds		14,436	11,444	14,436	11,444
Unrestricted funds:					
Investment revaluation reserve		4,433	2,073	4,433	2,073
Other general funds		24,331	29,045	24,330	29,044
Total general funds		28,764	31,118	28,763	31,117
Designated funds		4,241	3,294	4,241	3,294
Pension scheme deficit		(3,150)	(1,404)	(3,150)	(1,404)
Total unrestricted funds		29,855	33,008	29,854	33,007
Total funds	16	44,291	44,452	44,290	44,451

* The comparative figures as at 31 December 2004 have been restated due to the full adoption of FRS17. This change has only affected the figures for the defined benefit pension scheme liability. See note 1 for more information.

Approved by the trustees on 26 April 2006 and signed on their behalf by

Jamie Dundas Chairman

Joe MacHale Treasurer

Consolidated cash flow statement

For the year ended 31 December 2005

	2005 £'000	2004 £'000
Net (outgoing)/incoming resources for year	(1,235)	4,632
Adjustments to exclude non-cash items and investment income		
Depreciation	365	680
Other fixed asset write offs	72	-
Donated shares retained	(88)	(884)
Increase in grant commitments and other creditors	10,952	14,308
Pension actuarial (loss)	(1,895)	(1,335)
(Increase)/decrease in debtors	(3,939)	333
Investment income	(4,314)	(3,789)
Net cash inflow from operating activities	(82)	13,945
Returns on investment and servicing of finance		
Investment income	4,314	3,789
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(1,146)	(47)
Payments to acquire investments	(15,891)	(21,261)
Proceeds from sales of investments	16,911	16,662
(Decrease)/increase in cash and short-term deposits held with investment manager	(356)	4,591
Management of liquid resources		
(Increase) in short-term deposits	(38,437)	(9,856)
(Decrease)/increase in cash in the year	(34,687)	7,823

Movement in cash and short-term deposits

During the year, significant monies were transferred from an instant access cash account to a short-term deposit account.

	Cash 2005 £'000	Short-term deposits 2005 £'000	Total cash & short-term deposits 2005 £'000	Total cash & short-term deposits 2004 £'000
At 1 January	44,438	35,429	79,867	62,188
Movement in year	(34,687)	38,437	3,750	17,679
At 31 December	9,751	73,866	83,617	79,867

Notes to the financial statements

For the year ended 31 December 2005

1 Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention, modified to include the revaluation of investments to market value, and in accordance with applicable accounting standards, the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities 2005' and the Companies Act 1985.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiary companies Cancer Relief (Sales) Limited and Macmillan Cancer Relief Trading Limited on a line by line basis. A separate statement of financial activities for the charity itself is not presented as allowed by section 230 of the Companies Act 1985 and paragraph 397 of SORP 2005. The income of the parent charity was £96,215,000 and the expenditure was £97,446,000.

In preparing these financial statements, the charity has adopted Financial Reporting Standard 17: 'Retirement Benefits' for the first time. This has resulted in the restatement of the comparative results and financial position as detailed in note 19 to the financial statements.

Previously, contributions to the charity's defined benefit pension scheme were charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' expected working lives with the charity. Variations to pension costs caused by differences between the assumptions used and actual experience were spread over the average remaining working lives of the current employees at each actuarial valuation date.

In preparing the financial statements, the charity has also adopted SORP 2005 for the first time. This has resulted in some prior year figures being restated. However, it has no effect on the net movement in funds for the year ended 31 December 2004 or total funds as at 31 December 2004.

Incoming resources

Voluntary income

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Donated services and facilities are valued and brought in as income and the appropriate expenditure at the price that Macmillan estimates it would pay in the open market for an equivalent service or facility.

Legacies

Legacies are deemed to be receivable from the date of probate. Those receivable at year end, where they can be valued, are included at 90% of probate value, reflecting the uncertainty inherent in the fact that a substantial proportion of legacy receivables represent property or other investments whose value is subject to market fluctuations until they can be realised.

Grant income

Revenue grants are credited to the Statement of Financial Activities when received or receivable whichever is earlier, unless they relate to a specific future period, in which case they are deferred.

Resources expended

Resources expended are recognised in the period in which they are incurred.

Notes to the financial statements

For the Year Ended 31 December 2005

Grant commitments

Grants are generally made to institutions to meet employment, travelling and training costs of Macmillan professionals in the initial years of new appointments or to cover costs associated with buildings development. The full value of the Charity's commitment to a charitable grant is recognised in the year in which the grant is made available and shown as a long or short term liability as appropriate.

Grants to individual patients are made to cover welfare costs and are recognised in the year in which they are made.

Releases of grant commitments

There are occasions when it becomes necessary to withdraw and re-deploy a grant which has been approved in a prior year. Where re-deployment occurs the intention of the original grant is observed where possible. If it cannot be spent in the current year the funds revert to either the unrestricted or restricted reserves.

Allocation of expenditure

Resources expended are allocated to the particular activity that the cost relates to. Where expenditure contributes to more than one area of activity, the costs are re-allocated to each of the activities based on estimated staff time.

Governance costs

Governance costs are the costs associated with constitutional and statutory requirements and with the strategic management of the charity's activities.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided in equal instalments over the life of each tangible asset at the following rates:

Furniture and equipment	20%
Computer equipment	33 1/3%
Computer systems	20%
Short leasehold property	100% in year of expenditure
Freehold property	2%
Leasehold improvements	over the life of the lease

Items of equipment are capitalised where the purchase price exceeds £1,000. Individual computer systems are capitalised where the costs exceed £250,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

Fund accounting

Restricted, designated and general funds are separately disclosed, as set out in note 16. The different funds held are defined as follows:

- Restricted funds** are subject to specific restrictions imposed by the donor or by the nature of the appeal.
- Designated funds** are set aside at the discretion of the Trustees for specific purposes. They would otherwise form part of the general funds.
- General funds** are available to spend at the discretion of the Trustees in furtherance of the charitable objectives of the Charity.
- Transfers** represent costs relating to restricted fund income subsequently met by unrestricted funds.

Leases

The Charity enters into operating leases as described in note 18. Expenditure on operating leases is charged in the Statement of Financial Activities as incurred.

Investments

Listed investments are included in the balance sheet at market value. Realised gains and losses on disposals in the year and unrealised gains and losses on investments at the balance sheet date are included in the Statement of Financial Activities for the relevant underlying funds. The historical cost of investments is shown in note 11 to the accounts.

Pensions

The charity operates a defined benefit pension scheme, which closed to new entrants on 30 April 2004. The charity's defined benefits scheme is accounted for in accordance with FRS 17 'Retirement Benefits'. The service cost of pension provision relating to the year, together with the cost of any benefits relating to past service if the benefits have vested, is charged to the Statement of Financial Activities. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the charity's long term expected return on assets (based on the market value of the scheme assets at the start of the year), are also included in the Statement of Financial Activities.

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet. Any differences between the actual and expected return on assets during the year are recognised in the Statement of Financial Activities along with differences arising from experience or assumption changes.

The charity also contributes to a separate stakeholder pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. Contributions to the charity's stakeholder pension scheme are charged to the Statement of Financial Activities in the year in which they become payable.

Taxation

As a registered charity, the Charity benefits from rates relief, and is exempt from direct tax on its charitable activities but not from VAT. Irrecoverable VAT is included in the cost of those items to which it relates.

2 Voluntary income

	Unrestricted £'000	Restricted £'000	2005 Total £'000	2004 Total £'000
Local fundraising committees	4,577	2,878	7,455	7,581
Fundraising appeals	-	11,320	11,320	11,041
Fundraising events	9,697	2,667	12,364	12,591
Donations	9,198	2,761	11,959	13,316
Direct marketing	13,031	12	13,043	11,909
Donated services and facilities	196	-	196	-
Total	36,699	19,638	56,337	56,438

The charity is aware of public interest in financial support of charities by the pharmaceutical industry and in 2005 the following donations over £5,000 were received from pharmaceutical companies:

GlaxoSmithKline Plc £8,000 Eli Lilly £10,000

Notes to the financial statements

For the year ended 31 December 2005

3 Grant income

	2005 Total £'000	2004 Total £'000
New Opportunities Fund	302	2,206
NHS Grants	647	854
Department of Health	–	126
	949	3,186

4 Investment income

	2005 Total £'000	2004 Total £'000
Income from listed securities	841	868
Interest income	3,473	2,921
	4,314	3,789

5 Subsidiary undertakings

The Charity has four wholly owned trading subsidiaries which are incorporated in the UK for the purposes of generating income for the charitable purposes of the Charity. All of their taxable profits each year are transferred to the Charity. The specific activity or status of each company is:

Cancer Relief (Sales) Limited	Sale of Christmas cards and other items
Macmillan Cancer Relief Trading Limited	Fundraising events and activities
Macmillan Cancer Relief Enterprises Limited	Dormant
Cancerlink	Dormant

A summary of the trading results of the non-dormant companies is shown below:

	Cancer Relief (Sales) Limited	Macmillan Cancer Relief Trading Limited	2005 £'000	2004 £'000
Turnover	1,197	243	1,440	1,681
Cost of sales	(339)	(7)	(346)	(417)
Gross profit	858	236	1,094	1,264
Operating expenses	(341)	(5)	(346)	(308)
Interest receivable	28	11	39	27
Net profit	545	242	787	983
Costs recharged, licence fee and interest paid to Charity	(222)	(54)	(276)	(205)
Profit on ordinary activities	323	188	511	778
Amount transferred to Charity	(323)	(188)	(511)	(778)
Profit for financial year	–	–	–	–
Funds balance at 31 December 2004	1	–	1	1
Funds balance at 31 December 2005	1	–	1	1

6 Expenditure

	Grants £'000	Direct staff costs £'000	Other direct costs £'000	Apportioned support costs £'000	2005 £'000	2004 £'000
Source of support (Note 7)	46,759	3,876	3,710	2,534	56,879	54,824
Force for change (Note 7)	3,944	2,104	3,212	1,576	10,836	9,612
Governance (Note 7)	–	187	291	106	584	499
Total charitable expenditure	50,703	6,167	7,213	4,216	68,299	64,935
Cost of generating voluntary and legacy income	–	9,438	12,558	7,712	29,708	25,538
Merchandising costs	–	–	669	–	669	705
Investment management fees	–	–	248	–	248	238
Total expenditure	50,703	15,605	20,688	11,928	98,924	91,416

Breakdown of apportioned support costs

	Human Resources & Facilities £'000	IT £'000	Finance & Legal £'000	Policy & Communications £'000	2005 £'000	2004 £'000
Source of support	1,317	577	178	462	2,534	2,626
Force for change	819	359	110	288	1,576	487
Cost of generating voluntary and legacy income	4,070	1,694	540	1,408	7,712	7,945
Governance	55	23	9	19	106	96
	6,261	2,653	837	2,177	11,928	11,154

Support costs were apportioned to activities on the basis of headcount in each of the departments supporting the various activities.

Analysis of governance costs

	2005 £'000	2004 £'000
Staff costs	187	174
External audit fees	49	46
Board and Council meeting expenses	13	9
AGM costs	107	77
Legal and other costs	228	193
	584	499

Notes to the financial statements

For the year ended 31 December 2005

7 Analysis of charitable expenditure

	Staff costs £'000	Grants £'000	Other costs £'000	2005 £'000	2004 £'000
Source of support					
Expert care					
Macmillan nurses	1,009	14,649	1,268	16,926	15,202
Macmillan doctors	102	1,547	9	1,658	2,976
Macmillan allied health professionals	330	4,832	355	5,517	6,033
Treatment and care buildings	2	(192)*	221	31	3,909
Day and in-patient care	161	2,356	184	2,701	2,291
Other expert clinical care costs	159	2,179	423	2,761	3,807
Practical support					
Macmillan carer/befriending schemes	177	2,588	200	2,965	3,503
Macmillan social workers and other social care professionals	278	4,052	314	4,644	1,981
Financial help:					
Macmillan benefits advice projects	240	-	194	434	409
Macmillan Grants	519	7,562	616	8,697	7,383
Other social care and support costs	78	903	481	1,462	1,076
Macmillan CancerLine	265	-	100	365	275
Mobile Macmillan Cancer Information Centre	99	-	374	473	331
Information buildings and services	55	5,626	29	5,710	3,269
Other information and support costs	329	-	691	1,020	328
Cancer self help and support groups	33	198	510	741	451
Associated charities	30	435	34	499	407
Other direct provision of services	10	24	241	275	1,193
	3,876	46,759	6,244	56,879	54,824
Force for change					
Involving people affected by cancer in developing Macmillan and NHS services					
Macmillan Cancer Voices	131	290	83	504	513
Research to improve cancer services	128	70	403	601	390
Macmillan partnership projects:	511	1,148	310	1,969	497
Gold Standards Framework	125	269	95	489	851
Primary Care Cancer Lead Clinicians	96	85	252	433	218
Postholder learning and development	959	1,950	883	3,792	4,305
GP educators and facilitators	90	132	161	383	1,608
Policy and campaigning	64	-	2,601	2,665	1,230
	2,104	3,944	4,788	10,836	9,612
Governance costs	187	-	397	584	499
Total charitable expenditure	6,167	50,703	11,429	68,299	64,935

* During the year £1.3million of grant commitments relating to buildings grants were released as they were no longer required. This has resulted in negative expenditure on treatment and care buildings of £192,000.

New grants committed in the year are recognised as charitable expenditure in the year in which they are made and are shown above. The grants figure shown above comprises both multi-year grants where the full cost is recognised on the balance sheet as a liability in the year of commitment and those grants (mainly Macmillan grants) which are wholly expensed during the year.

Grants to institutions and partner organisations totalled £43,141,000. Grants to individuals totalled £7,562,000. A full list of the grants made to institutions and partner organisations are disclosed in a separate publication which is available from the Charity's registered office.

8 Net (outgoing)/incoming resources for the year

This is stated after charging:

	2005 £'000	2004 £'000
Depreciation	365	680
Auditors' remuneration:		
Audit	49	46
Tax services	80	-
Operating lease rentals:		
Property	1,663	1,375
Equipment	-	193

No Trustee has received any remuneration from the Group during the year (2004: nil). The total amount of expenses reimbursed to the Trustees during the year was £500 (2004: £189). The number of Trustees who were reimbursed was 4 (2004: 1)

9 Staff costs and numbers

Staff costs were as follows:

	2005 £'000	2004 £'000
Salaries and wages	17,404	15,317
Agency staff costs	970	593
Employers National Insurance contributions	1,786	1,546
Pension costs	1,349	1,378
	21,509	18,834

The number of employees who earned £60,000 (excluding pension) or more were:

	2005 No.	2004 No.
£60,001 - £70,000	4	4
£70,001 - £80,000	2	2
£80,001 - £90,000	2	2
£90,001 - £100,000	1	1
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-
£130,001 - £140,000	-	1

Retirement benefits are accruing under defined benefit schemes for 9 (2004: 11) higher paid employees. Contributions totalling £17,100 (2004: £16,000) were made to a stakeholder scheme for one higher paid employee.

The average number of staff employed during the year was 660 (2004: 579) which includes 161 (2004: 103) part-time staff. The average number of full-time equivalent (FTE) staff employed during the year was 584 (2004: 542). The average FTE is analysed by function as follows:

	2005 No.	2004 No.
Fundraising	373	353
Source of support	127	110
Force for change	79	74
Governance	5	5
	584	542

Notes to the financial statements

For the year ended 31 December 2005

14 Other creditors

	Group		Charity	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Taxation and social security	1,303	1,116	1,303	1,116
Trade creditors	–	5	–	–
Other creditors and accruals	3,060	2,575	2,966	2,443
	4,363	3,696	4,269	3,559

15 Analysis of group net assets between funds

	Restricted funds £'000	Designated funds £'000	General funds £'000	Total funds £'000
Tangible fixed assets	–	1,123	–	1,123
Investments	–	3,118	28,063	31,181
Cash and short-term deposits	61,152	–	22,465	83,617
Debtors	3,080	–	19,278	22,358
Creditors	(49,796)	–	(44,192)	(93,988)
Net assets at the end of the year	14,436	4,241	25,614	44,291

16 Movements in funds

	Balance 1 January 2005 £'000	Incoming resources £'000	Outgoing resources £'000	Gains on investment & actuarial loss on pension scheme £'000	Transfers £'000	Balance 31 December 2005 £'000
Restricted funds:						
Local appeals	7,508	23,410	(29,702)	–	6,162	7,378
Other funds	3,936	8,039	(4,917)	–	–	7,058
Total restricted funds	11,444	31,449	(34,619)	–	6,162	14,436
Unrestricted funds:						
Investment revaluation reserve	2,073	–	–	–	2,360	4,433
Other general funds	29,045	66,240	(64,305)	1,074	(7,723)	24,331
Total general funds	31,118	66,240	(64,305)	1,074	(5,363)	28,764
Designated funds						
Fixed asset fund	414	–	–	–	709	1,123
Market fluctuations fund	2,880	–	–	–	238	3,118
Total designated funds	3,294	–	–	–	947	4,241
Pension scheme deficit	(1,404)	–	–	–	(1,746)	(3,150)
Total unrestricted funds	33,008	66,240	(64,305)	1,074	(6,162)	29,855
Total funds	44,452	97,689	(98,924)	1,074	–	44,291

Purposes of restricted funds

Local appeals

Local appeal funds comprise income generated from fundraising activities by Macmillan appeal offices throughout the UK. Local appeal deficits often arise during an appeal due to the accounting policy of recognising the full amount of charitable expenditure to be met from an appeal before the appeal has reached its target income. During the year £662,000 was transferred from unrestricted funds to restricted appeal funds to cover deficits which will not be matched by future fundraising. It is anticipated that the remaining deficits will be matched by future restricted income flows and transfers from other appropriate funds. A transfer of £5,500,000 has been made between general and restricted funds representing appeal costs which are supported by general funds, making a total transfer of £6,162,000 to local appeals.

Appeals at the year end in surplus totalled £14,348,560. Appeals in deficit totalled £6,971,239.

Other funds

Other restricted funds comprise income for specific Macmillan activities. At 31 December 2005, the balance of £7,058,000 (2004: £3,936,000) is made up of:

	£'000
Macmillan nurses	3,781
Macmillan Grants	1,264
Education	368
Other	1,645
	7,058

Nursing

Income which has been restricted for nursing has come from a variety of sources and is restricted either to a type of post or to a post in a specific geographical location. Funds will be expended as appropriate posts are identified or developed.

Macmillan Grants

Income which has been restricted to be spent on Macmillan Grants has come from a variety of sources. The grants programme funds one-off payments for adults, young people, or children with cancer to cover a wide range of practical needs.

Education

The education restricted funds comprise a fund for small grants for education and equipment for Macmillan's professionals, and a fund for Macmillan nurse education.

Other

The balance on these funds is the total of a variety of restricted fund balances, including those for information services, buildings and in-patient care.

Fixed asset fund

The fixed asset fund represents the value of general funds invested in fixed assets which are not, by the nature of fixed assets readily available for use for other purposes. The transfer of £709,000 to this fund makes the value of the fund equal to the net book value of the fixed assets at 31 December 2005.

Notes to the financial statements

For the year ended 31 December 2005

Market fluctuations fund

The market fluctuations fund is calculated as 10% of the market value of the Charity's investments and is set aside to allow for fluctuations in the market value of investments. The transfer of £238,000 to this fund is an adjustment to bring the fund in line with 10% of the market value of the investments at 31 December 2005.

Other unrestricted funds

Investment revaluation reserve

The investment revaluation reserve is calculated as the difference between the market valuation and the historic cost of the Charity's investments. The transfer of £2,360,000 to this fund is an adjustment to increase the fund to the difference between market value and historic cost of investment at 31 December 2005.

Pension scheme deficit

The pension scheme deficit reserve is the FRS17 deficit calculated by the Charity's actuary as at 31 December 2005. This is the first year that the pension deficit has been included in the Charity's accounts; each year the reserve will be adjusted for the movement on the deficit.

17 Related party transactions

Since March 2005 Professor Jessica Corner has been the Director of Improving Cancer Services at Macmillan Cancer Support. She is seconded for 80% of her time from the University of Southampton's School of Nursing and Midwifery. During the year, payments of £230,000 (2004: £209,000) were made by Macmillan in respect of the Macmillan Practice Development Unit, a programme of research for people affected by cancer, which is based at the University of Southampton.

Tara Donnelly is a trustee of the Charity and is Director of Operations and Deputy Chief Executive of the Whittington Hospital NHS Trust. During the year, a grant was made to the trust of £120,000 over three years to provide a part-time ambulatory care pharmacist. In addition, the Charity has made a grant of £90,000 towards a paediatric clinical nurse specialist until August 2006.

Susan Kirk is a trustee of the Charity, a Director of both Cancer Relief (Sales) Ltd and Cancer Relief Trading Ltd and also a Director at St Barnabas Hospice Trust. During the year, a grant was made to the trust of £193,000 over three years to provide a new welfare benefit scheme in Lincolnshire.

The American Friends of Macmillan Cancer Relief was formed in 1991 as the US affiliate of Macmillan to support its charitable programmes. The American Friends of Macmillan Cancer Relief is a public charity as described in section 501 (c) (3) of the US Internal Revenue Code. It may devote funds received by it to any purpose consistent with its charitable purposes, as dictated by its Board of Directors. The current Board of Directors includes Judy Beard, who is Director of Communications, Fundraising and Marketing at Macmillan.

Payments to associated charities

The following charities are associated with Macmillan by virtue of their objects. All of the grants were made on an arms length basis.

British Colostomy Association

During the year the Charity has made payments of £275,204 (2004: £215,000) to the British Colostomy Association (BCA), in support of the Association's activities. From 31 December 2005 BCA wound down its activities and no further significant grant payments are anticipated.

National Association of Laryngectomee Clubs

During the year, the Charity has made payments of £136,560 (2004: £121,000) to the National Association of Laryngectomee Clubs, in support of the Association's activities.

Urostomy Association

During the year, the Charity has made payments of £23,661 (2004: £23,000) to the Urostomy Association to fund the Association's full-time member of staff. This funding ceased in December 2005, and no further significant grants are anticipated.

18 Operating lease commitments

The charity had annual commitments at the year end under operating leases expiring as follows:

	Property 2005 £'000	Property 2004 £'000
Less than 1 year	126	78
1-5 years	1,420	1,339
Over 5 years	117	86
	1,663	1,503

19 Pension costs

The Charity operates a contributory, defined benefit pension scheme for employees which closed to new entrants on 30 April 2004. From 1 May 2004, the Charity has paid contributions for eligible employees into a new stakeholder pension scheme. The assets of this scheme are held separately from those of the charity in an independently administered fund.

The actuary has computed the following information about the financial position of the scheme as at 31 December 2005:

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Market value of the scheme assets	14,515	10,589	8,209	5,890
Present value of scheme liabilities	(17,665)	(11,993)	(8,877)	(7,033)
Net (deficit)	(3,150)	(1,404)	(668)	(1,143)

The movement in the deficit during the year can be analysed as follows:

	2005 £'000	2004 £'000	2003 £'000
(Deficit) at 1 January	(1,404)	(668)	(1,143)
Movement in year:			
Current service cost	(1,224)	(1,407)	(1,113)
Contributions	1,249	1,199	987
Other finance income	124	139	37
Pension contribution adjustment	149	(69)	(89)
Actuarial (loss)/gain	(1,895)	(667)	564
(Deficit) at 31 December	(3,150)	(1,404)	(668)

Notes to the financial statements

For the year ended 31 December 2005

The deficit at the start of 2004 and 2005 is shown on the face of the Statement of Financial Activities as a prior year adjustment. The actuarial loss for 2004 and 2005 is also shown on the face of the Statement of Financial Activities. It reflects the movement on the pension scheme deficit arising from changes in assumptions such as future mortality rates and future expected investment returns. The pension contribution adjustment is the difference between the actual pension contributions made in the year and the actual contributions required. The adjustment is made to staff costs and does not appear on the face of the Statement of Financial Activities.

Defined benefit scheme

Scheme funds are administered by Trustees and are independent of the Charity's finances. The scheme is a UK-based defined benefit scheme, providing benefits at retirement and on death in service.

The scheme is subject to triennial valuation by an independent actuary using the projected unit method.

The most recent triennial valuation was undertaken as at 31 December 2004 and the following actuarial assumptions were applied:

Investment returns	
pre-retirement	6.375%
post retirement	5.00%
Salary growth	4.75%
Pension increases	2.75%

At the valuation date, the market value of the assets were £10,589,000 and the actuarial values were sufficient to cover 100% of the benefits which had accrued to members after allowing for future increases in earnings. The employer contribution rate for the year ending 31 December 2005 was 14.75% of pensionable salary from 1 January 2005 to 30 June 2005 and 18.1% of pensionable salary from 1 July 2005 to 31 December 2005. The total contributions paid in the period by the Charity were £1,248,791 (2004: £1,193,000).

For the purposes of the disclosures required under FRS17, the actuarial valuation has been updated at 31 December 2005 by a qualified actuary using the following assumptions:

	2005	2004	2003	2002
Discount rate	4.80%	5.30%	5.50%	5.75%
Rate of inflation	2.80%	2.80%	2.80%	2.25%
Rate of increase in salaries	4.80%	4.80%	4.80%	4.25%
Rate of increase of both pensions in payment and deferred pensions	2.80%	2.80%	2.80%	2.25%

An analysis of the scheme assets and the expected long term return rates at 31 December 2005 was as follows:

	2005	Expected rate of return	2004	Expected rate of return	2003	Expected rate of return	2002	Expected rate of return
	£'000		£'000		£'000		£'000	
Equities	12,840	7.1%	8,791	7.5%	6,907	8.0%	4,789	8.0%
Bonds	811	4.3%	1,050	5.1%	983	5.1%	866	6.0%
Other	864	4.0%	748	4.8%	319	4.0%	235	5.9%
	14,515		10,589		8,209		5,890	

In earlier years prior to FRS17 being applied, had pension costs been recognised in accordance with FRS17, the following components of the pension charge would have been recognised in the statement of financial activities:

	2004 £'000	2003 £'000	2002 £'000
Expected return on assets	660	469	476
Interest on liabilities	(521)	(432)	(340)
Net expected return on pension assets	139	37	136
Current service cost	(1,407)	(1,113)	(714)
Net amount charged to Statement of Financial Activities	(1,268)	(1,076)	(578)

The following amounts have been recognised in the financial statements for the year ended 31 December 2005 under the requirements of FRS17:

	2005 £'000
Expected return on assets	798
Interest on liabilities	(674)
Net expected return on pension assets	124
Current service cost	(1,224)
Net amount charged to Statement of Financial Activities	(1,100)

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Actual return less expected return on scheme assets	1,686	508	862	(1,348)
Experience gains/(losses) arising on the scheme liabilities	(317)	(629)	585	(202)
Changes in assumptions underlying the present value of the scheme liabilities	(3,264)	(546)	(883)	-
Actuarial gain/(loss) charged to Statement of Financial Activities	(1,895)	(667)	564	(1,550)

Actual return less expected return on scheme assets	1,686	508	862	(1,348)
Percentage of scheme assets	11.6%	5%	11%	23%
Experience losses/(gains) on scheme liabilities	(317)	(629)	585	(202)
Percentage of the present value of the scheme liabilities	1.8%	5%	7%	3%
Total amount recognised as actuarial losses/(gains)	(1,895)	(667)	564	(1,550)
Percentage of the present value of the scheme liabilities	10.7%	6%	6%	22%

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Citifinancial
Citigroup
Clarks
Countrywide Plc
Coutts & Co
CWM
De Havilland Holdings
Eli Lilly
Ember Inns
Five
FSB
GE
GlaxoSmithKline plc
Grattan
HFC Bank
Hoopers
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Slough Estates plc
Somerfield
SSP
Superdrug
Taylor Woodrow
Tesco
The Big Food Group
The Budget Group of Companies
The National Gardens Scheme
Timeform
Travis Perkins
TUI UK
United Utilities
Waitrose
Whittard of Chelsea
Wm Morrison Supermarkets
Adint Charitable Trust
Bill Brown 1989 Charitable Trust
Hereford Lions Club Charity Trust Fund
James Tudor Foundation
Kidani Memorial Trust
Maidenhead Advertiser Charitable Trust
Mrs Waterhouse Charitable Trust
Peacock Charitable Trust
Peter de Haan Charitable Trust
Reading Road Runners
Richard and Christine Purchas Charitable Trust
Rotary Club of Reading Abbey
ShareGift - The Orr Mackintosh Foundation
The Alborada Trust
The Christina Mary Hendrie Trust
The Derek Butler Trust
The Gannochy Trust
The H B Allen Charitable Trust
The Hampstead Wells and Campden Trust
The Iliffe Family Charitable Trust
The Mackintosh Foundation
The Northwood Charitable Trust
The Rayne Trust
The Robertson Trust
The Steel Charitable Trust
The Zochonis Charitable Trust
Tom and Sheila Springer Charity

WHO'S WHO

Status

The organisation is a charitable company limited by guarantee, incorporated on 30 June 1989 and registered as a charity on 21 June 1989.

Governing document

The organisation was established under a memorandum of association which established the objects and powers of the organisation and is governed under its articles of association.

Company number

2400969

Charity number

261017

Registered office and operational address

89 Albert Embankment
London SE1 7UQ

Patron

HRH The Prince of Wales

President

The Countess of Halifax

Deputy President

Richard Hambro

Chairman

Jamie Dundas

Treasurer

Joe MacHale

Acting Company Secretary

David Farrington

Chief Executive

Peter Cardy

Directors & General Managers

Scotland & Northern Ireland

Elsbeth Atkinson

Communications, Fundraising & Marketing

Judy Beard

Planning, Policy, Research & Secretariat

Tony Berry

Central Services: HR, Office Services and IT

Joan Coyle

Improving Cancer Services

Jessica Corner

Central & South West England & Wales

Jeff Faulkner

Finance

Chris Hunt

General Manager for Wales

Cath Lindley

General Manager for Northern Ireland

Heather Monteverde

London, Anglia and South East England

Stephen Richards

East Midlands and Northern England

Maureen Rutter

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Co-operative Bank
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Bank of Scotland
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69 George Street
Edinburgh EH2 2JG

Lloyds TSB Bank Plc
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Cowbridge
Vale of Glamorgan CF71 7AE

Bank of Ireland
Connswater Branch
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Property Advisers

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28 Sackville Street
London W1S 3HQ

Investment Managers

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125 London Wall
London EC2Y 5AJ

Auditors

BDO Stoy Hayward LLP
Chartered accountants and
registered auditors
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East Street Epsom
Surrey KT17 1HS

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MACMILLAN.
CANCER SUPPORT**

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www.macmillan.org.uk

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