

Registered number: 1919823

**YORKSHIRE CANCER RESEARCH
(A company limited by guarantee)**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

Charity Number: 516898

YORKSHIRE CANCER RESEARCH

CONTENTS

Management and Professional Advisors	1
Introduction and overview	2
Trustees' Report	3
Independent Auditor's Report	11
Consolidated Statement of Financial Activities	12
Balance Sheet	13
Consolidated Cash Flow Statement	14
Notes to the Financial Statements	15

YORKSHIRE CANCER RESEARCH

Management and professional advisors

COUNCIL OF MANAGEMENT

Dr B P Jackson - Chairman
Mr F Atkinson (resigned 06.09.2005)
Mr D N Broderick
Professor R A Cartwright (appointed 6.12.05)
Professor E A Dawes
Dr M R Harrison
Professor D Holdcroft
Professor C W Potter
Mr J L Richards (appointed 20.04.2006)
Professor A W Robards (appointed 20.04.2006)
Professor W Shepherd
Dr N C Varey
Mr R W J Wood (resigned 06.09.2005)

CHIEF EXECUTIVE AND SECRETARY

Mrs E King

REGISTERED OFFICE

39 East Parade, Harrogate
North Yorkshire, HG1 5LQ

BANKERS

Lloyds TSB Bank Plc
6/7 Park Row, Leeds, LS1 1NX

SOLICITORS

Lee & Priestley
10-12 East Parade, Leeds, LS1 2AJ

AUDITORS

Bentley Jennison
The Hamlet, Hornbeam Park
Harrogate, HG2 8RE

INVESTMENT MANAGERS

Brewin Dolphin Securities Limited
34 Lisbon Street, Leeds, LS1 4LX

REGISTERED CHARITY NUMBER

516898

REGISTERED COMPANY NUMBER

1919823

YORKSHIRE CANCER RESEARCH

INTRODUCTION AND OVERVIEW

Objective is

To promote research, principally in Yorkshire, into the cause(s) and cure(s) of cancer and to propagate the results of this research

To achieve this we will

Encourage and enable donors to contribute to the funding of research programmes within academic and associated institutions and understand the outcome(s) and impact(s) achieved through the effective use of their money in supporting this research

With the money we raise we aim to

- Provide grants to research institutions particularly focusing on translational research to make new and effective treatments available in the future
- Fund the development of research findings into modalities that have clinical benefit and review the clinical application of the outputs from this research
- Facilitate and develop research partnerships with appropriate organisations to further our understanding of the possible cause(s) and cure(s) of cancer
- Communicate effectively with donors, research institutions and other stakeholders to ensure that our achievements are understood and recognised for the contribution they make

Through our work

Many groups and individuals benefit including researchers, research institutions, academic bodies and the community at large

Our ultimate beneficiaries however are the people affected by cancer for whom our funding has helped and continues to help through the discovery of new and effective diagnoses and treatment regimes for their conditions

A more detailed review of the charity's work appears elsewhere in the pages of this Annual Report. Extracts from this Report also appear on the charity's website, www.ycr.org.uk

People

The Council of Management would like to place on record its appreciation of the hard work and commitment to the charity's objectives of all staff in 2005. The senior staff employed by the charity in 2005 were:-

Chief Executive & Company Secretary	Elaine King
Assistant to the Chief Executive	Carole Ogle
Office Manager/ Scientific Administration Manager	Jacki Beginn
Head of Community Fundraising	Sally Crerar

The Council also acknowledges with gratitude the work and commitment of the many volunteers who willingly give of their time to the considerable benefit of the charity and the people the charity serves.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

The Board of Trustees presents this report and financial statements for Yorkshire Cancer Research for the year ending 31 March 2006.

The format and content of this report has been prepared to comply with the requirements of the Statement of Recommended Practice for Accounting and Reporting by Charities (revised in March 2005).

Structure Governance and Management

Yorkshire Cancer Research is a charitable organisation limited by guarantee of £1 per member and was incorporated on 6 June 1985 and registered as a charity on 23 October 1985. The company was established under a Memorandum & Articles of Association which established the charity's objects to promote research, principally in Yorkshire, into the cause(s) and cure of cancer and to propagate the results.

A new code of Good Governance was issued by a working group led by the Charity Commission in 2005 and although we strongly believe that our current governance arrangements will meet best practice we plan to assess ourselves objectively against the seven criteria defined within this code during 2006.

We will then state in our 2007 Trustees Annual Report, and on our web site, how we compare with this code and the actions we intend to take should we identify any aspects of our current governance which could be further improved.

Professional advisors

Details of our professional advisors are shown on page 1.

Our Committee Structure

YCR is governed by a Council of Management (COM), comprising Trustees of the Charity which meets three times a year (in April, September, and November).

The members of the Council of Management during the year were as follows:

Dr B P Jackson
Professor E A Dawes
Mr F Atkinson (resigned 06.09.05)
Dr M R Harrison
Dr N C Varey
Professor D Holdcroft
Professor CW Potter
Mr R W J Wood (resigned 06.09.05)
Professor W Shepherd
Mr D N Broderick
Professor R A Cartwright (appointed 06.12.05)

Mr J L Richards and Professor A W Robards were both appointed on 20.04.2006.

Our Council of Management and our other committees form the cornerstone of our approach to governance and good management and the responsibility for the day to day running of the charity is delegated by the Council of Management to a Finance & General Purposes Committee (F&GP).

This sub-committee is made up of Trustees of the charity which together with the Chief Executive, manage our day to day operational activities and report to the Council of Management three times a year.

Responsibility for the review of applications for grants is also delegated by the Council of Management to a Scientific Advisory Committee (SAC). The SAC is a sub-committee made up of one Trustee (Chairman of the SAC), the Chief Executive and both YCR funded and external research scientists.

The SAC meets twice a year and, with the assistance of reports on each project provided by independent expert referees, drawn from both Britain and overseas, assesses the merits of these applications for research grants. Their recommendations are reported to the Council of Management at the April and November meetings to assist the COM in considering how best to invest our resources in research projects.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

The charity is a member of the Association of Medical Research Charities (AMRC) and meets the AMRC's standards with regard to peer review in the allocation of grants and awards for research.

The charity is also a founder member of the National Cancer Research Institute, a partnership of the major cancer research funding bodies from the government, charity and private sectors with the purpose of accelerating and advancing cancer research for the benefit of patients and the UK cancer research community as a whole.

The charity also has a number of regional committees (approximately 50) based throughout the county of Yorkshire made up of (unpaid) volunteers. Guidelines on the conduct of regional committees are provided by the Council of Management and regular contact with these committees is maintained by the Chief Executive and Head of Community Fundraising and regular reports on their activities are prepared and reviewed. An annual meeting of these committees takes place at which the Trustees report on the status of the charity, including an overview of the year's research. In addition a YCR funded scientist is invited to present a report on their particular speciality.

An annual return on all financial activities is submitted to the charity by each regional fundraising committee. These returns are monitored by the Chief Executive and the charity's Auditors, who in turn report to the Finance & General Purposes Committee and Council of Management.

Trustee induction and training

All new trustees agree a code of conduct and complete a register of interests which follows the recommended approach set out in the Good Governance best practice code and the recommendations of the Nolan report on Standards in Public Life.

All new trustees are given guidance on the structure and governance of our charity, including our approach to managing risk, which covers such issues as delegation of duties, equal opportunities and circumstances which might result in a conflict of interest. New trustees meet with the Chief Executive and are appointed to a Committee, or a specific area of activity based on their skills and experience, and any critical training needs are identified and incorporated within our trustee development programme.

All Trustees also participate in an annual performance review, which is designed to identify any additional training or development needs. In addition our specialist advisors may from time to time recommend specific additional training or awareness programmes for emerging issues which may have particular relevance to our work. Such additional training is provided as required.

Risk management

We have a comprehensive register of risks which is based on the potential risks that may affect a charity originally prepared by the Charity Commission. This register compares our control processes against the level of risk to create a prioritised action plan which will ensure our controls are appropriate to the likelihood and impact associated with each identified risk.

Our Trustees review this register periodically and reassign grades to each risk which ensures that our exposure is managed appropriately and our charity is able to anticipate and mitigate risk through effective and well structured controls.

We recognise that the management of risk is a key element of effective governance and we plan to review our existing approach in 2006 to ensure it remains effective and continues to reflect best operational practice.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

Related organisations

We are members of the Association of Medical Research Charities and this organisation provides valuable input to direct specific aspects of our funding of research projects. In addition the National Cancer Research Institute, the Charity Finance Directors Group and the Institute of Fundraising, of which we are active members, also provide guidance and insight into emerging best practice and particular issues which may impact on our operational performance.

All such issues or guidance are considered by our Chief Executive and drawn to the attention of our Trustees through our committee structure and through periodic newsletters, articles, events and our web site.

Objectives and activities

We are developing a detailed strategic plan which sets out how we plan to achieve our aims and deliver the expected outcomes for our beneficiaries.

Our objective is to encourage people of all ages and backgrounds across Yorkshire and beyond to be proactive in assisting us to achieve our overall aims and we have adopted the key message "through knowledge comes hope" to encourage this involvement.

We are committed to ensuring that funds received from members of the public are allocated in the most efficient and effective manner. An AMRC recognised 'peer review' system, whereby the opinion of independent external assessors is sought regarding the merits of funding each research application made to the charity, helps to maintain the quality and continual monitoring of each successful application.

Following an exhaustive review, in consultation with our research centres, we have also decided to adopt a more radical funding policy which includes a particular focus on the development of translational research. Such research aims to develop existing ideas to a stage where commercial organisations are able to take them forward.

The hope amongst the scientific community in general and of all those associated with Yorkshire Cancer Research in particular is that this new "bench to bedside" approach will accelerate the introduction of new treatments and diagnoses for patients.

In addition over the next two years we intend to review the findings from research carried out during the previous five years in an attempt to identify any missed opportunities. We will coordinate this review and our wider activities with other research bodies to accelerate and advance cancer research for the benefit of patients and the UK cancer research community as a whole.

To enable these major developments we will significantly expand our fundraising capability. To achieve this we plan to organise sports themed events such as a golf tournament, abseils, aerobathons, cycle rides, swimming events and overseas treks; in addition to our existing and highly successful recruitment of runners to take part in the Great North Run.

In order to meet our funding commitments and to develop our capability to fund more research in the future we spend time carefully planning and analysing our fundraising targets, monitoring our performance and researching new and ever more efficient and exciting methods by which we can raise funds.

Staff training and recruitment of staff with specific skills also helps to ensure that our fundraising efforts keep pace in an ever changing fundraising environment. We have installed and maintained a sophisticated database in recent years to help in the capture and analysis of donor data, allowing us to more quickly determine cost efficiency and break-even levels for all events and initiatives.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

In addition our detailed research strategy sets out the parameters within which we provide funds for research to be conducted in our funded institutions. We closely monitor these to ensure that this strategy delivers or exceeds the anticipated benefits from our investment and contributes to the achievement of our charity's overall aims.

Through these challenging and dynamic events we plan to engage and unite new supporters from all walks of life in the common goal of raising funds for research into the cause(s) and cure(s) for cancer.

Achievements and performance

We have been proud to fund research conducted in Yorkshire that has been heralded, on many occasions by the scientific community, as a breakthrough in the fight against cancer. The successes of our research teams over many years vindicates the decision of the Trustees to insist upon solid scientific criteria for initial funding applications and stringent monitoring of all work in all stages of its development.

We are planning to supplement the traditional method of evaluating whether research has reached its potential through the measurement of scientific output (e.g. publication in quality peer reviewed journals) to systems whereby research outcomes (the translation of research into new diagnoses and treatments) can be better assessed.

This needs to be a long term approach as the development of ideas from 'bench to bedside' inevitably passes through many stages and moves beyond the original funding parameters of the charity. Our decision to fund translational research moves the charity in this direction..

Specifically we have achieved a number of highly significant milestones this year including:

1. Funding research conducted at institutions of international standing within Yorkshire to find cures for cancer and demonstrate the link between the research we fund and the impact it has on the lives of individuals affected by cancer – wherever they may live.

We operated across a wide fundraising base to harness support from many sectors and individuals within Yorkshire. The Trustees decision to purchase the maximum number of places available to us from the organisers of the Great North Run resulted in funds raised in excess of £135,000. Runners recruited from across the UK also took part in other high profile events such as the New York and London marathons.

We have increased the number of such events held and made a concerted effort to publicise our scientific research resulting in this area of our fundraising strategy raising nearly five times more in 2005 than it did in 2000. Grassroots fundraising through local voluntary committees also continued to perform strongly, raising more than £500,000 through a wide range of events and collections.

2. Regular monthly donations comprise a key element of our fundraising activity and by raising awareness of this way of giving amongst existing and new supporters we have managed to increase the number of regular donors more than six times over the past two years.
3. We have increased our awareness of developments in the scientific world to ensure that we fund leading-edge programmes which will have maximum impact for our beneficiaries.

We have actively sought out new partnerships and developed existing ones to maintain our reputation for innovation and independence. We have nurtured emerging talent within Yorkshire and have worked closely with our partner institutions to attract new and forward thinking researchers at all levels to live and work in the region.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

4. We have also increased the awareness of our activities to generate greater numbers of legacy bequests through a co-ordinated communications programme.

We have reviewed and consolidated our existing communication strategy focused on the potential to leave gifts in personal Wills, making sure that existing supporters and potential new donors are aware of the benefits of giving in this way. In accordance with the charity's belief that Wills should be written by a practising solicitor we shall also expand our existing Free Wills scheme (open to people aged 50 and over) to new areas in Yorkshire, working with established firms of local solicitors.

Financial review

The results for the year are set out in the statement of financial activities on page 12. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charity's Trust Deed, the Charities Act 1993 and the Statement of Recommended Practice: Accounting and Reporting by Charities 2005.

General review of the charity's financial position

Total income for the year to 31 March 2006 was £5,651,806 (prior year - £5,325,459). Total resources expended amounted to £4,592,017 for the year (prior year - £4,036,110). The total surplus of income over expenditure (before investment gains) amounted to £1,059,789 (prior year - £1,289,349). Total investment gains were £2,171,214 for the year (prior year - £829,228). The total increase in the charity's funds is £3,231,003 leaving total funds at 31 March 2006 of £17,519,227.

Principal sources of funding

The charity's annual income is from four main sources, the largest being legacies followed by donations. Both these sources of income show an increase in 2005 compared to 2006.

The 2004 accounts included a large legacy amounting to £3,572,582 at probate value. The legacy mainly consists of land and buildings. As was stated in last years trustees' annual report it is likely that it will take a number of years for the property to be realised and the timing of the receipt of the legacy is therefore not certain. After 31 March 2006 certain property was sold realising gross proceeds of £1,700,000. The difference between this figure and the probate value was £900,000 and this amount has been included in these accounts in debtors and in legacies receivable. The remainder of the legacy is included in the accounts in debtors at probate value.

The regional committees of (unpaid) volunteers raise approximately £500,000 each year.

The charity continues to keep a tight control on governance costs and on the support and overhead costs associated with research projects and programme costs.

The amount spent on charitable activities increased during the year. The trustees set out the areas for future expenditure on charitable activities later in this report under "plans for the future".

The charity's investments benefited during the year from the better performance of the Stock Market which is explained in more detail in the "investment review".

The charity has a sound financial platform which will enable it to fulfil its existing commitments to research projects and programme costs as well as considering other avenues to fulfil the charity's objectives.

Reserves policy

The trustees maintain the reserves at a level sufficient to meet charitable expenditure, commitments to research projects and programme costs over the next five years and the anticipated further substantial commitments to be entered into shortly. Consideration is given to the competition in Yorkshire for charitable donations and legacies and there will, therefore be occasions when the level of the reserves exceed the charitable expenditure commitments.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

Investment policy

Funds not needed to meet immediate charitable activities are invested in a professionally managed portfolio. The future income flow will enable further commitment to be met and undertaken so the portfolio is expected to be maintained for the longer term.

The Council of Management appoints the investment managers and this appointment is reviewed on an ongoing basis, but normally at five yearly intervals. It is a requirement that the investment managers meet with the Council of Management on a regular basis. Detailed written reports are to be produced on a quarterly basis, which value the portfolio and record the respective performance statistics. An integral part of the regular meetings, three times per annum, is detailed discussion on the content of the report, with particular reference to the performance aspect. The current managers are Brewin Dolphin Securities and they are remunerated by way of fees, less any commissions or costs otherwise charged. The fees start at 0.5% plus VAT per annum dropping to 0.3% plus VAT on value over £3m. The assets are held in a nominee company administered by Brewin Dolphin.

The overriding objective is to achieve the best total return available from capital and income on a medium to long term basis, whilst adopting a medium level of risk. A medium level of risk means that the portfolio is able to invest in equities, government and other fixed interest stocks, commercial property assets and cash either directly or via pooled funds, such as unit and investment trusts. The asset allocation is reviewed at the meetings held between the investment managers and the Council of Management.

The charity is devoted entirely into funding research into the causes and cure of cancer. It is acknowledged that the people who give money or receive funds as well as the many volunteers who support the charity expect an ethical investment policy to be in place that is in line with the charitable aims. The investment managers are instructed to invest only in companies that do their best to avoid harm to the health and safety of people and the environment. The managers are not to invest money in companies whose primary activities involve them in tobacco or cigarette production, animal testing for cosmetic purposes or the manufacture and export of military equipment. In addition, they are to avoid direct investment in countries with a poor human rights record.

Investment review

As at 31 March 2006, the investment portfolio, managed by Brewin Dolphin, was valued at £14,173,377. This value represents a sharp increase in the value of the portfolio as at 31 March 2005, of £10,358,772. In part the increase reflects additional stock and cash added, following a large level of legacy receipts, but also a sharp increase in asset values.

Over the twelve month period the major equity markets moved ahead strongly. For example the FTSE All Share Index rose, on a total return basis by 28.02%. Fixed interest indices were more muted, but still gave a total return in the UK of 7.36%. The portfolio, including income rose in value by 22.8%. Various measures of performance are considered by the Council of Management and the most relevant benchmark is the Private Investors Balances Total Return Index, which increased by 22.72%.

At the year end 21% was invested in fixed interest investments and 4.7% in commercial property. The remainder of the UK investments mostly form a diversified portfolio of large, well established companies, most of which have substantial international interests. It continues to be the view of the investment managers that it is appropriate to concentrate a proportion of the equity assets in overseas investments. As at 31 March 2006, 12.3% of the overall value of the portfolio was invested in overseas equity markets, using collectives such as Unit Trusts.

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

Plans for the future

Our performance last year has enabled us to review and identify the activities which deliver maximum benefit and we will continue to develop new and effective income streams to engage with an ever-widening cross section of the public.

We plan to further increase our emphasis on sports orientated fundraising projects as this has not only proved to be a significant and growing income stream but also actively promotes our common goal of "raising funds while having fun". Aligned with a community fundraising strategy that successfully attracts individuals and groups to fundraise through events and activities, not organised centrally but, supported by our newly extended PR and fundraising team, we aim to appeal to a younger audience without alienating existing donors.

A more radical funding policy adopted by the Scientific Advisory Committee will see the Committee focus on the opportunities available to fund translational research and the potential to accelerate the availability of new treatments for patients.

Also, for the first time in the charity's history, research applicants will have the opportunity to apply for project grants lasting up to five years. Initially funding for such grants will be guaranteed for the first 3 years with a review to take place at a time before the end of the 3 years to ascertain if funding is warranted for the remaining term. This element of our research budget has also been increased to £2m to reflect the potential that the Trustees foresee in this type of funding model in the future.

The development of our research strategy will involve consultation with a wide range of stakeholders and careful consideration of a large number of emerging factors in both the fundraising and scientific worlds. Through membership of both the Association of Medical Research Charities and the National Cancer Research Institute the charity's senior management team continues to liaise and consult with leading figures in the research world to ensure that issues of governance are addressed and new areas of opportunity are considered and explored where relevant. In order to assist with this process a Research Liaison Officer will be appointed during 2006.

Our overall objective for the future continues to be the funding of research conducted at institutions of international standing within Yorkshire to find cures for cancer and demonstrate the link between the research we fund and the impact it has on the lives of individuals affected by cancer – wherever they may live.

To maximise the benefits of this approach and achieve our key objectives we plan to establish a detailed strategic plan which focuses on increased levels of fundraising aligned to our goal of engaging the people of Yorkshire and beyond.

Our future objectives are challenging. However we have developed a robust strategy and with our enthusiastic and committed team of staff and volunteers we are confident that our contribution to the future will be significant and will achieve a positive outcome for all our beneficiaries

YORKSHIRE CANCER RESEARCH

Trustees' Report for the year ended 31 March 2006

continued

Statement of the Council of Management's responsibilities

Charity and Company law requires the Council of Management, as directors, to prepare accounts for each financial year which give a true and fair view of the state of affairs of Y.C.R. and the group. In preparing those accounts, the directors should follow best practice and:

- select suitable accounting policies and then applied 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 material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the charity will continue in operation.

The Council of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Y.C.R. and the group, and to enable them to ensure that the accounts comply with the relevant charity and company legislation. They are also responsible for safeguarding the assets of Y.C.R. and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tax status

No Corporation tax has been provided in the accounts, as income of Y.C.R., being a registered charity, is within the exemptions granted by Section 505 of the Income and Corporation Taxes Act 1988. Y.C.R. has borne VAT on its expenditure where appropriate.

Fixed assets

In the opinion of the Council of Management the market value of the freehold property is at least equal to its book value at 31 March 2006.

Auditors

A resolution to re-appoint Bentley Jennison as auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

This report was approved by the Council of Management on 5 September 2006.

Dr BP Jackson – Chairman

**YORKSHIRE CANCER RESEARCH
REPORT OF THE INDEPENDENT AUDITORS**

**To the Members of Yorkshire Cancer Research
for the year ended 31 March 2006**

We have audited the financial statements of Yorkshire Cancer Research for the year ended 31 March 2006 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity'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 charity'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 charity and the charity'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

As described in the Statement of the Council of Management's Responsibilities the trustees, (who are also the directors of Yorkshire Cancer Research for the purposes of company law), are responsible for the preparation of the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our audit 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 audit 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 charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 the charity's affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bentley Jennison
Chartered Accountants and Registered Auditors
The Hamlet
Hornbeam Park
Harrogate
HG2 8RE

Dated: 5 September 2006

YORKSHIRE CANCER RESEARCH

**Consolidated Statement of Financial Activities
(Incorporating an Income and Expenditure Account)
for the year ended 31 March 2006**

	Notes	Total 2006 £	Total 2005 £
Incoming resources			
Donations		1,443,623	1,335,619
Legacies		3,748,404	3,520,304
Activities for generating funds:			
Income from trading	2	50,941	78,477
Investment income	3	404,839	391,059
Net gains on disposal of fixed assets		<u>3,999</u>	<u>-</u>
Gross resources arising		<u>5,651,806</u>	<u>5,325,459</u>
Resources expended			
Costs of generating funds			
Fund raising costs	4	618,889	503,949
Costs of trading	2	23,769	39,264
Investment management fees		<u>29,897</u>	<u>11,583</u>
		672,555	554,796
Charitable activities	5	3,886,503	3,450,118
Governance costs	4	<u>32,959</u>	<u>31,196</u>
Total resources expended		<u>4,592,017</u>	<u>4,036,110</u>
Net incoming resources			
Realised gains on investment assets	8	<u>14,611</u>	<u>97,965</u>
Net incoming resources including realised gains on investments		1,074,400	1,387,314
Unrealised gains on investment assets	8	<u>2,156,603</u>	<u>731,263</u>
Net movement in funds		3,231,003	2,118,577
Fund balances brought forward 1 April 2005		<u>14,288,224</u>	<u>12,169,647</u>
Fund balances carried forward 31 March 2006		£ <u>17,519,227</u>	£ <u>14,288,224</u>

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

YORKSHIRE CANCER RESEARCH

Balance Sheet as at 31 March 2006

	Note	Group 2006 £	2005 £	Y.C.R. 2006 £	2005 £
Fixed assets					
Tangible assets	7	177,464	161,432	177,464	161,432
Investments	8	<u>14,298,509</u>	<u>10,358,904</u>	<u>14,298,711</u>	<u>10,358,974</u>
		<u>14,475,973</u>	<u>10,520,336</u>	<u>14,476,175</u>	<u>10,520,406</u>
Current assets					
Goods for resale		7,673	5,761	-	-
Debtors	9	3,525,893	3,512,346	3,578,710	3,568,155
Cash at bank and in hand	10	<u>502,804</u>	<u>765,533</u>	<u>453,551</u>	<u>711,659</u>
		4,036,370	4,283,640	4,032,261	4,279,814
Creditors: amounts falling due within One year	11	(<u>993,116</u>)	(<u>515,752</u>)	(<u>989,209</u>)	(<u>511,996</u>)
Net current assets		<u>3,043,254</u>	<u>3,767,888</u>	<u>3,043,052</u>	<u>3,767,818</u>
Total assets less current liabilities		£ <u>17,519,227</u>	£ <u>14,288,224</u>	£ <u>17,519,227</u>	£ <u>14,288,224</u>
Unrestricted funds:					
General funds	13	8,961,981	6,376,339	8,961,981	6,376,339
Designated funds	13	<u>8,557,246</u>	<u>7,911,885</u>	<u>8,557,246</u>	<u>7,911,885</u>
Total funds		£ <u>17,519,227</u>	£ <u>14,288,224</u>	£ <u>17,519,227</u>	£ <u>14,288,224</u>

The financial statements were approved by the Council of Management on 5 September 2006 and signed on its behalf by:

Dr B P Jackson - Chairman

Dr M R Harrison - Treasurer

The notes on pages fifteen to twenty-one form part of these financial statements

YORKSHIRE CANCER RESEARCH

**Consolidated Cash Flow Statement
for the year ended 31 March 2006**

	Note	2006 £	2005 £
Cash inflow from operating activities	15	946,099	236,591
Returns on investments and servicing of finance			
Dividends and interest received		404,839	391,059
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(42,330)		(15,837)
Sale of tangible fixed assets	4,000		-
Purchase of investments	(2,359,014)		(1,755,765)
Sale of investments	908,677		1,333,230
Investment loan	(125,000)		-
		<u>(1,613,667)</u>	<u>(438,372)</u>
(Decrease)/increase in cash in the year		(262,729)	189,278
Net funds at 1 April 2005		<u>765,533</u>	<u>576,255</u>
Net funds at 31 March 2006		£ <u>502,804</u>	£ <u>765,533</u>

YORKSHIRE CANCER RESEARCH

Notes to the financial statements for the year ended 31 March 2006

1. Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention with the exception of investments which are included on a market value basis. The accounts have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" issued in October 2005 and applicable accounting standards.

Y.C.R. Status

Y.C.R. is a company limited by guarantee. The guarantors are the Council of Management. The liability in respect of the guarantee, as set out in the memorandum, is limited to £1 per member. The Y.C.R. has availed itself of Paragraph 3(3) of Schedule 4 of the Companies Act 1985 and adapted the Companies Act formats to reflect the special nature of the company's activities.

Basis of consolidation

Group accounts have been prepared in respect of Y.C.R. and its wholly owned subsidiary undertakings, Y.C.R. Promotions Limited and Y.C.R. Scientific Developments Limited. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account for the parent company is not presented.

Fund accounting

General funds are available for use at the discretion of the Council of Management in furtherance of the general objectives of Y.C.R. Designated funds comprise general funds which have been set aside at the discretion of the Council of Management to cover awards approved but not yet payable.

Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the appeal. The purpose and use of any restricted funds is set out in the notes to the accounts.

All income and expenditure is shown in the Statement of Financial Activities.

Incoming resources

Incoming resources are recognised when Y.C.R. becomes entitled to income which can be quantified. Gifts received for resale are brought into account when they are sold. Services given by volunteers are not brought into account.

Legacies

Income arising from legacies is recognised in the accounts when Y.C.R. is notified of their entitlement and the amount receivable can be determined with reasonable accuracy.

Interest and dividends

Interest and dividends are brought into account when received at their net amount plus related tax deducted or tax credit. Y.C.R. as a registered charity is not liable to taxation on this income and is able to claim repayment of tax deducted and some tax credits.

Research projects

Approved grants and expenditure on charitable objectives are accounted for as incurred during the year. Where grants are approved, subject to the availability of funds, covering more than one year, no provision is made for the future liability until it becomes payable.

Resources expended

Fund raising costs include those incurred in seeking donations and legacies. Governance costs comprise management and compliance with statutory requirements. All costs include an appropriate proportion of general overheads and staff costs directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of resources, principally staff costs.

YORKSHIRE CANCER RESEARCH

Notes to the financial statements for the year ended 31 March 2006

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected useful lives as follows:

Freehold property	50 years
Motor vehicles	3 years
Office furniture and equipment	5 years

Investments

Investments are stated at market value less any provision for permanent diminution in value. Market value is taken to be the middle market price ruling at the balance sheet date.

As the policy is to keep valuations up to date, when investments are sold there is no gain or loss arising relating to previous periods. As a result the Statement of Financial Activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings and they are together treated as changes in the value of the investments throughout the year.

Stock of goods for resale

Stocks of purchased goods are valued at the lower of cost and net realisable value. No value is put on any donated goods held for resale.

Local committees

Income and expenditure of local committees arising from non-commercial activity is included in the accounts as net donations as the amounts of expenditure incurred on a local basis are not considered material in the context of the total income and expenditure of Y.C.R. Funds held by local committees at the year end are included in cash at bank and in hand.

Contributions to pension funds

The pension costs charged in the income and expenditure account represent the amount of the contributions payable in the accounting period to defined contribution pension schemes.

2. Merchandising income and costs

The results of Y.C.R.'s trading activities through its subsidiary undertaking, Y.C.R. Promotions Ltd, are detailed below. Y.C.R. Promotions Limited pays interest to Y.C.R. and covenants its profits to Y.C.R.

	2006 £	2005 £
Merchandising income	<u>50,941</u>	<u>78,477</u>
Cost of sales	(21,665)	(35,243)
Administrative expenses	<u>(2,104)</u>	<u>(4,021)</u>
Merchandising expenses	<u>(23,769)</u>	<u>(39,344)</u>
Surplus for the year	<u>27,172</u>	<u>39,133</u>

YORKSHIRE CANCER RESEARCH

**Notes to the financial statements
for the year ended 31 March 2006**

3. Investment income

	2006 £	2005 £
Dividends and interest on investments	378,625	364,948
Interest on bank deposits	<u>26,214</u>	<u>26,111</u>
	<u>404,839</u>	<u>391,059</u>

4. General overheads and staff costs

	Charitable activities £	Fund raising £	Governance £
Publicity	-	366,202	-
Staff costs	167,047	160,087	20,881
Travel and motor expenses	9,162	8,781	1,145
Office accommodation costs	12,428	11,910	1,553
Office repairs and renewals	5,173	4,958	647
Printing, stationery, postage and sundries	32,848	31,479	4,106
Legal and professional services	24,392	23,375	3,049
Depreciation	<u>12,622</u>	<u>12,097</u>	<u>1,578</u>
31 March 2006	<u>263,672</u>	<u>618,889</u>	<u>32,959</u>
31 March 2005	<u>249,570</u>	<u>503,949</u>	<u>31,196</u>

5. Charitable activities

	2006		2005	
	Incurred £	Future commitments £	Incurred £	Future commitments £
Grants payable:				
Research projects, programmes and facilities				
Bradford University	454,002	551,425	24,850	606,425
Hull University	25,176	30,717	47,653	44,905
Leeds University	839,979	1,769,049	957,026	1,875,715
Sheffield University	1,164,423	3,170,635	708,282	2,935,226
York University	1,086,065	2,945,013	931,343	2,398,731
Travel grants and miscellaneous items	53,186	90,407	31,394	50,883
Major Project Costs:				
Leeds University: to fund the establishment of a YCR laboratory at St James's Hospital	-	-	500,000	-
Support costs (Note 4)	<u>263,672</u>	<u>-</u>	<u>249,570</u>	<u>-</u>
Total	<u>3,886,503</u>	<u>8,557,246</u>	<u>3,450,118</u>	<u>7,911,885</u>

The future commitments represent research awards approved by the Trustees, but not yet payable. These have not been included as liabilities as there is an expectation that they will be part funded from future income. However an appropriate amount of General funds have been designated to cover these future liabilities as shown in note 13.

YORKSHIRE CANCER RESEARCH

Notes to the financial statements for the year ended 31 March 2006

6. Net incoming resources for the year are stated after charging:

	2006 £	2005 £
<i>Staff costs</i>		
Wages and salaries	291,684	247,427
Social security costs	28,537	24,402
Pension costs	<u>27,794</u>	<u>20,931</u>
	<u>348,015</u>	<u>292,760</u>

The average number of staff employed during the year was 16 (2005 - 15). No employee earned £60,000 per annum or more during the year under review.

The members of the Council of Management received no remuneration for their services during the year. Expenses reimbursed to Council members for costs incurred on behalf of Y.C.R. during the year amounted to £3,829 (2005 - £4,771). This was in respect of 3 members (2005 - 3).

Y.C.R. has purchased indemnity insurance in respect of all Council members to cover any liability in respect of negligence, default, breach of duty or trust other than that caused by wilful or criminal negligence. The cost of the insurance was £1,441 (2005 - £1,711).

Y.C.R. has paid £Nil (2005 - £5,535) for advice on patent and trademark matters to Harrison Goddard Foote, a firm in which Dr MR Harrison is a partner. Included in other creditors and accruals in note 11 is an amount of £Nil (2005 - £1,963) due to Harrison Goddard Foote.

	2006 £	2005 £
Auditors' remuneration	<u>9,516</u>	<u>9,378</u>
Fees for non-audit work paid to the auditors	<u>10,781</u>	<u>6,048</u>
Depreciation of owned assets	<u>26,297</u>	<u>24,622</u>
Operating lease rent paid	<u>3,825</u>	<u>3,825</u>

7. Tangible fixed assets

	Freehold property £	Motor vehicles £	Office furniture and equipment £	Total £
Group and Y.C.R.				
Cost				
1 April 2005	179,073	46,083	113,461	338,617
Additions	-	22,345	19,984	42,330
Disposals	<u>-</u>	<u>(12,080)</u>	<u>-</u>	<u>(12,080)</u>
31 March 2006	<u>179,073</u>	<u>56,349</u>	<u>133,445</u>	<u>368,867</u>
Depreciation				
1 April 2005	56,822	36,275	84,088	177,185
Charge for the year	3,581	12,623	6,093	26,297
Disposals	<u>-</u>	<u>(12,079)</u>	<u>-</u>	<u>(12,079)</u>
31 March 2006	<u>60,403</u>	<u>36,819</u>	<u>94,181</u>	<u>191,403</u>
Net book amount				
31 March 2006	<u>118,670</u>	<u>19,530</u>	<u>39,264</u>	<u>177,464</u>
31 March 2005	<u>122,251</u>	<u>9,808</u>	<u>29,373</u>	<u>161,432</u>

YORKSHIRE CANCER RESEARCH

**Notes to the financial statements
for the year ended 31 March 2006**

7. Tangible fixed assets (continued)

The freehold property is held for use as the head office.

No property is held for investment purposes.

8. Fixed asset investments

	Group & Y.C.R.	
	2006	2005
	£	£
<i>Listed Investments and Unit Trusts</i>		
Market value at 1 April 2005	10,358,772	8,264,118
Additions	2,552,068	2,598,656
Disposals	(908,677)	(1,333,230)
Net investment gains	<u>2,171,214</u>	<u>829,228</u>
Market value at 31 March 2006	<u>14,173,377</u>	<u>10,358,772</u>
Historical cost of investments	<u>10,793,120</u>	<u>9,135,118</u>
Realised gains based on historic cost	<u>14,611</u>	<u>97,965</u>
Investments received as legacies or donations	193,054	842,891
Investments purchased	<u>2,359,014</u>	<u>1,755,765</u>
	<u>2,552,068</u>	<u>2,598,656</u>

The market value of the investment portfolio can be categorised as follows:

British Government securities	1,881,286	1,915,247
UK fixed investment securities – listed on a recognised Stock Exchange	795,664	674,533
UK equity securities – listed on a recognised Stock Exchange	9,606,526	6,842,922
Unit trusts – invested in foreign equities	<u>1,889,901</u>	<u>926,070</u>
	<u>14,173,377</u>	<u>10,358,772</u>

British Government securities represent 13.3% of the total value (2005 – 18.5%)

There were no investments in individual company equities that exceeded 5% of the value of the portfolio at 31 March 2006 or 2005.

The investment portfolio is administered by Brewin Dolphin Securities Ltd.

<i>Unlisted investments</i>	Group		Y.C.R.	
	2006	2005	2006	2005
	£	£	£	£
Cost at 1 April 2005 and 31 March 2006	<u>132</u>	<u>132</u>	<u>132</u>	<u>-</u>

The unlisted investments were transferred to Y.C.R. from Y.C.R. Scientific Developments Limited during the year.

	Group & Y.C.R.	
	2006	2005
	£	£
Investment loan Pro-Cure Therapeutics Limited	<u>125,000</u>	<u>-</u>

YORKSHIRE CANCER RESEARCH

Notes to the financial statements for the year ended 31 March 2006

8. Fixed assets investments (continued)

	2006 £	Y.C.R. 2005 £
<i>Subsidiary undertakings</i>		
Cost at 1 April 2005 and at 31 March 2006	<u>202</u>	<u>202</u>

The principal activities of Y.C.R.'s wholly owned subsidiary undertaking, Y.C.R. Promotions Limited, a company registered in England and Wales, are the promotion of events and the sale of cards, fancy goods and other related items. The results of this company are shown under Merchandising Income and Costs in Note 2.

The principal activity of Y.C.R.'s wholly owned subsidiary undertaking, Y.C.R. Scientific Developments Limited, a company registered in England and Wales, was holding investments that exploit research funded by Y.C.R. These investments were transferred to Y.C.R during the year.

	Group £	Y.C.R. £
Total investments		
Value at 31 March 2006	<u>14,298,509</u>	<u>14,298,711</u>

9. Debtors

	Group		Y.C.R.	
	2006 £	2005 £	2006 £	2005 £
Amounts falling due within one year				
Trade debtors	582	141	-	-
Amounts owed by subsidiary undertaking	-	-	33,399	35,950
Income tax recoverable	12,620	11,367	12,620	11,367
Accrued legacy income	3,472,391	3,453,198	3,472,391	3,453,198
Prepayments and other accrued income	<u>40,300</u>	<u>47,640</u>	<u>40,300</u>	<u>47,640</u>
	<u>3,525,893</u>	<u>3,512,346</u>	<u>3,558,710</u>	<u>3,548,155</u>
Amounts falling due after more than one year				
Loan to subsidiary undertaking	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total	<u>3,525,893</u>	<u>3,512,346</u>	<u>3,578,710</u>	<u>3,568,155</u>

The loan to the subsidiary undertaking, which bears interest at a commercial rate, is repayable on demand although it is anticipated no request will be made within the ensuing twelve months.

10. Cash at bank and in hand

	Group		Y.C.R.	
	2006 £	2005 £	2006 £	2005 £
Cash at bank and in hand	282,131	547,942	232,878	494,068
Cash held by local committees	<u>220,673</u>	<u>217,591</u>	<u>220,673</u>	<u>217,591</u>
	<u>502,804</u>	<u>765,533</u>	<u>453,551</u>	<u>711,659</u>

YORKSHIRE CANCER RESEARCH

**Trustees' Report
for the year ended 31 March 2006**

11. Creditors: amounts falling due within one year

	Group		Y.C.R.	
	2006	2005	2006	2005
	£	£	£	£
Amounts owed to subsidiary undertaking	-	-	200	15
Research expenditure	958,461	466,560	958,461	466,560
Other creditors and accruals	32,263	38,897	30,548	37,260
Taxation and Social Security	<u>2,392</u>	<u>10,295</u>	<u>-</u>	<u>8,161</u>
	<u>993,116</u>	<u>515,752</u>	<u>989,209</u>	<u>511,996</u>

12. Commitments

	Group & Y.C.R.	
	2006	2005
	£	£
Rent payable in the coming year on a property lease - expiring between one and five years	<u>3,188</u>	<u>3,825</u>
Capital commitments - contracted for but not provided for in the accounts	<u>13,000</u>	<u>-</u>

13. Statement of funds

	General fund £	Designated fund £	Total funds £
At 1 April 2005	6,376,339	7,911,885	14,288,224
Income	5,651,806	-	5,615,806
Expenditure	(969,186)	(3,622,831)	(4,592,017)
Net investment gains	2,171,214	-	2,171,214
Funds designated during the year	<u>(4,268,192)</u>	<u>4,268,192</u>	<u>-</u>
At 31 March 2006	<u>8,961,981</u>	<u>8,557,246</u>	<u>17,519,227</u>

14. Analysis of group net assets between funds

Fund balances at 31 March 2006 are represented by:

Tangible fixed assets	177,464	-	177,464
Investments	5,741,263	8,557,246	14,298,509
Funds designated during the year	<u>3,043,254</u>	<u>-</u>	<u>3,043,254</u>
Total net assets	<u>8,961,981</u>	<u>8,557,246</u>	<u>17,519,227</u>

15. Net cash inflow (outflow) from operating activities

	2006 £	2005 £
Net incoming resources for the year	1,059,789	1,289,349
Investment income	(404,839)	(391,059)
Depreciation (including gains on disposal of fixed assets)	22,298	24,622
Legacies received as investments	(193,054)	(842,891)
Increase in stocks	(1,912)	(1,030)
(Increase) decrease in debtors	(13,547)	443,748
Increase (decrease) in creditors	<u>477,364</u>	<u>(286,148)</u>
Net inflow from operating activities	<u>946,099</u>	<u>236,591</u>