

Ronald McDonald House Charities (UK)

(formerly Ronald McDonald Children's Charity Limited)

Trustees' Report and Financial Statements

31 December 2005

Registered Charity No. 802047

 ERNST & YOUNG



Ronald McDonald House Charities (UK)
(formerly Ronald McDonald Children's Charities Limited)

Registered No. 02252337

Trustees

M R Mackay (Chairman)
H C Bowring
J E L Lebus
S Fradd
P Evans
J Atherton
B Haines (appointed 9 March 2006)
A Baxter (appointed 9 March 2006)
J Hilton-Johnson (appointed 9 March 2006) (Secretary)
T J Eagle

Director

D Knights

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Registered Office

11-59 High Road
East Finchley
London N2 8AW

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www.rmhc.org.uk

Trustees' report

The directors present their report and accounts for the year ended 31 December 2005.

Ronald McDonald House Charities (UK) (RMHC) is a registered charity (number 802047) and a company limited by guarantee (number 2252337). The charity is governed by a memorandum and articles of association which were last amended on 15 June 2004.

The charity was established in 1989 to provide accommodation and other assistance for children being treated in hospital and their families during periods of treatment and to raise funds for children's charities generally. This is achieved through the funding and building of Ronald McDonald Houses and Family Rooms in or close to hospitals and children's hospices. In addition the Charity has run a grant giving programme to fund small local projects provided by local charities, schools and groups.

The trust board is made up of a group of Trustees, headed by a Chairman. Trustees are identified from a trawl of internal and external contracts and elected to the trustee board by formal vote at a trustee meeting. They serve for a period of three years after which they may offer themselves for re-election. The first board met four times in the year to consider formal business and once to undertake a strategic planning day.

At the strategic planning day, the trustees identified a need for additional expertise in the fields of fundraising, marketing & communications and financial expertise. This resulted in the appointment of three new trustees in early 2006.

In addition it was identified that the trustee board did not have adequate representation from its beneficiaries. The trustees are therefore actively seeking a new member of the trustee board who has direct experience of the issues that the charity is seeking to address through its work.

Review of the year

The Charity built on its pioneering attitude to family support, continuing to increase the amount of 'home away from home' accommodation provided to families with children in hospital or hospices. This year two new Ronald McDonald Houses and five new Ronald McDonald Family Room complexes have been built at a combined cost of £2,137,500.

The Houses at Basildon Hospital and St George's Hospital, Tooting; and the Family Rooms at the New Gloucestershire Royal Hospital and Tayside Children's Hospital in Dundee, offer support by providing comfortable en suite accommodation and communal living areas for the families of children being treated as inpatients. In addition Family Rooms near to the neo-natal unit at Hope Hospital, Salford have a direct CCTV link between the family's bedroom and the tiny baby's cot giving added peace of mind during those first crucial days, and the Family Rooms at Acorn's Children's Hospice in Worcester and the Children's Hospital for Wales in Cardiff are located very close to the children's care beds enabling the whole family to spend valuable time together at critical times, these Rooms are sadly often used for end of life care.

These new developments brought the total number of bedrooms provided by the end of the year to 280 per night, in 32 accommodation projects across the UK. In addition to providing bedrooms and communal living areas, the projects provide valuable support for the families and enable them to rest in private or benefit from the company of other families.

Despite these developments, more accommodation is desperately needed by hospital-bound families and to this end, the Charity continues to build significant improvements across the UK. Work is already underway at the John Radcliffe Hospital in Oxford, Northwick Park Hospital in Harrow and the International Children's Eye Centre Moorfields in the City of London. A new Ronald McDonald House has opened as part of the redevelopment of Wessex Heartbeat House in Southampton in early 2006 and new Family Rooms have been established at the General Infirmary in Leeds and the Evelina Children's Hospital at St Thomas', London.

Trustees' report (continued)

Review of the year (continued)

Looking forward the Trustees have given first stage approval to 11 projects not yet in build, and these will come on stream, according to local planning conditions, in the next five years. Continued expansion is expected and will help maintain the Charity as the largest provider of accommodation to families with children in hospitals.

Following the advice of a strategic consultancy (Sandcliffe Ltd), the Trustees decided to make a new appointment and in November a new Director joined the staff team to head up strategic direction and help lead the charity into the next phase of development. This appointment led to a reorganisation of charity staffing resulting in greater clarity and improved effectiveness across the team. In addition a PR and Marketing Co-ordinator position was identified and recruited to allow the Charity to provide these services in-house.

The Charity was once again indebted to McDonald's Restaurants Limited who through the support of their customers, franchisees, staff and company raised over £2.2million towards the work of the Charity. This was an increase over last year of 14% – a fantastic result. In addition, fundraising events provided increased income, raising a net total of £195,496, an increase of 85% over 2004.

RMHC is part of a worldwide family of organisations fulfilling the same role in 49 countries of the world. This association prompted a visit from the RMHC Global office and gave the opportunity for the Chairman of the Board to deliver a seminar at the Global conference in Chicago.

Working closely with the Ronald McDonald Houses across the country led to the establishment of meetings for Trustees responsible for individual Houses, this year. Two meetings were held and further meetings have been planned for 2006.

A small grants programme ran in the year and grants of £478,020 (2004 – £539,408) were given to small organisations, schools and charities to enable them to help children with a sensory impairment. Over 100 recipients were enabled to provide specialist equipment, multi-sensory rooms, musical instruments and other specialist equipment to thousands of children across the country.

The Trustees decided that this would be the last year of the small grant programme. Having run since the Charity was founded in 1989, £8,441,374 has been donated to hundreds of projects the length and breadth of the UK, benefiting countless number of children and young people. The decision to stop the programme will allow for greater focus and resource to be employed in developing new accommodation projects.

As a result of the renewed focus on House and Family Room development, the Trustees passed a resolution on 9 March 2006 to change the name of the charity to RMHC – Ronald McDonald House Charities, formerly Ronald McDonald Children's Charities Limited. The new name brings the Charity in-line with its worldwide partners and helps it better represent the Ronald McDonald projects across the UK.

This year has set in place the steps to enable the Charity to grow and prosper in a new form and make it more able to develop to meet the future needs of its beneficiaries; those families who desperately need support and accommodation when their children are patients in hospital. RMHC looks forward to providing for these needs in the future.

Trustees' report (continued)

Financial review and investments

The financial statements have been prepared in accordance with current statutory requirements, memorandum and articles of association and the Statement of Recommended Practice 'Accounting & Reporting by Charities' (SORP 2000).

The financial position of the Charity is good and is well placed to deliver the future developments planned.

During the year, the Charity received donations totalling £3,354,910 (2004 – £3,021,619). Collection box gross income in the year increased to £1,928,614 (2004 – £1,653,618), as a result of a more targeted approach to fundraising by McDonald's Operations. The combined donation from McDonald's Restaurants Limited and individual Owner Operators of £465,276 (2004 – £481,210) covered the cost of the charity's combined administrative and fundraising expenditure. This meant that all the money donated by the Charity's supporters was used for fulfilling the charities mission without deduction.

The Charity expended £1,628,843 (2004 – £2,162,201) on the establishment of two new Ronald McDonald Houses and six new Ronald McDonald Family Room complexes, although much of the cost of these projects was incurred in the previous year. Current pledges to future projects amount to £7,021,450 (2004 – £6,541,000) against current reserves of £5,407,447 (2004 – £4,703,876). To help meet the pledges in place the Trustees have established a designated fund of £4 million towards future project development.

According to the Charity's governing documents, investments may be made by the Trustees on behalf of the Charity. A suitable policy for future investment is currently in development and will be approved at the earliest opportunity.

Reserves and risk management

It is the policy of the charity to keep appropriate reserves in place to cover the on-going running costs for the year. The current level of unrestricted general funds of £1,409,446 would cover the Charity's salaries and administrative expenditure for one year.

The Trustees acknowledge that they are responsible for reviewing the Charity's systems of internal control. They have examined the major strategic, business and operational risks affecting the Charity and have made suitable plans to mitigate such risks. These plans are subject to annual review by the Trustees.

Directors

The directors who served during the year and since the year end, and all of whom are members, are shown on page 1.

The liability of the members is limited. Every member of the company undertakes to contribute a maximum amount of £1 to the company's assets if it should be wound up while they are a member or within one year after they cease to be a member.

Statement of trustees' responsibilities in respect of the financial statements

The Charities' financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) 'Accounting by Charities' issued in 2000, and with applicable accounting standards in the United Kingdom.

Company law requires the trustees, as directors of the company, to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing those financial statements, the trustees are required to:

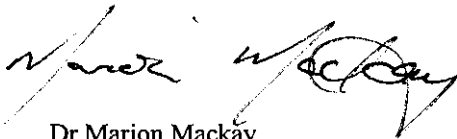
Trustees' report (continued)

Statement of trustees' responsibilities in respect of the financial statements (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis as it is considered appropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees and signed on their behalf by:



Dr Marion Mackay

Chairman

18th June 2006.

Independent auditors' report

to the members of Ronald McDonald House Charities (UK) (formerly Ronald McDonald Children's Charities Limited)

We have audited the Charities' financial statements for the year ended 31 December 2005 which comprise the Statement of Financial Activities, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Trustees' Responsibilities, the charities' trustees (who are also the directors of Ronald McDonald House Charities (UK) Limited for the purposes of company law) are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and 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, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 charitable company's circumstances, consistently applied and adequately disclosed.

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

Independent auditors' report (continued)

to the members of Ronald McDonald House Charities (UK) (formerly Ronald McDonald Children's Charities Limited)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company as at 31 December 2005 and of its incoming resources and resources expended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
London

18th June 2006

Statement of financial activities

for the year ended 31 December 2005

		<i>Unrestricted funds 2005 £</i>	<i>Unrestricted funds 2004 £</i>
	<i>Notes</i>		
Incoming resources			
Donations and gifts	3	3,354,910	3,021,619
Investment income	4	254,626	224,045
Gift Aid		2,524	30
BT Commissions		272	2,253
		<u>3,612,332</u>	<u>3,247,947</u>
Resources expended			
Cost of generating funds	6	484,345	445,070
Activities in furtherance of the charities objectives:			
RMH Running Costs (Brighton)		27,163	25,277
RMH Running Costs (Camberwell)		59,346	51,765
Grants payable	5	2,106,863	2,701,609
Support costs		73,058	63,740
Management and administration	7	95,278	70,506
Depreciation	11	60,709	64,717
		<u>2,906,762</u>	<u>3,422,684</u>
Net incoming/(outgoing)		<u>705,570</u>	<u>(174,737)</u>
Fund balance brought forward		4,703,876	4,878,613
Fund balance carried forward		<u><u>5,409,446</u></u>	<u><u>4,703,876</u></u>

There are no recognised gains or losses other than the net incoming resources for the year ended 31 December 2005 and the net outgoing resources for the year ended 31 December 2004.

Balance sheet

at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	11	513,045	573,754
Current assets			
Stock	12	9,115	—
Debtors	13	539,011	506,311
Cash at bank and in hand		5,962,615	6,721,345
		6,510,741	7,227,656
Creditors: amounts falling due within one year	14	1,614,340	3,097,534
Net current assets		4,896,401	4,130,122
Net assets		5,409,446	4,703,876
Unrestricted funds:			
Designated funds		4,000,000	—
General funds	16	1,409,446	4,703,876
		5,409,446	4,703,876

ERNST & YOUNG

12 June 2006

Trustee

18th June 2006.

Notes to the financial statements

at 31 December 2005

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom and the revised Statement of Recommended Practice issued in October 2000 (the 'SORP') for the accounting and reporting of charities.

Donations

Cash donations are included in the income and expenditure account when received.

Grants

Grants are accounted for on an accruals basis.

Income

Income is received by way of donation, special grants and interest on deposits.

Tangible fixed assets

Leasehold improvements and fixtures and fittings are stated at cost less depreciation. The assets relate to Ronald McDonald Houses that are managed and run by the company.

Depreciation

Depreciation is provided on all fixed assets. The depreciation rates used are calculated to write off the cost of each asset by equal annual instalments over its expected useful life as follows:

Leasehold improvement	-	unexpired portion of the lease
Fixtures and fittings	-	five years

Stocks

Stocks are stated at the lower of average cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred prior to completion and disposal.

Funds

Details of the nature and purpose of each fund is set out in note 15.

Resources expended

Where costs cannot be directly attributed to particular headings, they have been allocated by proportion to activities based on the staff time spent carrying out the function. Fundraising costs are those incurred in seeking voluntary donations; support costs are those costs incurred directly in support of the Charity's aims and include project management of new and existing projects; Management and Administration costs are those incurred in connection with administration of the Charity and compliance with legal and statutory requirements.

2. Statement of cash flows

A statement of cash flow has not been prepared as the company has relied upon the small company exemption, as outlined in FRS 1.

Notes to the financial statements

at 31 December 2005

3. Donations and gifts

	2005	2004
	£	£
Recycled cartons	—	740
McDonald's Restaurants Limited	401,474	404,093
McDonald's Restaurants Franchisees	63,802	77,117
General donations	191,735	125,892
World Children's Day – product donation	—	188,502
World Children's Day – Christmas cards	340,353	333,770
Other specific fund raising activities (see note 6)	2,357,546	1,891,505
	<u>3,354,910</u>	<u>3,021,619</u>

4. Investment income

	2005	2004
	£	£
Interest receivable	254,626	224,045
	<u>254,626</u>	<u>224,045</u>

5. Grants payable

Grants are made to charitable and medical organisations and are approved by the trustees.

Grants of £10,000 and more are listed individually below:

	2005	2004
	£	£
Grants less than £10,000:	478,020	539,408
	<u>478,020</u>	<u>539,408</u>
Ronald McDonald Houses	1,156,843	760,701
Ronald McDonald Family Rooms expenditure	472,000	1,401,500
	<u>2,106,863</u>	<u>2,701,609</u>

Notes to the financial statements

at 31 December 2005

6. Other specific fund raising activities

Year ended 31 December 2005:

	<i>Gross income £</i>	<i>Direct expenditure £</i>	<i>Net income £</i>
Three Peaks Challenge	43,093	(1,078)	42,015
Black Tie Dinner	157,457	(96,705)	60,752
Golf Tournament 2005	228,382	(135,653)	92,729
Collection Boxes	1,928,614	(70,073)	1,858,541
Christmas card write off	—	(54,790)	(54,790)
Fundraising expenditure	—	(126,046)	(126,046)
	<u>2,357,546</u>	<u>(484,345)</u>	<u>1,873,201</u>

Year ended 31 December 2004:

	<i>£</i>	<i>£</i>	<i>£</i>
Three Peaks Challenge*	17,100	—	17,100
Black Tie Dinner	114,842	(68,361)	46,481
Golf Tournament 2004	105,945	(64,316)	41,629
Collection Boxes	1,653,618	(265,045)	1,388,573
Fundraising expenditure	—	(47,348)	(47,348)
	<u>1,891,505</u>	<u>(445,070)</u>	<u>1,446,435</u>

*This event was run in conjunction with DebRA. Income figures shown are net as the majority of event costs were paid direct by DebRA in 2004.

7. Management and administration

	<i>2005 £</i>	<i>2004 £</i>
Administration	92,141	58,021
Bank charges	523	611
Legal fees	2,614	11,874
	<u>95,278</u>	<u>70,506</u>

8. Trustees' remuneration

The trustees did not receive any remuneration during the year in respect of their services to the company and the charity.

Notes to the financial statements

at 31 December 2005

9. Staff costs

The charity employs no staff, but had four full time and three part time workers during the year, none of whom earned more than £75,000 per annum. Their salaries, social security costs and pension costs, are paid by McDonald's Restaurants Limited. The company reimbursed McDonald's Restaurants Limited £206,530 for these costs (2004 – £175,078), of which £41,819 relate to staff costs for the running of Camberwell House during the year (2004 – £26,842).

Two trustees received reimbursements totalling £3,471 for travel and conference expenses during the year.

In addition, three full time and three part time workers are members of the McDonald's UK Retirement Benefit Scheme operated by McDonald's Restaurants Limited. This is a defined benefit pension scheme to which the Company reimbursed McDonald's Restaurants Limited £20,513 (2004 – £15,386). Further details regarding the scheme can be obtained from McDonald's Restaurants Limited financial statements. These financial statements can be obtained from 11-59 High Road, East Finchley, London N2 8AW.

10. Auditors' remuneration

	2005 £	2004 £
Auditors' remuneration	—	5,250

The audit fee is borne by McDonald's Restaurants Limited.

11. Tangible fixed assets

	Leasehold improvement £	Fixtures and fittings £	Total £
Cost:			
At 1 January 2005	763,098	142,254	905,352
At 31 December 2005	763,098	142,254	905,352
Depreciation:			
At 1 January 2005	209,392	122,206	331,598
Charge for the year	44,949	15,760	60,709
At 31 December 2005	254,341	137,966	392,307
Net book value:			
At 31 December 2005	508,757	4,288	513,045
At 1 January 2005	553,706	20,048	573,754

Notes to the financial statements

at 31 December 2005

12. Stocks

	2005 £	2004 £
Consumables	9,115	—

13. Debtors

	2005 £	2004 £
Contributions from McDonald's Restaurants and franchisees	44,459	46,780
Other debtors and prepayments	494,552	459,531
	<u>539,011</u>	<u>506,311</u>

14. Creditors: amounts falling due within one year

	2005 £	2004 £
Grant creditor	86,680	561,008
Big Smile creditor	—	135,000
Accruals	1,527,660	2,401,526
	<u>1,614,340</u>	<u>3,097,534</u>

15. Committed expenditure

	2005 £	2004 £
Grants	7,021,450	6,541,000

These are grants that have been approved by the Board but are awaiting for the beneficiary to meet the conditional terms set.

Notes to the financial statements

at 31 December 2005

16. Fund balance

The company is limited by guarantee. Accordingly, no share capital account is presented.

<i>Unrestricted funds</i>	<i>General fund £</i>	<i>Designated funds £</i>	<i>Total £</i>
Balance at 1 January 2005	4,703,876	–	4,703,876
Movement in funds for year	705,570	–	705,570
Transfer of amounts designated for future house builds	(4,000,000)	4,000,000	–
Balance at 31 December 2005	<u>1,409,446</u>	<u>4,000,000</u>	<u>5,409,446</u>