
Annual Report and
Financial Statements
for the year ended
31 July 2016

2016

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**The Institute of Cancer Research:
Royal Cancer Hospital**

Company Number 534147

Financial Statements for the
year ended 31 July 2016

Executive summary

Our finances

£161.9m

of income in 2015/2016



In 2015/16 The Institute of Cancer Research, London, had total incoming resources of £161.9m, an increase of 24%.

£110.0m

of expenditure in 2015/2016



Expenditure was £110.0m, an increase of 1%. Direct investment in research has increased by 9% to £88.9m. This represents 82% of our total expenditure.

£51.9m

surplus before other gains and losses



The surplus before other gains and losses was £51.9m. £38.2m of this relates to the one-off sale of part of our future royalty income, which brought in a substantial one-off receipt. We made this sale to reduce the risk associated with uncertain future royalty payments. A further £6.5m relates to timing differences between the receipt and expenditure of research grants.

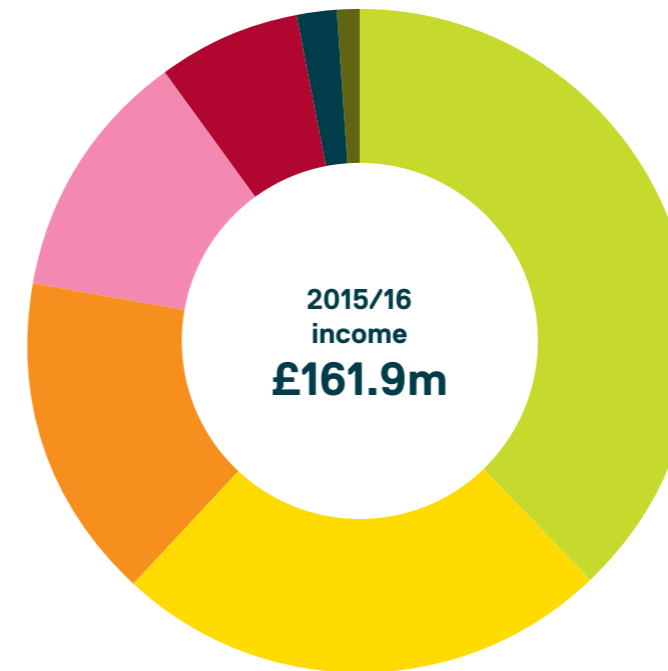
£7.2m

surplus excluding one-off factors and gains and losses

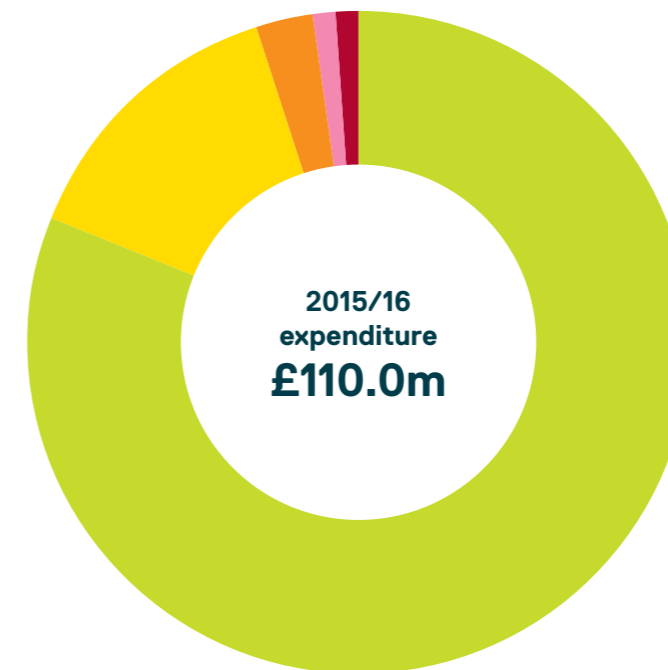


Our surplus excluding these factors was £7.2m. The Institute of Cancer Research (ICR) has committed its surplus funds to long-term investment in its ambitious new research strategy.

Total income 2015/16



Total expenditure 2015/16

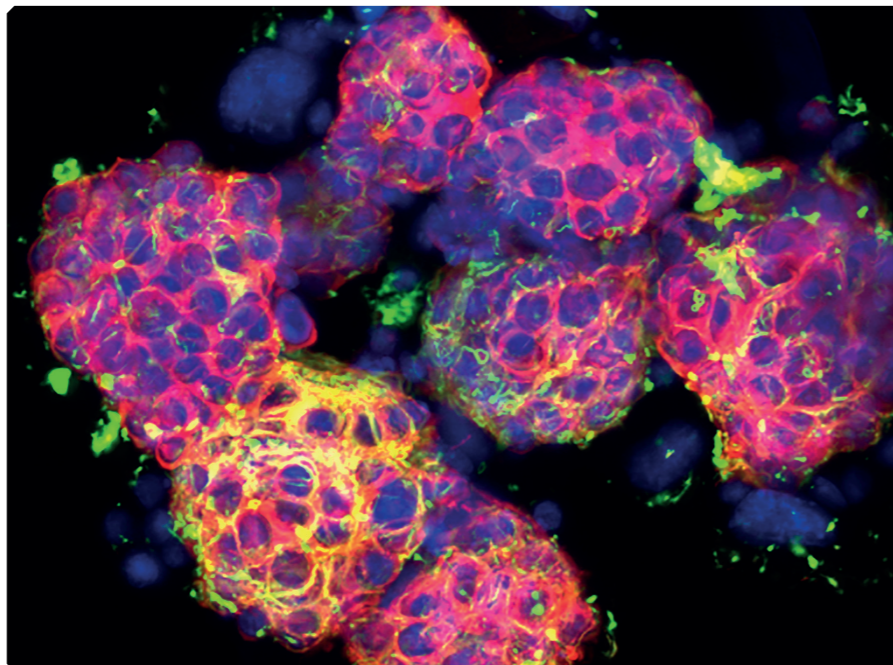


Strategic initiatives

It has been a big year for the Institute. We developed a new research strategy and launched a series of important initiatives designed to strengthen our organisation.

Making the discoveries: our strategy to defeat cancer

Together with our partner hospital, The Royal Marsden NHS Foundation Trust, we unveiled a bold and ambitious new research strategy aimed at confronting the challenges of cancer evolution and drug resistance.



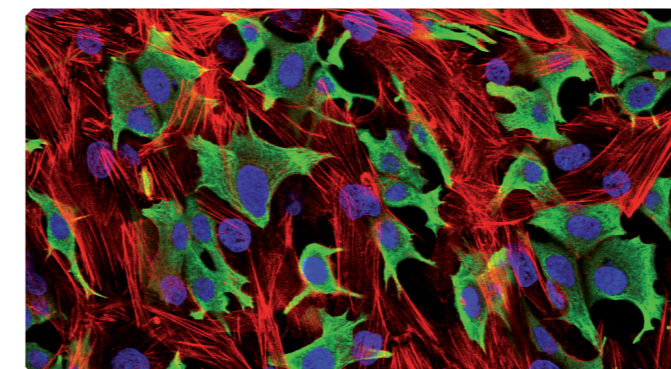
ICR and Imperial set out partnership plans

The Institute and Imperial College London agreed plans to develop a strategic partnership through the creation of a virtual Cancer Research Centre of Excellence.



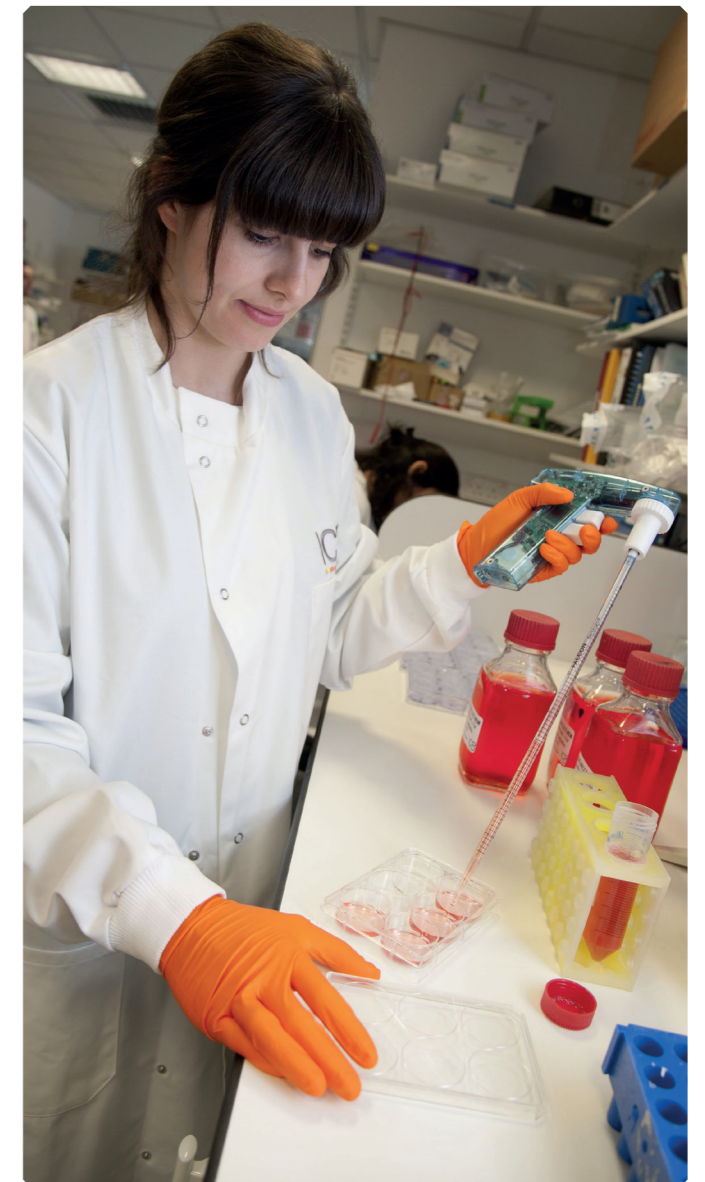
Grant renewals to support research strategy

The Institute and The Royal Marsden began to put in place the funding needed to deliver the new research strategy through a series of major grant applications.



Wave of new leaders recruited to the Institute

The Institute appointed senior leaders across the organisation to help drive our research and organisational strategy – including world-leading cell biologist Professor Jonathon Pines as Head of Cancer Biology, Professor Rajesh Chopra who joined from Celgene as Head of Cancer Therapeutics, and Dr Charmaine Griffiths who became Chief Operating Officer.



ICR gains major award for supporting women in science

The Institute's efforts to promote the role of women in science were recognised with a prestigious, organisation-wide Athena SWAN Silver Award. We are now one of only three research institutes to hold the award.

Key achievements

ICR researchers have published more than 900 scientific papers during 2015/16. Here are just a few of the highlights:

Phase III trial demonstrates benefit of new radiotherapy regime for prostate cancer

Researchers from the Institute and The Royal Marsden found that a shorter course of prostate cancer radiotherapy, involving fewer hospital visits and higher doses of radiotherapy, is as effective as the current standard of treatment.



Clinical trial shows gene-targeted drug can treat prostate cancer

An international consortium of researchers, led by the Institute and The Royal Marsden, found the innovative drug olaparib can benefit as many as a third of men with prostate cancer.



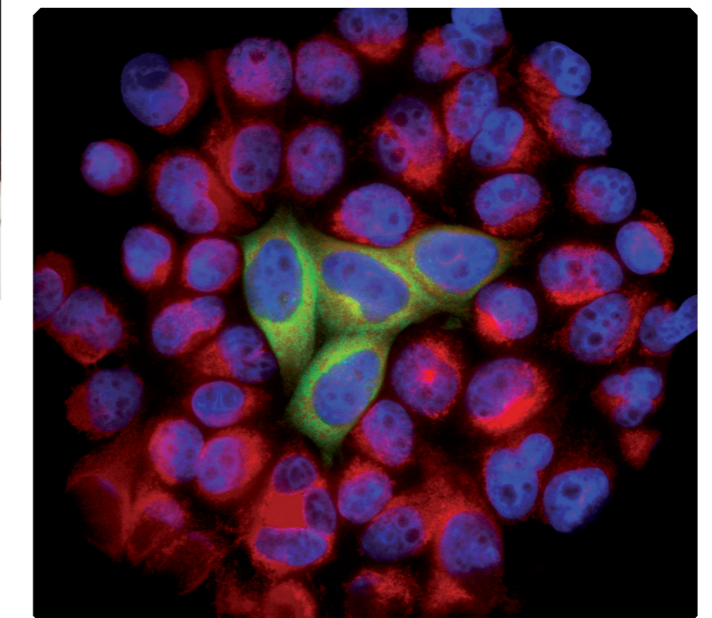
Blood test for predicting breast cancer relapse

Scientists at the Institute developed a blood test for breast cancer able to identify which patients will suffer a relapse after treatment, months before tumours are visible on hospital scans.



Natural laws predict cancer evolution

A study led by scientists at the Institute and Queen Mary University of London found that many cancers evolve over time in patterns governed by natural laws. The researchers believe that, in the future, they could predict how a cancer will grow and develop by applying natural laws to a single genetic snapshot taken from a tumour biopsy.



Molecule that helps cancer cells survive stress found

Scientists at the Institute discovered how a molecule called Brf2, levels of which are increased in some cancers, acts as a chemical sensor and shuts down gene activity when normal cells are placed under stress. The researchers think that cancer cells can overcome the trigger for cell death when under stress by producing more Brf2, allowing them to survive and accumulate mutations.

Report of the Board of Trustees





We undertake excellent basic, translational and clinical research

Objectives and activities

Our mission is to make the discoveries that defeat cancer.

The Board of Trustees of the ICR presents its Annual Report and Financial Statements for the year ended 31 July 2016.

It is estimated that more than one in three people will be diagnosed with cancer at some point in their lives. Even those who have not been personally affected by cancer are likely to know people who have been. The Institute is one of the world's most influential cancer research organisations, with a mission to make the discoveries that defeat cancer. Our goal is to enhance our position as a world leader in cancer research and the translation of discoveries into improved outcomes for cancer patients. We are a college of the University of London and an exempt charity.

The Institute's 2011–16 strategic plan focused on undertaking high-quality research which delivers significant benefits for cancer patients. It set out three main strategic goals:

- Research excellence
- Educating the next generation
- Creating a sustainable organisation

1. RESEARCH EXCELLENCE

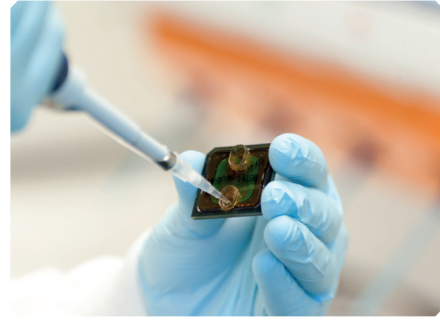
We aim to combat cancer's complexity and evolution through scientific and clinical excellence, innovation and partnership.

In July 2016, the Institute released a new joint research strategy with The Royal Marsden, titled *Making the discoveries: our strategy to defeat cancer*. The document covers the next five years, until 2021, and sets out a new scientific vision for the organisation. We aim to accelerate progress against cancer by combating the disease's extraordinary complexity, and its enduring ability to adapt and become resistant to treatment. We will do so through scientific and clinical excellence, innovation and partnership.

Our new research strategy is structured around four central pillars designed to overcome cancer's complexity and evolution.

Unravelling cancer's complexity

The first pillar of our joint research strategy is to gain a much fuller understanding of the complexity of cancer. We need to take an overview of cancer's complex ecosystems and communication networks – and yet also to drill down deep into the specific mechanisms that drive cancer development,



growth and spread. In this way we can reveal the fundamental processes at work as cancers arise, change and evolve, and use this knowledge to outmanoeuvre cancer by opening up exciting new avenues for treatment. Scientific understanding on its own is not sufficient to defeat cancer – we need to innovate at every stage from the bench to the bedside.

Innovative approaches

The second pillar of our research strategy is to discover novel and personalised approaches to cancer treatment, controlling tumours locally where possible, while also meeting the challenges of cancer evolution and drug resistance. We believe that drugs that target evolutionary mechanisms, adaptive therapy, precision radiotherapy and immunotherapy – often used together in innovative combinations – will all have a critical part to play in achieving long-term survival and cure.

Smarter, kinder treatments

The Institute and The Royal Marsden will work closely together to accelerate clinical development of innovative new treatments for the benefit of patients. The third pillar of our research strategy is to create and deliver innovative clinical trials assessing a range of personalised treatments: novel small-molecule drugs, biological agents including immunotherapy, precision radiotherapy, new surgical techniques, advanced cancer imaging and combination treatment. We need to use targeted treatment, based on accurate diagnosis, as early as possible in disease – and then to adapt therapy to the cancer's changing molecular and biological profile.

Making it count

We recognise that our responsibility to cancer patients does not end with the delivery of excellent research, or even with the development of a new treatment. We need to take active steps to ensure our findings deliver real impact on the lives of cancer patients. So the fourth pillar of our strategy is a commitment to make our research count in embedding new treatments, technologies and strategies for prevention into routine healthcare, by building an evidence base to support their adoption, leading through national and international networks, and influencing health services. We want to ensure our results have the greatest possible beneficial impact on the lives of people with cancer – and people who may develop cancer in future.

4

central pillars of our research strategy designed to overcome cancer's complexity and evolution

2. EDUCATING THE NEXT GENERATION

We aim to educate and train the next generation of cancer researchers and clinicians.

As a college of the University of London, we provide high-quality postgraduate courses for scientists and clinicians, who work alongside and learn from leaders in the field. Our aim is to ensure the future of cancer research and medicine remains bright, by educating and training the next generation of cancer researchers and clinicians.

PhD students undertake a world-class four-year research training programme under the guidance of an expert supervisory team. The Institute's PhD students are an integral part of our research teams. We do not just tell students how to carry out cutting-edge cancer research – we enable and guide them to make their own discoveries in the drive to defeat cancer.

Our MSc in Oncology is a day-release programme for medically qualified candidates who intend to pursue a professional career in the field of clinical or medical oncology. Through the course we teach oncology trainees from across the UK, including a majority of those who are based in London.

3. CREATING A SUSTAINABLE ORGANISATION

We aim to deliver a world-class and sustainable organisation to support cancer research and education for patient benefit.

We need to ensure the Institute has the financial stability and organisational capacity to support our scientific and academic endeavours. The Institute aims to acquire and manage resources to finance cancer research to the highest international standards. We maintain a rolling five-year financial plan and monitor the level of our free reserves in comparison to a target level which is calculated on the basis of financial risk. We plan to increase our fundraising income and will continue to exploit our intellectual property where this will be of benefit to cancer patients.

We aim to remain an employer of choice in a global and competitive market and to attract, develop and retain the very best staff from all disciplines. We are creating a culture which encourages research excellence and is supported by high-quality, cost-effective professional services.

The Institute aims to maintain the quality of its estate and to create further state-of-the-art facilities to support our scientific objectives. We also recognise our responsibility to the environment and have demonstrated our commitment by joining the EcoCampus Scheme to develop our Environmental Management System, and through our Carbon Management Plan developed with the Carbon Trust.





Our high-quality research delivers significant benefits to patients

Strategic report

The ICR is committed to carrying out research to improve cancer patient care and health outcomes, and to maximise patient benefit.

Key initiatives

New strategy, ideas and people ensure we lead the way in cancer research.

It has been a big year for the Institute, with 2015/16 bringing a new research strategy and a series of important initiatives designed to strengthen our organisation.

5

our new research strategy sets out our scientific vision over the next five years

Making the discoveries: our strategy to defeat cancer

The Institute and our partner hospital, The Royal Marsden, unveiled a bold and ambitious new research strategy, *Making the discoveries: our strategy to defeat cancer*. The strategy sets out our scientific vision over the next five years, from 2016 to 2021, with the focus being to confront the major clinical challenge of cancer evolution and drug resistance. Our research will be structured around four key pillars that we believe will help make a huge difference to cancer patients and their families. We will seek to unravel cancer's complexity and evolution, so we can find new weak spots to help us defeat it. We will exploit cancer's weaknesses through innovative new approaches to treatment. We will help deliver smarter, kinder treatments by running state-of-the-art clinical trials. And finally, we will make our research count by ensuring it is able to transform routine healthcare.

ICR and Imperial set out partnership plans

The Institute and Imperial College London have agreed plans to develop a strategic partnership through the creation of a virtual Cancer Research Centre of Excellence. The virtual centre will be headed by the Institute's Chief Executive Professor Paul Workman, and will harness the complementary expertise of both partners to deliver an enhanced and synergistically world-leading programme of cancer research. The Institute will contribute outstanding leadership in cancer research, and Institute scientists will gain access to the extensive resources and expertise of an exceptional multi-faculty university in exciting new areas, including the basic life sciences, medicine, physical sciences and bio-engineering.

ICR gains major award for supporting women in science

The Institute's efforts to promote the role of women in science were recognised with a prestigious, organisation-wide Athena SWAN Silver Award. We are now one of only three research institutes to hold an Athena SWAN Silver Award, which recognises the impact of our actions so far to promote gender equality and the ambition of our plans for the future.

£43m

of funding secured for our Biomedical Research Centre

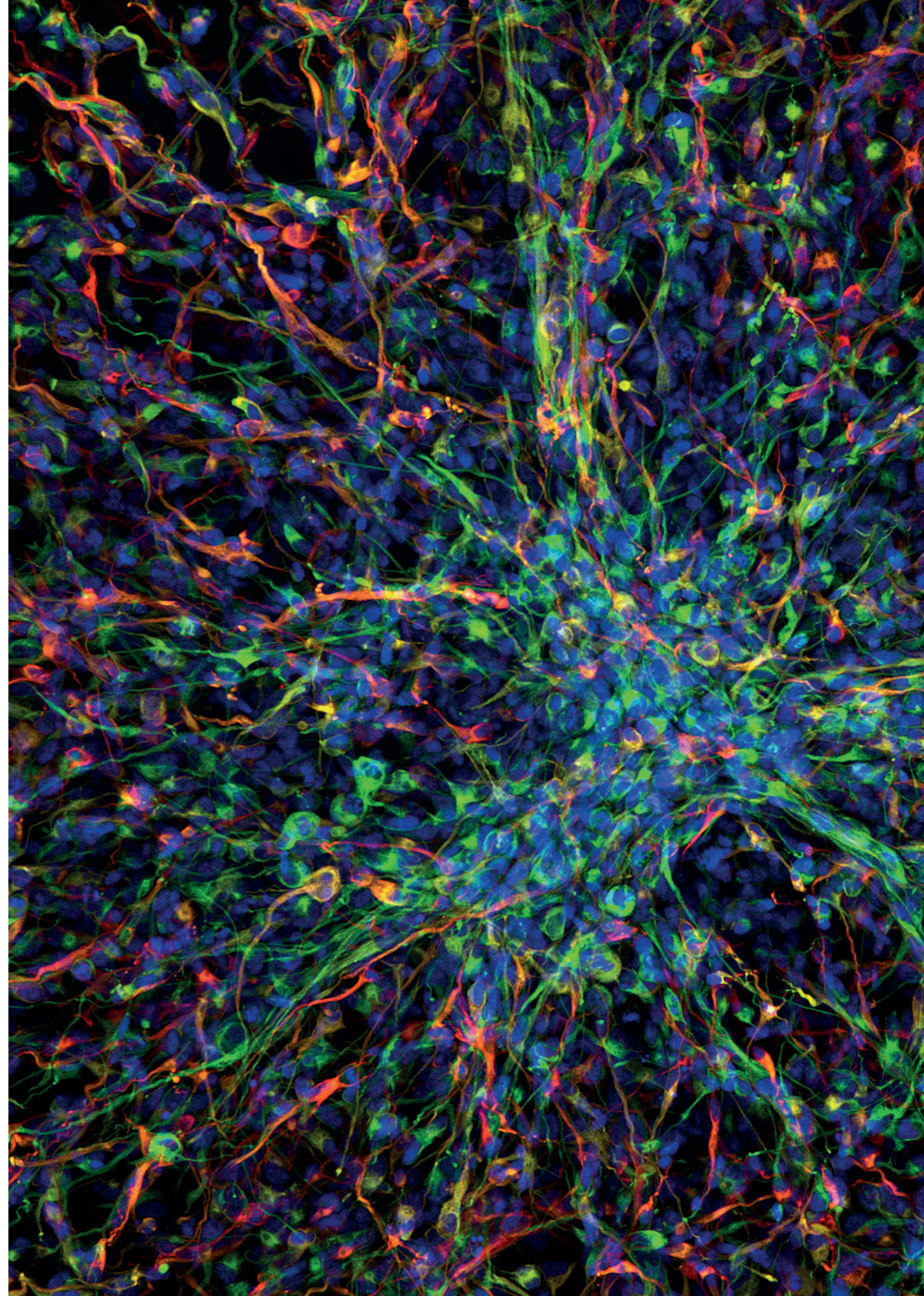
Our application included details of the extensive changes we have made to our working culture and training and development activities, alongside data about their impact on gender balance and the satisfaction of research staff. The Institute's success in gaining the award was very much a team effort, with contributions from scientists and corporate staff across the organisation, and valuable support from The Royal Marsden.

Grant renewals to support research strategy

The Institute and The Royal Marsden began to put in place the funding to support the new research strategy, through a series of major grant applications. We successfully renewed our Biomedical Research Centre for the next five years, securing £43m in funding over five years. The BRC will play a crucial role in providing infrastructure and other funding to support the delivery of the research strategy. The Institute also applied to renew its Cancer Research UK Centre and Experimental Cancer Medicine Centre grants this year, both joint with The Royal Marsden. Finally, the Institute applied to renew its five-year core funding grant from Cancer Research UK for the world-leading Cancer Therapeutics Unit.

Wave of new leaders recruited to the Institute

The Institute appointed senior leaders across the organisation to help drive our research and organisational strategies. World-leading cell biologist Professor Jonathon Pines joined the Institute as Head of the Division of Cancer Biology to lead the Institute's programme of basic cancer research. His research focuses on understanding how mitosis – the process of cell division – is triggered and controlled, and he hopes to build on the Institute's track record in drug discovery by taking new types of mitosis-targeting drugs into the clinic. Professor Rajesh Chopra joined the Institute from Celgene as Head of the Division of Cancer Therapeutics and Director of the Cancer Research UK Cancer Therapeutics Unit. He plans to discover new approaches to treat cancer that target cancer evolution and drug resistance, and drive improvements in outcomes in cancers of unmet need. Professor Alan Melcher joined the Institute as Professor of Translational Immunotherapy to accelerate research on new therapies that direct the immune system against cancer. And Dr Charmaine Griffiths was appointed as the Institute's new Chief Operating Officer, and is leading development of our new organisational strategy and ensuring operational excellence.



Scientific achievements

ICR researchers have published more than 900 scientific papers during 2015/16. We have selected the 10 most significant discoveries across the breadth of our research.

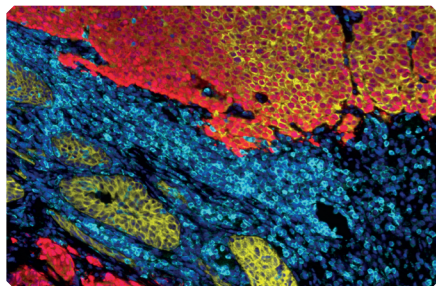


Blood test for predicting breast cancer relapse

Scientists at the Institute developed a blood test for breast cancer able to identify which patients will suffer a relapse after treatment, months before tumours are visible on hospital scans. Researchers took tumour and blood samples from 55 breast cancer patients with early-stage disease who had received chemotherapy followed by surgery, and who had potentially been cured of their disease. Women who tested positive for circulating tumour DNA were at 12 times the risk of relapse of those who tested negative, and the return of their cancer was detected an average of 7.9 months before any visible signs emerged. The study is an important step towards use of 'liquid biopsies' to revolutionise breast cancer care.

Scientists created a new chemical probe for understanding role of proteins in cancer

Scientists at the Institute, in partnership with the University of Cardiff and Merck KGaA, discovered a specific and well-characterised chemical probe that can switch off the mediator complex associated kinases CDK8 and CDK19 – both of which regulate gene transcription. The probe, called CCT251545, was discovered by screening a large collection of small molecules for inhibitors of WNT signalling in colorectal cancer cells. This potent and selective chemical probe will allow more precise analysis than ever before of the biological roles of CDK8 and CDK19 in cancer and other cells.



Clinical trial showed gene targeted drug can treat prostate cancer

An international consortium of researchers, led by the Institute and The Royal Marsden, found olaparib can benefit some men with advanced prostate cancer. The TOPARP-A phase II study found that olaparib can benefit as many as a third of men with prostate cancer, including many who did not inherit cancer genes but whose tumours had acquired defects in DNA repair. Olaparib stopped prostate cancer growth, generating lasting falls in prostate specific antigen (PSA) levels, falls in circulating tumour cell counts in the blood, and radiological responses on CT and MRI scans. If the results of a follow-up trial are successful, olaparib could become a standard treatment option for men with advanced prostate cancer and DNA repair mutations.

Discovery of molecule that helps cancer cells survive stress

Researchers at the Institute discovered how a molecule called Brf2, levels of which are increased in some cancers, acts as a chemical sensor and shuts down gene activity when normal cells are placed under stress. The researchers used X-ray crystallography to scrutinise the three-dimensional structure of Brf2 when the protein was in the act of recognising specific DNA sequences. The researchers think that cancer cells can overcome the trigger for cell death by producing more Brf2, allowing them to survive and accumulate mutations, even when they are under significant stress.



Natural laws predict cancer evolution

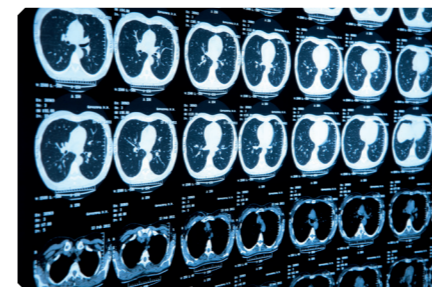
A study led by researchers at the Institute and Queen Mary University of London found that many cancers evolve over time in patterns governed by natural laws. Using genetic data of more than 900 tumours from 14 different types, they found that many cancer mutational patterns, despite appearing complex, could be explained by a simple power-law mathematical model of neutral tumour evolution. This finding suggests that the apparent chaos of cancer genomes could be simplified and understood more effectively using mathematics. The researchers believe that in the future they could predict how a cancer will grow and develop by applying natural laws to tumour biopsies from individual patients.

Genetic mutation corrupts healthy tissue surrounding tumour

Scientists at the Institute and the Cancer Research UK Manchester Institute found that faulty versions of the *KRAS* gene – often mutated in cancer – can have an important effect on healthy stromal tissue. The researchers studied communication networks in cells from a type of pancreatic cancer called pancreatic ductal carcinoma. By monitoring proteins in an abnormal cell and a healthy neighbouring cell at the same time, they discovered that healthy cells were responding with a totally new message – a message that doubled the capacity for *KRAS* to drive malignant behaviour in the cancer cells.

Lung cancer can be treated with an MR Linac

Researchers at the Institute and The Royal Marsden showed that an MR Linac can feasibly be used to treat lung cancer. The magnetic field used by MRI can distort radiation doses, with larger distortions at interfaces between air and tissue, which in theory could cause lung cancer patients to be under-treated. The researchers used data from nine patients and found that despite the magnetic field causing slight distortions, it is possible to design MR-Linac treatments that fulfil clinical standards. Furthermore, they highlighted the potential of the MR Linac to spare healthy tissue by adapting the treatment beam's position to tumour motion caused by breathing.



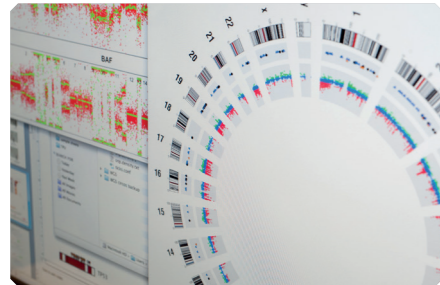


A new anti-cancer compound

Scientists at the Institute discovered a potent new anti-cancer compound that has progressed to clinical development. The compound, which is orally available, blocks a molecule called CHK1, which cancer cells rely on more heavily than normal cells to repair damage to their DNA. Cellular mechanism of action assays were performed and the compound was tested in combination with chemotherapy in mice with tumours grown from human cancer cell lines. The compound was found to have anti-cancer activity when given alone and in combination with chemotherapy – and importantly the mice did not experience any additional toxicity.

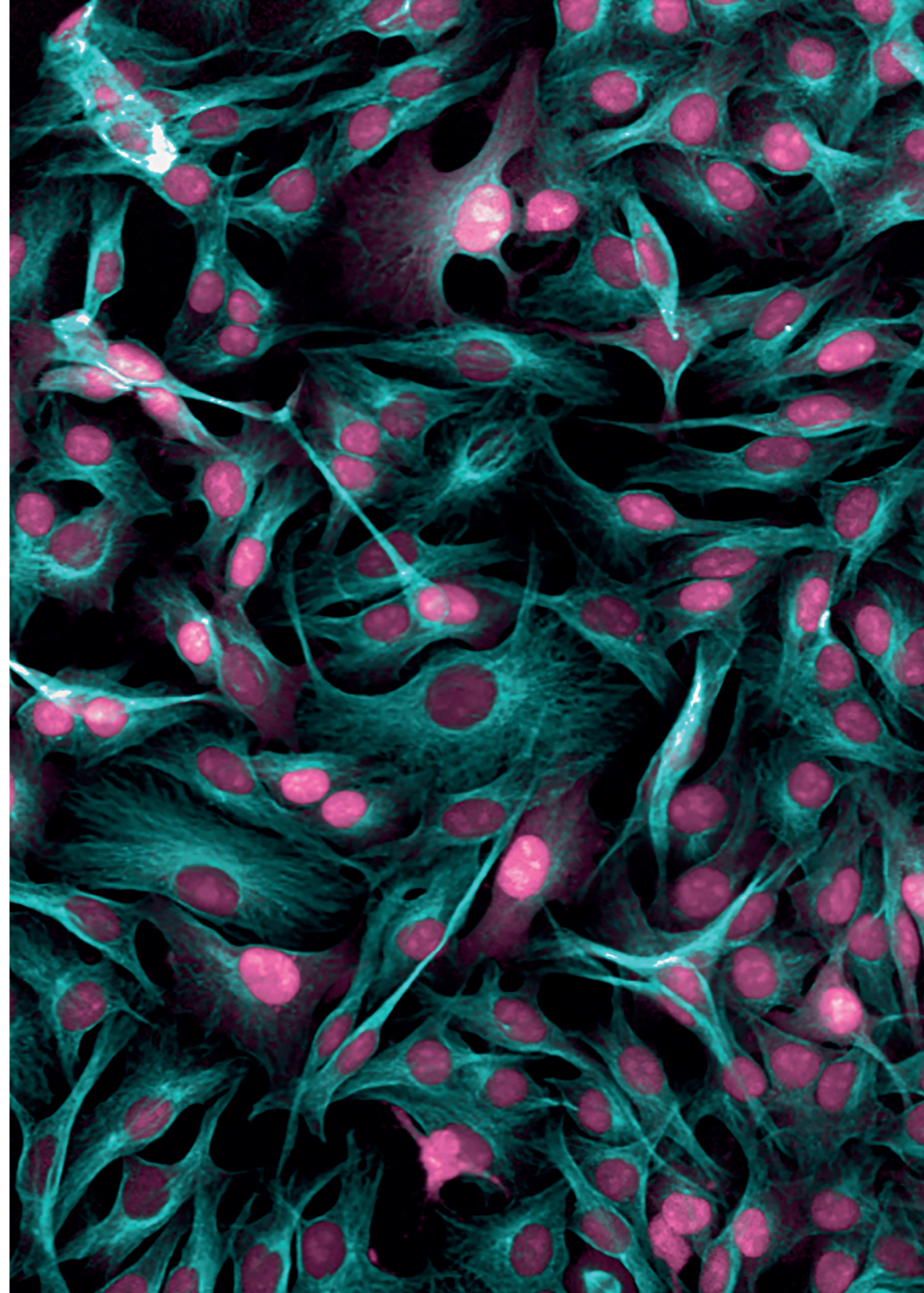
Phase III trial demonstrated benefit of new radiotherapy regime for prostate cancer

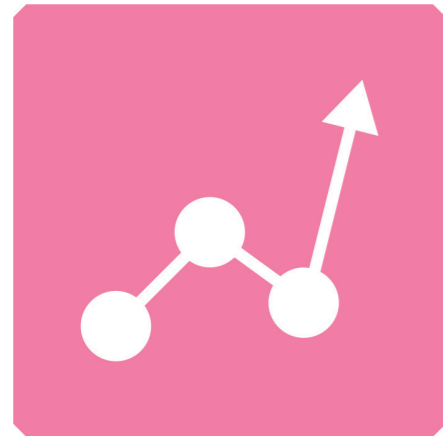
Researchers from the Institute and The Royal Marsden found that a shorter course of prostate cancer radiotherapy, involving fewer hospital visits and higher doses of radiotherapy, is as effective as the current standard of treatment. The 14-year trial found benefits, in terms of improved disease control and quality of life. The international trial, which recruited over 3,200 men, concluded that a 20-dose course of modern quality-assured 'intensity-modulated' radiotherapy should replace a 37-dose course, which is the NHS standard. The new regime would save 17 hospital trips and complex radiotherapy treatments for each patient, leading to a reduction nationally of more than 150,000 visits per year.



Streamlined genetic testing for women with ovarian cancer

Institute researchers, together with colleagues from The Royal Marsden, developed a new streamlined approach to genetic testing for women with ovarian cancer that is rapid, affordable and welcomed by patients. In the new pathway, cancer patients gave consent for testing by a cancer doctor or nurse who completed a 30-minute online training module designed by the research team. All patients found to have a *BRCA* mutation automatically received an appointment with the genetics team to discuss the implications for themselves and their families in detail. The researchers estimate that rolling out this new pathway across the NHS would save £2.6m per year compared with the current standard process.





Measures of performance

We are determined to deliver real impact from our work – by doing excellent research that benefits patients, and by inspiring the cancer researchers and clinicians of the future.

RESEARCH EXCELLENCE

- The Institute is the leading academic research centre in the UK. We were ranked first for the quality and impact of our research in the *Times Higher Education* league table of universities compiled from the 2014 Research Excellence Framework.
- In 2016 the Institute was among a select group of 12 institutions across the UK to be awarded a highly prestigious Regius Professorship, a rare award bestowed by Her Majesty the Queen to recognise high-quality research at an institution. We were granted the first ever Regius Professorship of Cancer Research, in recognition of both the academic excellence and the real-world impact of our research.
- Professor Paul Workman, the Institute's Chief Executive, and Professor Jonathon Pines, our Head of Cancer Biology, were both elected as Fellows of the Royal Society in 2016 – the greatest accolade in UK science. Professor Clare Isacke, the Institute's Academic Dean, became a Fellow of the Academy of Medical Sciences.
- The Institute's grant funding, excluding research and development tax credits, grew in 2016 to £61.3m, up from £59.3m in 2015, despite the increasingly competitive funding environment.

£61.3m

research grant funding received

100%

PhD pass rate

EDUCATION AND TRAINING

- The performance of the Institute's students continued to be excellent. Our PhD students consistently achieved a 100% pass rate.
- We continued to be ahead of target in recruitment to our MSc in Oncology, with 148 MSc students registered in 2015/16.



During 2015-16, the Institute:

- conducted the second periodic review of the MSc Oncology course, with positive feedback and constructive suggestions from the review panel
- implemented all of the recommendations arising from the second periodic review of research student training provision carried out in 2014/2015
- improved response rates to student surveys
- developed a Collaborative Provision Policy and Procedure to enable joint bids with other higher education institutions for doctoral training centres and to enable other teaching collaborations
- strengthened and revised the codes of practice, regulations and underpinning policies as appropriate, for instance to incorporate learning from the Woolf Report and to implement the introduction of a mandatory course on research integrity
- implemented our innovative platform for delivering transferrable skills training to research degree students for clinical research fellows across London as "Research Clinician"
- evaluated the effectiveness of the Learning Teaching and Assessment Strategy for 2012-16 and consulted on and drafted the Learning and Teaching Strategy for 2016-21

ENVIRONMENT AND INFRASTRUCTURE

£22.5m

of unrestricted reserves designated towards a new Centre for Cancer Drug Discovery

- We closely monitor our financial sustainability. We achieved a surplus of £53.4m in 2016 and our net funds grew by £52.4m. Our unrestricted reserves as at 31 July 2016 were £160m, including £19.2m free reserves, which is within the target range set out in the Institute's reserves policy. £22.5m of unrestricted reserves have been designated towards a new Centre for Cancer Drug Discovery at our Sutton site. Some £65.2m of unrestricted reserves are held in the development fund, which is designated by the Trustees to complete current and make further commitments to drive the new research strategy.
- In our five-year strategy we set out the need to expand our current estate to provide the state-of-the-art facilities required for our research activities. In March 2016 we officially opened our new Centre for Cancer Imaging, a £20 million facility based at our Sutton site. The centre houses research teams from a range of scientific backgrounds and provides them with the very latest technologies to non-invasively image tumours and their biological features. Additionally this year we undertook initial design and planning works in relation to a new Centre for Cancer Drug Discovery.
- We are committed to minimising the impact on the environment of our activities. We have maintained our ISO 14001 accreditation for the quality of our environmental management in addition to our EcoCampus Platinum Award. Significant progress has been made in a number of areas identified for improvement, notably waste, transport and procurement. Throughout the year, we have also continued to implement actions from our Carbon Management Plan and have set new CO₂ reduction targets.

Financial review

OVERALL RESULTS

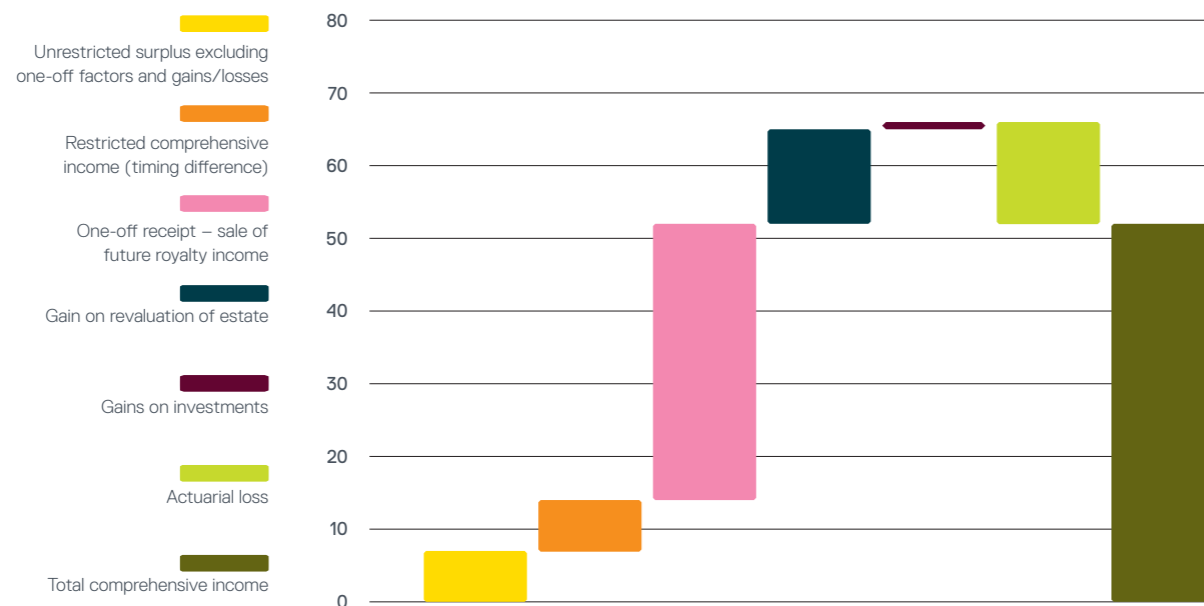
Total incoming resources for 2015/16 were £161.9m, an increase of 24%. Expenditure was £110.0m, an increase of 1%. The surplus before other gains and losses was £51.9m. This result is largely due to the sale of part of our future royalty income, which brought in a substantial one-off receipt. We made this sale to reduce the risk associated with uncertain future royalty payments, and have allocated the income for investment in our new research strategy.

The surplus after gains and losses ('total comprehensive income for the year') was £52.4m. This comprised:

- an unrestricted surplus of £45.9m; and
- a restricted surplus of £6.5m.

Our unrestricted surplus excluding one-off factors and gains and losses was a surplus of £7.2m.

Surplus excluding one-off factors and gains and losses – £m



During the year we made capital investments of £7.6m, including £1.7m related to the completion of the Centre for Cancer Imaging, which opened in March 2016. A further £1.6m was spent on initial works for a planned new Centre for Cancer Drug Discovery.

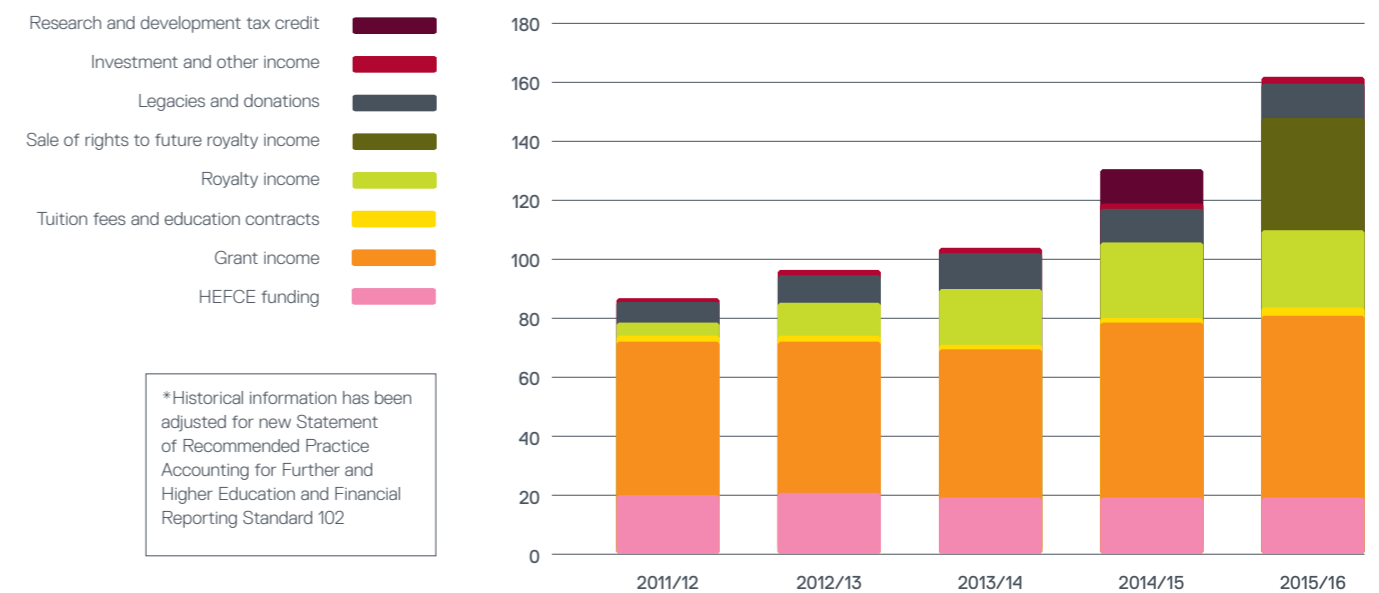
INCOME

Of our income of £161.9m in 2015/16, 38% came from competitively won peer-reviewed grants and industrial collaboration. Some 12% came from the Higher Education Funding Council for England, including the competitive Research Excellence Framework.

The breakdown of our total income was as follows:

- 38% research grant income and industrial collaboration, with 36% of this income received from Cancer Research UK, 12% from Breast Cancer Now, 9% from the Medical Research Council and 5% from the Wellcome Trust
- 24% sale of rights to future royalty income
- 12% Higher Education Funding Council for England (HEFCE), of which £15.9m funds research, £2.9m funds capital projects and £0.7m funds education and teaching
- 16% royalty income (included in other income)
- 7% legacy income and donations raised through our Development Office
- 2% tuition fees and education contracts
- 1% income from investments and other sources.

Income five-year history* – £m



*Historical information has been adjusted for new Statement of Recommended Practice Accounting for Further and Higher Education and Financial Reporting Standard 102

Total income for 2015/16 was £31.0m higher than in 2014/15, an increase of 24%. The significant movements in our income were as follows:

- £38.2m was received following a sale of part of our future royalty stream, made in order to de-risk this income element. The nature of this transaction has resulted in a one-off spike in income in 2015/16 and royalty income will consequently be lower in future years.
- Income from research and development tax credits fell by £11.7m (97%), reflecting that these credits are no longer available to universities and charities. However, in 2015/16 the Institute recognised a further £0.4m, following adjustments relating to the prior year claim.

EXPENDITURE

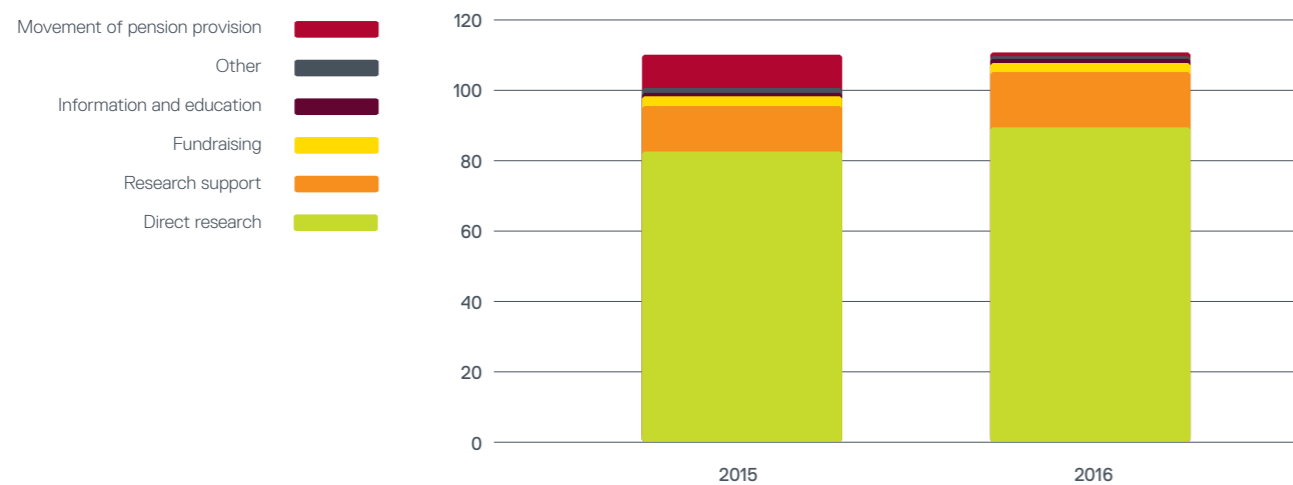
Total expenditure in 2015/16 was £110.0m and 96% of this was spent on research activity (82% direct research costs and 14% research support costs).

Total expenditure has increased by £0.9m (1%) compared to 2014/15. The predominant movements in our expenditure were as follows:

- £4.8m (9%) increase in direct research expenditure on research grants and contracts, in line with an increase in grant funding and an increase in research staff
- £1.0m (7%) increase in premises costs largely due to the Centre for Cancer Imaging, which opened in 2016
- £4.3m (15%) reduction in academic and related expenditure. The Institute increased its expenditure on internally funded research in 2016. However, this has been offset by the impact of Financial Reporting Standard 102 (FRS 102) accounting adjustments to the expenditure reported for 2015 that did not recur to the same degree in 2016, resulting in an overall reduction in academic expenditure year on year.

The chart below further analyses the Institute’s expenditure. Direct research expenditure comprises academic and related expenditure, research grants and contracts expenditure and those premises costs that relate directly to the construction and fit-out of research laboratories and some laboratory services. Accounting adjustments related to movements on the pension provision have been identified separately to show underlying investment in research during the period.

Expenditure analysis – £m



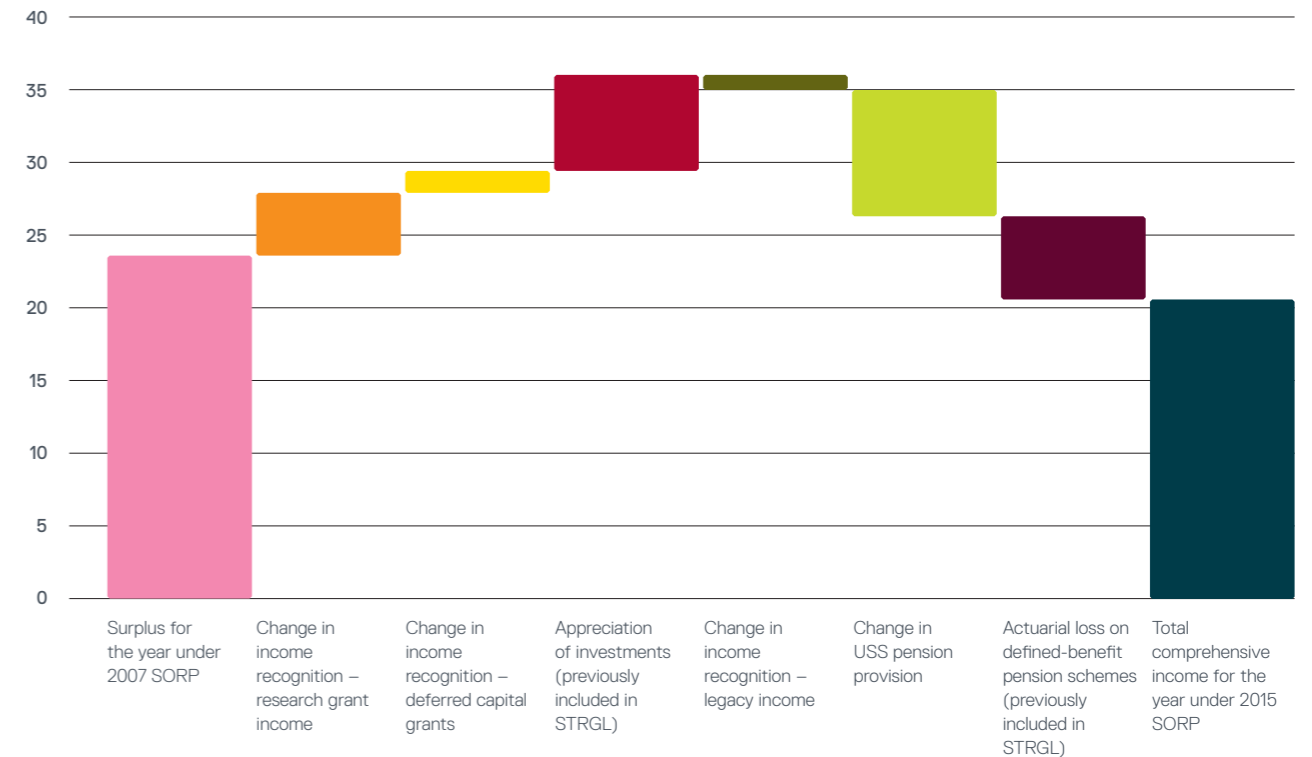
In 2015/16 the Institute has increased direct research expenditure by £7.0m (9%). This is driven by additional externally funded research work, linked to increased grant funding secured in year. Furthermore the Institute has increased its expenditure on internally funded research, in particular by investing in a number of new senior recruitments. Research support costs have also increased by £2.5m as a result of investment in our estates infrastructure, including the new Centre for Cancer Imaging, which opened in 2016.

TRANSITION TO FINANCIAL REPORTING STANDARD 102

The Institute has adopted FRS 102 and the new Statement of Recommended Practice Accounting for Further and Higher Education (HE SORP).

The transition to FRS 102 and the new HE SORP has resulted in a £3.4m adverse impact on the financial performance in 2015, from a surplus of £23.7m under the 2007 SORP to £20.3m total comprehensive income under the 2015 SORP.

Impact of transition to FRS 102 and HE SORP – £m



Note 24 to the accounts provides a full explanation of how the transition to FRS 102 and the new HE SORP has affected the Institute’s financial position, financial performance and cash flows.

NET ASSETS

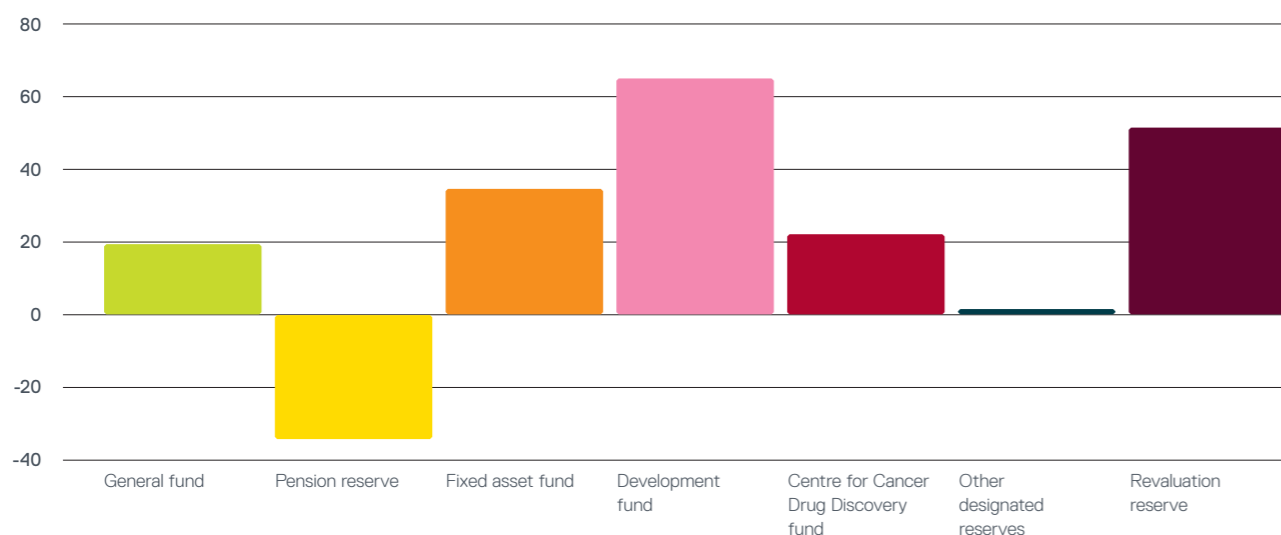
The Institute’s total net assets increased by £52.4m since 2015, from £185.1m to £237.5m. This movement was due to the surplus achieved in 2015/16 (£53.4m), and gains through revaluation of land and buildings (£12.7m), offset by actuarial losses in respect of pension schemes (£13.6m).

RESERVES POLICY AND POSITION

The Institute’s mission is a long-term undertaking and, while the Board of Trustees expends all the funds it receives towards its mission within a reasonable time of receiving them, it also considers it prudent to maintain a reserve of free funds to protect our long-term financial viability. Free reserves are expendable at the Trustees’ discretion and not designated for a particular purpose.

The Board of Trustees has decided that the Institute should maintain free reserves in the range of £17.8m to £21.8m, which equates to 9–11 weeks of the Institute’s budgeted annual expenditure for the next year. In determining the level of free funds to be held in reserve the Board of Trustees considers the Institute’s income and expenditure forecasts, and its future needs, opportunities, contingencies and possible risks. The Board reviews its Reserves Policy and the assessment and calculation of the level of free reserves each year.

Unrestricted reserves at 31 July 2016 – £m



Total unrestricted reserves at the year end were £160.0m, including £19.2m free reserves (‘general fund’) which is within the target levels. Unrestricted reserves also includes £51.7m revaluation reserve, which has limitations to its use.

£22.5m unrestricted funds were designated towards a new Centre for Cancer Drug Discovery at our Sutton site.

Some £65.2m of unrestricted reserves are held within the Development Fund, which includes recent royalty income. With this money, the Institute has the opportunity to make long-term investments in the priorities detailed in its new research strategy, including key areas of infrastructure. However, more funding is required by the Institute both to meet the aims set out in the strategy and to sustain the Institute’s work in the longer term, as royalty income may reduce with the expiry of patents and market changes.

INVESTMENT POLICY AND PERFORMANCE

Under the Articles of Association the Institute can invest and deal with any monies not immediately required for its purposes in such a manner as may be thought fit. The Institute does not invest directly in any company perceptibly involved in the sale of tobacco or tobacco products.

The aim of the Investment Policy is to maintain a balance between current income and capital growth commensurate with the Institute’s liquidity requirements. The asset distribution is subject to review at regular meetings of the Investments and Building Development Committee and is dependent on the Institute’s programme for future development.

The Institute’s investments appreciated in value by £1.5m over the year and the total return on investments after investment manager fees was £2.1m.

PENSIONS

The ICR Pension Scheme (ICRPS) closed to future accrual on 31 July 2008 and active members were able to build future pension within the Universities Superannuation Scheme (USS) after that date.

The triennial actuarial valuation of the ICRPS was undertaken as at 31 July 2016, based on membership data at 31 March 2016. In common with many defined benefit schemes, the financial statements show that the scheme is in deficit. The deficit calculated under the accounting basis set out in FRS 102 as at 31 July 2016 is £34.1m.

The Scheme’s and the Institute’s Trustees continue to review the options with regard to the future of the closed scheme and how best to secure the funding position. During the year the Institute and the Trustees of the Scheme worked together to develop a Pension Risk Management Framework for the Scheme and the Trustees adopted a new investment strategy and appointed new investment managers.

PRINCIPAL RISKS AND UNCERTAINTIES

Brexit

It is still unclear exactly what the UK’s vote to leave the EU will mean for UK science, but there could be serious implications for the Institute’s work. We believe that world-class science is an international effort. Many of the biggest challenges in science require researchers working together in collaboration, and we are very keen that political developments do not erect barriers to collaborative working.

- It is critical we do not lose our ability to recruit the best staff and students. Some 21% of our workforce are from EU countries outside the UK. For the Institute to retain its competitiveness we need to be seen as an attractive place to work and study for the best scientists throughout the world. We already find it difficult to attract staff with skills in certain areas including Big Data and computational biology.
- We are concerned at the prospect of UK scientists losing access to EU funding. Although EU grants have accounted for only around 2% of Institute research income over the last five years, loss of access to EU funds for UK institutions is likely to increase competition for national funding sources, and to have an indirect impact on the Institute.

- Access to large-scale shared European scientific research infrastructure is vital for UK research. If the UK withdraws its funding from these shared facilities as a result of the vote to leave the EU then it would damage the UK research base.
- The UK operates under EU frameworks in many areas of science, innovation and drug access. While some of these regulations can be bureaucratic, overall operating under European-wide frameworks has many advantages for UK science. It reduces the regulatory barriers to working across European borders, and provides an attractive single market for drug licensing.

We are keen that whatever deal emerges between the UK and the EU preserves the best possible opportunity for collaboration with scientists in Europe and around the world – to generate excellent scientific discoveries and patient impact. We would also want to see the best possible commercial and regulatory environment to accelerate innovation and adoption of medicines and technologies.

Pensions

The liabilities on defined-benefit pension arrangements continue to be significant. Any prolonged period of depressed gilt yields arising from Brexit will further increase the pension deficits, which would inevitably lead to higher deficit contributions to the pension schemes. There is a risk that the financial resources available to support our research activities will be reduced as funds are diverted to meet the increasing costs of pension provision and help reduce pension deficits.

Capital funding

There is a risk that the Institute could find it difficult to access the capital funds it needs as it looks to expand and enhance its world-class facilities. The Institute has plans to build a Centre for Cancer Drug Discovery and provide enhanced infrastructure to support delivery of our new research strategy. Capital funding remains scarce from Government bodies and other funders and organisations are frequently required to contribute matching funding, which can be challenging to find in stretched budgets. The increasing pace of technological change is reducing renewal cycles of essential scientific equipment, thus driving up capital costs.

Higher education funding

There are likely to be implications for the Institute from changes under way to the funding and regulatory arrangements for higher education. As part of the changes to Government following Theresa May's installation as Prime Minister, responsibility for higher education and skills in England has moved from the Department for Business, Innovation and Skills to the Department for Education. In the meantime the Higher Education and Research Bill is proceeding through the House of Commons. The Higher Education and Research Bill fundamentally reforms the regulatory architecture of higher education in England, and the Government's research agencies that operate across the UK. The last time such comprehensive reforms were introduced was through the Further and Higher Education Act 1992. Accompanying the Bill is the White Paper, 'Higher education: success as a knowledge economy'. The Bill establishes a new regulatory body, the Office for Students (OfS), which will be the principal regulator of the sector and will have widespread powers over higher education institutions. The Bill creates separate regulatory and funding bodies for teaching (the OfS) and research (UK Research and Innovation), which risks undermining the positive interaction of teaching, research and innovation activity in universities. As a result of the recent change to move



responsibility for higher education into the Department for Education, the OfS will report to the Department for Education while UK Research and Innovation will report to the Department for Business, Energy and Industrial Strategy. It is planned that UK Research and Innovation will bring together the seven research councils, Innovate UK, and the current research functions of the Higher Education Funding Council for England in a committee of UK Research and Innovation, to be called Research England. The legislation establishes a Teaching Excellence Framework, which will assess institutions on the quality of their teaching, and provide a link between performance in this assessment and the fee cap which applies to the institution. Of particular concern to the Institute, the debate and proposals for the Teaching Excellence Framework to date focus solely on undergraduate provision and there is a risk that by default the Institute is seen as a low-quality provider simply because, as a postgraduate-only higher education institution, we cannot make a submission.

FUTURE DEVELOPMENTS

ICR to develop new organisational strategy

The Institute is developing a new five-year organisational strategy, to underpin our bold and ambitious new research strategy. Staff across the Institute are working together to help shape our approach and confirm our operational priorities to 2021. A key theme emerging is how we increase the levels of funding the Institute attracts, from a range of sources, and how we can best nurture and build on the organisation's great staff talent, infrastructure and partnerships.

Plans move forward for The London Cancer Hub

Our ambitious plan to create a new global hub for cancer research, treatment, education and enterprise is continuing to progress. The London Cancer Hub is a partnership between the Institute and the London Borough of Sutton – with the support of The Royal Marsden and the Greater London Authority. It aims to build on the world-leading position the Institute and partners already hold in drug discovery and development, with the aim of accelerating the discovery of new treatments and making a major contribution to the UK economy. The partners launched a roadmap document earlier in the year outlining ambitions for the site, and have now created a development framework setting out their plans in greater detail. They are working closely with Epsom and St Helier University NHS Trust – which owns Sutton Hospital on the site – to open up substantial space for expansion.

Large-scale investment in data science

The Institute is to take vital steps to increase its capacity for storing, analysing and integrating research data, with the aim of creating new digital infrastructure that sets a new standard for UK research institutions. The Institute's Board of Trustees agreed an investment to upgrade the Institute's digital capability, as a critical step to underpin our ambitious research strategy. Dr Bissan Al-Lazikani is to head a new Department of Data Science at the Institute and will provide the academic leadership to drive a major expansion in our Big Data capabilities.

State-of-the-art radiotherapy machine to open for patients

A new type of radiotherapy machine – which is the first of its kind in the UK – is being installed at the Institute and The Royal Marsden. The MR Linac combines two technologies – an MRI scanner and an ultramodern radiotherapy system called a linear accelerator – to precisely locate tumours, and shape X-ray beams to their dimensions in real time. The idea is that we will be able to precisely deliver doses of radiation even to moving tumours, such as lung cancers that move up and down as patients breathe. We hope that we will be able to start treating the first patients using the MR Linac in 2017.





We focus on research which will ultimately improve outcomes for cancer patients

Governance and management

Everything we do is aimed at fulfilling our mission.

PUBLIC BENEFIT

The charitable objects of the Institute are:

- the study of disease and particularly the disease of cancer and allied diseases;
- to initiate, encourage, support and carry out research into the causes, prevention, diagnosis and methods of treatment of such diseases;
- to assist in the prevention, diagnosis and treatment of such diseases; and
- to provide for education and practical training in subjects relevant to the study of cancer and allied diseases and the alleviation of suffering.

Everything we do is aimed at fulfilling our mission, which is to make the discoveries that defeat cancer. We are focused on undertaking research of the highest quality which will ultimately have significant impact on improving outcomes for cancer patients. Our research students make a significant contribution to our scientific endeavour and we are committed to inspire them to become the next generation of researchers. On pages 20–21 we set out our top 10 scientific achievements for 2016 and the impact that these findings will have for patients. Our long-term achievements are set out on our website and highlight the Institute's contribution to many significant advances in reducing mortality for a wide range of cancers.

The Board of Trustees gives due consideration to the Charity Commission's guidance on public benefit.

GOVERNANCE

The Institute's governance reflects its multiple organisational roles.

The Institute is a company limited by guarantee, incorporated in 1954. We are also a college of the University of London and adhere to regulations as set by HEFCE.

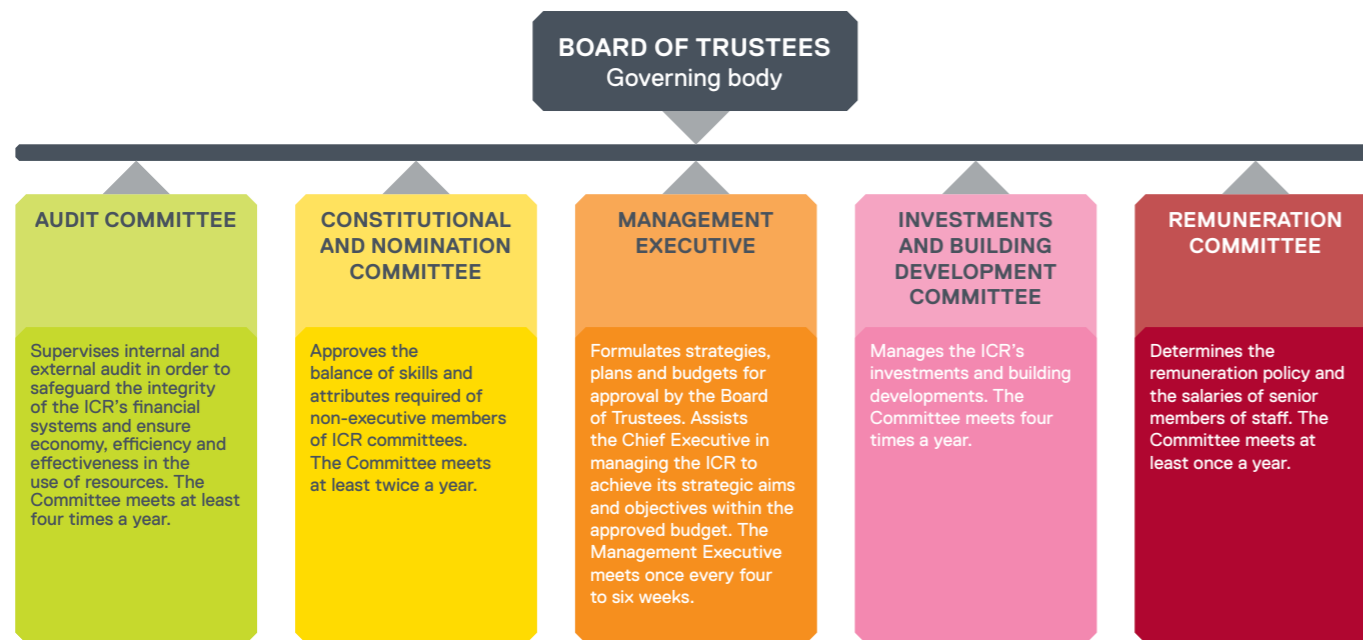
The Institute is an exempt charity under the Third Schedule of the Charities Act 2011, with the reference number X90004. The Institute's objects, powers and framework of governance are set out in its Articles of Association, the current version of which was approved by the Members of the Institute in September 2011.

The overall governing body of the Institute is its Board of Trustees. Our Trustees are responsible for ensuring the Institute pursues its charitable

objects, complies with its constitution and relevant legislation and regulations, applies its resources exclusively to its objects, and enacts cancer research of the highest international standard. They carry the responsibility of company directors of the Institute.

The Management Executive reports to the Board of Trustees. It is chaired by the Institute's Chief Executive, Professor Paul Workman, and its membership includes the Chief Operating Officer, the Academic Dean, Heads of Research Divisions and Corporate Service Directors.

The Board of Trustees has also established a number of subcommittees: the Audit Committee, the Investments and Building Development Committee, the Remuneration Committee, and the Constitutional and Nomination Committee.



THE BOARD OF TRUSTEES

The Board of Trustees determines the Institute's strategies, approves its scientific and financial plans, annual report and accounts and governance structure, makes key appointments (Chief Executive, Academic Dean, Chief Operating Officer) and monitors the Institute's strategic performance. It also approves new initiatives and non-recurrent expenditure costing £1m or more.

The Board of Trustees comprises 18 individuals co-opted by the Board itself or nominated by The Royal Marsden and Cancer Research UK, and one member elected by the Academic Board, together with ex-officio members (the Chief Executive and the Academic Dean) and a student nominee. Details of the current membership of the Board of Trustees are given on page 80.

The Board of Trustees recognises the principles underlying the Committee on Corporate Governance's Combined Code and The Committee of University Chairs Higher Education Code of Governance and applies them within the Institute. The Board met five times in 2015/16.

A copy of the Register of Interests of Board members is available upon application to the Chief Operating Officer.

The Constitutional and Nomination Committee recommends to the Board of Trustees appointments to the Board and admission of Fellows and Members of the Institute. When considering new appointments the Constitutional and Nomination Committee seeks proposals for candidates from a number of sources. All new Trustees are offered a tailored induction programme and further training is available on request.

Mr Jeremy Hill and Dr Liz Bishop were appointed on 1 April 2016 to co-opted and Alternate Director positions, respectively. Ms Ashley D'Aquino was appointed as the student nominee on 1 September 2016.

During the financial year Professor Adrian Harris, Mrs Isabelle Hotimsky and Mr Ian Molson stepped down from the governing body. Mrs Ravindhi Murphy stepped down from the governing body with effect from 31 August 2016. The Institute is grateful for their valuable contributions during their appointments.

AUDITORS

Grant Thornton UK LLP has indicated willingness to be reappointed as statutory auditor.

No non-audit fees were paid to the external auditors in 2016 (2015: £3,000).

STATEMENT OF INTERNAL CONTROL

The Board of Trustees is responsible for the Institute's system of internal control and reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives and can only provide reasonable not absolute assurance of effectiveness.

The Management Executive is responsible for the identification, and with the risk owners, management of all the major risks to achievement of the Institute's strategic objectives. Each risk identified by the Management Executive is assessed and prioritised with reference to the potential impact if the risk occurred and likelihood of occurrence. The responsibility for specific risks is assigned to the relevant academic, scientific and support staff who provide assurance of the action taken.

A risk register is compiled by the Integrated Risk and Performance Committee, agreed with the Management Executive and approved annually by the Board of Trustees. Significant risks may be added, revised or removed from the risk register after evaluation by the Integrated Risk and Performance Committee throughout the year. A significant risk list is appraised every four months by the Integrated Risk and Performance Committee and the Board of Trustees.

Internal Audit adopts a risk-based approach undertaking a programme of examinations covering all aspects of the Institute's activities and provides to the Board of Trustees and the Chief Executive with an independent annual statement on the adequacy and effectiveness of risk management, control and governance, arrangements for economy, efficiency and effectiveness, and the extent to which the Board of Trustees can rely on these.

The external auditors provide feedback to the Audit Committee on the operation of internal financial controls reviewed as part of the external audit.

The Audit Committee is responsible for assuring the governing body about the adequacy and effectiveness of the Institute's arrangements for risk management, control and governance, economy, efficiency and effectiveness, and the management and quality assurance of data submitted to the Higher Education Statistics Agency, the Student Loans Company, HEFCE and other bodies.

The Audit Committee's opinion is that the Institute has adequate and effective arrangements for risk management, control and governance, and economy, efficiency and effectiveness, and that the Board of Trustees can rely on those arrangements.

CONCLUSION

The Board of Trustees is of the view that there is an ongoing process for identifying, evaluating and managing the Institute's key risks, and that it has been in place for the year ended 31 July 2016 and up to the date of the approval of the Annual Report and Accounts. This process is regularly reviewed by the Board of Trustees and accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

GOING CONCERN

The Board of Trustees has considered the level of reserves and the financial resources available to the Institute and considers these are adequate to meet its operational needs for the foreseeable future. Consequently the going concern basis has been adopted in preparing these financial statements.



Statement of the responsibilities of members of the Board of Trustees

In accordance with the Institute's Memorandum and Articles of Association, the Board of Trustees is responsible for the administration and management of the affairs of the Institute and is required to present audited financial statements for each financial year.

The Board of Trustees (the Trustees of which are also the directors of the Institute for the purposes of company law) is responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'. In addition, the Trustees are required to prepare the financial statements in accordance with the terms and conditions of the HEFCE Memorandum of Assurance and Accountability (July 2016), through its accountable officer. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Institute and the Group and of the surplus or deficit, gains and losses, changes in reserves and cash flows of the Institute and the Group for that year.

In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Institute's transactions and disclose with reasonable accuracy at any time the financial position of the Institute and enable it to ensure that the financial statements comply with the Memorandum and Articles of Association, the Statement of Recommended Practice – Accounting for Further and Higher Education as issued in March

2014 and any subsequent amendments, the HEFCE Accounts Direction and the Companies Act 2006. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees have taken reasonable steps to:

- ensure that funds from HEFCE and other funding bodies are used only for the purposes for which they have been given and in accordance with the HEFCE Memorandum of Assurance and Accountability (July 2016) and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial management controls in place to safeguard public funds and funds from other sources;
- ensure that the Institute has a robust and comprehensive system of risk management, control and corporate governance, which includes the prevention and detection of corruption, fraud, bribery and irregularities; and
- secure the economic, efficient and effective management of the Institute's and the Group's resources and expenditure.

The Board of Trustees is responsible for the maintenance and integrity of the corporate and financial information included on the Institute's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees confirm that:

- So far as each Trustee is aware, there is no relevant audit information of which the Institute's auditor is unaware; and
- The Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Institute's auditor is aware of that information.

Approved on behalf of the Board of Trustees by:



Luke Johnson
Chair of The Institute of Cancer Research, London
Date of approval: 24 November 2016

Independent auditor's report

2

Independent auditor's report to the Members of The Institute of Cancer Research: Royal Cancer Hospital.

We have audited the financial statements of The Institute of Cancer Research: Royal Cancer Hospital (the 'Institute') for the year ended 31 July 2016 which comprise the consolidated and Institute statement of comprehensive income and expenditure, the consolidated and Institute statement of changes in reserves, the consolidated and Institute balance sheet, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Institute's Board of Trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Institute's Board of Trustees those matters we are required to state to it in an auditor's 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 Institute and the Institute's Board of Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE BOARD OF TRUSTEES AND AUDITOR

As explained more fully in the Statement of Responsibilities of the Board of Trustees set out on pages 40–41, the Board of Trustees (who are also the directors of the charitable company for the purposes of company law) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and the Education Reform Act 1988 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the Institute's affairs as at 31 July 2016 and of the group's and the Institute's surplus, and its income and expenditure, gains and losses, changes in reserves and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education published in March 2014; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Report of the Board of Trustees, incorporating the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

**OPINION ON OTHER MATTERS PRESCRIBED BY HEFCE'S
MEMORANDUM OF ASSURANCE AND ACCOUNTABILITY
DATED JULY 2016**

In our opinion, in all material respects:

- Funds from whatever source administered by the Institute for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- Funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and
- The requirements of HEFCE's accounts direction have been met.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Institute, or returns adequate for our audit have not been received from branches not visited by us; or
- The Institute financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of the Board of Trustee's remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Carwye

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 November 2016

The financial statements
for the year ended
31 July 2016

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The Institute of Cancer Research
Consolidated and Institute statement of comprehensive income and expenditure
Year ended 31 July 2016

	Notes	Year ended 31 July 2016		Year ended 31 July 2015	
		Consolidated £000	Institute £000	Consolidated £000	Institute £000
Income					
Tuition fees and education contracts	1	3,085	3,085	2,177	2,177
Funding body grants	2	19,679	19,679	19,109	19,109
Research grants and contracts	3	61,691	61,691	71,432	71,432
Donations and endowments	4	11,599	11,599	11,232	11,232
Investment income	5	969	969	739	739
Other income:					
Sale of rights to future royalty income	6	38,226	38,226	-	-
Other income	6	26,629	26,841	26,203	26,394
Total income		161,878	162,090	130,892	131,083
Expenditure					
Staff costs	7	60,880	60,880	63,858	63,858
Other operating expenses		42,698	42,910	39,760	39,951
Depreciation	11	5,366	5,366	4,596	4,596
Interest and other finance costs	10	1,040	1,040	850	850
Total expenditure	8	109,984	110,196	109,064	109,255
Surplus before other gains and losses		51,894	51,894	21,828	21,828
Loss on disposal of fixed assets	11	-	-	(71)	(71)
Gain on investments	12	1,475	1,475	6,412	6,412
Surplus before tax		53,369	53,369	28,169	28,169
Taxation	9	(65)	(65)	(2,655)	(2,655)
Surplus for the year		53,304	53,304	25,514	25,514
Unrealised surplus on revaluation of land and buildings	11	12,741	12,741	-	-
Actuarial loss in respect of pension schemes	20	(13,646)	(13,646)	(5,224)	(5,224)
Total comprehensive income for the year		52,399	52,399	20,290	20,290
Represented by:					
Endowment comprehensive income for the year		(132)	(132)	270	270
Restricted comprehensive income for the year		6,673	6,673	5,473	5,473
Unrestricted comprehensive income for the year		45,858	45,858	14,547	14,547
		52,399	52,399	20,290	20,290

All items of income and expenditure relate to continuing activities

The Institute of Cancer Research
Consolidated and Institute statement of changes in reserves
Year ended 31 July 2016

Consolidated and Institute	Income and expenditure account			Revaluation	
	Endowment £000	Restricted £000	Unrestricted £000	Reserve £000	Total £000
Balance at 1 August 2014	2,302	62,664	59,406	40,470	164,842
Surplus from the income and expenditure statement	270	5,473	19,771	-	25,514
Other comprehensive income	-	-	(5,224)	-	(5,224)
Transfers between revaluation and income and expenditure reserve	-	-	999	(999)	-
	270	5,473	15,546	(999)	20,290
Balance at 1 August 2015	2,572	68,137	74,952	39,471	185,132
Surplus from the income and expenditure statement	(132)	6,673	46,763	-	53,304
Other comprehensive income	-	-	(905)	-	(905)
Transfers between revaluation and income and expenditure reserve	-	-	(12,022)	12,022	-
Other transfers between reserves	-	250	(250)	-	-
Total comprehensive income for the year	(132)	6,923	33,586	12,022	52,399
Balance at 31 July 2016	2,440	75,060	108,538	51,493	237,531

The Institute of Cancer Research
Consolidated and Institute balance sheets
Year ended 31 July 2016

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £000	Institute £000	Consolidated £000	Institute £000
Non-current assets					
Fixed assets	11	128,714	128,714	114,102	114,102
Investments	12a	65,957	65,962	64,198	64,203
		194,671	194,676	178,300	178,305
Current assets					
Stock		135	135	158	158
Trade and other receivables	13	33,255	33,254	39,664	39,648
Investments	12b	58,098	58,098	6,500	6,500
Cash and cash equivalents		21,784	21,765	17,367	17,337
		113,272	113,252	63,689	63,643
Less: creditors: amounts falling due within one year	14a	(19,413)	(19,398)	(20,073)	(20,032)
Net current assets		93,859	93,854	43,616	43,611
Total assets less current liabilities		288,530	288,530	221,916	221,916
Creditors: amounts falling due after more than one year	14b	-	-	(220)	(220)
Provisions					
Pension provisions	15	(50,665)	(50,665)	(36,233)	(36,233)
Other provisions	15	(334)	(334)	(331)	(331)
Total net assets		237,531	237,531	185,132	185,132
Restricted reserves					
Income and expenditure reserve – endowment reserve	17b	2,440	2,440	2,572	2,572
Income and expenditure reserve – restricted reserve	17a	75,060	75,060	68,137	68,137
Unrestricted reserves					
Income and expenditure reserve – unrestricted	16a	108,538	108,538	74,952	74,952
Revaluation reserve	16b	51,493	51,493	39,471	39,471
Total reserves		237,531	237,531	185,132	185,132

The financial statements were approved by the Board of Trustees on 24 November 2016 and were signed on its behalf on that date by:

Luke Johnson
Chairman of the Board of Trustees

Professor Paul Workman
Chief Executive and President

Paul Norris
Director of Finance

The Institute of Cancer Research
Consolidated statement of cashflows
HE SORP (FRS 102) financial statements
Year ended 31 July 2016

	Notes	31 July 2016 £000	31 July 2015 £000
Cash flow from operating activities			
Surplus for the year		53,304	25,514
Adjustment for non-cash items			
Depreciation	11	5,366	4,596
Investment income	5	(969)	(740)
Gain on endowments, donations and investment property		(1,475)	(6,412)
Decrease in stock		23	1
Decrease/(increase) in debtors	13	6,409	(14,215)
(Decrease)/increase in creditors	14	(880)	7,093
Increase in provisions	15	3	2
Pension costs less contributions payable	20	(480)	(585)
Increase in pension provision	15	1,266	8,754
Impairment of fixed assets	11	328	-
Profit on the sale of fixed assets		-	71
Net cash inflow from operating activities		62,895	24,079
Cash flows from investing activities			
Non-current investment disposal	12	120,427	150,188
New non-current asset investments	12	(120,711)	(150,523)
Investment income	5	969	740
Increase in current investments	12	(51,598)	(6,500)
Payments made to acquire fixed assets	11	(7,565)	(8,554)
		(58,478)	(14,649)
Increase in cash and cash equivalents in the year		4,417	9,430
Cash and cash equivalents at beginning of the year		17,367	7,937
Cash and cash equivalents at end of the year		21,784	17,367

1 / Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) and in accordance with applicable accounting standards. The Institute is a public benefit entity and therefore has applied the relevant public benefit requirement of the applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

The Institute is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2015) has affected the reported financial position, financial performance and cash flows of the consolidated results of the Institute is provided in Note 24.

The Trustees consider that the Institute has adequate resources to continue its activities for the foreseeable future and that, for this reason, it should continue to adopt the going concern basis in preparing the accounts.

2 / Basis of consolidation

The Institute owns 100% of the share capital of five companies – ICR Enterprise Ltd, ICR Chelsea Development Ltd (ICRCD), ICR Sutton Developments Ltd (ICRSD), ICR Equipment Leasing No.8 Limited (ICRENo8), and Everyman Action Against Male Cancer. ICR Enterprises Ltd undertakes trading activities. ICRCD and ICRSD have been set up to act as developers for the construction of laboratories. ICRENo8 owns a long leasehold interest in the Chester Beatty Laboratory which is occupied by the Institute. Everyman Action Against Male Cancer has not traded since incorporation. The consolidated statements include the financial statements of these companies.

The Institute makes a small contribution each year towards the costs of the Student Association. The Institute has no management responsibility for the Association and therefore does not consolidate their accounts into the Institute's accounts.

3 / Income recognition

Income is credited to the Consolidated Statement of Comprehensive Income and Expenditure (CSOCIE) in the year in which it is receivable.

3i. Grant accounting

Government grants including funding council block grant; research grants from government sources; other grants and donations from non-government sources (including research grants from non-government sources) are recognised within the CSOCIE when the Institute is entitled to the income and performance-related conditions have been met.

Income in respect of the Research and Development tax credit is included in the year in which the Institute is entitled to the credit and where there is certainty of receipt and the amount can be identified.

Where a grant funder has confirmed a set payment schedule that is in line with the planned undertaking of the funded research, the income is recognised when it is receivable as per the schedule. This will either be fixed-stage payments or based on expenditure incurred on the grant, dependent on the funder's terms for remitting funds.

Where a grant funder has specified requirements related to performance and deliverables, income is recognised when the Institute earns the right to consideration by its delivery of agreed milestones.

Where funds for multi-year grants are received in full in year one but linked to a multi-year programme of research, then this is treated as funds received in advance of performance-related conditions being met, and the element relating to future years is deferred and included in creditors.

Where entitlement occurs before the income is received the income is accrued and included in debtors.

Capital grants are recorded in income when the Institute is entitled to the income subject to any performance-related conditions being met. The depreciation of the asset is charged to the CSOCIE over the life of the asset.

3 / Income recognition continued

3ii. Royalty income

Royalty income is included in the CSOCIE in the year in which the Institute is entitled to claim it, where there is certainty of receipt and the amount due can be identified.

Income from the sale of rights to future royalties is included in the CSOCIE in the year in which the Institute is entitled to claim it, where there is certainty of receipt and the amount due can be identified.

3iii. Legacies and donations

Non-exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised within the CSOCIE when the Institute is entitled to the income. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions.

Legacies are included in the year that entitlement and probability of receipt is established. Receipt is normally probable when there has been grant of probate, the executors have established that there are sufficient assets in the estate, and any conditions attached to the legacy are either within the control of the Institute or have been met.

There are four main types of donations and endowments with restrictions:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the Institute.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the Institute can convert the donated sum into income.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations with no restrictions are recorded within the CSOCIE when the Institute is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

3iv. Investment income

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

4 / Accounting for retirement benefits

The Institute participates in three defined-benefit schemes, the Universities Superannuation Scheme (USS), National Health Service Pension Scheme (NHSPS) and the ICR Pension Scheme (ICRPS).

The USS is a multi-employer scheme for which it is not possible to identify the Institute's share of the assets and liabilities due to the mutual nature of the scheme and therefore this scheme is accounted for as a defined-contribution retirement benefit scheme. A liability is recorded within provisions for the contractual commitment to fund past deficits within the USS scheme.

The NHSPS is an unfunded, defined-benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of The Secretary of State, in England and Wales. As a consequence it is not possible for the Institute to identify its share of the underlying scheme liabilities.

The USS and NHSPS schemes are both therefore accounted for as defined-contribution schemes. Obligations for contributions to these schemes are recognised as an expense in the CSOCIE in the periods during which services are rendered by employees.

For the ICRPS the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the CSOCIE

4 / Accounting for retirement benefits continued

if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the CSOCIE. Gains arising on a curtailment not allowed for in the actuarial assumptions are recognised in the CSOCIE under incoming resources.

ICRPS scheme assets are held separately from those of the Institute. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high-quality corporate bonds. The actuarial valuation is obtained at least tri-annually and is updated at each balance sheet date.

5 / Employment benefits

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the Institute. Any unused benefits are accrued and measured as the additional amount the Institute expects to pay as a result of the unused entitlement.

6 / Finance leases

Leases in which the Institute assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

7 / Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

8 / Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the CSOCIE.

9 / Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, with the exception of land and buildings which are revalued under the depreciated replacement cost basis.

9i. Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to depreciated replacement cost. The Institute has a policy of ensuring a full revaluation takes place on a sufficiently regular basis to ensure that the fair value is not materially different to the current value. Depreciation and impairment losses are subsequently charged on the revalued amount. The Institute will review annually whether interim valuations should be undertaken to ensure the value remains materially correct.

9 / Fixed assets continued

The last full valuation took place on 31 July 2014. Valuations are made on a depreciated replacement cost basis for scientific properties. Unrealised gains arising at each revaluation are shown in the revaluation reserve. Unrealised losses are taken to the CSOCIE except to the extent that they reverse revaluation gains on the same asset.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the Institute.

Depreciation is provided to write off the costs of leases and buildings over their useful economic lives based on their net book values. The annual rates of amortisation and depreciation are as follows:

Freehold buildings	2%
Leasehold buildings	2% or the length of the lease if shorter than 50 years

Freehold land is not depreciated.

9ii. Equipment

Equipment costing less than £25,000 per individual asset are written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over four years on a straight-line basis.

9iii. Assets under construction

Buildings and furniture, plant and equipment under construction at year end are included in Note 11 as assets under construction, and are not depreciated. On completion of construction, these assets are transferred into the appropriate asset class and depreciated from the month of completion onwards in line with the depreciation policy for that asset.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

10 / Investments

10i. Non-current investments

Listed investments are stated at the market value at the date of the balance sheet. Investments such as hedge funds and private equity funds, which have no readily identifiable market value, are included at the most recent valuations from their respective managers. Unlisted shares, where there is no readily identifiable market value, are recorded at cost or a nominal amount. Investments in subsidiaries are stated at cost less any provision for impairment. Revaluation gains or losses and impairments arising during the year are included in the CSOCIE. Investment income is the amount receivable by the Institute in the year.

10ii. Current asset investments

Current asset investments are held at fair value with movements recognised in the CSOCIE.

11 / Stock

Stocks of research material are held at the lower of cost and net realisable value, and are measured using an average cost formula.

12 / Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

13 / Provisions, contingent liabilities and contingent assets

Provisions are recognised in the financial statements when:

- The Institute has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the Institute a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institute. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Institute a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Institute.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

14 / Taxation

The Institute is an exempt charity within the meaning of Part 3 of the Charities Act 2011. It is therefore a charity within the meaning of paragraph 1 of Schedule 6 to the Finance Act 2010 and accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 478–488 of the Corporation Tax Act 2010 (CTA 2010) or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Institute receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to fixed assets is included in their cost.

The Institute's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

15 / Reserves

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the Institute, are held as permanently restricted funds as the Institute must hold the fund to perpetuity.

Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the Institute is restricted in the use of these funds.

Additional accounting of the Institute's reserves is provided in Notes 16 and 17. This includes information on restricted endowments and other restricted reserves.

Unrestricted designated funds are accounted for in Note 16. Designated funds comprise unrestricted funds that have been set aside by the Board of Trustees for particular purposes. The aim of each designated fund is set out in the notes to the financial statements. This includes the fixed asset fund which represents the amount of general funds invested in fixed assets and the revaluation reserve which represents the increase in fixed assets arising as a result of revaluation.

Revaluation gains and losses in respect of non-current investments are included in the unrestricted income and expenditure reserve.

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
1 / Tuition fees and education contracts				
Tuition fees	630	630	628	628
Research training support grant	2,455	2,455	1,549	1,549
	3,085	3,085	2,177	2,177

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
2 / Funding body grants				
Recurrent grant				
Higher Education Funding Council for England (HEFCE)	15,497	15,497	17,305	17,305
NHS pension funding supplement	187	187	187	187
Specific grants				
Higher Education Innovation Fund	1,055	1,055	703	703
Transitional research capital	1,040	1,040	-	-
Other specific funds	30	30	28	28
Capital funding	1,870	1,870	886	886
	19,679	19,679	19,109	19,109

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
3 / Research grants and contracts				
Research councils	6,989	6,989	4,513	4,513
Research charities	35,365	35,365	38,852	38,852
Government (UK and overseas)	9,840	9,840	20,958	20,958
Industry and commerce	8,758	8,758	6,541	6,541
Other	739	739	568	568
	61,691	61,691	71,432	71,432

Government funding includes the research and development expenditure credit. In 2014/15 income included £12,106,000 in respect of claims for 2012/13, 2013/14, and the expected claim for 2014/15. 2015/16 Government income includes £402,000 in respect of the difference between the 2014/15 claim submitted, and the expected amount included in 2014/15.

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
4 / Donations and endowments				
Unrestricted legacies	3,438	3,438	3,958	3,958
Restricted legacies	113	113	47	47
Unrestricted donations	3,455	3,455	3,694	3,694
Restricted donations	4,593	4,593	3,533	3,533
	11,599	11,599	11,232	11,232

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
5 / Investment income				
Investment income on endowments	10	10	10	10
Investment income on restricted reserves	306	306	272	272
Other investment income	653	653	457	457
	969	969	739	739

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
6 / Other income				
Royalty income	25,874	25,874	25,190	25,190
Other income	755	967	1,013	1,204
	26,629	26,841	26,203	26,394

Other income presented within the CSOCIE also includes £38,226,000 received in respect of the sale of rights to future royalty income. This was a one-off receipt. The Institute made this sale in order to reduce the risk associated with future royalty payments.

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	Institute £000	Consolidated £000	Institute £000
7 / Staff costs				
Salaries	49,004	49,004	45,644	45,644
Social security costs	4,224	4,224	3,682	3,682
Movement on USS provision	998	998	8,578	8,578
Other pension costs	6,654	6,654	5,954	5,954
	60,880	60,880	63,858	63,858

	£000	£000
Emoluments of the Chief Executive		
Salary	267	253

	No.	No.
Remuneration of higher paid staff		
£100,001–£110,000	4	6
£110,001–£120,000	2	2
£120,001–£130,000	2	1
£130,001–£140,000	1	3
£140,001–£150,000	3	2
£150,001–£160,000	3	2
£160,001–£170,000	3	4
£170,001–£180,000	3	3
£180,001–£190,000	1	1
£210,001–£220,000	1	-
£230,001–£240,000	1	-
£250,001–£260,000	-	1
£260,001–£270,000	1	1

	No.	No.
Average number of employees		
Research staff	845	812
Research support staff	151	154
Fundraising services	19	20
Corporate services including academic services	88	87
	1,103	1,073

7 / Staff costs continued

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Institute. Staff costs includes compensation paid to key management personnel. These costs relate to the Chief Executive, Chief Operating Officer and Academic Dean. The costs include salaries and employers' pension contributions:

	Year ended 31 July 2016	Year ended 31 July 2015
	£000	£000
Key management personnel compensation	562	542

Emoluments of the Board of Trustees

No fees are paid to the members of the Board of Trustees for their services as charity trustees or company directors. During the year, there were three members of staff of the Institute who are members of the Board of Trustees and who receive only the normal remuneration of their appointments. This includes the Chief Executive, whose remuneration is disclosed above. The other staff comprise the Academic Dean and the representative elected by the Academic Board to serve on the Board of Trustees – this role was undertaken by Professor deSouza. Remuneration for these staff is included in the remuneration of higher paid staff above. In addition, Dr Murphy undertook the role of student representative on the Board of Trustees, and received the normal clinical fellowship salary. The aggregate emoluments of those who serve on the Board of Trustees was £585,386 (2015: £629,240). The emoluments of the highest paid director were £267,000 (2015: £253,000). Three of the four staff who are trustees participate in defined-benefit pension schemes. Five non-executive trustees received a total of £6,130 (2015: five received £4,236) for reimbursement of travel expenses.

8 / Analysis of total expenditure by activity

	Consolidated £000	Institute £000	Consolidated £000	Institute £000
Academic and related expenditure	24,552	24,553	28,808	28,808
Administration and central services	9,164	9,375	9,230	9,421
Premises	14,422	14,422	13,426	13,426
Residences, catering and conferences	207	207	236	236
Research grants and contracts	59,280	59,280	54,528	54,528
Other expenses	2,359	2,359	2,836	2,836
	109,984	110,196	109,064	109,255
Other operating expenditure includes:				
Investment management costs	251	251	490	490
External auditors remuneration	59	55	40	35

9 / Taxation

The Institute is an exempt charity within the meaning of Schedule 3 of the Charities Act 2011 and as such is a charity within the meaning of paragraph 1 of Schedule 6 of the Finance Act 2010. Accordingly the Institute is exempt from taxation in respect of income or capital gains received within categories covered by Section 471 and 478–488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

In 2015/16 the Institute claimed research and development tax credits of £5,677,000 in respect of qualifying expenditure incurred in 2014/15, along with taxation of £1,173,000. This represents an increase of £402,000 on the amount accrued in the 2014/15 financial statements, as explained in Note 3. The difference between the expected and final Corporation Tax charge for 2014/15 was £65,000.

10 / Interest and other finance costs

	Consolidated £000	Institute £000	Consolidated £000	Institute £000
Net charge on ICRPS pension scheme	772	772	674	674
Unwinding of discount of USS pension provision	268	268	176	176
	1,040	1,040	850	850

11 / Fixed assets (consolidated and Institute)

	Freehold land and buildings	Leasehold land and buildings	Furniture plant and equipment- owned	Assets under construction	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At 1 August 2015	105,993	2,677	41,025	1,992	151,687
Revaluation	9,406	(234)	-	-	9,172
Impairment	-	(328)	-	-	(328)
Additions at cost	1,744	-	4,202	1,619	7,565
Disposals at cost	-	-	(410)	-	(410)
At 31 July 2016	117,143	2,115	44,817	3,611	167,686
<i>Depreciation</i>					
At 1 August 2015	1,767	317	35,501	-	37,585
Revaluation	(3,569)	-	-	-	(3,569)
Provided in the year	1,802	111	3,453	-	5,366
Disposals in the year	-	-	(410)	-	(410)
At 31 July 2016	-	428	38,544	-	38,972
<i>Net book value</i>					
At 31 July 2016	117,143	1,687	6,273	3,611	128,714
of which:					
Scientific properties	117,093	1,371	6,273	3,611	128,348
Other properties	50	316	-	-	366
At 31 July 2015	104,226	2,360	5,524	1,992	114,102
of which:					
Scientific properties	104,176	2,034	5,524	1,992	113,726
Other properties	50	326	-	-	376
<i>Historic cost – net book value</i>					
At 31 July 2016	66,984	354	6,273	3,611	77,222
At 31 July 2015	66,357	757	5,524	1,992	74,630

The Institute's scientific properties were revalued by Gerald Eve Chartered Surveyors as at 31 July 2016. The valuations were undertaken on a depreciated replacement cost basis. The laboratory buildings were valued at £99,503,000 with associated land valued at £18,840,000. Gerald Eve Chartered Surveyors are independent, and RICS qualified. The significant assumptions underpinning this revaluation are set out in more detail in Note 23.

12 / Investments (consolidated)	Market value 31 July 2015	Additions at cost	Disposals at book value	Gains/ (losses)	Market value 31 July 2016
a. Non-current investments	£000	£000	£000	£000	£000
<i>Listed</i>					
Other UK	19,967	21,989	(6,942)	826	35,840
Overseas	18,810	15,309	(16,488)	465	18,096
	38,777	37,298	(23,430)	1,291	53,936
<i>Unlisted</i>					
UK	(21)	44	(22)	(1)	-
Overseas	12,340	58	(7,805)	211	4,804
	12,319	102	(7,827)	210	4,804
Investment cash and deposits	13,102	83,311	(89,170)	(26)	7,217
	64,198	120,711	(120,427)	1,475	65,957

The investments held by the Group were all held by the Institute which in addition held investments of £5,000 in subsidiary companies.

The historical cost of the Group and the Institute investments at 31 July 2016 was £60,161,095 (2015: £55,794,961) and £60,156,095 (2015: £55,799,961).

b. Current investments	6,500	90,426	(38,828)	-	58,098
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Current investments comprise cash held in short term AAA-rated cash funds. These do not have fixed maturity dates. Access to funds takes greater than 24 hours.

	Year ended 31 July 2016		Year ended 31 July 2015	
13 / Trade and other receivables	Consolidated £000	Institute £000	Consolidated £000	Institute £000
Amounts falling due within one year				
Revenue grants	7,688	7,688	4,385	4,385
Other trade debtors	718	702	382	344
Legacy debtors	2,352	2,352	2,483	2,483
Other debtors	521	521	148	145
Amounts due from subsidiary companies	-	15	-	25
Prepayments and accrued income	21,976	21,976	32,266	32,266
	33,255	33,254	39,664	39,648

	Year ended 31 July 2016		Year ended 31 July 2015	
14 / Creditors	Consolidated £000	Institute £000	Consolidated £000	Institute £000
a. Amounts falling due within one year				
Trade creditors	3,371	3,371	3,396	3,396
Accruals	12,566	12,363	9,740	9,141
Amounts due to subsidiary companies	-	85	-	473
Other creditors	1,038	1,038	823	823
Taxes and social security	2,438	2,541	6,114	6,199
	19,413	19,398	20,073	20,032
b. Amounts falling due after more than one year				
Other creditors	-	-	220	220

	Obligation to fund deficit on USS pension £000	Defined-benefit obligations (Note 20) £000	Total pensions provisions £000	Leasehold dilapidation and decommissioning £000	Total other provisions £000
At 1 August 2015	15,290	20,943	36,233	331	331
Utilised in year	(455)	(2,226)	(2,681)	-	-
Additions in year	1,721	15,392	17,113	3	3
At 31 July 2016	16,556	34,109	50,665	334	334

The USS pension provision is the discounted value of the agreed deficit-reduction payments, under the deficit-recovery plan agreed for April 2016 onwards. More information is provided on the USS pension scheme in Note 20.

The defined-benefit obligations is the net liability under the obligation to the ICR Pension Scheme. More information on the calculation of this liability is provided in Note 20.

The dilapidation and decommissioning provisions are held to cover liabilities as a result of vacating leasehold premises and the safe removal of a caesium source.

16 / Unrestricted reserves (consolidated and Institute)

The Board of Trustees has designated elements of the unrestricted income and expenditure reserve for specific purposes. These designations represent an internal decision and are not imposed by donors or funding bodies.

	Balance at 1 August 2015 £000	Income £000	Expenditure £000	Transfers, gains and losses £000	Balance at 31 July 2016 £000
<i>a. Income and expenditure reserve – unrestricted</i>					
General fund	19,103	81,969	(26,136)	(55,736)	19,200
Pension reserve	(20,943)	-	(1,059)	(12,107)	(34,109)
Fixed asset fund	35,242	1,882	(2,055)	-	35,069
Development fund	24,381	403	(14,756)	55,214	65,242
Centre for Cancer Drug Discovery	16,484	7,626	(1,660)	-	22,450
FC Hunter Studentship Fund	569	-	(25)	-	544
Joan Frances Stowe Fund	14	-	-	-	14
Faringdon Fund	(17)	-	(8)	25	-
Amenity fund	119	-	(31)	40	128
	74,952	91,880	(45,730)	(12,564)	108,538
<i>b. Revaluation reserve</i>	39,471	-	(719)	12,741	51,493
Total unrestricted reserves	114,423	91,880	(46,449)	177	160,031

The Board of Trustees has decided that the Institute should maintain free reserves (general fund) of £19,200,000 at 31 July 2016. These reserves are expendable at the Trustees' discretion and not designated for particular purposes. The general fund includes £5,800,000 cumulative net unrealised gains on revaluation of fixed asset investments.

The pension reserve recognises the shortfall in funds attributable to the ICRPS deficit.

The fixed asset fund represents the amount invested in fixed assets from unrestricted funds, and is designated to meeting the future depreciation costs of these assets.

The development fund is the amount set aside by the Institute for future commitments relating to the buildings, capital equipment and research strategy. The amount is calculated based on the position at the balance sheet date and a transfer is effected to or from unrestricted funds to achieve the amount required. The fund is made up as follows:

	2016 £000	2015 £000
Capital projects and refurbishments	4,748	10,534
Scientific initiatives	56,320	9,304
Other development funds	4,174	4,543
	65,242	24,381

The Centre for Cancer Drug Discovery fund is a designated fund in which unrestricted legacy and fundraising income received since 1 August 2013 has been set aside to fund the Institute's future plans for a Centre for Cancer Drug Discovery on the Sutton site. A further £750,000 in restricted funds is committed to these plans. The total funds set aside within reserves to support these plans are therefore £23,200,000.

The FC Hunter Studentship Fund is a legacy from the estate of Mr FC Hunter designated by the Institute for the purpose of supporting research studentships.

The Joan Frances Stowe Fund finances the Joan Frances Stowe Prizes in Palliative and Nursing Care.

The Faringdon Fund provides funds to enable the commercial potential of inventions by Institute scientists to be developed.

The Amenity fund provides funds for staff welfare.

17 / Restricted reserves (consolidated and Institute)

	Balance at 1 August 2015 £000	Income £000	Expenditure £000	Transfers, gains and losses £000	Balance at 31 July 2016 £000
<i>a. Income funds</i>					
<i>Funds invested in fixed assets</i>					
Breast Cancer Now	3,872	-	(110)	-	3,762
The Bob Champion Cancer Trust	700	-	(20)	-	680
Everyman Appeal	555	-	(16)	-	539
The Garfield Weston Foundation	840	-	(20)	-	820
The Monument Trust	243	-	(7)	-	236
The Wolfson Foundation	2,875	-	(65)	-	2,810
The Ivan and Felicite Stoller Fund	-	50	(1)	-	49
Higher Education Funding Council for England	20,578	2,910	(584)	-	22,904
The Wellcome Trust	5,894	-	(159)	-	5,735
Equipment funds	3,831	2,723	(1,937)	-	4,617
	39,388	5,683	(2,919)	-	42,152
<i>Other restricted funds</i>					
Other restricted donations	-	3,956	(1,126)	534	3,364
Research grants	28,749	59,609	(59,280)	(284)	28,794
Centre for Cancer Drug Discovery	-	750	-	-	750
	28,749	64,315	(60,406)	250	32,908
Total restricted income funds	68,137	69,998	(63,325)	250	75,060

Transfers totalling £250,000 were made from unrestricted to restricted funds following a review of closing restricted research balances.

Breast Cancer Now (formed by the merger of Breakthrough Breast Cancer and Breast Cancer Campaign) contributed funding for the Breakthrough Toby Robins Breast Cancer Research Centre, part of the Chester Beatty Laboratories.

The Institute has received funds from The Bob Champion Cancer Trust, The Monument Trust, The Garfield Weston Foundation, The Wolfson Foundation and donations from the Everyman Appeal to build the Male Urological Cancer Research Centre.

The Higher Education Funding Council for England, The Wellcome Trust and The Wolfson Foundation have contributed funding to the building of The Brookes Lawley Building. The Higher Education Funding Council for England, Monument Trust, Wolfson Foundation, Garfield Weston Foundation and Ivan and Felicite Stoller Fund contributed to the Centre for Cancer Imaging.

Equipment funds represent grants which have been invested in fixed-asset equipment.

Other restricted donations relates to philanthropic donations received to support specific research projects.

The research grants are funds received by the Institute for specific cancer research projects. Within research grants there are grants in deficit of £3,782,000 which represent grants where expenditure has been incurred ahead of funding expected to be received in 2016/17. There are no material individual fund deficits.

17 / Restricted reserves (consolidated and Institute) continued

<i>b. Endowment funds</i>	Balance at 1 August 2015	Income	Expenditure	Transfers, gains and losses	Balance at 31 July 2016
	£000	£000	£000	£000	£000
Permanent endowment funds					
Sir SK Tang Fund	716	-	-	21	737
Expendable endowment funds					
Hensley Nankivell Studentship Fund	1,388	-	(160)	42	1,270
The Ivan and Felicite Stoller Fund	468	-	(50)	15	433
<i>Total endowment funds</i>	2,572	-	(210)	78	2,440

The Institute received no new endowments in 2015/16.

The Hensley Nankivell Studentship Fund was received from the estate of Mrs SMA Nankivell for the purpose of supporting research studentships at the Institute. The Sir SK Tang Fund is a legacy received from the estate of Sir SK Tang. The Ivan and Felicite Stoller Fund is a legacy received from the estate of Mr IM Stoller. The Tang and Stoller funds are for cancer research.

For permanent endowment funds the capital cannot be expended. For expendable endowment funds the capital can be spent on qualifying expenditure.

The Sir SK Tang Fund has been classified as a permanent endowment for which a total return approach to investment has been adopted and the unapplied total return can be spent on qualifying expenditure:

	Endowment £000	Unapplied total return £000	Total £000
Balance as at 1 August 2015			
Gift component of the permanent endowment	333	-	333
Unapplied total return	-	383	383
Total permanent endowments as at 1 August 2015	333	383	716
Movements in the period			
Investment return: realised and unrealised gains	-	21	21
Less: investment management costs	-	-	-
	-	21	21
Balance as at 31 July 2016			
Gift component of the permanent endowment	333	-	333
Unapplied total return	-	404	404
Total permanent endowments as at 31 July 2016	333	404	737

18 / Capital commitments

	2016 £000	2015 £000
Contracted but not provided for	6,424	8,618
The capital commitments relate to laboratory and office building works and equipment.		

19 / Lease commitments

At 31 July 2016 the Institute had operating lease commitments in respect of equipment and property leases which expire as follows:

	31 July 2016			31 July 2015
	Land and buildings £000	Plant and machinery £000	Total £000	Total £000
Payable during the year	325	230	555	417
Future minimum lease payments due:				
Not later than 1 year	325	296	621	333
Later than 1 year and not later than 5 years	406	362	768	731
Total lease payments due	731	658	1,389	1,064

20 / Superannuation schemes

The Institute participates in three superannuation schemes. The majority of scientific and other non-clinical staff are in the Universities Superannuation Scheme (USS) (and the Universities Supplementary Dependents and Ill Health Retirement Pension Scheme). The majority of clinical staff are in the National Health Service Superannuation Scheme (NHSPS). The ICR Pension Scheme (ICRPS) was closed to future accrual for new and existing members on 31 July 2008 and most of its active members joined the USS. All three schemes provide benefits based on final pensionable salary.

a. Universities Superannuation Scheme

The Institute participates in the USS (the Scheme). Throughout the current and preceding periods, the Scheme was a defined benefit only pension Scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). The assets of the Scheme are held in a separate trustee-administered fund. Because of the mutual nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and a Scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102, 'Employee benefits', accounts for the Scheme as if it were a defined-contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the Scheme in respect of the accounting period. Since the institution has entered into an agreement (the recovery plan that determines how each employer within the Scheme will fund the overall deficit), the institution recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the CSOCIE.

The total cost charged to the CSOCIE is £7,103,000 (2015: £13,976,000). The latest available full actuarial valuation of the Scheme was at 31 March 2014 ('the valuation date'), which was carried out using the projected unit method.

Since the institution cannot identify its share of Scheme assets and liabilities, the following disclosures reflect those relevant for the Scheme as a whole.

The 2014 valuation was the third valuation for USS under the Scheme-specific funding regimen introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the Scheme was £41.6bn and the value of the Scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined-benefit liability numbers for the Scheme have been produced using the following assumptions:

	2016	2015
Discount rate	3.6%	3.3%
Pensionable salary growth	n/a	3.5% in the first year and 4% thereafter
Pension increases (CPI)	2.2%	2.2%

20 / Superannuation schemes (continued)

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ['light'] YoB tables – no age rating	
Female members' mortality	99% of S1NA ['light'] YoB tables – rated down 1 year	
Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long-term rate were also adopted. The current life expectancies on retirement at age 65 are:		
	2016	2015
Males currently aged 65 (years)	24.3	24.2
Females currently aged 65 (years)	26.5	26.4
Males currently aged 45 (years)	26.4	26.3
Females currently aged 45 (years)	28.8	28.7
Scheme assets		
	£49.8bn	£49.1bn
Total scheme liabilities		
	£58.3bn	£60.2bn
FRS 102 total scheme deficit		
	£8.5bn	£11.1bn
FRS 102 total funding level		
	85%	82%

b. ICR Pension Scheme

The Institute operates a funded final salary pension scheme in the UK. The Scheme is a registered Scheme under UK legislation. The Scheme is subject to the scheme funding requirements outlined in UK legislation. The Scheme provides final salary (defined benefit) benefits. The Scheme provides benefits in retirement and death benefits to members. Pension benefits are linked to members' final salary at retirement or earlier withdrawal, and their length of service, revalued between their date of leaving service and date of retirement if appropriate. The Scheme was established from 1 April 1975 under trust and is governed by the Scheme's consolidated version of the Third Definitive Trust Deed and Rules including amendments up to 7 October 2015. Since 31 July 2008 there has been no future accrual in the defined-benefit section. The Trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy in conjunction with the Institute.

The pension cost that would have been charged to the operating surplus under FRS 102 for the year amounts to £1,059,000 (2015: £915,000). Given there is no past service cost this is equal to finance income of £1,059,000 (2015: £915,000).

A full actuarial valuation was carried out at 31 July 2016 by a qualified independent actuary, based on membership data at 31 March 2016, updated to take account of expected benefit outgo and actual revaluation and pension increases since 31 March 2016, using actuarial assumptions at 31 July 2016.

Contributions to the Scheme for the year beginning 1 August 2016 are expected to be £1,579,000 based on the current Schedule of Contributions.

The major assumptions used by the actuary were (in nominal terms):	As at 31 July 2016	As at 31 July 2015	As at 31 July 2014
Discount rate	2.6%	3.8%	4.3%
CPI	1.9%	2.4%	2.4%
Future 5% LPI pension increases	1.9%	2.4%	2.4%
Future 2.5% LPI pension increases	1.9%	2.4%	2.4%
Revaluation in deferment	1.9%	2.4%	2.4%

Assumed life expectancies on retirement at age 65 are:

Retiring today	Males	23.3	23.0	22.9
	Females	25.7	25.4	25.3
Retiring in 20 years' time	Males	25.6	25.2	25.1
	Females	28.0	27.8	27.6

20 / Superannuation schemes (continued)

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash-flow projections over long periods and thus inherently uncertain, were:

	Value at 31 July 2016 £000	Value at 31 July 2015 £000
Equities	30,997	30,054
Fixed interest	2,063	2,921
Inflation-linked bonds	5,472	957
Alternatives	-	3,317
Insured annuities	26,044	24,391
Cash and other	7,499	4,870
Fair value of scheme assets	72,075	66,510
The actual return on assets over the period was:		
	6,252	4,864
Present value of funded obligations		
	(106,184)	(87,453)
Fair value of scheme assets	72,075	66,510
Deficit in funded scheme	(34,109)	(20,943)
Surplus/ (deficit)		
	(34,109)	(20,943)
Net liability in balance sheet		
	(34,109)	(20,943)

Reconciliation of opening and closing balances of the present value of the defined-benefit obligation

	31 July 2016 £000	31 July 2015 £000
Benefit obligation at beginning of year	87,453	78,158
Interest cost	3,281	3,324
Actuarial losses	17,676	7,679
Benefits paid	(2,226)	(1,708)
Benefit obligation at end of year	106,184	87,453

Reconciliation of opening and closing balances of the fair value of scheme assets

	31 July 2016 £000	31 July 2015 £000
Fair value of scheme assets at beginning of year	66,510	61,854
Interest income on scheme assets	2,509	2,650
Return on assets, excluding interest income	4,030	2,455
Contributions by employers	1,539	1,500
Benefits paid	(2,226)	(1,708)
Scheme administrative cost	(287)	(241)
Fair value of scheme assets at end of year	72,075	66,510

In July 2012 the Board of Trustees of the Institute decided to cease the approval of discretionary increases until the Scheme's funding position improves. The Institute previously had an established practice of providing discretionary increases to pensions in payment where no inflation-linking is provided for under the Scheme Rules. A discretionary pension increase of 1.2% was subsequently granted in April 2015, which has been allowed for in the liability figures as at 31 July 2015. The reported Scheme liabilities at 31 July 2014, 31 July 2015 and 31 July 2016 make no allowance for future discretionary increases.

20 / Superannuation schemes (continued)

The amounts recognised in CSOCIE:		
	31 July 2016 £000	31 July 2015 £000
Service cost – administrative cost	287	241
Net interest on the net defined-benefit liability	772	674
Total expense	1,059	915

Remeasurements of the net defined-benefit liability to be shown in OCI:

	31 July 2016 £000	31 July 2015 £000
Actuarial losses on the liabilities	17,676	7,679
Return on assets, excluding interest income	(4,030)	(2,455)
Total remeasurement of the net defined-benefit liability to be shown in OCI	13,646	5,224

c. NHS pension scheme

Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. These are unfunded defined-benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined-contribution scheme: the cost to the body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period. In order that the defined-benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the Government Financial Reporting Manual (FRM) requires that “the period between formal valuations shall be four years, with approximate assessments in intervening years”. An outline of these follows:

i. Accounting valuation

A valuation of scheme liability is carried out annually by the Scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of Scheme liability as at 31 March 2016, is based on valuation data as at 31 March 2015, updated to 31 March 2016 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRM interpretations, and the discount rate prescribed by HM Treasury have also been used. The latest assessment of the liabilities of the Scheme is contained in the Scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

ii. Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account their recent demographic experience), and to recommend contribution rates payable by employees and employers. The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

d. Unfunded pensions

A small group of pensioners, who retired under the previous superannuation scheme are in receipt of unfunded pensions paid directly by the Institute. These pensions are increased, at the Institute’s discretion, by analogy, with the Pensions Act 1995.

21 / Subsidiary undertakings

The Institute has the following subsidiary undertakings:

- i. ICR Chelsea Development Limited – the Institute owns 100% of the issued share capital of this company which has been set up to act as the developer of a refurbishment project which has now been completed. It did not make a profit or a loss for the period ended 31 July 2016 and its net assets at that date amounted to £2. The accounts of ICR Chelsea Development Ltd have been consolidated into the accounts of the Institute.
- ii. ICR Sutton Developments Limited – the Institute owns 100% of the issued share capital of this company which has been set up to act as the developer of Institute properties. It made a profit of £198,683 for the year ended 31 July 2016 (2015: £161,271) which will be paid to the Institute by means of a payment under gift aid. Its net assets at 31 July 2016 amounted to £158,947 (31 July 2015: £129,017). The accounts of ICR Sutton Developments Ltd have been consolidated into the accounts of the Institute.
- iii. ICR Enterprises Limited – the Institute owns 100% of the issued share capital of this company which undertakes trading activities for the benefit of the Institute that the Institute cannot carry out itself as an exempt charity. It made a profit after interest of £1,579 for the year ended 31 July 2016 (2015: £17,134) which will be paid to the Institute by means of a payment under gift aid. Its net assets at 31 July 2016 amounted to £1,267 (31 July 2015: £13,710). The accounts of ICR Enterprises Ltd have been consolidated into the accounts of the Institute.
- iv. ICR Equipment Leasing No.8 Limited – the Institute owns 100% of the share capital of this company which holds a leasehold interest in the Chester Beatty Laboratory. It made a profit of £101 for the year ended 31 July 2016 (2015: £102) which will be paid to the Institute by means of a payment under gift aid. Its net assets at 31 July 2016 was £5,145 (31 July 2015: £5,144). The accounts of ICR Equipment Leasing No.8 Limited have been consolidated into the accounts of the Institute.
- v. Everyman Action Against Male Cancer – the company is limited by guarantee and was dormant throughout the period ended 31 July 2016.
- vi. Other investments – the Institute is a founder and shareholder of two companies whose aims are to exploit the intellectual property generated at the Institute. The companies and the Institute’s shareholding are Domainex Limited (3%) and Chroma Therapeutics Limited (0.2%). The cost of the Institute’s shareholding of these companies is included in unlisted investments.

21 / Subsidiary undertakings (continued)

A summary of the results of the subsidiaries is set out below:

ICR Sutton Developments Limited	2016 £000	2015 £000
Turnover	2,426	2,672
Expenditure	(2,227)	(2,511)
Operating profit	199	161
Assets	398	758
Liabilities	(239)	(629)
Funds	159	129
ICR Equipment Leasing No.8 Limited		
Turnover	-	-
Expenditure	-	-
Operating profit	-	-
Assets	5	5
Liabilities	-	-
Funds	5	5
ICR Chelsea Development Limited has net assets of £2. There were no transactions for this subsidiary during 2015/16.		
ICR Enterprises Limited		
Turnover	4	20
Expenditure	(3)	(3)
Operating profit	1	17
Assets	14	27
Liabilities	(13)	(13)
Funds	1	14

22 / Related parties

The Institute has taken the exemption given by FRS 102, from disclosing transactions with wholly owned subsidiaries. One of the Trustees is employed by Cancer Research UK which provides funding to the Institute in the form of grants awarded through open competition and external peer review. £22,169,000 of funding was received from Cancer Research UK during the year, and £763,000 from their subsidiary company Cancer Research UK Technology Ltd. This includes £3,495,000 in pending grant instalments included on the Institute's balance sheet. £252,000 was owed to Cancer Research UK Technology Ltd at the year end. One of the Trustees is Chief Executive of The Royal Marsden NHS Foundation Trust (The Royal Marsden). The Institute's Chief Executive is a non-executive director of The Royal Marsden. Research expenditure includes £5,664,000 and research grant income includes £6,075,000 in respect of collaborative research undertaken with The Royal Marsden. The year end accounts receivable balance includes £1,749,000 owed to the Institute by The Royal Marsden and £55,000 was owed to The Royal Marsden by the Institute.

Trustees made donations to the Institute which in aggregate totalled £312,500. There are no other material related party transactions.

23 / Accounting estimates and judgements

These accounts have been prepared using a number of assumptions concerning the carrying amount of assets and liabilities within the next financial year.

Legacy income of £2,352,000 has been accrued based on the estimated value of legacy cases for which probate has been granted and any other related conditions met, for which no funds have yet been received.

The freehold and leasehold properties comprising the Institute operational estate were valued as at 31 July 2016 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation – Professional Standards, January 2014 amendment, and April 2015 UK amendment and FRS 102 and the 2014 Statement of Recommended Practice 'Accounting for Further and Higher Education'. The valuation was undertaken on a fair value basis, with specialised properties valued by reference to depreciated replacement cost, and with non-specialised operational properties valued on a fair value basis equating to market value on the assumption of a continuation of the existing use. The valuation is reported under the special assumptions to exclude any value of development opportunities for which planning permission would be required and has not been granted or where development has not yet commenced.

The Institute has considered whether building assets should be separated into components in order that different useful economic lives are reflected in the depreciation charge. The Institute considers component accounting would not have a material impact on the depreciation charge.

The Institute has recognised a liability in respect of the commitment to contribute to a USS deficit recovery plan. The liability is the discounted value of the agreed deficit repair payments. The calculation of the liability uses a discount rate of 1.75% based on a discount rate for high-quality corporate bonds. The calculation also uses assumptions around future salary inflation and changes in staff numbers.

The Institute also recognises a liability in respect of the ICR defined-benefit pension scheme. The valuation of this liability uses a number of assumptions, laid out in more detail in Note 20.

24 / Transition to Financial Reporting Standard 102 and the 2015 Statement of Recommended Practice Accounting for Further and Higher Education

As explained in the accounting policies, these are the Institute's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the Institute has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the Institute's financial position, financial performance and cash flows is set out in the following tables.

Financial position	Notes	1 August 2014		31 July 2015	
		Consolidated £000	Institute £000	Consolidated £000	Institute £000
Total reserves under 2007 SORP		147,601	147,601	173,498	173,498
Change in income recognition – research grant income	1	21,535	21,535	25,758	25,758
Change in income recognition – legacy income	2	3,558	3,558	2,482	2,482
USS pension provision	3	(6,536)	(6,536)	(15,290)	(15,290)
Employee leave accrual	4	(1,316)	(1,316)	(1,316)	(1,316)
Total effect of transition to FRS 102		17,241	17,241	11,634	11,634
Total reserves under 2015 SORP		164,842	164,842	185,132	185,132

Financial performance	Notes	Year ended 31 July 2015	
		Consolidated £000	Institute £000
Surplus for the year under 2007 SORP		23,734	23,734
Change in income recognition – research grant income	1	4,222	4,222
Change in income recognition – deferred capital grants	1	1,738	1,738
Change in income recognition – legacy income	2	(1,075)	(1,075)
USS pension provision	3	(8,754)	(8,754)
Employee leave accrual	4	-	-
Appreciation of investments (previously included in STRGL)	5	6,412	6,412
Actuarial loss on defined-benefit pension schemes (previously included in STRGL)	5	(5,987)	(5,987)
Total effect of transition to FRS 102		(3,444)	(3,444)
Total comprehensive income for the year under 2015 SORP		20,290	20,290

1. Restricted research grant income received in advance of expenditure, but meeting the performance and entitlement recognition criteria under FRS 102, has been transferred out of deferred income and into reserves, and accrued income where due at year end. In addition, capital grants have been transferred out of deferred capital grants and into reserves.

2. Legacy income is now recognised in the year in which entitlement and probability is established, resulting in income being recognised earlier than under the previous accounting policy.

3. Under FRS 102, a liability is recorded within provisions for the contractual commitment to fund past deficits within the USS scheme. As at 1 August 2014 this is valued based on the 2012 recovery plan. As at 31 July 2015 this is valued based on the 2015 recovery plan.

4. £1,316,000 liability recognised in respect of annual leave benefits accrued by staff. No material variance on this balance has been identified during the year to 31 July 2015 nor in the year to 31 July 2016.

5. Unrealised movements in the valuation of investments, and also actuarial movements in the value of defined-benefit pension schemes are now included in the total comprehensive income for the year. Under 2007 SORP, these were excluded from the income and expenditure statement, and included in the statement of recognised gains and losses.

Cash flows

Cash balances held in deposit accounts allowing access within 24 hours have been transferred from current asset investments to cash, in line with the more specific definition of cash and cash equivalents under FRS 102. The value of this adjustment was £6,453,000 as at 1 August 2014, and £15,658,000 as at 31 July 2015.

Other information



The Board of Trustees

The Board of Trustees is the governing body of The Institute of Cancer Research and is constituted under Article 13 of the ICR's Articles of Association.

Name	Title/nominating body	No' of meetings could have attended August 2015 to July 2016	No of meetings attended August 2015 to July 2016
Mr Luke Johnson MA(Hons)	Chair/Co-option	7	7
Professor Adrian Harris DPhil FRCP FMedSci (to 6/2016)	Deputy Chair and senior member/Co-option	6	3
Dr Brendan O'Neill PhD	Deputy Chair (from 7/2016) and Honorary Treasurer/Co-option	6	6
Professor Paul Workman FRS FMedSci	Chief Executive and President/Ex Officio	5	5
Professor Clare Isacke FMedSci	Academic Dean/Ex Officio	5	3
Mr William (Bill) Burns BA(Hons)	Co-option	6	6
Professor Nandita deSouza MD FRCP	Academic Board	5	3
Mrs Mandy Donald	Co-option	5	4
Dr Iain Foulkes PhD	Cancer Research UK	5	2
Mr Charles Geffen	Co-option	6	5
Mrs Jane Hamilton BCom FRICS	Co-option	5	5
Mr Jeremy Hill (from 4/2016)	Co-option	2	2
Mrs Isabelle Hotimsky MBA (to 3/2016)	Co-option	4	4
Professor Timothy Maughan	Co-option	5	4
Mrs Ravindhi Murphy (to 8/2016) Ms Ashley D'Aquino (from 9/2016)	Student	5	4
Miss Cally Palmer CBE MSc MIHM DipHSM Mr Ian Molson BA(Hons) (to 3/2016) Dr Liz Bishop (from 4/2016)	The Royal Marsden NHS Foundation Trust Alternate Director Alternate Director	5	5

¹Includes Board of Trustees, Constitutional and Nomination Committee and Remuneration Committee meetings

Senior members of staff in attendance at Board of Trustees meetings:

Mr Paul Norris BSc(Hons) ACA MBA	Director of Finance
Mrs Cathy Scivier MSc FCIPD (to 1/2016) Dr Charmaine Griffiths PhD MBA (from 2/2016)	Chief Operating Officer

Governing Committees, Fellows, Members and Associates

The ICR benefits from external expertise on the following committees that report to the Board of Trustees (as at 31 July 2016):

The Constitutional and Nomination Committee

Mr Luke Johnson MA(Hons) – **Chair**
Professor Adrian Harris DPhil FRCP FMedSci – **Deputy Chair (to 6/2016)**
Dr Brendan O'Neill PhD – **Deputy Chair (from 7/2016)**
Mr William (Bill) Burns BA(Hons)
Mrs Isabelle Hotimsky MBA (to 3/2016)

The Audit Committee

Mrs Mandy Donald – **Chair**
Mr Graham Clarke MSc MBA FCMA CGMA
Professor Howard Morris FRS
Dr Michael Young PhD FCA MIOD
Mr Clarke and Professor Morris attended 3 meetings,
Mrs Donald and Dr Young attended all 4 meetings held (August 2015 to July 2016)

The Remuneration Committee

Mr Luke Johnson MA(Hons) – **Chair**
Professor Adrian Harris DPhil FRCP FMedSci – **Deputy Chair (to 6/2016)**
Dr Brendan O'Neill PhD – **Deputy Chair (from 7/2016)**
Mr Charles Geffen
Dr O'Neill was a member of the Committee throughout the year

The Investments and Building Development Committee

Dr Brendan O'Neill PhD – **Chair**
Mrs Marie-Christine Riachi CFA – **Deputy Chair**
Mrs Jane Hamilton BCom FRICS
Mr Clive Heaphy BSc FCPFA
The Honourable Thomas Henderson HonDSc(Med)

The ICR also benefits from the expertise of those it has appointed as Trustees of The Institute of Cancer Research Pension Scheme (ICRPS)

Mr John Roberts CBE BA(Hons) FRSA FColl – **Chair**
Mr Fred Maroudas MA
Dr Brendan O'Neill PhD (from 10/2015)
Mrs Win Robbins
Mr Michael Weston MA MBA AIIMR

Fellows of the Institute

The honorary appointment of Fellow of the Institute is conferred upon distinguished individuals who have some connection with the ICR or with cancer research in its broadest sense. Such appointments are in recognition of past achievement and based on a major contribution to the advancement of the ICR's objectives.

Sir John Ashworth PhD DSc
Professor Sir Kenneth Calman KCB FRSE
Professor D Catovsky MD DSc(Med) FRCP FRCP FMedSci
Mr E A C Cottrell MA
Dr M J Crumpton CBE PhD HonFRCP FRS FMedSci
Professor T M Dexter DSc HonFRCP FRS FMedSci
Lord Faringdon KCVO
Professor P B Garland CBE MA PhD MB BChir DSc(hc) LLD(hc) FRSE
Professor K R Harrap CBE DSc CChem FRSC
Mr J M Kipling FCA DChA
Baroness Morgan of Drefelin
Professor Sir Michael Peckham MD FMedSci
Professor M Waterfield FRS HonFRCP FMedSci
Professor R A Weiss PhD HonFRCP FRCP FRS FMedSci

Members of the Institute

Members of the Institute are persons who, by reason of their past and present contributions, are, in the opinion of the Board of Trustees, likely to assist the furtherance of the objects of the ICR. Members are subscribers to the ICR's Articles of Association and as such are entitled to attend any Extraordinary General Meeting which may be convened.

Mr N Ashley DUniv
Sir John Ashworth PhD DSc
Dr P J Bailey PhD
Dr D Barford FRS FMedSci
Lord Bell FIPA FIPPR FPRCA
Professor A J Bellingham CBE FRCP FRCP
Mr R Bird MA FCA
Professor Sir Tom Blundell FRS FMedSci
Dr M Bodmer PhD
Sir Henry Boyd-Carpenter KCVO MA
Mr W Burns BA(Hons)
Mr G Clarke MSc MBA FCMA CGMA
Mr E A C Cottrell MA
Miss P M Cunningham CBE FRSA
Mr S R Davie CB
Professor A J S Davies PhD DSc
Mr M de Ferranti BSc

Mr J J Defries BCom IPFA
 Mrs M Donald
 Mr A W C Edwards
 Mr R J Elliott
 Lord Faringdon KCVO
 Dr S E Foden MA DPhil
 Mr B W Freedman
 Mr D Fryatt MA FCA FCIBS
 Professor P B Garland CBE MA PhD MB BChir DSc(hc)
 LLD(hc) FRSE
 Mr C Geffen
 Mr D J Gleeson MA
 Dr P N Goodfellow FRS FMedSci
 Mrs J Hamilton BCom FRICS
 Professor A Harris DPhil FRCP FMedSci
 Mr C Heaphy BSc FCPFA
 The Honourable Thomas Henderson HonDSc(Med)
 Mr J Hill
 Dr T A Hince PhD
 Mr J Hollond
 Mrs I Hotimsky MBA
 Mr L Johnson MA(Hons)
 Mrs S A Johnson BA
 Mr P J C Keemer MPhil
 Mr J M Kipling FCA DChA
 Professor R A Laskey CBE FRS FMedSci FLSW
 HonDSc(Med) HonLLD
 Mr K C Lawrance
 Mr A E Lightly FRICS
 Mr M G Lillywhite
 Professor R Marais PhD FMedSci
 Mr K A Markham
 Mr F Maroudas MA
 Professor T Maughan
 Dr M J Morgan PhD
 Professor H R Morris FRS
 Professor G J Mufti DM FRCP FRCPATH
 Ms S Nebhrajani OBE MA ACA
 Professor S Neidle PhD DSc ARCS DIC FRSC
 Dr B O'Neill PhD
 Professor A van Oosterom MD PhD
 Professor R J Ott PhD FInstP CPhys HonFBIR
 Lady Otton SRN
 Mr J M Pearce
 Professor Sir Michael Peckham MD FMedSci
 Miss A C Pillman OBE HonDSc(Med)
 Mrs Tim Rathbone
 Professor Dame Lesley Rees DBE MD DSc FRCP
 FRCPATH FMedSci
 Mrs M-C Riachi CFA
 Dame Stella Rimington DCB

Mrs W Robbins
 Mr A J Roberts CBE BA(Hons) FRSA FColl
 Rt Hon Lord Ryder of Wensum OBE
 Mr G Sangster
 Konstantin Graf von Schweinitz
 Sir Julian Seymour CBE
 Mr R S Sharp
 Mr M S Smith MA
 Dr K Snell PhD AFIAP PPSA LRPS
 Mr R E Spurgeon
 Ms A Stevens MA DLitt(Hon)
 Professor Sir Michael Stratton FRS FMedSci HonDSc(Med)
 Mr S A Taylor MBA FCCA
 Mr J Thorne MA
 Mr M J Usher BA CPFA
 Miss M I Watson MA MBA
 Professor S Webb PhD DIC DSc ARCS FIPEM FInstP
 HonFIPEM FRSA HonMDGMP
 Mr M Weston MA MBA AIIIMR
 Mr J Williamson BSc(Hons) DipMgmt MBA CEng MIET
 Mr A Wolstenholme OBE FEng BSc CEng FICE HonDSc
 Sir David Wootton MA
 Dr M Young PhD FCA MloD

Associates of the Institute

Appointment as an Associate of the Institute is conferred on long-serving ex-employees of the ICR or on those former members of staff or students or other individuals who are deemed eligible by reason of their having rendered exceptional service to the ICR or having otherwise done something outstanding to enhance the reputation of the ICR.

Dr G Aherne PhD
 Mrs R J Atkins
 Mrs R Barfoot
 Ms M Barrell
 Dr S E Barrie MA PhD
 Mr D A Brunning ALA
 Professor R L Carter CBE MA DM DSc FRCP FRCPATH
 Professor J Chamberlain MB FRCP FFPH
 Mr N Clarke
 Miss S Clinton
 Mr P F Collins
 Mrs G Coombes RN
 Mrs J Cordell BSc(Hons) MPhil
 Professor Dame Jessica Corner DBE PhD RN FMedSci
 Mrs C Croucher
 Dr D A Darcy MA DPhil
 Mr P Farley
 Mrs C A Faux
 Dr E O Field DM DMRD

Dr M A Flower PhD FIPEM
 Mr F Friedlos MPhil
 Professor M Garrett PhD
 Mrs P M Goddard MPhil
 Dr G H Goodwin PhD
 Dr H S Greer MD FRCPsych FRANZCP
 Mr L J Griggs BSc
 Dr P L Grover DSc
 Professor B A Gusterson PhD FRCPATH
 Professor J G Hall MB BS PhD DSc FRCPATH
 Mr J G Harris
 Mr A J Hewer CBiol
 Professor C R Hill DSc FInstP FIEE HonFRCR HonFIPEM
 Mr P Hyett BA ABIPP RMIP MIMI
 Professor A L Jackman PhD
 Ms L Jackson
 Professor M Jarman DSc CChem FRSC HonDSc(Med)
 Mr M Jones MIBiol
 Mrs M Kipling
 Mrs B Lloyd
 Mr R MacCormick
 Mrs R Marriott
 Dr E Matutes MD PhD FRCPATH
 Dr E McDonald MA PhD ARCS
 Mr R K Merrifield MSc
 Mr E Merryweather
 Ms J Mills MPhil
 Dr R M Orr PhD
 Dr M Osborne PhD
 Dr K Owusu-Ankomah BSc(Hons)
 Mr G Parnell CBiol MIBiol MISTR
 Dr H Paterson PhD
 Dr J H Peacock PhD
 Mrs R A Pendry FBIFM AMIBiol
 Ms N Perusinghe BSc
 Professor C R Pinkerton MD FRCPCH FRACP
 Mrs M Rangeley
 Dr J Renshaw PhD
 Mrs S Sanford
 Mr D J C Simmons MPhil FIBMS
 Mrs M Snigorska
 Professor G G Steel DSc
 Mr A Stewart
 Mrs S M Stockbridge
 Miss D L Tharp BSc
 Mr M Valeri BSc(Hons)
 Dr S Venitt PhD
 Mr W Warren BSc
 Dr K Weston PhD
 Mrs E Williams SRN

Legal and administrative information

Legal and administrative information

Auditors

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Bankers

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70 Pall Mall, London SW1Y 5EZ

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Cazenove Capital Management
12 Moorgate, London EC2R 6DA

Solicitors

Veale Wasbrough Vizards LLP
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