

The Institute of Cancer Research: Royal Cancer Hospital

Annual Report and Financial Statements
2012

Company Number 534147

The Institute of Cancer Research: Royal Cancer Hospital

Company Number 534147

Financial Statements for the year ended 31 July 2012

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REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 JULY 2012

The Board of Trustees of The Institute of Cancer Research ('the ICR') present their Annual Report and Financial Statements for the year ended 31 July 2012.

1. ACCOUNTING POLICIES

The ICR follows accounting policies contained in the Statement of Recommended Practice 'Accounting for further and higher education' issued in October 2007. The accounts consolidate the activities of the ICR's subsidiaries ICR Sutton Developments Limited and ICR Chelsea Developments Limited, which undertake construction work for the ICR, ICR Enterprises Limited, which carries out the ICR's trading activities, and ICR Equipment Leasing No.8 Limited, which holds a lease over one of the ICR's properties. None of these companies had any external activities.

2. PUBLIC BENEFIT

The ICR is an exempt charity under the Third Schedule of the Charities Act 2011.

The charitable objects of the ICR 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 the education and practical training in subjects relevant to the study of cancer and allied diseases and the alleviation of suffering.

It is estimated that one in three people will be diagnosed with cancer at some point in their life. Even for those who have not been personally affected, it is likely that someone they know has gone through their own cancer experience.

The Board of Trustees gives due consideration to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit and this ethos is embedded in the ICR's Strategic Plan 2011-16 (www.icr.ac.uk/about_us/strategic_plan) which sets out the future plans of the ICR.

Research

The ICR is one of the world's most influential cancer research institutes and our mission is to make the discoveries that defeat cancer. Scientists and clinicians are working everyday to make a real impact on cancer patients' lives.

Our goal is to be a world leader in fundamental research into cancer and the translation of research discoveries into improved outcomes for cancer patients.

Through our unique partnership with The Royal Marsden NHS Foundation Trust and bench-to-bedside approach, we are able to create and deliver results in a way other institutions cannot. Together the two organisations are rated in the top four cancer centres globally.

Our current Scientific Strategy 2010 was approved and published in November 2010 (www.icr.ac.uk/about_us/strategic_plan). The strategy focuses on basic, translational and clinical research but there is a much greater emphasis on impact and improved outcomes for cancer patients through developing personalised treatment regimes.

Our research and educational objectives are closely aligned with those of The Royal Marsden. Approximately one third of our Faculty are medically qualified and many of these staff lead developments in clinical practice through their work in the hospital as well as leading their research teams. It is the integrated way in which we work together which optimises the ability of the joint organisation to rapidly translate research findings into advances in patient care.

Our Annual Research Report (www.jointcancerreport.org) is jointly published with The Royal Marsden. The report includes in-depth reviews of key achievements and developments in our research.

Other major achievements are set out on our website (www.icr.ac.uk/about_us/achievements)

Education

The ICR provides postgraduate courses for scientists and clinicians. Our goal is to educate and train the next generation of cancer researchers and clinicians.

We run an MSc in Oncology which is a modular taught course aimed primarily at Specialist Registrars in the field of clinical and medical oncology. The course is taught by both ICR and Royal Marsden Hospital staff and by experienced clinicians drawn from the wider UK oncology community. There are exit points at Certificate, Diploma and MSc degree level. The course currently attracts the majority of London-based medical oncology trainees and about half of all clinical oncology trainees in the UK.

Community

The ICR has a long history of encouraging staff and student volunteering, community interaction and the communication of science. We are committed to working to promote both the public understanding of science in general and the work of the ICR in particular. We identify and promote relevant volunteering opportunities for our staff and in particular encourage young people into science, technology, engineering and mathematics (STEM) higher education courses and careers.

We provide support for our staff and students to develop their science communication skills, for instance through science communications training and through the ICR's annual Science Writing Prize, and encourage them to deploy these skills in the wider community. We will build relationships and enhance our profile with key university undergraduate departments providing PhD student candidates through targeting of our summer vacation scholarship scheme.

Sustainability (www.icr.ac.uk/about_us/strategic_plan/sustainability)

The ICR recognises the need to have a sustainable economic plan which includes a commitment towards knowledge exchange, enterprise and forging strategic alliances and partnerships where these may contribute to the wider collaborative benefit of the patient.

We recognise our responsibility to the environment and commit to reducing where possible the impact of our activities upon the local and wider community and environment. We have the EcoCampus Scheme to develop our Environmental Management System and have successfully achieved the Bronze, Silver, Gold and Platinum awards. We have also developed a Carbon Management Plan in conjunction with the Carbon Trust. This is now being implemented in order to further reduce our carbon emissions.

3. CORPORATE GOVERNANCE

The ICR is

- a research enterprise
- a higher education institution
- a company limited by guarantee
- an exempt charity

The ICR'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 ICR in September 2011.

The overall governing body of the ICR is its Board of Trustees. Details of the Trustees in the year are given on page 46.

The Board of Trustees (Chaired by Lord Ryder of Wensum)

As a charity the ICR is governed by charity trustees collectively known as the Board of Trustees. The trustees carry the responsibility of company directors of the ICR. The Board of Trustees comprises 18 individuals nominated by The Royal Marsden, Cancer Research UK; individuals co-opted by the Board of Trustees itself and one member elected by the Academic Board, together with ex-officio members (the Chief Executive and the Academic Dean) and a student nominee.

The Board of Trustees carries overall responsibility for ensuring that the ICR pursues its charitable objects, complies with its own constitution and relevant legislation and regulations, applies its resources exclusively to its objects and enacts cancer research of the highest international standard. The Board endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). In addition, the Board of Trustees recognises the principles underlying 'The Committee on Corporate Governance's Combined Code' and The Committee of University Chairmen Governance Code of Practice and applies them within the ICR.

The Board of Trustees determines the ICR's strategies; approves its scientific and financial plans, annual report and accounts and governance structure, makes key appointments (Chief Executive, Chief Operating Officer, Academic Dean) and

monitors the ICR's strategic performance. It also approves new initiatives and non-recurrent expenditure costing £1m or more.

During the financial year the ICR welcomed Mr Daniel Itzhak and Professor Keith Jones to its governing body.

During the financial year Mr Anthony Edwards, Professor Pascal Meier, Professor Andrew Pearson, Mr Richard Sharp, Mr Christopher Shepherd and Professor Caroline Springer stepped down from the governing body. The ICR is grateful for their valuable contributions during their appointments. Professor Ronald Laskey has stepped down since 1 August 2012.

The Board of Trustees met seven times in 2011/12. During the year the Board received an annual report relating to Key Performance Indicators. The vast majority of research, as judged by international peer review, is rated as of international standard and in the opinion of the Board of Trustees satisfactory progress is being made towards the ICR's long-term goals.

To facilitate the smooth running of the ICR, the Board of Trustees has established a number of sub-committees. The terms of reference of each committee have been approved by the Board of Trustees.

The Audit Committee (Chaired by Mr Michael Usher)

The Audit Committee meets at least four times a year. The Committee supervises internal and external audit in order to safeguard the integrity of the ICR's financial systems and ensure economy, efficiency and effectiveness in the use of the ICR's resources. Meetings are usually attended by senior members of the ICR's external auditors and the ICR's Chief of Internal Audit Services. The Committee has full access to the internal and external auditors who in turn have access at all times to the Chair of the Audit Committee.

The Constitutional and Nomination Committee (Chaired by Lord Ryder of Wensum)

The Constitutional and Nomination Committee meets at least twice a year and approves the balance of skills and attributes required of non-executive members of ICR committees so that the ICR may be properly and independently governed. The Committee appoints such individuals to fulfil that function (except to the Board of Trustees) and appoints Associates of the ICR. The Committee recommends to the Board of Trustees the admission of Fellows and Members of the ICR and appointments to the Board of Trustees.

When considering new appointments the Constitutional and Nomination Committee seeks proposals for candidates from a number of sources. During 2011/12 two new appointments were made to the Board of Trustees. Mr Itzhak (student) and Professor Jones (Academic Board) were appointed to elected positions. All new Trustees are offered a tailored induction programme and further training is available on request.

The Remuneration Committee (Chaired by Lord Ryder of Wensum)

The Remuneration Committee meets at least once a year. The Committee determines the remuneration policy and the salaries of senior members of staff. A Report from the Remuneration Committee is set out on pages 8 to 10.

The Executive Strategy Board (Chaired by Professor Alan Ashworth)

The Executive Strategy Board meets six times a year. The Executive Strategy Board is responsible for formulating strategies, plans and budgets for approval by the Board of Trustees and has been established to assist the Chief Executive in managing the ICR to achieve its strategic aim and objectives within the approved strategies and budget. The Executive Strategy Board has three sub-committees reporting to it – the Research Directorate, the Academic Board and the Operations Board.

The Investments and Building Development Committee (Chaired by Konstantin Graf von Schweinitz)

The Investments and Building Development Committee meets four times a year. The Committee manages the ICR's investments and building developments.

Declaration of Interests

The Board of Trustees has adopted the following policy on the 'Registration and Declaration of Interests':

- (1) All Board and committee members should declare any interests which may potentially cause a conflict in the course of fulfilling their duties and responsibilities as a Board or committee member.
- (2) Charities should work together for the public good and the betterment of cancer research. Cross trusteeship and committee membership between cancer charities should be seen as complementary and beneficial providing such trusteeship or committee membership is properly exercised.
- (3) Individuals who are a trustee or an employee of more than one charity or a director of a business will have to recognise that there may be occasions when, for example, joint ventures between such organisations require legal agreements or financial arrangements to be negotiated. On such occasions the individual will need to decide which organisation has his/her predominant allegiance and participate only in the discussion and decision of that organisation. Where the ICR is not the individual's predominant allegiance, the individual non-executive member will normally be expected to withdraw from the ICR meeting. Such withdrawal could, exceptionally, be waived at the Committee's discretion. Such interests, when declared, withdrawal or waiver thereof, will be recorded in the minutes.

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

4. RESEARCH REVIEW

Some 88 per cent (2011: 90 per cent) of the ICR's activities are funded from competitively won peer-reviewed grants or through the competitive Research

Assessment Exercise of the Higher Education Funding Council for England, which measures research excellence. These mechanisms ensure the timely external review of all the ICR's research activities. Our ability to prosecute such research depends on our ability to win funds to do so.

5. INTERNAL CONTROL

The ICR is committed to following best practice in all aspects of corporate governance. The summary describes how the ICR has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998 and parts 1 and 2 of the Committee of University Chair's Guide for Members of Higher Education Governing Bodies in the UK issued in March 2009.

The Board of Trustees is responsible for the ICR's system of internal control and reviewing its effectiveness.

The system of risk management and internal control is designed to identify the principal risks to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

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.

Risk Management

The Executive Strategy Board and Corporate Service Directors, assisted by the individual responsible for the risk, are responsible for the identification and management of all the major risks to achievement of the ICR's strategic objectives. This review covers all risks including financial, business, operational and compliance risks. Each risk identified by the Board is assessed and prioritised with reference to the potential impact if the risk occurred and the 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.

The Risk Register is compiled by the Executive Strategy Board and approved annually by the Board of Trustees. Significant risks may be added, revised or removed from the Risk Register after evaluation by the Executive Strategy Board throughout the year.

The Significant Risk List is appraised every four months by the Executive Strategy Board and the Board of Trustees.

Internal Audit

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

In undertaking its work, internal audit has regard to Annexes A and B of the Model Financial Memorandum between HEFCE and Institutions, and engagements are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

External Audit

The external auditors provide feedback to the Audit Committee on the operation of internal financial controls reviewed as part of the external audit and include within their audit procedures the monitoring of the ICR's management of risk.

Audit Committee

The Audit Committee, on behalf of the Board of Trustees, keeps under review the adequacy and effectiveness of the ICR's arrangements for risk management, control and governance throughout the year, and for the management and quality assurance of data submitted to HESA, HEFCE and other funding bodies, through assessment of the work undertaken by internal and external audit, including consideration of all reports from the auditors and other working groups, and through them the management of the ICR. This review also covers compliance with laws and regulations and the economy, efficiency and effectiveness of operations. The Audit Committee reviews the ICR's arrangements for the management of risks.

The Audit Committee's opinion is that the ICR has adequate and effective arrangements for:

- risk management, control and governance; and
- economy, efficiency and effectiveness

and that the Board of Trustees can place reliance on those arrangements. Its opinion regarding the adequacy and effectiveness of the arrangements for the management and quality assurance of data provided to HEFCE, HESA and other public bodies, is that remaining areas of weakness are being dealt with and overall they are effective.

Conclusion

The Board of Trustees is of the view that there is an ongoing process for identifying, evaluating and managing the ICR's key risks, and that it has been in place for the year ended 31 July 2012 and up to the date of the approval of the annual report and accounts, that it is regularly reviewed by the Board of Trustees and that it accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

6. REPORT OF THE REMUNERATION COMMITTEE

Remit of the Remuneration Committee

The Remuneration Committee comprises four Members of the ICR. Appointments are such that between them, the members of the Remuneration Committee have expertise in the management of medical/biomedical research, the commercial sector, the public sector and any other areas, as the Committee deems necessary. The current membership comprises the ICR's Chairman, who chairs the Committee, the Deputy Chairman of the ICR, the Honorary Treasurer and one other co-opted member of the Board of Trustees.

The Committee determines, on behalf of the Board of Trustees, all matters concerning the terms and conditions and remuneration packages (including pension benefits and severance payments, if any, but see also below) of the Executive Directors of the ICR (the Chief Executive, the Chief Operating Officer, the Academic Dean) and other senior staff (the Heads of the Research Divisions, Professors and the Directors of Corporate Service functions).

The Chief Executive is a non-executive director of The Royal Marsden.

Remuneration Policy

It is the aim of the ICR's Human Resources Strategy to provide a framework within which the ICR may direct and develop staff to realise their full potential to enact cancer research of the highest international standards.

To that end it is an objective of the strategy to create a climate where the ICR can recruit, retain and motivate the best staff to further its research aims and objectives by enabling the ICR to:

- compete effectively in the market place;
- encourage innovation and improve performance;
- develop the research leaders of tomorrow;
- identify and reward excellence.

Within this aim and objective it is current practice to:

- have regard to market pay rates;
- recognise achievement financially.

The Committee has therefore determined a pay policy for senior staff which takes account of the following factors:-

1. Individual performance assessed by reference to:
 - the responsibilities of the individual post;
 - the management and performance of the research division/team or service for which the individual is responsible;
 - the individual's contribution to the ICR's overall performance.
2. Individual remuneration determined by reference to:
 - pay awards agreed for other staff within the ICR;
 - exceptional contributions in a particular year which may be rewarded by a recognition payment;
 - the need to recruit and retain rare skills and abilities, both nationally and internationally;
 - the strategic needs of the organisation.
3. Comparison with other relevant organisations.

Disciplinary Action

In the event that the ICR is considering disciplinary action against a member of staff whose remuneration falls within the remit of the Remuneration Committee, the Committee has determined that the ICR should make no financial commitment relating to the departure of the member of staff before completing the necessary

disciplinary action.

The remuneration of the Executive Officers and other senior staff is disclosed in Note 19 of the Annual Accounts.

7. OVERALL RESULTS

The full accounts are reproduced on pages 17 to 45.

The ICR's principal activities are research into the causes, prevention, diagnosis and methods of treatment of cancer and the education and advanced training of medical and scientific staff. There have not been any significant changes in the ICR's principal activities in the year under review.

Incoming resources for 2012 were £85.1 million compared to £85.4 million in 2011. Income from research grants and contracts has remained in line with 2011 at £50.5 million, whilst a reduction in Funding Council income of £3.5 million to £21.2 million was more than offset by increased income from academic fees & support grants and other operating income, which is predominantly fundraising and legacy income and royalties.

The accounts report a deficit for the year of £0.2 million (2011: deficit of £5.7 million) as the ICR carried out its planned activity in the knowledge that reserves would be reduced.

After investment gains and the actuarial loss in the defined benefit pension scheme, the total funds of the ICR reduced by £2.5 million to £119.5 million.

8. EXPENDITURE

Total expenditure was £85.3 million (2011: £91.1 million).

9. VOLUNTARY INCOME

Legacy income fell in 2012 by £1.2 million to £1.7 million. Donations totalling £5.4 million were received (2011: £5.2 million) which included endowment assets of £1.6 million (2011: £nil) that are reported as endowment funds rather than income in the income and expenditure reserve.

10. CAPITAL DEVELOPMENTS

A total of £3.5 million of capital expenditure was incurred in 2012. The Board of Trustees agreed that the construction of the Centre for Cancer Imaging as phase 2 of the Sir Richard Doll Building should be recommenced. The building is scheduled to be completed in March 2014 at a total cost of £19.9 million. In addition to the costs to progress the Centre for Cancer Imaging, capital expenditure in 2012 was directed to investment in scientific infrastructure and equipment necessary for the advancement of the research strategy of the ICR.

11. REVALUATION OF PROPERTY FIXED ASSETS

The ICR's accounting policy is to revalue its scientific properties. A full revaluation was carried out as at 31 July 2010 on a depreciated replacement cost basis and the ICR's properties were revalued at £77.9 million.

12. RESERVES POLICY

The reserves policy balances the requirement for the ICR to spend its income within a reasonable time of receipt and the necessity of managing uncertainty and ensuring the ICR's financial sustainability, thereby protecting the ICR's future activities.

Approximately sixty per cent of the ICR's work is financed from competitively won grants for specific research projects and programmes, twenty five per cent from competitively won research funding resulting from the Higher Education Funding Councils' Research Assessment Exercise (now the Research Excellence Framework) and the remainder from the ICR's voluntary, royalty, investment and other income.

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

In determining the level of free funds to be held in reserve the Board of Trustees considers the ICR's future needs and possible risks. In particular the Board of Trustees considers, having designated funds for particular research and infrastructure needs (if to be financed from reserves) and for capital developments, and in accordance with Charity Commission guidance:

- the forecast for levels of income in future years, taking into account the reliability of each source of income and the prospects for opening up new sources
- the forecasts of expenditure in future years on the basis of planned activity
- its analysis of any future needs, opportunities, contingencies or risks the effects of which are not likely to be met out of income if and when they arise
- its assessment, on the best evidence available, of the likelihood of each of these needs, opportunities, contingencies or risks arising and the consequences for the ICR of not being able to meet them.

The Board of Trustees reviews this policy and the assessment and calculation of the level of free reserves each year.

13. INVESTMENT POLICY AND PERFORMANCE

Under the Articles of Association the ICR can "invest and deal with any monies not immediately required for its purposes in such a manner as may be thought fit". The ICR does not invest directly in any company perceptibly involved in the sale of tobacco or tobacco products. The exercise of the investment powers is the responsibility of the Investments and Building Development Committee.

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

Derivative investments are used only for the purposes of managing risk related to foreign currency exposures and not for speculation.

A gain on investments of £0.4 million is reported in the consolidated statement of total recognised gains and losses.

14. PENSIONS

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

The last actuarial valuation of the ICR Pension Scheme was undertaken as at 31 March 2010 and this showed that the scheme deficit had improved from £12.7 million as at 31 March 2007 to a deficit of £8.3 million at 31 July 2010.

The financial statements show that the Scheme is in deficit by £8.5 million on an FRS17 basis at 31 July 2012. The Trustees continue to review the options with regard to the future of the closed Scheme and how best to secure the funding position.

15. RISKS

The principal risks facing the ICR concern the security of its funding streams. The funding from HEFCE is dependent on the ICR maintaining the high quality of its research activity and, also, the resources available for distribution to the sector by the Funding Council. The income from external grant funders is dependent on the continued success of ICR scientists in securing funding for its projects in competitive peer-reviewed programmes and the resources grant giving charities have available. The ICR seeks to limit this risk by diversifying its sources of funding and retaining reserves to address funding fluctuations.

The ICR operates a defined benefit pension scheme now closed to future accrual and is exposed to movements in its assets and liabilities. The ICR seeks to limit these risks by seeking ways to manage down the size of the scheme liabilities and adopting a diversified investment strategy.

16. EMPLOYEES

Disabled employees:

The ICR recognises its obligations to disabled persons. In accordance with the provisions of the Disability Discrimination Act 1995, the ICR endeavours to provide equality in recruitment, training, career development, working conditions and dismissal as the demands of its research work and the ability of each individual allows.

Employee involvement:

The ICR uses a number of methods to keep its staff fully informed of matters of concern to them. These include briefings by the Chief Executive of all staff, Board of Trustees' minutes, summaries of Executive Strategy Board meetings and regular organisational updates reported through the ICR intranet.

Formal communications with staff take place through four-monthly meetings of the Staff Consultative Committee. This consists of an equal number of representatives of the staff and management and is chaired by the Director of Human Resources. It is ICR policy to promote by discussion and consultation the involvement of staff, when appropriate, in the development of personnel policy and practice.

17. CHARITABLE AND POLITICAL DONATIONS

The ICR made no charitable or political donations during the current and previous year.

18. COMPANY NUMBER AND REGISTERED OFFICE

The Company Registration Number is 534147. The details of the registered office of the ICR are given on page 51.

19. AUDITORS

Crowe Clark Whitehill LLP has indicated its willingness to be reappointed as statutory auditor.

Non-audit services

From time to time it is necessary to employ the ICR's external auditors for certain non-audit work. In order to maintain the independence of the external auditors, the Audit Committee has determined policies as to what non-audit services can be provided by the ICR's external auditors. The Audit Committee monitors the level of non-audit fees paid to the external auditors. No non-audit fees were paid to the external auditors in 2012 (2011: £0) Other audit fees of £10,000, in respect of grant certification work, were paid to the external auditors in 2012 (2011: £0).

Provision of information to auditors

Each of the persons who is a trustee at the date of approval of this report confirms that:

- so far as the Board of Trustees are aware, there is no relevant audit information of which the ICR's auditors are unaware; and
- the Board of Trustees has taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the ICR's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

20. STATEMENT OF THE FINANCIAL RESPONSIBILITIES OF MEMBERS OF THE BOARD OF TRUSTEES

The ICR is a company limited by guarantee, a College of the University of London, and an exempt charity under the Second Schedule of the Charities Act 1993. Members of the Board of Trustees, the governing body of the ICR, are therefore both its company directors and charity trustees.

The Trustees are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

In addition to the statutory financial statements, the Trustees are required to prepare financial statements in accordance with the Statement of Recommended Practice "Accounting for Further and Higher Education" and the annual accounts direction issued by the Higher Education Funding Council for England (HEFCE) issued in August 2011 and August 2012 and in accordance with applicable UK accounting standards. These financial statements do not constitute the company's statutory accounts for the years ended 31 July 2012 or 2011, but are derived from those accounts.

In preparing these non-statutory financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 ICR will continue in business.

The Trustees are also responsible for:

- keeping adequate accounting records that are sufficient to show and explain the ICR's transactions and disclose with reasonable accuracy at any time the financial position of the ICR.
- safeguarding the assets of the ICR and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

21. GOING CONCERN

The Board of Trustees has considered the level of reserves and the financial resources available to the ICR and considers that 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.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Trustees on 22 November 2012.



Lord Ryder of Wensum
Chairman of The Institute of Cancer Research

Independent Auditor's Report to the Governing Body of the Institute of Cancer Research: Royal Cancer Hospital

We have audited the financial statements of the Institute of Cancer Research for the year ended 31 July 2012 set out on pages 17 to 45.

These financial statements do not constitute the company's statutory accounts for the year ended 31 July 2012, but are derived from those accounts. The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the annual accounts direction issued by the Higher Education Funding Council for England (HEFCE) issued in August 2011 and 2012.

This report is made solely to the Board of Trustees of the ICR, as a body, in accordance with the Financial Memorandum dated July 2010. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of the Board of Trustees' Responsibilities, the Board of Trustees is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Board of Trustees and any other surrounding information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the group and the institution's affairs as at 31 July 2012 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice Accounting for Further and Higher Education (SORP)

Opinion on other matters prescribed by HEFCE

In our opinion:

- in all material respects the income received from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the ICR have been applied only for the purposes for which they were received; and
- in all material respects income has been applied in accordance with the ICR's statutes and, where appropriate, with the financial Memorandum, dated July 2010 with the Higher Education Funding Council for England.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor

London

28 November 2012

THE INSTITUTE OF CANCER RESEARCH**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Income			
Funding Council grants	2	21,153	24,709
Academic fees and support grants	3	2,231	1,636
Research grants and contracts	4	50,544	50,528
Other operating income	5	10,866	8,191
Endowment and investment income	6	312	297
Total income		85,106	85,361
Expenditure			
Staff costs	19	48,561	50,278
Other operating expenses	7	29,765	33,887
Depreciation	8	6,942	6,925
Total expenditure		85,268	91,090
Deficit on continuing operations after depreciation of fixed assets at valuation and before and after tax		(162)	(5,729)

All of the ICR's operations are continuing.

The notes on pages 22 to 45 form part of these financial statements.

THE INSTITUTE OF CANCER RESEARCH**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
for the year ended 31 July 2012

	Note	2012 £000	2011 £000 As restated
Recognised (losses)/gains relating to the year			
Deficit on continuing operations after depreciation of assets at valuation, disposal of assets and tax		(162)	(5,729)
Appreciation of investments		421	3,305
Net endowments received in the year	15	1,164	-
Actuarial (loss)/gain on defined benefit pension schemes	19	(2,610)	5,693
Total recognised (losses)/gains relating to the year		(1,187)	3,269
Reconciliation			
Opening reserves and endowments as previously reported		82,383	81,730
Prior year restatement of income and expenditure reserve	24	-	(2,616)
Opening reserves and endowments as restated		82,383	79,114
Total recognised (losses)/gains for the year		(1,187)	3,269
Closing reserves and endowments		81,196	82,383

STATEMENT OF HISTORICAL COST SURPLUS/(DEFICIT)
for the year ended 31 July 2012

	2012 £000	2011 £000
Deficit on continuing operations before and after tax	(162)	(5,729)
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	540	631
Historical cost surplus/(deficit) for the period before and after taxation	378	(5,098)

The notes on pages 22 to 45 form part of these financial statements.

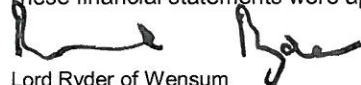
THE INSTITUTE OF CANCER RESEARCH


BALANCE SHEETS

31 July 2012

	Note	Group		Institute	
		2012 £000	2011 £000 As restated	2012 £000	2011 £000 As restated
Fixed assets					
Tangible assets	8	84,849	88,478	84,849	88,478
Investments	9a	49,553	49,037	49,558	49,042
		<u>134,402</u>	<u>137,515</u>	<u>134,407</u>	<u>137,520</u>
Endowment assets					
	9b	<u>3,269</u>	<u>2,087</u>	<u>3,269</u>	<u>2,087</u>
Current assets					
Stocks - finished goods		227	211	227	211
Investments		5,872	3,845	5,872	3,845
Debtors	10	11,664	11,892	12,780	12,288
Cash at bank and in hand		1,303	994	1,033	972
		<u>19,066</u>	<u>16,942</u>	<u>19,912</u>	<u>17,316</u>
Creditors: amounts falling due within one year	11a	<u>(28,170)</u>	<u>(27,772)</u>	<u>(29,021)</u>	<u>(28,151)</u>
Net current liabilities		<u>(9,104)</u>	<u>(10,830)</u>	<u>(7,945)</u>	<u>(10,835)</u>
Total assets less current liabilities		<u>128,567</u>	<u>128,772</u>	<u>128,567</u>	<u>128,772</u>
Creditors: amounts falling due after more than one year	11b	<u>(220)</u>	<u>(220)</u>	<u>(220)</u>	<u>(220)</u>
Provisions for liabilities and charges	11c	<u>(316)</u>	<u>(409)</u>	<u>(316)</u>	<u>(409)</u>
Net assets excluding pension liability		<u>128,031</u>	<u>128,143</u>	<u>128,031</u>	<u>128,143</u>
Defined benefit pension scheme liability	19c	<u>(8,490)</u>	<u>(6,105)</u>	<u>(8,490)</u>	<u>(6,105)</u>
Net assets including pension liability		<u>119,541</u>	<u>122,038</u>	<u>119,541</u>	<u>122,038</u>
Deferred capital grants	12	<u>38,347</u>	<u>39,654</u>	<u>38,347</u>	<u>39,654</u>
Endowments					
Expendable	15	2,683	1,506	2,683	1,506
Permanent	15	586	581	586	581
		<u>3,269</u>	<u>2,087</u>	<u>3,269</u>	<u>2,087</u>
Reserves					
Income and expenditure account excluding pension reserve	13	60,140	59,591	60,140	59,591
Pension reserve	19c	<u>(8,490)</u>	<u>(6,105)</u>	<u>(8,490)</u>	<u>(6,105)</u>
Income and expenditure account including pension reserve		51,650	53,486	51,650	53,486
Revaluation reserve	14	<u>26,275</u>	<u>26,811</u>	<u>26,275</u>	<u>26,811</u>
Total reserves		<u>77,925</u>	<u>80,297</u>	<u>77,925</u>	<u>80,297</u>
Total funds		<u>119,541</u>	<u>122,038</u>	<u>119,541</u>	<u>122,038</u>

These financial statements were approved by the Board of Trustees on 22 November 2012


Lord Ryder of Wensum
Chairman of the Board of Trustees


Professor Alan Ashworth
Chief Executive

The notes on pages 22 to 45 form part of these financial statements.

THE INSTITUTE OF CANCER RESEARCH**CONSOLIDATED CASH FLOW STATEMENT**
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Net cash inflow/(outflow) from operating activities	1	1,368	(637)
Returns on investments and servicing of finance	2	312	297
Capital expenditure and financial investment	3	<u>1,324</u>	<u>(8,552)</u>
Net cash inflow/(outflow) before use of liquid resources and financing		3,004	(8,892)
Financing and management of liquid resources	4	<u>496</u>	<u>6,645</u>
Increase/(decrease) in cash in the year		<u>3,500</u>	<u>(2,247)</u>

ANALYSIS OF NET FUNDS

	1 August 2011 £000	Cash Flows £000	31 July 2012 £000
Cash at bank and in hand	994	309	1,303
Current asset investments	<u>3,845</u>	<u>3,191</u>	<u>7,036</u>
	4,839	3,500	8,339
Money market and other deposits	<u>1,950</u>	<u>(496)</u>	<u>1,454</u>
	<u>6,789</u>	<u>3,004</u>	<u>9,793</u>

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**
for the year ended 31 July 2012

1. Reconciliation of consolidated operating surplus to net cash inflow/(outflow) from operating activities

	2012	2011
	£000	£000
Deficit on continuing operations after depreciation of fixed assets at valuation	(162)	(5,729)
Net release of deferred capital grants	(5,457)	(7,192)
Depreciation charges	6,942	6,925
Investment income	(312)	(297)
Decrease in stocks	(16)	43
Decrease/(increase) in debtors	228	(701)
Increase in creditors	305	6,224
Pension contributions less current service and finance costs	(160)	90
	<u>1,368</u>	<u>(637)</u>

2. Returns on investments and servicing of finance

	2012	2011
	£000	£000
Income from endowments	4	13
Other investment income	308	284
	<u>312</u>	<u>297</u>

3. Capital expenditure and financial investment

	2012	2011
	£000	£000
Payments to acquire tangible fixed assets	(3,500)	(7,573)
Deferred capital grants received	5,311	5,822
Purchases of investments	(18,085)	(20,105)
Receipts from sales of investments	17,598	13,304
	<u>1,324</u>	<u>(8,552)</u>

4. Financing and management of liquid resources

	2012	2011
	£000	£000
Decrease in short term deposits	496	6,645
	<u>496</u>	<u>6,645</u>

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

1. Accounting policies**(i) Basis of preparation**

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting for Further and Higher Education " and the annual accounts direction issued by the Higher Education Funding Council for England (HEFCE) issued in August 2011 and 2012 and in accordance with applicable UK accounting standards.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2012 or 2011, but is derived from those accounts. Statutory accounts are delivered to the Registrar of Companies each year. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under s237(2) or (3) Companies Act 2006.

The Trustees consider that the ICR 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.

(ii) Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and investments to market value, in accordance with applicable accounting standards. The ICR has availed itself of Regulation 4 of Schedule 1 of SI 2008/410 *The Large and Medium Sized Companies and Groups Accounts and Reports Regulations 2008*) and adapted the specified formats to reflect the special nature of the ICR's activities.

(iii) Land and buildings

Land and buildings are valued every five years in accordance with the Guidance Notes for the Valuation of Assets issued by the Royal Institute of Chartered Surveyors for the purpose of balance sheet valuations. The last full valuation took place as at 31 July 2010.

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 Income and Expenditure Account, except to the extent that they reverse revaluation gains on the same asset.

Where buildings are acquired and depreciated with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as Deferred Capital Grants and released to income over the expected useful life of the buildings.

(iv) 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 arising during the year are included in the Income and Expenditure Account. Impairments are charged to resources expended on charitable activities. Investment income is the amount received by the ICR in the year.

(iv) Incoming resources

Income from Research Grants, contracts and other services is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Income from short-term deposits is included in the Income and Expenditure Account in the period in which it is earned.

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

1. Accounting policies continued

Recurrent grants from HEFCE are recognised in the period in which they are receivable. Non-recurrent grants from HEFCE or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset.

Legacies and donations are included in the Income and Expenditure Account in the year in which they are received except where income is accounted for once it is known with certainty that an identifiable sum of money is going to be received. Entitlement to legacy income is taken to be the earlier of estate accounts being finalised and cash received. This includes the value of material properties which have been bequeathed to the ICR but not realised at the balance sheet date.

(vi) Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

(vii) Depreciation

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 depreciation are as follows; -

Freehold buildings 2%

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

The cost of refurbishing and maintaining the buildings is written off in the year the expenditure is incurred.

(viii) Equipment and depreciation

Equipment (including computers and software) and furniture costing less than £25,000 for each individual item are written off in the year of acquisition. All other items of equipment and furniture are capitalised in the year of acquisition. Capitalised equipment is stated at cost and depreciated over four years on a straight-line basis.

(ix) Stocks

Stocks of research material have been valued using the average of opening and closing stock prices.

(x) Pensions

The ICR participates in three defined benefit schemes, the Universities' Superannuation Scheme (USS), National Health Service Pension Scheme (NHSPS) and The ICR Pension Scheme (ICRPS). USS and NHSPS are multi-employer schemes for which employer contributions are charged directly to the Income and Expenditure Account as if the schemes were defined contribution schemes.

For defined benefit schemes 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 income and expenditure account 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 statement of total recognised gains and losses. Defined benefit scheme assets are held separately from those of the ICR. 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 INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

1. Accounting policies continued

The actuarial valuation is obtained at least tri-annually and is updated at each balance sheet date. The resulting defined benefit asset or liability is shown separately on the face of the balance sheet.

(xi) Consolidation basis

The ICR owns 100% of the share capital of four companies – ICR Enterprise Ltd, ICR Chelsea Development Ltd (ICRCD), ICR Sutton Developments Ltd (ICRSD) and ICR Equipment Leasing No.8 Limited (ICRENO8) 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 ICR. The consolidated statements include the financial statements of these companies as well as Everyman Action Against Male Cancer. No Income and Expenditure Account is presented for the ICR.

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

(xii) Leases

Assets held under leasing arrangements which transfer substantially all the risks and rewards of ownership to the ICR are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the Income and Expenditure Account so as to produce a constant periodic rate of charge. Other leases are regarded as operating leases and the rentals are charged directly to the Income and Expenditure Account on a straight-line basis over the term of the lease.

(xiii) Research and development

Research and development expenditure is written off in the period in which it is incurred.

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

2. Funding Council grants

	2012	2011
	£000	£000
<i>Recurrent grants</i>		
Higher Education Funding Council for England (HEFCE)	16,991	17,733
NHS pension funding supplement	186	189
<i>Specific grants</i>		
Higher Education Innovation Fund	703	469
Matched Funding	-	951
Other specific funds	69	74
<i>Deferred capital grants released during the year</i>		
Buildings (note 12)	768	2,037
Equipment (note 12)	2,436	3,256
	<u>21,153</u>	<u>24,709</u>

3. Academic fees and support grants

	2012	2011
	£000	£000
Fees and support grants	<u>2,231</u>	<u>1,636</u>

4. Research grants and contracts

	2012	2011
	£000	£000
UK based charities	36,423	35,411
Research Councils	2,937	3,010
UK Government, local health and hospital authorities	6,408	6,581
EU	810	563
Industry, commerce and other	2,827	3,071
Other overseas	1,139	1,892
	<u>50,544</u>	<u>50,528</u>

5. Other operating income

	2012	2011
	£000	£000
Legacies and donations	5,544	8,078
Net (receipt)/release of deferred capital grants	11	(118)
Invention and other income	5,311	231
	<u>10,866</u>	<u>8,191</u>

Voluntary income is largely derived from the UK. The ICR has been notified of legacies of £2,308,465 which have not been recognised as income at 31 July 2012 as no notification of impending distribution or approval of estate accounts has been received (2011: £2,286,000).

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

6. Endowment and investment income

	2012	2011
	£000	£000
Income from permanent endowments	4	13
Other investment income	<u>308</u>	<u>284</u>
	<u>312</u>	<u>297</u>

7. Other operating expenses

	2012	2011
	£000	£000
Laboratory consumables	18,370	21,046
Repairs and general maintenance	5,468	6,569
Other premises	2,885	3,199
Central administration services	1,227	1,177
Library and information services	575	500
Information technology	680	774
Other expenses	<u>560</u>	<u>622</u>
	<u>29,765</u>	<u>33,887</u>

Other operating expenses include the following:

	2012	2011
	£000	£000
Fees payable to the ICR's auditors for the audit of the annual accounts	33	30
The audit of the ICR's subsidiaries, pursuant to legislation	<u>6</u>	<u>6</u>
Total external audit fees	39	36
Other audit services from auditors	10	-
Hire of other assets - operating leases	350	465

THE INSTITUTE OF CANCER RESEARCH
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

8. Tangible assets
Group and Institute

	Freehold land and buildings	Leasehold land and buildings	Furniture plant and equipment - owned	Furniture plant and equipment - leased	Total
	£000	£000	£000	£000	£000
<i>Cost or valuation</i>					
At 1 August 2011	77,840	2,556	31,013	1,000	112,409
Additions at cost	1,260	-	2,240	-	3,500
Disposals at cost	-	-	(373)	-	(373)
At 31 July 2012	79,100	2,556	32,880	1,000	115,536
<i>Depreciation</i>					
At 1 August 2011	1,507	364	21,310	750	23,931
Provided in the year	1,511	115	5,066	250	6,942
Disposals	-	-	(186)	-	(186)
At 31 July 2012	3,018	479	26,190	1,000	30,687
<i>Net book value</i>					
At 31 July 2012	76,082	2,077	6,690	-	84,849
of which:					
Scientific properties	76,032	1,651	-	-	77,683
Other properties	50	426	-	-	476
At 31 July 2011	76,333	2,192	9,703	250	88,478
of which:					
Scientific properties	76,283	1,685	-	-	77,968
Other properties	50	507	-	-	557
<i>Historic cost - net book value</i>					
At 31 July 2012	50,617	896	6,690	-	58,203
At 31 July 2011	50,346	993	9,703	250	61,292
<i>Financed by</i>					
Capital grant	30,690	72	6,690	-	37,452
Other	45,392	2,005	-	-	47,397
	76,082	2,077	6,690	-	84,849

The net book value of freehold land and buildings includes £2,172,000 in respect of assets under construction (2011: £1,590,000). The construction of the new ICR Centre for Cancer Imaging as Phase 2 of the Sir Richard Doll building suspended in 2009 was recommenced.

The ICR's scientific properties were revalued by Gerald Eve Chartered Surveyors as at 31 July 2010. The valuations were undertaken on a depreciated replacement cost basis. The laboratories were valued at £77.9m. Other properties are included at original cost.

THE INSTITUTE OF CANCER RESEARCH

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

9. Investments and endowment assets

	Market value 1 Aug 11 £000 As restated	Additions at cost £000	Disposals at book value £000	Gains/ (losses) £000	Market value 31 Jul 12 £000
a. Investments (Group)					
Listed					
UK Government	4,068	1,889	-	316	6,273
Other UK	7,058	4,368	(2,329)	876	9,973
Overseas	17,657	8,329	(12,542)	(572)	12,872
	<u>28,783</u>	<u>14,586</u>	<u>(14,871)</u>	<u>620</u>	<u>29,118</u>
Unlisted					
UK	1	-	-	-	1
Overseas	18,251	2,761	(1,985)	13	19,040
	<u>18,252</u>	<u>2,761</u>	<u>(1,985)</u>	<u>13</u>	<u>19,041</u>
Derivatives	132	-	(3)	(129)	-
Investment cash and deposits	1,870	-	(375)	(101)	1,394
Total investments	<u>49,037</u>	<u>17,347</u>	<u>(17,234)</u>	<u>403</u>	<u>49,553</u>
b. Endowment assets (Group and Institute)					
Listed					
UK Government	173	80	-	13	266
Other UK	300	187	(99)	35	423
Overseas	751	354	(539)	(20)	546
	<u>1,224</u>	<u>621</u>	<u>(638)</u>	<u>28</u>	<u>1,235</u>
Unlisted					
UK	-	-	-	-	-
Overseas	777	117	(84)	-	810
	<u>777</u>	<u>117</u>	<u>(84)</u>	<u>-</u>	<u>810</u>
Derivatives	6	-	-	(6)	-
Investment cash and deposits	80	1,509	(361)	(4)	1,224
Total endowment assets	<u>2,087</u>	<u>2,247</u>	<u>(1,083)</u>	<u>18</u>	<u>3,269</u>

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

The 2011 figures have been restated as set out in note 24.

The endowment assets are restricted but are managed as part of a single portfolio with the ICR's investments.

Derivatives comprise forward currency contracts which are used for the purpose of risk management rather than speculation in order to translate investment assets denominated in foreign currencies into Sterling and as part of the investment strategy. As at 31 July 2012 the notional value of open forward contracts amounted to £0 (2011: £13,578,000) following the decision of the Investment and Building Committee to introduce currency diversification.

The historical cost of the Group and The ICR investments at 31 July 2012 was £48,307,000 (2011: £46,154,000) and £48,312,000 (£46,159,000) respectively.

THE INSTITUTE OF CANCER RESEARCH

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

9. Investments and endowment assets (continued)

The following investments represented holdings in excess of 5% of the investment portfolio at 31 July 2012:

	2012	2011
BlackRock Ascent UK Real Return Bond Fund	8.3%	12.2%
BlackRock GiltTrak Fund	6.0%	5.4%
BlackRock UK Corp Bond Index Fund	6.9%	-
BlueBay Diversified Corporate Bond Fund	-	14.6%
CQS Diversified Fund (SPC)	6.3%	6.7%
Partners Capital Eagle Fund (C) Ltd	16.9%	18.1%
Partners Capital Falcon Fund (C) Ltd	7.2%	7.1%
Partners Capital Harrier Fund (C) Ltd	8.8%	7.3%
Pictet Asian Local Currency Debt	7.2%	-
Pictet Funds (LUX) - Emerging Local Currency Debt Fund	6.7%	8.3%
UK Treasury Index Linked 2.5%	7.0%	-

10. Debtors

a. Amounts falling due within one year

	Group		Institute	
	2012	2011	2012	2011
	£000	£000	£000	£000
Revenue grants	2,453	3,363	2,453	3,363
Other trade debtors	391	367	388	367
Legacy debtors	41	219	41	219
Other debtors	127	689	127	669
Amounts due from subsidiary undertakings	-	-	1,119	416
Prepayments and accrued income	8,652	7,254	8,652	7,254
	<u>11,664</u>	<u>11,892</u>	<u>12,780</u>	<u>12,288</u>

THE INSTITUTE OF CANCER RESEARCH
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 12

11. Creditors

a. Amounts falling due within one year

	Group		Institute	
	2012	2011	2012	2011
	£000	£000	£000	£000
	As restated		As restated	
Trade creditors	2,525	2,579	2,446	2,560
Accruals	3,860	4,966	3,844	4,961
Amounts due to subsidiary companies	-	-	872	405
Other creditors	1,270	1,147	1,270	1,147
Taxes and social security	1,132	1,031	1,206	1,029
Deferred research grants	19,383	18,049	19,383	18,049
	28,170	27,772	29,021	28,151

The 2011 figures have been restated as set out in note 24.

b. Amounts falling due after more than one year

	Group		Institute	
	2012	2011	2012	2011
	£000	£000	£000	£000
Other creditors	220	220	220	220

c. Provisions for liabilities and charges

	Group		Institute	
	2012	2011	2012	2011
	£000	£000	£000	£000
<i>Dilapidations and decommissioning</i>				
At 1 August 2011	409	354	409	354
Provided in the year	8	55	8	55
Released in the year	(101)	-	(101)	-
	316	409	316	409

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

THE INSTITUTE OF CANCER RESEARCH

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

12. Deferred capital grants

Group and Institute

	HEFCE	Other funders	Total
	£000	£000	£000
<i>At 1 August 2011</i>			
Land and buildings	16,945	13,921	30,866
Equipment	6,128	2,660	8,788
<i>Cash receivable in the year</i>			
Land and buildings	1,908	-	1,908
Equipment	-	2,240	2,240
<i>Released to income and expenditure</i>			
Land and buildings	(768)	(349)	(1,117)
Equipment	<u>(2,436)</u>	<u>(1,902)</u>	<u>(4,338)</u>
<i>At 31 July 2012</i>			
Land and buildings	18,085	13,572	31,657
Equipment	<u>3,692</u>	<u>2,998</u>	<u>6,690</u>
Total at 31 July 2012	<u>21,777</u>	<u>16,570</u>	<u>38,347</u>

13. Income and expenditure account

	Balance at 1 August 2011 £000 As restated	Income £000	Expenditure £000	Transfers, gains and losses £000	Balance at 31 July 2012 £000
Income and expenditure account excluding pension reserve	59,591	85,106	(85,033)	476	60,140
Pension deficit	<u>(6,105)</u>	-	<u>(235)</u>	<u>(2,150)</u>	<u>(8,490)</u>
Income and expenditure account including pension reserve	<u>53,485</u>	<u>85,106</u>	<u>(85,268)</u>	<u>(1,674)</u>	<u>51,650</u>

The 2011 figures have been restated as set out in note 24.

14. Revaluation reserve

Group and Institute

	£000
At 1 August 2011	26,811
Transfer to fixed asset fund in respect of depreciation	<u>(536)</u>
Revaluation reserve at 31 July 2012	<u>26,275</u>

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**
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15. Endowments

	Balance at 1 August 2011 £000 As restated	Income £000	Expend- iture £000	Transfers, gains and losses £000	Balance at 31 July 2012 £000
<i>Expendable endowments</i>					
Research Project Endowment Fund	-	1,509	(345)	-	1,164
Hensley Nankivell Studentship Fund	1,126	-	-	10	1,136
The Ivan and Felicite Stoller Fund	380	-	-	3	383
Total expendable endowment funds	<u>1,506</u>	<u>1,509</u>	<u>(345)</u>	<u>13</u>	<u>2,683</u>
<i>Permanent endowments</i>					
Sir SK Tang Fund	<u>581</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>586</u>
Total endowment funds	<u>2,087</u>	<u>1,509</u>	<u>(345)</u>	<u>18</u>	<u>3,269</u>

The Research Project Endowment Fund relates to donations with specific restrictions on their expenditure. The Hensley Nankivell Studentship Fund was received from the estate of Mrs SMA Nankivell for the purpose of supporting research studentships at the ICR. The Ivan and Felicite Stoller Fund is a legacy received from the estate of Mr IM Stoller. The Sir SK Tang Fund is a legacy received from the estate of Sir SK Tang. The Research Project Endowment, Tang and Stoller funds are for cancer research.

The 2011 figures have been restated as set out in note 24.

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

16. Lease Commitments

At 31 July 2012 the ICR had annual operating lease commitments in respect of property leases which expire as follows:

	2012 £000	2011 £000
Within one year	-	350
Between two and five years	-	115
Over five years	<u>325</u>	<u>-</u>

17. Capital commitments

	2012 £000	2011 £000
Contracted but not provided for	15,395	584
Authorised by the Board of Trustees but not contracted for	<u>4,926</u>	<u>4,000</u>
	<u>20,321</u>	<u>4,584</u>

The capital commitments relate to laboratory and office building works and equipment.

18. Emoluments of the Board of Trustees

No fees are paid to the 18 members of the Board of Trustees for their services as charity trustees or company directors. During the year, there were six members of staff of the ICR who are members of the Board of Trustees who receive only the normal remuneration of their appointments. This includes the Chief Executive and Academic Dean whose remuneration is shown in note 17 (iii). The other four staff members, Professor Jones (from 1st March 2012), Professor Meier (until 30th September 2011), Professor Pearson (until 30th September 2011) and Professor Springer (until 30th September 2011) are the representatives elected by the Academic Board to serve on the Board of Trustees whose remuneration is included in note 17 (iv). In addition, Mr Shepherd (until 31st January 2012) and Mr Itzhak (from 1st March 2012) were the student representatives on the Board of Trustees who received the normal PhD student stipend. The aggregate emoluments of those who serve on the Board of Trustees was £915,413 (2011: £865,071). The emoluments of the highest paid director, who is a member of a multi-employer defined benefit pension scheme, were £215,000 (2011: £229,000). The six staff who are trustees participate in defined benefit pension schemes. Six non-executive trustees received a total of £3,000 (2011: five received £3,172) for reimbursement of travel expenses.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

19. Staff costs

(i) Average number of employees

	2012	2011
	No.	No.
Research Staff	800	837
Research support staff	138	138
Fundraising services	19	28
Corporate services including academic services	73	72
	1,030	1,075

(ii) Remuneration

	2012	2011
	£000	£000
Wages and salaries	40,009	41,723
Social security costs	3,179	3,170
Other pension costs	5,138	5,350
Pension past service cost	235	35
	48,561	50,278

(iii) Remuneration of Executive Directors

The remuneration of Executive Directors is listed below inclusive of distinction awards. National Insurance contributions and employer's pension contributions are excluded except where indicated.

	2012	2011
	£000	£000
Chief Executive:		
- 1 August 2010 to 16 January 2011	-	101
- 17 January 2011 to 31 July 2011	-	121
- 1 August 2011 to 31 July 2012	215	-
Academic Dean	210	210
Chief Executive including employer's pension contributions:		
- 1 August 2010 to 16 January 2011	-	125
- 17 January 2011 to 31 July 2011	-	139
- 1 August 2011 to 31 July 2012	247	-

(iv) Remuneration of higher paid staff

	2012	2011
	No.	No.
£100,001 - £110,000	2	2
£110,001 - £120,000	6	5
£120,001 - £130,000	3	3
£130,001 - £140,000	2	1
£140,001 - £150,000	3	2
£150,001 - £160,000	2	3
£160,001 - £170,000	4	3
£170,001 - £180,000	1	5
£180,001 - £190,000	1	-
£190,001 - £200,000	-	1
£200,001 - £210,000	2	2
£210,001 - £220,000	1	1
£220,001 - £230,000	-	1
£230,001 - £240,000	1	-
£260,001 - £270,000	1	-

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

19. Staff costs (continued)**(v) Superannuation schemes**

The ICR 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 & Ill-Health Retirement Pension Scheme (USDPS)). 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 (USS) (and the Universities Supplementary Dependents & Ill Health Retirement Pension Scheme (USDPS))

This is a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom one at least must be a USS pensioner member; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

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 ICR 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 FRS17 'Retirement 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.

The latest triennial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime 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. The actuary also carries out a review of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level each year are also included in this note. The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum). To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ('light') YoB tables - No age rating
Female members' mortality	S1NA ('light') YoB tables - rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

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for the year ended 31 July 2012

19. Staff costs (continued)

At the valuation date, the market value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the Scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if the USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As a result of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of Salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the CPI measure of price inflation. Historically these increases have been based on the RPI measure of price inflation. Since the previous valuation as at 31 March 2011 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The normal pension age was increased for future service and new entrants, to age 65.

Flexible Retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS Section members and CRB Section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase in 10%.

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 July 2012

19. Staff costs (continued)

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using a AA bond discount rate of 4.9% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the ICR's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1.0 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustees recognise that it would be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long term funding objective within a level of contributions that it considers the employers would be willing to make, the trustees need to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustees receive advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustees believe that this, together with the ongoing flow of new entrants into the scheme and the strength of the covenant of the employers enables it to take a long term view of its investments. Short term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustees are mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2012

19. Staff costs (continued)

At 31 March 2012, USS had over 145,000 active members and the ICR had 787 active members participating in the scheme.

The total pension cost for the ICR was £4,514,000 (2011: £4,559,000). This includes £367,000 (2011: £379,000) of outstanding contributions at the balance sheet date. The contribution rate payable by the ICR was 16% of pensionable salaries.

b) National Health Service Pension Scheme (NHSPS)

This Scheme 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 ICR to identify its share of the underlying scheme liabilities.

The scheme is subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to review the contribution rates. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees' contributions are on a tiered scale from 6% up to 8.5% of their pensionable pay depending on total earnings.

The ICR charges employer's pension costs contributions to operating expenses as and when they become due. The total employer contribution payable was £510,000 (2011: £552,000). There were £40,000 (2011: £47,000) of outstanding contributions at the balance sheet date.

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for the year ended 31 July 2012

19. Staff costs (continued)

c) ICR Pension Scheme (ICRPS)

This is a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme (S2P). The assets of the scheme are held in a separate trustee-administered fund. On 31 July 2008, the ICRPS closed to future accrual.

The total charged to the Income and Expenditure Account under FRS17 for the year amounts to £541,000 (2011: £619,000). This is equal to the past service cost of £235,000 (2011: past service cost £35,000) plus other finance income of £306,000 (2011: £584,000).

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 July 2012 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	At 31 July 2012 (% p.a.)	At 31 July 2011 (% p.a.)
Discount rate	4.40%	5.20%
Consumer Prices Index ("CPI")	2.10%	3.10%
Future 5%LPI pension increases	2.10%	3.10%
Future 2.5%LPI pension increases	2.10%	2.50%
Revaluation in deferment	2.10%	3.10%
 Assumed life expectancies on retirement at age 65 are:		
Retiring today		
Males	22.1	22.2
Females	24.1	24.2
Retiring in 20 years time		
Males	23.5	23.6
Females	25.7	25.8

The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The assumptions used in determining the overall expected return of the assets of the Scheme have been set having regard to yields available on government bonds, corporate bonds, bank base rates and incorporating appropriate risk margins where appropriate. 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:

	Long term rate of return expected		Fair value	
	At 31 July 2012 (% p.a.)	At 31 July 2011 (% p.a.)	At 31 July 2012 £000	At 31 July 2011 £000
Equities and property	5.80%	7.00%	27,350	26,286
Fixed interest	2.80%	4.00%	5,251	5,533
Index linked gilts	2.80%	4.00%	14,470	13,046
Alternatives	5.80%	7.00%	8,637	6,739
Insured annuities	4.40%	5.20%	809	854
Cash and other	0.50%	0.50%	4,307	7,801
 Overall return on scheme assets	 4.43%	 5.21%		

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19. Staff costs (continued)

None of the Scheme's assets are invested in the ICR's own financial instruments and none of the assets are properties or other assets used by the ICR.

	At 31 July 2012 £000	At 31 July 2011 £000
Fair value of Scheme assets	60,824	60,260
Less refunds agreed (not used to offset irrecoverable surplus)	-	-
Net fair value of Scheme assets	<u>60,824</u>	<u>60,260</u>
 The actual return on assets over the period was	 1,943	 6,842
 The amounts recognised in the balance sheet are as follows:		
	2012 £000	2011 £000
Fair value of scheme assets	60,824	60,260
Present value of scheme liabilities	<u>(69,314)</u>	<u>(66,365)</u>
	(8,490)	(6,105)
Present value of unfunded obligation	-	-
Unrecognised past service cost	<u>-</u>	<u>-</u>
Deficit in the Scheme	(8,490)	(6,105)
Irrecoverable surplus	-	-
Deficit	(8,490)	(6,105)
Net pension liability recognised before tax	(8,490)	(6,105)
 The amounts recognised in the Income & Expenditure Account are as follows:		
	2012 £000	2011 £000
Service cost	-	-
Interest on obligation	3,409	3,480
Expected return on Scheme assets	(3,103)	(2,896)
Past service cost	<u>235</u>	<u>35</u>
Total	<u>541</u>	<u>619</u>

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19. Staff costs (continued)

Changes in the present value of the Scheme liabilities

	2012	2011
	£000	£000
Liabilities at beginning of the year	66,365	66,399
Interest cost	3,409	3,480
Actuarial losses/(gains)	1,450	(1,748)
Past service cost	(2,145)	35
Benefits paid	235	(1,801)
	<hr/> 69,314	<hr/> 66,365

In July 2012 the Board of Trustees of the ICR decided to cease the approval of discretionary increases until the Scheme's funding position improves. The ICR previously had an established practice of providing discretionary increases to pensions in payment where no inflation-linking is provided for under the Scheme Rules. As such, the reported Scheme liabilities at 31 July 2012 include obligations under the Scheme Rules of £69,314,000 (2011: £61,917,000) and constructive obligations of £0 (£2011: £4,448,000). The constructive obligation as at 31 July 2011, as required under FRS17, represents the liabilities arising from the granting of further discretionary increases in future years.

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

	2012	2011
	£000	£000
Fair value of Scheme assets at beginning of year	60,260	54,724
Expected return on Scheme assets	3,103	2,896
Actuarial (losses)/gains	(1,160)	3,945
Contributions by employer	766	496
Benefits paid	(2,145)	(1,801)
	<hr/> 60,824	<hr/> 60,260

Actuarial (losses)/gains recognised in the Income & Expenditure Account:

	2012	2011
	£000	£000
Actuarial (losses)/gains	(2,610)	5,693

The Scheme's current Schedule of Contributions requires the ICR to contribute £482,051 to the Scheme in the year commencing 1 August 2012.

THE INSTITUTE OF CANCER RESEARCH**NOTES TO THE FINANCIAL STATEMENTS**
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19. Staff costs (continued)

Amounts for the current and previous four periods are as follows:

	At 31 July 2012 £000	At 31 July 2011 £000	At 31 July 2010 £000	At 31 July 2009 £000	At 31 July 2008 £000
Present value of Scheme liabilities	(69,314)	(66,365)	(66,399)	(63,876)	(62,541)
Scheme assets	60,824	60,260	54,724	56,100	61,826
Deficit	(8,490)	(6,105)	(11,675)	(7,776)	(715)
Experience adjustments on					
Scheme liabilities	(319)	(276)	637	(1,687)	(154)
As a percentage of Scheme liabilities	0%	0%	1.0%	-3%	0%
Experience adjustments on					
Scheme assets	(1,160)	3,945	1,178	(8,114)	(3,545)
As a percentage of Scheme assets	2%	7%	2.0%	(14%)	-6%
Cumulative actuarial losses shown in Income & Expenditure account	(18,587)	(15,977)	(21,670)	(13,316)	(6,239)

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 ICR. These pensions are increased, at the ICR's discretion, by analogy, with the Pensions Act 1995.

(vi) Health and Safety at Work

The ICR through its Safety Committee performs its duties as an employing authority under the provisions of The Health and Safety at Work Act 1974.

20. Value Added Tax

The ICR incurred irrecoverable VAT amounting to some £1.9 million during the year (2011: £2.0 million). It is a member of the Charities Tax Reform Group which campaigns on behalf of its members for a reduction in their VAT burden.

21. Subsidiary undertakings

The ICR has the following subsidiary undertakings:

(i) ICR Chelsea Development Limited - The ICR 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 2012 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 ICR.

(ii) ICR Sutton Developments Limited - The ICR 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 £1,082 for the year ended 31 July 2012 (2011: £481) which will be paid to the ICR by means of a payment under gift aid. Its net assets at 31 July 2012 and 31 July 2011 amounted to £2. The accounts of ICR Sutton Developments Ltd have been consolidated into the accounts of the ICR.

(iii) ICR Enterprises Limited - The ICR owns 100% of the issued share capital of this company which undertakes trading activities for the benefit of the ICR that the ICR cannot carry out itself as an exempt charity. It made a profit after interest of £272,582 for the year ended 31 July 2012 (2011: £36,262) which will be paid to the ICR by means of a payment under gift aid. Its net assets at 31 July 2012 and 31 July 2011 amounted to £2. The accounts of ICR Enterprises Ltd have been consolidated into the accounts of the ICR.

THE INSTITUTE OF CANCER RESEARCHNOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2012

21. Subsidiary undertakings (continued)

(iv) **ICR Equipment Leasing No.8 Limited** - The ICR owns 100% of the share capital of this company which holds a leasehold interest in the Chester Beatty Laboratory. It made a profit of £103 for the year ended 31 July 2012 (2011: £103) which will be paid to the ICR by means of a payment under gift aid. Its net assets at 31 July 2012 and 31 July 2011 were £5,063. The accounts of ICR Equipment Leasing No.8 Limited have been consolidated into the accounts of the ICR.

(v) **Everyman Action Against Male Cancer** - The company is limited by guarantee and was dormant throughout the period ended 31 July 2012.

(vii) **Other investments** - The ICR is a founder and shareholder of four companies whose aims are to exploit the intellectual property generated at the ICR. The companies and the ICR's shareholding are Gamma Technologies Ltd (10%), PETRRA Limited (5.9%), PROACTA Inc (0.5%), Domainex Limited (3%) and Chroma Therapeutics Limited (0.2%). The cost of the ICR's shareholding of these companies is included in unlisted investments.

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

ICR Enterprises Limited

	2012 £000	2011 £000
Turnover	282	87
Expenditure	(9)	(51)
Operating profit	273	36
Interest income	-	-
Payment under gift aid to the ICR	(273)	(36)
Profit for the year	-	-
Assets	524	91
Liabilities	(524)	(91)
Funds	-	-

ICR Equipment Leasing No. 8 Limited

	2012 £000	2011 £000
Turnover	-	-
Expenditure	-	-
Operating profit	-	-
Payment under gift aid to the ICR	-	-
Profit for the year	-	-
Assets	5	5
Liabilities	-	-
Funds	5	5

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21. Subsidiary undertakings (continued)

Development companies

ICR Sutton Developments Limited and ICR Chelsea Development Limited

	2012	2011
	£000	£000
Turnover	606	637
Expenditure	(605)	(637)
Operating profit	1	-
Payment under gift aid to the ICR	(1)	-
Profit for the year	-	-
Assets	691	352
Liabilities	(691)	(352)
Funds	-	-

22. Taxation

The ICR is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly the ICR is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 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.

23. Indemnity insurance

The ICR has purchased indemnity insurance to provide the Board of Trustees and Officers with an indemnity against a wide range of legal actions which they might face in carrying out their duties. The cost of this insurance was £4,892 (2011: £5,237).

24. Prior year adjustments

Prior year adjustments have been made in respect of two matters:

1) A change in the accounting policy in respect of the recognition of income from certain research grants. Following a review of funder terms and conditions, a number of grants with income that previously had been treated as an unrestricted donation and recognised in the Income and Expenditure reserve have been re-classified as restricted under the Statement of Recommended Practice "Accounting for Further and Higher Education" and included to the extent of the completion of the contract or service concerned.

2) Following a review, the Board of Trustees has decided that the Hensley Nankivell Studentship Fund and the Ivan and Felicite Stoller Fund previously classified as permanent endowment funds would be more appropriately classified as expendable endowments and the opening balances have been restated to reflect this. In addition, two funds previously classified as expendable endowment funds that are internally designated by the Institute, the FC Hunter Studentship Fund and the Joan Francis Stowe Fund, have been reviewed to be more appropriately classified as expendable income under the Statement of Recommended Practice "Accounting for Further and Higher Education" and as such have been recognised as a donation by means of a transfer to the income and expenditure reserve.

The result of these adjustments is shown in the table below:

	Note	2011 as previously stated £000	Adjustment £000	2011 as restated £000
Deferred research grants	11a	15,433	2,616	18,049
Endowment funds	15	2,670	(583)	2,087
Income and expenditure reserve (excl pension reserve)	13	61,624	(2,033)	59,591

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for the year ended 31 July 2012

25. Related parties

The Institute has taken the exemption given by Financial Reporting Standard 8, Related Party Disclosures, from disclosing transactions with subsidiaries. One of the Trustees is Chief Executive of Cancer Research UK which provides funding to the ICR in the form of grants awarded through open competition and external peer review. £23,421,000 of funding was received from Cancer Research UK during the year with no outstanding balances at the year end. There are no other related party transactions. One of the Trustees is Chief Executive of The Royal Marsden NHS Foundation Trust. The ICR's Chief Executive is a non-executive director of The Royal Marsden NHS Foundation Trust.

The Board of Trustees

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

Name	Title/Nominating Body	No ¹ of meetings could have attended	No of meetings attended Aug 11 to July 12
Rt Hon Lord Ryder of Wensum OBE	Chairman/Co-option	10	10
Professor Sir Tom Blundell FRS FMedSci	Deputy Chairman & senior member/Co-option	10	9
Konstantin Graf von Schweinitz	Honorary Treasurer/Co-option	8	7
Professor A Ashworth FRS FMedSci	Chief Executive/Ex Officio	7	7
Professor A Horwich PhD MRCP FRCR FMedSci	Academic Dean/Ex Officio	7	4
Mr A W C Edwards (to 7/2012)	Co-option	7	3
Dr P N Goodfellow FRS FMedSci	Co-option	8	6
Professor A L Harris DPhil FRCP FMedSci	Co-option	6	3
Mrs I Hotimsky MBA	Co-option	9	7
Mr D Itzhak BA(Hons) (from 3/2012)	Student	3	3
Professor K Jones (from 3/2012)	Academic Board	3	3
Dr H S Kumar MA MEng MBA DSc	Cancer Research UK	7	5
Professor R A Laskey CBE FRS FMedSci (to 10/2012)	University of London	9	8
Professor P Meier PhD (to 9/2011)	Academic Board	1	0
Lady Otton SRN	Co-option	7	4
Miss C A Palmer CBE MSc MHSM DipHSM Mr I Molson BA(Hons)	The Royal Marsden NHS Foundation Trust Alternate Director	7	6
Professor A Pearson MD FRCP FRCPCH DCH (to 9/2011)	Academic Board	1	1
Miss A C Pillman OBE	Co-option	7	4
Mr R S Sharp (to 3/2012)	Co-option	5	4
Mr C Shepherd BSc(Hons) (to 1/2012)	Student	4	1
Professor C Springer PhD FSB CChem FRSC (to 9/2011)	Academic Board	1	1
Mr M J Usher BA CPFA	Co-option	7	7

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

Senior members of staff in attendance at Board of Trustees meetings

Professor C J Marshall FRS FMedSci	Director of Research
Mr P F W Norris BSc(Hons) ACA MBA	Director of Finance
Mrs C Scivier MSc FCIPD MloD	Chief Operating Officer
Professor P Workman PhD DSc(Hon) FMedSci FSB FRSC	Deputy CEO

The ICR benefits from external expertise on the following committees that report to the Board of Trustees (as at 31 July 2012):

The Constitutional and Nomination Committee

Rt Hon Lord Ryder of Wensum OBE - *Chairman*
Professor Sir Tom Blundell FRS FMedSci – *Deputy Chairman*
Mrs I Hotimsky MBA
Professor R A Laskey CBE FRS FMedSci

The Audit Committee

Mr M J Usher BA CPFA – *Chairman*
Mr D R Fryatt MA FCA FCIBS – *Deputy Chairman*
Ms S Nebhrajani MA ACA
Mr S A Taylor MBA FCCA
Mr Taylor attended 2 meetings, Mr Fryatt, Ms Nebhrajani and Mr Usher attended all 4 meetings held (August 2011 to July 2012)

The Remuneration Committee

Rt Hon Lord Ryder of Wensum OBE - *Chairman*
Professor Sir Tom Blundell FRS FMedSci – *Deputy Chairman*
Dr P N Goodfellow FRS FMedSci
Konstantin Graf von Schweinitz

The Investments and Building Development Committee

Konstantin Graf von Schweinitz - *Chairman*
Mr R J Elliott – *Deputy Chairman*
Mr C Heaphy (*from 6/2012*)
Mr T Henderson
Mrs M-C Riachi CFA
Mr A Wolstenholme OBE BSc CEng FICE (*to 10/2011*)

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

Miss M I Watson MA MBA FCIPD – *Chairman*
Mr R Bird MA FCA (*from 1/2012*)
Mr A W C Edwards (*to 12/2011*)
Mr R J Elliott (*to 9/2011*)
Mr F Maroudas MA (*from 1/2012*)
Mr A J Roberts CBE BA(Hons) FRSA FColl (*from 1/2012*)
Konstantin Graf von Schweinitz (*to 9/2011*)

Fellows of the ICR

The honorary appointment of Fellow of the ICR 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 P Brookes PhD DSc
Professor Sir Kenneth Calman KCB FRSE
Professor D Catovsky MD DSc(Med) FRCPPath FRCP FMedSci
Mr E A C Cottrell
Dr M J Crumpton CBE PhD HonFRCPPath FRS FMedSci
Professor T M Dexter DSc HonFRCP FRS FMedSci
Lord Faringdon KCVO
Professor P B Garland CBE MA PhD MB BChir LLD(hc) FRSE
Professor K R Harrap CBE DSc FRSC
Mr J M Kipling FCA DChA
Baroness Morgan of Drefelin
Professor Sir Michael Peckham MD FMedSci
Sir Kenneth Stowe GCB CVO MA HonDSc(Med)
Professor M Waterfield FRS FMedSci
Professor R A Weiss PhD HonFRCP FRCPPath FRS FMedSci
Professor G Westbury OBE MB BS FRCP FRCS HonFRCSed

Members of the ICR

The Members of the ICR 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
Lord Bell FIPA FIPPR FPRCA
Professor A J Bellingham CBE FRCP FRCPPath
Mr R Bird MA FCA
Professor Sir Tom Blundell FRS FMedSci
Dr M Bodmer PhD
Sir Henry Boyd-Carpenter KCVO MA
Mr J M Cartwright FCA ATII
Mr E A C Cottrell
Miss P M Cunningham CBE
Professor G A Currie MD FRCP FRCPPath
Mr S R Davie CB
Professor A J S Davies PhD DSc
Mr M de Ferranti BSc
Mr J J Defries BCom IPFA
His Honour Judge Keith Devlin PhD
Mr K D Dew FRICS
Dr A Diment PhD
Mr A W C Edwards
Mr R J Elliott
Lord Faringdon KCVO
Dr S E Foden MA DPhil
Professor A B Foster DSc
Mr B W Freedman
Mr D Fryatt MA FCA FCIBS
Professor P B Garland CBE MA PhD MB BChir LLD(hc) FRSE
Mr D J Gleeson MA
Dr P N Goodfellow FRS FMedSci
Professor A Harris DPhil FRCP FMedSci
Mr C Heaphy
Mr T Henderson
Dr T A Hince PhD
Mr J Hollond
Mrs I Hotimsky MBA
Mrs S A Johnson BA

Mr P J C Keemer MPhil
Mr J M Kipling FCA DChA
Professor R A Laskey CBE FRS FMedSci
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
Dr M J Morgan PhD
Professor H R Morris FRS
Mr R Mould
Professor G J Mufti DM FRCP FRCPATH
Ms S Nebhrajani MA ACA FRSA
Professor S Neidle PhD DSc ARCS DIC FRSC
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
Mrs Tim Rathbone
Professor Dame Lesley Rees DBE MD DSc FRCP FRCPATH FMedSci
Mrs M-C Riachi CFA
Mr G E Richardson FRICS
Dame Stella Rimington DCB
Mr A J Roberts CBE BA(Hons) FRSA FColl
Rt Hon Lord Ryder of Wensum OBE
Mr G Sangster
Konstantin Graf von Schweinitz
Mr J Seymour
Mr R S Sharp
Mr M S Smith MA
Dr K Snell PhD FRSA LRPS
Mr R E Spurgeon
Ms A Stevens MA DLitt(Hon)
Sir Kenneth Stowe GCB CVO MA HonDSc(Med)
Professor M R Stratton FRS FMedSci
Mr S A Taylor MBA FCCA
Mr J Thorne MA
Mr M J Usher BA CPFA
Miss M I Watson MA MBA FCIPD
Professor S Webb PhD DIC DSc ARCS FInstP FIPEM FRSA CPhys CSci
Professor G Westbury OBE MB BS FRCP FRCS HonFRCSed
Sir David Innes Williams MA MD MChir FRCS
Mr A Wolstenholme OBE BSc CEng FICE
Mr D H Wootton MA

Associates of the ICR

Appointment as an Associate of the ICR 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.

Mrs R J Atkins
Mrs R Barfoot
Ms M Barrell
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 J Cordell BSc(Hons) MPhil
Professor J L Corner PhD RGN OncCert
Mrs C Croucher

Dr D A Darcy MA DPhil
Mrs C A Faux
Dr E O Field DM DMRD
Dr M A Flower PhD FIPEM
Mr F Friedlos MPhil
Mrs P M Goddard MPhil
Dr G H Goodwin PhD
Mr J W Goodwin
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
Professor A L Jackman PhD
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
Dr R M Orr PhD
Dr M Osborne PhD
Dr K Owusu-Ankomah BSc(Hons)
Mr G Parnell CBiol MIBiol MISTR
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
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
Professor D M Taylor DSc FRSC FRCPATH
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

Auditors

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St Bride's House, 10 Salisbury Square, London EC4Y 8EH

Bankers

Coutts & Co

Chandos Branch, 440 Strand, London WC2R OQS

HSBC plc

Onslow Square Branch, 1 Sydney Place, London SW7 3NW

Investment Managers

Partners Capital LLP

5 Young Street, London W8 5EH

Solicitors

Farrer & Co

66 Lincoln's Inn Fields, London WC2A 3LH

Registered Office

123 Old Brompton Road

London SW7 3RP

Company number

534147