

**The Institute of Cancer Research: Royal Cancer Hospital**  
Company Number 534147

**Financial Statements for the year ended 31 July 2002**

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## **REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 JULY 2002**

The Board of Trustees of The Institute of Cancer Research ('The Institute') present their Annual Report and Financial Statements for the year ended 31 July 2002.

1. **Accounting Policies**

The Institute follows accounting policies contained in the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued by the Charity Commission in October 2000.

2. **Objectives**

The Institute was established in 1909 to carry out research into the causes of cancer and to develop new strategies for its prevention, diagnosis, treatment and cure.

3. **Corporate Governance**

The Institute of Cancer Research together with The Royal Marsden Hospital forms the largest comprehensive cancer centre in Europe, and one of the leading in the world. The Institute has authorised a total of 1040 posts of which some 55 are Royal Marsden staff who work within The Institute. During the year The Institute had an average of 871 employees of whom 91% (2001 – 92%) are directly engaged in research and research support. It raised £55.9 million (2001 – £48.9 million) during the year from research grants and voluntary income and spent some £54.8 million (2001 - £57.1 million) which included £12.1 million (2001 - £8.2 million) of capital expenditure.

The Institute is

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

The Institute's objects, powers and framework of governance are set out in its Memorandum and Articles of Association, the current version of which was approved by the Members of The Institute in March 2001.

The overall governing body of The Institute is its Board of Trustees. The Committees are as follows:

- **The Board of Trustees** (Chaired by Lord Faringdon)  
As a charity The Institute is governed by charity trustees collectively known as the Board of Trustees. The trustees carry the responsibility of company directors of The Institute. The Board of Trustees comprises 21 individuals nominated by The University of London, The Royal Marsden Hospital, Cancer Research UK; individuals co-opted by the Board of Trustees itself and others elected by the Academic Board, together with ex-officio members (the Chief Executive, the Academic Dean and

the Chairman of The Royal Marsden Hospital) and a student nominee.

The Board of Trustees carries the overall responsibility for ensuring that The Institute 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. In addition, the Board of Trustees recognises the principles underlying 'The Committee on Corporate Governance's Combined Code' and applies them within The Institute.

The Board of Trustees determines The Institute's strategies; approves its scientific and financial plans, annual report and accounts and governance structure, makes key appointments (Chief Executive, Academic Dean, Secretary of The Institute and Heads of Laboratories) and monitors The Institute's strategic performance. It also approves new initiatives and non-recurrent expenditure costing £500,000 or more.

During the financial year The Institute welcomed Miss Nicola Ingram and Professor Laurence Pearl to its governing body. Professor Martin Leach, Sir Paul Nurse, Professor David Phillips and Dr Derry Wilman have been appointed to the Board of Trustees since 1 August 2002.

Professor Jessica Corner, Professor Mitch Dowsett, Professor Gordon McVie, Professor Stephen Neidle, Professor Laurence Pearl and Dame Lesley Rees have stepped down from the governing body. The Institute is extremely grateful for their valuable contributions during their appointments.

The Board of Trustees met six times in 2001/02. To facilitate the smooth running of The Institute, the Board of Trustees has established a number of sub-committees. The terms of reference of each committee were approved by the Board of Trustees.

- **The Academic Board** (Chaired by Professor Robert Ott)  
The Academic Board meets three times a year and advises, through the Academic Dean, the Board of Trustees on education strategies and priorities.
- **The Audit Committee** (Chaired by Mr Ronald Spurgeon)  
The Audit Committee meets four times a year. The Committee supervises internal and external audit in order to safeguard the integrity of The Institute's financial systems and ensure economy, efficiency and effectiveness in the use of The Institute's resources. All meetings are attended by senior members of The Institute's external auditors and The Institute's Senior Internal Auditor. The Committee has full access to the internal and external auditors who in turn have access at all times to the chairman of the Audit Committee.

- **The Constitutional and Nomination Committee** (Chaired by Lord Faringdon)  
The Constitutional and Nomination Committee meets twice a year and approves the balance of skills and attributes required of non-executive members of Institute committees so that The Institute 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 Institute. The Committee recommends to the Board of Trustees the admission of Members and Fellows of The Institute and appointments to the Board of Trustees.
- **The Remuneration Committee** (Chaired by Lord Faringdon)  
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 9-10.
- **The Corporate Management Group** (Chaired by Professor Peter Rigby)  
The Corporate Management Group meets monthly to assist the Chief Executive in managing The Institute to achieve its strategic aim and objectives within the approved strategy for research and education, and within the approved budget.
- **The Joint Research Committee** (Chaired by Professor Chris Marshall)  
The Joint Research Committee meets six times a year. The Committee advises the Chief Executives and through them, The Institute's Board of Trustees and The Royal Marsden NHS Trust's Board of Directors on all research strategies and priorities.
- **The Investments and Building Development Committee** (Chaired by Mr Edward Cottrell)  
The Investments and Building Development Committee meets four times a year. The Committee manages The Institute's investments and building developments.
- **The Fundraising and PR Committee** (Chaired by Mr Rex Davie)  
The Fundraising and PR Committee meets four times a year. The Committee manages The Institute's fundraising and public relations activities.

#### **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 Institute is not the individual's predominant allegiance, the individual non-executive member will normally be expected to withdraw from The Institute 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.

4. **Research Review**

An external Scientific Advisory Committee has been established to provide independent advice and evaluation directly to The Institute's Board of Trustees and The Royal Marsden NHS Trust's Board of Directors and to the Chief Executives on overall research performance and, as requested, on specific strategic research issues.

Some 89% (2001 – 79%) of The Institute's activities are funded from competitively won peer-reviewed grants either as project (3 years) or programme (5 years) grants or through the Higher Education Funding Council for England's Research Assessment Exercise. These mechanisms ensure the timely external review of all The Institute's research activities. Our ability to prosecute such research depends on our ability to win funds to do so.

5. **Internal Control**

The Institute is committed to following best practice in all aspects of corporate governance. The summary describes how The Institute 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.

The Board of Trustees is responsible for the maintenance of a system of internal control which provides reasonable assurance that risks to the achievements of policies, aims and objectives are being satisfactorily managed, assets of The Institute are safeguarded, transactions are properly authorised, financial statements are prepared from reliable records and the requirements of applicable laws and regulations are met.

The Institute's financial affairs are overseen by the following sub-

committees of the Board of Trustees - the Audit Committee, the Remuneration Committee and the Investments and Building Development Committee.

The Board of Trustees has designated the Chief Executive as its Accounting Officer and the Designated Office Holder for Higher Education Funding Council for England (HEFCE) purposes and has designated the Secretary of The Institute as its Principal Financial Officer. The Chief Executive is responsible to the Board of Trustees for managing The Institute within the approved budget and recommending the allocation of resources; the Secretary of The Institute is responsible for recommending the resources which are available for allocation.

In March 2000 the Council agreed that The Institute should implement the underlying principles of The Turnbull Report relating to Internal Control and Management of Risk, which provided guidance on implementation of the Combined Code. Subsequently, The Institute developed a formal risk management process and the Board of Trustees approved a risk management policy. The Institute's arrangements for internal control and management of risk are described below.

The Corporate Management Group and Corporate Service Directors, assisted by the Risk Manager, are responsible for the identification and management of all the major risks to achievement of The Institute's strategic objectives. Such review covers all risks including financial, business, operational and compliance risks. Each risk identified by the Group is assessed and prioritised with reference to the potential impact if the risk occurred and the likelihood of occurrence. The Risk Register which is considered three times a year by the Corporate Management Group, identifies for each key risk the contributing factors, mitigating and improvement actions and the senior manager(s) responsible for management of the risk. Commencing for 2002/03 Heads of Laboratories and directors of Corporate Service departments will provide for the Audit Committee annual certificates of assurance that corporate risks have been considered and appropriate action taken. The Board of Trustees reviews the risk register and the actions taken to mitigate risks on the basis of reports from management three times a year.

For the major risks to Institute objectives, the approach to internal control is therefore based on a formal risk management process. At lower levels, The Institute aims to avoid an over-bureaucratic approach. Internal control is based on written policies and procedures which have been developed over time without formal documentation of the risks which they are designed to avoid. In December 2001 The Institute decided to integrate risk management into normal management activities. In future individual functions will be subject to regular assessment by management of risks and associated controls to ensure that systems continue to be adequate and effective and take account of changes in circumstances.

The Board of Trustees is of the view that there is an ongoing process for identifying, evaluating and managing The Institute's significant risks, and

that it has been in place for the year ended 31 July 2002 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 on the Combined Code as deemed appropriate for higher education.

The total system of internal control encompasses a number of additional elements that together with those described above facilitate an effective and efficient operation, enabling The Institute to respond to a variety of risks. These additional elements are described below.

**a. Policies and Procedures**

The Institute has a series of policies set by the Board of Trustees that underpin the internal control process. Written procedures support the policies where appropriate.

**b. Financial Controls**

In managing its affairs, The Institute has put in place strict authorisation, approval and control levels within which staff operate. The Institute's financial controls are organised as follows:

- (i) The Financial Strategy is approved by the Board of Trustees
- (ii) The Standing Financial Instructions are approved by the Board of Trustees
- (iii) The Financial Regulations are approved by the Corporate Management Group
- (iv) Financial Procedures are approved by the Secretary, as Principal Financial Officer and/or the Director of Finance

The overall budget of The Institute is approved by the Board of Trustees. For any proposal the current budget authorisation levels are:

- (a) The Board of Trustees – any proposal costing £500,000 or more
- (b) The Corporate Management Group – any proposal costing £100,000 and above but below £500,000
- (c) Executive Directors and Officers – any proposal costing below £100,000
- (d) Section Chairmen, subject to restrictions on equipment expenditure, may authorise any proposal financed from their grants within the grants' budgetary limit and may delegate such authority, within limits, to their staff.

To requisition any goods and services the current authorisation levels for any single item or group of items are:

Expenditure up to £50,000 - Budget holder

Expenditure up to £100,000 - Budget holders and the relevant Section Chairman, Corporate Services Director, Head of Laboratories, Academic Dean or the Secretary.

Expenditure over £100,000 - Budget holders and the Head of

Laboratories or the Academic Dean for Registry expenditure or the Secretary for Corporate Services expenditure or an Administrative Signatory.

**c. Planning**

A planning process is used to set objectives, agree action plans and allocate resources. In December 2001 The Institute decided to integrate risk identification into the planning process and risk reporting into regular review of progress against plans.

**d. Monitoring**

Reports are presented to the Corporate Management Group and the Board of Trustees three times a year which monitor key risks and their controls and progress against objectives set out in the Annual Operating Statement.

**e. Audit Committee**

The Audit Committee provides assurance to the Board of Trustees on the adequacy and effectiveness of the strategy for management of risk and internal control. The Committee's assurance is based on its oversight of internal and external audit including consideration of all audit reports and through them the management of The Institute.

**f. Internal Audit**

Internal Audit undertakes an ongoing programme of examinations covering all aspects of The Institute's activities and has provided to the Board of Trustees and the Chief Executive an independent annual statement on the adequacy and effectiveness of the system of internal control. From 2001-02 this statement will specifically cover the management of risk.

In undertaking its work, Internal Audit has regard to the HEFCE Audit Code of Practice and in 2002/03 this will take account of the revisions to the Code effective from 1 August 2002. Internal Audit was last reviewed for effectiveness by the HEFCE Audit Service in January 2001.

**g. External Audit**

The External Auditors have in the past provided feedback to the Audit Committee on the operation of internal financial controls reviewed as part of the external audit, and will also from 2001-02 include within their audit procedures the monitoring of the Institute's management of risk.

**h. External Consultants**

External Consultants are used as necessary to report on specialist areas such as Health and Safety and Information Technology and provide advice on actions required to achieve improvements.

The Audit Committee, on behalf of the Board of Trustees, has kept under review the effectiveness of The Institute's systems of risk management and internal controls in operation throughout the year, through examination of the work undertaken by Internal and External Audit. In addition to financial control, this review has covered the arrangements



for Corporate Governance, Financial Management and Management of Risk, compliance with laws and regulations and the efficiency and effectiveness of operations. The Audit Committee's opinion is that The Institute can place reliance on the risk management and internal control systems. The Board of Trustees has received and reviewed reports from the Audit Committee on its work.

6. **Report of the Remuneration Committee**

*Remit of the Remuneration Committee*

The Remuneration Committee comprises four Members of The Institute. 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 Institute's Chairman, who chairs the Committee, the Deputy Chairman of The Institute, 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 Institute (the Chief Executive, the Secretary of The Institute, the Academic Dean, the Director of Clinical Research and Development and the Head of the Chester Beatty and Haddow Laboratories) and other senior staff (the chairmen of the research sections, professors, the directors of corporate service functions and any other staff paid above the professorial minimum –currently £47.5k).

*Remuneration Policy*

It is the aim of The Institute's Human Resource Strategy to provide a framework within which The Institute 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 Institute can recruit, retain and motivate the best staff to further its research aims and objectives by enabling The Institute to:

- compete selectively 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 rates;
- recognise achievement financially

The Committee has therefore determined the 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 section/team or service for which the individual is responsible;
  - the individual's contribution to The Institute's overall performance.
2. Individual remuneration determined by reference to:
  - pay awards agreed for other staff within The Institute;
  - sustained exceptional performance which may be rewarded by increases in basic pay (ie permanent additions);
  - exceptional contributions in a particular year which may be rewarded by one-off bonuses that are non-superannuable;
  - 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 Institute 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 Institute 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 18 of the Annual Accounts.

**7. Overall results**

The full accounts are reproduced on pages 18 to 38.

The growth in incoming resources from £48.1 million to £54.9 million reflects the high level of capital grants received in the year towards the cost of the Brookes Lawley Building. A total of £8.8 million was received in 2002 (£8.0 million from The Wellcome Trust and £0.8 million from HEFCE). Excluding the effect of these exceptional grants the growth in income was 9.4% which reflects the increase in research grants awarded to The Institute.

The accounts show unrestricted net incoming resources before transfers for 2002 of £3.8 million (2001 – £0.5 million). The most significant reason for the high level of net income was the receipt of an exceptional rebate of £1.9 million in respect of the lease for the Chester Beatty Laboratories. This is due to a recalculation by the lessor of the rental payments since the inception of the lease.

However since the value of The Institute's investment portfolio has fallen significantly as a result of the recent falls in equity markets resulting in an unrealised loss of £2.8 million, the net increase in unrestricted funds is only £1.4 million.

The Statement of Financial Activities also show net incoming resources of £5.8 million (2001 – £5.8 million) on restricted funds. The high level in both years reflects the receipt of capital grants for the Brookes Lawley Building. A total of £8.8 million was received in 2002 (£8.0 million from The Wellcome Trust and £0.8 million from HEFCE) and £6.4 million in 2001 (from HEFCE). The grants were fully expended on the development of the Building in the year but in accordance with SORP the Statement of Financial Activities does not include capital expenditure.

8. **Research expenditure**

The total expenditure on research has fallen slightly from 2001. However this reflects two exceptional items – the rent rebate of £1.9 million described above and the inclusion in 2001 of a grant by The Institute of £1 million to The Wellcome Trust Sanger Institute towards establishing the Cancer Genome Project. After allowing for these exceptional items there is an underlying increase of £1.8 million, an increase of 5%.

This reflects further expansion in the Breakthrough Toby Robins Breast Cancer Research Centre with expenditure of £3.7 million in the year compared to £2.4 million in 2001.

There was also further expansion of The Institute's Epidemiology Section and its drug development research which is undertaken by the Cancer Research UK Centre for Cancer Therapeutics with increases in research expenditure of £428,000 and £334,000 respectively. The fall in expenditure of £594,000 in the Cancer Research UK Centre for Cell and Molecular Biology reflects the fact that there were significant purchases of equipment in 2001 of £800,000.

9. **Fundraising**

Legacy income increased by £97,000 to £2.7 million in 2002.

Fundraising income increased to £1.3 million from £942,000 in 2001 a rise of 40% reflecting the fundraising generated for the Brookes Lawley Building. Fundraising costs fell by £40,000 to £510,000. The overall result was a significant improvement in the net income generated.

10. **Capital developments**

The construction of the Brookes Lawley Building in Sutton reached practical completion in June 2002. The final cost is estimated at £21.2 million which is lower than the budget. Contributions to the cost have been awarded by the Higher Education Funding Council for England (£7.1 million), The Wellcome Trust (£8.0 million) and The Wolfson Foundation (£1 million) and the balance will be met by further fundraising activities and from The Institute's Development Fund.

11. **Reserves policy**

Approximately half of The Institute's work is financed from competitively won grants for specific research projects and programmes, a quarter from competitively won research funding resulting from the Higher Education Funding Councils' Research Assessment Exercise and the remainder by The Institute.

The Institute's mission is a long-term undertaking and whilst the Board of Trustees of The Institute 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 Institute'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 Institute'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 effect 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 Institute of not being able to meet them.

The Board of Trustees' opinion is that The Institute should maintain free reserves of between £18 million and £22 million or 21 to 26 weeks of The Institute's budgeted annual expenditure for the next year.

The Board of Trustees reviews this policy and the assessment and calculation of the level of free reserves each year. In explaining its overall reserves position and level of free reserves the Board of Trustees believes it is important to explain the composition of The Institute's total net assets.

The current position is shown on the face of the balance sheet. The Institute has total net assets of £93.9 million (2001 - £84.5 million) made up as follows:

	2002 (£m)	2001 (£m)
Funds invested in fixed assets		
- General funds	23.6	23.0
- Restricted funds	25.9	16.3
Designated funds		
- Development funds	16.0	15.8
- Other funds	3.9	3.8
Restricted funds	3.9	4.5
Endowment funds	1.6	1.8
Free reserve	19.0	18.5
	<u>93.9</u>	<u>83.7</u>

In holding such free reserves within its investments, the Board of Trustees has due regard to the need to seek a reasonable balance between investment risk, current income and capital growth.

## 12. **Investment policy and performance**

Under the Memorandum and Articles of Association The Institute can "invest and deal with any monies not immediately required for its purposes in such a manner as may be thought fit". The exercise of these 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 Institute's liquidity requirements. The asset distribution is subject to review at regular Investments and Building Development Committee meetings and is dependent on The Institute's programme for future development.

The value of investments was affected by the general falls in the markets in the last few months of the year, which resulted in unrealised losses of £3 million (2001 - £0.8 million). The income generated by the investments which is one of their primary purposes was not affected with the investments earning £3.5 million of interest and dividends (2001 - £3.6 million). This income is used to fund the operations of The Institute.

Despite the falls the value of the Free reserves is still within the range set by the Trustees, albeit at £19 million at the lower end of the range. The Trustees are continuing to monitor the position.

## 13. **Employees**

### *Disabled employees:*

The Institute recognises its obligations to disabled persons. In accordance with the provisions of the Disability Discrimination Act 1995, The Institute 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 Institute uses a number of methods to keep its staff fully informed of matters of concern to them. These include a joint Institute/Royal Marsden Hospital in-house magazine (LINK), four-monthly briefings by

the Chief Executive of all staff, and regular organisational updates which are distributed by e-mail and displayed throughout The Institute.

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 Institute policy to promote by discussion and consultation the involvement of staff, when appropriate, in the development of personnel policy and practice.

14. **Charitable and political donations**

The Institute made no charitable or political donations during the year.

15. **Auditors**

A resolution to re-appoint the auditors, BDO Stoy Hayward will be proposed at the Annual General Meeting.

16. **Statement of the financial responsibilities of members of the Board of Trustees**

The Institute is a company limited by guarantee, an Associate Institution 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 Institute, are therefore both its company directors and charity trustees.

Company law requires the members of the Board of Trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of The Institute and of the net incoming or outgoing resources of The Institute for that period.

In preparing those financial statements, the members of the Board of Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that The Institute will continue to pursue its objectives.

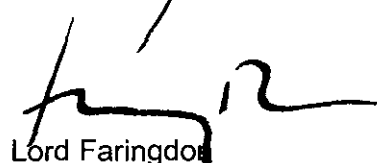
The members of the Board of Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The Institute and enable them to ensure that the financial statements comply with the Companies Act 1985.

They are also responsible for safeguarding the assets of The Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

17. **Approval of the Financial Statements**

The Financial Statements were approved by the Board of Trustees on 19 November 2002.

Approved by the Board of Trustees 19 November 2002.

A handwritten signature in black ink, appearing to be 'Faringdon', written over a horizontal line.

Lord Faringdon  
Chairman

## **REPORT OF THE INDEPENDENT AUDITORS TO THE GOVERNING BODY OF THE INSTITUTE OF CANCER RESEARCH: ROYAL CANCER HOSPITAL**

We have audited the financial statements on pages 18 to 38 which have been prepared under the accounting policies set out on pages 22 and 23.

### ***Respective responsibilities of Governing body and auditors***

The Governing body's responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if The Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with The Institute is not disclosed.

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

### ***Basis of opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the HEFCE. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the institution's circumstances, consistently applied and adequately disclosed.

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

### ***Opinion***

In our opinion:

1. The financial statements give a true and fair view of the state of affairs of the institution and the group at 31 July 2002, and of the group's incoming



resources and resources expended, including its income and expenditure, and the expenditure, recognised gains and losses and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act.

2. Income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the institution have been applied only for the purposes for which they were received.
3. Income has been applied in accordance with the institution's statutes and where appropriate with the Financial Memorandum (dated 1<sup>st</sup> August 2000) with the Higher Education Funding Council for England.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward', is written over the company name.

**BDO STOY HAYWARD**

*Chartered Accountants & Registered Auditors*

**LONDON**

19 November 2002

# The Institute of Cancer Research

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(Incorporating the Consolidated Income and Expenditure Account)

for the year ended 31 July 2002

	Note	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2002	Total funds 2001
<b>Incoming resources</b>						
External grants	2	23,583	24,538	-	48,121	41,437
Legacies and donations	3	3,118	863	-	3,981	3,504
Income from investments	4	3,496	-	-	3,496	3,565
Other incoming resources		335	-	-	335	434
<b>Total incoming resources</b>		<u>30,532</u>	<u>25,401</u>	<u>-</u>	<u>55,933</u>	<u>48,940</u>
<b>Cost of generating funds</b>						
Fundraising and promotional costs	5	(1,034)	-	-	(1,034)	(846)
<b>Net incoming resources available for charitable application</b>		<u>29,498</u>	<u>25,401</u>	<u>-</u>	<u>54,899</u>	<u>48,094</u>
<b>Charitable expenditure</b>						
Research expenditure	6	23,127	15,865	-	38,992	39,273
Support costs		869	-	-	869	715
Management and administration	7	1,663	152	-	1,815	1,765
<b>Total charitable expenditure</b>		<u>25,659</u>	<u>16,017</u>	<u>-</u>	<u>41,676</u>	<u>41,753</u>
<b>Total resources expended</b>		<u>26,693</u>	<u>16,017</u>	<u>-</u>	<u>42,710</u>	<u>42,599</u>
<b>Net incoming resources</b>						
<b>Before transfers</b>		<u>3,839</u>	<u>9,384</u>	<u>-</u>	<u>13,223</u>	<u>6,341</u>
Transfers between funds	14	326	(326)	-	-	-
<b>Net incoming resources</b>		<u>4,165</u>	<u>9,058</u>	<u>-</u>	<u>13,223</u>	<u>6,341</u>
<b>Other recognised gains &amp; losses</b>						
Gains & losses on investments		(2,778)	(11)	(232)	(3,021)	(771)
Gains & losses on revaluation of fixed assets		-	-	-	-	963
<b>Net movement in funds</b>		<u>1,387</u>	<u>9,047</u>	<u>(232)</u>	<u>10,202</u>	<u>6,533</u>
Fund balances at 1 August 2001		61,131	20,791	1,804	83,726	77,193
<b>Fund balances at 31 July 2002</b>		<u>62,518</u>	<u>29,838</u>	<u>1,572</u>	<u>93,928</u>	<u>83,726</u>

All The Institute's operations are continuing. There were no gains or losses other than those stated above.

The notes on pages 22 to 38 form part of these financial statements.

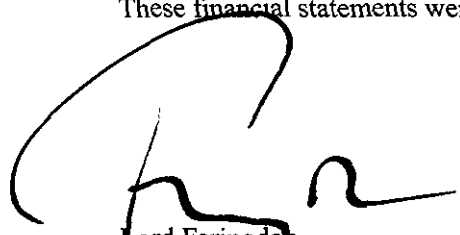
# The Institute of Cancer Research

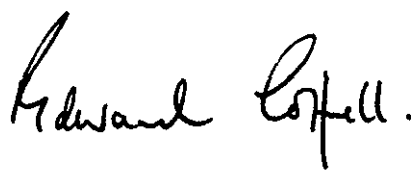
## BALANCE SHEETS

31 July 2002

		Group		Institute	
	Note	2002 £000	2001 £000	2002 £000	2001 £000
<b>FIXED ASSETS</b>					
Tangible assets	8	49,551	39,312	49,551	39,312
Investments	9	65,471	58,074	65,471	58,074
		<u>115,022</u>	<u>97,386</u>	<u>115,022</u>	<u>97,386</u>
<b>CURRENT ASSETS</b>					
Stocks		121	111	121	111
Debtors	10	5,573	14,132	5,119	12,889
Cash at bank and in hand		365	187	365	187
		<u>6,059</u>	<u>14,430</u>	<u>5,605</u>	<u>13,187</u>
<b>CREDITORS:</b> Amounts falling due within one year	11(i)	(6,215)	(7,396)	(5,761)	(6,153)
<b>NET CURRENT ASSETS</b>		<u>(156)</u>	<u>7,034</u>	<u>(156)</u>	<u>7,034</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>114,866</u>	<u>104,420</u>	<u>114,866</u>	<u>104,420</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	11(ii)	(20,938)	(20,694)	(20,938)	(20,694)
		<u>93,928</u>	<u>83,726</u>	<u>93,928</u>	<u>83,726</u>
<b>UNRESTRICTED FUNDS</b>					
General funds	13	19,018	18,532	19,018	18,532
Designated funds	13	43,500	42,599	43,500	42,599
		<u>62,518</u>	<u>61,131</u>	<u>62,518</u>	<u>61,131</u>
<b>RESTRICTED FUNDS</b>					
Income funds	14(i)	29,838	20,791	29,838	20,791
<b>ENDOWMENT FUNDS</b>	14(ii)	1,572	1,804	1,572	1,804
		<u>93,928</u>	<u>83,726</u>	<u>93,928</u>	<u>83,726</u>

These financial statements were approved by the Board of Trustees on 19 November 2002.

  
 Lord Faringdon  
 Chairman of the Board of Trustees

  
 Edward Cottrell  
 Honorary Treasurer

The notes on pages 22 to 38 form part of these financial statements.

**The Institute of Cancer Research**  
**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 July 2002

	Note	2002 £000	2001 £000
Net cash inflow from operating activities	1	18,351	5,226
Returns on investments and servicing of finance	2	3,827	2,198
Capital expenditure and financial investment	3	(11,216)	(13,569)
Financing	4	494	(546)
<b>CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES</b>		<u>11,456</u>	<u>(6,691)</u>
Management of liquid resources	5	(11,278)	6,037
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<u>178</u>	<u>(654)</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	1 August 2001 £000	Cash flows £000	31 July 2002 £000
Cash at bank and in hand	187	178	365
Money market and other deposits	37,435	11,278	48,713
Finance leases	(20,194)	(494)	(20,688)
	<u>17,428</u>	<u>10,962</u>	<u>28,390</u>

# The Institute of Cancer Research

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 July 2002

<b>1</b>	<b>RECONCILIATION OF CHANGES IN RESOURCES TO NET INFLOW FROM OPERATING ACTIVITIES</b>	<b>2002 £000</b>	<b>2001 £000</b>
	Net incoming resources	13,223	6,341
	Interest element of finance lease rental payment	(300)	1,401
	Profit on sale of tangible fixed assets	-	-
	Depreciation charges	1,837	1,902
	Property income	(31)	(34)
	Investment income	(3,496)	(3,565)
	Revaluation of land and buildings	-	-
	Decrease/(increase) in stocks	(10)	43
	Decrease/(increase) in debtors	8,559	(3,402)
	Increase/(decrease)/ in creditors	(1,431)	2,540
		<u>18,351</u>	<u>5,226</u>
<b>2</b>	<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	<b>2002 £000</b>	<b>2001 £000</b>
	Investment income	3,496	3,565
	Rent receivable	31	34
	Interest element of finance lease rental payment	300	(1,401)
		<u>3,827</u>	<u>2,198</u>
<b>3</b>	<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	<b>2002 £000</b>	<b>2001 £000</b>
	Payments to acquire tangible fixed assets	(12,076)	(8,208)
	Receipts from sales of tangible fixed assets	10,656	7,740
	Purchases of investments	(9,796)	(13,101)
	Receipts from sales of investments	-	-
		<u>(11,216)</u>	<u>(13,569)</u>
<b>4</b>	<b>FINANCING</b>	<b>2002 £000</b>	<b>2001 £000</b>
	Development loan	-	-
	Capital element of finance lease rental payment	494	(546)
		<u>494</u>	<u>(546)</u>
<b>5</b>	<b>MANAGEMENT OF LIQUID RESOURCES</b>	<b>2002 £000</b>	<b>2001 £000</b>
	Decrease/(increase) in short term deposits	(11,278)	6,037

# The Institute of Cancer Research

## NOTE 1 : ACCOUNTING POLICIES

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### (i) ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings and investments to market value, in accordance with applicable investments to accounting standards. They comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" published in October 2000. The Institute has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of The Institute's activities.

### (ii) 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 valuation took place on 31 July 2000 for scientific properties and 31 July 2001 for residential properties.

Valuations are made on a Depreciated Replacement Cost or Open Market Value basis as appropriate. Unrealised gains arising at each revaluation are shown in the Revaluation Reserve. Unrealised losses are taken to the Statement of Financial Activities (SOFA) except to the extent that they reverse revaluation gains on the same asset.

### (iii) INVESTMENTS

Investments are stated at the market value at the date of the balance sheet. Unrealised gains and losses arising during the year are included in the Statement of Financial Activities. Investment income is the amount received by The Institute in the year.

### (iv) GRANTS ACCOUNTING

Income from external grants is recognised in the Statement of Financial Activities as soon as it is receivable unless it is receivable for future periods in which case it is treated as deferred income.

### (v) CAPITAL GRANTS

Grants for capital expenditure are recognised in the Statement of Financial Activities (SOFA) when the grant is receivable. The depreciation of the asset is charged to the SOFA over the life of the asset.

### (vi) LEGACIES AND DONATIONS

Legacies and donations are included in the Statement of Financial Activities in the year in which they are received except for items in excess of £50,000 where income is accounted for once it is known with certainty that an identifiable sum of money is going to be received. This includes the value of material properties which have been bequeathed to The Institute but not realised at the balance sheet date.

### (vii) INCOMING RESOURCES

Income is included in the accounts in the year in which it is receivable.

### (viii) DEPRECIATION AND AMORTISATION

Amortisation is provided to write off the costs of leases and buildings over their useful economic lives based on their Net Book Values. The annual rates of amortisation and depreciation are as follows:-

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

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

# The Institute of Cancer Research

## NOTE 1 : ACCOUNTING POLICIES

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### **(ix) 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.

### **(x) STOCKS**

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

### **(xi) RESOURCES EXPENDED**

Central costs have been included in expenditure for individual research sections on the basis of work performed.

Research support costs reflect the staff costs incurred on Management Information and Personnel Services.

### **(xii) FUND ACCOUNTING**

General funds are unrestricted funds which are available for use at the discretion of the Board of Trustees in furtherance of the general objectives of charity and which have not been designated for any other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Board of Trustees for particular purposes. The aim of each designated fund is set out in the notes to the financial statements. This includes the Fixed Asset Fund which represents the amount of general funds invested in fixed assets and the Revaluation Reserve which represents the increase in fixed assets arising as a result of revaluation.

Restricted funds are funds which have to be used in accordance with specific restrictions imposed by grant bodies or donors. This includes funds invested in fixed assets.

Endowment funds are funds for which the capital is required to be retained in accordance with the donor's wishes. The income is also treated in accordance with the donor's wishes.

### **(xiii) PENSIONS**

The Institute participates in three defined benefit schemes.

Pension costs are assessed in accordance with the advice of the actuaries based on the most recent actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which The Institute benefits from the employees' services.

### **(xiv) CONSOLIDATION BASIS**

The Institute owns 100% of the share capital of two companies - ICR Chelsea Development Ltd and ICR Sutton Developments Ltd. These companies have been set up to act as developers for the construction of laboratories. The consolidated statements include the financial statements of these companies as well as Everyman Action Against Male Cancer. As provided by Section 230 of the Companies Act 1985 no Statement of Financial Activities is presented for The Institute.

ICR Enterprises Ltd undertakes trading activities and is wholly owned by The Institute. The results are not consolidated into the results of The Institute as they are not material.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

### 2. EXTERNAL GRANTS

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2002	Total Funds 2001
Higher Education Funding Council for England	10,665	958	-	11,623	16,784
Grants for research	8,064	14,037	-	22,101	19,878
Grants and contracts for teaching and support services	3,856	402	-	4,258	3,738
Grants for equipment and building	998	9,141	-	10,139	1,037
	<u>23,583</u>	<u>24,538</u>	<u>-</u>	<u>48,121</u>	<u>41,437</u>

### 3. LEGACIES AND DONATIONS

Fund-raising income is largely derived from the UK. Legacy income includes £195,000 which relates to properties bequeathed to The Institute but not realised at the balance sheet date.

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2002	Total funds 2001
Legacies	2,659	-	-	2,659	2,562
Donations	459	863	-	1,322	942
	<u>3,118</u>	<u>863</u>	<u>-</u>	<u>3,981</u>	<u>3,504</u>

### 4. INVESTMENT INCOME

	2002 £000	2001 £000
Interest income	3,083	3,224
Dividend income	413	341
	<u>3,496</u>	<u>3,565</u>

All investment income is derived from investments held within the UK.

### 5. COST OF GENERATING FUNDS

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2002	Total funds 2001
Fundraising costs	510	-	-	510	550
Legacy administration and development costs	206	-	-	206	54
Information and education costs	234	-	-	234	186
Investment managers fees	84	-	-	84	56
	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>1,034</u>	<u>846</u>



**The Institute of Cancer Research**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 July 2002

**6. RESEARCH EXPENDITURE**

	<b>Unrestricted funds £000</b>	<b>Restricted funds £000</b>	<b>Total funds</b>	
			<b>2002 £000</b>	<b>2001 £000</b>
Research sections	13,886	14,848	28,734	27,539
Research grant payable	-	-	-	1,000
Scientific services	2,487	-	2,487	1,699
Academic and research services	2,149	117	2,266	2,320
Laboratory development and renovation	417	-	417	2,137
Health, safety and welfare service	604	-	604	792
Amortisation and depreciation	864	900	1,764	1,762
Accommodation services	2,720	-	2,720	2,024
	<u>23,127</u>	<u>15,865</u>	<u>38,992</u>	<u>39,273</u>

Research expenditure includes interest payable under finance leases of £1,546,000 (2001: £1,401,000). In 2002 this was reduced by the receipt of an exceptional rebate of £1,839,000.

Research expenditure including amortisation and depreciation is analysed as follows:

	<b>Staff costs £000</b>	<b>Deprec -iation £000</b>	<b>Other costs £000</b>	<b>Total 2002 £000</b>	<b>Total 2001 £000</b>
Research sections	19,950	1,435	8,784	30,169	28,920
Research grant payable	-	-	-	-	1,000
Scientific services	2,010	145	477	2,632	1,826
Academic and research services	1,631	117	635	2,383	2,416
Laboratory development and renovations	113	8	1,443	1,564	2,251
Health, safety and welfare services	298	21	306	625	814
Accommodation services	524	38	1,057	1,619	2,046
	<u>24,526</u>	<u>1,764</u>	<u>12,702</u>	<u>38,992</u>	<u>39,273</u>

**7. MANAGEMENT AND ADMINISTRATION SERVICES**

	<b>Staff costs £000</b>	<b>Deprec -iation £000</b>	<b>Other costs £000</b>	<b>Total 2002 £000</b>	<b>Total 2001 £000</b>
Management and administration services	1,198	-	413	1,611	1,588
Audit fee	-	-	18	18	20
Amortisation and depreciation	-	73	-	73	73
Accommodation costs	-	-	113	113	84
	<u>1,198</u>	<u>73</u>	<u>544</u>	<u>1,815</u>	<u>1,765</u>

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

Management and administration services include the costs of directing and administering The Institute both as a research and a charitable organisation. Staff costs relating to Human Resources and Management Information Services are included under support costs.

### 8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold land and buildings £000	Furniture, plant and equipment £000	Total £000
<b>Cost or valuation</b>				
1 August 2001	22,556	16,233	8,190	46,979
Additions at cost	10,392	-	1,684	12,076
<b>At 31 July 2002</b>	<b>32,948</b>	<b>16,233</b>	<b>9,874</b>	<b>59,055</b>
<b>Depreciation</b>				
1 August 2001	304	331	7,032	7,667
Provided in the year	258	324	1,255	1,837
<b>At 31 July 2002</b>	<b>562</b>	<b>655</b>	<b>8,287</b>	<b>9,504</b>
<b>Net book value</b>				
31 July 2002	32,386	15,578	1,587	49,551
31 July 2001	22,252	15,902	1,158	39,312
<b>Historic cost</b>				
31 July 2002	28,559	13,002	1,587	43,148
31 July 2001	18,347	13,267	1,158	32,772
<b>Revaluation Reserve</b>				
			<b>2002 £000</b>	<b>2001 £000</b>
Reserve at 1 August 2001			6,540	5,761
Movement in year:				
- Transfer from Revaluation Reserve to Fixed Asset fund in respect of depreciation on revalued assets			(137)	(116)
- Revaluation of Residential Properties			-	895
Reserve at 31 July 2002			6,403	6,540

There were no fixed assets other than those held by The Institute.

Net book value of assets held under finance lease was £13.8 million which comprised leasehold properties. The depreciation on these assets for the year was £340,000.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

The Institute's scientific properties were revalued by Gerald Eve Chartered Surveyors as at 31 July 2000. Residential properties were revalued by Frost Properties Surveyors as at 31 July 2001. The valuations were undertaken on an open market basis and depreciated replacement cost with the exception of the Chester Beatty Laboratories. The laboratories excluding the Chester Beatty Laboratories were valued at £10,240,000. The Residential properties were valued at £1,504,000.

As a result of the arrangements stated in note 11 concerning the Chester Beatty Laboratories, it is not possible to obtain a valuation for this property under normal RICS guidelines. However in accordance with FRS 5 The Institute has, after making enquiries, valued the laboratories on the hypothetical assumption that it has an unfettered freehold title and the leases referred to in Note 11 did not exist. On this basis, the Laboratories are included in the financial statements at a value of £17 million on an existing use basis.

The Board of Trustees are not aware of any material changes since the last valuation.

Expenditure on freehold land and buildings includes £10,203,000 (2001: £9,553,000) in respect of the Brookes Lawley Building which was under construction on 31 July 2002.

### 9. INVESTMENTS

	Listed fixed interest £000	Listed equities and unit trusts £000	Unlisted equities an unit trusts £000	Money market deposits £000	Total £000
Market value at 1 August 2001	9,639	10,974	26	37,435	58,074
Movements in deposits	-	-	-	11,278	11,278
Additions at cost	2,979	6,817	-	-	9,796
Disposals at book value	(7,170)	(3,486)	-	-	(10,656)
Unrealised (losses) /gains	(295)	(2,717)	(9)	-	(3,021)
<b>Total at 31 July 2002</b>	<b>5,153</b>	<b>11,588</b>	<b>17</b>	<b>48,713</b>	<b>65,471</b>
<b>Historic cost as at:</b>					
<b>31 July 2002</b>	<b>4,952</b>	<b>12,534</b>	<b>53</b>	<b>37,435</b>	<b>54,974</b>
<b>31 July 2001</b>	<b>9,382</b>	<b>9,596</b>	<b>53</b>	<b>37,435</b>	<b>56,466</b>

The listed investments held by the General Fund (£15,169,000) are a segregated investment portfolio managed by Merrill Lynch Investment Managers. The listed investments held by the Endowment Funds (£1,572,000) are invested in the Charishare Tobacco Restricted Fund which is a recognised charity common investment fund managed by Merrill Lynch Investment Managers.

At 31 July 2002 money market deposits included a fixed deposit of £21.7 million held by HSBC, £20.1 million invested in the Merrill Lynch Institutional Liquidity Fund, £5 million invested in the BGI Sterling Liquidity Plus Fund, £1.1 million invested in an HSBC money market deposit and £0.8 million of other deposits.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

### 10. DEBTORS

	Group		Institute	
	2002	2001	2002	2001
	£000	£000	£000	£000
Grant debtors:				
-Capital grants due from HEFCE	826	6,739	826	6,739
-Capital grants due from The Wellcome Trust	875	-	875	-
-Capital equipment grants	56	366	56	366
-Revenue grants	2,457	4,181	2,457	4,181
Other trade debtors	620	1,406	166	342
Legacy debtors	284	549	284	549
Prepayments	125	103	125	103
Other debtors	330	788	330	609
	<u>5,573</u>	<u>14,132</u>	<u>5,119</u>	<u>12,889</u>

### 11. CREDITORS:

#### (i) Amounts falling due within one year

	Group		Institute	
	2002	2001	2002	2001
	£000	£000	£000	£000
Trade creditors	2,049	2,903	1,595	1,660
Accruals	1,880	2,170	1,880	2,170
Other creditors	1,705	1,802	1,705	1,802
Taxes and social security	581	521	581	521
	<u>6,215</u>	<u>7,396</u>	<u>5,761</u>	<u>6,153</u>

#### (ii) Amounts falling due after more than one year

Other creditors – over one year	250	500	250	500
Finance lease payable - over five years	20,688	20,194	20,688	20,194
	<u>20,938</u>	<u>20,694</u>	<u>20,938</u>	<u>20,694</u>

The Institute has entered into an arrangement with Lloyds Bank Property Company Ltd (Lloyds) whereby a long leasehold has been granted on The Institute's freehold property, the Chester Beatty Laboratories, to Lloyds. Lloyds have undertaken to pay for the development of the Laboratories up to a maximum of £20.6 million exclusive of VAT. It has granted an occupational lease to The Institute to occupy the Laboratories.

HSBC Plc have granted an irrevocable Letter of Credit to Lloyds in respect of costs related to the project. At 31 July 2002, The Institute has placed on deposit at HSBC a sum of £21.7 million (2001 - £21.7 million) which includes security for the Letter of Credit. In accordance with Financial Reporting Standard 5 the transaction has been accounted for by treating the amounts paid to the contractor in respect of the development as additions to the fixed assets of The Institute. The corresponding entry, which represents the amounts paid by Lloyds, has been treated as a long-term loan.

**The Institute of Cancer Research**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 July 2002

**12 ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>General funds £000</b>	<b>Designated funds £000</b>	<b>Restricted funds £000</b>	<b>Endow- ment funds £000</b>	<b>Total Funds 2002</b>
Tangible fixed assets	-	23,629	25,922	-	49,551
Investments	39,760	19,846	4,293	1,572	65,471
Net current assets	196	25	(377)	-	(156)
Long term creditors	(20,938)	-	-	-	(20,938)
<b>Total net assets</b>	<b>19,018</b>	<b>43,500</b>	<b>29,838</b>	<b>1,572</b>	<b>93,928</b>

**13. UNRESTRICTED FUNDS**

	<b>Balance at 1 August 2001 £000</b>	<b>Income £000</b>	<b>Expen- diture £000</b>	<b>Transfers, gains and losses £000</b>	<b>Balance at 31 July 2002 £000</b>
<b>Designated funds</b>					
Fixed asset funds	16,429	-	-	797	17,226
Revaluation Reserve	6,540	-	-	(137)	6,403
Development Fund	15,763	-	-	200	15,963
FC Hunter Studentship Fund	593	-	-	(24)	569
Joan Francis Stowe Fund	15	-	-	(1)	14
Unrestricted external funds	3,259	9,165	(8,134)	(965)	3,325
	<b>42,599</b>	<b>9,165</b>	<b>(8,134)</b>	<b>(130)</b>	<b>43,500</b>
<b>General Fund</b>	<b>18,532</b>	<b>21,367</b>	<b>(18,559)</b>	<b>(2,322)</b>	<b>19,018</b>
<b>Total unrestricted funds</b>	<b>61,131</b>	<b>30,532</b>	<b>(26,693)</b>	<b>(2,452)</b>	<b>62,518</b>

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

	<b>£'000</b>
Capital commitments (see note 16)	6,014
Less: funds pledged from The Wolfson Foundation	(500)
Scientific initiatives	1,196
Other development funds	9,253
	<b>15,963</b>

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

The FC Hunter Studentship Fund is a legacy from the estate of Mr FC Hunter designated by The Institute for the purpose for supporting research studentships. The Joan Frances Stowe Fund finances the Joan Frances Stowe Prizes in Palliative and Nursing Care.

The Unrestricted external funds are grants awarded to The Institute for which The Institute has discretion as to their use. The transfers to and from restricted funds reflect adjustments to individual grants fund balances following the review of restricted and unrestricted activities.

### 14. RESTRICTED FUNDS

#### (i) Income funds

	Balance at 1 August 2001 £000	Income £000	Expen- diture £000	Transfers, gains and losses £000	Balance at 31 July 2002 £000
<b>Funds invested in fixed assets</b>					
Breakthrough Breast Cancer	5,420	-	(111)	-	5,309
The Bob Champion Cancer Trust	980	-	(20)	-	960
Everyman Appeal	725	-	(15)	13	723
The Garfield Weston Foundation	490	-	(10)	-	480
The Monument Trust	340	-	(7)	-	333
The Wolfson Foundation	245	500	(5)	-	740
HEFCE	7,449	826	-	-	8,275
The Wellcome Trust	-	7,963	-	-	7,963
Equipment funds	694	1,176	(732)	-	1,138
	<u>16,343</u>	<u>10,465</u>	<u>(900)</u>	<u>13</u>	<u>25,921</u>
<b>Other restricted funds</b>					
Everyman Appeal	793	363	-	(796)	360
Cancer Research UK	504	-	-	(11)	493
Epidemiology Fund					
Research grants	3,151	14,573	(15,117)	457	3,064
	<u>4,448</u>	<u>14,936</u>	<u>(15,117)</u>	<u>(350)</u>	<u>3,917</u>
<b>Sub total</b>	<u>4,448</u>	<u>14,936</u>	<u>(15,117)</u>	<u>(350)</u>	<u>3,917</u>
<b>Total restricted funds</b>	<u><u>20,791</u></u>	<u><u>25,401</u></u>	<u><u>(16,017)</u></u>	<u><u>(337)</u></u>	<u><u>29,838</u></u>

Breakthrough Breast Cancer contributed funding for the Breakthrough Toby Robins Breast Cancer Research Centre, part of the Chester Beatty Laboratories.

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

The Higher Education Funding Council, Wellcome Trust and The Wolfson Foundation have contributed to the building of the Brookes Lawley Building.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

The Cancer Research UK Epidemiology Fund represents the accumulated surplus on an endowment originally received from, and subsequently returned to Cancer Research UK. This surplus continues to fund The Institute's Epidemiological research.

The transfer from the Everyman Appeal represents amounts raised to fund expenditure on male cancers incurred in the unrestricted funds.

The research grants are funds received by The Institute for specific cancer research projects.

The transfers to and from research grants reflect adjustments to individual grants fund balances following a review of restricted and unrestricted activities.

ii) Endowment funds	Balance at 1 Aug 2001 £000	Income £000	Expen- diture £000	Transfers, gains and losses £000	Balance at 31 July 2002 £000
Hensley Nanikvell Studentship Fund	973	-	-	(125)	848
Sir SK Tang Fund	501	-	-	(64)	437
The Ivan and Felicite Stoller Fund	330	-	-	(43)	287
<b>Total endowment funds</b>	<b>1,804</b>	<b>-</b>	<b>-</b>	<b>(232)</b>	<b>1,572</b>

The endowment funds are permanent and as such the capital cannot be expended.

The Hensley Nankivell Studentship Fund was received from the estate of Mrs SMA Nankivell for the purpose of supporting research studentships at The Institute. The Sir SK Tang Fund (Endowment Fund) is a legacy received from the estate of the late Sir SK Tang.

### 15. LEASE COMMITMENTS

At 31 July 2002 The Institute had annual operating lease commitments in respect of property leases which expire as follows:

	2002 £000	2001 £000
Over five years	2,208	1,712
	<b>2,208</b>	<b>1,712</b>

### 16. CAPITAL COMMITMENTS

	2002 £000	2001 £000
Contracted but not provided for	570	10,894
Authorised by the Board of Trustees but not contracted for	5,446	2,073
	<b>6,016</b>	<b>12,967</b>

The contracted commitments represent the cost to complete the Brookes Lawley Building in Sutton.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

### 17. EMOLUMENTS OF THE BOARD OF TRUSTEES

No fees are paid to members of the Board of Trustees for their services as charity trustees. Those members of the staff of The Institute who are members of the Board of Trustees receive only the normal remuneration of their appointments.

One non-executive trustee received a total of £417 for reimbursement of travel expenses.

18. STAFF COSTS	2002 No.	2001 No.
<b>(i) Average number of employees</b>		
Research staff	699	659
Research students	91	84
Fundraising services	16	14
Corporate services including Academic services	65	69
	<u>871</u>	<u>826</u>

Research student numbers exclude students who do not appear on the payroll and research staff who are registered for higher degrees.

	2002 £000	2001 £000
<b>(ii) Remuneration:</b>		
Wages and salaries	22,639	20,329
Social security costs	1,718	1,635
Other pension costs	2,641	2,330
	<u>26,998</u>	<u>24,294</u>

### **(iii) Remuneration of Executive Directors**

The remuneration of Executive Directors is listed below inclusive of distinction awards. National Insurance contributions and employer's pension scheme are excluded except where indicated. The remuneration of the Chief Executive includes a bonus for both 2001 and 2002 as the bonus for 2001 was paid late.

	2002 £000	2001 £000
Chief Executive	131	116
Head of Chester Beatty and Haddow Laboratories	77	73
Head of Clinical Laboratories	133	129
Academic Dean	74	74
Secretary of The Institute	87	79
Chief Executive including employer's pension contributions	148	132



# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

<b>(iv) Remuneration of Higher Paid Staff</b>	<b>2002 No.</b>	<b>2001 No.</b>
£50,001 - £60,000	15	13
£60,001 - £70,000	7	8
£70,001 - £80,000	9	5
£80,001 - £90,001	3	4
£90,001 - £100,000	6	5
£100,001 - £110,000	2	0
£110,001 - £120,000	1	2
£120,001 - £130,000	0	1
£130,001 - £140,000	3	1
£140,001 - £150,000	0	0
£150,001 - £160,000	0	0
£160,001 - £170,000 (includes significant relocation costs)	1	1
£170,001 - £180,000	0	0
£180,001 - £190,000 (includes significant relocation costs)	1	0
£190,001 - £200,000 (includes significant relocation costs)	1	0

### **(v) Superannuation schemes**

The Institute participates in three superannuation schemes. The majority of scientific staff are in the Universities Superannuation Scheme (USS) (and the Universities Supplementary Dependants & Ill- Health Retirement Pension Scheme (USDPS)). The majority of clinical staff are in the National Health Service Superannuation Scheme (NHSPS) and other staff are in the ICR Pension Scheme (ICRPS). All three schemes provide benefits based on final pensionable salary.

#### **a) Universities Superannuation Scheme (USS) (and the Universities Supplementary Dependants & Ill Health Retirement Pension Scheme (USDPS))**

This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation was at 31 March 1999. The assets 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) and the rates of increase in salary and pensions. In relation to the past services liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.6% per annum and pensions would increase by 2.6 % per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 5.5% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.5% per annum and pensions would increase by 2.5% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £18,870 million (including an estimated £55 million in respect of outstanding bulk transfer payments due) and the value of the past service liabilities was £17,427 million leaving a surplus of assets of £1,443 million. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

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The institution contribution rate required for future service benefits alone at the date of the valuation was 16.3% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 2.3% for the period of 11 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £561 million of the surplus. It was also agreed, following the valuation, that £201 million of the surplus would be used to fund certain benefit improvements. This left a past service surplus of £681 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on The Institute's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2002 when the above rates will be reviewed.

The total pension cost for The Institute was £1,458,000 (2001:£1,391,000). This includes £120,000 (2001:£118,000) outstanding contributions at the balance sheet date. The contribution rate payable by The Institute was 14% of pensionable salaries.

### **b) National Health Service Superannuation Scheme (NHSPS)**

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

The Scheme is subject to a full valuation every four years. The last valuation took place as at 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published every October.

The Institute charges employer's pension costs contributions to operating expenses as and when they become due. Employer contribution rates are reviewed every four years, following a scheme valuation carried out by the Government Actuary. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. At the last valuation on which contribution rates were based (31 March 1994) employer contribution rates for 2001/02 were set at 7% (5% for 2000/01) of pensionable pay. The total employer contribution payable in 2001/02 was £290,000 (£238,000 for 2000/01). Employees pay contributions of 6% of their pensionable pay.

### **c) ICR Pension Scheme (ICRPS)**

This is a defined benefit scheme which is externally funded and contracted out of the SERPS. The assets of the scheme are held in a separate trustee-administered fund.

The most recent actuarial valuation was carried out by the actuary as at 31 March 2001. The valuation based on the projected unit method indicated that the funding of the ICRPS was satisfactory, with the actuarial value of the assets covering the accrued liabilities based on estimated final pensionable salaries at retirement to the extent of 108%, a surplus of £2.3 million.

The assumptions used in the valuations were as follows:

Investment returns	6.8%
Discount rate	5.3%
Salary inflation	3.8%
Pensions increases	2.3%
Price inflation	2.3%

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

This valuation only allows for increases of up to 5.5% and any additional increase is funded by The Institute.

The Valuation has been updated to 31 July 2002 in accordance with FRS17 by an independent actuary. The major assumptions used by the actuary at both 31 July 2001 and 31 July 2002 were:

Discount rate	6.0%
Salary inflation	4.0%
Pensions increases	2.5%
Price inflation	2.5%

The assets and liabilities of the scheme at 31 July 2002 and the expected return on assets over the following year measured in accordance with the requirements of FRS 17 were:

	2002 £'million	2001 £'million	Expected return (2002 & 2001)
Bonds	3.2	5.1	5.0%
Equities	19.8	23.3	7.5%
Other	<u>2.2</u>	<u>1.2</u>	4.5%
<b>Total assets</b>	25.2	29.6	
Liabilities	<u>27.5</u>	<u>24.3</u>	
<b>(Deficit)/Surplus</b>	<u>(2.2)</u>	<u>5.3</u>	

If the above amounts had been recognised in the financial statements, The Institute's net assets and reserves at 31 July would have been as follows:

	2002 £'m	2001 £'m
Net assets excluding pension (liability)/asset	93.9	83.7
Pension (liability)/asset	(2.2)	5.3
<b>Net asset including pension (liability)/asset</b>	<u>91.7</u>	<u>89.0</u>
	<b>2002 £'m</b>	<b>2001 £'m</b>
General fund excluding pension (liability)/assets	19.0	18.5
Pension (liability)/asset	(2.2)	5.3
<b>General fund including pension (liability)/asset</b>	<u>16.8</u>	<u>23.8</u>

If pension costs had been recognised in accordance with FRS 17, the following components of the pension charge would have been recognised in the Statement of Financial for the year ended 31 July 2002:

	£'m
Expected return on scheme asset	2.1
Interest cost	(1.5)
Net expected return on pension asset/(liability)	<u>0.6</u>
Current service cost	2.0
Net amounts charged to Statement of Financial Activities	<u>2.6</u>

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

	£'m
Actual return less expected return on scheme assets	(7.0)
Experience gain/(loss) arising on scheme liabilities	(0.4)
<b>Total loss charged to Statement of Financial Activities</b>	<b>(7.4)</b>

The employer's contributions rate was increased from 13% to 15% on 1 May 2002. New joiners to the scheme from this date will contribute 6%. On 31 July 2002 an amount of £128,000 was payable to the scheme (2001 - £99,000).

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

### (vi) Health and Safety at Work

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

## 19. VALUE ADDED TAX

The Institute incurred irrecoverable VAT amounting to some £723,000 during the year (2001:£915,000). It is a member of the Charities Tax Reform Group which campaigns on behalf of its members for a reduction in their VAT burden.

## 20. SUBSIDIARY UNDERTAKINGS

The Institute has the following subsidiary undertakings:

- (i) **ICR Chelsea Development Limited** - The Institute owns 100% of the issued share capital of this company which has been set up to act as the developer of the Chester Beatty Laboratories. It did not make a profit or a loss for the period ended 31 July 2002 and its net assets at that date amounted to £2. The accounts of ICR Chelsea Development Ltd have been consolidated into the accounts of The Institute.
- (ii) **ICR Sutton Developments Limited** - The Institute owns 100% of the issued share capital of this company which has been set up to act as the developer of the Male Urological Cancer Research Centre and the Brookes Lawley Building. It did not make a profit or a loss for the period ended 31 July 2002 and its net assets at that date amounted to £2. The accounts of ICR Sutton Developments Ltd have been consolidated into the accounts of The Institute.
- (iii) **ICR Enterprises Limited** - This company undertakes trading activities (e.g. the sale of Christmas Cards) for the benefit of The Institute that it cannot carry out itself as an exempt charity. The Institute owns 100% of the issued share capital. The company made a profit of £15,578 for the year ended 31 July 2002 which was paid to The Institute by means of a covenanted payment. Its net assets at 31 July 2002 amounted to £2. The results have not been consolidated into the accounts of The Institute as they are not material.
- (iv) **Everyman Action Against Male Cancer** - The company is limited by guarantee and was dormant throughout the period ended 31 July 2002.
- (v) **Other investments** - The Institute is a founder and shareholder of four companies whose aims are to exploit the intellectual property generated at The Institute. The companies and The Institute's shareholding are EPTTCo Ltd (19.9%), PETRRA Limited (20.2%), PROACTA Therapeutics Limited (16.7%) and Chroma Therapeutics Limited (5.3%). The Institute's investment in PROACTA Therapeutics Limited and Chroma Therapeutics Limited were made in November 2001. None of these companies has undertaken any

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

significant trading. The results of these companies have not been consolidated into the accounts of The Institute as they are not material. The cost of The Institute's share holding of the four companies is included in unlisted investments.

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

	2002 £000	2001 £000
<b>ICR Enterprises Limited</b>		
Turnover	19	204
Expenditure	(3)	(99)
Operating profit	16	105
Covenanted payment to The Institute	(16)	(105)
Profit for the year	-	-
Assets	18	80
Liabilities	(18)	(80)
Funds	-	-
<b>Development companies</b>	<b>2002</b>	<b>2001</b>
<b>ICR Sutton Developments and ICR Chelsea Development Limited</b>	<b>£000</b>	<b>£000</b>
Turnover	741	7,863
Cost of sales	(741)	(7,863)
Gross profit	-	-
Assets	10,187	1,783
Liabilities	(10,187)	(1,783)
Funds	-	-

### 21. THE MOULTON TRUST FUND

The Moulton Trust Fund is an independent charity of which The Institute of Cancer Research is the sole trustee. The Fund's income of £2,000 (2001:£2,000) was entirely donated to The Institute to fund postgraduate medical research. The Fund's net assets at 31 July 2002 were £42,000 (2001: £52,000). Audited accounts are available from The Institute.

### 22. RELATED PARTIES

The Institute has a joint project with Breakthrough Breast Cancer for the building of The Breakthrough Toby Robins Breast Cancer Research Centre at The Institute within the Chester Beatty Laboratories.

# The Institute of Cancer Research

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 July 2002

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### **23. INDEMNITY INSURANCE**

The Institute 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 £4,115 (2001 - £4,115).

## THE BOARD OF TRUSTEES

The Board of Trustees is the governing body of The Institute and is constituted under Article 23 of The Institute's Articles of Association.

	Nominating Body
LORD FARINGDON <sup>1,3</sup> <i>Chairman</i>	Co-option
S R DAVIE <sup>1,3,4</sup> CB <i>Deputy Chairman</i>	Co-option
E A C COTTRELL <sup>1,3</sup> <i>Honorary Treasurer</i>	Co-option
PROFESSOR P W J RIGBY PhD FMedSci <i>Chief Executive</i>	Ex Officio
PROFESSOR S NEIDLE DSc PhD ARCS DIC FRSC <i>Academic Dean (to 7/2002)</i>	Ex Officio
PROFESSOR R J OTT <sup>5</sup> PhD FInstP CPhys <i>Academic Dean (from 10/2002)</i>	Ex Officio
J M ASHWORTH <sup>1,3</sup> MA PhD DSc	Co-option
PROFESSOR A J BELLINGHAM CBE FRCP FRCPATH	Co-option
SIR HENRY BOYD-CARPENTER KCVO MA	Co-option
PROFESSOR J L CORNER PhD BSc RGN OncCert (to 1/2002)	Academic Board
PROFESSOR M DOWSETT PhD (to 9/2002)	Academic Board
S E FODEN MA DPhil	Co-option
MRS T M GREEN MA	(Chairman, The Royal Marsden Hospital Student)
MISS N INGRAM BSc (from 11/2001)	Academic Board
PROFESSOR M O LEACH PhD FInstP FIPEM FMedSci (from 10/2002)	(Cancer Research UK)
PROFESSOR J G McVIE FMedSci MD FRCP (to 9/2002)	Co-option
T A HINCE MSc PhD – alternate Director	Cancer Research UK
PROFESSOR H R MORRIS FRS	(The Royal Marsden Hospital)
SIR PAUL NURSE FRS (from 11/2002)	Academic Board
MISS C A PALMER MSc MHSM DipHSM	Academic Board
D WEIR-HUGHES MA RN Neuro Cert – alternate Director	Co-option
PROFESSOR L PEARL PhD (from 2/2002 to 9/2002)	University of London
PROFESSOR D H PHILLIPS PhD DSc FRCP FRCPATH (from 10/2002)	Academic Board
DAME LESLEY REES <sup>1</sup> DBE MD DSc FRCP FRCPATH (to 3/2002)	Co-option
R E SPURGEON <sup>2</sup>	Co-option
PROFESSOR M WATERFIELD FRS FMedSci	University of London
D E V WILMAN PhD CChem MRSC ARPS (from 10/2002)	Academic Board
J M KIPLING FCA <i>Secretary of The Institute</i>	
PROFESSOR A HORWICH PhD FRCP FRCP Director of Clinical Research & Development and Head of the Clinical Laboratories	
PROFESSOR C S COOPER DSc PhD Head of the Haddow Laboratories (to 3/2002)	
PROFESSOR K R WILLISON PhD Head of the Chester Beatty and Haddow Laboratories	
PROFESSOR C J MARSHALL FRS FMedSci <i>Chairman of the Joint Research Committee</i>	

### NOTES:

<sup>1</sup>Member of the Constitutional and Nomination Committee

<sup>2</sup>Member of the Audit Committee

<sup>3</sup>Member of the Remuneration Committee

<sup>4</sup>Senior member of the Board of Trustees

<sup>5</sup>Professor Ott was a member of the Board of Trustees (Nominee of the Academic Board) prior to his appointment as Academic Dean

## ACADEMIC BOARD

The Academic Board advises the Board of Trustees upon all academic and teaching matters and questions of education policy.

PROFESSOR R J OTT PhD FInstP CPhys *Chairman and Academic Dean*  
PROFESSOR P W J RIGBY PhD FMedSci *Chief Executive*  
PROFESSOR A L JACKMAN PhD *Deputy Dean (Non-Clinical)*  
K PRITCHARD-JONES BM BCh PhD FRCPE FRCPCH *Deputy Dean (Clinical)*  
K ALLEN PhD  
PROFESSOR A ASHWORTH PhD  
J BAMBER PhD  
PROFESSOR D BARFORD DPhil  
J BLISS\* MSc FRSS  
M BRADA\* BSc MB ChB FRCP FRCR  
PROFESSOR D CATOVSKY MD DSc(Med) FRCPATH FRCP FMedSci  
PROFESSOR C S COOPER DSc PhD  
PROFESSOR D CUNNINGHAM MD FRCP  
D DEARNALEY\* MD FRCP FRCR  
PROFESSOR M DOWSETT PhD  
A DZIK-JURASZ MBBS FRCS FRCR  
S ECCLES\* PhD  
PROFESSOR T ENVER PhD  
P EVANS\* DPhil MInstP MIMA  
PROFESSOR C FISHER MA MD DSc(Med) FRCPATH  
G H GOODWIN\* PhD  
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PROFESSOR M GREAVES PhD FRCPATH HonMRCP FMedSci  
M GREEN  
N HEARLE  
PROFESSOR A HORWICH PhD FRCP FRCR  
R S HOULSTON\* MD PhD FRCP FRCPATH  
R HUDDART MA PhD MRCP FRCR  
PROFESSOR J HUSBAND OBE FRCP FRCR FMedSci  
PROFESSOR C ISACKE PhD  
PROFESSOR I JUDSON MA MD FRCP  
M KATAN\* PhD  
PROFESSOR S KAYE MD FRCP FRCR FRSE  
PROFESSOR S R LAKHANI MD FRCPATH  
PROFESSOR M O LEACH PhD FInstP FIPEM FMedSci  
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E MATUTES\* MD PhD FRCPATH  
S MITTNACHT\* PhD  
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S MOSS\* PhD Hon MFPHM  
M PARTRIDGE PhD MInstP CPhys EurPhys  
G PAYNE DPhil MInstP MIPEM  
PROFESSOR L H PEARL PhD  
PROFESSOR J PETO MA DSc MFPHM FMedSci  
PROFESSOR D H PHILLIPS PhD DSc FRCPATH  
PROFESSOR C R PINKERTON MD DCH FRCPI FRCPCH  
S POPAT BSc MB MRCP PhD



## **ACADEMIC BOARD** continued

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PROFESSOR T J POWLES PhD FRCP

P H RHYS-EVANS FRCS

J SHIPLEY\* PhD

PROFESSOR I SMITH MD FRCP FRCPE

K SNELL\* PhD FRSA LRPS

PROFESSOR C J SPRINGER PhD CChem FRSC

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PROFESSOR A SWERDLOW BMBCh MA PhD DM FFPHM

G ter HAAR\* DSc

M WATSON PhD Dip Clin Psychol

PROFESSOR S WEBB DSc PhD DIC ARCS FInstP CPhys FIPEM FRSA

PROFESSOR K R WILLISON PhD

D E V WILMAN PhD CChem MRSC ARPS

PROFESSOR P WORKMAN PhD FIBiol FMedSci

PROFESSOR J YARNOLD MBBS MRCP FRCR

A ZELENT\* PhD

\*Reader

## MEMBERS OF THE INSTITUTE

The Members of The Institute are persons who, by reason of their past and present contributions, are, in the opinion of the Board of Trustees, likely to assist the furtherance of the objects of The Institute.

J M ASHWORTH MA PhD DSc  
PROFESSOR A J BELLINGHAM CBE FRCP FRCPPath  
R BENTINE  
PROFESSOR J W BOAG DSc FInstP FIEE  
SIR HENRY BOYD-CARPENTER KCVO MA  
J M CARTWRIGHT FCA ATII  
E A C COTTRELL  
MISS P M CUNNINGHAM CBE  
PROFESSOR G A CURRIE MD FRCP FRCPPath  
S R DAVIE CB  
PROFESSOR A J S DAVIES PhD DSc FIBiol  
J J DEFRIES BCom IPFA  
HIS HONOUR JUDGE KEITH DEVLIN PhD  
PROFESSOR SIR RICHARD DOLL CH OBE DM FRCP FRS  
R ELLIOTT  
LORD FARINGDON  
W O FARRER CVO  
G G FERGUSON  
J M FIRTH CB PhD  
S E FODEN MA DPhil  
PROFESSOR A B FOSTER DSc  
B W FREEDMAN  
PROFESSOR P B GARLAND CBE MA MB PhD LLD(hc) FRSE  
LORD HUSSEY OF NORTH BRADLEY  
MRS S THOMSON JONES  
PROFESSOR H E M KAY MD FRCP FRCPPath  
P J KEEMER MPhil  
K C LAWRANCE  
A E LIGHTLY FRICS FBEng ACI Arb  
M G LILLYWHITE<sup>1</sup>  
PROFESSOR H R MORRIS FRS  
PROFESSOR G J MUFTI MBBS DM FRCP FRCPPath  
PROFESSOR A R MUNDY MS FRCP FRCS  
PROFESSOR S NEIDLE DSc PhD ARCS DIC FRSC  
A R OLDHAM  
J M PEARCE<sup>1</sup>  
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S READ BA  
DAME LESLEY REES DBE MD DSc FRCP FRCPPath  
G E RICHARDSON FRICS  
DAME STELLA RIMINGTON DCB  
M J SAVAGE FCA  
M S SMITH MA MIPA  
R E SPURGEON<sup>1</sup>  
A STEVENS BA  
SIR KENNETH STOWE GCB CVO

**MEMBERS OF THE INSTITUTE** continued

PROFESSOR G WESTBURY OBE MB BS FRCP FRCS HonFRCSEd  
SIR DAVID INNES WILLIAMS MA MD MChir FRCS  
E WILTSHAW OBE MD FRCP FRCOG

NOTES:

<sup>1</sup>Member of the Audit Committee

## FELLOWS OF THE INSTITUTE

Appointment as a Fellow of The Institute is conferred upon distinguished individuals who have some connection with The Institute 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 Institute's objectives.

PROFESSOR SIR KENNETH CALMAN KCB DL FRSE

M J CRUMPTON PhD CBE HonFRCPPath FRS FMedSci

PROFESSOR T M DEXTER FRS FMedSci

PROFESSOR SIR RICHARD DOLL CH OBE DM FRCP FRS

LORD FARINGDON

PROFESSOR P B GARLAND CBE MA MB PhD LLD(hc) FRSE

PROFESSOR SIR MICHAEL PECKHAM MA MD FRCP FRCP(G) FRCR FRCPPath FRCS

SIR KENNETH STOWE GCB CVO

PROFESSOR R A WEISS PhD HonFRCP FRCPPath FRS FMedSci

PROFESSOR G WESTBURY OBE MB BS FRCP FRCS HonFRCSEd

## ASSOCIATES OF THE INSTITUTE

The appointment of an Associate of The Institute is, in the main, for long-serving ex-employees of The Institute of long and distinguished service.

PROFESSOR P BROOKES DSc  
D A BRUNNING ALA  
PROFESSOR R L CARTER CBE MA DM DSc FRCP FRCPPath  
PROFESSOR J CHAMBERLAIN MB FRCP FFPHM  
N CLARKE  
PROFESSOR J L CORNER PhD BSc RGN OncCert  
A R CRATHORN PhD  
D A DARCY DPhil  
E O FIELD DM DMRD  
J W GOODWIN  
PROFESSOR N F C GOWING MD FRCPPath  
H S GREER MD FRCPsych  
L J GRIGGS BSc  
P L GROVER DSc  
PROFESSOR B A GUSTERSON PhD FRCPPath  
N P HADOW OBE MA  
PROFESSOR J G HALL MB BS PhD DSc MRCS LRCP FRCPPath  
PROFESSOR K R HARRAP CBE DSc FRSC  
PROFESSOR C R HILL DSc FInstP FIEE HonFRCR  
PROFESSOR M JARMAN MA DSc CChem FRSC  
PROFESSOR P D LAWLEY MA PhD DSc  
R K MERRIFIELD BSc MSc  
E MERRYWEATHER  
J H PEACOCK PhD  
R A PENDRY FBIFM AMIOB  
F J C ROE DM DSc FRCPPath FATS  
D J C SIMMONS MPhil FIBMS MIST  
PROFESSOR G G STEEL DSc  
A STEWART  
J A STOCK DSc FRSC  
PROFESSOR SIR TOM SYMINGTON MD DSc(Hon) FRSC FRCPG FRCPPath FRSE  
PROFESSOR D M TAYLOR DSc FRSC FRCPPath  
D L THARP BSc  
S VENITT PhD  
T WEST

## **Legal and administrative information**

### **Auditors**

BDO Stoy Hayward  
8 Baker Street, London W1M 1DA

### **Bankers**

Coutts & Co  
Chandos Branch, 440 Strand, London WC2

HSBC plc  
Onslow Square Branch, 1 Sydney Place, London SW7

### **Investment Managers**

Merrill Lynch Investment Managers  
33 King William Street, London EC4

### **Solicitors**

Farrer & Co  
66 Lincoln's Inn Fields, London WC2

### **Registered Office**

123 Old Brompton Road  
London SW7 3RP

### **Company number**

534147

## Appendix to the Financial Statement

Amounts in £ thousands	Unrestricted Funds	Restricted Funds	2002 Total	2001 Total
<b>Note 2 External Grants</b>				
<i>(i) Grants for Specific Research</i>				
All grants are awarded for specific programmes of research.				
Cancer Research UK	6,307	4,369	10,676	9,635
Breakthrough Breast Cancer	-	2,271	2,271	1,176
Royal Marsden NHS Trust	-	2,249	2,249	2,471
Medical Research Council	-	1,513	1,513	673
Leukaemia Research Fund	990	-	990	1,030
Department of Health	584	-	584	442
Engineering and Physical Sciences Research Council	-	295	295	329
The Wellcome Trust	-	284	284	438
Association for International Cancer Research	-	251	251	217
U.S. National Cancer Institute	-	225	225	68
The Bob Champion Cancer Trust	-	221	221	120
Leopold Muller Trust	-	200	200	184
International Agency on Research of Cancer	-	163	163	-
Macmillan Cancer Relief	-	157	157	279
Kay Kendall Fund	-	128	128	108
Biotechnology & Biological Sciences Research Council	-	123	123	137
Imperial College	-	109	109	-
The European Union	-	105	105	209
Health & Safety Executive	-	91	91	68
Human Frontier Science Program Organisation	-	74	74	41
Oxford Glycosciences (UK) Ltd	-	70	70	11
Novartis Pharma AG	-	67	67	-
National Institutes of Health	-	64	64	-
Sir John Egan Trust	-	60	60	-
The British Council	-	60	60	70
The Prostate Charitable Trust	-	60	60	54
Kudos Pharmaceuticals Ltd	-	59	59	-
Schering Health Care Ltd	-	57	57	77
The Lister Institute of Preventive Medicine	-	56	56	50
Cyclacel Ltd	-	47	47	145
AstraZeneca Plc	-	45	45	111
Sir Siegmund Warburg's Trust	-	45	45	23
BACR Secretariat	-	38	38	24
Tuberous Sclerosis Association	-	37	37	-
Samuel Waxman Cancer Research	-	35	35	-
World Health Organisation	-	31	31	-
Bud Flanagan Leukaemia Fund	-	30	30	30
National Health Service	-	22	22	65
Chelsea and Westminster NHS Trust	-	21	21	-
European Molecular Biology Organisation	-	21	21	-
Cancer Provision Research	-	20	20	22
Lymphoma Research Trust	-	18	18	-
The LAM Foundation	-	14	14	-
Taylor & Francis Group	-	13	13	16
Yamanouchi Pharmaceutical Co. Ltd	-	12	12	356
The Scottish Office	-	11	11	25
Other grants (less than £10,000)	183	196	379	1,174
	8,064	14,037	22,101	19,878

Amounts in £ thousands	Unrestricted Funds	Restricted Funds	2002 Total	2001 Total
<i>(ii) Grants and Contracts for Teaching and Support Services</i>				
The Institute seeks contributions to the costs of these services from sponsors.				
Cancer Research UK	1,377	-	1,377	1,882
Medical Research Council	350	-	350	269
West London NHS Workforce Confederation	728	-	728	622
Other grants	1,342	274	1,616	753
Cancer Research UK Studentships	59	110	169	180
Royal Marsden NHS Trust Studentships	-	18	18	32
	3,856	402	4,258	3,738

### *(iii) Grants for Equipment and Buildings*

The Wellcome Trust	-	7,991	7,991	109
Cancer Research UK	749	566	1,315	68
Breakthrough Breast Cancer	-	386	386	917
Other grants	249	198	447	57
	998	9,141	10,139	1,037

## Note 5 Research Expenditure

### (i) Research Sections

The Institute is divided into Research Sections according to general objectives but this does not militate against inter-disciplinary work. Sections consist of a number of teams each comprising a group of staff working together on one or more research projects.

The principal research activities are reviewed quinquennially by The Institute's major sponsors.

Amounts in £ thousands	Unrestricted Funds	Restricted Funds	2002 Total	2001 Total
Heads of Laboratories' Offices	179	-	179	288
Medicine	317	749	1,066	897
Haematology and Cytogenetics	277	459	736	1,045
Radiotherapy	245	1,434	1,679	1,769
The Breakthrough Toby Robins Breast Cancer Research Centre	669	3,013	3,682	2,415
Cancer Research UK Clinical Magnetic Resonance Research Group	211	1,178	1,389	1,292
Physics	142	390	532	536
Cancer Research UK (Centre for Cancer Therapeutics)	3,902	427	4,329	3,995
Structural Biology (including the Cancer Research UK Biomolecular Structure Unit)	828	1,083	1,911	1,840
Biochemistry	46	215	261	227
Cell & Molecular Biology (including the Cancer Research UK Centre for Cell & Molecular Biology)	2,025	212	2,237	2,831
Leukaemia Research Fund Centre for Cell and Molecular Biology of Leukaemia	923	25	948	841
Molecular Carcinogenesis	1,139	341	1,480	1,450
Cancer Genetics	903	582	1,465	2,540
Gene Function and Regulation	1,102	380	1,482	1,387
Epidemiology	729	1,495	2,224	1,796
Centre for Cancer & Palliative Care Studies	151	286	437	552
Paediatric Oncology	98	411	509	567
Central Services	-	-	-	423
	13,886	12,660	26,546	26,691
Research equipment	-	2,188	2,188	1,848
	13,886	14,848	28,734	28,539

### (ii) Scientific Services

#### Trading services

These services sell their service or product to research teams. The prices charged are intended to cover only the direct costs of salaries and running expenses; the Biological Services Secretariat, equipment and the related overhead costs are financed by The Institute.

#### Non-Trading Services

For these services it is not cost effective to set up and administer such an internal sales mechanism. They are directly financed by The Institute.

Amounts in £ thousands	Expenditure	Income	2002 Net (Surplus)/Deficit	2001 Net (Surplus)/Deficit
<b>Trading Scientific Services</b>				
Biological services	747	(239)	508	104
Workshops	119	(107)	12	(8)
Confocal Microscopy	25	(13)	12	46
Histopathology	31	(25)	6	7
Media preparation	109	(137)	(28)	(3)
Centralised Glassware	171	(137)	34	5
Transgenic Facility	85	-	85	104
	1,287	(658)	629	255
<b>Non-Trading Scientific Services</b>				
Site laboratory management	601	-	601	471
Stores & purchasing	349	-	349	334
Information Systems	1,260	(352)	908	624
	2,210	(352)	1,858	1,429
Equipment	0	-	0	15
	2,210	(352)	1,858	1,444
	3,497	(1,010)	2,487	1,699



(iii) Academic and Research Services

The Institute receives statutory fees in respect of students and levies fees for visiting workers. Some studentships are externally funded.

Amounts in £ thousands	Expenditure	Income	2002 Net Cost	2001 Net Cost
Library	452	(10)	442	449
Academic & Research Secretariat	264	-	264	191
Courses & conferences (including academic nursing)	765	(124)	641	810
The Registry (including studentships)	1,009	(90)	919	870
	2,490	(224)	2,266	2,320

	Unrestricted Funds	Restricted Funds	2002 Total	2001 Total
(iv) Laboratory Development and Renovations				
Laboratory rental payments	839	-	839	1,560
Rent rebate received	(1,139)	-	(1,139)	
Laboratory renovations	717	-	717	577
	417	-	417	2,137

(v) Health, Safety and Welfare Services				
Health and safety	380	-	380	359
Catering and hospitality	45	-	45	151
Pensions	102	-	102	118
Early retirement and redundancy costs	77	-	77	164
	604	0	604	792

(vi) Amortisation and depreciation	937	900	1,837	1,835
Transfer 4% to Management and administrative services (Note 9)	(73)	0	(73)	(73)
	864	900	1,764	1,762

Building & maintenance	1,225	-	1,225	903
Portering, patrols & transport	274	-	274	315
Cleaning	287	-	287	249
Telephones & Postage	122	-	122	94
Rent, rates and insurance	421	-	421	306
Fuel and power	504	-	504	241
	2,833	0	2,833	2,108
Transfer 4% to Management and administrative services (Note 9)	(113)	-	(113)	(84)
	2,720	0	2,720	2,024

Accommodation services are allocated on the basis of space occupied, 96% to research expenditure and 4% to management and administrative services based on staff costs.

Interest Payable

Laboratory rental payments	839	-	839	1,560
Rent rebate received	(1,139)	-	(1,139)	
	(300)	0	(300)	1,560