

The Institute of Cancer Research: Royal Cancer Hospital

Company Number 534147

Financial Statements for the year ended 31 July 2008

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REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 JULY 2008

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 2008.

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 March 2005. The accounts consolidate the activities of The Institute's subsidiaries ICR Sutton Developments Limited and ICR Chelsea Developments Limited which undertake construction work for The Institute, ICR Enterprises Limited which carries out The Institute's trading activities and ICR Equipment Leasing No.8 which holds a lease over one of The Institute's properties. None of these companies had any external activities. The other subsidiary undertaking, The Moulton Trust, made a small surplus which was paid to The Institute but is not consolidated as the amounts involved are not material.

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 NHS Foundation Trust forms the largest comprehensive cancer centre in Europe, and one of the leading centres in the world. The Institute has authorised a total of 1144 posts. During the year The Institute had an average of 1051 employees of whom 91% (2007: 91%) are directly engaged in research and research support. It raised £87.1 million (2007: £77.0 million) during the year from research grants and voluntary income and spent some £77.8 million (2007: £74.6 million). Capital expenditure was £2.1 million (2007: £3.1 million). The closure of the ICR Pension Scheme gave rise to an additional non-cash gain of £4.8 million.

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

2005.

The overall governing body of The Institute is its Board of Trustees.

- **The Board of Trustees** (Chaired by Lord Ryder of Wensum)
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 24 individuals nominated by The University of London, The Royal Marsden NHS Foundation Trust, 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 and the Academic Dean) 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. The Board endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). In addition, the Board of Trustees recognises the principles underlying 'The Committee on Corporate Governance's Combined Code' and The Committee of University Chairmen Governance Code of Practice and applies them within The 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, Secretary of The Institute, Academic Dean) and monitors The Institute's strategic performance. It also approves new initiatives and non-recurrent expenditure costing £500,000 or more.

To aid Board members' understanding of The Institute's research priorities scientific presentations are given at Board meetings.

During the financial year The Institute welcomed Mrs Rachel Laidlow to its governing body. Dr Pascal Meier, Professor Laurence Pearl, Konstantin Graf von Schweinitz and Professor Caroline Springer have been appointed to the Board of Trustees since 1 August 2008.

During the financial year Mr Neil Rzechorzek stepped down from the governing body. The Institute is extremely grateful for

his valuable contribution during his appointment. Mr Edward Cottrell, Professor Andrew Pearson, Professor David Phillips and Professor Keith Willison have stepped down since 1 August 2008.

The Board of Trustees met six times in 2007/08. During the year the Board undertook a review of its own performance and that of the sub-committees that report to the Board. No major areas of concern arose from the Review. The Board also received an annual report relating to Key Performance Indicators. The vast majority of research, as judged by international peer review, is rated as of international standard and in the opinion of the Board of Trustees satisfactory progress is being made towards The Institute's long-term goals.

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 have been approved by the Board of Trustees.

- **The Academic Board** (Chaired by Professor Alan Horwich)
The Academic Board meets at least twice a year and advises, through the Academic Dean, the Board of Trustees on education strategies and priorities.
- **The Audit Committee** (Chaired by Mr John Pearce)
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 generally attended by senior members of The Institute's external auditors and The Institute's Chief of Internal Audit Services. The Committee has full access to the internal and external auditors who in turn have access at all times to the chairman of the Audit Committee.
- **The Constitutional and Nomination Committee** (Chaired by Lord Ryder of Wensum)
The Constitutional and Nomination Committee meets at least twice a year and approves the balance of skills and attributes required of non-executive members of 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 Fellows and Members of The Institute and appointments to the Board of Trustees.

When considering new appointments the Constitutional and Nomination Committee seeks proposals for candidates from a number of sources. During 2007/08 one new appointment was made to the Board of Trustees. Since 1 August 2008 a further four appointments have been made. All new Trustees are offered a tailored induction programme.

The appointment of Mrs Laidlow was to a nominated position (student).

- **The Remuneration Committee** (Chaired by Lord Ryder of Wensum)
The Remuneration Committee meets at least once a year. The Committee determines the remuneration policy and the salaries of senior members of staff. A Report from the Remuneration Committee is set out on pages 10-11.
- **The Corporate Management Group** (Chaired by Professor Peter Rigby)
The Corporate Management Group meets every three or four weeks 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 Christopher 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 Foundation 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 Centenary Committee** (Chaired by Lord Ryder of Wensum)
The Centenary Committee normally meets up to six times a year. The Committee manages The Institute's Centenary project and fundraising and public relations activities.
- **The Intellectual Property Committee** (Chaired by Dr Susan Foden)
The Intellectual Property Committee meets three times a year.

The Committee manages the strategic direction and has oversight of all aspects of The Institute's intellectual property and commercial development including Rewards to Inventors.

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.

A copy of the Register of Interests of Board members is available upon application to the Secretary of The Institute.

4. Research Review

Some 88% (2007: 86%) of The Institute's activities are funded from competitively won peer-reviewed 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 and parts 1 and 2 of the Committee of University Chairmen's Guide for Members of Higher Education Governing Bodies in the UK issued in November 2004.

The Board of Trustees is responsible for the maintenance of a system of internal control which provides reasonable assurance that risks to the achievement 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.

The system of internal control is risk-based and encompasses a number of elements that facilitate an effective and efficient operation, enabling The Institute to respond to a variety of risks. These are described below.

a. Risk Management

The Corporate Management Group and Corporate Service Directors, assisted by the individual responsible for the risk, are responsible for the identification and management of all the major risks to achievement of The Institute's strategic objectives. This 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 responsibility for specific risks is assigned to the relevant academic, scientific and support staff who provide assurance of the action taken.

The Risk Register is compiled by the Corporate Management Group and approved annually by the Board of Trustees. Significant risks may be added, revised or removed from the

Risk Register after evaluation by the Corporate Management Group throughout the year.

The High Impact Risk List is abstracted from the Risk Register and compiled by the Corporate Management Group. It helps to facilitate the identification, assessment and ongoing monitoring of key risks significant to The Institute. Emerging key risks are added and improvement actions implemented as required also throughout the year.

The High Impact Risk List is formally appraised every four months by the Corporate Management Group and the Board of Trustees.

b. Policies and Procedures

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

c. 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. The Board of Trustees has reserved to itself the requirement to authorise any proposal costing £500,000 or more and has set in place authorisation levels for operation by The Institute's staff for expenditure below this level.

d. Planning

A planning process is used to set objectives, agree action plans and allocate resources. Risk identification is integrated into the planning process and risk reporting into regular review of progress against plans.

e. External Consultants

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

f. Internal Audit

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

In undertaking its work, Internal Audit has regard to the Accountability and Audit: HEFCE Code of Practice. The Chief of Internal Audit Services ultimately has the right of direct access to the Chairman of the Board of Trustees, the Chief Executive and the Chairman of the Audit Committee. Internal Audit's independence is safeguarded by virtue of its direct reporting line to the Audit Committee. It is not directly responsible to any Institute officer other than to the Secretary in respect of general administration and guidance in day-to-day matters. Once a year the Audit Committee meets with the Chief of Internal Audit Services and representatives of the External Auditors without any Institute officers present. Throughout the year Internal Audit had access to all areas of The Institute and its records.

g. External Audit

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

The HEFCE Audit Service last reviewed The Institute's internal control arrangements for effectiveness in November 2005. The conclusion of the review was that the internal control arrangements provide a high level of assurance.

h. Audit Committee

The Audit Committee, on behalf of the Board of Trustees, keeps under review the adequacy and effectiveness of The Institute's arrangements for risk management, control and governance throughout the year, through assessment of the work undertaken by Internal and External Audit, including consideration of all audit reports and through them the management of The Institute. This review also covers

compliance with laws and regulations and the economy, efficiency and effectiveness of operations. The Audit Committee reviews The Institute's arrangements for management of risks using the self assessment checklist for Audit Committees contained in HEFCE's Good Practice Guidance for risk management in higher education.

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

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

and that the Board of Trustees can place reliance on those arrangements.

Conclusion

The Board of Trustees is of the view that there is an ongoing process for identifying, evaluating and managing The Institute's key risks, and that it has been in place for the year ended 31 July 2008 and up to the date of the approval of the annual report and accounts, that it is regularly reviewed by the Board of Trustees and that it accords with the internal control guidance for directors in the Combined Code as deemed appropriate for higher education.

6. Report of the Remuneration Committee

Remit of the Remuneration Committee

The Remuneration Committee comprises four Members of The 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) and other senior staff (the Chairmen of the research sections, Professors and the Directors of Corporate Service functions).

The Chief Executive is a non-executive director of The Royal Marsden NHS Foundation Trust. The remuneration received from this post is donated to The Institute.

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

Within this aim and objective it is current practice to:

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

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

1. Individual performance assessed by reference to:
 - the responsibilities of the individual post;
 - the management and performance of the research 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;
 - 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 21 to 45.

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

Incoming resources for 2008 were £92.0 million compared to £77.0 million in 2007. This included an exceptional non-cash gain of £4.8 million arising on the closure of the ICR Pension Scheme. The remaining increase is as a result of the receipt of higher levels of capital funding from HEFCE (£9.1 million compared to £3.8 million in 2007), higher fundraising and legacy income (£7.6 million compared to £5.6 million) and an increased level of grants awarded to faculty members.

The accounts show a surplus on unrestricted net incoming resources, excluding the non-cash pension gain and before transfers for 2008 of £2.8 million (2007: £2.2 million). The surplus reflects the fact that the investments in new areas of scientific activity and refurbishments were not completed by the end of the year. The funds allocated will be carried forward to the following year.

The Consolidated Statement of Financial Activities also shows net incoming resources before transfers of £6.6 million (2007: £0.2 million) on restricted funds. The restricted funds mainly comprise the receipt of research grant funds. The surplus in 2008 reflects the receipt of capital and refurbishment grants towards the cost of equipment were fully expended in the year but in accordance with the SORP the Statement of Financial Activities does not include capital expenditure.

8. **Research expenditure**

Expenditure on research was £74.9 million (2007: £71.9 million, including a gift in kind of £3.4 million). This rise results from the increase in expenditure by all research sections through the expansion of The Institute.

9. **Voluntary income**

Legacy income increased by £850,000 to £4.0 million in 2008. Donations were also higher, increasing to £3.6 million from £2.4 million in 2007 in particular due to donations from trusts and corporate sponsors.

10. **Capital developments**

The second phase of the Sir Richard Doll Building was initiated towards the end of 2008 and Capital Investment Fund support has

been awarded by HEFCE.

The refurbishment of the Chester Beatty and Hadow Laboratories continued which is largely funded by SRIF. A total of £3.8 million of expenditure had been incurred in 2008.

11. Revaluation of Property Fixed Assets

The Institute's accounting policy is to revalue its scientific properties. An interim valuation was carried out as at 31 July 2008 on a depreciated replacement cost basis and The Institute's properties were revalued at £82.3 million an increase reported in the revaluation reserve of £14.1 million.

12. Reserves policy

Approximately 65% 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 from The Institute's voluntary and investment income.

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 effects of which are not likely to be met out of income if and when they arise
- its assessment, on the best evidence available, of the likelihood of each of these needs, opportunities, contingencies or risks arising and the consequences for The Institute of not being able to meet them.

The Board of Trustees' opinion is that The Institute should maintain

free reserves of £16 million, and allow this level to fluctuate in the range of £15.4 million to £17.6 million, which equates to 10 to 12 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 setting out 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 £142.3 million (2007: £114.3 million) made up as follows:

	2008 (£m)	2007 (£m)
Funds invested in fixed assets		
- General funds	55.1	41.2
- Restricted funds	33.0	34.2
Designated funds		
- Development funds	11.6	14.8
- Other funds	1.3	6.6
Restricted funds	19.2	5.6
Pension reserve	(0.7)	(12.5)
Endowment funds	2.0	2.2
Free reserve	<u>20.8</u>	<u>22.2</u>
	142.3	114.3

13. 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 Institute does not invest in any company perceptibly involved in the sale of tobacco or tobacco products and uses the Ethical Investment Research Service definition of tobacco investments. The exercise of the investment powers is the responsibility of the Investments and Building Development Committee.

The aim of the Investment Policy is to maintain a balance between current income and capital growth commensurate with The 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.

During the year all equity and hedge fund investments were sold and the proceeds reinvested in UK government gilts. The endowment funds, held for the long term, continued to have equity exposure. A gain on investments of £0.1 million is reported in the consolidated

statement of financial activities.

The General Fund at £20.8 million is just above the range set by the Board of Trustees. However there is significant expenditure on new scientific activities planned in the next two years which will reduce the reserves to close to the target range.

14. Pensions

The last actuarial valuation of the scheme was undertaken as at 31 March 2007 and this showed that the scheme deficit had deteriorated from £8.7 million as at 31 March 2004 to a deficit of £12.7 million at 31 July 2007.

During the year, The Institute carried out a consultation with staff and the Trustees of the ICR Pension Scheme and it was agreed to close the scheme to future accrual on 31 July 2008 and for active members to be able to build future pension within the Universities Superannuation Scheme after that date. The Institute also agreed to make an additional cash payment of £7.5 million to the ICR Pension Scheme on that date.

A 'curtailment gain' of £4.8 million arose on closure of the scheme due to the cessation of the link of benefits to a future final salary. This non-cash exceptional gain is included in unrestricted income in the statement of financial activities in accordance with accounting requirements, although it is not available to be spent.

As a result of the scheme changes and the additional employer contribution, the financial statements show that The Institute of Cancer Research Pension Scheme is in deficit by £0.7 million on an FRS17 basis at 31 July 2008. This represents a significant improvement in the funding level from an FRS17 deficit of £12.5 million as at 31 July 2007. However, The Institute has been advised that a scheme valuation on a funding basis, rather than FRS17, would show the scheme to be in deficit by approximately £10.6 million as at 31 July 2008. The Trustees continue to review the options with regard to the future of the closed scheme and how best to secure the funding position.

15. Risks

The principal risks facing The Institute concern the security of its funding streams. The funding from HEFCE is dependent on The Institute maintaining the high quality of its research activity. The income from external grant funders is dependent on the continued success of the Institute scientists in securing funding for its projects in competitive peer reviewed programmes. The Institute seeks to limit this risk by diversifying its sources of funding.

The Institute operates a defined benefit pension scheme and is

exposed to movements in investment markets. The Institute seeks to limit this risk by developing an investment strategy which takes account of the impact on the funding position of each investment assets class considered for investment.

16. 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 in-house magazine (LINK), four-monthly briefings by the Chief Executive of all staff, Board of Trustees' minutes, summaries of Corporate Management Group meetings 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.

17. Charitable and political donations

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

18. Auditors

Horwath Clark Whitehill LLP were appointed Auditors during the year.

Non-audit services

From time to time it is necessary to employ The Institute's external auditors for certain non-audit work. In order to maintain the independence of the external auditors, the Audit Committee has determined policies as to what non-audit services can be provided by The Institute's external auditors. The Audit Committee monitors the level of non-audit fees paid to the external auditors (2008: £nil).

Provision of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

19. Statement of the financial responsibilities of members of the Board of Trustees

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

Company law requires the members of the Board of Trustees to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group and of the result of The Institute for that period and comply with UK GAAP and the Companies Act 1985.

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.

20. **Going concern**

The Board of Trustees considers that the financial resources available to The Institute are adequate to meet its operational needs for the foreseeable future. Consequently the going concern basis has been adopted in preparing these Financial Statements.

21. **Approval of the Financial Statements**

The Financial Statements were approved by the Board of Trustees on 18 November 2008.

A handwritten signature in black ink, appearing to read 'Lord Ryder'.

Lord Ryder of Wensum
Chairman of The Institute of Cancer Research

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE INSTITUTE OF CANCER RESEARCH: ROYAL CANCER HOSPITAL

We have audited the group and parent charitable company financial statements ("the financial statements") of The Institute of Cancer Research: Royal Cancer Hospital for the year ended 31 July 2008 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement, notes to the consolidated cash flow statement and the related notes 1 to 23, which have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The Institute for the purposes of company law) for the preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

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 whether in our opinion, the information given in the trustees' report is not consistent with the financial statements

In addition we report to you if, in our opinion, the charitable company 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 company is not disclosed.

We read the trustees' report and other information contained within the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial

statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 July 2008 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the report of the Board of Trustees is consistent with the financial statements.

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP

Chartered Accountants and Registered Auditors
London

26 November 2008

The Institute of Cancer Research
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating the Consolidated Income and Expenditure Account)
for the year ended 31 July 2008

	Note	Unrestricted funds £000	Restricted funds £000	Endow- ment funds £000	Total funds 2008 £000	Total funds 2007 £000
INCOMING RESOURCES						
Incoming resources from charitable activities						
External grants	2	19,256	57,591	-	76,847	68,698
Incoming resources from generated funds						
Voluntary income	3	5,248	2,394	-	7,642	5,640
Income from investments	4	2,443	-	-	2,443	2,031
Other incoming resources		197	-	-	197	601
Defined benefit pension scheme curtailment gain	18	4,843	-	-	4,843	-
Total incoming resources		31,987	59,985	-	91,972	76,970
RESOURCES EXPENDED						
Cost of generating funds						
	5	1,882	526	-	2,408	2,232
Charitable activities	6	21,960	52,901	-	74,861	71,878
Governance costs	7	493	-	-	493	468
Total resources expended		24,335	53,427	-	77,762	74,578
Net incoming resources before transfers		7,652	6,558	-	14,210	2,392
Transfers between funds	15	(648)	648	-	-	-
Net incoming resources before other recognised gains and losses		7,004	7,206	-	14,210	2,392
Other recognised gains & losses						
Gains & losses on investment assets		342	-	(229)	113	1,705
Revaluation gains on fixed assets	9	14,103	-	-	14,103	-
Actuarial losses on defined benefit pension schemes	18	(430)	-	-	(430)	(2,905)
Net movement in funds		21,019	7,206	(229)	27,996	1,192
Fund balances at 1 August 2007 as reported		72,240	39,920	2,190	114,350	113,158
Transfers between funds	15	(5,033)	5,033	-	-	-
Fund balances at 31 July 2008		88,226	52,159	1,961	142,346	114,350

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

The notes on pages 25 to 45 form part of these financial statements.

The Institute of Cancer Research

BALANCE SHEETS

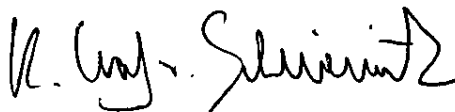
31 July 2008

	Note	Group		Institute	
		2008 £000	2007 £000	2008 £000	2007 £000
FIXED ASSETS					
Tangible assets	9	88,136	75,415	88,136	75,415
Investments	10	48,098	48,575	48,103	48,580
		<u>136,234</u>	<u>123,990</u>	<u>136,239</u>	<u>123,995</u>
CURRENT ASSETS					
Stocks – finished goods		227	178	227	178
Investments		3,434	4,126	3,434	4,126
Debtors	11	8,811	6,516	8,965	6,516
Cash at bank and in hand		699	113	486	109
		<u>13,171</u>	<u>10,933</u>	<u>13,112</u>	<u>10,929</u>
CREDITORS: Amounts falling due within one year	12a	<u>(6,093)</u>	<u>(7,455)</u>	<u>(6,039)</u>	<u>(7,455)</u>
NET CURRENT ASSETS		<u>7,078</u>	<u>3,478</u>	<u>7,073</u>	<u>3,474</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>143,312</u>	<u>127,468</u>	<u>143,312</u>	<u>127,469</u>
CREDITORS: Amounts falling due after more than one year	12b	-	(377)	-	(377)
PROVISIONS FOR LIABILITIES AND CHARGES	12c	(251)	(220)	(251)	(220)
Net assets excluding pension liability		<u>143,061</u>	<u>126,871</u>	<u>143,061</u>	<u>126,872</u>
Defined benefit pension scheme liability	18c	(715)	(12,521)	(715)	(12,521)
Net assets including pension liability		<u>142,346</u>	<u>114,350</u>	<u>142,346</u>	<u>114,351</u>
UNRESTRICTED FUNDS					
General funds	14	20,838	22,254	20,838	22,255
Revaluation reserve	9	31,599	17,796	31,599	17,796
Designated funds	14	36,504	44,711	36,504	44,711
Pension reserve		(715)	(12,521)	(715)	(12,521)
		<u>88,226</u>	<u>72,240</u>	<u>88,226</u>	<u>72,241</u>
RESTRICTED FUNDS					
Income funds	15a	52,159	39,920	52,159	39,920
ENDOWMENT FUNDS	15b	1,961	2,190	1,961	2,190
		<u>142,346</u>	<u>114,350</u>	<u>142,346</u>	<u>114,351</u>

These financial statements were approved by the Board of Trustees on 18 November 2008.



Lord Ryder of Wensum
Chairman of the Board of Trustees



Konstantin Graf von Schweinitz
Honorary Treasurer

The notes on pages 25 to 45 form part of these financial statements.

The Institute of Cancer Research
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2008

	Note	2008 £000	2007 £000
Net cash (outflow)/inflow from operating activities	1	(997)	3,636
Returns on investments and servicing of finance	2	2,443	2,031
Capital expenditure and financial investment	3	(17,810)	(2,469)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		<u>(16,364)</u>	<u>3,198</u>
Management of liquid resources	4	16,258	(3,413)
DECREASE IN CASH IN THE YEAR		<u>(106)</u>	<u>(215)</u>

ANALYSIS OF NET FUNDS

	1 August 2007 £000	Cash flows £000	31 July 2008 £000
Cash at bank and in hand	113	586	699
Current asset investments	4,126	(692)	3,434
	<u>4,239</u>	<u>(106)</u>	<u>4,133</u>
Money market and other deposits	30,412	(16,258)	14,154
	<u>34,651</u>	<u>(16,364)</u>	<u>18,287</u>

**STATEMENT OF HISTORICAL COST
SURPLUS FOR THE YEAR ENDED 31 JULY
2008**

	2008 £000	2007 £000
Surplus on continuing operations before tax	14,210	2,268
Difference between historical cost depreciation and the actual charge for the period calculated on the revalued amount	300	306
Historical cost surplus for the period before and after taxation	<u>14,510</u>	<u>2,574</u>

The Institute of Cancer Research
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2008

1	RECONCILIATION OF CHANGES IN RESOURCES TO NET INFLOW FROM OPERATING ACTIVITIES	2008 £000	2007 £000
	Net incoming resources	14,210	2,392
	Depreciation charges	3,524	3,385
	Investment income	(2,443)	(2,031)
	Increase in stocks	(49)	(14)
	Increase in debtors	(2,295)	(1,397)
	(Decrease)/increase in creditors	(1,708)	1,301
	Defined benefit pension scheme curtailment gain	(4,843)	-
	Pension contributions less current service and finance costs	(7,393)	-
		<u>(997)</u>	<u>3,636</u>
2	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	2008 £000	2007 £000
	Investment income	2,443	2,031
		<u>2,443</u>	<u>2,031</u>
3	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	2008 £000	2007 £000
	Payments to acquire tangible fixed assets	(2,142)	(3,089)
	Purchases of investments	(31,846)	(5,112)
	Receipts from sales of investments	16,178	5,732
		<u>(17,810)</u>	<u>(2,469)</u>
4	MANAGEMENT OF LIQUID RESOURCES	2008 £000	2007 £000
	Decrease/(increase) in short term deposits	<u>16,258</u>	<u>(3,413)</u>

The Institute of Cancer Research

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(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 UK accounting standards. Although not a legal requirement for an exempt charity they comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005 except that the emoluments of staff and student representatives elected by the Academic Board to serve on the Board of Trustees are not disclosed as they receive no remuneration for their service as trustees and only receive remuneration based on the normal salary and stipend levels of The Institute for staff of their position. 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 full valuation took place on 31 July 2005. An interim valuation took place on 31 July 2008.

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

(iii) INVESTMENTS

Listed investments are stated at the market value at the date of the balance sheet. Any unrealised or realised gains or losses arising during the year are included in the Statement of Financial Activities. Investments in subsidiaries are stated at cost less any provision for impairment. Impairments are charged to resources expended on charitable activities. Investment income is the amount received by The Institute in the year.

(iv) INCOMING RESOURCES

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

(v) GRANTS ACCOUNTING

Income from external grants other than capital grants is recognised in the Statement of Financial Activities as soon as it is receivable unless there are requirements of the funder where related to performance and specific deliverables. These grants are accounted for as the charity earns the right to consideration by its performance. Where income is received in advance of its recognition it is deferred and included in creditors. Where entitlement occurs before the income is received the income is accrued and included in debtors.

(vi) 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.

(vii) LEGACIES AND DONATIONS

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

The Institute of Cancer Research

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(viii) DEPRECIATION

Depreciation is provided to write off the costs of leases and buildings over their useful economic lives based on their Net Book Values. The annual rates of 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.

(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

Support costs are allocated to activities on the following basis:

IT costs – number of computers used by each activity
Premises costs – number of staff
Other costs – based on the time spent.

Governance costs relate to the general running of The Institute and include both direct and support costs as well as internal and external audit and legal advice for the trustees.

Research and development costs are written off in the period in which they are incurred.

(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.

The Institute of Cancer Research

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (Continued)

(xiii) PENSIONS

The Institute participates in three defined benefit schemes, the Universities' Superannuation Scheme (USS), National Health Service Pension Scheme (NHSPS) and The Institute of Cancer Research Pension Scheme (ICRPS). USS and NHSPS are multi-employer schemes for which employer contributions are charged directly to the Statement of Financial Activities as if the schemes were defined contribution schemes.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Financial Activities. Gains arising on a curtailment not allowed for in the actuarial assumptions are recognised in the SOFA under incoming resources.

Defined benefit scheme assets are held separately from those of The Institute. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on high quality corporate bonds. The actuarial valuation is obtained at least tri-annually and is updated at each balance sheet date. The resulting defined benefit asset or liability is shown separately on the face of the balance sheet. A pensions reserve has been created within the unrestricted funds in compliance with paragraph 335 of the SORP.

(xiv) CONSOLIDATION BASIS

The Institute owns 100% of the share capital of four companies –ICR Enterprises Limited, ICR Chelsea Developments Ltd (ICRCD), ICR Sutton Developments Ltd (ICRSD) and ICR Equipment Leasing No.8. Limited (ICRENo8). ICR Enterprises Ltd undertakes trading activities and is wholly owned by The Institute. ICRCD and ICRSD have been set up to act as developers for the construction of laboratories. ICRENo8 owns a long leasehold interest in the Chester Beatty Laboratory which is occupied by The Institute. The consolidated statements include the financial statements of these companies as well as Everyman Action Against Male Cancer. The Moulton Trust Fund is a charity of which The Institute of Cancer Research is the sole trustee. The Fund's income is donated to The Institute to fund postgraduate medical research. The results of the Moulton Trust Fund are not consolidated into the results of The Institute as they are not material.

As provided by Section 230 of the Companies Act 1985 no Statement of Financial Activities is presented for The Institute. The surplus for Companies Act purposes is £14,210,000 (2007: surplus £2,392,000).

(xv) LEASES

Operating lease rentals are charged to the Statement of Financial Activities on a straight-line basis over the life of the lease.

(xvi) FOREIGN CURRENCY TRANSLATION

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

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

2. EXTERNAL GRANTS

	Unrestricted funds £000	Restricted funds £000	Endow- ment funds £000	Total funds 2008 £000	Total funds 2007 £000
Higher Education Funding Council for England	17,266	9,005	-	26,271	19,105
Grants for research	1,990	48,069	-	50,059	45,867
Grants in kind for research	-	-	-	-	3,447
Grants and contracts for teaching and support services	-	517	-	517	279
	<u>19,256</u>	<u>57,591</u>	<u>-</u>	<u>76,847</u>	<u>68,698</u>

3. VOLUNTARY INCOME

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2008 £000	Total funds 2007 £000
Legacies	4,044	-	-	4,044	3,194
Donations	1,204	2,394	-	3,598	2,446
	<u>5,248</u>	<u>2,394</u>	<u>-</u>	<u>7,642</u>	<u>5,640</u>

Voluntary income is largely derived from the UK. The Institute has been notified of legacies of £4,117,000 which have not been recognised as income at 31 July 2008 as no notification of impending distribution or approval of estate accounts has been received (2007 : £1,893,000).

4. INVESTMENT INCOME

	Unrestricted funds £000	Restricted funds £000	Endowment funds £000	Total funds 2008 £000	Total funds 2007 £000
Interest income	2,177	-	-	2,177	1,540
Dividend income	266	-	-	266	491
	<u>2,443</u>	<u>-</u>	<u>-</u>	<u>2,443</u>	<u>2,031</u>

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

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

5. COST OF GENERATING FUNDS

	Direct costs £000	Support costs £000	Total funds 2008 £000	Total funds 2007 £000
Costs of generating voluntary income	1,864	466	2,330	2,034
Investment management fees	18	60	78	121
Interest cost	-	-	-	77
	<u>1,882</u>	<u>526</u>	<u>2,408</u>	<u>2,232</u>

6. CHARITABLE ACTIVITIES

	Direct costs £000	Support costs £000	Total 2008 £000	Total 2007 £000
Research expenditure	64,312	9,691	74,003	71,100
Information and education	801	57	858	778
	<u>65,113</u>	<u>9,748</u>	<u>74,861</u>	<u>71,878</u>

Research expenditure includes grant in kind (see note 2) of £nil (2007: £3,447,000).

7. GOVERNANCE COSTS

Governance costs comprised the following direct and indirect costs:

	Total 2008 £000	Total 2007 £000
Legal and professional	3	23
External audit fee	30	28
Internal audit	88	75
Support costs	372	342
	<u>493</u>	<u>468</u>

In addition to external audit fees, the auditors received £nil (2007 £4,000) in respect of fees for VAT advice.

8. SUPPORT COSTS

	Directorate £000	Finance £000	HR £000	Premises £000	IT £000	Total 2008 £000	Total 2007 £000
Fundraising costs	121	102	55	94	89	461	395
Investment management	9	51	-	-	-	60	54
	<u>130</u>	<u>153</u>	<u>55</u>	<u>94</u>	<u>89</u>	<u>521</u>	<u>449</u>
Research expenditure	634	813	1,043	4,882	2,319	9,691	8,562
Information and education	14	-	-	43	-	57	48
	<u>648</u>	<u>813</u>	<u>1,043</u>	<u>4,925</u>	<u>2,319</u>	<u>9,748</u>	<u>8,610</u>
Governance	296	51	-	17	8	372	342
	<u>1,074</u>	<u>1,017</u>	<u>1,098</u>	<u>5,036</u>	<u>2,416</u>	<u>10,641</u>	<u>9,401</u>

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

9. TANGIBLE ASSETS

	Freehold land and buildings £000	Leasehold land and buildings £000	Furniture, plant and equipment £000	Total £000
Cost or valuation				
1 August 2007	74,106	1,980	10,862	86,948
Revaluation gain	8,263	119	-	8,382
Additions at cost	287	-	1,855	2,142
At 31 July 2008	82,656	2,099	12,717	97,472
Depreciation				
1 August 2007	4,145	130	7,258	11,533
Revaluation gain	(5,633)	(88)	-	(5,721)
Provided in the year	1,488	39	1,997	3,524
At 31 July 2008	-	81	9,255	9,336
Net book value				
31 July 2008	82,656	2,018	3,462	88,136
31 July 2007	69,961	1,850	3,604	75,415
Historic cost – net book value				
31 July 2008	51,855	926	3,462	56,243
31 July 2007	53,064	951	3,605	57,620

There were no fixed assets other than those held by The Institute. There were no assets held under finance leases at 31 July 2008 (2007: £nil).

Revaluation Reserve	2008 £000	2007 £000
Reserve at 1 August 2006	17,796	18,102
Revaluation gain	14,103	-
Transfer to Fixed Asset Fund in respect of depreciation	(300)	(306)
Reserve at 31 July 2007	31,599	17,796

The Institute's scientific properties were revalued by Gerald Eve Chartered Surveyors as at 31 July 2005 and an interim valuation was undertaken as at 31 July 2008. The valuations were undertaken on a depreciated 'replacement cost basis'. The laboratories were valued at £82.3 million.

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

10. INVESTMENTS

	Listed fixed interest	Listed equities and unit trusts	Unlisted equities and unit trusts	Hedge funds	Money market deposits	Total
	£000	£000	£000	£000	£000	£000
Group						
Market value at 1 August 2007	331	12,705	23	5,104	30,412	48,575
Movements in deposits	-	-	-	-	(16,258)	(16,258)
Additions at cost	31,846	-	-	-	-	31,846
Disposals at book value	-	(10,722)	-	(5,016)	-	(15,738)
Unrealised gains/(losses)	111	(347)	(3)	(88)	-	(327)
Total at 31 July 2008	32,288	1,636	20	-	14,154	48,098
Historic cost as at:						
31 July 2008	32,208	1,444	8	-	14,154	47,814
31 July 2007	360	12,592	8	4,000	30,412	47,372

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

The following investments represented holdings in excess of 5% of the investment portfolio at 31 July 2008:

	2008	2007
UK Government Gilts – 4.00% 07/03/2009	54.7%	-
UK Government Gilts – 4.25% 07/03/2011	11.7%	-
Charishare Tobacco Restricted Fund	-	26.2%
GAM Diversity Fund	-	10.5%

At 31 July 2008 money market deposits included £9.8 million of bank deposits (2007 - £5.5 million), £4.4 million invested in the BGI Sterling Liquidity Plus Fund (2007- £4.2 million) and £nil invested in the BlackRock Institutional Liquidity Fund (2007 - £21.0 million).

11. DEBTORS

	Group		Institute	
	2008	2007	2008	2007
	£000	£000	£000	£000
Grant debtors:				
Revenue grants	1,464	1,507	1,464	1,507
Other trade debtors	503	405	503	405
Legacy debtors	99	-	99	-
Other debtors	187	142	158	142
Amounts due from subsidiary undertakings	-	5	183	5
Prepayments and accrued income	6,558	4,457	6,558	4,457
	8,811	6,516	8,965	6,516

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

12. CREDITORS:	Group		Institute	
(a) Amounts falling due within one year	2008	2007	2008	2007
	£000	£000	£000	£000
Trade creditors	1,940	2,829	1,940	2,829
Accruals	1,516	1,921	1,516	1,921
Amounts due to subsidiary companies	-	-	134	386
Bank overdraft	137	383	-	-
Other creditors	1,467	1,365	1,416	1,362
Taxes and social security	1,033	957	1,033	957
	<u>6,093</u>	<u>7,455</u>	<u>6,039</u>	<u>7,455</u>
(b) Amounts falling due after more than one year				
Other creditors	-	377	-	377
(c) Provisions for liabilities and charges				
<i>Dilapidations and decommissioning</i>				
At 1 August 2007	220	-	220	-
Provided in the year	31	220	31	220
Utilised in the year	-	-	-	-
As at 31 July 2008	<u>251</u>	<u>220</u>	<u>251</u>	<u>220</u>

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

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group	General funds	Designated funds	Restricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	2008 £000
Tangible fixed assets	31,599	23,586	32,951	-	88,136
Investments	14,011	12,918	19,208	1,961	48,098
Net current assets	7,078	-	-	-	7,078
Long term creditors	(251)	-	-	-	(251)
Pension creditor	(715)	-	-	-	(715)
Total net assets	<u>51,722</u>	<u>36,504</u>	<u>52,159</u>	<u>1,961</u>	<u>142,346</u>

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

14. UNRESTRICTED FUNDS

Group & Institute	Balance at 1 August 2007 £000	Income £000	Expen- diture £000	Transfers, gains and losses £000	Balance at 31 July 2008 £000
Designated funds					
Fixed asset funds	23,364	-	-	222	23,586
Development Fund	14,773	-	-	(3,143)	11,630
Studentship Fund	712	-	-	(244)	468
FC Hunter Studentship Fund	569	-	-	-	569
Joan Francis Stowe Fund	14	-	-	-	14
Faringdon Fund	145	-	-	(10)	135
Amenity Fund	102	-	-	-	102
Unrestricted external funds	5,033	-	-	(5,033)	-
	<u>44,712</u>	<u>-</u>	<u>-</u>	<u>(8,208)</u>	<u>36,504</u>
Revaluation Reserve	17,796	-	-	13,803	31,599
Pension Reserve	(12,521)	4,843	-	6,963	(715)
General Fund	22,254	27,144	(24,335)	(4,225)	20,838
	<u>72,241</u>	<u>31,987</u>	<u>(24,335)</u>	<u>8,333</u>	<u>88,226</u>
Total unrestricted funds b/f					
Transfer to restricted funds (note 15)	(5,033)	-	-	5,033	-
	<u>67,208</u>	<u>31,987</u>	<u>(24,335)</u>	<u>13,366</u>	<u>88,226</u>

The Fixed Asset Fund represents the amount invested in Fixed Assets from unrestricted funds.

The Development Fund is the amount set aside by The Institute for 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:

	2008 £000	2007 £000
Refurbishment	1,627	2,274
Scientific initiatives	4,331	7,348
Other development funds	5,672	5,149
	<u>11,630</u>	<u>14,771</u>

The Studentship fund provides funds to support studentships.

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

The Amenity Fund provides funds for staff welfare.

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15. RESTRICTED FUNDS					
(a) Income funds					
	Balance at 1 August 2007 £000	Income £000	Expen- diture £000	Transfers, gains and losses £000	Balance at 31 July 2008 £000
Funds invested in fixed assets					
Breakthrough Breast Cancer	4,754	-	(111)	-	4,643
The Bob Champion Cancer Trust	860	-	(20)	-	840
Everyman Appeal	688	-	(16)	-	672
The Garfield Weston Foundation	430	-	(10)	-	420
The Monument Trust	298	-	(7)	-	291
The Wolfson Foundation	1,115	-	(25)	-	1,090
HEFCE	16,316	4,117	(4,469)	-	15,964
The Wellcome Trust	7,168	-	(159)	-	7,009
Equipment funds	2,625	612	(1,215)	-	2,022
	<u>34,254</u>	<u>4,729</u>	<u>(6,032)</u>	<u>-</u>	<u>32,951</u>
Other restricted funds					
Everyman and other restricted donations	-	1,782	(1,076)	(100)	606
Cancer Research UK Epidemiology Fund	397	-	-	-	397
Research grants	5,269	48,586	(46,110)	5,133	12,878
Other capital and refurbishment grants	-	4,888	(209)	648	5,327
	<u>5,666</u>	<u>55,256</u>	<u>(47,395)</u>	<u>5,681</u>	<u>19,208</u>
Sub total	<u>5,666</u>	<u>55,256</u>	<u>(47,395)</u>	<u>5,681</u>	<u>19,208</u>
Total restricted funds b/f	<u>39,920</u>	<u>59,985</u>	<u>(53,427)</u>	<u>5,681</u>	<u>52,159</u>
Transfer from unrestricted funds (note 14)	5,033	-	-	(5,033)	-
	<u>44,953</u>	<u>59,985</u>	<u>(53,427)</u>	<u>648</u>	<u>52,159</u>
Total restricted funds	<u>44,953</u>	<u>59,985</u>	<u>(53,427)</u>	<u>648</u>	<u>52,159</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 for England, The Wellcome Trust and The Wolfson Foundation have contributed funding to the building of the Brookes Lawley Building. The Higher Education Funding Council for England also contributed funding to the Sir Richard Doll Building.

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

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.

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The Everyman donations represent amounts raised to fund expenditure on male cancers and other restricted purposes.

The research grants are funds received by The Institute for specific cancer research projects. The transfers to and from restricted funds reflect adjustments to restricted grant funds following the review of balances held. Within research grants there are funds with negative balances where funding is expected to be received.

Following a review of opening balances, funds previously treated as designated funds have been reclassified as restricted funds.

Other capital and refurbishment grants represent grants received for these purposes

(b) Endowment funds	Balance at 1 Aug 2007 £000	Income £000	Expen- diture £000	Transfers, gains and losses £000	Balance at 31 July 2008 £000
Hensley Nankivell Studentship Fund	1,181	-	-	(124)	1,057
Sir SK Tang Fund	610	-	-	(64)	546
The Ivan and Felicite Stoller Fund	399	-	-	(41)	358
Total endowment funds	2,190	-	-	(229)	1,961

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 Sir SK Tang. The Ivan and Felicite Stoller Fund is a legacy received from the estate of Mr IM Stoller. The income from both the Tang and Stoller funds are for cancer research.

16. CAPITAL COMMITMENTS	2008 £000	2007 £000
Contracted but not provided for	1,091	890
Authorised by the Board of Trustees but not contracted for	4,319	1,384
	5,410	2,274

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

17. EMOLUMENTS OF THE BOARD OF TRUSTEES

No fees are paid to members of the Board of Trustees for their services as charity trustees or company directors. There are six members of staff of The Institute who are members of the Board of Trustees who receive only the normal remuneration of their appointments. This includes the Chief Executive and Academic Dean whose remuneration is shown in note 18 (iii). The other four staff members, Professor Pearson, Professor Phillips, Professor Webb and Professor Willison are the representatives elected by the Academic Board to serve on the Board of Trustees whose remuneration is included in note 18 (iv). In addition Mr Rzechorzek (until 31 May 2008) and Mrs Laidlow (from 1 June 2008) were the student representatives on the Board of Trustees who receive the normal PhD student stipend. The aggregate emoluments of those who serve on the Board of Trustees was £867,564 (2007: £819,840). The emoluments of the highest paid director, who is a member of a multi-employer defined benefit pension scheme, were £216,000. The seven staff who are trustees participate in defined benefit pension schemes.

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Eight non-executive trustees received a total of £2,924 (2007: eight received £2,901) for reimbursement of travel expenses.

18. STAFF COSTS	2008	2007
	No.	No.
(i) Average number of employees		
Research staff	827	776
Research support staff	132	135
Fundraising services	26	25
Corporate services including Academic services	66	62
	<u>1,051</u>	<u>998</u>
	2008	2007
	£000	£000
(ii) Remuneration		
Wages and salaries	37,420	33,918
Social security costs	2,917	2,643
Other pension costs	4,941	4,493
	<u>45,278</u>	<u>41,054</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 contributions are excluded except where indicated.

	2008	2007
	£000	£000
Chief Executive	209	173
Academic Dean and Head of Clinical Laboratories	204	203
Secretary of The Institute	133	111
Chief Executive including employer's pension contributions	237	196

(iv) Remuneration of Higher Paid Staff

	2008	2007
	No.	No.
£60,001 - £70,000	23	10
£70,001 - £80,000	9	4
£80,001 - £90,000	12	6
£90,001 - £100,000	4	7
£100,001 - £110,000	5	2
£110,001 - £120,000	4	4
£120,001 - £130,000	2	2
£130,001 - £140,000	2	2
£140,001 - £150,000	2	2
£150,001 - £160,000	3	3
£160,001 - £170,000	3	1
£170,001 - £180,000	1	1
£190,001 - £200,000	0	1
£200,001 - £210,000	2	1
£210,001 - £220,000	2	2

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

The Institute is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement benefits" accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the financial year.

The latest actuarial valuation was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service 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 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (C=2020) for all retired and non retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males 19.8 years
Female 22.8 years

At the valuation date, the market value of the assets of the scheme was £21,740 million and the value of past service liabilities was £28,308 million leaving a deficit of liabilities over assets of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

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The scheme actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if the USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the funds actual investment performance and changes in gilt yields (ie the valuation rate of interest). On the FRS17 basis, using a AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries.

Surpluses or deficits which arise at future valuations may impact on The Institute's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

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

The trustees believe that over the long term equity investment and investment in selected asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However in order to meet the long term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive

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cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of the covenant of the employers enables it to take a long term view of its investments. Short term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years.

The next formal triennial actuarial valuation is due as at 31 March 2008 when the above rates will be reviewed.

The total pension cost for The Institute was £1,666,000 (2007: £1,296,000). This includes £222,000 (2007: £176,000) of outstanding contributions at the balance sheet date. The contribution rate payable by The Institute was 14% of pensionable salaries.

b) National Health Service Pension Scheme (NHSPS)

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

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

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

The Institute charges employer's pension costs contributions to operating expenses as and when they become due. The total employer contribution payable in 2007/08 was £514,000 (2007: £484,000). There were £73,000 (2007: £62,900) of outstanding contributions at the balance sheet date.

c) ICR Pension Scheme (ICRPS)

This is a defined benefit scheme which is externally funded and contracted out of the State Second Pension Scheme (S2P). The assets of the scheme are held in a separate trustee-administered fund.

On 31 July 2008, the ICRPS closed to future accrual and the Institute of Cancer Research made an exceptional contribution of £7.5 million to the scheme.

The pension cost that would have been charged to the Statement of Financial Activities under FRS 17 for the year, excluding the curtailment gain of £4,843,000 (2007: £0) arising on closure of the scheme, amounts to £2,890,000 (2007: £2,483,000). This charge is equal to the service cost of £2,838,000 (2007: £2,406,000) (including £116,000 (2007: £110,000) in respect of enhanced early retirement pensions), plus an amount debited from other finance income of £52,000 (2007: £77,000).

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A full actuarial valuation was carried out at 31 March 2007 and updated to 31 July 2008 by a qualified independent actuary. The main assumptions used by the actuary were:

	At 31/07/2008 (% p.a.)	At 31/07/2007 (% p.a.)
Future salary increases	5.30%	4.90%
Future LPI pension increases	3.80%	3.40%
Discount rate	6.35%	5.75%
Inflation assumption	3.80%	3.40%
Revaluation in deferment	3.80%	3.40%
Assumed life expectancies on retirement at age 65 are:		
Retiring today		
Males	22.0	21.9
Females	24.9	24.8
Retiring in 20 years time		
Males	23.1	23.1
Females	25.9	25.9

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

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

	Long-term rate of return expected at 31/07/2008	Fair Value at 31/07/2008	Long-term rate of return expected at 31/07/2007	Fair Value at 31/07/2007
	p.a.	£000s	p.a.	£000s
Equities and Property	7.90%	31,045	8.10%	32,570
Fixed Interest	4.90%	93	5.10%	-
Index Linked Gilts	4.90%	21,278	5.10%	17,451
Insured Annuities	6.35%	1,089	5.75%	1,182
Cash and Other	5.00%	8,321	5.75%	565
Overall return on Scheme assets	6.45%		7.01%	

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The amounts recognised in the balance sheet are as follows:

	At 31 July 2008	At 31 July 2007
	£'000	£'000
Fair value of Scheme assets	61,826	51,768
Present value of funded obligations	(62,541)	(64,289)
	(715)	(12,521)
Present value of unfunded obligations	-	-
Unrecognised past service cost	-	-
Deficit in the Scheme	(715)	(12,521)
Irrecoverable Surplus	-	-
Deficit	(715)	(12,521)
Related Deferred Tax asset (liability)	-	-
	-%	-%
Net liability	(715)	(12,521)
Amounts in the balance sheet		
Liabilities	(715)	(12,521)
Assets	-	-
Net Liability	(715)	(12,521)

The amounts recognised in the Statement of Financial Activities are as follows:

	2008	2007
	£'000	£'000
Service cost	2,722	2,296
Interest on obligation	3,762	2,928
Expected return on Scheme assets	(3,710)	(2,851)
Past service cost	116	110
Impact of surplus restriction	-	-
Total before curtailment gain	2,890	2,483
Gains on curtailments and settlements	(4,843)	-
Total including curtailment gain	(1,953)	2,483
Actual return on Scheme assets	165	3,907

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Changes in the present value of the Scheme liabilities:

	2008	2007
	£'000	£'000
Liabilities at beginning of year	64,289	55,481
Service cost		
(net of employee contributions)	2,722	2,296
Contributions by employees	905	862
Interest cost	3,762	2,928
Gains on curtailments and settlements	(4,843)	-
Actuarial losses (gains)	(3,115)	3,961
Past service cost	116	110
Benefits paid	(1,295)	(1,349)
Liabilities at end of year	62,541	64,289

Changes in the fair value of assets are as follows:

	2008	2007
	£'000	£'000
Fair value of the Scheme assets at beginning of year	51,768	45,741
Expected return on Scheme assets	3,710	2,851
Actuarial gains and (losses)	(3,545)	1,056
Past service cost	-	-
Contributions by employer	10,283	2,607
Contributions by employees	905	862
Benefits paid	(1,295)	(1,349)
Fair value of Scheme assets at end of year	61,826	51,768

The Institute's best estimate of expected contributions to the Scheme in the year commencing 1 August 2008 is £9,400.

Amounts for the current and previous four periods are as follows

	As at 31/07/2008	As at 31/07/2007	As at 31/07/2006	As at 31/07/2005	As at 31/07/2004
	£'000	£'000	£'000	£'000	£'000
Present value of Scheme liabilities	(62,541)	(64,289)	(55,481)	(49,900)	(40,700)
Scheme assets	61,826	51,768	45,741	39,300	32,400
Surplus/(deficit)	(715)	(12,521)	(9,740)	(10,600)	(8,300)
Experience adjustments on Scheme liabilities	(154)	627	321	0	(300)
As a percentage of Scheme liabilities	(0%)	1%	1%	0%	(1%)
Experience adjustments on Scheme assets	(3,545)	1,056	2,053	2,800	100
As a percentage of Scheme assets	(6%)	2%	4%	7%	0%
Cumulative actuarial gains/(losses) shown in the STRGL	(6,239)	(5,809)	(2,904)	(3,800)	(1,500)

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The asset values reported above are bid values, with the exception of the figures as at 31 July 2007, 31 July 2006 and 31 July 2005 which are the mid-values as disclosed at prior year ends.

During the year the employer's contributions rate was 18%. Members contributed 6%. On 31 July 2008 an amount of £303,447 was payable to the scheme (2007 - £294,000).

d) Unfunded pensions

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

(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. SUBSIDIARY UNDERTAKINGS

The Institute has the following subsidiary undertakings:

- (i) **ICR Chelsea Development Limited** - The Institute owns 100% of the issued share capital of this company which has been set up to act as the developer of a refurbishment project which has now been completed. It did not make a profit or a loss for the period ended 31 July 2007 and its net assets at that date amounted to £2. The accounts of ICR Chelsea Development Ltd have been consolidated into the accounts of The Institute.
- (ii) **ICR Sutton Developments Limited** - The Institute owns 100% of the issued share capital of this company which has been set up to act as the developer of Institute properties. It made a profit of £6,147 for the period ended 31 July 2008 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 and Sponsorship) for the benefit of The Institute that the Institute cannot carry out itself as an exempt charity. The Institute owns 100% of the issued share capital. The company made a profit after interest of £182,616 for the year ended 31 July 2007 (2007 - £1,720) which was paid to The Institute by means of a payment under gift aid. Its net assets at 31 July 2008 amounted to £2. The results have been consolidated into the accounts of The Institute.
- (iv) **ICR Equipment Leasing No.8 Limited** - 100% of the share capital of this company was acquired from LloydsTSB Group Plc and the company holds a leasehold interest in the Chester Beatty Laboratory. The accounts of ICR Equipment Leasing No.8 Limited have been consolidated into the accounts of The Institute. The company made a profit of £221 for the year ended 31 July 2008 (2007: £255) which was paid to The Institute by means of a payment under gift aid.
- (v) **The Moulton Trust Fund** - The Moulton Trust Fund is a charity of which The Institute of Cancer Research is the sole trustee. The Fund's income during the year of £1,828 (2007: £1,760) was entirely donated to The Institute to fund postgraduate medical research. The Fund was wound up subsequent to the year end and donated its assets to the Institute to fund postgraduate medical research. The accounts have not been consolidated into the accounts of The Institute as they are not material.
- (vi) **Everyman Action Against Male Cancer** - The company is limited by guarantee and was dormant throughout the period ended 31 July 2007.

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- (vii) **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 PETRRA Limited (7.7%), PROACTA Inc (0.5%), Domainex Limited (3.6%) and Chroma Therapeutics Limited (0.3%). The cost of The Institute's share holding of these companies is included in unlisted investments.

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

ICR Enterprises Limited	2008 £000	2007 £000
Turnover	201	4
Expenditure	(18)	(2)
Operating profit	183	2
Payment under gift aid to The Institute	(183)	(2)
Profit for the year	-	-
Assets	213	5
Liabilities	(213)	(5)
Funds	-	-
ICR Equipment Leasing No.8 Limited	2008 £000	2007 £000
Turnover	-	-
Expenditure	-	-
Operating profit	-	-
Payment under gift aid to The Institute	(-)	(-)
Profit for the year	-	-
Assets	5	5
Liabilities	(-)	(-)
Funds	5	5

The Institute of Cancer Research
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 July 2008

Development companies	2008	2007
ICR Sutton Developments and ICR Chelsea Development Limited	£000	£000
Turnover	3,624	2,834
Expenditure	(3,618)	(2,819)
Operating profit	6	15
Payment under gift aid to The Institute	(6)	(15)
Profit for the year	-	-
Assets	287	383
Liabilities	(287)	(383)
Funds	-	-

20. TAXATION

The Institute is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly The Institute is exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

21. 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 £5,237 (2007: £5,237).

22. LEASE COMMITMENTS

At 31 July 2008 The Institute had annual operating lease commitments in respect of property leases which expire as follows:

	2008	2007
	£000	£000
Over five years	465	320
	465	320

23. VALUE ADDED TAX

The Institute incurred irrecoverable VAT amounting to some £1.6 million during the year (2007 - £1.4 million). It is a member of the Charities Tax Reform Group which campaigns on behalf of its members for a reduction in their VAT burden.

24 RELATED PARTIES

The Institute has taken the exemption given by Financial Reporting Standard 8, Related Party Disclosures, from disclosing transactions with subsidiaries. There are no other related party transactions.

STRATEGIC PLAN 2008-2013

Goals

We have two strategic goals, which represent the priorities for our cancer research and through which we are able to fulfil our Mission.

Goal 1

To continue to be one of the best cancer research centres in the world.

Research

The Institute of Cancer Research is one of the world's leading cancer research organisations and is internationally renowned for the quality of its science. Together with The Royal Marsden NHS Foundation Trust it also forms an internationally recognised top ranking Comprehensive Cancer Centre. Our integrated work in genetics, molecular biology and drug development is unrivalled in the world and provides the opportunity for Institute scientists to transform the prospects for cancer patients. Our first goal demonstrates our intention to continue to undertake and be recognised for research at the highest international level.

Goal 2

To continue to make a major contribution to the education and training of the next generation of leaders in cancer research.

Education

Given the concentration of world class scientific and clinical expertise within our organisation, we believe we have the enthusiasm, skills and motivation to ensure that all our students, postdoctoral staff, scientists and clinicians receive the best education and training to develop their talent and launch them into a successful career in cancer research and clinical practice.

Strategic Objectives

Our goals are underpinned by a series of objectives, which focus our attention on the practical way in which we will achieve them. In addition, we recognise the need to make sure we have both sufficient resources and the organisational capacity to deliver them.

Goal 1

To continue to be one of the best cancer research centres in the world.

Objective 1

To enact excellent basic, translational and clinical research throughout The Institute as defined by international peer review.

Objective 2

To achieve success in the three major strands of the scientific strategy as defined by the outputs in genetic epidemiology, molecular pathology and therapeutic development.

Objective 3

Together with The Royal Marsden NHS Foundation Trust to continue to be an internationally recognised top ranking Comprehensive Cancer Centre so that the results of our research translate into long term patient benefit.

How will we measure success?

- Through our long term achievements
- Through scientific peer review e.g.
 - achieving ratings which are 'world-leading' and 'internationally excellent' from HEFCE/RAE
 - achieving Cancer Research UK site visit ratings of 'Outstanding' or 'Forefront' or the equivalent rating from other funding bodies
 - review by the external Scientific Advisory Committee
- Through monitoring our grant application success rates
- Through monitoring the number of citations of our scientific papers.

Cancer research, by the very nature of the disease, is a long term and complex undertaking. The timescale for a laboratory discovery to be translated into a proven and established patient benefit has, in the past, been over a decade. We therefore should be judged against our long term achievements and the surrogate measures of peer review. Both show The Institute to have made an enormous contribution to many of the significant advances in cancer treatment for a wide range of cancers and to have made a profound impact on cancer research throughout the world.

Peer Review Achievements

- All research was judged to be of 'international excellence' in the last Higher Education Funding Councils' Research Assessment Exercise (2001), scoring 5 or 5*. Currently 62% of our HEFCE QR grant derives from work upgraded to 6/5** due to its long term consistently high standard
- Since 2003, 21 major programmes of research at The Institute have been renewed for a further five years, following international peer-review and, in many cases, site visits. Over 75% of these were judged to be either 'Outstanding' or 'Forefront'¹ – the highest possible ratings
- 81.4% of all grant applications have been successful (by value) in the period from 2002 to 2007; 77.0% by number
- The Evidence Ltd UK Higher Education Research Yearbook for 2007 shows that we led all UK Higher Education Institutions in the impact of our research papers on biomedical science between 2002–2006 and that our papers have an impact that is more than twice the world average.

¹ A rating of 'Outstanding' implies that the research performed in the preceding period, or that planned for the forthcoming period, is of the highest international calibre, pioneering and trendsetting. A rating of 'Forefront' implies that the research is of international importance and will have substantial impact (Cancer Research UK definitions).

Long Term Achievements

The breadth and excellence of The Institute's work is demonstrated by its exceptional record of successes. These include:

- The dramatic discovery that the basic cause of cancer is DNA malfunction
- The identification of the suspected link between smoking and lung cancer
- The elucidation of the mechanism by which *RAS*, one of the most commonly activated genes in cancer, turns normal cells into tumour cells
- The isolation of the breast cancer gene, *BRCA2*, enabling families with a history of the disease to be assessed for future risk, and to lay the groundwork for the development of novel forms of therapy for *BRCA*-associated cancers
- The characterisation of the cancer gene, *BRAF*, leading to an accelerated drug discovery programme for the treatment of malignant melanoma and other tumours
- The synthesis of busulfan, chlorambucil and melphalan, important anti-cancer drugs which have been used worldwide
- The development of carboplatin: the use of which has become the global standard of care for patients with a wide range of solid tumours, including ovarian and lung cancer. The Institute won the Queen's Award for Technological Achievement for this development as part of a unique three-way partnership with The Royal Marsden and Johnson Matthey
- Taking 10 cancer drugs into clinical trials in 10 years; an achievement unmatched anywhere in the world
- Making major contributions to modern high precision radiotherapy techniques, improving cancer control and reducing risk of toxicity
- Consistently being the most effective Higher Education Institution (HEI) in the UK in terms of the impact on our scientific peers of our published work in biomedical sciences.

Major Achievements 2007/08

- Clinicians from the Centre for Cancer Therapeutics treated the first patients with the intravenous HSP90 inhibitor licensed by Novartis. An orally available HSP90 inhibitor is also in development
- Clinical trials with abiraterone, a 17-hydroxylase inhibitor synthesised in the Centre for Cancer Therapeutics, have clearly demonstrated effectiveness for this agent in patients with hormone-refractory prostate cancer. Further evaluation of abiraterone, with American collaborators, is now ongoing with a view to pursuing, in the near future, the studies required for regulatory approval of the drug so that it can ultimately be used routinely in hospitals
- Two of The Institute's spin-out companies, Domainex and Plamed, won awards for innovation at the 2007 UK BioEntrepreneurial Company of the Year Awards. The Awards, run by the government organisation UK Trade and Investment, aim to recognise innovation and entrepreneurship in the biotechnology industry, as judged by a panel of industry experts
- Plamed, in collaboration with Genentech, began clinical development of a new class of cancer drug targeting PI3-kinase, a key intracellular enzyme involved in a broad range of cancers. Highly significant anti-cancer efficacy has been demonstrated in preclinical disease models and now clinical trials are underway, in which The Royal Marsden NHS Foundation Trust is participating. Plamed was acquired by Roche in April 2008, demonstrating that the scientific programmes in this company are of an excellent international standard
- Scientists in the Section of Haemato-Oncology led a breakthrough study of identical twins that, for the first time, identified the existence of cancer stem cells which cause the most common form of childhood cancer; acute lymphoblastic leukaemia
- Work in the Breakthrough Breast Cancer Research Centre has elucidated the mechanism by which tumours in *BRCA2* carriers acquire resistance to platinum and potentially to PARP inhibitors and a mechanism causing some oestrogen-receptor positive cancers to be unresponsive to tamoxifen treatment
- Scientists in the Section of Cancer Genetics found seven new sites in the human genome that are associated with the risk of developing prostate cancer. The results may lead to the development of better targeted screening and treatment
- Using genome-wide technologies, the Section of Cancer Genetics identified several common genetic variants that increase the risk of bowel cancer. These discoveries may soon allow population testing to identify those individuals at sufficient risk to benefit from colonoscopic surveillance

- Similar genome-wide association studies in lung cancer undertaken by scientists in the Section of Cancer Genetics have identified common variants that significantly increase the risk of the disease, but only in smokers. It is possible that the genetic variants work by influencing nicotine addiction
- Scientists in the Section of Cancer Genetics have discovered a gene that increases the risk of both childhood cancers and breast cancers. They showed that carrying two faulty copies of the gene *PALB2* causes a rare, childhood condition known as Falconi anaemia, which is associated with a very high risk of childhood cancer. Carrying one faulty copy of *PALB2* doubles the risk of breast cancer
- The START trial, led by The Institute's Sections of Radiotherapy and Clinical Trials, proved that breast cancer can be treated successfully in a greatly reduced number of sessions, improving patient convenience and saving healthcare resources.

Objective 4

To ensure that those outputs of our research that can be commercially exploited are developed for maximum long term patient benefit.

How will we measure success?

- *Through the external Intellectual Property Committee reviewing our commercial activities to confirm they are maximising patient benefit*
- *Through the financial achievements in industrial and licensing income, the number of industrial collaborations and the number of patents filed.*

The Institute's discoveries are developed firstly for patient benefit and secondly for a fair financial reward. If a discovery could be used widely without further development then it should be made available through non-exclusive licensing; discoveries that require further development need to be progressed with an industrial partner.

Achievements 2007/08

- In recent years, a number of technologies have been licensed out non-exclusively to achieve broad access, e.g. imaging software and biomarker technologies
- The Institute has received over £3 million from licensing income and over £8 million from commercial research support since 2001
- The Institute has had considerable success in recent years in licensing novel cancer drugs to major industrial partners. For example, the HSP90 programme was licensed to Novartis, the PKB programme to AstraZeneca and the PI3-kinase programme to Genentech
- The Institute has been involved in the formation of six spin-out companies since 2001, including Chroma Therapeutics and Plamed. These companies provide an excellent vehicle for distributing technologies
- The Institute has entered into a number of industrial collaborations in which The Institute's expertise has been used to help companies develop their products. For example we have collaborations with GSK, Dexela, Zonare, Kudos, Johnson and Johnson, Cougar, Bayer, Genentech and AstraZeneca.

Goal 2

To continue to make a major contribution to the education and training of the next generation of leaders of cancer research.

Objective 5

To educate and train the next generation of cancer researchers.

How will we measure success?

- *Through consistently achieving a 100% pass rate for PhD submissions*
- *Through achieving at least 70% of PhD submissions within four years*
- *By working to make the modular PG Cert / PGDip / MSc in Oncology one of the best training courses for Specialist Registrars in Clinical and Medical Oncology*
- *Through monitoring the number of students, clinical fellows and post-docs who gain top tier clinical and scientific positions in their future careers.*

The development of the future leaders of cancer research can only really be measured on the basis of past achievements.

Achievements 2007/08

- In the past year all of our PhD submissions have been successful
- The percentage of full-time science students submitting within four years from first registration over five years to 2007 was 74%
- The MSc in Oncology was validated and the first cohort of students recruited in March 2006. These students have completed Year 2 of the course
- The Institute has been awarded one of the first Wellcome Trust clinical PhD programmes. This will be integrated with science student training into a single programme.

In order to achieve our goals we also need to ensure that The Institute has both the money and the organisational capacity to support them.

Objective 6

To deliver an environment which maximises the ability of people to achieve their research potential both in the laboratory and the clinic.

How will we measure success?

- *Through an annual review of our research Team Leaders (both Career Faculty and Career Development Faculty)*
- *Through undertaking a triennial staff survey.*

Achievements 2007/08

- The Career Development Review is carried out in June each year. At the last review carried out in preparation for the 2008 RAE, some 97.5% of Faculty were found to be performing to the expected high standard
- Induction and development programme for new Faculty established.

Objective 7

To obtain sufficient funds to ensure the long term financial viability of The Institute's work.

How will we measure success?

- *Through adhering to The Institute's reserves policy throughout the five year planning period, to maintain the reserves within the range of £14.4 million to £17.6 million throughout the planning period*
- *Through increasing the level of fundraising and legacy income to a level of £15 million per annum by 2020.*

Achievements 2007/08

- The reserves are currently in the target range and are expected to be there at the end of the planning period
- Non-legacy fundraising income has increased from £0.9 million to £2.5 million over the last five years
- Since the Will for Free Scheme was launched in January 2003 we have received legacy pledges estimated to be worth over £35 million.

Objective 8

To remain an employer of choice.

How will we measure success?

- *Through achieving vacancy rates of no more than 12% per annum*
- *Through having turnover rates that are no greater than the median of comparable organisations*
- *Through monitoring the numbers of our staff who take up opportunities for development and training.*

Achievements 2007/08

- Annual vacancy rate to December 2007 was 11.8% per annum
- Turnover was 13.6% in 2007, in line with the median of comparable organisations of 14%
- Expansion of the range of training and development activities for students and scientists
- 149 training programmes held, covering 1054 staff, during 2007.

Objective 9

To deliver value for money.

How will we measure success?

- *Through the proportion of expenditure applied for charitable purposes being above the average of major cancer charities.*

Achievements 2007/08

- The Institute's charitable expenditure in 2007 was 96.4% of total expenditure which compares to the average for the major cancer charities of 75.2%.

Objective 10

To have the flexibility to accommodate new research.

How will we measure success?

- *By ensuring we have the resources and ability to respond to Joint Research Committee initiatives.*

Achievements 2007/08

- The continued refurbishment of our laboratories in Chelsea and Sutton using monies from SRIF-3. Refurbishment of the Haddow and McElwain Laboratories has been completed as part of these works
- Office areas in the Brookes Lawley Building have been converted into laboratories to provide improved and expanded accommodation for the Sections of Haemato-Oncology and Cancer Genetics
- Our IT network and data storage capability have been extensively upgraded
- Major investments in informatics systems have been made.

Objective 11

To deliver high quality service.

How will we measure success?

- *Through achieving a user satisfaction survey score of 4 (good) or better on a scale of 1 (poor) to 5 (excellent) across all support services*
- *Through achieving 90% of our Service Level Agreements during the year by delivering services to the agreed standard or higher*
- *Through obtaining quality management accreditation where appropriate e.g. ISO9001.*

Achievements 20007/08

- The Faculty Survey of Corporate Services reflected a score of 3.9 out of 5 in 2007
- The aggregate of all Corporate Service SLA's consistently exceeded 100%
- Maintained OHSAS 18001:1999 occupational health and safety standard accreditation
- Awarded ISO 9001:2000 accreditation for facilities management services in October 2007
- The IT service now regularly exceeds its SLA's for systems availability, backup and user support.

Strategic Direction

Scientific Strategy

The Joint Research Committee determines our scientific strategy. It includes representation from both The Institute and The Royal Marsden NHS Foundation Trust.

The core of our strategy is the exploitation of the genetic information arising from many sources, but particularly from the Cancer Genome Project (CGP) that was made possible by the determination of the sequence of the human genome in 2001.

The CGP, devised by Institute scientists and carried out at the Wellcome Trust Sanger Institute, will produce a detailed molecular pathology of common tumour types. The challenge is to understand the biological significance of the information. Our partnership with The Royal Marsden NHS Foundation Trust creates one of the world's leading cancer research centres and enhances our ability to translate that information into patient benefit.

We will continue to focus on three main themes:

- Genetic epidemiology: We are seeking to understand how genes interact with lifestyle and environmental factors to cause cancer, contributing to our aim of discovering the causes of cancer and how to prevent it
- Molecular pathology: We are continuing to unravel the molecular basis of cancer to enable the development of better ways both to diagnose and stage the disease and to predict responses to treatment, contributing to our aim of improving cancer diagnosis and treatment
- Therapeutic development: We are focusing primarily on discovering new drug targets and developing drugs that precisely attack the molecular abnormalities which drive cancer, contributing to our aim of improving cancer therapies to save more lives. We also develop new ways of delivering radiotherapy.

All this will be underpinned by our excellent basic research increasing our knowledge of cell growth, function and mutation, and benefits from our nationally recognised clinical trials operation and the non-invasive monitoring of tumour response using our pioneering imaging expertise.

We will concentrate on researching those cancers where we can most swiftly translate our discoveries into patient benefit. These cancers are those where we have particular research expertise and The Royal Marsden NHS

Foundation Trust has significant clinical practice: currently breast cancer through the Breakthrough Breast Cancer Research Centre, prostate cancer through our Male Urological Cancer Research Centre (underpinned financially through our Everyman campaign), haematological and paediatric cancers.

We intend to develop a revised Scientific Strategic Plan by spring 2009 to provide direction for our future research.

Learning and Teaching Strategy

The second arm of our Mission is to train the next generation of cancer researchers and clinicians. The academic framework for our higher education activities has, for many years, been the University of London. Full college status enables us to enjoy the benefits of membership of the University federation. The standards of quality conveyed by the University of London degree provide our graduates with degrees that have a strong international brand and provide a competitive employment advantage both in the UK and overseas. Our academic staff are also recognised through the award of University titles and our participation in the affairs of the University facilitates mutually beneficial collaborations with colleagues from other Colleges, Schools and Institutes of the University.

The Registry, Interactive Education Unit, Library and Information Services and Research Services have been integrated together. The new Directorate called 'Academic Services' supports students and staff on all issues from clinical trial regulation to funding for further studies.

Demand for entry to our postgraduate degree programmes remains very high, with many high-quality students from the UK and overseas being keen to join us. In addition to those following MPhil and PhD degrees, we continue to offer clinical research students a two-year part-time Advanced Degree in Medicine (MD Res).

Whilst The Institute's primary educational activity has a focus on research, the most recent major academic development has been the introduction of our first postgraduate taught course. The first cohort of the PG Cert / PD Dip / MSc in Oncology commenced in March 2006 and will move into the final part of the course in 2008/09. In the next session we will develop ideas for more postgraduate courses.

Our award winning IEU, which was established at The Institute in 1999, continues to extend boundaries in the application of new media to our educational programmes. The IEU endeavours to fulfil this aim by exploiting new media to enhance the education of cancer specialist researchers and clinicians. The IEU has also published a book on study skills (entitled Study Skills a Student survival Guide) for science based PhD students, written by

members of staff at The Institute and reviewed by students. All research degree students receive a copy at induction. The book, which has sold well in the UK, has been developed into a special branded edition for the University of Leeds (who ordered a copy for each of its PhD students) and has also been translated into Japanese. The book won a Platinum Award, the highest accolade, in the 'Writing' category in the 2006 Marcom Awards.

We recruit the very best young scientists from around the world and give them the opportunity to develop their research expertise within a world class organisation. Many become world class leaders in research as their careers develop.

Our Community Outreach Programme, which encourages more young people to undertake scientific and medical careers and promotes the public understanding of science, continues to flourish. This benefits the individual, the community and The Institute. In addition, we have a firm commitment to widening participation as a member of the thematic partnership entitled Widening Participation in Health Professions Education in London. Our staff and students give talks in schools, hold open days, serve as e-mentors for school pupils, participate in careers fairs and offer summer vacation and work experience placements.

Research Excellence

Our Faculty are excellent at generating research projects and winning external grant funding. Our success requires us to continuously grow our ability to pay for the indirect costs, currently not provided for by external funders, and to provide world class laboratories to house our research teams. We therefore continue to expand slowly to accommodate more research whilst ensuring both research excellence and financial viability.

In order to strengthen our capacity for research of the highest quality, we engaged in a major recruitment campaign over the past few years, which led to 21 new members of the Faculty joining The Institute.

The outstanding contribution made by our scientists to Cancer Research was recognised in May 2008 when three of our Faculty were elected to The Royal Society. This makes a total of six members of staff who are Fellows and recognises the pre-eminence of our staff. Election to its Fellowship is the highest accolade that can be bestowed on a British Scientist.

Other honours given to two members of The Institute's Faculty in 2008 included election to the Fellowship of the Academy of Medical Sciences and the award of the Barclay Medal of the British Institute of Radiology.

In April 2008, nine scientists from The Institute and The Royal Marsden NHS Foundation Trust were appointed to be Senior Investigators at The National Institute for Health Research. They join ninety one other top researchers from across the country who are considered to be outstanding leaders in the field of patient research.

Our staff have always been our greatest asset. Our record of achievement proves they have made a difference to cancer research in the past. As we approach our centenary in 2009 our current staff's expertise and calibre, together with the international recognition of our Faculty, give us every confidence they will continue to do so.

Financial Sustainability

In partnership, The Institute and The Royal Marsden NHS Foundation Trust, form an internationally recognised top ranking Comprehensive Cancer Centre with over 3,500 scientists, clinicians and nurses and an annual budget of £264 million.

The Institute has more than 1,200 staff and postgraduate students. Its financial base is secure, net assets exceed £114 million, annual expenditure is over £70 million, there is a budget for new initiatives of £2.9 million and free reserves, which are calculated on the basis of risk, are forecast to be within the agreed range (£14.4 million - £17.6 million) throughout the planning period.

HEFCE funding will increase to £20.5 million in 2008/09. The income for 2009/10 and beyond will be determined by the results of the Research Assessment Exercise 2008.

To sustain our financial position we must raise more money. Our current funding is broadly HEFCE 24%, Cancer Research UK 37%, Breakthrough Breast Cancer 8%, Other Grants 18%, Investment and Overhead Income 6%, Fundraising 7%.

To safeguard our position and to provide for our sustainable expansion we aim to increase our fundraising income to £15 million per annum by 2020, mainly through our long term legacy fundraising, major gifts and our 'Everyman' action against male cancers campaign.

We will continue to exploit our intellectual property, promoting interactions with the business community which ensure that our laboratory discoveries are developed for the benefit of patients and generate a significant income for reinvestment in The Institute's research. Our target is that by 2008/09 we will be generating in excess of £800k from invention income and of £1.6 million from industrial collaborations and in excess of £700k of overheads on industrial collaborations.

These long term fundraising and commercialisation targets are ambitious; the income budgets, on which we base the expenditure plans, are more prudent.

Supporting Research

Some 85% of our laboratory estate has been built anew or refurbished over the last eight years at a cost of over £50 million. Following the opening of the Brookes Lawley Building in 2003 by Her Royal Highness, The Princess Royal, Chancellor of the University of London, we used the £9.2 million from the Science Research Investment Fund (SRIF 2) to complete, in 2005, the construction of the Sir Richard Doll Building at a cost of about £10 million. This liberated laboratory space in the Brookes Lawley Building.

Our allocation from SRIF 3 is £10.3 million. We have used this to complete the refurbishment of our McElwain and Haddow laboratories at Sutton. We are also continuing to utilise this money to refurbish the Chester Beatty Old laboratory building in Chelsea which will be finished in March 2009.

This refurbished space will accommodate some of our new research initiatives in genetic epidemiology, haemato-oncology, molecular pathology, imaging, cancer therapeutics, paediatric oncology, cancer genetics, breast and prostate cancer, and cell, molecular and structural biology.

We have been notified of our Capital allocations for 2008-11. This comprises £17.2 million for the Research Capital Investment Fund and £139k for the Learning and Teaching Capital Investment Fund. It is planned to use the former for building the second phase of the Sir Richard Doll Building in Sutton, which will provide additional laboratory accommodation and will, in particular, allow us to establish a multi-modality imaging centre which has been central to our plans for a number of years. The latter will be used to fit out new office accommodation in Chelsea, to accommodate the MSc in Oncology Course and Corporate Services staff (who are relocating from Chester Beatty Laboratories, as part of its refurbishment, to provide additional laboratory accommodation).

We reported last year that The Institute and The Royal Marsden have been designated a National Institute for Health Research (NIHR) Biomedical Research Centre, the only one specialising in cancer. As a result, we were granted £6.3 million for a new building to accommodate much of our work in pathology, which is a key feature of our overall strategy.

In IT, a major investment programme has led to substantial improvements in networking capability, systems availability, data storage, and flexible and mobile working. In addition, improvements have been made to back office systems, particularly in HR, Finance and Purchasing. We have implemented the first phase of our plan to integrate all such systems so that administrative processes, requiring scientists' time, are made as efficient as possible. These new investments mean that scientists can take advantage of enhanced infrastructure capacity at lower cost and improved performance. As scientific

research becomes increasingly dependent on information management, The Institute is committed to meeting the challenges and realising the benefits of Information Technology in the areas of high performance computing, large-scale data management, collaborative systems, information storage and retrieval, and communications.

Continuous Improvement

The Institute has a programme of continuous improvement which includes benchmarking ourselves against the sector and undertaking regular process reviews of all our services.

Service Level Agreements have been implemented for all Corporate Services that support the research and performance against these is regularly monitored. The Institute has maintained its OHSAS 18001:1999 Health & Safety accreditation and achieved ISO 9001:2000 accreditation for the Facilities Services in October 2007. We were also delighted to be awarded the Investors in People accreditation for Corporate Services in May 2008.

Partnerships

Since we became a College of the University of London in September 2003, our involvement in University affairs has expanded. We participate in many activities seeking both research synergies and, for our infrastructure, economies of scale. Our other partnerships, with The Royal Marsden NHS Foundation Trust, our largest funders, Cancer Research UK, Breakthrough Breast Cancer and the Wellcome Trust, continue to prosper.

We collaborate with many other international and UK cancer charities and organisations in order to gain resources. We are most grateful to them all.

Future Plan to meet Strategic Objectives

There are a number of key areas that need the focus of our attention in the next few years.

Research

- Continuing to make progress with the three main themes of our current research strategy: genetic epidemiology, molecular pathology and therapeutic development
- Develop a new Scientific Strategic Plan
- Continuous review of research priorities by the Joint Research Committee
- Develop a succession planning process
- Review of the allocation of existing laboratory space to ensure that it is congruent with our scientific strategy
- Proactively working in partnership and collaboration with The Royal Marsden NHS Foundation Trust, Cancer Research UK, Breakthrough Breast Cancer and other key organisations to fulfil our Mission
- Continuing to invest in IT to support scientific research.

Enterprise

- Ensuring effective exploitation of The Institute's intellectual property to optimise patient benefit.

Education

- Delivering our current Learning and Teaching Strategy and developing a new strategy for 2009-12
- Providing the best possible learning environment for our students, Faculty and corporate staff.

Resources and Capacity

- Launching a major Centenary Campaign Appeal
- Maximising fundraising opportunities through our Centenary
- Embarking on a building programme to realise The Institute's Vision, including building the second phase of the Sir Richard Doll Building in Sutton
- Progressing the planning application for development of land in Sutton
- Continuing to diversify our income from both research grants and our fundraising capacity
- Recruiting the best staff to meet our needs
- Ensuring our research is sustainable and further encouraging an integrated approach to infrastructure planning and investment
- Managing risk
- Ensuring a scaleable IT infrastructure capable of supporting exponential growth in data storage requirements and the allied need for data manipulation and processing.

The Board of Trustees

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

Name	Title/Nominating Body	No ¹ of meetings could have attended	No of meetings attended Aug 07 to July 08
Lord Ryder of Wensum OBE	Chairman/Co-option	8	8
Professor Sir Tom Blundell FRS FMedSci	Deputy Chairman & senior member/Co-option	8	7
Mr E A C Cottrell (to 9/2008) Konstantin Graf von Schweinitz (from 10/2008)	Honorary Treasurer/Co-option	8	5
Professor P W J Rigby PhD FMedSci	Chief Executive/Ex Officio	6	6
Professor A Horwich PhD MRCP FRCR FMedSci	Academic Dean/Ex Officio	6	6
Mr A W C Edwards	Co-option	6	2
Dr S E Foden DPhil	Co-option	7	6
Mr D J Gleeson MA	Co-option	6	3
Dr P N Goodfellow FRS FMedSci	Co-option	7	5
Mr R A Hambro	Co-option	6	0
Mr H S Kumar MEng MBA	Cancer Research UK	6	6
Professor R A Laskey FRS FMedSci	University of London	6	5
Dr P Meier PhD (from 10/2008)	Academic Board		
Professor A van Oosterom MD PhD	Co-option	6	3
Miss C A Palmer CBE MSc MHSM DipHSM Mrs T M Green CBE MA	The Royal Marsden NHS Foundation Trust Alternate Director	6	4
Professor L H Pearl FRS FMedSci (from 10/2008)	Academic Board		
Mr J M Pearce	Co-option	6	6
Professor A Pearson MD FRCP FRCPCH DCH (to 9/2008)	Academic Board	6	3
Professor D H Phillips PhD DSc FRCPATH (to 9.2008)	Academic Board	6	4
Miss A C Pillman OBE	Co-option	6	5
Mr N Rzechorzek BSc(Hons) MRes (to 5/2008) Mrs R Laidlow BSc(Hons) (from 6/2008)	Student	5 1	5 1
Mr R S Sharp	Co-option	6	4
Professor C Springer PhD CChem FRSC (from 10/2008)	Academic Board		
Miss M I Watson MA MBA FCIPD	Co-option	6	5
Professor S Webb PhD DIC DSc ARCS FInstP FIPEM FRSA CPhys CSci	Academic Board	6	4
Professor K R Willison PhD (to 9/2008)	Academic Board	6	2

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

Senior members of staff in attendance at Board of Trustees meetings

Mr J M Kipling FCA	Secretary of The Institute and Head of Corporate Services
Professor C J Marshall FRS FMedSci	Director of Research/Chairman Joint Research Committee

The Institute benefits from external expertise on the following committees that report to the Board of Trustees (as at 31 July 2008):

The Constitutional and Nomination Committee

Lord Ryder of Wensum OBE - *Chairman*
Professor Sir Tom Blundell FRS FMedSci – *Deputy Chairman*
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Mr Pearce & Mr Fryatt attended all 4 meetings held; Mr Lillywhite attended 2 (out of 2) meetings, Mr Taylor and Mr Usher attended 3 meetings (August 2007 to July 2008)

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

Bankers

Coutts & Co
Chandos Branch, 440 Strand, London WC2R 0QS

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

Investment Managers

BlackRock Fund Managers Managers
33 King William Street, London EC4 9AS

Solicitors

Farrer & Co
66 Lincoln's Inn Fields, London WC2A 3LH

Registered Office

123 Old Brompton Road
London SW7 3RP

Company number

534147