

Company Registration No. 1626049
BRD5a0416

CANCER RESEARCH TECHNOLOGY LIMITED

Report and Financial Statements

31 March 2016



Company Registration No. 1626049

CANCER RESEARCH TECHNOLOGY LIMITED

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Company Registration No. 1626049

CANCER RESEARCH TECHNOLOGY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The directors who served during the year as of 5 July 2016:

DIRECTORS

P Chambré	(Chairman)
Dr K S Blundy	(Chief Executive)
Dr I Foulkes	
Dr N Jones	(resigned 25 February 2016)
Dr D Harland	(appointed 30 September 2015)
Sir H S Kumar	
Dr P J L'Huillier	
M Pragnell	
Dr A J M Richards	

SECRETARY

A Waldron

REGISTERED OFFICE

Angel Building
407 St. John Street
London
England
EC1V 4AD

BANKERS

National Westminster Bank Plc
Connaught House
65 Aldwych
London
WC2B 4EJ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

CANCER RESEARCH TECHNOLOGY LIMITED

STRATEGIC REPORT

The directors present their strategic report on Cancer Research Technology Limited (the company or CRT) for the year ended 31 March 2016.

Review of the business

The company exists to work in partnership with its parent, Cancer Research UK (CRUK), to identify innovative scientific and business solutions to unmet needs in cancer which is embodied in the company's vision of "advancing discoveries to beat cancer". It seeks to achieve its vision by: sourcing (predominantly from CRUK), and developing cancer discoveries to maximise patient benefit; providing best in class development and commercialisation services to cancer researchers; and, with industry partners, to deliver patient benefit and commercial value that will support further cancer research.

Through a variety of different commercialisation mechanisms, many of which require partnerships with industrial collaborators, the company exploits intellectual property rights arising from publically funded research to ensure that any discoveries which could lead to new therapeutics or diagnostics are developed to benefit patients by the most effective development route.

Results and performance

The profit on ordinary activities before the provision for Gift Aid for the year ended 31 March 2016 was £21,065k (2015: £20,417k). Provision has been made for a Gift Aid payment of £24,564k (2015: £20,616k) (Note 4) to be made to CRUK.

The performance of the company during the year has been positive. The operating profit for the year was £21,059k (2015: £20,378k) with gross margin at 46% (2015: 51%). The financial position of the company at the end of the year reflects its continuing dependence upon income from sales of Abiraterone acetate (Zytiga®). Income from Abiraterone acetate was £58,628k (2015: £52,901k). Following the approval in December 2014 of Lynparza™ in Europe and the US, a fourth drug is on the market, from which the company is receiving income (£495k).

A licensing agreement entered into with Merck Sharp and Dohme to develop inhibitors of PRMT5 for cancer and blood disorders accounted for a significant part of the company's turnover (£10,533k). Other income includes income from the licensing of intellectual property rights which, excluding the PRMT5 licensing agreement, generated income of £2,897k (2015: £2,474k), and the sale and licensing of research reagents through the company's diagnostic and research tools business (which has been relaunched through the adoption of a web-enabled platform as "Ximb.io"), which generated an income of £2,640k (2015: £2,269k).

Business environment

The company's operating environment means that it needs to engage successfully with both the biopharmaceutical industry and academic research. The increasing focus within academia upon translational research outputs, combined with an anticipated increase in research funding by CRUK, are positive developments. Although conditions in the capital markets have worsened in recent months, biotechnology companies and life sciences venture capital organisations remain well funded, which should help to support a positive outlook for the company in the medium term, and has driven increased spin-out company activity during the current year. The continued evolution of pharmaceutical companies, including merger and acquisition activity, presents both opportunities and challenges. The excitement around immune-oncology therapeutics has generated additional opportunities for the company to commercialise academic discoveries.

Strategy

The company plays an increasing and important part in supporting CRUK achieve the ambitions described in its research strategy. This will happen via a number of activities including through: its work in enabling development and commercialisation of early diagnostic markers; supporting the implementation of novel research funding schemes for translational research; delivering biotherapeutics partnerships with industry; investment in drug discovery projects via the CRT Pioneer Fund (see below), the formation and financing of translationally focused new companies to develop CRUK technologies; and its direct work in drug discovery in the company's Discovery Laboratories.

Since 2009, the activities of the Discovery Laboratories have become increasingly focused on collaborative research with pharmaceutical companies. This strategy was reviewed and endorsed in March 2016.

On 14 March 2012 the company became a limited partner in the CRT Pioneer Fund, a collective investment scheme under the management of Sixth Element Capital LLP. Initially, the CRT Pioneer Fund was able to invest up to £25 million in innovative drug discovery and development projects, at least two thirds of which projects must be derived from CRT or CRUK. In 2015, the CRT Pioneer Fund was expanded to £70 million, following the admission of BACIT

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CHK1 Investment Limited as a limited partner. The fund manager may require CRT to commit to invest up to £24.3 million during the investment period which was extended in July 2015 to six years (from 13 March 2012) and may be extended by a further year if the limited partners (including CRT) agree. To date £6.6m has been paid over to the Pioneer Fund and of this figure £3,000k (2015: £1,073k) has been impaired in these financial statements; total impairment to date totals £5,016k. This reflects the fact that the CRT Pioneer Fund made an investment in 8 projects in the year. At least 20% of the total sums invested by the CRT Pioneer Fund must be spent with CRUK to support discovery research or clinical studies. The other original limited partner is the European Investment Fund, which have similar commitments to those of the company.

Although CRUK's London Research Institute was transferred to the Francis Crick Institute (the 'Crick') on 1st April 2015, discussions and arrangements in place between CRUK and the Crick create an expectation that the company will continue to participate in the commercial exploitation of the results of research which relate directly to cancer for a period of five years from the commencement of operations by the Crick at its Midland Road building (which is expected to occur in late 2016).

During the year, the Cancer Research UK MedImmune Alliance Laboratory became operational. This laboratory was established in collaboration with MedImmune Limited to support antibody drug discovery research using phage display technology, as part of CRUK's strategy to become more active in its support of biotechnological discovery research. CRT expects to derive future revenue from projects licensed to MedImmune from the laboratory.

The company has a wholly owned subsidiary; Cancer Research Technology, Inc., is a Delaware-registered corporation and which operates from Boston, Massachusetts. This corporation operates principally to support CRT in its marketing to US companies of opportunities to in-license intellectual property rights controlled by CRT. CRT also has two non-trading subsidiaries: Cancer Research Ventures Limited and Imperial Cancer Research Technology Limited.

Key performance indicators

Aside from operating profitably, the company has two key performance objectives – the provision of a high quality service to support cancer researchers, and the commercialisation of new technologies. The former is a qualitative assessment and the latter is partly assessed by the number of significant transactions completed and partly on the income received from such deals. In 2016, 31 transactions were completed which maintains a healthy performance (2015: 26). As observed in the strategy section above the successful performance by the Discovery Laboratories of industrial alliances is also an important goal.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are those which are systemic to a company engaged in commercialising discoveries in the biopharmaceutical industry. The costs of developing new therapeutics and diagnostics are high and so is the attrition rate for early stage discoveries. The company is financially dependent upon a single marketed drug from the sale of which it receives royalties (Abiraterone acetate). The company addresses this risk by continuing to enter into licensing and other deals for a significant number of new discoveries annually and monitors carefully the deals done in previous years to ensure it receives consideration due to it and the progression of those deals towards royalty generating projects. The future development of the company is also dependent on continuing to secure intellectual property rights arising from research work supported by CRUK and other publicly funded research. The company addresses this risk by continuing to enter into licensing and other deals for a significant number of new discoveries annually and monitors carefully the deals done in previous years to ensure it receives consideration due to it and the progression of those deals towards royalty generating projects.

Financial risks

Liquidity risk. The risk that the company will be unable to meet its liabilities as they fall due is believed to be well managed. Through its commercialisation activities, CRT generates significant amounts of cash and its creditors are principally universities and other third parties who have been involved in the discovery of intellectual property which CRT has commercialised and with whom the company shares net revenue after it has itself received the associated gross revenue. Patent and other operating costs are within the control of CRT's management, and to the extent that they are not reimbursed by third parties under commercial arrangements those third parties have with CRT, are amenable to cost reduction measures in the short to medium term. CRT's commitment to invest in the CRT Pioneer Fund is referred to above.

Solvency risk. The risk that the company will be unable to meet its liabilities in full is believed to be well managed. However: (a) CRT's commitment to invest in the CRT Pioneer Fund is referred to above; (b) the company shares part of the income it receives from the commercialisation of intellectual property with the universities and other third parties who have been involved in the discovery of such intellectual property; and (c), pursuant to a deed of covenant, the company pays to CRUK its taxable profit annually. These factors limit the company's ability to build financial

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reserves. Royalty payments which depend upon patents are vulnerable to legal challenges. The timing and impact of such legal challenges can be difficult to predict and are unlikely to be under CRT's control. Development of new therapeutics and diagnostics can result in product liability and other legal claims and although CRT seeks to insulate itself against such risks in the commercialisation arrangements it enters into, it is impossible to eliminate such risks entirely. In recognition of these risks, CRT is established as a wholly owned subsidiary of CRUK in order that CRUK's assets and reputation as a charity can be protected and for CRT to be able to undertake activities to benefit cancer patients which would present unacceptable risks to CRUK if it undertook such activities itself. The operating costs of the Discovery Laboratories are expected to be largely met by CRT's industrial partners, as part of drug discovery alliance arrangements. However these alliance arrangements are vulnerable to decisions made by industrial partners to change their strategy and priorities and can be impacted adversely by merger and acquisition activity in the life sciences sector.

Price Risk. The company negotiates all contracts through which sales are generated. Salary costs are communicated to staff during the formal review of salaries. Prices of material purchases are subject to contracts with suppliers, based on current market prices.

Credit Risk. A more active approach to post signature management is being implemented to assess the risk of licensees being unable to develop technology licensed to them by the company and unable therefore to pay related milestones and royalties.

Currency Risk. Because CRT's income is principally paid directly or indirectly in US dollars and, so far as royalty income is concerned, depends upon the sale of products outside of the UK, CRT's revenues are subject to exchange rate risks. No significant hedging arrangements are currently in place.

Transition to FRS102

The Cancer Research Technology Limited accounts are prepared under UK Generally Accepted Accounting Practice ("UK GAAP"). UK GAAP changed with effect for accounting periods beginning on or after 1 January 2015 to Financial Reporting Standard 102 ("FRS102"). There are key differences in applying the new FRS102 from the old UK GAAP in areas of accounting policies and disclosure. This is the first year of accounts affected by the new standards and the results for the year-ending 31 March 2015 have been restated to be on a comparable basis as detailed in note 1.

Future developments

The principal future developments anticipated by the company are described in the strategy section above. In particular the company will:

- work closely with CRUK to support the delivery of CRUK's research strategy;
- oversee the move of its Discovery Laboratories to a model of operation based on drug discovery alliances with and sponsored by industrial partners; and
- work with the Crick to ensure that the results of its research relating directly to cancer are translated with the support of the company to benefit cancer patients;
- continue to maximise cancer patient benefit and deliver financial returns to CRUK by commercialising the results of CRUK funded research.

Approved by the Board of Directors

and signed by order of the board



A. Waldron – Secretary

Date: 06 July 2016

CANCER RESEARCH TECHNOLOGY LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Cancer Research Technology Limited (the company or CRT) for the year ended 31 March 2016. CRT is a company limited by share capital, incorporated in England and Wales. The officers and professional advisers, on page 3, forms part of this report.

Future developments

Likely future developments in the business of the company are discussed in the strategic report.

Dividends

In line with prior years, a deed of covenant is in place whereby profits generated by the company are distributed to the parent charity in the form of a 'Gift Aid' payment subject to ensuring capital maintenance.

Research and development activities

The activities of the company in the field of research and development are explained in the strategic report.

Financial instruments and risk management

Information on the use of forward exchange contracts by the company is set out in note 16 to the financial statements. Please refer to the Strategic Report Principal Risks and Uncertainty section for managing identified forms of financial risk.

Employees

It is the company's policy to provide equal opportunities to job applicants and employees of any race, nationality, ethnic origin, marital status, religion or belief, gender, disability, sexual orientation, age or employment status. The company does not condone or tolerate any form of discrimination in its recruitment or employment practices. All employees and applicants are treated on merit, fairly, with respect and dignity, recognised as individuals and valued for the contribution they make, provided fair and equal access to training, development, reward and progression opportunities and are accountable for the impact of their own behaviour and actions. All the company's policies follow these principles. During the year, regular communications to employees have been provided on matters affecting them, including factors affecting the company's progress, and they have been consulted on decisions affecting them.

Directors and their interests

The directors serving during the year to 31 March 2016 and up to the date of signing this report are shown on page 3. None of the directors has any interests in the ordinary shares of the company or any fellow group company.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting of CRT.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and

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- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- (a) there is no relevant audit information of which the company's auditors are unaware; and
- (b) they have 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 company's auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors
and signed by order of the board



A Waldron – Secretary

Date: 06 July 2016

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANCER RESEARCH TECHNOLOGY LIMITED

Report on the financial statements

Our opinion

In our opinion, Cancer Research Technology Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2016;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Philip Stokes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 July 2016

CANCER RESEARCH TECHNOLOGY LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 March 2016**

	Note	2016 £'000	2015 £'000
TURNOVER	2	79,244	61,861
Cost of sales		(43,012)	(30,211)
GROSS PROFIT		36,232	31,650
OPERATING COSTS			
Research and development costs		(7,497)	(8,234)
Other operating costs		(9,778)	(7,541)
Other operating income		2,102	4,503
OPERATING PROFIT	3	21,059	20,378
Other interest receivable and similar income		6	78
Interest payable and similar charges		-	(39)
PROFIT ON ORDINARY ACTIVITIES BEFORE GIFT AID AND TAXATION		21,065	20,417
Gift Aid payable to Cancer Research UK	4	(24,564)	(20,616)
Tax on profit on ordinary activities	5	-	-
LOSS FOR THE FINANCIAL YEAR		(3,499)	(199)
Loss for the financial year		(3,499)	(199)
Brought forward profit and loss account		10,315	10,514
Carried forward profit and loss account		6,816	10,315

All activities in the current and preceding year are continuing.

There is no material difference between the profit on ordinary activities before gift aid and taxation and the result for the financial year stated above and their historical cost equivalents. All amounts relating to continuing activities and all gains and losses in the year are recorded in the Profit and Loss account and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 13 to 23 form part of these financial statements.

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BALANCE SHEET

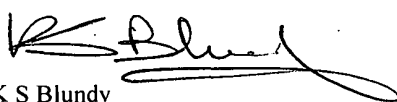
As at 31 March 2016

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Tangible and intangible assets	7	1,198	1,185
Investments	8	1,417	5,435
		<u>2,615</u>	<u>6,620</u>
CURRENT ASSETS			
Debtors	9	59,973	59,600
Cash at bank and in hand		10,665	302
		<u>70,638</u>	<u>59,902</u>
CREDITORS: amounts falling due within one year	10	66,235	51,483
NET CURRENT ASSETS		<u>4,403</u>	<u>8,419</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,018</u>	<u>15,039</u>
CREDITORS: amounts falling due after more than one year	11	2	4,438
PROVISIONS FOR LIABILITIES	12	-	86
NET ASSETS		<u>7,016</u>	<u>10,515</u>
CAPITAL AND RESERVES			
Called up share capital	13	200	200
Profit and loss account		6,816	10,315
TOTAL SHAREHOLDER'S FUNDS		<u>7,016</u>	<u>10,515</u>

The notes on pages 13 to 23 form part of these financial statements.

The financial statements on pages 11 to 23 were approved by the Board of Directors on 05 July 2016.

Signed on behalf of the Board of Directors


Dr K S Blundy
Director
06 July 2016

CANCER RESEARCH TECHNOLOGY LIMITED**1: ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards comprising FRS102. The particular accounting policies adopted, which have been applied consistently, are described below. These financial statements for the year ended 31 March 2016 are the first financial statements that comply with FRS 102.

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention as modified for the measurement of forward contracts at fair value through profit or loss. There are no material uncertainties about the company's ability to continue.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the Directors have considered whether in applying the accounting policies required by FRS102 the restatement of comparative items was required.

The opening fund balances at the date of transition have been restated due to the items outlined in the table below but no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2014.

In accordance with the requirements of FRS102 reconciliations of equity at the date of transition and 31 March 2015, and the deficit for the year ending 31 March 2015 under old UK GAAP and new UK GAAP, are provided.

Reconciliation of company total shareholder's funds

	Note	31 March 2015 £'000	1 April 2014 £'000
Total shareholder's funds as previously stated		10,927	11,094
Recognition of forward contracts at balance sheet date	(i)	(7)	15
FRS102 Holiday Pay Accrual Adjustment	(ii)	(405)	(395)
Total shareholder's funds restated		10,515	10,714

Loss for the financial year

	Note	31 March 2015 £'000
UK GAAP – Loss previously reported		(167)
Recognition of forward contracts at balance sheet date	(i)	(22)
FRS102 Holiday Pay Accrual Adjustment	(ii)	(10)
Loss for the financial year restated		(199)

- (i) Cancer Research Technology was not previously required to recognise derivative financial instruments on the balance sheet date. Instead the effects of derivative financial instruments were recognised in the profit and loss when the instruments were settled. Derivative financial instruments are classified as 'other financial instruments' in FRS102 and are recognised as a financial asset or financial liability. At fair value, when an entity becomes party to the contractual provisions of the instrument. Consequently, financial assets of £15k were recognised in the opening balance sheet at 1st April 2014 and a financial liability of £7k was recognised in the balance sheet as at 31st March 2015. The effect on income for the year for the year ended 31st December 2015 was a decrease of £22k.
- (ii) Prior to applying FRS102, Cancer Research Technology did not make a provision for holiday pay (ie holiday earned but not taken prior to the year-end). FRS 102 requires the cost of short-term compensated absences to be recognised when the

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employees render the service that increases their entitlement. Consequently, an additional accrual of £395k at 1st April 2014 has been recognised to reflect this. The additional provision at 31st March 2015 is £405k with an effect on income in the year ended 31st March 2015 is an additional expense of £10k.

Group accounting

In accordance with paragraph 400 of the Companies Act 2006, the company has taken advantage of the exemption available to not prepare and deliver group financial statements. Accordingly, the company's financial statements present information about it as an individual undertaking and not about it as a group.

Profit and loss

All expenditure is recognised in the financial statements on an accruals basis.

Cash flow statement

The company is a wholly owned subsidiary and the consolidated financial statements in which the company's results are included are available to the public. It has therefore taken advantage of the exemption, under FRS102 paragraph 1.12(b), from preparing a cash flow statement, on the basis that it is a qualifying company and its cash flows are included in the consolidated results of Cancer Research UK (see note 19).

Revenue recognition

Income is generated in North America, Australia, Europe and United Kingdom.

Turnover comprises income from the exploitation of intellectual property rights. This includes licence fees and payments, royalty income, reimbursement of staff costs, assignment and option fees, evaluation fees and income from technology transfer services provided to other organisations.

Revenue is recognised gross before the distribution under revenue sharing agreements to third parties, which is included in the cost of sales, on the basis that risks and rewards remain with the company.

Where contracts contain the right to receipt of payments, these receipts are recognised when they fall due and on completion of the company's contractual obligations for the period.

Accrued income relates to revenue receivable at the year end not yet invoiced. This includes royalty income which has been estimated based on sales data from the manufacturer or commercial partner, or based on past experience of royalty history where sales data is not yet available. Where appropriate, accrued royalty income is reduced to be net of costs which are expected to be retained by the manufacturer or commercial partner in line with the underlying contract.

Patent costs

All costs incurred in the acquisition of patents are written off in the period in which they are incurred.

Tangible fixed assets

Fixed assets are capitalised at cost. Fixed assets are depreciated over their estimated useful lives by equal annual instalments at the following rates:

Laboratory equipment	20%
Fixtures, fittings and office equipment	20%
IT Equipment	33%

Short leasehold improvements are amortised over the life of the lease.

Eligible expenditure exceeding £5,000 is capitalised.

Investments

Investments consist of equity investments in companies. Where the value is considered to have been impaired then they are stated at the lower of cost and market value.

Where an equity investment is held in a company whose shares are not listed on a public capital market and whose valuation is intrinsically uncertain because of the stage of development of its technology, then the directors consider it impractical to attribute a market value to such shareholdings. In these cases investments are retained in the balance sheet at their original cost to the group or an appropriate provision made against the cost of investment for impairment on the bases noted below. Investments in subsidiaries and associates are valued at cost. Foreign subsidiaries are held at cost translated at the spot rate on the date the investment was made.

The company's investment in the Pioneer Fund is considered to be a public benefit concessionary loan. Public benefit concessionary loans are arrangements entered into below the prevailing rate of interest, are not repayable on demand and are for the purposes of furthering the objectives of the parent charity. Where a public benefit concessionary loan arrangement is entered into, the loan paid

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is retained on the balance sheet at the loan amount less an appropriate provision made for impairment on the notes below. Cancer Research Technology is a member of a Public Benefit Entity (PBE) group since CRUK is a PBE.

Impairment of fixed assets and investments

Fixed assets and investments are subject to review for impairment when there is an indication of a reduction in their carrying value. Any impairment is recognised in the year in which it occurs in other operating expenditure

Gift Aid

Gift Aid payable to the parent undertaking, Cancer Research UK, is charged to the profit and loss account. The estimate of Gift Aid payable is the lesser of the Company's taxable profits for the period and the balance of the Company's reserves which is available for distribution. Any adjustments for any under or over provision of Gift Aid are recognised following submission of the Company's taxation computation to HM Revenue & Customs. Current and future Gift Aid payments are made under a deed of covenant arrangement.

Pension costs

The cost of providing retirement pensions and related benefits under the company's defined contribution scheme is charged to the profit and loss account as pension contributions are incurred.

The company is unable to identify its share of the assets and liabilities of the CRUK Pension Scheme (a defined benefit scheme - see note 17). As such, the costs of participating in this scheme are also recognised as they are incurred.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Research and development

Research and development expenditure is written off to the profit and loss account as it is incurred. Where CRT recognises income from Research and Development tax credits, it is classified as Government assistance and is disclosed as such in the notes to the accounts.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. All differences are taken to the profit and loss account.

Financial instruments

The company has financial assets and financial liabilities of a kind that quantify as basic and complex financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Foreign currency forward contracts are classified as complex; complex financial instruments are initially measured at contract value, re-measured at the balance sheet date and subsequently measured at their settlement value. CRT has opted to take advantage of the disclosure exemptions available in paragraph 1.12 (c) in relation to financial instrument disclosures required by sections 11 and 12 since CRT is a qualifying entity and equivalent disclosures are made in CRUK's group financial statements (see note 19).

Deferred taxation

Deferred taxation would normally be recognised on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

However, deferred tax assets and liabilities are not recognised as the company has a policy to eliminate taxable profits by making Gift Aid payments and therefore no asset or liability is likely to arise.

Significant estimates and judgements

At the balance sheet date a significant estimate exists in terms of the value that is accrued for Abiraterone sales. This is due to sales figures not being released by the commercial partner until after the balance sheet date. However, before the accounts are signed this figure is reviewed and any material differences are adjusted for and reflected in the accounts.

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2. TURNOVER

In the opinion of the directors, all turnover and profit before taxation derives from the company's principal activity.

The analysis of turnover is summarised as follows:

	2016 £'000	2015 £'000
Income from Abiraterone	58,628	52,901
Income from PRMT5	10,533	-
Income from Temozolomide	3,592	2,971
Other Income	6,491	5,989
	<u>79,244</u>	<u>61,861</u>

Other income includes income from the licensing of intellectual property rights which, excluding the PRMT5 licensing agreement, generated income of £2,897k (2015: £2,474k), and the sale and licensing of research reagents through the company's diagnostic and research tools business (which has been relaunched through the adoption of a web-enabled platform as "Ximb.io"), which generated an income of £2,640k (2015: £2,269k). No geographical breakdown of turnover is presented as the directors do not believe the markets supplied to, Europe and North America, differ substantially from each other.

3. OPERATING PROFIT

	2016 £'000	2015 £'000
Operating profit is stated after charging/(crediting):		
Operating lease payments – land and buildings	515	836
Depreciation	397	367
Foreign exchange gains	(34)	(87)
Auditors' remuneration - audit fee	12	12
- non audit	-	39
- audit of subsidiary	3	-
Other operating income		
Profit on disposal of investments – proceeds from Spirogen sale	(140)	(180)
Profit on sale of Curis Inc shares	-	(50)
Government Grant – research and development expenditure credit	(434)	(497)
Profit on the sale of Infermed shares	(268)	-

Auditors' remuneration is exclusive of VAT. No non-audit fees were charged by the auditors in the year to 31 March 2016 (2015: £39,000 - in relation to a royalty review).

4. GIFT AID PAYABLE TO CANCER RESEARCH UK

	2016 £'000	2015 £'000
Provision for current year payment	23,767	20,533
Increase in Gift Aid payable for prior year	797	83
	<u>24,564</u>	<u>20,616</u>

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5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	2016	2015
	£'000	£'000
United Kingdom corporation tax at 20% (2015: 21%)	-	-

Factors affecting the tax charge

The tax assessed for the year is lower (2015: lower) than that resulting from applying the standard rate of corporation tax in the UK of 20% (2015: 21%).

The differences are explained below:

	2016	2015
	£'000	£'000
Profit on ordinary activities before tax and Gift Aid	21,065	20,417
Corporation tax at 20% (2015: 21%) thereon	4,213	4,288
Effects of:		
Disallowed expenses	1	6
Capital allowances in (excess) of depreciation	(6)	(62)
FRS 102 Transition revenue adjustments to opening reserves	(82)	6
R&D Expenditure Credit	24	10
Net licence fee income released	68	28
Exemption from capital gain on share sale	(68)	-
Gift Aid payment provided for	(4,753)	(4,312)
Miscellaneous disallowable expenditure	4	-
Pension contributions not paid by year end	13	-
Impairment of investments	614	94
Deferred share sale consideration	(13)	(38)
Movement in other short term timing differences	(15)	(20)
Total tax charge for the year	-	-

A deferred tax liability has not been recognised in respect of timing differences relating to tangible fixed assets, licence fees and other sundry timing differences as the company has a deed of covenant in place to pay taxable profits by Gift Aid to CRUK and therefore no liability is likely to arise. The amount of the liability not recognised is £107k applying a rate of 20% (2015 £343k at 20%).

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6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2016	2015
	£'000	£'000
Staff costs		
Wages and salaries	5,968	6,144
Social security costs	619	626
Other pension costs	803	781
	<u>7,390</u>	<u>7,551</u>

Average staff numbers for the year

Research and development	66	71
Other	57	53
Average number of employees	<u>123</u>	<u>124</u>

	2016	2015
	£'000	£'000
Directors' emoluments		
Directors' remuneration	392	370
Company pension contributions	56	53
	<u>448</u>	<u>423</u>

The highest paid director received emoluments of £206,802 during the year (2015: £167,406) with company pension contributions of £31,985 (2015: £29,438). The lump sum pension benefit accrued as at 31 March 2016 was £235,823 (2015: £237,183). The directors' emoluments have been increased to reflect a consolidation into salary of a bonus scheme which was discontinued with effect from 1 April 2015.

During the year there was 1 director (2015: 1) who had accrued benefits under defined benefit schemes and 2 directors (2015: 1) who were accruing benefits under defined contribution schemes. Of the 9 directors of CRT, two were employed, two are non-executive directors and five are unpaid.

Some ex-Imperial Cancer Research Technology Limited employees and directors are part of a permanent health insurance scheme. There have been no claims against this scheme in the reporting financial year (2015: none).

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	Short leasehold improvements	Laboratory equipment	Fixtures, fittings and office equipment	Website development costs	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2015	290	4,947	273	183	5,693
Additions	-	308	41	83	432
Disposals	-	-	-	(22)	(22)
At 31 March 2016	290	5,255	314	244	6,103
Accumulated depreciation					
At 1 April 2015	116	4,099	271	22	4,508
Charge for the year	-	358	12	27	397
At 31 March 2016	116	4,457	283	49	4,905
Net book value					
At 31 March 2016	174	798	31	195	1,198
At 31 March 2015	174	848	2	161	1,185

8. INVESTMENTS

	Public Benefit Entity Concessionary Loan	Shares in Subsidiaries, associates and capital contribution to limited partnership	Non participating interests	Total
	£'000	£'000	£'000	£'000
Cost of investments				
At 1 April 2015	2,586	6,447	675	9,708
Additions	-	-	152	152
Disposals	-	-	(268)	(268)
Capital Reorganisation	-	(5,750)	-	(5,750)
Loan Advances	3,418	-	-	3,418
At 31 March 2016	6,004	697	559	7,260
Provisions				
At 1 April 2015	2,016	1,911	346	4,273
Increase	3,000	-	71	3,071
Disposal	-	(1,313)	(188)	(1,501)
At 31 March 2016	5,016	598	229	5,843
Net book value				
At 31 March 2016	988	99	330	1,417
At 31 March 2015	570	4,536	329	5,435

For information on capital reorganisation please see below.

CANCER RESEARCH TECHNOLOGY LIMITED**8. INVESTMENTS (continued)****Significant holdings**

At 31 March 2016, the company owned 20% or more of the ordinary share capital in the following undertakings:

	Shareholding 2016 %	Net book value 2016 £'000	Shareholding 2015 %	Net book value 2015 £'000	Country of incorporation
Shares in wholly owned dormant subsidiaries:					
Cancer Research Ventures Limited (2 ordinary shares)	100	-	100	4,437	England & Wales
Imperial Cancer Research Technology Limited (200,000 ordinary shares)	100	2	100	2	England & Wales
Shares in wholly owned trading subsidiaries					
Cancer Research Technology Inc (1 share of ordinary stock)	100	56	100	56	USA
Shares in partly owned trading associates:					
Acublate Limited (7,070 ordinary shares)	34.5	40	34.5	40	England & Wales
Senectus Therapeutics Limited (40 ordinary shares)	33.3	-	33.3	-	England & Wales
Interests in limited partnerships					England & Wales
CRT Pioneer Fund LP	35.54	1	35.54	1	
Total		<u>99</u>		<u>4,536</u>	

The CRT Pioneer Fund, a limited partnership in England and Wales was established in March 2013. During the financial year 2014-15 it was agreed by the CRT board that CRT's total commitment to The Fund would increase to £24.3m, with the overall fund commitment by the Limited Partners increasing to £70m from £24.3m.

The fund manager may require the company to contribute up to £18,849k of loan capital to the Fund during the next 6-9 years. For the year ended 31st March 2016, the company had a net contribution of £3,418k of which £3,000k of the total investment value was impaired. The arrangement of funding is classified as a public benefit concessionary loan as amounts payable to the Fund are not repayable on demand, no interest is received by CRT and the aim of the Fund is to further the charitable aims of the group and parent charity CRUK.

Cancer Research Technology Inc. (CRT Inc.), a wholly owned subsidiary, incorporated in the state of Delaware completed its ninth year of trading. The principal activity of CRT Inc. is to provide a service to its parent company by marketing the company's projects. A secondary activity is to widen the company's intellectual property sourcing in the United States of America and increase business development. For the year ended 31st March 2016 CRT Inc. made a profit of £35,769 (2015: £19,217) and has net assets of £311,189 (2015: £275,420).

Due to a capital reorganisation, Cancer Research Ventures Limited reduced its share capital to £2 and cancelled its share premium account during the year and a dividend in specie of £4.4m was declared to CRT, with the investment in Cancer Research Ventures Limited, of £4.4m, being reduced to £2.

Non participating interests (shareholdings in investments all below 20%)

	Net Book Value 2016 £'000	Net Book Value 2015 £'000	Country of incorporation
Chroma Therapeutics Ltd.	288	288	England & Wales
Other holdings in companies with a value all below £4,000. 22 such companies (2015: 24)	42	41	Various
Total	<u>330</u>	<u>329</u>	

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9. DEBTORS

	2016 £'000	2015 £'000
Trade debtors	657	1,835
Amounts owed from parent company	28,221	27,631
Other debtors & prepayments	535	642
Accrued income	30,560	29,492
	<u>59,973</u>	<u>59,600</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	904	719
Amounts owed to parent company	23,206	20,616
Amounts owed to subsidiary	258	260
Accruals	41,338	29,472
Derivative financial instruments	-	7
Holiday pay accrual	415	405
Deferred Income	114	4
	<u>66,235</u>	<u>51,483</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Amounts owed to group undertakings	<u>2</u>	<u>4,438</u>

The amounts owed to group undertakings comprises £2k (2015: £4,438k) of loans to fund the equity investments in Imperial Cancer Research Technology Limited. A dividend in specie of £4,437k was declared in favour of CRT by Cancer Research Ventures Limited following a capital reorganisation referred to in note 8 above and the investment was reduced down to £2.

12. PROVISIONS FOR LIABILITIES

	2016 £'000	2015 £'000
Provision at the beginning of the year	86	255
Charged to profit and loss	-	12
Released in year	(86)	(181)
Provision at the end of the year	<u>-</u>	<u>86</u>

The opening provision related to the London site Dilapidations. The London site Dilapidations were released during the year. No further provisions have been posted, leaving a nil closing provision.

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13. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised:		
200,000 (2015:200,000) ordinary shares of £1 each	200	200
Called up, allotted and fully paid:		
200,000 (2015:200,000) ordinary shares of £1 each	200	200

14. OPERATING LEASE COMMITMENTS

At 31 March the company had the following future minimum lease payments under non-cancellable operating leases for the following periods:

	Land & Buildings 2016 £'000	Land & Buildings 2015 £'000
Future minimum lease payments under non-cancellable operating leases expiring:		
Within one year	356	243
Within two to five years	629	-
More than five years	-	-
	985	243

15. GOVERNMENT GRANTS

Income from government grants comprises of tax relief on expenditure on research and development. In 2016 CRT claimed research and development tax credit, in respect of qualifying expenditure incurred, totalling £434k (2015: £497k).

16. FINANCIAL INSTRUMENTS

At 31 March 2016 the company had no financial assets or liabilities valued at fair value through profit and loss. There were no forward contracts in place (2015: \$950k). Taking into consideration USD forecasted to be used elsewhere in the Group, the company is not expected to have any direct net exposure to currency in the next 12 months. Any gains/losses on maturity of the forward contracts are charged to the profit and loss account in the reporting period in which they are realised.

17. PENSION SCHEMES

The company is a party to a defined benefit pension scheme and a defined contribution scheme

Defined benefit pension schemes

Retirement benefits are provided through the CRUK Pension Scheme, which is an externally funded defined benefit scheme based on final basic salary. This scheme is now closed to future accrual.

In relation to FRS102 valuations, as at 31 March 2016 the CRUK Pension Scheme had a £61,747k surplus (2015: surplus of £45,568k). As required by FRS102, the defined benefit surplus for the CRUK Pension Scheme has been measured using the projected unit method. As the company is unable to identify its share of the underlying assets and liabilities, under FRS102, payments into the Scheme are accounted for as if the scheme was a defined contribution scheme. The triennial actuarial valuation of the Scheme took place as at 31 March 2015. The valuation resulted in a deficit of £55m. CRUK and the pension fund trustees are

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working together to manage this deficit and have agreed a deficit reduction plan. Further details of the plans and the assumptions applied can be found in the audited financial statements of CRUK available from The Angel Building, 407 St. John Street, London, EC1V 4AD. CRT is required to make no contribution to the deficit recovery scheme of CRUK.

Defined contribution pension scheme

From 1 April 2003, retirement benefits are provided through a defined contribution scheme under the CRUK Stakeholder Pension Plan.

The total pension costs for all schemes charged to the profit and loss account in the year were £803k (2015: £781k).

Contributions that were outstanding at the year-end in respect of these schemes amounted to £100k (2015: £70k).

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS102 "Related Party Transactions" that permits non disclosure of transactions with wholly-owned group undertakings.

Peter Chambré, Chairman of CRT, is a Director of Immatix Biotechnologies GmbH, a specialty pharmaceuticals company, with which CRT and CRUK entered into an agreement to develop a drug as part of the Clinical Developments Partnership in December 2010. On 4 April 2014, a licence agreement was concluded relating to a clinical trial undertaken by CRUK. No income was received by CRT in respect this agreement during the year (2015: £385k) and there were no outstanding balances at 31 March 2016.

As part of its ordinary operations, the company occasionally appoints directors to the boards of spin-out companies with which the company has entered into transactions. Dr Keith Blundy is a director of Cytosystems Limited and Inivata Limited and during the year transactions, on commercial terms, of £10k and £7k (2015: £60k and £0.1k) were entered into respectively with those two companies. In addition, CRT received 66,055 shares in Cytosystems Limited in consideration for a debt of £72k. At 31 March 2016, £18k (2015: £78k) was due to CRT from Cytosystems Limited and no amounts were due from Inivata Limited.

During the year, Dr Andy Richards was a director of Babraham Bioscience Technologies Ltd; CRT entered into a lease agreement on commercial terms for laboratories in respect of which £336k of lease payments and £80k (2015: £250k and £142k) of consumables costs were paid. At 31 March 2016, there was an outstanding balance of £110k (2015: £115k).

Sir Harpal Kumar is a director of the Francis Crick Institute and during the year CRT paid £285k (2015: £nil) to the Francis Crick Institute which CRT received under research collaboration agreements (which have been novated by CR-UK to the Francis Crick Institute).

Dr Iain Foulkes is a trustee of the Institute of Cancer Research: Royal Cancer Hospital. On commercial terms, CRT has revenue sharing agreements in place with the Institute of Cancer Research pursuant to which CRT paid £27 million (2015: £24m) during the year and received £403k (2015: £nil).

19. ULTIMATE PARENT COMPANY

The ultimate and immediate parent undertaking and controlling entity is Cancer Research UK, a charitable company limited by guarantee and incorporated in Great Britain and registered in England and Wales and Scotland with company number 4325234 and in the Isle of Man (5713F), (charity number in England & Wales 1089464, Scotland SCO41666 and in the Isle of Man 1103). This is the largest and smallest group for which consolidated financial statements have been produced. Consolidated financial statements for this entity have been prepared and are available from Angel Building, 407 St. John Street, London, EC1V 4AD.

20. GUARANTEES

The company is party to a Group registration for VAT purposes and is jointly and severally liable for any VAT liabilities of the companies that are part of the same VAT registration.

21. COMMITMENTS

As more fully explained in the Directors' Report under the CRT Pioneer Fund limited partnership agreement, the fund manager may require the company to contribute up to £18,849k of loan capital to the fund during the next six to nine years.