

CANCER RESEARCH TECHNOLOGY LIMITED

Report and Financial Statements

31 March 2014

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CANCER RESEARCH TECHNOLOGY LIMITED

REPORT AND FINANCIAL STATEMENTS 2014

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CANCER RESEARCH TECHNOLOGY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The directors who served during the year as of 28th May 2014

DIRECTORS

P Chambré	(Chairman)
Dr K S Blundy	(Chief Executive)
Dr I Foulkes	
Dr N Jones	
H S Kumar	
Dr P J L'Huillier	
Dr R McKernan	(appointed 25 May 2013)
M Pragnell	
Dr A J M Richards	
Dr J B Ward	(resigned 21 May 2013)

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
7 More London Riverside
London
SE1 2RT

CANCER RESEARCH TECHNOLOGY LIMITED

STRATEGIC REPORT (continued)

The directors present their strategic report on Cancer Research Technology Limited (the company or CRT) for the year ended 31 March 2014

REVIEW OF THE BUSINESS

The company's vision is to advance discoveries to beat cancer. It seeks to achieve this by maximising the potential benefits to cancer patients flowing from research funded by its parent, the charity, Cancer Research UK (CR-UK), and other publicly funded 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 2014 was £20,473k (2013 £8,361k). Provision has been made for a Gift Aid payment of £22,541k (2013 £7,385k) (Note 4) to be made to CR-UK.

The performance of the company during the year has been positive. The operating profit for the year was £20,435k (2013 £8,322k) with gross margin at 50.6% (2013 46.3%). The financial position of the company at the end of the year reflects its growing dependence upon income from sales of abiraterone acetate (Zytiga®). Income from abiraterone acetate was £41,806k (2013 £26,020k). Whilst the company's financial performance has strengthened, royalties received from temozolomide sales in the US have been significantly eroded by generic competition experienced since August 2013 and royalties ceased on sales of the drug made after February 2014 in the US. Royalties receivable in the year from temozolomide totalled £10,652k (2013 £19,408k).

The balance of the company's income was mainly derived from the licensing of intellectual property rights, and from the sale and licensing of research reagents through the company's Diagnostic and Research Tools business, which together generated an income of £8,823k (2013 £3,440k). This reflects a considerable improvement over performance in recent years, and is largely attributable to the progression of a drug discovery project (partnered with a pharmaceutical company) to selection of a clinical candidate, and the formation during the year of two new drug discovery alliances with commercial partners.

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 CR-UK, is a positive development. Improvements in the capital markets and increased funding for biotechnology companies also bode well for the company. The continued evolution of pharmaceutical companies, including merger and acquisition activity, presents both opportunities and challenges.

Strategy

In the future, the company is likely to play an increasing and important part in supporting CR-UK to achieve the ambitions described in its research strategy for 2014-19. 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, expanding its reagents business to encompass the scientific community outside of CRUK, 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 CR-UK technologies and its direct work in drug discovery in the Discovery Laboratories.

Since 2009, the activities of the Discovery Laboratories have become increasingly focused on collaborative research with pharmaceutical companies. In a continuation of this trend, in December 2012, CRT renewed for a further two years its cancer metabolism-focused alliance arrangements with AstraZeneca UK Limited, and in 2013 entered into two further drug discovery alliances referred to above. As part of this continuing strategy, and following a review of their operations in 2013, it is expected that the company will move increasingly to a cost-recovery model for the operation of the Discovery Laboratories through industry-sponsored alliances, and in 2013 achieved a recovery of costs amounting to £3,302k.

During the year, the company decided to cease its participation in Cancer Therapeutics CRC Pty Ltd ('CRC Pty Ltd') with effect from 1 July 2014. Although CRT will continue to have the right to exploit commercially drug discovery research licensed by CRC Pty Ltd to CRT prior to July 2014, CRT will cease thereafter to have any rights to intellectual property flowing from CRC Pty Ltd and will not be required to fund any further contributions.

CANCER RESEARCH TECHNOLOGY LIMITED

STRATEGIC REPORT (continued)

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. The CRT Pioneer Fund will invest up to £25 million in innovative drug discovery and development projects, at least two thirds of which must be derived from CRT or CR-UK. The fund manager may require CRT to invest up to £12.4 million during the investment period of (a) five years (from 13 March 2012) if CRT commits to invest a further £12.4 million, or (b) by September 2015 if no such commitment is made. Of this figure £524k (2013: 324k) has been expensed in these accounts. This reflects the fact that the CRT Pioneer Fund made an investment in three projects in the year. At least 20% of the total sums invested by the CRT Pioneer Fund must be spent with CRT to support discovery research or with CR-UK to support clinical studies. The other limited partner is the European Investment Fund, which has similar commitments to those of the company. In December 2014, CRT and The European Investment Fund have the option to jointly agree to increase the size of the CRT Pioneer Fund to £50 million by each committing to invest a further £12.4 million each.

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 2014, 25 transactions were completed which maintains a healthy performance (2013: 15). 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 few marketed drugs from the sale of which it receives royalties. As observed above, in the current year the company has become particularly dependent upon the sales of a single drug (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. Approximately two thirds of the company's operating costs arise from the operations of its Discovery Laboratories and as observed above it is expected that the company will move increasingly to a cost-recovery model for the operation of the Discovery Laboratories as part of future drug discovery alliance arrangements concluded with pharmaceutical companies. This is likely to reduce the company's net operating costs. The future development of the company is dependent on continuing to secure intellectual property rights arising from research work supported by CR-UK and other publicly funded research.

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 CR-UK to support the delivery of CR-UK's new 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,
- seek to pursue development plans for its diagnostics and research tools business, and
- continue to maximise cancer patient benefit and deliver financial returns to CR-UK by commercialising the results of CR-UK funded research.

Approved by the Board of Directors
and signed on behalf of the Board



A Waldron – Secretary

Date 28 May 2014

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 2014. The legal and administrative information on page 1 forms part of this report.

FUTURE DEVELOPMENTS

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

DIVIDENDS

The directors do not recommend the payment of a dividend (2013 £ nil).

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.

In addition to the main risk on royalties, which is covered in the strategic report above, the following statements summarise the company's policy in managing identified forms of financial risk.

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.

Liquidity Risk – The company only has long term borrowings in relation to its amounts owed to the parent company and subsidiary undertakings.

Interest rate cash flow risk – The company places surplus cash on deposit with CR-UK.

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 2014 and up to the date of signing this report are shown on page 1. None of the directors has any interests in the ordinary shares of the company or any fellow group company.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) the director has taken all the steps that ought to have been taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

CANCER RESEARCH TECHNOLOGY LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting of CR-UK

DIRECTORS' RESPONSIBILITIES STATEMENT

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 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 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 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.

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.

In the case of each director in office at the date the directors' report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board


A. Waldron – Secretary

Date 28 May 2014

CANCER RESEARCH TECHNOLOGY LIMITED

Independent auditors' report to the members of Cancer Research Technology Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Cancer Research Technology Limited, comprise

- the balance sheet as at 31 March 2014,
- 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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

In addition, we read all the financial and non-financial information in the Report and Financial Statements (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.

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

CANCER RESEARCH TECHNOLOGY LIMITED

Independent auditors' report to the members of Cancer Research Technology Limited (continued)

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

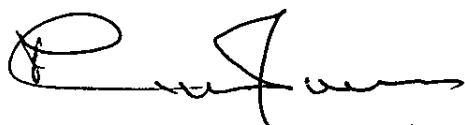
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page [5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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



Kim Green (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 May 2014

CANCER RESEARCH TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2014	Note	2014 £'000	2013 £'000
TURNOVER	2	61,992	49,654
Cost of sales		(30,652)	(26,685)
GROSS PROFIT		<u>31,340</u>	<u>22,969</u>
OPERATING COSTS			
Research and development costs		(10,097)	(9,398)
Other operating costs		(6,804)	(5,331)
Other operating income		5,996	82
OPERATING PROFIT	3	<u>20,435</u>	<u>8,322</u>
Other interest receivable and similar income		58	49
Interest payable and similar charges		(20)	(10)
PROFIT ON ORDINARY ACTIVITIES BEFORE GIFT AID AND TAXATION		<u>20,473</u>	<u>8,361</u>
Gift Aid payable to Cancer Research UK	4	(22,541)	(7,385)
Tax on profit on ordinary activities	5	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(2,068)</u>	<u>976</u>

All activities in the current and preceding year are continuing

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents. There have been no recognised gains or losses other than the profit for the financial year and in the prior year, and accordingly no Statement of Total Recognised Gains and Losses is shown.

The notes on pages 10 to 20 form part of these accounts.

CANCER RESEARCH TECHNOLOGY LIMITED

BALANCE SHEET

31 March 2014

	Note	2014 £'000	2013 £'000
FIXED ASSETS			
Tangible assets	7	896	919
Investments	8	5,442	4,829
		<u>6,338</u>	<u>5,748</u>
CURRENT ASSETS			
Debtors	9	41,470	42,758
Cash at bank and in hand		101	658
		<u>41,571</u>	<u>43,416</u>
CREDITORS: amounts falling due within one year	10	32,122	30,553
NET CURRENT ASSETS		<u>9,449</u>	<u>12,863</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,787</u>	<u>18,611</u>
CREDITORS: amounts falling due after more than one year	11	4,438	5,439
PROVISIONS for liabilities	12	255	10
NET ASSETS		<u>11,094</u>	<u>13,162</u>
CAPITAL AND RESERVES			
Called up share capital	13	200	200
Profit and loss account		10,894	12,962
TOTAL SHAREHOLDERS' FUNDS	14	<u>11,094</u>	<u>13,162</u>

The notes on pages 10 to 20 form part of these accounts

These accounts were approved by the Board of Directors on 22nd May 2014

Signed on behalf of the Board of Directors



Dr K S Blundy
Director

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES

The accounts are prepared in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently, are described below.

Accounting convention

The accounts have been prepared on a going concern basis under the historical cost convention.

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 accounts. Accordingly, the company's accounts present information about it as an individual undertaking and not about it as a group.

Profit and loss

All expenditure is recognised in the accounts on an accruals basis.

Cash flow statement

The company is a wholly owned subsidiary and the consolidated accounts in which the company's results are included are available to the public. It has therefore taken advantage of the exemption conferred by Financial Reporting Standard 1 (Revised) not to prepare a cash flow statement. The cash flows are included in the consolidated results of Cancer Research UK (see note 16).

Revenue recognition

Income is accrued and included in the profit and loss accounts, when the company is entitled to the income and it can be quantified with reasonable certainty. Income is generated in America, Australia, Europe and United Kingdom.

Turnover comprises income from the exploitation of intellectual property rights. This includes licence fees and payments, royalty income, FTE reimbursement, 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 annual, bi-annual or quarterly 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	25%
Fixtures, fittings and office equipment	25%

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

Eligible expenditure exceeding £1,000 is capitalised.

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

Investments

Equity investments in companies listed on a public capital market which are held as fixed assets are held at cost. 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 on the bases noted below. Investments in subsidiaries are valued at cost. Foreign subsidiaries are held at cost translated at the spot rate on the date the investment was made.

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.

Gift Aid

Gift Aid payable to CR-UK, representing an estimate of the company's taxable profits for the period, is charged to the profit and loss account. 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 CR-UK 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. R&D expenditure credit related to qualifying research and development costs is treated as revenue grant funding and included within other operating income.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction unless the transaction is specifically linked in full to a forward contract. 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.

Forward exchange contracts

The company's policy is to hedge against exposures on currency balances and future committed sales. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised.

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

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

1. ACCOUNTING POLICIES (continued)

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

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

	2014 £'000	2013 £'000
Income from Temozolomide	10,652	19,408
Income from Abiraterone	41,806	26,020
Other Income	9,534	4,226
	<u>61,992</u>	<u>49,654</u>

The majority of the other income was derived from the licensing of intellectual property rights, and from the sale and licensing of research reagents through the company's Diagnostic and Research Tools business, which together generated an income of £8,823k (2013 £3,440k)

3. OPERATING PROFIT

	2014 £'000	2013 £'000
Operating profit is stated after charging/(crediting)		
Operating lease payments – land and buildings	871	828
Depreciation	455	447
Foreign exchange losses/(gains)	167	(121)
Profit on disposal of investments –		
Other operating income		
Proceeds from Spirogen sale	(1,955)	-
R&D Expenditure Credit	(473)	-
Auditors' remuneration – audit fee	11	11
	<u></u>	<u></u>

Auditors' remuneration is inclusive of VAT and there were no non-audit fees in 2014 (2013 nil)

4. GIFT AID PAYABLE TO CANCER RESEARCH UK

	2014 £'000	2013 £'000
Provision for current year payment	22,547	7,589
(Reduction) in Gift Aid payable for prior year	(6)	(204)
	<u>22,541</u>	<u>7,385</u>

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of tax charge on ordinary activities

	2014 £'000	2013 £'000
United Kingdom corporation tax at 23% (2013 24%)	-	-

Factors affecting the tax charge

The tax assessed for the year is lower (2013 lower) than that resulting from applying the standard rate of corporation tax in the UK of 23% (2013 24%)

The differences are explained below

	2014 £'000	2013 £'000
Profit on ordinary activities before tax and Gift Aid	20,473	8,361
Corporation tax at 23% (2013 24%) thereon	4,709	2,007
Effects of		
Disallowed expenses	2	3
Capital allowances in (excess) of depreciation	13	(5)
Enhanced R&D tax relief	33	(414)
Net licence fee income released	168	151
Gift Aid payment provided for	(5,186)	(1,821)
Impairment of investments	121	77
Deferred share sale consideration	103	-
Movement in other short term timing differences	37	2
Current 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 CR-UK and therefore no liability is likely to arise. The amount of the liability not recognised is £324k applying a rate of 21% (2013 £868k at 24%)

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2014 £'000	2013 £'000
Staff costs		
Wages and salaries	6,788	6,177
Social security costs	720	602
Other pension costs	779	753
	<u>8,287</u>	<u>7,532</u>

Average staff numbers for the year

Research and development	90	90
Other	48	47
Average number of employees	<u>138</u>	<u>137</u>

	2014 £'000	2013 £'000
Directors' emoluments		
Directors' remuneration	346	631
Company pension contributions	51	97
	<u>397</u>	<u>728</u>

The highest paid director received emoluments of £178k during the year (2013 £177k) with company pension contributions of £29k (2013 £33k). The lump sum pension benefit accrued as at 31 March 2014 was £211k (2013 £187k). During the year, there was 1 director (2013 2) accruing benefits under defined benefit schemes and 1 director (2013 2) accruing benefits under defined contribution schemes.

Some ex-Imperial Cancer Research Technology Limited employees are part of a permanent health insurance scheme. There were no new claims against this scheme in 2013/14 (2013 nil).

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

7. TANGIBLE FIXED ASSETS

	Short leasehold improvements	Laboratory equipment	Fixtures, fittings and office equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2013	132	4,585	520	5,237
Additions	-	428	4	432
At 31 March 2014	132	5,013	524	5,669
Accumulated depreciation				
At 1 April 2013	127	3,679	512	4,318
Charge for the year	5	442	8	455
At 31 March 2014	132	4,121	520	4,773
Net book value				
At 31 March 2014	-	892	4	896
At 31 March 2013	5	906	8	919

8. INVESTMENTS

	Shares in subsidiaries and limited partners	Non participating interests	Total
	£'000	£'000	£'000
Cost of investments			
At 1 April 2013	6,865	490	7,355
Additions	1,102	35	1,137
At 31 March 2014	7,967	525	8,492
Provisions			
At 1 April 2013	2,330	196	2,526
Increase	524	0	524
At 31 March 2014	2,854	196	3,050
Net book value			
At 31 March 2014	5,113	329	5,442
At 31 March 2013	4,535	294	4,829

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

8 INVESTMENTS (continued)

Significant holdings

At 31 March 2014, the company owned 20% or more of the ordinary share capital in the following undertakings

	Shareholding %	Net book value £'000	Country of incorporation
Shares in wholly owned dormant subsidiaries:			
Cancer Research Ventures Limited	100.0	4,437	England & Wales
Imperial Cancer Research Technology Limited	100.0	2	England & Wales
Shares in wholly owned trading subsidiaries			
Cancer Research Technology Inc	100.0	56	USA
Shares in partly owned trading associates:			
Acublate Limited	31.68	40	England & Wales
Senectus Therapeutics Limited	33.33	-	England & Wales
Interests in limited partnerships			
CRT Pioneer Fund LP	49.75	578	England & Wales
Total		<u>5,113</u>	

Cancer Research Technology Inc (CRT Inc), a wholly owned subsidiary, incorporated in the state of Delaware. 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 2014 CRT Inc made a profit of £30,895 (2013 £28,676) and has net assets of £256,203 (2013 £226,661).

The CRT Pioneer Fund, a limited partnership in England and Wales was established in March 2012. The fund manager may require the company to contribute up to £10,917k of loan capital to the CRT Pioneer Fund by March 2017 (or by September 2015 if CRT declines to invest a further £12,437.5 million in the CRT Pioneer Fund). For the year ended March 31 2014, the company has contributed £1,102k of which £551k has been impaired.

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

	Net Book Value 2014 £'000	Net Book Value 2013 £'000	Country of incorporation
Chroma Therapeutics Ltd	288	288	England & Wales
Other holdings in companies with a value all below £4,000 24 such companies (2013 24)	41	6	Various
Total	<u>329</u>	<u>294</u>	

The company's participating share (with a value of £nil) in CRC Pty Ltd provides the company with an 11.22% (2013 12.2%) participating share in the venture and a corresponding share in royalties or other income. As part of the involvement in CRC Pty Ltd the company committed to research and development programmes of CRC Pty Ltd, via both cash injection and in kind contributions. During the year £268k (2013 £294k) has been paid to CRC Pty Ltd as a cash contribution.

As a result of the acquisition of Spirogen by MedImmune/Astra Zeneca received proceeds of £1.9m which have been recognised in operating income. There is a contingent asset of £0.5m resulting from sale of Spirogen with receipt subject to conditions outside of CRT's control.

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

9. DEBTORS

	2014 £'000	2013 £'000
Trade debtors	5,570	2,808
Amounts owed to group undertaking	-	-
Other debtors	599	331
Accrued income	23,508	18,052
Cash on deposit with parent company	11,793	21,567
	<u>41,470</u>	<u>42,758</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	555	795
Amounts owed to parent company	1,000	-
Amounts owed to group undertaking	4,010	10,147
Amounts owed to subsidiaries	248	227
Accruals	26,309	19,164
Deferred and advance capital grant income	-	220
	<u>32,122</u>	<u>30,553</u>

The amount owed to the parent company includes £1,000k (2013 £1,000k) in the form of a loan secured on the assets of the company, excluding intellectual property, and attracting interest at base rate plus 1%. The amount outstanding is repayable in full on 31 March 2015.

The amount owed to the parent company for Gift Aid is not secured on the assets of the company and attracts interest at the base rate. It is payable within 9 months of the year end.

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

	2014 £'000	2013 £'000
Amounts owed to parent company	-	1,000
Amounts owed to subsidiary undertakings	4,438	4,439
	<u>4,438</u>	<u>5,439</u>

The amount owed to the subsidiary undertakings comprises £4,438k (2013 £4,439k) of equity in Cancer Research Ventures and Imperial Cancer Research Technology. The amount outstanding will not be repaid in the near future.

12. PROVISIONS FOR LIABILITIES

	2014 £'000	2013 £'000
Provision at the beginning of the year	10	147
Charged to profit and loss	245	10
Released in year	0	(147)
Provision at the end of the year	<u>255</u>	<u>10</u>

The opening provision related to Cambridge site dilapidations. This has not been released in the year. The remaining provision relates to £160k London site dilapidations and £85k redundancy provision.

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

13. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Authorised		
200,000 (2013 200,000) ordinary shares of £1 each	200	200
Called up, allotted and fully paid:		
200,000 (2013 200,000) ordinary shares of £1 each	200	200

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £'000	2013 £'000
Shareholders' funds at the beginning of the year	13,162	12,186
(Loss)/profit for the financial year	(2,068)	976
Shareholders' funds at the end of the year	11,094	13,162

15. OPERATING LEASE COMMITMENTS

At 31 March the company had annual commitments under non-cancellable operating leases for land and buildings expiring as follows

	Land & Buildings	
	2014 £'000	2013 £'000
Annual commitments under non-cancellable operating leases expiring:		
Within one year	523	523
Within two years to five years	243	243

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

16. FORWARD EXCHANGE CONTRACTS

At 31 March 2014 the company had forward contracts in place to sell USD \$400k (2013 \$8,150k) to minimise exposure to currency fluctuations on net USD income (or expenditure) forecasted in the next twelve months. The forward contracts totals and months of maturity are as follows:

Sale	May 2014	USD 250k
Purchase	June 2014	USD 1,000k
Sale	Aug 2014	USD 150k

Taking into consideration USD forecasted to be used elsewhere in the Group, the company had no net exposure to currency in the next 12 months. The company also had a forward contract in place to purchase AUD 112.5k as required for a payment due in April 2014. 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. There were no unrecognised gains/losses on currency balances held at 31 March 2014.

17. PENSION SCHEMES

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

Defined benefit pension schemes

This scheme is closed to new members. Retirement benefits are provided through the CR-UK Pension Scheme, which is an externally funded defined benefit scheme based on final basic salary.

In relation to FRS17 valuations, as at 31 March 2014 the CR-UK Pension Scheme had a surplus of £16,096k (2013 deficit of £4,347k). As required by FRS17, the defined benefit deficit for the CR-UK 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 FRS17, 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 2012. The valuation resulted in a deficit of £61.2m. CR-UK and the pension fund trustees are working together to manage any deficit and to implement agreed actions. Further details of the plans and the assumptions applied can be found in the audited accounts of CR-UK available from The Angel Building, 407 St John Street, London, EC1V 4AD.

The consultation of the pension scheme to close to future accrual ended in March 2014. As a result, there is uncertainty that the pension surplus will be recovered through future service costs to the scheme and therefore has not been recognised as an asset on CR-UK's balance sheet.

Defined contribution pension scheme

From 1 April 2003, retirement benefits for new scheme entrants are provided through a defined contribution scheme under the CR-UK Stakeholder Pension Plan.

The total pension costs for all schemes charged to the profit and loss account in the year were £779k (2013 £753k).

Contributions that were outstanding at the year-end in respect of these schemes amounted to £64k (2013 £56k).

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS8 "Related Party Transactions" that permits non-disclosure of transactions with wholly-owned group undertakings.

Dr A J M Richards is a director of Croggan Limited, to whom the company pays a retainer in respect of services rendered. During the year, the amount paid or payable totalled £1,250 (2013 £5,000). There were no outstanding payments to be paid as at end of the financial year.

During the year to 31st March 2014, Mr P Chambré was a director of Immatics Biotechnologies GmbH, a speciality Pharmaceuticals Company with which CRT and CR-UK had in December 2010 entered into an agreement to develop a drug developed by Immatics as part of the Clinical Developments Partnership. On 4 April 2014, a licence agreement

CANCER RESEARCH TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2014

was concluded in the respect to the results of a clinical trial undertaken by CR-UK of which a payment to CRT of £400k is due Dr R McKernan has an executive position with Pfizer Limited CRT and CR-UK are party to various agreements with the Pfizer group of companies

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 accounts have been produced Consolidated accounts 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 (and in note 8) under the CRT Pioneer Fund limited partnership agreement, the fund manager may require the company to contribute up to £10,917k of loan capital to the fund by 13 March 2017

CRC Pty Ltd is a company incorporated in Australia in which CRT has an investment CRT's participating share provides them with an 11.2% holding in CRC Pty Ltd as well as a corresponding share of any royalties or income generated from their projects Each year CRT makes cash contributions to CRC Pty Ltd and in 2013/14 these were £268k The original contract with CRC Pty Ltd comes to an end in June 2014,

The company is party to a deed of covenant requiring it to pay all current and future taxable profits to Cancer Research UK