



CANCER
RESEARCH
UK

BEATSON
INSTITUTE

Limited by guarantee
Company No SC084170
Scottish Charity No SC006106

Report and financial statements

Year to 31 March 2014

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Reference and administrative details

Scottish Charity Number: SC006106

Company Registration Number: SC084170

Principal & Registered Office: The Beatson Institute for Cancer Research
Garscube Estate
Switchback Road
Bearsden
Glasgow
G61 1BD

Trustees (Directors): Professor Nic Jones (chairman)
Mr Craig Anderson
Mr Kirk Murdoch
Dr Iain Foulkes
Mr Ian Kenyon

Director (Chief Executive): Professor Karen Vousden CBE FRS FRSE FMedSci

Company Secretary: Mr Peter Winckles ACA DChA

Independent Auditors: PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Principal Bankers: HSBC
2 Buchanan Street
Glasgow
G1 3LB

Solicitors: Burness Solicitors LLP
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Directors' Report

The Directors are pleased to submit the Annual Report and financial statements of The Beatson Institute for Cancer Research for the year ended 31 March 2014.

Directors

None of the Directors, who are the Trustees of the Charity and, for the purposes of the Companies Act 2006, directors of the company and are listed below, has a financial interest in the company.

The Directors of the company who were in office during the year and up to the signing of the financial statements were:

Professor Nic Jones (chairman)	Partner Director	
Dr Iain Foulkes	Partner Director	
Mr Ian Kenyon	Partner Director	appointed 5 December 2013
Ms Lynne Robb	Partner Director	resigned 10 June 2013
Mr Craig Anderson	Independent Director	
Mr Ian Dickson	Independent Director	resigned 13 May 2014
Mr Kirk Murdoch	Independent Director	appointed 13 May 2014

Other officers

Director of the Institute (Chief Executive)	Professor Karen Vousden CBE FRS FRSE FMedSci
Company Secretary	Peter Winckles ACA DChA

Structure, Governance and Management

The Beatson Institute for Cancer Research is a company limited by guarantee and registered as a charity with the Office of the Scottish Charities Regulator (OSCR).

Reference and administrative details are given on the page immediately before the Directors' Report.

Directors

There are two distinct categories of Director – Partner Directors and Independent Directors. Partner Directors are those directors appointed by Cancer Research UK; and Independent Directors are appointed on the basis of their having skills, experience and/or local connections which would allow them to make a substantial contribution to the work of the board.

The Articles provide that there shall be no maximum number of directors, but at any given time at least half of the directors must be Partner Directors, and at least one must be an Independent Director. The minimum number of directors is set at 3.

The Articles provide that each director will then vacate office at the conclusion of the first financial statements sign-off board meeting which follows the expiry of a period of three years from the date when the director was first appointed. The director will then be eligible for re-appointment for a further three-year term. Independent Directors who have held office for three consecutive three-year terms are not eligible for re-appointment as a director.

The Chair of the Board is nominated by the Board from amongst its members.

New directors undergo an orientation briefing on their legal obligations under charity and company law, the content of the Articles of Association, the committee and decision making processes, the business plan and recent financial performance of the Institute. During induction they meet the Chair, the Chief Executive, other directors and key employees. Directors are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role and

information regarding developments relating to their responsibilities as directors of the Institute is provided to them.

Members' liability

As a company limited by guarantee each of its members commits to contribute up to one pound sterling (£1) to the company's debts, liabilities and costs in the event of the company being wound up and for one year after ceasing to be a member.

Organisation

The Board meets quarterly and there is also a Science Advisory Group (SAG) to assist the Chief Executive on matters of scientific strategy. The Chief Executive is appointed by the directors to manage the day to day strategy and operations of the Institute. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the directors, for operational matters including finance, employment and research activity.

The directors have developed and approved a Governance Code of Practice, incorporating and adapting existing best practice to the Institute's particular circumstances. The Governance Code of Practice covers such matters as the role and structure of the Board, primary responsibilities, delegated powers and conflict of interest. It is intended to guide present and future directors of the Institute in the proper discharge of their duties and to help them exercise a high standard of governance of the Institute.

Ultimate parent undertaking and controlling party

The Institute works closely with Cancer Research UK whose vision the Institute shares and which is a significant provider of core and project grant funding to the Institute. Cancer Research UK is considered to be the Institute's ultimate controlling parent undertaking and controlling party as Partner Directors must form at least half of the board. Cancer Research UK, a company incorporated in England, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2014. The consolidated financial statements of Cancer Research UK are available from its registered address at Angel Building, 407 St John Street, London, EC1V 4AD.

Beatson Technology Limited

The Institute's wholly owned subsidiary, Beatson Technology Limited, was established to own and exploit any intellectual property arising in the course of the Institute's research. Currently, the company receives small amounts of income from time to time arising from the exploitation of intellectual property.

Mission

Our mission is to deliver cancer discovery for patient benefit

Research Objectives & Strategy

The principal object of the Institute is to carry out research and investigation into the causes, mechanisms and treatment of cancer. The Institute's present research strategy is:

1. Establish an outstanding basic research programme into mechanisms of cancer biology, with focus on two key themes:

- Regulation of invasion and metastasis
 - Regulation of cancer metabolism, growth and survival
2. Identify critical components of these pathways as novel therapeutic targets
 3. Develop strong clinical links to translate our research into new therapies and diagnostic/prognostic tools

To realise our and CRUK's objectives we are developing:

- World leading basic research programmes in our key areas of focus, led by a cohort of world class scientists
- A cohesive and interactive environment that fosters ambitious, significant and field changing research.
- A lead role in developing a coordinated strategy for basic and clinical cancer
- Research in Glasgow, to bring together scientists and clinicians in a common cause
- State-of-the-art technologies in selected areas (preclinical imaging, mouse models and metabolomics) to underpin our strategic research themes
- An outstanding training structure to develop the basic and clinical cancer research leaders of tomorrow
- Active and vibrant interactions with the local and global cancer research communities
- Strong core services, effective and efficient administrative support
- Strong links and participation in the broader CR-UK mission, such as fundraising and funding committees

Strategic Report

Achievements, Performance and Plans for Future Periods

The Institute's long-term goals and vision remain in place, with an overall portfolio of research activity and future plans that are in complete harmony with the CR-UK Research Strategy and Goals. The Institute's basic research portfolio has continued to mature and is focused in two broad areas of cancer behaviour; invasion and survival. Outstanding basic cancer research is the foundation on which the Institute is built, and it closely monitors performance of scientific groups and core services through internal and external review, to help identify areas of strength and weakness, and target future investment to maximise outcome.

Providing world-class research facilities is essential to supporting its scientists. Over the past year the Institute has focused on the areas of metabolomics/proteomics, preclinical imaging and mouse models. In particular, it is planning a major investment into metabolomics, to exploit its existing strengths and capitalise on existing assets with the aim to be a world-leading centre in this area. The drug discovery programme is now fully operational, allowing the Institute to start to translate some of its basic science into potential therapies.

Having consolidated the Institute as an internationally recognised research centre, it can turn more attention to the development of interactions with colleagues within the University of Glasgow and the

Beatson West of Scotland Cancer Centre (NHS) to help deliver its translational and clinical research goals. The Institute's recently developed Glasgow Cancer Research Strategy 2012–2022 outlines an exciting and ambitious programme to develop a world class translational cancer research centre that brings together key stakeholders, integrating basic research, preclinical studies, clinical trials and implementation strategies to directly impact patient care. The primary objective is to build on existing strengths to become the leading European centre in Pancreas cancer research, and the functional stratified medicine network that is developed through this initiative will be applied to other key tumour types with existing research strengths in Glasgow.

Maintaining Excellence

The Beatson Institute for Cancer Research Quinquennial Review (QQR), held in June 2013, was very successful and the review panel were extremely positive about progress to date and future plans – especially the move to develop cancer metabolism. The reviewers felt that the Institute has been transformed into a world-leading centre for cancer research and they highlighted the focused strategy and highly collaborative and supportive research environment. The review party noted that the challenges outlined at the 2008 review have been successfully addressed.

Core Facilities

The Institute's success depends on attracting and retaining the best scientists, which requires the provision of outstanding core services. An external review of core services in 2012 was overwhelmingly positive and emphasized the necessity of continued investment in this area. The review highlighted a few threats to core services that were focused on how to manage increased demand for services following the opening of the adjacent Wolfson Wohl Cancer Research Centre and the Institute's vulnerability to the loss of key individuals. Plans have now been developed to address these concerns. Issues of equipment replacement and renewal were also raised. However, the opportunity to fund big-ticket equipment purchases will be significantly affected by the level of our core CR-UK budget. On a positive note, the Wolfson Wohl Cancer Research Centre will develop substantial capacity in high throughput sequencing, bioinformatics and molecular/genetic pathology; areas that have strategically not been developed within the Institute. It is, therefore, anticipated that the two buildings will provide highly complementary technologies and core services.

Development and training

Finally, the Institute has established an extremely strong training programme for postgraduate students and postdoctoral fellows and over the next year will develop further opportunities and support for clinical research fellows. It will also continue to develop national and international collaborations, as well as contributing to CR-UK local engagement, fundraising and public awareness.

Principal Risks and Uncertainties

During the previous year the directors requested a full review of the Institute's approach to risk assessment and its appetite towards major risk categories.

Risks categories evaluated for this purpose were:

- Strategy
- Scientific research and reputation
- Operational performance (including financial risks); or

- External factors

The directors' risk management strategy comprises:

- an annual review of the major risks the Institute may face
- the establishment of systems and procedures to mitigate those risks identified and to minimise any potential impact on the Institute
- a review of progress with regard to mitigation of identified risks at each meeting

The directors review these risks on an on-going basis and satisfy themselves that adequate systems and procedures are in place to manage the risks identified within the directors' agreed level of risk appetite. Where appropriate, risks are covered by insurance.

In common with many other charities whose principal source of income consists of fixed period grants from a small number of funding bodies, the Institute is vulnerable to changes outwith its control, in the policy and operating environment of those funding bodies. In order to mitigate this risk, the Institute signed an updated Memorandum of Understanding with Cancer Research UK, its parent undertaking and primary source of grant income, on 20 June 2011 which endorses the latter's intention to provide the Institute with major long term financial support.

Funding for research grants and contracts is based upon an assessment of costs to be incurred in undertaking the relevant projects and programmes of work. Risk is managed through a variety of cost control mechanisms including budgetary control and schemes of delegated expenditure authority. Pay costs are determined through a formal pay and grading structure developed in conjunction with Cancer Research UK. The Institute has no borrowings and any exposure to foreign currency fluctuations are managed by operating Euro and US Dollar bank accounts. The directors continue to monitor and assess its financial risk in the uncertain economic climate and this is reflected in the Institute's policies with regard to Reserves and Investments stated below.

Financial Review

The Institute's charitable activity is primarily funded in the form of grants from Cancer Research UK.

Investment in research increased by 1% (2012/13: 11%) compared to the previous year, reflecting in part the research facilities operating near capacity for the majority of the year. Overall, 75% of expenditure was invested directly in core research staff, projects and facilities, which was broadly in line with last year. The remaining 25% represents essential support costs of the Institute's operation.

The net book value of Tangible Fixed Assets has decreased by £0.3M (2012/13: £1.3M) to £15.1M (2012/13: £15.4M) as further investment made in cutting edge technology is offset by the ongoing depreciation of existing assets.

With regard to the bank deposits with Kaupthing Singer and Friedlander plc (in Administration) which were frozen as a result of action taken by the Financial Services Authority in October 2008, the Administrators, in their Progress Report to 7 April 2014, have increased their estimated outcome such that they expect total distributions to be in the range of 85p and 86.5p in the £. However, the Administrators stress that this estimate could be lower or higher as there are significant issues which impact either future realisations or the level of claims from creditors and thus the estimate is indicative and cannot be relied upon. Accordingly, the directors have not revised the provision for the impairment down from 18% of the value of these frozen deposits. The level of this provision will continue to be reviewed as further information is available from the Administrators. Dividend

distributions commenced in July 2009 and as at the year-end £3.3M (81.5p in the £) had been received.

The combination of a small increase in income and relatively static expenditure has resulted in a reduction in net outgoing resources from £0.76M in 2012/13 to £0.26M in 2013/14. The increase in income is partly due to additional external funding in the year, offsetting a reduction in core funding, and additional donations and sundry income.

Principal funding sources

Cancer Research UK provides an annual core grant that covers the majority of staff, laboratory running costs and overheads of the Institute; grants to enable the purchase of particular items of equipment; and smaller grants, competitively awarded to particular scientists within the Institute in support of particular research projects. Normally, any core grant received in excess of the Institute's requirements for the financial year is refunded to Cancer Research UK. However, for the year to 31 March 2014 the amount repayable amounts to £nil (2012/13: £nil).

Other funding sources also provide much needed support for research programmes. These include the Association for International Cancer Research, the European Research Commission, the Medical Research Council, the Royal Beatson Endowment Funds of the Greater Glasgow Health Board, Novartis Institute for Biomedical Research, the Royal Society and Janssen Pharmaceutical, Newcastle Upon Tyne Hospital NHS Foundation, Associazione Italiana per la Ricerca sul Cancro, The Royal College of Physicians and Surgeons, Rubicon, Breast Cancer Campaign, Carestream, The Company of Biologists, Bioven, NC3R's, Wellcome Trust, The Academy of Medical Sciences. The Institute is very grateful for the financial contributions it continues to receive from many individuals and charitable organisations. These funds are used to promote new research through the funding of salaries and laboratory expenses and equipment.

Reserves policy

The Institute reports Total Funds amounting to £20.1M (2012/13: £20.4M). Of these, £13.1M (2012/13: 13.8M) relate to granted capital funds which have been funded by grants recognised as incoming resources. A further £1M (2012/13: £1.0M) of Restricted Funds represents funds donated for specific research projects and is recognised as incoming resources, but which have yet fully to be spent.

The directors have reviewed the Institute's need for reserves in line with the guidance issued by the Charity Commission. The Reserves policy considers the need for working capital to allow for variations in timing of grant receipts and to allow the Directors to embark on particular projects in advance of the receipt of external funding. In order to maintain sufficient reserves to manage such considerations and support on-going operations, the directors seek to maintain unrestricted reserves within a range of one to three months total running costs. The balance of unrestricted reserves of £5.9M (2012/13: £5.4M) includes £4.5M (2012/13: £3.9M) of current assets which are liquid funds, of which £1M is committed to funding the new Beatson Cancer Metabolism Research Unit and are within the range of one to three months running costs.

The reserves policy is reviewed on an annual basis.

Investment policy and objectives

In accordance with the Institute's Articles, the directors have the power to invest in such stocks, shares, investments and property in the UK as they see fit.

The Investment policy supports the Reserves policy, and as a result cash sufficient to cover the optimum range of reserves is retained in the form of interest bearing bank deposits.

The directors' overarching investment objective in the current economic climate is to ensure that funds are invested in an appropriate manner to ensure their security and liquidity. Accordingly, the directors decided that such deposits should be spread over a number of major UK clearing banks with appropriate credit ratings in which the funds are readily accessible.

Foreign currency settlement

The Institute procures goods and services in a number of foreign currencies, principally US dollars and Euros. Where likely future spend can be reasonably predicted, forward currency contracts are used to ensure certainty of outflows and not for speculative purposes.

Statement of trustees' responsibilities

The trustees (who are also directors of The Beatson Institute for Cancer Research for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom

governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the Institute's auditors are unaware. Having made enquiries of fellow directors and the company's auditors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP are deemed to be reappointed in accordance with an elective resolution made under section 386 of the Companies Act 1985, which continues in force under the Companies Act 2006.

The Director's Report and Strategic Report are approved by the directors and signed on their behalf:



PROFESSOR NIC JONES
Chairman

13 May 2014

Independent Auditors' Report to the members and trustees of The Beatson Institute for Cancer Research

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 charitable company's affairs as at 31 March 2014 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 The Beatson Institute for Cancer Research, comprise:

- the Balance Sheet as at 31 March 2014;
- the Statement of Financial Activities 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 trustees 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 charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Strategic 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

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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.

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Trustees' 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 trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, the trustees 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 section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act

The Beatson Institute for Cancer Research
Independent Auditors' Report

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.



Lindsey Paterson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Glasgow



- a. The maintenance and integrity of The Beatson Institute for Cancer Research website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Beatson Institute for Cancer Research

Statement of Financial Activities for the year ended 31st March 2014 (incorporating Income and Expenditure Account and Statement of Total Recognised Gains & Losses)

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2014	Total 2013
		£'000	£'000	£'000	£'000	£'000
Incoming Resources						
<u>Incoming resources from generated funds</u>						
Voluntary income						
Donations and legacies	2	1,458	-	-	1,458	1,069
Grants receivable	3	273	17,894	-	18,167	18,362
Investment income	5	53	-	-	53	42
<u>Incoming resources from charitable activities</u>						
Research contracts	4	-	963	-	963	663
Conference grants and fees		106	-	-	106	89
<u>Other incoming resources</u>		258	-	-	258	65
Total incoming resources		2,148	18,857	-	21,005	20,290
Resources expended						
Charitable activities						
Research projects	6	1,585	19,477	-	21,062	20,853
Conference	6	102	44	-	146	139
Governance costs	6	-	61	-	61	53
Total resources expended		1,687	19,582	-	21,269	21,045
Net (outgoing) / incoming resources before transfers	7	461	(725)	-	(264)	(755)
Net (outgoing) / incoming resources after transfers		461	(725)	-	(264)	(755)
Net (expenditure) / income for the year / movement in funds in year		461	(725)	-	(264)	(755)
<i>Reconciliation of funds:</i>						
Fund balances brought forward at 1 st April 2013	16	5,440	14,896	25	20,361	21,116
Fund balances carried forward at 31 st March 2014	16	5,901	14,171	25	20,097	20,361

There is no material difference between the net (expenditure) / income for the year stated above and the historical cost equivalents.

The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities. The notes on pages 14 to 25 form part of these financial statements

Balance Sheet

at 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	10	15,091	15,403
Investments		-	-
Current assets			
Bank term deposits	11	20	241
Debtors	12	1,533	1,040
Cash at bank and in hand	13	6,455	8,360
Total current assets		8,008	9,641
Creditors: amounts falling due within one year	14	(3,002)	(4,683)
Net current assets		5,006	4,958
Total assets less current liabilities		20,097	20,361
Net Assets		20,097	20,361
The funds of the charity:			
Endowment funds	16	25	25
Restricted income funds	16	14,171	14,896
Unrestricted income funds	16	5,901	5,440
Total charity funds		20,097	20,361

The financial statements on pages 12 to 25 were approved by the Board of trustees on 13 May 2014 and signed on its behalf by:



Professor Nic Jones
Chairman

The notes on pages 14 to 25 form part of these financial statements

Notes to the financial statements

Year ended 31 March 2014

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in compliance with the revised Statement of Recommended Practice (Accounting and Reporting by Charities), the reporting requirements of the Companies Act 2006 and applicable accounting standards in the United Kingdom, Charities Accounts (Scotland) regulations 2006 and Charities and Trustee Investment (Scotland) Act 2005. All accounting policies have been consistently applied.

Going concern

A Memorandum of Understanding with Cancer Research UK endorses the latter's intention to provide the Institute with major long term financial support. On this assumption, the Accounts are prepared on a going concern basis.

Incoming Resources

Voluntary income including donations and legacies, grants for capital items, grants that provide core funding, or grants of a general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when the donor:

- specifies that the grant or donation must only be used in future accounting periods; or
- has imposed conditions which must be met before the Institute has unconditional entitlement.

Accordingly, grants given for capital equipment are not deferred, but recognised in full when the above criteria are met as restricted income funds (see note 16). Depreciation on the assets acquired is charged annually to that fund.

Donations and pecuniary legacies are recognised when they are received. Residuary legacies are recognised at the earlier of date of receipt or agreement of the estate financial statements.

Investment income derived from cash and short-term deposits is recognised on an accruals basis and treated as unrestricted funds.

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions and is recognised as earned as the related research work is undertaken. Income included in this category includes funding from certain governmental bodies intended to reimburse the costs of undertaking an agreed programme of research over the duration of that programme and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is deferred when funds are received in advance of the costs eligible to be reimbursed being incurred. Grants and fees with regard to conference activities are recognised when receivable by the Institute.

Resources expended

Expenditure is recognised when a liability is incurred.

Costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds. The Institute does not actively raise funds and, as a result, incurs no such costs.

Charitable activities include expenditure associated with both research and conference activities and include both the direct costs and support costs relating to these activities.

Governance costs include those incurred in the governance of the Institute and its assets and are primarily associated with constitutional and statutory requirements.

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

Pensions

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The Institute is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Certain staff are members of the National Health Service Pension Scheme, a national unfunded, defined benefit scheme administered by the Scottish Public Pensions Agency. Pensions costs charged to the Statement of Financial Activities are those assessed by the actuary of the scheme.

Tangible fixed assets and depreciation

All assets costing more than £2,500 are capitalised at cost and depreciated on a straight-line basis over their expected useful lives as follows:

Laboratory/Service equipment:	5 to 15 years
Computer equipment:	3 to 5 years
Leasehold Property & Improvements	25 years or length of lease, if shorter

Any realised gains or losses on disposals of fixed assets are taken to the Statement of Financial Activities in the year in which they occur. The realised gains on disposal are included in the other income source and losses are included as an additional depreciation charge which is included in the particular fund in which the investment or other asset concerned was held at the time of disposal.

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.

Premises

Premises are leased by the Institute from the University of Glasgow at a nominal rent. Where appropriate, an in-kind benefit based on the value to the Institute is incorporated within Voluntary Income and the corresponding notional rental cost apportioned between Costs of Charitable Activities and Governance Costs.

Stocks

The value of stock held for research purposes is not considered material and any purchases are charged to revenue in the year in which the expenditure takes place.

Short-term deposits

Short-term deposits are current asset investments that are readily convertible into cash at or close to their carrying amount.

Leasing commitments

Rentals paid under operating leases are charged in the year in which they occur.

Funds

Restricted Income Funds relate to the Cancer Research UK annual core grant and grants receivable in respect of particular research projects whose purpose is defined by or agreed with the awarding body either explicitly in its offer of award or by reference to the application by the Institute upon which the award is based. Restricted Income Funds also relate to other income the purpose of which is similarly defined by or agreed with the awarding body – particularly with regard to laboratory equipment and other capital projects. Amounts received on the condition that only the income generated is to be expended are treated as Endowments.

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains and losses on translation are included in the Statement of Financial Activities.

Group financial statements

Beatson Technology Limited is a wholly-owned subsidiary company formed to undertake the ownership of intellectual property arising from the work of the Institute. As permitted under s405 of the Companies Act 2006 and para. 383(c) of the Charities SORP, consolidated financial statements are not prepared because the results of Beatson Technology Limited are not material to the group.

Cash Flow Statement

In accordance with Financial Reporting Standard 1, the Institute has not prepared a cash flow statement as it is accounted for as a wholly owned subsidiary by Cancer Research UK which has produced a consolidated cash flow statement in its group financial statements.

Related party transactions

In accordance with Financial Reporting Standard 8, the Institute has not provided details of transactions with other group companies.

Taxation

The Charity is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The Beatson Institute for Cancer Research
Notes to the financial statements

	2014	2013
	£'000	£'000
2. Donations and legacies		
Donations	1,312	935
Legacies	<u>146</u>	<u>134</u>
	<u>1,458</u>	<u>1,069</u>

An assessment of the annual rental value of The Beatson Institute for Cancer Research building indicates that value to be in the region of £920,000. Prior to occupancy, the Institute paid a lease premium and advance rental of £1.5M, which is amortised to Costs of Charitable Activities at the rate of £60,000 per annum. The other buildings have reached the end of their useful lives and required substantial upgrading which the Institute is undertaking at its own expense and no annual rental value is attached to these properties. Consequently an in-kind benefit of £860,000 (2012/13: £860,000) for the year to 31 March 2014 has been included within Donations with notional rent of £860,000 (2012/13: £860,000) being included within Costs of Charitable Activities (note 7).

	2014	2013
	£'000	£'000
3. Grants receivable		
Grants for research projects:		
Grants from Cancer Research UK	16,080	16,478
Grants from other charities	985	804
Grants from the University of Glasgow	<u>1,102</u>	<u>1,080</u>
	<u>18,167</u>	<u>18,362</u>

	2014	2013
	£'000	£'000
4. Research contracts		
Awards from governmental bodies (inc. the EC)	726	436
Other contracts and performance grants	<u>237</u>	<u>227</u>
	<u>963</u>	<u>663</u>

	2014	2013
	£'000	£'000
5. Investment income		
Interest on bank deposits	<u>53</u>	<u>42</u>
	<u>53</u>	<u>42</u>

6. Costs of charitable activities and Governance costs

Costs directly allocated to activities

	Research Projects £'000	Conference £'000	Govern- ance costs £'000	2014 £'000	2013 £'000
Scientific and technical staff including student fees	8,308	18	-	8,326	8,240
Laboratory supplies	4,409	-	-	4,409	4,755
Equipment maintenance and depreciation	3,034	-	-	3,034	2,942
Conference venue and catering costs	69	102	-	171	117
Other Governance Expenses	-	-	5	5	6
Auditors' remuneration	-	-	18	18	11
	15,820	120	23	15,963	16,071

Allocation of support costs

	Basis				
Administration staff	Staff time	527	18	38	583
Support Staff	Usage	1,369	-	-	1,369
Property rental	Floor area	918	2	-	920
Power and building maintenance	Floor area	1,416	3	-	1,419
Communications, stationery and other costs	Head- count	451	3	-	454
Staff travel, recruitment, etc.	Usage	404	-	-	404
Legal and professional fees	Usage	109	-	-	109
Loss / (gain) on currency conversion	Usage	48	-	-	48
		5,242	26	38	5,306
		21,062	146	61	21,269

7. Net incoming / (outgoing) resources before transfers are stated after charging/(crediting):

	2014 £'000	2013 £'000
Depreciation	2,238	2,299
Gain on sale of fixed assets	(1)	-
External auditors' remuneration - audit services	11	11
- additional fees in respect of the prior year	7	-
Rentals payable under operating leases - computer equipment	9	14
land & buildings (note 2)	860	860

8. Directors' emoluments

No (2012/13: none) director receives remuneration from the Institute or from Cancer Research UK in his/her capacity in respect to their role as trustee of the Institute. During the year £ nil travelling expenses were paid to any Directors in connection with their attendance at Board meetings.

9. Staff Costs

	2014	2013
	£'000	£'000
Wages and salaries	8,500	8,165
Social security costs	586	583
Other pension costs	1,128	1,141
	<u>10,214</u>	<u>9,889</u>

The monthly average number of employees during the year, including the Chief Executive, was as follows:

	Number	Number
Scientific	120	124
Technical	64	63
Secretarial and Administrative	15	12
Support	49	45
	<u>248</u>	<u>244</u>

The number of employees earning £60,000 or more during the year was:

	Number	Number
£60,000 – £69,999	1	3
£70,000– £79,999	6	7
£80,000– £89,999	3	2
£90,000 – £99,999	–	1
£130,000 – £139,999	3	1
£170,000 – £179,999	–	1
£190,000 – £199,999	1	–

Pension benefits accrued at 31 March 2014 to the above staff as members of the multi-employer pension schemes are detailed in note 19.

The majority of the Institute's scientists are employed by the Institute and their employment costs paid by the Institute and funded by grants. 11 senior scientists have been transferred to the University of Glasgow as part of the Institute's commitment to the development of the Institute of Cancer Sciences. These scientists continue to work exclusively on the Institute's cancer research programmes. Their employment costs are recharged to the Institute by the University and continue to be paid by the Institute from grants that it receives. Their employment costs for the year to 31 March 2014 amounted to £1,012,381 (2012/13 – £1,113,782) and are included within Staff Costs above.

10. Tangible fixed assets

	Leasehold improvements	Leasehold Property	Laboratory /Service equipment	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<u>At cost</u>					
Balance at 1st April 2013	8,220	1,516	16,008	553	26,297
Additions	114	-	1,734	78	1,926
Disposals	-	-	(8)	-	(8)
Balance at 31st March 2014	8,334	1,516	17,734	631	28,215
<u>Accumulated Depreciation</u>					
Balance at 1 April 2013	520	320	9,616	438	10,894
Charged in year	385	59	1,727	67	2,238
Eliminated on disposal	-	-	(8)	-	(8)
Balance at 31 March 2014	905	379	11,335	505	13,124
<u>Net book value</u>					
At 31 March 2014	7,429	1,137	6,399	126	15,091
At 1st April 2013	7,700	1,196	6,392	115	15,403

11. Bank term deposits

	2014	2013
	£'000	£'000
Term Deposits at cost	744	965
Provision for impairment	(724)	(724)
	<u>20</u>	<u>241</u>
a) Term deposit		
Balance at 1 April 2013	965	1,489
Transfer of dividends received during year	(221)	(524)
Balance at 31 March 2014	<u>744</u>	<u>965</u>
b) Provision for impairment		
Balance at 1 April 2013	(724)	(724)
Balance at 31 March 2014	<u>(724)</u>	<u>(724)</u>

The provision for impairment was made against an initial term deposit of £4m. Further information with regard to the provision for impairment is given in the Financial Review contained in the Directors' Report above.

12. Debtors

	2014 £'000	2013 £'000
Grant income receivable	565	572
Due from Cancer Research UK	611	79
Other debtors	117	235
Prepayments and accrued income	240	154
	<u>1,533</u>	<u>1,040</u>

13. Cash at bank and in hand

Cash and short-term deposit	<u>6,455</u>	<u>8,360</u>
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14. Creditors: amounts falling due within one year

Trade creditors	(1,545)	(1,512)
Other creditors	(53)	(55)
Deferred income	(920)	(2,343)
Accruals	(484)	(773)
	<u>(3,002)</u>	<u>(4,683)</u>

Deferred income represents grant income and payments to account for research contracts received in advance of research work being undertaken. £731,323 (2012/13: £516,000) deferred Income at 31st March 2014 has been released to incoming resources. A further £920,000 (2012/13: £2,343,000) of income received during the year in advance of costs being incurred with regard to research projects and contracts has been deferred. Within this amount, £0 (2012/13: £500,476) is with regard to CR-UK core grant and £23,844 (2012/13: £254,690) to the other CR-UK grants.

15. Share capital

The Institute has no share capital and is limited by guarantee.

16. Funds

Unrestricted Funds

Unrestricted reserves represent the accumulated net incoming resources from unrestricted income funds which are available to the Institute to be expended at the Directors' discretion in furtherance of any of the Institute's objectives.

Restricted Income Funds

Research grants fund - represents the unspent amounts of grants awarded to the Institute in support of its research activities and previously recognised as income.

Capital grants fund - Grants given for capital projects and equipment are not deferred, but recognised in full as restricted income funds when the relevant criteria are met (Note 1). Depreciation on the assets acquired is charged annually to that fund together with any other amounts written off as revenue expenditure. The balance of Capital grants funds represents the net book value of fixed assets purchased with those funds together with funds recognised as income but remaining unspent at the balance sheet date.

Other restricted funds comprise the John Paul Career Development Revenue Fund - the income derived from the investment of the John Paul Career Development Fund (below) and the Staff

Amenity Fund – a fund created from income derived from intellectual property to provide amenities for Institute staff.

Endowment Funds

John Paul Career Development Fund – was contributed to the Institute in order that it be invested with the resultant income being used to provide a prize for the graduate student judged best by a panel of scientists in each year. The prize should be of such a nature as will help the student in the furtherance of his or her career as a scientist.

Analysis of fund movements

	Balance at 1 April 2013	Transfer between funds	Incoming resources	Resources expended	Other recognised gains and losses	Balance at 31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Unrestricted Funds</u>	5,440	–	2,148	(1,687)	–	5,901
<u>Restricted Funds</u>						
Research grants funds						
CR-UK	782	–	15,272	(15,425)	–	629
Other funders	257	–	2,374	(2,191)	–	440
Others	10	–	–	–	–	10
	1,049	–	17,646	(17,616)	–	1,079
Capital grants funds –						
CR-UK	11,940	–	808	(1,620)	–	11,128
Other funders	1,907	–	403	(346)	–	1,964
	13,847	–	1,211	(1,966)	–	13,092
<u>Total restricted funds</u>	14,896	–	18,857	(19,582)	–	14,171
<u>Endowment Funds –</u>	25	–	–	–	–	25
John Paul						
<u>Total Funds</u>	20,361	–	21,005	(21,269)	–	20,097

Analysis of net assets between funds

	Tangible fixed assets £'000	Transfers between funds £'000	Current assets £'000	Current liabilities £'000	Total Net Assets £'000
<u>Unrestricted Funds</u>	1,378	-	4,523	-	5,901
<u>Restricted Funds</u>					
Research grants funds					
CR-UK	-	-	2,173	(1,544)	629
Other funders	-	-	1,303	(863)	440
Others	-	-	10	-	10
	-	-	3,486	(2,407)	1,079
Capital grants funds					
CR-UK	11,805	-	(82)	(595)	11,128
Other funders	1,908	-	56	-	1,964
	13,713	-	(26)	(595)	13,092
<u>Total Restricted</u>	13,713	-	3,460	(3,002)	14,171
<u>Endowment Funds - John Paul</u>	-	-	25	-	25
	15,091	-	8,008	(3,002)	20,097

17. Leasing commitments

At 31 March the Institute had annual commitments under non-cancellable operating leases which expire as follows:

	2014 £'000	2013 £'000
Computer equipment between 1 and 5 years	9	7

As explained in Note 2, the rent charged with regard to the new cancer research centre is a notional charge.

18. Other commitments

In January 2010, the Institute entered into a building contract for the expansion of its Biological Services Unit. The estimated total cost of project is £8M (2012/13: £8M). £7.9M (2012/13: £7.8M) has been spent as at 31 March 2014.

19. Pensions

Universities Superannuation Scheme

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The Institute is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting year.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. The actuary also carries out regular reviews of the funding levels and details of his estimate of the funding level at 31 March 13 are included in this note. The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of

the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rate of mortality.

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% thereafter.

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

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

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as used to calculate the technical provisions but the allowance for promotional salary was not as high. When calculating the past service liabilities of the scheme, a cautionary reserve has been included to reflect the very variable levels of growth over and above general pay increases in recent years.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime has fallen from 92% to 77%. This estimate is based on results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation. On the FRS17 basis, the actuary calculated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

The calculations contained in the 31 March 2013 report are approximate and the information provided is for information only. Despite the deterioration over the 2 year period from 2011 the Scheme Actuary is content with waiting until the 2014 valuation is published before reviewing or amending the current 16% contribution rates. The Trustees will not make any decisions relating to the funding of the Scheme without advice from the Scheme Actuary.

Surpluses or deficits which arise at future valuations may impact on the Institute's future contribution commitment. With effect from 16 March 2008, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2014. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the Institute in respect of USS was £1,050,538 (2012/13 - £1,068,682).

Scottish National Health Service Superannuation Scheme

The Institute, on behalf of certain support staff, also participates in the Scottish National Health Service Superannuation Scheme. This Scheme is notionally funded, guaranteed by statute, and provides members with defined benefits based on final pensionable salary. The scheme is a multi-employer scheme and, being notionally funded, it is not possible to identify underlying assets and liabilities. It is also contracted out of the State Second Pension (S2P). The employer's contributions are assessed every five years by an actuary, the current employer's rate being 14%.

The pension cost net of the Scottish Government rebate in respect of this scheme for the Institute was £42,667 (2012/13 - £44,528) and represents a fair estimate of the annual pension cost as defined by SSAP 24 and, accordingly, this is the amount charged in the financial statements.

Defined contribution Scheme

One member of staff is a member of a defined contribution scheme. The total pension cost in respect of this scheme for the Institute was £34,356 (2012/13 - £27,813).

20. Parent Company

The Company's ultimate parent undertaking and controlling party is Cancer Research UK, a company limited by guarantee and not having a share capital, and registered in England and Wales (No 4325234). The consolidated financial statements of Cancer Research UK are available from Cancer Research UK, Angel Building, 407 St John Street, London EC1V 4AD.