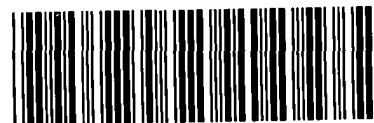


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CANCER
RESEARCH
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BEATSON
INSTITUTE

Beatson Institute for Cancer Research

Report and financial statements
Year to 31 March 2018

Limited by guarantee
Company No SC084170
Scottish Charity No SC006106

Directors' Report

The Directors are pleased to submit the Annual Report and audited financial statements of Beatson Institute for Cancer Research for the year ended 31 March 2018.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

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

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. To find novel ways to treat cancer by targeting **protein synthesis and energetic stress pathways**;
2. To reduce **cancer recurrence** by developing biomarkers for primed **metastatic niches**, and strategies to target metastatic organs;
3. To build a **cancer prevention agenda** in Scotland starting with hepatocellular carcinoma (HCC) and colorectal cancer (CRC).

To realise our and Cancer Research UK's (CRUK's) objectives we continue to develop and build on:

- 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 coordinated strategy for basic and clinical cancer
- Research 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 cultivate 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 with, and participation in, the broader CRUK mission, such as fundraising and funding committees

Strategic Report

Achievements, Performance and Plans for Future Periods

Our portfolio of research activity has been developed to provide a key component of CRUK's research objectives and our future plans are targeted at solving the most important emerging biological questions and clinical problems facing oncologists worldwide. Our mission is to be a leading centre of excellence for applying our basic cancer research and translating this knowledge for the benefit of cancer patients. Driven by CRUK's principal strategy of increasing our understanding of cancer, we focus on two main areas of cancer research: cancer growth/metabolism and metastasis/recurrence. We are building a third area aimed at understanding the biology of early disease in order to develop a precision prevention approach. This fits with the CRUK strategy to facilitate a major shift in early diagnosis research. Our basic research on tumour microenvironment and cancer metabolism has enabled us to achieve worldwide recognition as leaders in these areas. This focus has also allowed us to develop a cohesive and coherent research environment in which collaborations between individual groups makes us stronger than the sum of our parts. Key to this has been the way in which we have developed world-class research facilities to support our scientists, and this has been achieved by concentrating our resources in particular areas. We have made a major investment into metabolomics, to exploit our existing strengths and capitalise on existing assets, and are now a world leader in this area. Our participation in the CRUK Grand Challenge team has focused on using state-of-the-art mass spectrometry imaging to map metabolism in vivo, and will allow us to continue leading in this area. We have also made a significant investment into functional in vivo and ex vivo imaging capacity and this year we have continued to build this area in a way that interfaces effectively with our focus on preclinical models. The formation of the CRUK Translation Alliance will add strength to our cancer growth/metabolism axis. Importantly, our Drug Discovery Unit will also be working closely with this initiative allowing the CRUK Beatson Institute to provide leadership in this area.

Pancreatic cancer is one of CRUK's cancers of unmet need and this year, the Precision Panc initiative started (project leaders: Andrew Biankin, Owen Sansom and Jeff Evans). We anticipate that this programme of work will be key to the delivery of new therapeutic approaches to the treatment of this hitherto intractable cancer type (CRUK strategy: accelerate the translation of research). The functional stratified medicine network approaches that are being developed through this initiative will be applied to other key tumour types with existing research strengths in Glasgow, particularly colorectal cancer (CRC). To properly stratify cancer so that we can effectively translate our research, we believe we need the most advanced models systems. We are leading on a CRUK Accelerator Award bid (ACRClerate) to coordinate a preclinical network of Colorectal cancer (CRC) models to reinvigorate stratified medicine trials in CRC. We are also partnering in Accelerator Awards in Hepatocellular carcinoma (HCC), Imaging and Pancreatic cancer (Europe).

Many of these initiatives require a close collaboration, locally with University of Glasgow (UoG) and more broadly with the CRUK community. We have spent considerable effort working with UoG for our CRUK Glasgow Centre and have set up a joint strategy board between UoG and the CRUK Beatson Institute. As a result, we have written an overarching strategy document for cancer research in Glasgow, and recruitment to support clinical translational research is underway.

We have had our most successful year in winning external grant funding and finding ways to expand our research base, and with ambitions to expand functional imaging, precision medicine and informatics, we are now in a position where the major impediment to our ambition is lack of space. We

will look to address this issue, in conjunction with the UoG, as part of the next Major Cancer Centre bid to CRUK.

Highlights of 2017/18

	To 31.12.2018	To 31.12.2017
No of Research Groups	18	17
No of Primary Research Papers	107	86
No of Reviews	41	45
TOTAL PUBLICATIONS	148	131

Key personnel changes

Professor Owen Sansom was appointed as the new Institute Director (Chief Executive) in August 2017 and since then the Institute has been able to move forward with developing a new research and recruitment strategy. Professor Jim Norman is now Deputy Director.

Professor Martin Bushell (from the MRC Toxicology Unit in Leicester) will be joining us as a senior group leader in June 2018. Martin's work on translational control fits extremely well with our research strategy. In particular, he will be leading work that is critical to the CRUK Translation Alliance, and will be directing investigations into how the protein synthesis machinery influences metastasis and recurrence. His group's expertise in RNA biology and ribosome function will be critical to the delivery of our future strategy.

Dr Martin Drysdale left the Institute in July 2017 to take up a position as the Director of the Centre for the Development of Therapeutics at the Broad Institute of MIT and Harvard. Dr Justin Bower and Dr Heather McKinnon have been appointed as joint Heads of the Drug Discovery Unit. Professor Mike Olson also left the Institute in March 2018 to lead a department in Ryerson University (Toronto) bringing cancer and physical sciences together after winning a highly competitive Canada Research Chair.

Reviews

Outstanding basic cancer research is the foundation on which the Institute is built, and we closely monitor performance of our scientific groups and core services through internal and external review, to help us identify areas of strength and weakness, and target future investment to maximum effect (CRUK strategy: evaluating our progress).

Professors Robert Insall and Laura Machesky's quinquennial reviews (QQRs) were held in May 2017 and the outcomes were very positive. The outcomes were Insall 'Forefront' for both past and future work, and Machesky 'Forefront' for past and 'Forefront/Outstanding' for future work.

In March 2017 Dr Sara Zanivan was promoted to Senior Staff Scientist and our first full term review of a Beatson Associate, Dr Stephen Tait, was held. The panel voted unanimously for Stephen to retain his status as Beatson Associate for a further five years.

We have established a new scientific advisory board, which will convene every 18 months, to assist us with strategizing our clinical and basic scientific operations. This committee, which comprises a

strategic balance of clinician scientists and basic scientists from both academia and industry, will advise the Director on strategy for the Institute, and also assist with optimising our links with the UoG and the NHS. CRUK plans to hold an advisory Institute QQR in Q1/Q2 2019 and we have suggested review panel members for this, some of whom will be drawn from our scientific advisory board.

Funding

CRUK provides an annual core grant that covers the majority of staff costs, 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.

Other funding sources also provide much needed support for research programmes. These include Worldwide Cancer Research, the European Research Commission, the Medical Research Council, the Royal Beatson Endowment Funds of the NHS Greater Glasgow & Clyde, Novartis Institute for Biomedical Research, Janssen Pharmaceutical, Breast Cancer Now, Astellas, the Rosetrees Trust, AstraZeneca UK, KU Leuven, the Genetics Society, the Pancreatic Cancer Research Fund, Pancreatic Cancer UK, Celgene, the CRT Pioneer fund and the Daphne Jackson Fellowship Award. 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.

Key management personnel remuneration

The board of directors and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Institute on a day to day basis. All Directors give of their time freely and no director received remuneration in the year. Details of directors' expenses are disclosed in note 11 to the financial statements.

The pay of the senior staff is reviewed annually and normally increased in line with CRUK pay guidelines. In addition, the Directors benchmark against pay levels in other CRUK core funded Institutes. If recruitment has proven difficult a market supplement can also be paid to ensure that the remuneration set is fair and not out of line with that generally paid for similar roles.

Financial Review

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

Overall, 77% of expenditure (£20.0M; 2016/17: £18.7M) was invested directly in core research staff, projects and facilities. The remaining 23% represents essential support costs of the Institute's operations.

Income in the year increased to £25.9M (2016/17: £23.5M) due to increased grant income – £3.1M, of which £2.5M is as a result of success in competitively awarded CRUK grants (Grand Challenge, Precision Panc, RAS, etc.). This has also resulted in an increase in the value of income to be recognised in future years from currently awarded research grants and contracts (£8.2M; 2016/17: £4.4M) – see note 19.

Expenditure in the year has increased to £25.9M (2016/17: £24.6M), which reflects the increase in research activity in the year. In particular, the £1m increase in laboratory supplies is as a direct result of the increase in external funding – see note 8.

As a result, the Institute is reporting an increase of funds for the year of £50k (2016/17: decrease £1.1M).

The net book value of fixed assets has increased by £0.39M (2016/17: decrease £0.76M) to £13.5M (2016/17: £13.1M) as further investment made in cutting edge technology is partly offset by the ongoing depreciation of existing assets.

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 in excess of the Institute's working capital requirement 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.

Key Employment Policies

Disabled employees

The Institute is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Institute gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Institute. If members of staff become disabled the Institute continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The Institute systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Institute is encouraged. The Institute encourages the involvement of employee's by means of a regular staff forum.

Gender pay

The Institute published its Gender Pay Gap statistics at the end of March 2018 as follows – Mean 16.1%, median 9.7%.

The Institute is committed to reducing its gender pay gap through actions identified in our pay gender action plan, which is regularly reviewed by our Board of Directors.

Several actions in our pay gender action plan have already been implemented, including:

- A review of all salaries to identify and address any anomalies in pay between men and women;
- Improved opportunities for flexible working amongst scientific researchers;
- Improved maternity pay funding and use of 'keep in touch' days when researchers are on maternity leave so that they maintain pace with their research project;
- Encouraging women to apply for roles at Postdoctoral and Junior Group Leader level through improved recruitment advertising and direct scientific contacts. Many Junior Group Leaders will progress to Senior Group Leaders and we believe that we need to attract more women to junior leadership positions to develop the senior female talent pool in research science;

In 2018, we intend to implement a working party to consider other options for improving our gender balance and promoting women in science. Whilst we have not yet applied for the Athena Swan award, we are working towards its principles.¹

Principal Risks and Uncertainties

The Directors have overall responsibility for risk management. The Directors have established the risk appetite of the organisation. They monitor the effectiveness of its risk management systems and internal control processes. The Directors review key risks on an on-going basis. They seek assurance from management that key risks are being managed appropriately and that mitigation measures are operating effectively.

The Institute's risk management strategy comprises of the following elements:

- Systems and processes to identify and assess risks, including clear and easily accessible whistleblowing procedures
- Effective processes to treat and mitigate risks in accordance with risk appetite
- Proactive monitoring and review of the risk management process, as well as the effectiveness of risk mitigation measures
- Communication of risk information appropriate to the requirements of internal and external stakeholders

The Institute's risks are categorised as follows:

- Strategy
- Scientific research and reputation
- Operational performance (including financial risks)
- External factors

¹ Athena Swan Award aims to advance gender equality in academia and academic institutions and under representation of women across academic disciplines, professional and support functions.

Key risks

Risk	Mitigation Measures
Strategy	
Failure to capitalise on positive outcomes achieved during CRUK Major Cancer Centre bid in 2016.	<ul style="list-style-type: none"> Continue to develop the integrated strengths and effective working relationships that exist between University of Glasgow, University of Edinburgh, Scottish Government and the NHS. Contribute to the leadership of and the establishment of clear objectives for a coordinated Scotland-wide research strategy. Continue to maximise the return on CRUK investment in cancer research in Glasgow by maintaining a strong partnership with the University of Glasgow. Monitor the effectiveness of all partnerships, keeping the Board and CRUK informed of progress.
Talented staff are not recruited, developed or retained resulting in the degradation of research output and operational effectiveness.	<ul style="list-style-type: none"> Effective staff retention strategy, including, regular pay/ grading reviews, market comparisons, commitment to gender pay equality, strong and consistent staff communication strategy, provision of staff training and development opportunities. On-going development of marketing materials, including promotion of the Institute at scientific career events and within scientific publications. Continue to seek the most effective recruitment approaches. Proactively seek to increase the proportion of women that are recruited and retained via implementation (and promotion) of family friendly employment policies.
Scientific research and reputation	
Serious scientific misconduct leading to published research containing fraudulent data and/or scientific conclusions.	<ul style="list-style-type: none"> Raising awareness and enforcing the Institute's policies on Research Misconduct and Whistleblowing. Adherence to CRUK's research integrity guidelines and concordat via proactive review of research output. Maintain a culture where scientific misconduct is not tolerated and where staff are willing to report suspicion.
Operational performance	
Institute's five year external review scoring falls below standard required by CRUK.	<ul style="list-style-type: none"> Proactive monitoring and evaluation of performance via Scientific Advisory Group, CRUK Institute Services Review and assessment of research publications. Rigorous staff recruitment processes, annual appraisal of all staff and commitment to on-going staff development. Funding of research groups aligned with the CRUK Research Strategy which takes into consideration research group performance. Effective corrective actions are taken promptly whenever there is any possibility that the performance of a research group may fall below the standard required by CRUK.
Long-term funding/ income fails to match inflationary and infrastructure investment pressures.	<ul style="list-style-type: none"> Maintain close working relationships with CRUK and other funding bodies to sustain a long-term, diversified funding portfolio. Continue to seek external research funding that contributes to overhead recovery. Continue to develop the quality of grant applications and funding requests. Continue to seek opportunities to improve operational efficiency and reduce organisational costs. Proactive monitoring of financial information by budget holders, senior management team, the Board and CRUK. Prompt and effective corrective actions taken where any financial issues are identified. Development of medium to long-term financial plans that enable investment in capital equipment and infrastructure projects.

Risk	Mitigation Measures
Major operational disruption.	<ul style="list-style-type: none"> ▪ Maintain and test effective business continuity plans. ▪ Maintain staff succession plans, ensuring roles are well defined and operational procedures fully documented. ▪ Continue to develop effective security procedures (physical and digital) and emphasise responsibility that all staff have to maintain appropriate levels of security. ▪ Maintain relationships with external partners and suppliers that would enable temporary/ short-term support to be provide at short notice.
Changes to employee pension schemes resulting in increased costs to the Institute and negative influence on the ability to attract and retain staff.	<ul style="list-style-type: none"> ▪ Proactive communication with employee pension scheme members and participation in pension scheme consultation. ▪ Exploration of options for alternative/ compensatory benefits. ▪ Proactive monitoring of pension scheme actuarial reports to ensure Institute budgets reflect all anticipated costs.
External factors	
Brexit uncertainties resulting in a negative influence on attraction/ retention of staff, access to funding opportunities and unfavourable FX rates.	<ul style="list-style-type: none"> ▪ Proactive communication with staff to ensure they are informed of all new and emerging information that may impact them. ▪ Continue to seek the most effective recruitment approaches. ▪ Retain status as a registered employment sponsor for non-EU workers. ▪ Work with CRUK to advocate the benefits of international scientific collaboration, including access to EU funding and the free movement of scientific staff. ▪ Proactively monitor FX rate forecasts to ensure prudent assumptions are used for budgeting and grant applications.

Reserves policy

The Institute reports Total Funds amounting to £19.7M (2016/17: £19.7M). Of these, £12.2M (2016/17: £11.8M) relate to capital funds arising from grants recognised as income. A further £1.8M (2016/17: £1.9M) of Restricted Funds represents funds donated for specific research projects and recognised as income, 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 £7.8M (2016/17: £8.2M) includes £6.5M (2016/17: £6.8M) of current assets which are liquid funds. Within this amount, £1.6M relates to the net R&D Expenditure Credit claims (after tax and expenses), which is ring-fenced for the reasons set out in note 18, leaving £4.9M of free reserves, which is within the range of one to three months running costs.

The reserves policy is reviewed on an annual basis.

Structure, Governance and Management

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).

Directors

There are two distinct categories of Director – Partner Directors and Independent Directors. Partner Directors are those directors appointed by Cancer Research UK (CRUK). Independent Directors are appointed on the basis of their having skills, experience and/or local connections which allows 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 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 Scientific Advisory Board (SAB) 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.

Audit Committee

The Audit Committee appointed by the Board consists of two members. One member is a Partner Director (currently Nigel Armitt) and one member is an Independent Director (currently Craig Anderson). A quorum shall be two members. The Chairman of the Committee is appointed by the Board.

The Head of Finance and a representative of the external auditors normally attend meetings. Other Board members also have the right of attendance. The Company Secretary is the Secretary of the Committee.

The Audit Committee meets three times a year. There is an audit planning meeting usually held in January; an accounts review and sign off meeting usually in May and a risk and internals control review meeting in September. The Secretary circulates the minutes of meetings of the Audit Committee to all members of the Board.

Ultimate parent undertaking and controlling party

The Institute works closely with CRUK 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. CRUK, a company incorporated in England, is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2018. The consolidated financial statements of CRUK are available from its registered address at Angel Building, 407 St John Street, London, EC1V 4AD. (www.cancerresearchuk.org)

Beatson Technology Limited

The Institute's wholly owned subsidiary, Beatson Technology Limited, a company registered in Scotland (Company No SC192461), 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.

As permitted under s402 of the Companies Act 2006, consolidated financial statements are not prepared because the results of Beatson Technology Limited are not material to the group.

Reference and administrative information

Scottish Charity Number: SC006106

Company Registration Number: SC084170

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

Trustees (Directors): Professor Nic Jones (chairman)
Mr Craig Anderson (re-appointed 5 June 2017)
Dr Iain Foulkes (re-appointed 8 June 2018)
Mr Ian Kenyon (resigned 29 November 2017)
Professor Anton Muscatelli (re-appointed 8 June 2018)
Ms Rosalie Chadwick (appointed 6 September 2017)
Mr Nigel Armitt (appointed 7 March 2018)

Director
(Chief Executive) Professor Owen Sansom FRSE

Company Secretary: Mr Gary Niven

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

Principal Bankers: HSBC
2 Buchanan Street
Glasgow
G1 3LB

Solicitors: Burness Paull LLP
120 Bothwell Street
Glasgow
United Kingdom,
G2 7JL

Statement of trustees' responsibilities

The trustees (who are also directors of 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 regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees 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 trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 that applicable UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 are sufficient to show and explain the charitable company's transactions and 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.

The trustees are responsible for the maintenance and integrity of 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 Directors' Report and Strategic Report are approved by the directors and signed on their behalf:

A handwritten signature in black ink, appearing to read 'N C Jones', written in a cursive style.

PROFESSOR NIC JONES
Chairman

Report on the audit of the financial statements

Opinion

In our opinion, Beatson Institute of Cancer Research's financial statements (the financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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).

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the statement of financial activities (incorporating income and expenditure account and statement of total recognised gains and losses), the statement of cash flows for the year then ended; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charitable company's ability to continue as a going concern.

Beatson Institute for Cancer Research

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of trustees' responsibilities set out on page 12, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditors under section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members and trustees 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 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.

Other required reporting

Matters on which we are required to report by exception

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 by, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Lindsey Paterson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Glasgow

8 June 2018

Beatson Institute for Cancer Research

Statement of Financial Activities for the year ending 31st March 2018 (incorporating Income and Expenditure Account and Statement of Total Recognised Gains & Losses)

		<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>		
	Note	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	Total	Total
		£'000	£'000	£'000	2018	2017
					£'000	£'000
Income and endowments from:						
<u>Donations and legacies</u>						
Donations and legacies	3	1,011	-	-	1,011	1,478
<u>Charitable activities</u>						
Research grants	4	195	23,041	-	23,236	20,099
Research contracts and services	5	654	878	-	1,532	1,679
Conference grants and fees		109	-	-	109	81
<u>Investments</u>	6	42	-	-	42	60
<u>Other</u>						
Other	7	3	-	-	3	71
Total		2,014	23,919	-	25,933	23,468
Expenditure on:						
<u>Charitable activities</u>						
Research projects	8	2,351	23,410	-	25,761	24,457
Conference	8	118	54	-	172	131
Total		2,469	23,464	-	25,933	24,588
Net (expenditure)/income before tax and other recognised gains and losses		(455)	455	-	-	(1,120)
Taxation		-	-	-	-	-
Net (expenditure)/income after tax and before other recognised gains and losses		(455)	455	-	-	(1,120)
<u>Other recognised gains and losses</u>						
Release of provision for impairment of bank deposits	14	50	-	-	50	20
Net movement in funds		(405)	455	-	50	(1,100)
Reconciliation of funds						
Fund balances brought forward at 1 st April	21	8,183	11,447	25	19,655	20,755
Fund balances carried forward at 31st March	21	7,778	11,902	25	19,705	19,655

There is no material difference between the net expenditure 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 20 to 35 form part of these financial statements.

Balance Sheet

as at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	12	164	237
Tangible assets	12	<u>13,330</u>	<u>12,867</u>
		<u>13,494</u>	<u>13,104</u>
Current assets			
Debtors	13	4,148	2,987
Bank term deposits	14	-	-
Cash at bank and in hand	15	<u>7,534</u>	<u>8,728</u>
Total current assets		11,682	11,715
Creditors: amounts falling due within one year	16	<u>(3,349)</u>	<u>(2,930)</u>
Net current assets		<u>8,333</u>	<u>8,785</u>
Provision for liabilities	17	<u>(2,122)</u>	<u>(2,234)</u>
Total net assets		<u>19,705</u>	<u>19,655</u>
The funds of the charity:			
Endowment funds	21	25	25
Restricted income funds	21	11,902	11,447
Unrestricted income funds	21	7,778	8,183
Total charity funds		<u>19,705</u>	<u>19,655</u>

The financial statements on pages 17 to 35 were approved by the Board of trustees on 8 June 2018 and signed on its behalf by:



Professor Nic Jones
Chairman

The notes on pages 20 to 35 form part of these financial statements

Statement of Cash Flows for year ending 31 March 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities	27	1,472	2,061
Cash flows from investing activities			
Interest income		42	60
Purchase of intangible fixed assets		(22)	(30)
Purchase of tangible fixed assets		(2,736)	(1,542)
Dividend received from impaired deposit account		50	20
Cash used in investing activities		<u>(2,666)</u>	<u>(1,492)</u>
(Decrease) / Increase in cash and cash equivalents in the year		<u>(1,194)</u>	<u>569</u>
Cash and cash equivalents at the beginning of the year		<u>8,728</u>	<u>8,159</u>
Total cash and cash equivalents at the end of the year	15	<u>7,534</u>	<u>8,728</u>

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Statement of compliance

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The Institute meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Going concern

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

Income

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, probability 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 21). Depreciation on the assets acquired is charged annually to that fund.

Government grants are recognised under the Performance model set out in FRS 102 (24), whereby income is recognised when the grant proceeds are received or receivable, unless performance-related conditions are specified, in which case income is recognised only when the performance-related conditions are met.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the estate that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution.

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

1. Accounting policies (continued)

Income received under contract or where entitlement to grant funding is subject to specific performance conditions is recognised as the related research work is undertaken. Income is deferred when funds are received in advance of the income being recognised. Grants and fees with regard to conference activities are recognised when receivable by the Institute.

Where grant awards or legacies have been notified to the charity, or the charity is aware of the granting of probate (in the case of legacies), and the criteria for income recognition have not been met, then the income is treated as a contingent asset and disclosed if material.

Expenditure

Expenditure is recognised when a liability is incurred.

Costs of raising 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 (including Governance costs) relating to these activities.

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 FRS 102 (28), 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 and any movement on the deficit recovery plan 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 the net employer contributions made in the year.

Fixed assets and depreciation

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software – 3 to 5 years

Amortisation is included in expenditure on charitable activities in the Statement of Financial Activities. Costs associated with maintaining computer software are recognised as an expense as incurred.

1. Accounting policies (continued)

Tangible assets

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. An in-kind benefit based on the value to the Institute is incorporated within Donations and Legacies and the corresponding notional rental cost included in Expenditure under Charitable Activities.

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 CRUK 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.

1. Accounting policies (continued)

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 established to undertake commercial developments arising as a by-product of the Institute's charitable medical research activities. As permitted under s402 of the Companies Act 2006, consolidated financial statements are not prepared because the results of Beatson Technology Limited are not material to the group.

Related party transactions

In accordance with Financial Reporting Standard 102 (33), 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.

2. Legal status of the Institute

The Institute is a company limited by guarantee incorporated in Scotland (SC084170) and has no share capital. 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.

	2018	2017
	£'000	£'000
3. Donations and legacies		
Donations	931	1,455
Legacies	80	23
	<u>1,011</u>	<u>1,478</u>

The income from donations and legacies for the charity was £1,011k (2016/17: £1,478k), of which £1,011k was unrestricted (2016/17: £1,477k) and £nil was restricted (2016/17: £1k).

An assessment of the annual rental value of the Beatson Institute for Cancer Research building indicates that value to be in the region of £920k. 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 £60k per annum. Consequently an in-kind benefit from the University of Glasgow of £860k (2016/17: £860k) for the year to 31 March 2018 has been included within Donations with notional rent of £860k (2016/17: £860k) being included within Costs of Charitable Activities (note 8 and 9).

4. Research Grants

	2018	2017
	£'000	£'000
Grants for research projects:		
Grants from Cancer Research UK	20,483	17,589
Grants from other charities	1,117	684
Grants from governmental bodies	464	595
Grants from the University of Glasgow	1,172	1,231
	<u>23,236</u>	<u>20,099</u>

The income from research grants for the Institute was £23.2M (2016/17: £20.1M), of which £0.2M was unrestricted (2016/17: £0.2M) and £23.0M was restricted (2016/17: £19.9M).

Grants from governmental bodies represent monies received from the European Commission through awards from the European Research Council (ERC) and the Marie-Sklodowska-Curie (MSC) Research Fellowship programme.

5. Research contracts and services

	2018	2017
	£'000	£'000
Research contracts and performance grants	855	1,052
Research services	<u>677</u>	<u>627</u>
	<u>1,532</u>	<u>1,679</u>

The income from research contracts and services for the Institute was £1,532k (2016/17: £1,679k), of which £654k was unrestricted (2016/17: £624k) and £878k was restricted (2016/17: £1,055k).

Income from research services represents charges made to the University of Glasgow and other research bodies for accessing the Institute's research facilities. Research service income from the University of Glasgow for the year to 31 March 2018 was £675k (2016/17: £625k).

6. Investment income

	2018	2017
	£'000	£'000
Interest on bank deposits	<u>42</u>	<u>60</u>
	<u>42</u>	<u>60</u>

All of the Institute's investment income arises from money held in interest bearing deposit accounts and is credited to unrestricted reserves.

7. Other income

	2018	2017
	£'000	£'000
Sundry income	<u>3</u>	<u>71</u>
	<u>3</u>	<u>71</u>

All of the Institute's other income is credited to unrestricted reserves.

8. Analysis of expenditure on charitable activities

Costs directly allocated to activities

	Research Projects £'000	Conference £'000	2018 £'000	2017 £'000
Scientific and technical staff including student fees	9,523	22	9,545	9,279
(Decrease) / Increase in pension scheme deficit recovery plan	(161)	–	(161)	43
Laboratory supplies	6,955	–	6,955	5,887
Equipment maintenance and depreciation	3,558	–	3,558	3,422
Conference venue and catering costs	–	118	118	85
Governance costs (see note 9)	67	–	67	63
Support costs (see note 9)	5,819	32	5,851	5,809
	25,761	172	25,933	24,588

9. Analysis of support and governance costs

The Institute initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the charitable activities undertaken (see note 8) in the year. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

<u>Allocation of support costs</u>	<u>Basis</u>	General Support £'000	Governance £'000	2018 £'000	2017 £'000
Administration staff	Staff time	713	50	763	697
Support Staff	Usage	1,865	–	1,865	1,700
Property rental	Floor area	920	–	920	920
Power and building maintenance	Floor area	1,364	–	1,364	1,376
Communications, stationery and other costs	Head-count	332	–	332	473
Staff travel, recruitment, etc.	Usage	530	–	530	543
Legal and professional fees	Usage	85	–	85	65
Other Governance expenses	Governance	–	5	5	8
Auditors' remuneration	Governance	–	12	12	12
Finance costs	Usage	42	–	42	78
		5,851	67	5,918	5,872

Beatson Institute for Cancer Research
Notes to the financial statements for year ending 31 March 2018

10. Net outgoing resources before transfers are stated after charging:	2018	2017
	£'000	£'000
Depreciation	2,368	2,335
External auditors' remuneration – audit services	12	12
Rentals payable under operating leases – computer equipment	3	3
land & buildings (note 3)	<u>860</u>	<u>860</u>

11. Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

	2018	2017
	£'000	£'000
Wages and salaries	9,778	9,408
Social security costs	853	842
Other pension costs	<u>1,433</u>	<u>1,357</u>
	<u>12,064</u>	<u>11,607</u>

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

	2018	2017
	Number	Number
Scientific	154	147
Technical	40	41
Secretarial and Administrative	15	15
Scientific Support	<u>61</u>	<u>58</u>
	<u>270</u>	<u>261</u>

The number of employees during the year, whose employee benefits (excluding employer pension contributions) fell within the following bands, was:

	2018	2017
	Number	Number
£60,001 – £70,000	2	1
£70,001 – £80,000	1	4
£80,001 – £90,000	7	6
£90,001 – £100,000	2	2
£100,001 – £110,000	1	–
£150,001 – £160,000	–	1
£170,001 – £180,000	1	1
£230,001 – £240,000	–	1

Pension benefits accrued at 31 March 2018 to the above staff as members of the multi-employer pension schemes are detailed in note 23.

The majority of the Institute's scientists are employed by the Institute and their employment costs paid by the Institute and funded by grants. Nine 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 2018 amounted to £1,076k (2016/17 – £1,065k) and are included within Staff Costs above.

11. Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

The employee benefits, including and excluding employer pension contributions, of the Chief Executive and other key management personnel were:

	Incl. pension contributions		Excl. pension contributions	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Key management personnel (2017/18: 7 people, 2016/17: 4 people)	700	565	603	482

Key Management Personnel of the Charity have been defined as members of the Senior Management Team.

No (2016/17: 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. Three Partner Directors (Prof Nic Jones, Dr Iain Foulkes and Mr Nigel Armit) were paid by CRUK in respect of their roles on the Executive Board of CRUK.

During the year £nil travelling expenses were paid to any Directors in connection with their attendance at Board meetings.

12. Fixed assets

	Leasehold improvements	Leasehold Property	Laboratory /Service equipment	Computer equipment	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<u>At cost</u>						
Balance at 1st April 2017	8,613	1,516	20,788	1,136	552	32,605
Additions	-	-	2,203	533	22	2,758
Balance at 31st March 2018	8,613	1,516	22,991	1,669	574	35,363
<u>Accumulated Depreciation and Amortisation</u>						
Balance at 1 April 2017	1,944	561	15,909	772	315	19,501
Charged in year	349	61	1,748	115	95	2,368
Balance at 31 March 2018	2,293	622	17,657	887	410	21,869
<u>Net book value</u>						
At 31 March 2018	6,320	894	5,334	782	164	13,494
At 31 March 2017	6,669	955	4,879	364	237	13,104

13. Debtors

	2018	2017
	£'000	£'000
Grant income receivable	1,424	1,098
Amounts owed by Cancer Research UK	1,016	154
Prepayments and accrued income	774	807
Other debtors	934	928
	<u>4,148</u>	<u>2,987</u>

14. Bank term deposits

	2018	2017
	£'000	£'000
Term Deposits at cost	584	634
Provision for impairment	<u>(584)</u>	<u>(634)</u>
	<u>-</u>	<u>-</u>
a) Term deposit		
Balance at 1 April 2017	634	654
Transfer of dividends received during year	<u>(50)</u>	<u>(20)</u>
Balance at 31 March 2018	<u>584</u>	<u>634</u>
b) Provision for impairment		
Balance at 1 April 2017	(634)	(654)
Release of provision during year	<u>50</u>	<u>20</u>
Balance at 31 March 2018	<u>(584)</u>	<u>(634)</u>

The provision for impairment was made against an initial term deposit of £4M.

15. Cash at bank and in hand

	2018	2017
	£'000	£'000
Cash and short-term deposits	<u>7,534</u>	<u>8,728</u>

16. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	2,185	1,722
Accruals and deferred income	1,011	1,119
Other creditors	153	89
	<u>3,349</u>	<u>2,930</u>

Within Accruals and deferred income above, deferred income represents grant income and payments to account for research contracts received in advance of research work being undertaken. £162k (2016/17: £721k) deferred income at 31st March 2017 has been released to incoming resources. A further £309k (2016/17: £162k) 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, £nil (2016/17: £nil) is with regard to CRUK core grant and £212k (2016/17: £34k) to other CR-UK grants.

17. Provision for liabilities

	2018 £'000	2017 £'000
<u>USS defined benefit pension scheme deficit recovery plan</u>		
Opening balance	2,234	2,149
Movement in year	(112)	85
Closing balance	<u>2,122</u>	<u>2,234</u>

The movement in year represents the unwinding of the discount factor, the deficit contributions paid and any adjustment for changes to the underlying assumptions. The assumptions used in calculating the provision were as follows:

Current period employer's contribution level	18.0%	18.0%
Average salary inflation over funding plan period	2.60%	2.60%
Funding plan end date	31/03/31	31/03/31
Discount rate	<u>2.20%</u>	<u>2.00%</u>

18. Contingent liabilities

During the previous reporting period, HMRC informed the Institute that it was contesting the R&D Expenditure Credits (RDEC) claims on the basis of eligibility. The total value of the RDEC claims (net of tax) recognised in the Institute's 2015/16 financial statements was £1,981k, of which £825k has already been paid by HMRC.

The Institute's advisers have indicated that they still consider the claims to be valid, and they are continuing to pursue the claims on the Institute's behalf. No provision has been made in these financial statements, in respect of repaying the RDEC claim, as the Institute's Board of Trustees do not consider that a loss is probable.

19. Contingent assets

As at 31 March the Institute was in receipt of or party to a number of research grants and contracts, with performance-related or other conditions attached. Where these conditions are not wholly within the control of the Institute and have not been met, no income has been accrued. As at 31 March the value of income to be recognised once the conditions are met was £8.2M (2016/17: £4.4M).

20. Share capital

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

21. 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 2017	Transfer between funds	Incoming resources	Resources expended	Other recognised gains and losses	Balance at 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Unrestricted Funds</u>	8,183	-	2,014	(2,469)	50	7,778
<u>Restricted Funds</u>						
Research grants funds						
CR-UK	1,449	(112)	18,745	(18,497)	-	1,585
Other funders	450	-	2,744	(2,985)	-	209
Others	10	-	-	(1)	-	9
	1,909	(112)	21,489	(21,483)	-	1,803
Capital grants funds –						
CR-UK	10,158	-	2,363	(1,724)	-	10,797
Other funders	1,614	-	67	(257)	-	1,424
	11,772	-	2,430	(1,981)	-	12,221
Pension provision	(2,234)	112	-	-	-	(2,122)
<u>Total restricted funds</u>	11,447	-	23,919	(23,464)	-	11,902
<u>Endowment Funds –</u>						
John Paul	25	-	-	-	-	25
<u>Total Funds</u>	19,655	-	25,933	(25,933)	50	19,705

21. Funds (continued)

Analysis of fund movements – prior year

	Balance at 1 April 2016	Transfer between funds	Incoming resources	Resources expended	Other recognised gains and losses	Balance at 31 March 2017
	£'000	£'000	£'000	£'000	£'000	£'000
Unrestricted Funds	7,946	–	2,516	(2,299)	20	8,183
Restricted Funds						
Research grants funds						
CR-UK	1,544	85	16,017	(16,197)	–	1,449
Other funders	1,219	–	3,363	(4,132)	–	450
Others	10	–	1	(1)	–	10
	<u>2,773</u>	<u>85</u>	<u>19,381</u>	<u>(20,330)</u>	<u>–</u>	<u>1,909</u>
Capital grants funds –						
CR-UK	10,253	–	1,571	(1,666)	–	10,158
Other funders	1,907	–	–	(293)	–	1,614
	<u>12,160</u>	<u>–</u>	<u>1,571</u>	<u>(1,959)</u>	<u>–</u>	<u>11,772</u>
Pension provision	(2,149)	(85)	–	–	–	(2,234)
Total restricted funds	<u>12,784</u>	<u>–</u>	<u>20,952</u>	<u>(22,289)</u>	<u>–</u>	<u>11,447</u>
Endowment Funds –						
John Paul	25	–	–	–	–	25
Total Funds	<u>20,755</u>	<u>–</u>	<u>23,468</u>	<u>(24,588)</u>	<u>20</u>	<u>19,655</u>

Analysis of net assets between funds – as at 31 March 2018

	Tangible fixed assets £'000	Current assets £'000	Liabilities £'000	Total Net Assets £'000
Unrestricted Funds	1,273	6,505	–	7,778
Restricted Funds	12,221	5,152	(5,471)	11,902
Endowment Funds – John Paul	–	25	–	25
	<u>13,494</u>	<u>11,682</u>	<u>(5,471)</u>	<u>19,705</u>

21. Funds (continued)

Analysis of net assets between funds – as at 31 March 2017

	Tangible fixed assets £'000	Current assets £'000	Liabilities £'000	Total Net Assets £'000
Unrestricted Funds	1,332	6,851	–	8,183
Restricted Funds	11,772	4,839	(5,164)	11,447
Endowment Funds – John Paul	–	25	–	25
	<u>13,104</u>	<u>11,715</u>	<u>(5,164)</u>	<u>19,655</u>

22. Leasing commitments

At 31 March the Institute had future minimum rentals payable under non-cancellable operating leases as follows:

	2018 £'000	2017 £'000
Computer equipment		
Within 1 year	1	2
In 2 to 5 years	1	1

As explained in Note 3, the rent charged with regard to the cancer research centre is a notional charge.

23. 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 section 28 of FRS 102, accounts for the scheme as if it were a defined contribution scheme.

Past service funding position

The latest triennial actuarial valuation of the scheme was at 31 March 2014. At valuation date, the value of the assets of the scheme was £41.6bn and the value of the scheme's technical provisions was £46.9bn indicating a shortfall of £5.3bn. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Correcting the shortfall

For the period up to 1 April 2016, the Employers' deficit contributions amounted to 16% p.a. of salaries less the employer future service cost of accrual and the expenses of administering the Scheme. On the assumptions made, this gives rise to a deficit contribution of 0.7% p.a. of salaries over this period.

23. Pensions (continued)

For the period from 1 April 2016 to 31 March 2031 the Employers' deficit contributions over this period will amount to 18% p.a. of salaries less the employer's share of the cost of accrual in the defined benefit section together with the employer contribution to the defined contribution (DC) section and the expenses of administering the Scheme.

On the assumptions made and once the salary threshold and DC section were introduced this gives rise to deficit contributions of at least 2.1% p.a. of salaries over the period to 31 March 2031. From 1 April 2016 until the salary threshold and DC section were introduced the deficit contributions amounted to 2.5% p.a. of salaries. Details of the Institute's liability under the deficit recovery plan, and the assumptions used in its calculation, are provided in note 17.

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 total pension contributions paid by the Institute in respect of USS was £1,380k (2016/17 – £1,325k).

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 15%.

The pension cost net of the Scottish Government rebate in respect of this scheme for the Institute was £37k (2016/17 – £32k) and represents a fair estimate of the annual pension cost as defined by FRS 102 and, accordingly, this is the amount charged in the financial statements.

24. Parent Company

The Company's immediate / 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 (Company No 4325234, Charity No 1089464). The smallest and largest undertaking for which the company is a member and for which group financial statements are prepared is Cancer Research UK. The consolidated financial statements of Cancer Research UK are available from Cancer Research UK, Angel Building, 407 St John Street, London EC1V 4AD. (www.cancerresearchuk.org)

25. 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.

26. Related party transactions

The Company has taken advantage of the exemption available under FRS 102 (33) that permits non-disclosure of transactions with Cancer Research UK as ultimate parent undertaking and Beatson Technology Ltd as a wholly owned subsidiary.

A director of the Company holds an executive position with the University of Glasgow. Related party disclosures concerning the University are set out in Notes 3, 4 and 5. Such transactions are conducted on an arm's length basis. As at 31 March 2018, £236k was included in Debtors under Grant income receivable (2016/17 – £196k).

27. Reconciliation of net movement in funds to net cash flow from operating activities

	2018 £'000	2017 £'000
Net expenditure before tax and other recognised gains and losses	–	(1,120)
Less: Interest income	(42)	(60)
Net expenditure for the reporting period (as per the statement of financial activities)	(42)	(1,180)
Adjustments for:		
Depreciation charges	2,368	2,335
(Increase)/decrease in debtors	(1,161)	1,217
Increase/(decrease) in creditors	419	(396)
(Decrease)/increase in provisions	(112)	85
Net cash provided by operating activities	1,472	2,061