

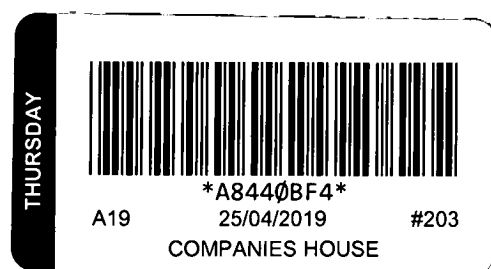
The Gray Laboratory Cancer Research Trust
A Company limited by guarantee
(Operating as the Gray Cancer Institute)

Registered Company Number 03020745

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended

31 July 2018



**The Gray Laboratory Cancer Research Trust
(Operating as the Gray Cancer Institute)**

Annual Report and Financial Statements

31 July 2018

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Legal and Administrative Information

Trustees of the Charity and Directors of the Company

The Trustees serving during the year and since the year end are set out below. The Trustees of The Gray Laboratory Cancer Research Trust ("the Charity") are also the Directors of the Company.

L. Barnes-Moss	(appointed 10 December 2018)
Professor Sir J. Bell	(resigned 7 November 2018)
Professor T. S. Maughan	
Professor W. G. McKenna	(Chairman)
V. A. Moar	
L. Naughton	(appointed 10 December 2018)
Professor P. O'Neill	
Dr D. Scott	(resigned 19 November 2018)
L. Sims	
P. Wardman	

Charitable Status

The Charity is a linked Charity of the University of Oxford and as such is exempt from registration with the Charity Commission.

Registered Office

University Offices
Wellington Square
Oxford
OX1 2JD

Banker

Barclays Bank Plc
54 Cornmarket Street
Oxford
OX1 3HB

Auditor

KPMG LLP
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Trustees' Report

The Trustees are pleased to present their Annual Report along with the Financial Statements of the The Gray Laboratory Cancer Research Trust ("the Charity") for the year ended 31 July 2018. The Financial Statements have been prepared in accordance with the accounting policies set out in note four to the Financial Statements and comply with the requirements of the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in 2015 ("Charities SORP") and with the duty in section four of the 2011 Charities Act.

Objectives and activities

The principal activities and objectives of the Gray Laboratory Cancer Research Trust ("GLRCT"), a charity as set out in the Memorandum and Articles of Association, are to carry out bio-medical research principally in cancer; to research and investigate its causes, distribution, symptoms, pathology, treatment and to promote its cure and to publish the useful results of such research. Specifically to understand the mechanisms and factors that can limit the effectiveness of cancer treatment, to develop improved treatment strategies, and to help translate these strategies into patient benefit.

The Charity is particularly concerned with the development of radiobiological science and its translation to clinical benefit. It is dedicated to advance the field of radiation science so that there will be advancement of care of patients with cancer.

The GLCRT (operating as the Gray Cancer Institute) is linked to the Oxford Institute for Radiation Oncology (previously the Gray Institute for Radiation Oncology and Biology) which sits within the University of Oxford's Department of Oncology. This links with major clinical projects, research and service being undertaken in the Department, Cancer Hospital and Oxford CRUK Centre.

The GLCRT supports a small number of staff, both scientific and supporting technical and administration staff, for administrative and accounting purposes.

The Trustees have a duty to report on 'public benefit' by explaining that significant activities are undertaken in order to carry out our aims for the public benefit; and our achievements measured against those aims. Scientific and technical staff engage regularly with the public at science festivals and public engagement events. Communicating the impact of research is a key activity within the Oxford Institute that the GLCRT links closely with and the Institute's Public Engagement staff. During the year a variety of laboratory tours, school visits, science festivals, summer schools, symposia, patient visits and adult education courses were undertaken.

The Trustees confirm that they have complied with the duty in section 17(5) of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission.

Achievements and performance

The GLCRT holds funding that provides small supporting grants for relevant research or symposia within the field of radiation oncology and biology. Funds are provided for scientific support (for example, in providing support towards radiation physics, higher studies of clinical researchers in radiation biology or special symposia/science workshops in the relevant scientific fields).

The work of Professor Vojnovic's Advanced Technology Group, funded by a medical charity through the Oxford Institute, continues to be related to research programmes applied to cell and tumour imaging from the micro to macroscopic levels. The application of previously described technological developments relating to prostate cancer near-infrared imaging is successfully operational in the Churchill Hospital. The group is also working on ultrasound-mediated enhanced drug delivery approaches using microbubbles; preclinical validation experiments are under way. Finally, the work in developing an ultra-high dose rate characteristic x-ray irradiation system intended to provide patterned irradiation of mammalian cells is progressing; this will be used to elucidate specific radiation-induced signalling and repair processes. Funding for such work is peer reviewed with outputs etc.

Trustees' Report (continued)

Financial review

In the year the Charity's overall surplus was £58,000 (2017: £29,000). The whole surplus relates to unrestricted general funds. The Charity's financial position at the end of the reporting period (July 2018) is set out in the Balance Sheet on page 11. At the end of the period the Charity held reserves of £482,000 (2017: £424,000). All the Charity's reserves are unrestricted reserves available for the general purposes of the Charity as set out above. Free reserves as defined by the Charity Commission amounted to £482,000 (2017: £424,000). This includes a pension provision of £84,000. Excluding the pension provision, the Charity's reserves stand at £566,000 (2017: £573,000).

The Charity's reserves policy sets the target level of reserves at twelve months' grants payable and support costs, plus an additional estimated amount to cover unexpected expenses. This gives a target level of reserves of £171,000 in the current year. The Trustees have determined that this target should apply to the reserves figure excluding the pension provision. Reserves are therefore significantly in excess of the target level. The Charity is forecasting a deficit of £86,000 for 2018-19, which will reduce the reserves balance. The Trustees are also giving consideration to a number of further requests for funding which if granted would see reserves reach the target level by 2021-22.

During May 2018, Cancer Research UK (CRUK) notified the CRUK/MRC Oxford Institute for Radiation Oncology (OIRO) that the Charity would not be continuing Core Funding to the Oxford Institute beyond June 2020. Transition funding to the Institute would be provided until 30 June 2020. A new funding call would be put forward during the autumn of 2018 by CRUK for new "Radiation Research Units". The Oxford Institute will be applying to this call with a submission anticipated during January 2019. The outcome will shape the Oxford Institute's future over the next few years with whom the GLCRT works very closely. The GLCRT may be asked to provide some financial assistance as financial uncertainty for the Oxford Institute itself is a concern. The effect of events (e.g. Brexit) are as yet unknown. There is always prudent management by the GLCRT Board to ensure there is some support to the Oxford Institute in a challenging financial climate and reserves are therefore retained.

The principal risk and uncertainties facing the GLCRT are as detailed above together with the major concern about pension deficits should a Section 75 debt be triggered. Since the last report the current GLCRT cohort in the SAUL scheme has averaged 16 active members and 5 in the USS scheme.

There is constant monitoring of the cohort for each of these schemes to ensure membership throughout. The Trustees regularly review the major risks faced by the Charity and ensure systems are in place to mitigate any major exposures.

The Charity Trustees have given consideration to the major risks to which the Charity is exposed and have satisfied themselves that systems or procedures are discussed and subsequently established in order to manage those risks.

Plans for future periods

The GLCRT will continue with the small cohort of staff for accounting/pension purposes. The Trustees, at the date of this report, expect the Charity to operate in the coming year at a similar financial level to the current year.

The GLCRT may wish to continue support towards the cost of the senior medical physicist since his position is a critical one in the field of radiation physics for the Oxford Institute. Further support for the field of medical physics is likely to be sought from the Trustees for the future particularly when support for the doctoral researcher has been completed and she has finished her studies.

Specific details of the new funding call from CRUK for Radiation Research Units, as detailed above, are expected to be notified by CRUK during early October with an anticipated submission date at the end of January 2019. A great deal of planning and work towards this is currently being undertaken.

Professor McKenna is due to retire from his University appointment on 30th September 2019. Further discussions will need to take place on the GLCRT Board concerning the GLCRT Chairmanship. The GLCRT Board will also plan to appoint some new Trustees in line with the Charity's objectives and activities.

Trustees' Report (continued)

Structure, governance and management

The GLCRT is a subsidiary company of the University of Oxford limited by guarantee, having the University as its sole member (and therefore sole guarantor). It links very closely, as detailed above, with the Oxford Institute for Radiation Oncology and Biology. The GLCRT is also a linked Charity with the University of Oxford.

The GLCRT Board appoints its own Chairman and the Board is responsible for recommending the size and composition of its membership which should not be more than 12. The Articles of Association for the GLCRT outline the powers of the Board of Trustees. All Trustees declare potent conflicts of interest on appointment and regularly thereafter. New Trustees can be recommended by the Board and the University according to their relevance and field of research or responsibilities. New Trustees require approval by the University General Purposes Committee. Board meetings are held at least twice a year. No Trustee receives remuneration directly from GLCRT funds.

The GLCRT corporate governance document outlines the role of the Board of Trustees. This is the main decision-making body of the Charity which has overall responsibility for the strategy, strategic direction, and financial performance of the business. The Board monitors and oversees the Charity's operations, ensuring competent management, sound planning, appropriate allocation of resources, and proper procedures for compliance with statutory obligations. The GLCRT has a Service Level Agreement with the University.

All Trustees are also the Directors of the GLCRT. The Trustees of the GLCRT are selected on the basis of the applicability of their knowledge and experience for the benefit of the Charity and the Board formally approves all Trustee nominations. The Chairman and another Trustee work with new Trustees to ensure they are fully apprised of the Charity's objectives and processes. The Company Secretary and/or a Trustee provides an induction pack to new Trustees including, but not limited to, copies of the Memorandum and Articles of association, the last set of accounts and the roles and responsibilities of Directors and Trustees.

The Charity did not actively engage in fundraising activities in the current or prior year.

Disclosure of information to auditor

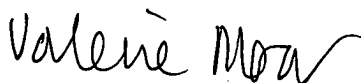
The Trustees who held office at the date of approval of this Trustees' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Charity's auditor is unaware; and each Trustee has taken all the steps that he or she ought to have taken as a Trustee to make himself or herself aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Trustees on 1 March 2019 and signed on behalf of the Board by:



V. A. Moar

Trustee

Date: 10 April 2019

Registered Office

University Offices
Wellington Square
Oxford
OX1 2JD

Statement of Trustees' Responsibilities in respect of the Trustees' Report and the Financial Statements

The Trustees are responsible for preparing the Trustees' 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 elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 affairs of the Charity and of the surplus or deficit of the Charity for that period. In preparing these Financial Statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- 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
- assess the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charitable Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Member of The Gray Laboratory Cancer Research Trust (Operating As The Gray Cancer Institute)

We have audited the Financial Statements of the Gray Laboratory Cancer Research Trust ("the charitable company") for the year ended 31 July 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the Financial Statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2018 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustees have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Financial Statements. In our evaluation of the Trustees' conclusions, we considered the inherent risks to the charitable company's business model, including the impact of Brexit, and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

Trustees' Report

The Trustees are responsible for the Trustees' Report. Our opinion on the Financial Statements does not cover that Report and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Trustees' Report and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Trustees' Report;
- in our opinion the information given in the Trustees' Report, which constitutes the Directors' Report for the financial year, is consistent with the Financial Statements; and
- in our opinion that Report has been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report to the Member of The Gray Laboratory Cancer Research Trust (Operating As The Gray Cancer Institute) (continued)

Matters on which we are required to report by exception

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

- the charitable company has not kept adequate accounting records 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; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 7, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Dawson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Date: 16/04/2019

**The Gray Laboratory Cancer Research Trust
(Operating as the Gray Cancer Institute)**

Annual Report and Financial Statements

31 July 2018

Statement of Financial Activities

for the year ended 31 July 2018

		Unrestricted Funds and Total Funds	Unrestricted Funds and Total Funds
	Note	2018 £'000	2017 £'000
Income from:			
Donations		54	50
Charitable activities		1,386	1,548
Total income		1,440	1,598
Expenditure on:			
Charitable activities	6	(1,379)	(1,566)
Other expenditure		(3)	(3)
Total expenditure		(1,382)	(1,569)
Net income and movement in funds	5	58	29
Funds brought forward		424	395
Funds carried forward		482	424

The results above derive from continuing activities.

The notes on pages 13 to 22 form part of these Financial Statements.

**The Gray Laboratory Cancer Research Trust
(Operating as the Gray Cancer Institute)**

Annual Report and Financial Statements

31 July 2018

Balance Sheet

as at 31 July 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Current Assets					
Debtors due within one year	8	135		144	
Cash and cash equivalents		<u>611</u>		<u>672</u>	
		746		816	
Creditors: amounts falling due within one year	9	(180)		(243)	
Net current assets			<u>566</u>		<u>573</u>
Provisions for liabilities					
Pensions and similar obligations	10/11		<u>(84)</u>		<u>(149)</u>
Net assets			<u>482</u>		<u>424</u>
Represented by:					
Unrestricted funds					
General funds	12		<u>482</u>		<u>424</u>
Total funds			<u>482</u>		<u>424</u>

Thee Financial Statements of The Gray Laboratory Cancer Research Trust, registered number 03020745, were approved by the Board of Trustees on 1 March 2019 and were signed on its behalf by:

Valerie Moar

V. A. Moar

Trustee

Date: 10 April 2019

The notes on pages 13 to 22 form part of these Financial Statements.

Cash Flow Statement

for the year ended 31 July 2018

	Note	2018 £'000	2017 £'000
Cash flows from operating activities			
Net cash used in operating activities	14	(61)	(18)
Change in cash and cash equivalents in the year		<u>(61)</u>	<u>(18)</u>
Cash and cash equivalents brought forward		<u>672</u>	<u>690</u>
Cash and cash equivalents carried forward		<u><u>611</u></u>	<u><u>672</u></u>

The notes on pages 13 to 22 form part of these Financial Statements.

Notes to the Financial Statements

1 Charity information

The Gray Laboratory Cancer Research Trust ("the Charity") is a company limited by guarantee and incorporated and domiciled in the UK. The registered number is 03020745 and the registered office address is University Offices, Wellington Square, Oxford, OX1 2JD.

2 Basis of preparation

In the prior year the Financial Statements were prepared in accordance with *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* ("FRS 102"), and with the Companies Act 2006. During the year the Trustees identified that the Charity falls within the scope of *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"). This year the Financial Statements have therefore been prepared in accordance with the Charities SORP, FRS 102 and the Companies Act 2006. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

The presentation currency of these Financial Statements is sterling. All amounts in the Financial Statements have been rounded to the nearest £1,000.

Going concern

The Financial Statements have been prepared on the assumption that the Charity will continue as a going concern.

The Charity has a strong balance sheet position, with a significant amount of assets derived from investments, short-term bank deposits and cash at bank and in hand. In addition, the Charity has received assurance of financial support from its ultimate parent, University of Oxford. The Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Together with the financial support provided by University of Oxford, the Charity will continue to be operated as a going concern entity. Thus, the Trustees continue to adopt the going concern basis in preparing the Financial Statements.

3 Significant judgements and sources of estimation uncertainty

The Financial Statements are subject to significant judgements and sources of estimation uncertainty. These are:

Judgements

- The Trustees are required to make a judgement as to whether it is appropriate to prepare the accounts on the going concern basis. This judgement is discussed in further detail in note 2.

Sources of estimation uncertainty

- The Financial Statements include a provision for contractual commitments to fund past deficits in relation to pension schemes in which the Charity participates for the benefit of its staff. The calculation of the provision is subject to numerous estimates, including in relation to discount rates, salary cost inflation and future staffing levels. Details of the estimates used, and sensitivity analysis, are included in note 11.

4 Accounting policies

Turnover

Turnover represents income (excluding value added tax) from recharges relating to staff costs covered by the cost-sharing agreement between the Charity and its parent, the University of Oxford.

All turnover is derived within the United Kingdom.

Taxation

No provision has been made for current or deferred tax on the grounds that the Charity is a linked charity of the University of Oxford and is exempt from corporation tax.

Notes to the Financial Statements (continued)

4 Accounting Policies (continued)

Basic Financial Instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price less attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Charity's cash management are included as a component of cash and cash equivalents.

Short-term employee benefits

Short-term employment benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the Charity. A liability is recognised at each balance sheet date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the profit and loss account.

Post-employment benefits (pensions)

The two principal pension schemes for staff are the Universities Superannuation Scheme ("USS"), and the Superannuation Arrangements of the University of London ("SAUL"). Both of these schemes are defined benefit schemes. Each fund is valued every three years by professionally qualified actuaries.

Both schemes are multi-employer schemes for which it is not possible to identify the assets and liabilities belonging to individual institutional members due to the mutual nature of the schemes and therefore these schemes are accounted for as defined contribution retirement benefit schemes. The Charity contributes to these schemes at rates set by the scheme actuaries as advised to the Charity's parent, the University of Oxford, by the scheme administrators.

The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period, excluding any extra costs incurred related to clearing scheme deficits already provided for as part of a pension recovery plan. A liability will be recorded as a provision for any contractual commitments to fund past deficits within the multi-employer schemes as determined by the scheme management. The associated expense is recognised in the profit and loss account.

Notes to the Financial Statements (continued)

5 Net income for the year

Net income for the year is stated after charging:

	2018 £'000	2017 £'000
Auditor's remuneration - audit	<u>6</u>	<u>6</u>

6 Expenditure on charitable activities

	Activities undertaken directly 2018 £'000	Grant funding of activities 2018 £'000	Support costs 2018 £'000	Total 2018 £'000
Biomedical research – cancer	<u>1,252</u>	<u>110</u>	<u>17</u>	<u>1,379</u>
	Activities undertaken directly 2017 £'000	Grant funding of activities 2017 £'000	Support costs 2017 £'000	Total 2017 £'000
Biomedical research – cancer	<u>1,491</u>	<u>54</u>	<u>21</u>	<u>1,566</u>

Governance costs

Included within support costs are governance costs of £15,000 (2017: £18,000):

	2018 £'000	2017 £'000
Audit fees	6	6
Accountancy fees	8	8
Pension consultancy	-	3
Trust management fees	<u>1</u>	<u>1</u>
	<u>15</u>	<u>18</u>

The Gray Laboratory Cancer Research Trust
(Operating as the Gray Cancer Institute)

Annual Report and Financial Statements

31 July 2018

Notes to the Financial Statements (continued)

7 Staff costs

The average weekly number of full-time-equivalent staff, including executive directors, employed by the Charity during the year was:

	2018 £'000	2017 £'000
Research officers and scientists	10	12
Technical support and administration	19	20
	<u>29</u>	<u>32</u>

The total cost of their remuneration was:

	2018 £'000	2017 £'000
Wages and salaries	1,036	1,251
Social security costs	118	130
Expenses related to defined benefit plans	98	110
	<u>1,252</u>	<u>1,491</u>

The number of employees whose emoluments (excluding employer pension contributions) exceeded £60,000 are set out in the table below:

	2018 No.	2017 No.
£60,000 to £70,000	1	2
£80,000 to £90,000	1	-
£90,000 to £100,000	<u>1</u>	<u>1</u>

For administrative and accounting purposes a cohort of staff are employed through the GLCRT but do not receive their remuneration directly from GLCRT funds. One member of staff in the cohort is also a Trustee of the GLCRT who undertakes some administrative work on behalf of the GLCRT but whose remuneration is provided through the University. The remuneration provided to GLCRT staff through the University is shown as a receivable from the University, balanced by a payable to the staff, in the GLCRT accounts. Such payments (including those to the Trustee) therefore have a neutral effect on GLCRT's income and expenditure. In the year, the value of the portion of this Trustee's remuneration which related to the Trustee's work for GLCRT amounted to £7,000 (2017: £7,000).

The Gray Laboratory Cancer Research Trust
(Operating as the Gray Cancer Institute)

Annual Report and Financial Statements

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Notes to the Financial Statements (continued)

8 Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Amounts due from group undertakings	119	128
Prepayments and accrued income	16	16
	135	144

9 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts due to group undertakings	146	143
Accruals and deferred income	7	7
Short-term employee benefits	27	93
	180	243

10 Provisions

	Pensions and similar obligations £'000
Balance at 1 August 2017	149
Deficit contributions paid	(30)
Change in expected contributions rates	(38)
Unwinding of discounted amount	3
Balance at 31 July 2018	84

11 Pension schemes

The Charity participates in two principal pension schemes for its staff - the Universities Superannuation Scheme ("USS"), and the Superannuation Arrangements of the University of London ("SAUL"). The assets of the schemes are each held in separate trustee-administered funds. USS is a contributory mixed benefit scheme (i.e. it provides benefits on a defined benefit basis - based on length of service and pensionable salary and on a defined contribution basis - based on contributions into the scheme), while SAUL is a contributory defined benefit scheme (i.e. it provides benefits on a defined benefit basis - based on length of service and pensionable salary). Both are multi-employer schemes and the Charity is unable to identify its share of the underlying assets and liabilities relating to defined benefits of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS 102 paragraph 28.11, the Charity accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the schemes in respect of the accounting period. In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme. In SAUL the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

Notes to the Financial Statements (continued)

11 Pension schemes (continued)

Actuarial valuations

Qualified actuaries periodically value the USS and SAUL schemes using the 'projected unit method', embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions which have the most significant effect on the results.

	USS	SAUL
Date of valuation:	31/03/2014	31/03/2017
Date valuation results published:	24/07/2015	April 2018
Value of past service liabilities:	£46.9bn	£3,149m
Value of assets:	£41.6bn	£3,205m
Funding Surplus/(Deficit):	(£5.3)bn	56m
Principal assumptions:		
Rate of investment return	5.2% pa	-
Rate of interest (periods up to retirement)	-	4.06% pa
Rate of interest (periods after retirement)	-	1.96% pa
Rate of increase in salaries	RPI + 1% pa	3.49% pa
Rate of increase in pensions	CPI pa	2.49% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	24.2 yrs	22.4 yrs
Assumed life expectancy at age 65 (females)	26.3 yrs	24.8 yrs
Funding Ratios:		
Technical provisions basis:	89%	102%
Statutory Pension Protection Fund basis:	82%	-
"Buy-out" basis:	54%	61%
Estimated FRS 102 total funding level:	77%	-
Recommended Employer's contribution rate (as % of pensionable salaries):	18%	16%
Effective date of next valuation:	31/03/2017	31/03/2020

Notes to the above table:

USS's actuarial valuation as at 31 March 2014 takes into account the revised benefit structure effective 1 April 2016 agreed both by the Joint Negotiating Committee and the Trustee in July 2015 following the Employers' consultation which concluded in June 2015. Key changes agreed include: for Final Salary section members, the benefits built up to 31 March 2016 were calculated as at that date using pensionable salary and pensionable service immediately prior to that date and going forwards will be revalued in line with increases in official pensions (currently CPI); all members accrue a pension of 1/75th and a cash lump sum of 3/75ths of salary each year of service in respect of salary up to a salary threshold, initially £55,000 p.a., with the threshold applying from 1 October 2016; member contributions are 8% of salary; a defined contribution benefit for salary above the salary threshold at the total level of 20% of salary in excess of the salary threshold; and optional additional contributions payable into the defined contribution section from 1 October 2016 of which the first 1% of salary is matched by the employer. Further details about the benefits may be reviewed on USS's website, www.uss.co.uk. For the period up to 1 April 2016 the employer deficit contribution was 0.7% p.a. of salaries based on the assumptions made. After allowing for those changes, the actuary established a long term employer contribution rate of 18% pa of salaries for the period from 1 April 2016 to 31 March 2031. On the assumptions made and with the salary threshold and defined contribution section implemented this gives rise to deficit contributions of at least 2.1% p.a. of salaries. At 31 March 2018 USS reported that the estimated funding deficit was £8.4 bn (88% funded).

Notes to the Financial Statements (continued)

11 Pension schemes (continued)

Actuarial valuations (continued)

Notes to the above table (continued):

USS' actuary has assumed that the investment return is 5.2% in year 1, decreasing linearly to 4.7% over 20 years.

USS' actuary has assumed that general pay growth will be CPI in year 1, CPI + 1% in year 2 and RPI + 1% pa thereafter. It is assumed that CPI is based on the RPI assumption (market derived price inflation of 3.6% p.a less an inflation risk premium) less RPI/CPI gap of 0.8% p.a.

As noted above (note a) the USS employer contribution rate is 18% of salaries from 1 April 2016. The total employer contributions include provisions for the cost of future accrual of defined benefits (DB) (net of member contributions to the DB section), deficit contributions, administrative expenses of 0.4% of salaries and from the implementation of the salary threshold the employer contribution towards defined contribution benefits including employer matching contributions and certain investment management costs relating to the DC section. The 2017 actuarial valuation of USS has been undertaken but this has not yet been formerly completed. The 2017 valuation has set out the challenges currently facing the scheme and the likelihood of significant increases in contributions being required to address these challenges. In the judgement of the Charity, as the 2017 valuation has not formally completed, and there remains various stages of consultation around the key factors specifically relating to the funding of the past deficit, including the level of contributions required, the period of the recovery plan and the level of asset performance over the period, it remains appropriate to continue to account for the past deficit obligation in accordance with the plan agreed after the 2014 actuarial valuation. However, there is a significant risk that the year-end provision as calculated will not reflect the position following the final outcome of negotiations, potentially by a very significant amount depending upon what is finally agreed as regards future deficit contributions and their duration. The Charity expects to have greater clarity in this respect during the next financial year.

Sensitivity of actuarial valuation assumptions

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

USS		
	Change in assumption	Impact on liabilities
Initial discount rate	increase / reduce by 0.25%	decrease / increase by £0.8bn
Discount rate in 20 years' time	increase / reduce by 0.25%	decrease / increase by £1.1bn
RPI inflation	increase / reduce by 0.1%	increase / decrease by £0.8bn
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £0.5bn

SAUL		
	Change in assumption	Impact on liabilities
Pre-retirement investment return	reduce by 0.25%	increase by £57m
Post-retirement investment return	reduce by 0.25%	increase by £95m
Long-term inflation	increase by 0.25%	increase by £141m
Future minimum improvements in mortality	2% pa (0.25% higher than assumed)	increase by £35m

Notes to the Financial Statements (continued)

11 Pension schemes (continued)

Deficit recovery plans

In line with FRS 102 paragraph 28.11A, the Charity has recognised a liability for the contributions payable for the agreed deficit funding plan of in place for USS. The principle assumptions used in these calculations are tabled below. No funding plan is in place for SAUL, so no liability has been recognised for this scheme.

	USS
Finish date for deficit recovery plan	30/06/2027
Average staff number increase	2.4-4.4%
Average staff salary increase	2.00%
Average discount rate over period	1.40%
Effect of 0.5% change in discount rate	£1.4m
Effect of 1% change in staff growth	£2.9m

A provision of £84,000 has been made at 31 July 2018 for the present value of the estimated future deficit funding element of the contributions payable under the USS deficit funding plan (2017 - £126,000 for USS and £23,000 for SAUL), using the assumptions shown. The provision reduces as the deficit is paid off according to the pension recovery scheme.

Pension charge for the year

The pension charge recorded by the Charity during the accounting period (excluding pension finance costs) was equal to the contributions payable after allowance for the deficit recovery plan as follows:

	2018 £'000	2017 £'000
Universities Superannuation Scheme	22	57
Superannuation Arrangements of the University of London	76	73
Oxford Staff Pension Scheme	-	(20)
Net charge recognised in the Statement of Financial Activities	<u>98</u>	<u>110</u>

12 Unrestricted funds

	As at 1 August 2017 £'000	Income £'000	Expenditure £'000	As at 31 July 2018 £'000
General funds	424	1,440	(1,382)	<u>482</u>

General funds are funds available to be spent on the Charity's general purposes as determined by the Trustees.

The Gray Laboratory Cancer Research Trust
(Operating as the Gray Cancer Institute)

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Notes to the Financial Statements (continued)

13 Analysis of net assets between funds

	Unrestricted funds 2018 £'000	Unrestricted funds 2017 £'000
Current assets	746	816
Current liabilities	(180)	(263)
Provisions	(84)	(149)
Closing balance	<u>482</u>	<u>404</u>

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

	2018 £'000	2017 £'000
Net movement in funds	58	29
Decrease in debtors	9	22
Increase in creditors	(63)	6
Decrease in pension provision	(65)	(75)
Closing balance	<u>(61)</u>	<u>(18)</u>

15 Financial instruments

	2018 £'000	2017 £'000
Financial assets		
Measured at amortised cost		
Amounts owed by group entities	<u>119</u>	<u>128</u>
Financial liabilities		
Measured at amortised cost		
Amounts owed to group entities	146	143
Accruals	<u>7</u>	<u>7</u>
	<u>153</u>	<u>150</u>

16 Related party transactions

In the year, the Charity received income under a cost-sharing agreement with the University of Oxford. This amounted to £1,386,000 (2017: £1,548,000). The Charity also received grants from its parent amounting to £54,000 (2017: £50,000). The Charity was charged £8,000 (2017: £7,000) by its parent for accountancy and professional taxation services, and £1,000 (2017: £1,000) in relation to management services. At 31 July 2018, a balance of £119,000 (2017: 128,000) was owed by the University to the Charity, and a balance of £146,000 (2017: £143,000) was owed by the Charity to the University.

The Charity was charged £1,000 (2017: £1,000) in relation to insurance by Oxford Mutual Limited, a fellow subsidiary of the University of Oxford and of which the Charity is a member.

Notes to the Financial Statements (continued)

17 Ultimate parent undertaking and controlling party

The Charity is a member of Oxford Mutual Ltd, and Oxford Mutual Ltd is also a wholly owned subsidiary of the University of Oxford.

The Charity is limited by guarantee and the University of Oxford is its sole member, exercising a dominant influence over its operating and financial policies as a result. Therefore the Charity is consolidated within the group Financial Statements of the University of Oxford, which is the only group including the Charity for which consolidated Financial Statements are produced. Copies of the Financial Statements of the University of Oxford may be obtained from:

University Offices,
Wellington Square,
Oxford,
OX1 2JD