

Company Number: 3020745

Charity Number: 1044176

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

**Report and Accounts
Year Ended 31 March 2004**



**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

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**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Officers and advisers

Chantrey Vellacott DFK	Trustees	<p>Professor Richard H J Begent MD, FRCP, FRCR (resigned 15 June 2004) Dr Roger Cox PhD (appointed 15 June 2004) Professor Stanley Dische MD, FRCR, FACR (resigned 27 October 2003) James Davidson MA, ALCM, FRSA (resigned 12 November 2003) Dr Diana R Dunstan OBE, BSc, PhD Professor David G Harnden PhD, FI Biol, FRC Path, FRSE Val Harrison (resigned 19 April 2004) Adrian Hennah MA, FCA Dr Trevor A Hince MSc, PhD Professor Peter J Hoskin BSc, MD, FRCP, FRCR (appointed 15 June 2004) Professor David C Lynch MRCP, FRCP, MRCPATH, FMedSci Professor Jens Overgaard BSc, PhD Lynne Robb BSc, ACA (appointed 9 December 2003) Professor Gordon Rustin MSc MD FRCP (appointed 16 March 2004) David Swarbrick MA</p>
	Joint Chief Executives	<p>Dr Jane Evers BSc, PhD (appointed October 2003) Professor Barry D Michael BSc MSc PhD (retired September 2003) Professor Peter Wardman BSc, PhD, DSc, CChem, FRSC</p>
	Company Secretary	E Roy Whithear MA, FCCA
	Registered Office	<p>P O Box 100 Mount Vernon Hospital Northwood Middlesex HA6 2JR</p>
	Bankers	<p>Lloyds TSB Bank plc Northwood Branch Middlesex HA6 1AB</p>
	Investment Manager	<p>Carr Sheppards Crosthwaite 2 Gresham Street London EC2V 7QN</p>
	Auditors	<p>Chantrey Vellacott DFK Chartered Accountants Gresham House 53 Clarendon Road Watford Herts WD17 1LR</p>

THE GRAY LABORATORY CANCER RESEARCH TRUST (OPERATING AS THE GRAY CANCER INSTITUTE)

Trustees' report (incorporating directors' report)

The trustees submit their report and the accounts for the year ended 31 March 2004. The trustees have adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in October 2000 in preparing the Annual Report and Accounts.

Status

The company uses the name form "Gray Cancer Institute" for operating purposes. The company is limited by guarantee, is not for profit, does not have a capital divided into shares, and is governed by its Memorandum and Articles of Association.

Principal activities, objects, organisation and policy

The principal activities of The Gray Laboratory Cancer Research Trust are to understand the mechanisms and factors which can limit the effectiveness of cancer treatment, to develop improved treatment strategies, and to help translate these strategies into patient benefit.

The objects set out in the Memorandum 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.

The Institute 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 trustees determine the general policy for the charitable company. There is an appointed Management Group, which under the chairmanship of one of the joint executives, interprets this policy and deals with day to day issues that may arise.

Directors/trustees and their interests

The directors of the company, who are also the trustees of the charity and who served during the year were:

Professor R H J Begent
Mr J Davidson (resigned 12 November 2003)
Professor S Dische (resigned 27 October 2003)
Dr D R Dunstan
Professor D G Harnden
Ms V Harrison
Mr A Hennah
Dr T A Hince
Professor D C Linch
Professor J Overgaard
Ms L Robb (appointed 9 December 2003)
Professor G J S Rustin (appointed 16 March 2004)
Mr D W Swarbrick

Ms Harrison resigned 19th April 2004 and Professor Begent resigned 15th June 2004.

Dr R Cox and Professor P Hoskin were appointed as trustees on 15 June 2004.

No director/trustee had any interest in The Gray Laboratory Cancer Research Trust. All directors/trustees declare potential conflicts of interest on appointment and regularly thereafter. Members of the Gray Laboratory Cancer Research Trust (the directors and trustees) are appointed to office under the provisions of the Articles of Association.

THE GRAY LABORATORY CANCER RESEARCH TRUST (OPERATING AS THE GRAY CANCER INSTITUTE)

Trustees' report (incorporating directors' report) (Contd.)

Corporate Governance

The trustees meet at least four times a year to consider the performance of The Gray Laboratory Cancer Research Trust against a business plan; to consider matters specifically reserved for their attention as laid down in the governing documents and to direct the Executive Officers of The Gray Laboratory Cancer Research Trust as they consider appropriate.

The Executive Officers of The Gray Laboratory Cancer Research Trust meet regularly to discuss and implement the strategic issues as directed by the trustees and to monitor and control the performance of the charitable company on the authority delegated by the trustees.

No trustee has received any remuneration, aside from out-of-pocket expenses, from The Gray Laboratory Cancer Research Trust during the year.

Business Review

A special symposium to honour Sir Oliver Scott's 80th birthday was held in April 2003. 2003 was also the 50th Anniversary of the famous paper by Gray, Conger, Ebert, Homsey and Scott, defining 'the concentration of oxygen dissolved in tissues at the time of irradiation as a factor in radiotherapy. Radiation science and tumour vascular physiology remain the key areas of research for the Institute through the activities of various groupings of research scientists.

In September, Professor Barry Michael retired after 40 years of service and achievement. He joined the Laboratory in 1963 and later became Deputy Director. He was appointed as Joint Chief Executive when the laboratory became an independent charity in 1994. He received many prestigious honours and awards and made a major contribution to the Institute and to radiation science.

In October, the Board reluctantly accepted the resignation of Professor Stan Dische as both a trustee and Chairman of the Board. Professor Dische played a major role in establishing the Trust and in steering it through the years following the untimely death of the first Chairman of the Trust, Professor Ged Adams.

For the rest of the year under review, Professor Harnden was the interim chairman. Dr Dunstan took over chairmanship at the June 2004 meeting of the Board.

As reported last year, Cancer Research UK indicated that their continuing support in the longer term would be dependent upon the Institute relocating to a new environment with a broader and more supportive research base. Essentially this means a university with a strong medical school. So during the year the first steps have been taken to locate a centre of excellence, which will secure the future of radiation research in the UK.

In the meantime, it is gratifying to record that research proposals continue to attract support from our main funder, Cancer Research UK and also from other UK charities, the Department of Health and the European Commission. Beyond Europe we continue to have success with funding from the US Department of Energy.

The better part of the expenditure of the Institute is linked to income received by way of research grants. But not all expenditure is covered in this way. Some overhead expenditure, like insurance and building maintenance, together with some complementary support and scientific initiatives also need to be paid for. This is achieved by securing an overhead contribution on collaborative contracts, providing R&D support to the Mount Vernon Cancer Centre and by way of donations from the public. Year on year the trustees have attempted to run a balanced budget in these areas. But during the year under review the income from R&D support and donations fell significantly, from just under £650,000 to just £320,000. The gap this creates will provide a challenge in the future years to the concept of a balanced budget approach. However, prudent financial management in the year has meant that free reserves slightly increased and remained at a comfortable level of £1.4million.

THE GRAY LABORATORY CANCER RESEARCH TRUST (OPERATING AS THE GRAY CANCER INSTITUTE)

Trustees' report (incorporating directors' report) (Contd.)

Results

The results for the year are set out in the Statement of Financial Activities on page 8 and the Income and Expenditure Account on page 9. The surplus for the year amounted to £304,172 (2003 - £335,792).

Future developments

As reported earlier, the longer-term support to the Institute will be dependent upon the Institute relocating to a new environment with a broader research base. With this in mind the Board set up a sub-group to consider the future of the Institute as a member of the scientific research community. The main remit was to identify a suitable new base where the Institute could be held together as far as possible and where both the reputation for scientific excellence and the name Gray could be maintained. Several universities expressed interest in accommodating the Institute, but some were felt to be too remote while others could not keep the Gray teams together in one place. After a careful option appraisal the Trust Board decided that the Institute should relocate to the University of Oxford on the Churchill Hospital site as part of the new Institute of Cancer Medicine. One of the main reasons for choosing this option is that it will be a three-way partnership between the Institute, the University of Oxford and the Medical Research Council. The Council and the University of Oxford are currently seeking a new senior figure who will hold a Chair in the University and also be the Director of the MRC Radiation and Genome Stability Unit at Harwell. The vision is that a centre of excellence for radiation research, ranging from basic radiation science through to clinical practice, can be established with the Gray Cancer Institute as an integral part. Such a centre would be a focus for the rebuilding of radiation research in the UK which, sadly, has been allowed to decline in recent years. It is hoped that the present strong links with the clinical research at Mount Vernon Hospital can be maintained.

It is most likely that equipment, staff and grants will be transferred to a new organisation at some time in the future. This will leave a shell for the Trustees of the charity to manage which may include the buildings on the Mount Vernon site and some remaining investments. How this will be managed and what the future of the organisation as an independent charity will be still has to be determined.

Investments

The trustees have wide powers of investment. Discretionary management of the investment portfolio, with policy guidelines, has been delegated to Carr Sheppards Crosthwaite. The portfolio management fees are charged to capital. The initial fund of £1million is expected to increase in value so as to match changes in real purchasing power and inflation although recent performance of the portfolio has failed to achieve this target. The portfolio is currently valued at just over £900,000. The investment managers have been advised that it might be necessary to draw an amount, over the next year or so, from the portfolio to partially fund the relocation of the Institute to Oxford. As a result, the structure of the portfolio is being amended. The disposition of assets is being changed to 35% in fixed interest and cash and 65% in equities from an 11% and 89% ratio.

The overall investment objective remains to seek a balanced return from income and capital growth, with a moderate level of risk. Investment directly in overseas' markets is not permitted since this could introduce a high level of volatility inconsistent with a moderate risk approach. Direct or indirect investment in tobacco stocks is also not permitted. During the year the investment managers did not achieve their targeted returns but performed consistent with benchmarks.

Reserves

The Gray Laboratory Cancer Research Trust's policy on reserves is consistent with the recommendations published by the Charity Commissioners. Reserves are established and reviewed to ensure that the Charity retains a level of funds to meet its forward obligations and to ensure it can reasonably maintain a level of scientific research in line with its objectives.

THE GRAY LABORATORY CANCER RESEARCH TRUST (OPERATING AS THE GRAY CANCER INSTITUTE)

Trustees report (incorporating directors' report) (Contd.)

Risk management

In previous years, the lack of certainty about the future of the Institute dominated the trustees' assessment of the major risks to which the charitable company was exposed. Whilst there is no contractual certainty about the proposed transfer this remains a risk but the difficulty of attracting and retaining staff levels at an optimum level for a viable research unit now has additional significance.

Given the dynamic environment likely to prevail over the coming months, the trustees will regularly review the major risks identified in the Risk Register and ensure systems are in place to mitigate any major exposures.

Trustees' responsibilities

Company law requires the trustees, as directors, to prepare accounts for each financial period that give a true and fair view of the state of the affairs of the charitable company as at the end of the financial period and of the surplus or deficit for that financial period. In doing so the trustees are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

Employees

The Gray Laboratory Cancer Research Trust continues to strive to be an equal opportunities employer and at all times gives fair and full consideration to applications for employment made by disabled persons. The Gray Laboratory Cancer Research Trust provides employees with information on matters of concern to them.

Auditors

A resolution to re-appoint Chantrey Vellacott DFK as auditors for the ensuing year will be made at the Annual General Meeting.

**Approved by the Board of Trustees
and signed on behalf of the Board**


Mr E Roy Whithear
Secretary

12 October 2004

Chantrey Vellacott DFK

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Independent auditors' report to the members of The Gray Laboratory Cancer Research Trust (operating as the Gray Cancer Institute)

We have audited the financial accounts of The Gray Laboratory Cancer Research Trust on pages 8 to 21. These financial accounts have been prepared under the historical cost convention, as modified by the revaluation of investments, and the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 the charitable company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The Gray Laboratory Cancer Research Trust for the purposes of company law), for preparing the Trustees' Report and the financial accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial accounts, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors'/trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Trustees' Report and consider whether it is consistent with the audited financial accounts. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board of the Financial Reporting Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial accounts are free from material misstatement, whether caused by fraud or other irregularities or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial accounts.

Opinion

In our opinion the financial accounts give a true and fair view of the state of the charitable company's affairs as at 31 March 2004 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chantrey Vellacott DFK

CHANTREY VELLACOTT DFK
Chartered Accountants
Registered Auditors

WATFORD

12 October 2004

Chantrey Vellacott DFK

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Statement of financial activities for the year ended 31 March 2004

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds 2004	Restated Total Funds 2003
		£	£	£	£	£
Incoming resources	1(b)					
Income from the Joint Appeal		50,143	-	-	50,143	98,334
Donations and gifts		35,834	-	-	35,834	65,240
Activities in furtherance of the charity's objects	3	3,815,508	-	657,926	4,473,434	4,562,799
Investment income	4	66,012	-	-	66,012	62,093
Other incoming resources		247,316	-	-	247,316	299,536
Royalties		14,751	-	-	14,751	7,016
Total incoming resources		4,229,564	-	657,926	4,887,490	5,095,018
Resources expended	1(c)					
Costs of generating funds		24,367	-	-	24,367	30,166
Charitable expenditure						
Costs of activities in furtherance of the charity's objects		3,809,748	-	557,258	4,367,006	4,144,491
Management and administration		345,716	-	-	345,716	312,271
Total resources expended	5	4,179,831	-	557,258	4,737,089	4,486,928
Net incoming/(outgoing) resources before transfers	6	49,733	-	100,668	150,401	608,090
Transfers between funds	13	(43,728)	57,455	(13,727)	-	-
Net incoming/(outgoing) resources after transfers		6,005	57,455	86,941	150,401	608,090
Gains/(losses) on investments						
Realised and unrealised		153,771	-	-	153,771	(272,298)
Net movement in funds		159,776	57,455	86,941	304,172	335,792
Fund balances brought forward at 31 March 2003	13	4,108,642	742,845	193,434	5,044,921	4,709,129
Fund balances carried forward at 31 March 2004	13	4,268,418	800,300	280,375	5,349,093	5,044,921

The notes on pages 12 to 21 form part of these accounts.

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Income and expenditure account for the year ended 31 March 2004

	Notes	£	2004 £	£	Restated 2003 £
Turnover			4,821,478		5,032,925
Staff costs	7	2,846,608		2,701,841	
Auditors remuneration		7,000		3,750	
Depreciation		376,948		314,876	
Provision for change in value of investments		(113,964)		256,995	
Other running costs		<u>1,506,533</u>		<u>1,466,461</u>	
			4,623,125		4,743,923
Operating surplus			198,353		289,002
Income from fixed asset investments	4		26,957		22,248
Interest receivable	4		39,055		39,845
Surplus/(deficit) on disposal of investments			<u>39,807</u>		<u>(15,303)</u>
Surplus for the financial year	6		<u>304,172</u>		<u>335,792</u>

None of the charitable company's activities was acquired or discontinued during the above two financial years and the charitable company has no recognised gains or losses other than the gains and losses on investments shown in the statement of financial activities.

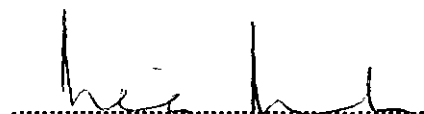
The notes on pages 12 to 21 form part of these accounts.

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Balance sheet as at 31 March 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	8		2,817,242		2,831,191
Investments	9		903,014		717,793
			<u>3,720,256</u>		<u>3,548,984</u>
Current assets					
Debtors	10	956,172		959,557	
Investments - bank deposits		512,273		805,426	
Cash at bank and in hand		844,202		113,008	
		<u>2,312,647</u>		<u>1,877,991</u>	
Creditors: amounts falling due within one year	11	<u>683,810</u>		<u>382,054</u>	
Net current assets			<u>1,628,837</u>		<u>1,495,937</u>
Total net assets			<u><u>5,349,093</u></u>		<u><u>5,044,921</u></u>
Funds					
Unrestricted funds:					
Represented by fixed assets			2,817,242		2,831,191
Free reserves			1,451,176		1,277,451
			<u>4,268,418</u>		<u>4,108,642</u>
Designated funds			800,300		742,845
Total unrestricted funds			<u>5,068,718</u>		<u>4,851,487</u>
Restricted funds			280,375		193,434
Total funds	13		<u><u>5,349,093</u></u>		<u><u>5,044,921</u></u>

Approved by the Board on 12 October 2004

 Dr D Dunstan - Chairman

The notes on pages 12 to 21 form part of these accounts.

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Cash flow statement year ended 31 March 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	(a)	706,483	703,165
Returns on investments			
Dividends received		26,957	22,248
Interest received		39,055	39,845
		<u>66,012</u>	<u>62,093</u>
Capital expenditure and financial investment			
Purchase of investment securities		(387,337)	(204,516)
Decrease in broker's deposit account		175,638	79,421
Sale of investment securities		180,249	96,074
Payments to acquire tangible fixed assets		(304,004)	(349,048)
		<u>(334,454)</u>	<u>(378,069)</u>
		438,041	387,189
Management of liquid resources			
Net decrease/(increase) in short-term deposits		293,153	(510,846)
Increase/(decrease) in cash	(b)	731,194	(123,657)

Notes	2004 £	2003 £
a) Reconciliation of net incoming resources to net cash inflow from operating activities		
Net incoming resources before transfers	150,401	608,090
Investment income	(66,012)	(62,093)
Increase/(diminution) in value of investments	113,964	(256,995)
Operating surplus	198,353	289,002
Depreciation	376,948	314,876
Increase/(diminution) in value of investments	(113,964)	256,995
Decrease/(increase) in debtors	3,385	(51,518)
Increase/(decrease) in creditors	241,761	(106,190)
	<u>706,483</u>	<u>703,165</u>
b) Analysis of changes in cash	2004 £	2003 £
Balance brought forward	113,008	236,665
Increase/(decrease) in cash	731,194	(123,657)
Balance carried forward	<u>844,202</u>	<u>113,008</u>

Cash comprises balances held in current accounts and petty cash balances.

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Notes to the accounts for the year ended 31 March 2004

1 Accounting policies

a) Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with applicable Accounting Standards. The accounts also have regard to the recommendations of the Statement of Recommended Practice 'Accounting and Reporting by Charities', issued in October 2000.

b) Incoming resources

Donations are accounted for when received. All other income is accounted for on an accruals basis. Deferred income represents amounts received for future periods and is released to incoming resources in the period for which it has been received.

Grant income in respect of equipment is recognised when all terms and conditions have been satisfied and when the equipment is considered to be operating satisfactorily.

c) Resources expended

Expenses are accounted for on an accruals basis.

Charitable expenditure includes all expenditure incurred in the pursuance of the Trust's objectives. The Trust considers all these expenses to be in respect of Cancer Research. Indirect costs have been apportioned on the basis of central functions, which are attributed to each activity on a consistent basis according to the number of staff providing that activity. The Trust is able to reclaim a proportion of the VAT incurred on expenditure. Expenditure is shown gross of any irrecoverable VAT.

d) Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets so as to write them off over their anticipated useful lives at the following rates:

Short leasehold buildings:

- On transfers from CRC - amortised evenly over the unexpired term of the lease on the net book value of the transfer
- Subsequent improvements - amortised over the unexpired term of the lease

Scientific equipment:

- On transfers from CRC - over 5 years on a straight line basis on the net book value of the transfer
- Subsequent additions - over 10 years on a straight line basis

e) Capitalisation of tangible fixed assets

The Trust has a policy of capitalising assets costing over £5,000.

f) Investments

Investments are valued at the mid-market price ruling at the balance sheet date which gives rise to unrealised gains/(losses) which are included in the statement of financial activities. Realised gains arising on the disposal of investments during the year are separately disclosed in the income and expenditure account.

THE GRAY LABORATORY CANCER RESEARCH TRUST (OPERATING AS THE GRAY CANCER INSTITUTE)

Notes to the accounts for the year ended 31 March 2004 (Contd.)

1 Accounting policies (Contd.)

g) Lease contracts

Rentals under operating leases are charged to the income and expenditure account as incurred.

h) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of financial activities.

i) Taxation

No provision has been made for taxation as the company's charitable status renders it exempt from UK direct taxation.

j) Pensions

The Trust participates in three defined benefit schemes. Pension costs are assessed in accordance with the advice of the actuaries based on the most recent actuarial valuation of the schemes accounted for on the basis of charging the cost of providing pensions over the period during which the Trust benefits from the employees' services. Reviews of the schemes are carried out in the period between valuations.

k) Liquid resources

Funds placed on deposit which are unavailable without penalty at 24 hours notice or less are treated as liquid resources.

2 Status

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

The liability of members in event of a winding up is limited to £1.

Control of the company is vested in the Board of Trustees.

3 Income from activities in furtherance of the charity's objects

	Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£	£	£
Research and development support to the NHS	233,654	-	-	233,654	480,122
Grants receivable	3,319,816	-	615,426	3,935,242	3,855,890
Income from charitable trading activities	262,038	-	42,500	304,538	226,787
	<u>3,815,508</u>	<u>-</u>	<u>657,926</u>	<u>4,473,434</u>	<u>4,562,799</u>

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Notes to the accounts for the year ended 31 March 2004 (Contd.)

4	Investment income	2004 £	2003 £
	Income from fixed asset investments	26,957	22,248
	Interest receivable	39,055	39,845
		<u>66,012</u>	<u>62,093</u>

5 Analysis of total resources expended

	Staff Costs £	Other £	Total 2004 £	Restated Total 2003 £
Costs of generating funds	-	24,367	24,367	30,166
Costs of activities in furtherance of the charity's objects	2,678,496	1,688,510	4,367,006	4,144,491
Management and administration	193,826	151,890	345,716	312,271
	<u>2,872,322</u>	<u>1,864,767</u>	<u>4,737,089</u>	<u>4,486,928</u>

These costs may be further analysed:	2004 £	Restated 2003 £
Employment costs (note 7)	2,872,322	2,714,308
Establishment costs	316,906	331,122
Supplies	764,969	776,988
Professional expenses	88,974	64,361
Administration costs (see below)	316,970	283,273
Depreciation	376,948	314,876
	<u>4,737,089</u>	<u>4,486,928</u>

The comparative information has been restated to reflect the grossing up of supplies expenditure, which had previously been stated net of income amounting to £199,314; and certain adjustments to classifications of expenditure.

Administration costs may be analysed:	2004 £	2003 £
Travel and accommodation	120,590	100,672
Library, training and seminars	44,124	54,567
Insurances	48,523	39,400
Irrecoverable VAT	53,515	49,903
Miscellaneous costs	50,218	38,731
	<u>316,970</u>	<u>283,273</u>

**THE GRAY LABORATORY CANCER RESEARCH TRUST
(OPERATING AS THE GRAY CANCER INSTITUTE)**

Notes to the accounts for the year ended 31 March 2004 (Contd.)

6 Net (outgoing)/incoming resources/surplus for the year

This is stated after charging:

	2004	2003
	£	£
Auditors' remuneration - in respect of audit services	7,000	3,750
- in respect of other services	2,250	500
Depreciation of fixed assets	376,948	314,876
Operating leases - property	1,000	1,000
	<u> </u>	<u> </u>

7 Trustees and other employees

Staff costs comprise the following:

	2004	2003
	£	£
Wages and salaries	2,421,931	2,299,897
Social security costs	182,622	167,050
Other pension costs	242,055	234,894
Total staff costs	2,846,608	2,701,841
Recruitment costs	11,804	12,467
Student fees	13,910	-
Total employment costs	2,872,322	2,714,308
	<u> </u>	<u> </u>

No trustees received any emoluments (2003 - None).

Three (2003 - 3) trustees had reimbursed expenses of £5,599 (2003 - £4,484) with regard to travel, accommodation, subsistence and telephone charges, directly associated with the running of the charitable company. The cost of trustees' indemnity insurance borne by the company was £6,237 (2003 - £5,198).

The average number of employees, analysed by function during the year, was as follows:

	2004	2003
	Number	Number
Research officers and scientists	66	65
Technical support and administration	20	21
	<u> </u>	<u> </u>
	86	86
	<u> </u>	<u> </u>

Remuneration of higher paid staff, which excludes social security costs and pension contributions:

	2004	2003
	Number	Number
£50,000 - £59,999	4	3
£60,000 - £69,999	-	2
£70,000 - £79,999	1	-
	<u> </u>	<u> </u>

Contributions were made to defined benefit schemes for five (2003 - 2) higher paid employees.

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Notes to the accounts for the year ended 31 March 2004 (Contd.)

8 Tangible fixed assets

	Short leasehold buildings and improvements £	Scientific equipment £	Scientific equipment in the course of construction £	Total £
Cost:				
At 1 April 2003	3,395,424	3,649,179	261,320	7,305,923
Additions	39,591	323,408	-	362,999
Transfer	-	261,320	(261,320)	-
At 31 March 2004	<u>3,435,015</u>	<u>4,233,907</u>	<u>-</u>	<u>7,668,922</u>
Depreciation:				
At 1 April 2003	1,682,614	2,792,118	-	4,474,732
Charge for year	159,273	217,675	-	376,948
At 31 March 2004	<u>1,841,887</u>	<u>3,009,793</u>	<u>-</u>	<u>4,851,680</u>
Net book value				
At 31 March 2004	<u>1,593,128</u>	<u>1,224,114</u>	<u>-</u>	<u>2,817,242</u>
At 31 March 2003	<u>1,712,810</u>	<u>857,061</u>	<u>261,320</u>	<u>2,831,191</u>

9. Investments

	2004 £	2003 £
Listed investments (see below)		
- equities	688,569	532,873
- fixed interest stocks	205,163	-
	<u>893,732</u>	<u>532,873</u>
Unlisted investment - cost	125	125
Deposit account	9,157	184,795
	<u>903,014</u>	<u>717,793</u>

Listed investments (on London Stock Exchange)

	2004 £	2003 £
Market value at 1 April 2003	532,873	696,854
Additions	387,337	204,391
Disposal proceeds	(219,375)	(150,190)
Net investment gain/(loss), realised and unrealised	192,897	(218,182)
Market value at 31 March 2004	<u>893,732</u>	<u>532,873</u>
Historical cost at 31 March 2004	<u>1,012,158</u>	<u>844,196</u>

The market value of investments comprising more than 5% of the portfolio at 31 March 2004 are:

	£
BP Ordinary 25p shares	45,600
Treasury 5% Stock 2008	76,080
Euro Inv Bank 6.25% - 7 December 2005	51,168
Euro Inv Bank 5% - 7 December 2006	<u>75,420</u>

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Notes to the accounts for the year ended 31 March 2004 (Contd.)

10. Debtors

	2004 £	2003 £
Trade debtors	623,618	396,532
Other debtors	580	67
Prepayments and accrued income	331,974	562,958
	<u>956,172</u>	<u>959,557</u>

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	151,232	162,587
Taxation and social security	131,252	102,538
Other creditors	53,611	29,892
Accruals	123,016	41,907
Deferred income (see note 12)	224,699	45,130
	<u>683,810</u>	<u>382,054</u>

12 Deferred income

	£
At 1 April 2003	45,130
Received in year	224,699
Released in year	(45,130)
At 31 March 2004	<u>224,699</u>

13 Funds and reserves

	Unrestricted funds £	Designated funds £	Restricted funds £	Total £
At 1 April 2003	4,108,642	742,845	193,434	5,044,921
Net movement in funds	159,776	57,455	86,941	304,172
At 31 March 2004	<u>4,268,418</u>	<u>800,300</u>	<u>280,375</u>	<u>5,349,093</u>

For reasons of prudence, the trustees treat any balances remaining on grants at the end of the financial year, after specific provisions for known commitments, as designated and not available for unrestricted use. In addition, in 2004 the trustees designated £3,500 (2003 - £9,679) in respect of capital expenditure commitments.

Assets and liabilities are not split between the funds but the board of trustees is satisfied that sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with any restrictions imposed.

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Notes to the accounts for the year ended 31 March 2004 (Contd.)

13 Funds and reserves (Contd.)

The purpose of each restricted fund and the movements in funds are set out below:

	Movements in funds				
	Balance at 1 April 2003 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2004 £
Imaging protein kinetics in the activation of pathways	-	17,077	(17,077)	-	-
Modulation of radiation induced mutation by exposure to 50Hz electromagnetic fields	18,905	37,793	(50,821)	-	5,877
Induction, repair and biological consequences of DNA damages caused by RADNA	-	19,376	(19,376)	-	-
Genomic instability and radiation- induced cancer study	6,737	(3,388)	(3,349)	-	-
GENETic pathways for the prediction of the effects of irradiation	14,218	-	(1,008)	-	13,210
The protective and damaging roles of thiol and tioether radicals	45,378	(6,914)	(32,269)	-	6,195
Support for a PhD student European MSc Course in Radiation Biology	-	148,837	(28,735)	-	120,102
Quantification of Radiation Therapy infrastructure and staffing needs	2,286	-	-	-	2,286
Selection of redox-active cobalt complexes for anti-tumour action	69	384	(610)	-	(157)
Investigation into Non-Targeted Effects of Radiation	43,295	56,311	(45,996)	-	53,610
Contribution to Clinical Fellowship	8,596	3,808	(4,191)	-	8,213
Support of PhD student	780	(1,667)	887	-	-
BUPA Fellowship	-	18,513	(18,513)	-	-
Support of a PhD student	23,680	11,750	(33,251)	-	2,179
Clinical Oncology Award Scheme	3,643	-	(3,643)	-	-
Surgical Fellowship running costs	1,506	3,000	(4,506)	-	-
Travel grant	942	1,455	(2,439)	-	(42)
Construction of a picosecond multi- photon microscope	4,880	-	(4,880)	-	-
Mechanistic Model of Bystander Effect	2,227	73,696	(75,562)	-	361
Mechanisms of the Radiation- induced Bystander Effect	16,292	42,203	(40,794)	-	17,701
Research collaboration in order to synthesise and evaluate novel anti-cancer agents	-	35,194	(23,417)	(11,777)	-
Angiogene	-	42,500	(40,446)	(2,054)	-
EU Cellion	-	75,477	(616)	-	74,861
Royal Society	-	1,000	-	-	1,000
Bystander and adaptive responses to tissue models exposed to low radiation dose	-	28,791	(29,001)	-	(210)
Risc-Rad Integrated Project	-	7,343	(297)	-	7,046
European MSc Course in Radiation Biology - student expenses	-	664	(33,034)	-	(32,370)
EU Circ OMS (Trott)	-	1,853	(1,340)	-	513
Carried forward	193,434	615,056	(514,284)	(13,623)	280,375

**THE GRAY LABORATORY CANCER RESEARCH TRUST
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Notes to the accounts for the year ended 31 March 2004 (Contd.)

13 Funds and reserves (Contd.)

	Balance at 1 April 2003 £	Movements in funds			Balance at 31 March 2004 £
		Incoming resources £	Resources expended £	Transfers £	
Brought forward	193,434	615,056	(514,284)	(13,623)	280,375
Research collaboration to determine the vascular effects of DMXAA in normal and tumour tissues of rodents	-	6,311	(6,311)	-	-
A study of radiation quality dependence of the bystander effect	-	36,559	(36,663)	104	-
	<u>193,434</u>	<u>657,926</u>	<u>(557,258)</u>	<u>(13,727)</u>	<u>280,375</u>

14 Financial commitments

The amount payable in the next year in respect of operating leases is shown below, analysed according to the expiry date of the lease.

Land and buildings

	2004 £
Expiry date:	
After five years, on 24 June 2015	<u>1,000</u>

15 Pensions

The Trust participates in three defined benefit pension schemes providing benefits based on final remuneration. The assets of the schemes are held separately from those of the charitable company. The majority of the staff are in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Both of these schemes are funded defined benefit schemes and are contracted out of the State Earnings Related Pension Scheme.

The Trust has adopted Financial Reporting Standard 17, Retirements Benefits (FRS17) in accounting for pension costs. However, it is not possible to identify the Trust's share of the underlying assets and liabilities of either scheme. Therefore, contributions to the schemes are accounted for as if they were defined contribution schemes, the cost recognised within the surplus for the year being equal to the contributions payable to the schemes for the year.

Three employees are in the National Health Service Superannuation Scheme (NHSS).

Contributions are determined by a qualified actuary on the basis of triennial valuations for the USS and SAUL schemes using the projected unit method, and quinquennial review for the NHSS scheme.

The pension charge for the year is £242,055 (2003 - £234,894).

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Notes to the accounts for the year ended 31 March 2004 (Contd.)

15 Pensions (Contd.)

USS

The latest actuarial valuation of the scheme was at 31 March 2002.

The assumptions, which have the most significant effect on the result of the valuation, were as follows:

- a) In relation to the past service liabilities (financial assumptions derived from market yields prevailing at the valuation date):

Rate of interest	5.0% per annum
Salary increases	3.7% per annum
Pension increases	2.7% per annum

- b) In relation to the future service liabilities:

Rate of interest*	6.0% per annum
Salary increases	3.7% per annum
Pension increases	2.7% per annum

*Including an additional investment return assumption of 1% per annum.

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of twelve years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

Surpluses or deficits that arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The contribution rate payable by the Trust was 14% of pensionable salaries. The contribution rate payable by the employees was 6.35% of pensionable salary.

SAUL

The latest actuarial valuation of the scheme was as at 31 March 2002.

The assumptions, which have the most significant effect on the result of the valuation, were as follows:

- a) In relation to the past service liabilities:

Investment return	
- before retirement	6.0% per annum
- after retirement	5.0% per annum
Salary increases*	4.2% per annum*
Pension increases	2.7% per annum

*Excluding an allowance for promotional increases.

THE GRAY LABORATORY CANCER RESEARCH TRUST (OPERATING AS THE GRAY CANCER INSTITUTE)

Notes to the accounts for the year ended 31 March 2004 (Contd.)

16 Pensions (Contd.)

b) In relation to future service liabilities:

Investment return	
- before retirement	7.0% per annum
- after retirement	5.0% per annum
Salary growth	4.2% per annum
Pension increases	2.7% per annum

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £941 million representing 121% of the liability for benefits after allowing for expected future increases in salaries.

The contribution rate required for future service benefits alone at the date of the valuation was 17.4% of salaries per annum.

Employers who have recently joined SAUL ("New Employers") and certain employee groups (as agreed by the Trustee of SAUL), pay 17.4% of salaries per annum until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other employers to pay contributions at the rate of 10.5% of pensionable salaries per annum subject to review of future valuations. The surplus also supports the continuation of the employee contribution rate of 5% of salaries per annum.

The next formal actuarial valuation is due at 31 March 2005 when the above rates will be reviewed.

NHSS

The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the Trust to identify its share of the underlying scheme.

The Scheme is subject to a full valuation every five years the latest as at 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England & Wales) Resource Account, published every October. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

At the last published valuation (31 March 1999) employer contribution rates were set at 7% of pensionable pay. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

17 Related party transactions

During the year, the Trust was awarded grants from Cancer Research UK amounting to £3,102,020 (2003 - £3,085,592). At 31 March 2004, £194,622 (2003 - £163,033) was owed to the Trust from Cancer Research UK and £Nil (2003 - £37,312) was owed to Cancer Research UK by the Trust. Three of the Trust's Trustees during the year, Mr J Davidson, Ms L Robb and Dr T Hince are also Trustees or directors of Cancer Research UK.

During the year ended 31 March 2003, the Trust entered into an arm's length agreement with Spear Therapeutics Limited, a company of which one of the Trust's Joint Executives, Professor P Wardman and one of the Trust's employees are directors. Included in the Trust's income for the year ended 31 March 2004 is £42,604 receivable from Spear Therapeutics Limited. At 31 March 2004, £13,117 was owed to the Trust from that company.