

Annual
Report and
Financial
Statements

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- Extra focus becomes possible because of the continued success of our investments.
- The investment portfolio added a pleasing £1.1 billion (return of 6.1%) in the year to September 2015, despite a difficult market backdrop.
- Whether in biomedical science, translational research, the humanities and social sciences or engaging the public with science, we support great ideas to improve health and transform lives for the better.

I am delighted to introduce this Annual Report for the first time as Chair of the Wellcome Trust. I was a Governor for seven years before becoming Chair on 1 October 2015. It is a great privilege not only to lead this extraordinary charity but also to be able to build on the achievements of my predecessor, Sir William Castell, who was Chair for a decade. Always a strong advocate of bioscience and its ability to transform human health, during his tenure he also pushed medical innovation, science education, public engagement with science and greater involvement with industry. We thank him and wish him well in his new task of chairing the Foundation for FutureLondon.

Henry Wellcome's will of 1936 charges us to "advance human health". That remains our focus, but the opportunities and routes for doing so would be unrecognisable to him. Every day we learn more from science about how the body works. Knowledge is built and discoveries made, many of which are dramatic and exciting. Opportunities for new treatments, for new drugs, for better diagnoses and for preventative action emerge. And Wellcome has the funds to support the best researchers, mainly in the UK, but also elsewhere in the world, who are dedicated to pursuing those ideas which have the potential to change lives. Most will be scientists; researchers in the humanities, the social sciences, ethics, education and other areas will also contribute to our task.

We have, as well as funds, high ambitions to push ourselves and others to achieve even more. We have recently published our new strategic approach. That confirms our philosophy, and describes our determination to advance ideas, to seize opportunities and to drive reform, all to improve health. In addition to our established and successful support of researchers, infrastructure and equipment, we intend to focus on a number of

priority areas. This extra focus becomes possible because of the continued success of our investments.

Investments

The investment portfolio added a pleasing £1.1 billion (return of 6.1%) in the year to September 2015, despite a difficult market backdrop. Building on six prior years of positive performance for the portfolio, this brings the cumulative return since the onset of the financial crisis in September 2008 to 92%, equating to over £10 billion. The continued success of the investment portfolio has enabled us to step up our charitable commitments to record levels and built a strong foundation for our ambition to commit up to £5 billion over the next five years.

As global public equity markets struggled in the run up to a likely interest rate rise in the US, the principal source of returns was the private assets in the portfolio. The efforts of the investment team over recent years to concentrate on the very best partners and assets have paid off as our illiquid investments produced a large premium to public markets. However, this was not just a story of paper valuations being marked up - cash flows from the private equity and venture capital assets (comprising 24% of the total portfolio) were, by themselves, sufficient to cover the charitable and operational expenditure during the year.

The shift towards direct ownership of assets continued, with one notable acquisition this year being Premier Marinas, the UK's largest marina company with 5,000 berths spread across 8 sites on the South Coast of England. The team continues to look for opportunities to use the Wellcome's unique perspective to invest in assets that do not fit easily into the portfolios of many other investors with a shorter term focus.

Chair's Statement (continued)

One of the most important trends affecting all markets during the past year has been the strength of the US Dollar. The 12% trade weighted appreciation during the year was one of the largest 12 month moves for the world's reserve currency. The portfolio was well placed with 63% of net exposure to US Dollar and US Dollar-linked assets.

As monetary policy begins to be tightened, we should expect volatility to rise from multi-year lows in many markets. However, as long-term investors, we are able to disregard near-term fluctuations in market values and focus on assets that generate cash flows over more meaningful time periods. It is the robustness of these cash flows that gives confidence in our ability to continue to support our mission.

Priorities and Challenges

I wrote above that Wellcome will focus on selected strategic priorities. The first is drug-resistant infections. In 2013, the Chief Medical Officer, Dame Sally Davies, sounded the alarm. We risk losing antibiotics and therefore being unable to defeat infections. Wellcome linked up with the government to fund and house a review of the problem led by Jim O'Neill who, earlier this year, joined the government as Lord O'Neill of Gatley. The review's first report set out the scale of the problem – 10 million extra deaths a year by 2050 – and subsequent reports have recommended specific steps, including a targeted fund to support research and an overhaul of the global antibiotics and rapid diagnostics pipeline over the next 10 years.

Another research focus is vaccines. Vaccines have the power to protect millions dying from infectious diseases. There are significant challenges in developing new vaccines, however, especially for

neglected diseases that disproportionately affect the world's poorest people. This was cruelly illustrated by the Ebola virus, which is believed to have killed more than 11,000 people over the last two years. There are many lessons to be learned from the global health community's failure to act with speed. Wellcome joined with others to fund clinical trials of drugs and vaccines, as well as studies of how best to conduct such research during an epidemic. In August 2015, interim results from a trial in Guinea showed that an experimental Ebola vaccine appeared to be 100 per cent effective at preventing the disease. A successful vaccine will be vitally important in controlling future outbreaks.

We also intend to focus on scientific leadership in low- and middle-income countries, science education, improving diversity, addressing the path from science to health, and understanding how our environment influences our long-term health. This list is not definitive. We have the funds and the flexibility not just to focus but to respond flexibly when we spot chances to "advance health".

Successes

You can read more about our achievements and plans in the Review of Activities on page 8. A highlight for me was in February as Parliament prepared to vote on new techniques for preventing mitochondrial diseases. The techniques were developed after several years of research funded by Wellcome, much of it done at what is now the Wellcome Trust Centre for Mitochondrial Research in Newcastle. Scientists and clinicians there took active roles in a long process of scientific reviews, public consultations and ethical debates to demonstrate the evidence and the public support for the new techniques.

It was a controversial issue because the techniques would be used during in vitro fertilisation for mothers at risk of having a baby with mitochondrial disease. In order to remove the risk, the mother's mitochondria would be replaced with healthy mitochondria from a donor. This means that the baby, in addition to its parents' nuclear DNA, would have a tiny amount of mitochondrial DNA from a third person (less than 1 per cent).

Wellcome arranged extensive briefing for members of both houses and I was delighted when both voted overwhelmingly in favour of the necessary legislative change, which came into effect in October. Families at risk from these devastating diseases may now seek mitochondrial donation to have healthy children.

Finally, the path from discovery to clinical success can be long and unpredictable. One of the strengths of the Wellcome Trust is the breadth of our activities, which allows us to support thousands of people around the world pursuing ideas they passionately believe will change the world.

Whether in biomedical science, translational research, the humanities and social sciences or engaging the public with science, we support great ideas to improve health and transform lives for the better.



Baroness Manningham-Buller
Chair of the Wellcome Trust

14 December 2015

Vision and objects, mission, focus areas and challenges

Our vision and objects

We are an independent global charitable foundation, dedicated to improving health.

The objects of the Wellcome Trust, as set out in its Constitution, are as follows:

To protect, preserve and advance all or any aspects of the health and welfare of humankind and to advance and promote knowledge and education by engaging in, encouraging and supporting:

- research into any of the biosciences; and
- the discovery, invention, improvement, development and application of treatments, cures, diagnostics, and other medicinal agents, methods and processes that may in any way relieve illness, disease, disability or disorders of whatever nature in human beings or animal or plant life;

To advance and promote knowledge and education by engaging in, encouraging and supporting:

- research into the history of any of the biosciences; and
- the study and understanding of any of the biosciences or the history of any of the biosciences.

Our focus areas and research challenges

In October 2015, we published a new strategic approach (see strategy.wellcome.ac.uk). This financial year is the final year reporting the focus areas and research challenges in accordance with the previous Strategic Plan.

Our focus areas

Our three key focus areas for funding:

- **Outstanding researchers**
We believe passionately that breakthroughs emerge when the most talented researchers are given the resources and freedom they need to pursue their goals.
- **Application of research**
We are committed to maximising the application of research to improve health by focusing on new product development and the uptake of patient-oriented research advances into clinical practice.
- **Medicine in culture**
We strive to embed biomedical science in the historical and cultural landscape, so that it is valued and there is mutual trust between researchers and the wider public.

Our research challenges

Our healthy investment portfolio enables us to fund a wide variety of charitable initiatives.

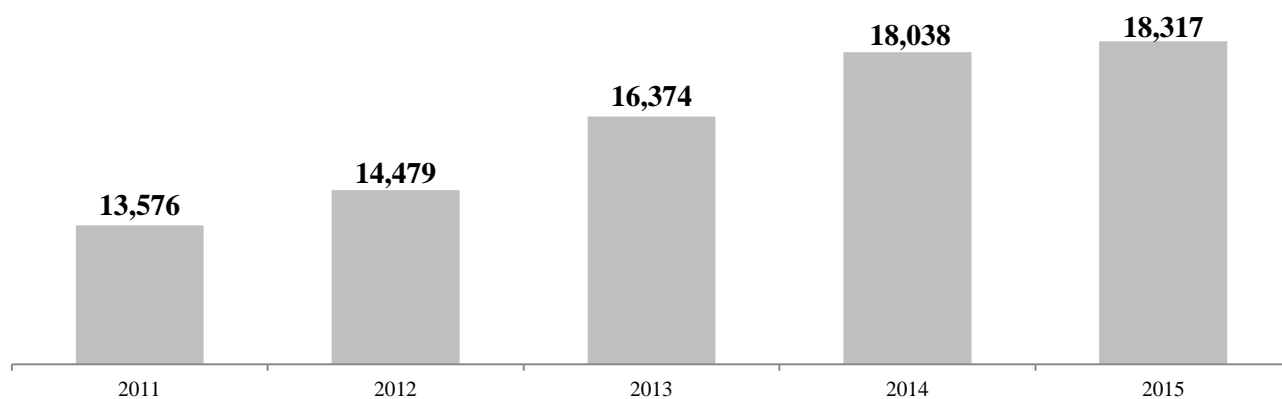
- **Maximising the health benefits of genetics and genomics**
We will maximise the power of genetics and genomics research to enhance global health.
- **Investigating development, ageing and chronic disease**
We will aim to develop an integrated understanding of how the body develops, functions and ages, and of the factors that contribute to the onset and development of chronic diseases.
- **Combating infectious disease**
We will promote an integrated approach to the study of infectious disease in humans and animals.
- **Understanding the brain**
We will support research to improve understanding of how the brain functions and to find improved approaches for treating brain and mental health disorders.
- **Connecting environment, nutrition and health**
Global health is under serious threat from the interlinked issues of access to nutrition, food security and climate change. We will foster multidisciplinary research to address these problems and to inform the global response.

Trustee's Report

Strategic Report

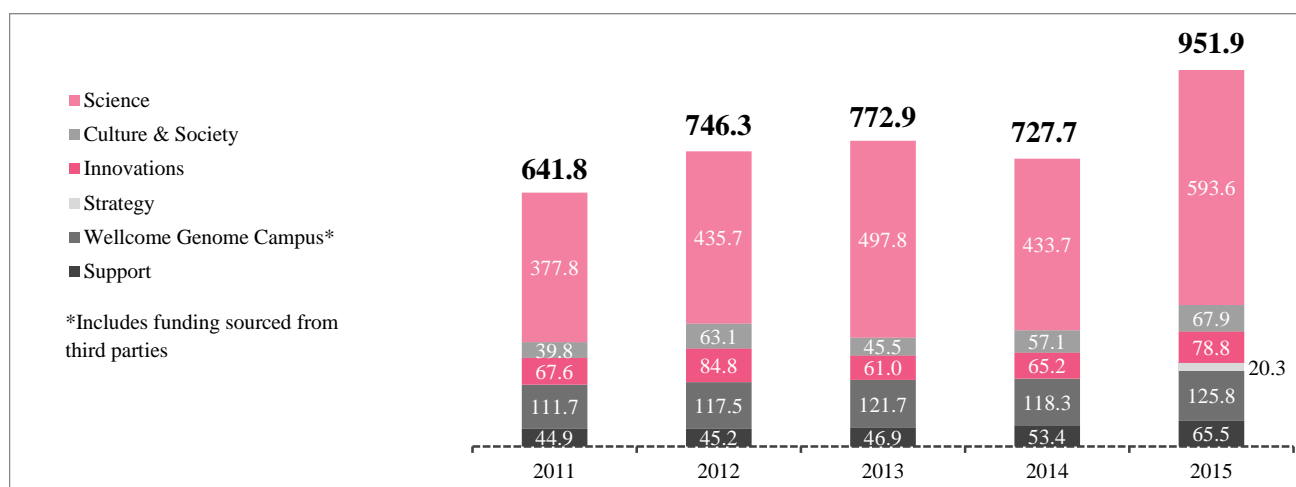
The Strategic Report presented on pages 5 to 25 incorporates the Financial Review (Page 6), the Review of Past and Future Activities (Page 8), the Review of Investment Activities (Page 12) and Risk Management (Page 24).

Total net investment assets (£m)



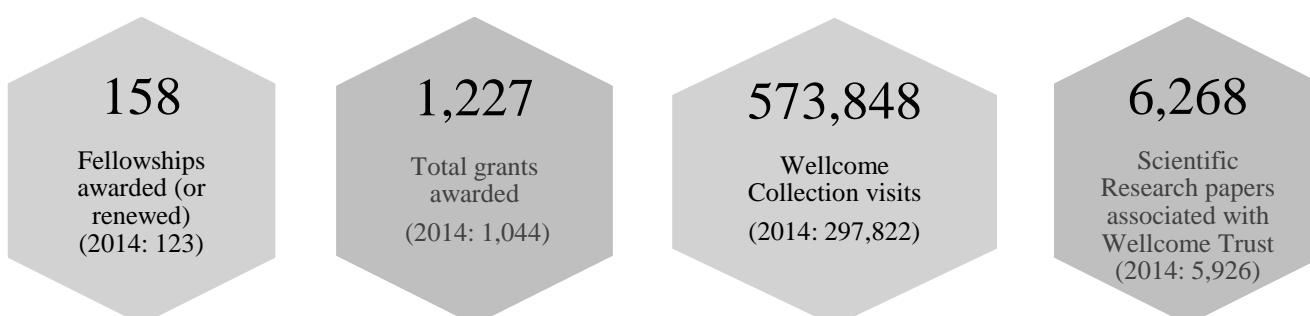
Total Charitable Funds 2015: £16,907 million (2014: £16,737 million)

Charitable activities by type (£m)



Significant increases in charitable activities in 2015 included the renewal of two Major Overseas Programmes and the new DELTAS Africa programmes.

Funding and achievements



Trustee's Report (continued)

Strategic Report: Financial Review

Reserves policy

Our reserves policy is directly linked to our expenditure policy and is to set spending at a level intended to deliver our charitable mission today while preserving the investment base to provide sustainable increases in annual expenditure into the future. All reserves are unrestricted.

Investment policy and performance

Our assets are invested in accordance with the wide investment powers set out in the Trust's Constitution and within its investment policy. The investment policy is reviewed periodically by the Board of Governors.

We invest globally and across a very broad range of assets and strategies. It is our policy not to invest in companies that derive material turnover or profit from tobacco or tobacco-related products.

The performance of the investments is discussed in the Review of Investment Activities on pages 12 to 23.

Our response to the FRC UK Stewardship Code together with further details of our investment policy are available on the Trust's website (www.wellcome.ac.uk). We support the investment industry's continued efforts to strengthen the role played by institutional investors in corporate governance and we review our statement and our investment policy regularly and update them where necessary.

Expenditure policy

Our objective when setting the annual grant commitment budget is to preserve the value of the Trust's investment portfolio so that the purchasing power of our charitable expenditure is maintained over time,

while minimising short-term volatility in commitments caused by changes in asset values. We also aim to ensure that we fund only the best research and that this is achieved in an efficient manner.

We achieve this by setting our annual budget based on three-year weighted average investment values. When required, adjustments can be made to this budget in a controlled manner to manage situations that were not anticipated at the time of the budget calculations such as unexpected adverse economic or market events.

The Board of Governors regularly monitors the market and economic conditions that impact this budget and has currently set a policy of budgeting to commit 4.7% of the three-year weighted average of investment asset values.

Financial position

In view of the policies discussed above, and after considering the 2015/16 budget and longer-term plans, the cash flows and the highly liquid nature of a substantial portion of the Trust's investment assets, the Trustee is satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements of both the Trust and the Group. The activity and performance of the significant subsidiaries is disclosed in note 24.

Charitable activities

As noted on page 4, we published a new strategic approach in October 2015. This financial year is the final year reporting our charitable activities in accordance with the previous Strategic Plan.

We support high-quality research across the breadth of the biomedical

sciences – from basic to clinical and applied research – and encourage the translation of research findings into real benefits. Our funding in medical humanities and public engagement seeks to raise awareness of the medical, ethical and social implications of research and to promote dialogue between scientists, the public and policy makers.

Grant funding is usually channelled through universities or similar institutions which take responsibility for grant administration for individual academic researchers with only a limited number of small-scale awards being made directly to individuals.

We also fund work on the Wellcome Genome Campus where our own research centre, the Wellcome Trust Sanger Institute is based, channelling support through a wholly-owned subsidiary, Genome Research Limited. Researchers use genome sequences to advance understanding of the biology of humans and pathogens in order to improve human health.

The total expenditure in the chart on page 5 includes commitments each year from our special dividend fund set aside in 2007 for initiatives of global importance, with exceptional vision and scale, and where there is the prospect of high impact outcomes.

Charitable expenditure of £952 million included £63 million for the renewal of the Vietnam and Thailand Major Overseas Programmes and £60 million for a new scheme - the DELTAS Africa programmes.

We intend to commit up to £5 billion over the next five years to improve health. The actual amount will depend on our future investment performance.

Trustee's Report (continued)

Strategic Report: Financial Review

Charitable cash payments

Charitable activities represent funding that we commit to, which is recognised in the year in which the grant is awarded. However, payment in cash of many of these commitments will be made over a number of years and charitable cash payments in any one year will include amounts relating to grants awarded in prior years.

Consequently, our annual cash payments lag commitments and, with our investment base growing, represent on average 4.3% of investment asset values.

Incoming resources and matching of cash receipts with cash payments

The Board of Governors is kept informed by the Trust's investment team on current and future cash flows, ensuring that there are always sufficient cash reserves to meet charitable expenditure requirements.

Incoming resources in the Statement of Financial Activities include dividends, interest, rental earned and turnover from trading subsidiaries. The Trust also receives cash from the

disposal of investments. Cash payments are funded by a combination of existing cash balances, incoming resources and sales of investment assets.

In addition, the Trust issued a €400 million 2027 bond carrying a coupon of 1.125% in January 2015. All our issued bonds are included in Creditors (Note 20). Each of the four bonds has a coupon below the returns generated on the portfolio since its issuance.

This review provides examples of our funding, activities and accomplishments during the year ended 30 September 2015 as well as looking forward to some of our future activities.

Charitable activities at a glance:

(the figures below include the allocated support costs shown separately in the chart on page 5)

1 Science: £613.5 million

We work closely with the scientific research community in a breadth of activities, both in the UK and overseas. Our ambition is to catalyse outstanding science and maximise its health impacts. (Includes support costs of £19.9 million.)

2 Culture & Society: £86.2 million

Culture & Society explores biomedical science in its historical, ethical, social and cultural contexts. It does this in three main ways: funding others; working with others; and managing and delivering our own projects. (Includes support costs of £18.3 million.)

3 Innovations: £86.5 million

Innovations help to bridge the gap between fundamental research and commercial application. We fund applied research and development projects, in academia and companies worldwide, to a stage where they are attractive to a follow-on funder. (Includes support costs of £7.7million.)

4 Strategy: £30.6 million

Strategy is responsible for refining and articulating the Trust's ambitious vision of improving health, embedding our new strategic approach (discussed below), and helping us to track our progress. It nurtures and develops our external relationships and influence (in the UK and globally). (Includes support costs of £10.3 million.)

5 Wellcome Genome Campus: £135.1 million*

Our research at the Wellcome Trust Sanger Institute builds understanding of gene function in health and disease as well as creating resources of lasting value to biomedical research. (Includes support costs of £9.3 million.)

*The consolidated figures include funding sourced from third parties.

Trustee's Report (continued)

Strategic Report: Review of Past and Future Activities

This review provides just a few examples of our funding, activities and accomplishments during the year ended 30 September 2015 as well as looking forward to some of our future activities. Achievements reported here often reflect the results of many years of research from previous funding. The Wellcome Trust Annual Review for the year 1 October 2014 to 30 September 2015, which is published alongside this Report, is available on the Trust's website (www.wellcome.ac.uk) and covers more of the year's achievements.

In October 2015, we published a new strategic approach (see strategy.wellcome.ac.uk), enabling us to build on our existing work and do more with our intended charitable spend of up to £5 billion over the next five years to 2020. Given that our new approach was launched after the end of 2014/15, the examples here are presented in terms of the Strategic Plan 2010–20, which highlighted three focus areas of our funding that, to a large extent, overlap with the work of our funding divisions: Science, Innovations, Culture and Society and Strategy.

Focus area 1: Outstanding researchers

The burden of disease is greatest in parts of the world where capacity for research to address it is weakest, so the Wellcome Trust has long supported health research in sub-Saharan Africa and south-east Asia, most notably through our Major Overseas Programmes. This year, we introduced a new way to provide funding to researchers in low- and middle-income countries.

Our **DELTA Africa** programme, co-funded with the Department for International Development, made seven grants in September 2015 to establish world-class research environments at African universities, with a focus on training the next generation of researchers. In 2016, management of the DELTA Africa budget – £60 million over five years – will move to the Alliance for

Accelerating Excellence in Science in Africa, a new organisation created by the African Academy of Sciences and the New Partnership for African Development.

Other highlights:

- In July 2015, scientists at the University of Exeter Medical School published data from genetic tests for more than 1000 babies with **neonatal diabetes**. The Wellcome Trust has funded the team's research for many years, to uncover the most common genetic causes of diabetes in newborns and develop better tests. Knowing the cause can often lead to a change in treatment and help to reduce complications from the condition later in life.
- Our **Big Data Virtual Reality Challenge** this year set out to discover new applications of virtual reality technology in handling large datasets. The winning team developed a way for researchers to understand and interact with data from the Avon Longitudinal Study of Parents and Children.
- A collaboration funded this year by a Wellcome Trust Strategic Award will combine approaches from several world-class neuroscience laboratories to investigate the **cerebral cortex**. Led by a team at University College London, their aim is to transform our understanding of this part of the brain, which is responsible for human intelligence.

Focus area 2: Application of research

People in remote places often lack specialist medical services but modern technologies are creating new ways to access healthcare. In August 2015, an Indian company called Remidio launched **Fundus on Phone**, a portable device that takes high-resolution pictures of the retina.

Images are sent by smartphone to an eye specialist who can look for early signs of abnormalities. Over 150,000 people have already been screened using the device, which was developed with funding from our Affordable Healthcare in India scheme.

Scientific insights improve health when they are applied to diagnosis, prevention and therapy, but the path from **science to health** could be more efficient. This is a priority in our new strategic approach: we aim to improve intellectual property and translation systems so that business and academia have more encouragement to innovate for better health.

Other highlights:

- The **Eliminate Dengue Programme**, co-funded by the Wellcome Trust since 2014, is testing whether mosquitoes can be manipulated to reduce the burden of dengue disease. The mosquitoes are infected with bacteria that make the insects less able to transmit viruses to people. This year, the researchers increased the number of sites where they are releasing these mosquitoes, and in October 2014 began their first city-wide trial in Australia.
- The need for new **antimalarial drugs** is urgent, with strains of the parasite emerging that are resistant to our best current drugs. In June 2015, a collaboration between the University of Dundee Drug Discovery Unit and the Medicines for Malaria Venture, supported by the Wellcome Trust, announced a new compound that kills the malaria parasite in mice. It is a promising prospect in the hunt for new malaria treatments.

Trustee's Report (continued)

Strategic Report: Review of Past and Future Activities

Focus area 3: Medicine in culture

Many human experiences need to be approached from a number of angles if we are to understand them. In August 2015, the Wellcome Trust made its first Collaborative Awards in humanities and social science, including an award to **Hearing the Voice**, based at Durham University in the UK. The team aim to make sense of voice-hearing by considering its psychological, philosophical, literary, neuroscientific and spiritual contexts. As well as helping people distressed by hearing voices, they want to dispel misconceptions about the experience.

The Wellcome Trust's work in science education covers learning in and out of the classroom. This year our **Science Learning+** initiative funded 11 research groups to begin exploring what young people gain from participating in science experiences outside school. An appreciation for science, whether for the future scientist or the informed

citizen, begins early. We want all young people to have an engaging, relevant and inspiring **science education**, and this is another priority in our new strategic approach.

Other highlights:

- **Wellcome Collection** reopened in spring 2015 with new and expanded galleries after a year of redevelopment. An ambitious programme of events and exhibitions about forensics and the scientific study of sex helped attract more visitors in 2014/15 than ever before.
- Funded by a Wellcome Trust Investigator Award, **medical sociologists** at the University of Leicester are helping to understand and improve the way a surgical safety checklist has been used in health systems. Their research will help the implementation of other medical innovations.

The second Wellcome Trust **Screenwriting Fellowship** was awarded in November 2014, building on our work generating more connections between the worlds of science, research and film.

Strategic Report: Review of Past and Future Activities

The Wellcome Trust Strategic Plan 2010–20 identified five major research challenges for the decade. In our new strategic approach, we continue to support great ideas in any field of research relevant to health, while reinforcing these areas where we already see exciting developments with lasting potential.

Research challenge 1: Genetics and genomics

Research from the Wellcome Trust Centre for Cell Biology at the University of Edinburgh, published in April 2015, showed that patterns of **genetic regulation** can be inherited through epigenetic marks on chromatin, the structure that packages DNA in our cells. These marks control which genes are read in a cell, determining what type of cell it is. Knowing that these marks can be inherited helps our understanding of how various epigenetic processes relate to health and disease.

At the Wellcome Trust Sanger Institute, researchers used a new 'ultra-deep' genetic sequencing technique to unravel the extent of cancerous mutations in otherwise healthy cells. According to their results, skin cells carry about 20,000 genetic mutations each and a quarter of cells have a 'driver' mutation, strongly associated with the development of **cancer**. Although this research shows that our cells are carrying more mutations than previously thought, the chances of any particular cell going on to initiate cancer remain relatively low.

Research challenge 2: Understanding the brain

In July 2015, researchers at the Wellcome Trust Centre for Human Genetics in Oxford, UK, in collaboration with researchers in the USA and China, published the first two genetic sequences to be robustly associated with **depression**. Their study compared the genes of thousands of Chinese women with severe melancholia and those of a control group. The findings are an

opportunity to begin untangling the poorly understood biology of depression, the second most common cause of ill health in the world.

Magnetic resonance imaging is one of the best ways to visualise the brain but its use is limited in the care of babies in **neonatal intensive care** units as it is often too dangerous to take vulnerable babies from the unit to the radiology department. The Wellcome Trust made an award in collaboration with GE to develop, create and install a small but powerful MRI scanner in a neonatal intensive care unit. A prototype was used for the first time in June 2015 to scan a baby at Boston Children's Hospital in the USA.

Research challenge 3: Combating infectious disease

In August 2015, interim results from a trial of a vaccine against the **Ebola virus** showed 100 per cent effectiveness. The trial needs to be completed to see if this level of success has been maintained but it was an incredible achievement for the researchers, participants, communities and funders involved, including the Wellcome Trust. However, the world could have been better prepared for the outbreak, and encouraging better vaccine development is a priority in our new strategic approach.

Another priority is **drug-resistant infections**, which threaten many of the benefits of modern medicine. We will explore how best to use and protect antibiotics and other drugs, and how best to encourage the development of new ones. Last year, the Wellcome Trust linked up with the UK government to fund and house the Review on Antimicrobial Resistance, led by Lord O'Neill, which has published three reports this year. Discussions are underway with policy makers in the G7 and the G20 as to how to act on the review's final recommendations, due in May 2016.

Research challenge 4: Development, ageing and chronic disease

In 2015, the UK became the first country to allow new techniques to prevent **mitochondrial diseases**. Mitochondria generate energy for our cells so abnormalities can cause problems throughout the body and, in the most serious cases, death. Years of research into mitochondria funded by the Wellcome Trust contributed to the development of techniques for replacing the mitochondria of a mother at risk of passing on mitochondrial disease to her children. The Wellcome Trust then worked with our researchers, partners and patient groups through a process of scientific reviews, public consultations and ethical debates to secure the necessary change in legislation.

In October 2014, the **INDEPTH Network**, based in Accra in Ghana and funded by the Wellcome Trust, published a dataset relating to 110,000 deaths across 13 countries in Africa and Asia. The dataset is freely accessible online and provides an unprecedented insight into people's health in these countries, including variations in childhood mortality.

Research challenge 5: Connecting environment, nutrition and health

In September 2015, the Wellcome Trust launched Our Planet, Our Health – a £75 million initiative to support research that will help us understand the complex links between the **environment** and our long-term health. We announced funding for ten pilot projects at the launch, as well as a call for proposals to establish ambitious new research programmes.

Our Planet, Our Health is a priority in our new strategic approach. The aim is to develop a stronger evidence base for people and governments to make informed decisions about issues such as food, housing, urbanisation and infectious disease prevention that have significant bearing on our long-term future health.

Strategic Report: Review of Investment Activities

Figure 1a**Total portfolio net returns (blended £/US\$)
Period to 30 September 2015**

	Annualised return in blended currency (%)		
	Nominal	UK/US CPI	Real
Trailing one year	2.7	0.3	2.4
Trailing three years	12.1	1.4	10.7
Trailing five years	10.2	2.1	8.1
Trailing ten years	8.3	2.3	6.0
Trailing twenty years	8.8	1.9	6.9
Since Oct 1985	13.6	2.8	10.8

	Cumulative return in blended currency (%)		
	Nominal	UK/US CPI	Real
Trailing three years	41	4	37
Trailing five years	62	11	51
Trailing ten years	122	26	96
Trailing twenty years	441	46	395
Since Oct 1985	4,485	127	4,358

£ used to 30 September 2009. Blended £/US\$ from 1 October 2009

Figure 1b**Total portfolio net returns (£)
Period to 30 September 2015**

	Annualised return in £ (%)		
	Nominal	UK CPI	Real
Trailing one year	6.1	0.3	5.8
Trailing three years	13.2	1.6	11.6
Trailing five years	10.5	2.4	8.1
Trailing ten years	8.6	2.6	6.0
Trailing twenty years	8.9	2.0	6.9
Since Oct 1985	13.7	2.9	10.8

	Cumulative return in £ (%)		
	Nominal	UK CPI	Real
Trailing three years	45	5	40
Trailing five years	65	13	52
Trailing ten years	127	29	98
Trailing twenty years	453	50	403
Since Oct 1985	4,587	133	4,454

Summary

Headwinds from global public equity markets blew steadily in 2014/15; returns were flat in Sterling terms and declined by 6% in US Dollar terms. Our investments delivered positive returns for the seventh successive year as shown in Figures 1a and 1b. With the net value of our endowment standing at £18.3 billion, our spending power in real terms (after inflation) has risen by 50% over the past five years and has doubled over the past ten years. With cash flows from the portfolio forecast to remain healthy, we aim to commit up to £5 billion to our charitable mission over the next five years. Our focus remains on the generation of long-term cash flows in the core of our portfolio supplemented by optionality in our higher risk investments, rather than on market values.

Overview & Outlook

Gains in our developed market equities were offset by declines in growth market equities (Figure 7); losses in our distressed debt hedge funds offset the creditable performance of our equity long/short funds (Figure 11). Our positive returns were largely driven by our private assets: our £4.8 billion private equity pool returned 18%, led by the 49% return from our £1.8 billion investment in venture funds. Our £2.6 billion of investments in property and property-backed businesses again delivered double-digit returns.

In Sterling, we benefitted from our unhedged exposure to the US Dollar, which accounts for 63% of our total currency exposure (Figure 19). Our Yen and Euro exposure was fully hedged and we took advantage of investor demand in January to issue €400 million of 2027 €-denominated debt with a coupon of 1.125%, our first non-Sterling debt issue.

Trustee's Report (continued)

Strategic Report: Review of Investment Activities

The global economy remains fragile; economic growth in China, Europe and Japan is being adversely impacted by necessary restructuring. Weak commodity prices are taking their toll in Brazil, the Middle East, Russia and many parts of Africa. Of the major economies, only the US (and to some extent the UK) appears to be in reasonable health. Over the past five years, this has been reflected in stock markets: a US Dollar-denominated investor would have enjoyed an index return of almost 70% in the US market, but would have lost money if invested in the World ex-US index.

Our portfolio reflects this bias: of our public and private equity assets, which make up over 70% of our investments, almost half are in American assets (Figure 20), while the 28% invested in European assets is dominated by holdings in large multinational companies. US technology companies, benefitting from disruptive change, and US financials, poised to gain from gentle interest rate rises, will continue to play a major role.

A steady stream of realisations (almost £900 million net of drawdowns) has reduced our exposure to private equity to 24% of our portfolio from a peak of 28%. We might expect it to decline towards 20% as more companies are sold or listed. There is currently some debate about the valuation and likely timing of listing of the so-called 'unicorns', venture-backed private companies with a value in excess of \$1 billion as ascribed by their most recent fundraising round. Through our venture partners, we have exposure to 57 of the 125 unicorns and to 17 of the largest 20 of them. Our partners' approach to valuation has been conservative: our interests are held at a gross total value of \$1.1 billion, at a significant discount to the value implied by the companies' latest fundraising rounds. Future realisations should continue to support venture returns.

Figure 2

Total portfolio cumulative net returns since 1986 (%)

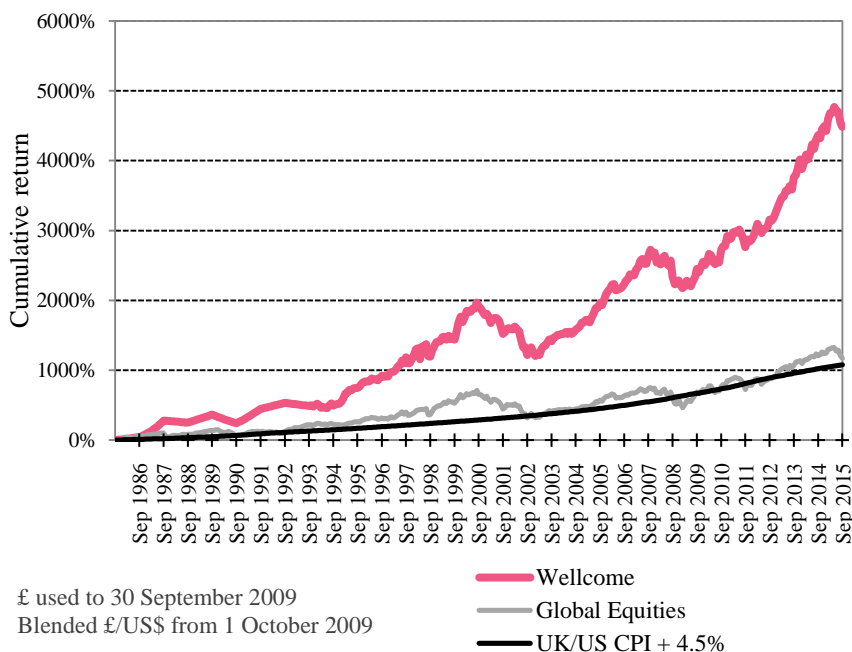
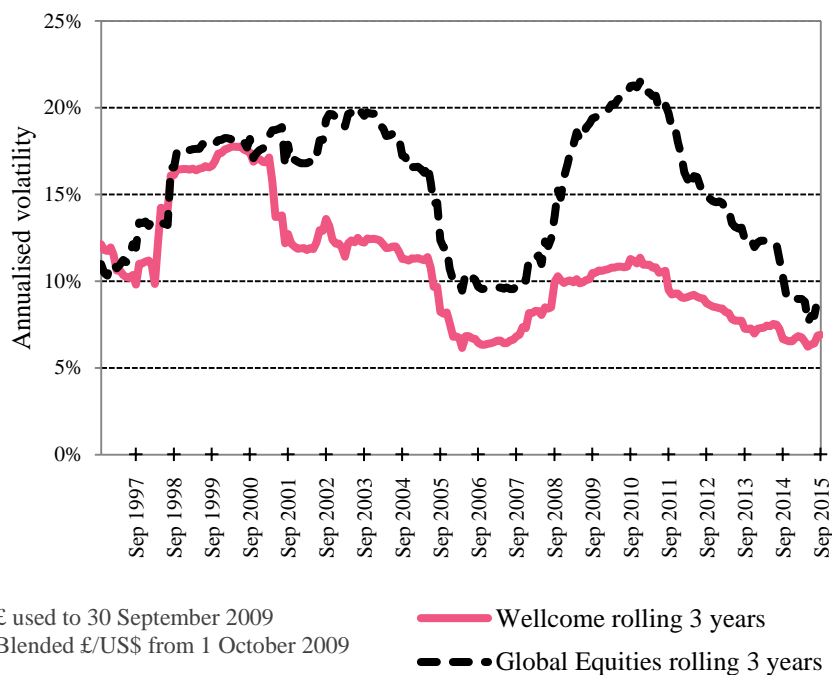


Figure 3

Volatility (standard deviation) of returns (%)



Strategic Report: Review of Investment Activities

Active management of our private equity interests through secondary fund transactions and concentration in fewer, larger investments has been a priority for us in recent years. As a consequence, our exposure to technology venture funds has overtaken our exposure to buyout funds and stands at £1.4 billion. The net Multiple of Invested Capital (MOIC) in these venture funds has now risen to 2.12 times, enabling the MOIC on the totality of our private fund exposure to reach our target of 1.60 times. The challenge for our

partners going forward is to find attractively valued new investments as prices have risen; we ourselves have found it increasingly difficult to find new private direct company investments in a world of excess capital.

One area where we have been able to deploy monies directly on a long-term horizon in both wholly-owned assets and joint ventures is UK property and property-backed businesses. We have tended to avoid investing in traditional institutional property assets (funds,

commercial and retail property), preferring assets where control can add greater value. Over the past two years, we have almost doubled exposure to £2.5 billion through acquisitions, organic growth and capital appreciation.

Although we do not expect the headwinds in the global economy to weaken significantly and there will remain areas of our portfolio which are vulnerable to adverse cyclical trends, we remain confident that our partners and assets remain robust.

Figure 4
Evolution of asset allocation (%)

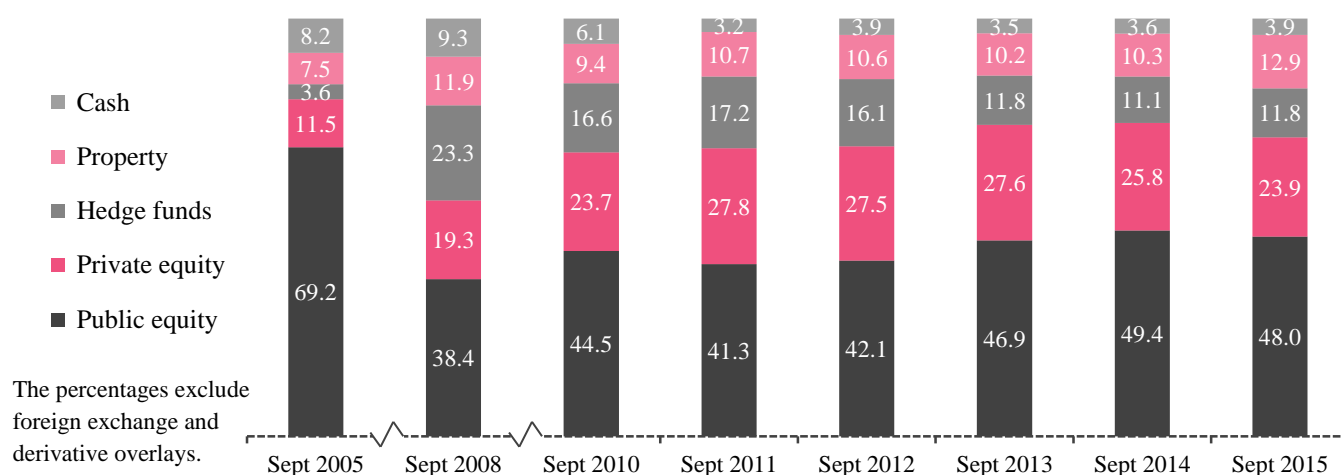
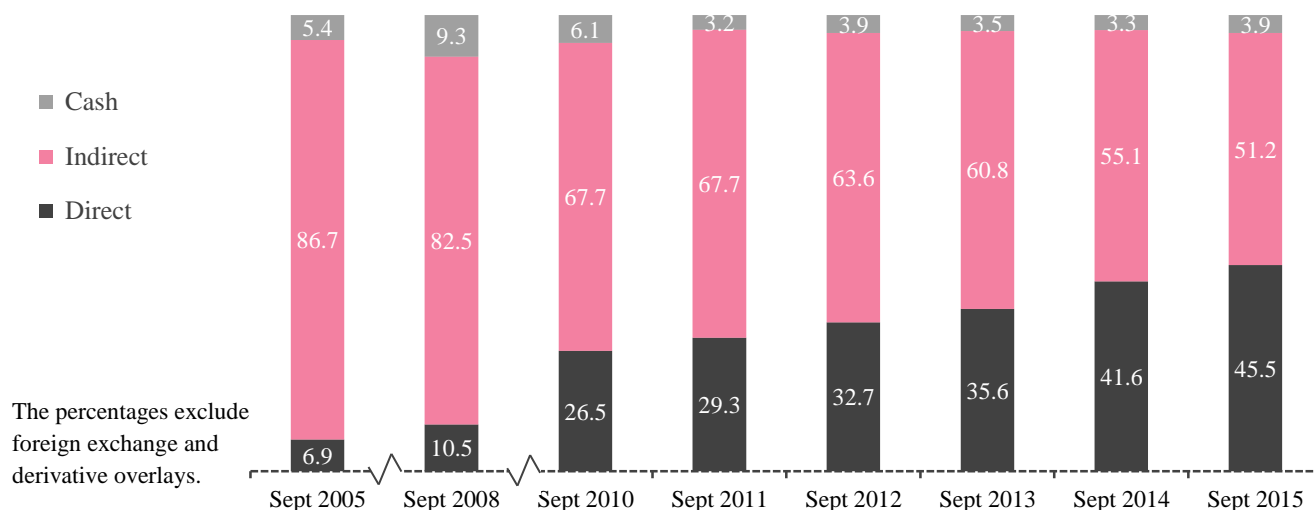


Figure 5
Evolution of asset allocation, directly and indirectly managed (%)



Trustee's Report (continued)

Strategic Report: Review of Investment Activities

Figure 6

**Investment asset allocation
As at 30 September**

	2015 £m	2015 US\$m	2015 %	2014 %	2012 %	Change in allocation 2012 to 2015 %
Total public equities	9,663	14,636	48.0	49.4	42.1	5.9
Global	6,950	10,527	34.6	30.5	23.0	11.6
Developed World	1,025	1,553	5.1	9.7	8.3	(3.2)
Growth Markets	1,688	2,556	8.3	9.1	10.8	(2.5)
Hedge Funds	2,376	3,599	11.8	11.1	16.1	(4.3)
Equity Long/Short	1,251	1,894	6.2	5.5	7.2	(1.0)
Distressed debt	173	263	0.9	1.0	1.7	(0.8)
Multistrategy	952	1,442	4.7	4.6	5.2	(0.5)
Cash	784	1,188	3.9	3.3	3.9	-
Private Equity	4,809	7,285	23.9	25.8	27.3	(3.4)
Buyout funds	1,115	1,688	5.5	6.6	7.6	(2.1)
Specialist funds	775	1,174	3.9	2.9	8.1	(4.2)
Multi Asset Partnerships	593	898	2.9	3.0	-	2.9
Venture funds	1,791	2,713	8.9	8.7	8.0	0.9
Directs	535	812	2.7	3.8	3.6	(0.9)
Property & infrastructure	2,591	3,925	12.9	10.3	10.2	2.7
Net overlay assets	(113)	(172)	(0.6)	0.1	(0.2)	(0.4)
Total assets	20,110	30,461	-	-	-	-
Bond liabilities	(1,793)	(2,716)	-	-	-	-
Total assets inc bond liability	18,317	27,745	-	-	-	-

Public equity

In 2014/15, global public equity market returns were flat in Sterling and down by 6% in US Dollars. In Sterling, developed markets returned just 2% and growth markets lost 13% experiencing an especially adverse final quarter as investors grew increasingly concerned about the slowdown in global trade, the destabilising impact of weak commodity prices, developments in China and the impact of the European migration crisis caused by Middle East tension. Our global equity mandates performed in line with global markets (before taking any beneficial account of currency hedging), while our external managers in both developed and growth markets again performed well.

Most of our investments in public equities are made directly, principally through our 29-stock Mega Cap Basket (MCB) and our 12-stock Optionality Basket (OB). Given the flat year in 2014/15, the annual IRR of the MCB since inception, in the wake of the 2008 crisis, declined from 13.6% to 11.2% and that of the OB retreated from 14.3% to 12.5%. No new stocks were added to the MCB; however, our holding in Exxon was sold to reinvest in UK resource stocks with more attractive dividend yields, notably BG and Shell, and our holding in GSK was sold as the company continues to face strong challenges. Our approach towards management of the MCB is generally to hold and to add to positions based on our ten-year return targets; in the OB, where share

prices are generally more volatile, we are more active in trimming positions.

Trustee's Report (continued)

Strategic Report: Review of Investment Activities

As in 2014, at year end, as shown in Figure 10, our holdings in 34 of the MCB/OB companies each exceeded \$150 million in an effort to avoid excessive diversification. Our largest holding remains our 4% stake in the German residential real estate company, Vonovia (renamed from Deutsche Annington), which continues to roll out a robust business strategy as an active consolidator of its domestic market. US technology stocks, led by Apple and Microsoft, continue to be powerful cash generators. US financials, represented by Bank of America, JP Morgan and Morgan Stanley, play a prominent role on the thesis that returns on capital will continue to improve. Marks & Spencer, in which we have held a 3% stake for seven years, continues to focus on improving its free cash flow generation.

Resource stocks have had a difficult year as the commodity price cycle has rolled over as supply remains strong and the economic slowdown, especially in China, weakens demand. Adjustments to supply and to demand are only working through the system slowly. As share prices dipped and returns on cost retraced, we took advantage of the sell-off to add to positions. Other holdings which appear for the first time in Figure 10 include those in the Chinese e-commerce companies, JD.com and Alibaba, which were previously held as direct private companies and our 4% stake in the entertainment operator, Merlin.

Given our focus on the strength of companies' long-term franchises, we continue to engage actively with senior management across the portfolio to ensure that they remain focused on the needs of customers, suppliers, employees, providers of capital and the broad community.

Figure 7
Public equity net returns (%)
Period to 30 September 2015

	Annualised return in £ (%)		
	1 year	3 years	5 years
Global	0.3	10.6	8.6
Developed World	5.4	16.5	13.9
Growth Markets	(6.8)	3.3	1.9
MSCI AC World	0.4	9.8	8.2

Figure 8
Direct public equities IRR by strategy (£) (%)
Inception to 30 September

	2015	
	Value £m	IRR (%)
Mega cap basket (inception Sept 2008)	4,055	11.2
Optionality basket (inception July 2008)	1,789	12.5

Figure 9
Public equity allocations by strategy (£)
As at 30 September

	2015 Value £m	2014 Value £m	2013 Value £m	2012 Value £m	2011 Value £m
Indirectly managed	3,540	4,073	4,044	3,567	3,584
Global	1,106	645	531	375	739
Developed markets	1,025	1,866	1,953	1,522	1,332
Growth markets	1,409	1,562	1,560	1,670	1,513
Directly managed	6,123	5,473	4,045	3,179	2,481
Mega cap basket	4,055	3,883	3,352	2,771	2,262
Optionality basket	1,789	1,379	612	262	219
Growth basket	279	211	81	-	-
Other	-	-	-	146	-
Total	9,663	9,546	8,089	6,746	6,065

Trustee's Report (continued)

Strategic Report: Review of Investment Activities

We have reshaped at the margin our external manager roster: the relationship with one US manager was terminated, another US manager transitioned to a broader global mandate and we have been putting greater emphasis on the generation of absolute rather than relative returns. That said 10 of our remaining 11 external managers and all three of our directly managed baskets have performed better than the markets in which they are invested since inception. With strong long-standing partners, we retain our confidence in active management, even as we move more of our public equity exposure to our directly managed baskets, which comprise 63% of our investments today compared with 41% four years ago.

Figure 10
Direct public equity holdings > \$150m
As at 30 September 2015

			Total value £m	Total value US\$m	Return on Cost GBP (Inception dates differ)
Rank 2015	Rank 2014				
1	1	Vonovia*	387	587	89%
2	2	Apple	255	386	420%
3	3	Marks & Spencer	251	379	147%
4	N/A	BG and Shell	230	348	N/A
5	6	Microsoft	193	293	97%
6	7	Bank Of America	190	288	32%
7	8	JPMorgan Chase	189	287	76%
8	15	Nestle	184	278	72%
9	11	Morgan Stanley	158	239	41%
10	N/A	JD.com*	155	235	51%
11	37	Merlin	154	234	3%
12	12	Toyota	153	232	75%
13	17	General Electric	153	232	72%
14	9	Google (Alphabet)	152	230	216%
15	20	Sumitomo Mitsui FG	149	225	2%
16	14	Berkshire Hathaway	148	225	59%
17	31	Facebook	145	220	111%
18	10	HSBC	145	219	14%
19	18	Anheuser-Busch	140	212	104%
20	16	Roche	133	202	96%
21	22	Pepsico	131	198	84%
22	19	Vodafone	129	196	54%
23	23	BP	124	187	(4%)
24	4	Twitter*	124	187	38%
25	45	Alibaba*	123	186	102%
26	24	Novartis	121	183	116%
27	28	Unilever	118	179	92%
28	21	Siemens	118	179	30%
29	29	Cisco	118	179	54%
30	34	Rio Tinto	111	167	12%
31	27	Johnson & Johnson	108	163	80%
32	30	Coca-Cola	106	160	78%
33	35	BHP Billiton	106	160	(3%)
34	25	IBM	105	159	38%

*Return on cost has been adjusted for when the asset was held directly as a private company.

Trustee's Report (continued)

Strategic Report: Review of Investment Activities

Hedge Funds

As shown in Figure 11, our £2.4 billion investment in hedge funds had a mixed year. Distressed debt funds performed poorly, largely driven by one-off mishaps. Fortunately we had reduced exposure in previous years as we had perceived the credit cycle to be peaking. The performance of our multi-strategy funds was mixed; some seem to have grown their funds under management too much to be able to be nimble as trades became crowded, others continue to deliver steady returns. We are in the process of reshaping this part of our portfolio. Two long-standing managers are being replaced and two new managers have been added. Over three, five and ten years the performance of our multi-strategy funds overall, remains in line with our expectations, especially when adjusted for relatively low levels of volatility.

In contrast, our equity long/short funds, where eight out of ten of our partners have the discipline to be closed for new capital subscriptions, performed well, outperforming weak stock markets by over 9% in the year. They remain well ahead of the stronger stock markets over three, five and ten years. Equity long/short hedge funds now represent almost half of our hedge fund exposure. Our long-term horizon (we have been invested with seven of the ten for over 8 years) and our concentrated portfolio (each position is over \$100 million with an average size of \$188 million) gives us some confidence that we can access the very best partners.

With \$3 trillion now invested in hedge funds, many investors have become discontented with the net returns that they have earned. We share the view that this is an area where it has become increasingly difficult to put new monies to work; we are fortunate to have a powerful historic roster of managers and, as it has been for some years, our exposure here is likely to remain at £2-3 billion.

Figure 11
Hedge fund net returns (%)
Period to 30 September 2015

	Annualised return in US\$ (%)			
	1 year	3 years	5 years	10 years
Distressed debt	(16.3)	(1.1)	1.3	4.1
Multistrategy	0.2	7.1	6.5	5.7
Equity long/short	2.7	10.9	9.5	7.0
Total hedge funds	(0.0)	8.4	7.4	6.3
MSCI AC World	(6.2)	7.5	7.4	5.1

Figure 12
Hedge fund investments by strategy (£)
As at 30 September

	2015 Value £m	2014 Value £m	2013 Value £m	2012 Value £m	2011 Value £m
Distressed debt	173	196	251	255	310
Multi-strategy	952	896	860	802	725
Equity long/short	1,251	1,073	929	1,105	1,073
Others	-	-	-	319	379
Total hedge funds	2,376	2,165	2,040	2,481	2,486

Figure 13
Private equity fund net returns (multiples)
Inception to 30 September 2015

	Drawn (£m)	Realised (£m)	Net Asset Value (£m)	Total Value to Drawn
Buyouts	3,320	3,806	1,115	1.48x
Specialist	1,791	1,776	775	1.42x
Venture	1,465	1,749	1,361	2.12x
Healthcare and Healthcare/Venture	1,207	1,411	430	1.53x
All Funds ≤2009	6,725	8,550	2,132	1.59x
All Funds ≥2010	1,058	192	1,549	1.64x
All Funds Total	7,783	8,742	3,681	1.60x

Trustee's Report (continued)

Strategic Report: Review of Investment Activities

Private Equity

Our £4.8 billion of investments in private equity and multi-asset partnerships (24% of our total portfolio) drove overall portfolio returns in the year, delivering an 18% return (in Sterling). Realisations from our private funds totalled £1.64 billion compared with £760 million of drawdowns. Net cash flows from this part of the portfolio comfortably covered our total charitable and operational expenditure. In our technology and healthcare venture funds alone, realisations of £940 million compared with £350 million of drawdowns. This high level of monetisation allays concerns that returns have been dependent on revaluations.

As shown in Figures 14a and 14b, net excess returns for our illiquid private assets over those earned in public equity markets have been almost 6% a year for our large buyout funds and over 7% a year for our venture funds, over the past ten years. The ability to commit meaningful monies to the best partners remains important and plays to our long-term horizon; we have been invested with 15 of our key 32 partners for over 15 years, although we have formed new relationships in recent years, especially with Specialist Private Equity partners.

Returns in the past three years have accelerated. It is instructive that, as shown in Figure 13, our immature funds, those raised in 2010 and subsequently, whose net Multiple on Invested Capital (MOIC) is 1.64 times, are already performing more strongly than our mature funds, those raised in 2009 and earlier where the MOIC is 1.59 times. Almost half of the money ever drawn from us is still deployed in investee companies; we completed another round of secondary fund sales to reduce interests in mature funds, including our first ever venture fund secondary sale. We remain optimistic that the overall MOIC should improve further.

Figure 14a

Private equity fund net returns (%) Period to 30 September 2015

	Annualised return in US\$ (%)			
	1 year	3 years	5 years	10 years
Large Buyouts	2.9	11.9	11.6	10.8
Mid Buyouts	5.5	12.2	9.6	N/A
Specialist	(1.6)	7.7	8.3	N/A
Venture	39.4	28.5	22.3	12.4
MSCI AC World	(6.2)	7.5	7.4	5.1

Figure 14b

Private equity fund net returns (%) Period to 30 September 2015

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Large Buyouts	10.2	14.3	12.5	12.5
Mid Buyouts	13.0	14.6	10.5	N/A
Specialist	5.3	10.0	9.1	N/A
Venture	49.2	31.3	23.3	14.1
MSCI AC World	0.4	9.8	8.2	6.8

Figure 15

Private equity investment by strategy (£) As at 30 September

	2015 Value £m	2014 Value £m	2013 Value £m	2012 Value £m	2011 Value £m
Buyouts	1,115	1,283	1,226	1,209	1,185
Specialist	775	717	895	1,218	1,028
Venture	1,791	1,683	1,352	1,237	1,211
Direct	535	733	786	585	594
Total	4,216	4,416	4,259	4,249	4,018

Figure 16

Multi-Asset Partnerships (MAPs) As at 30 September 2015

	Annualised Return		2015 Value £m
	£ (%)	US\$ (%)	
MAPs (inception Jan 2013)	8.8	6.1	593

Strategic Report: Review of Investment Activities

Technology venture funds, with a MOIC of 2.12 times, continue to lead the way and now represent almost 40% of our private fund exposure. Our partners have largely realised the most successful investments made in the last phase of technology disruption: US-founded social networking companies (Facebook, Twitter, LinkedIn, Instagram, WhatsApp) and China-based e-commerce companies (Alibaba, JD.com). A number of these are now held in our public equity portfolio. Their next challenge will be to continue to build and then release value in companies in the next stage of disruption, especially in the 'decacorns' (unicorns with a valuation in excess of \$10 billion): the likes of Uber, Xiaomi, Airbnb, Palantir, Snapchat, Didi Kuaidi, Flipkart, Pinterest and Dropbox, where strong demand from investors has allowed valuations to expand and permitted these companies to raise new money while remaining private. As mentioned above, our \$1.1 billion of exposure to 57 unicorns represents a significant valuation discount to valuations implied in their latest fundraising rounds.

In contrast to the strong performance by our venture interests, our Multi-Asset Partnerships (MAPs) in growth markets have faced a challenging year such that, in US Dollars, the annualised overall return has declined from 19.9% to 6.1%. It has been challenging to generate local currency returns in regions, such as the Arab World, Brazil and sub-Saharan Africa whose economies have been beset by weak commodity prices, and this

challenge has been compounded by the weakness of exchange rates. At the most extreme, the Brazilian Real depreciated by 40% against the US Dollar. This is not a unique period in these markets: the MAPs were created as evergreen structures with a very tight investor base in order to create stability and to enable opportunities to be taken in periods, such as the present, of weak confidence. Annualised performance of the MAPs remains 16% a year ahead of growth markets.

Property

We continue to take a non-consensual perspective on our growing interests in property and property-backed assets, the value of which rose to £2.6 billion at the end of 2015, representing a record 13% of the total portfolio:

- 1) Unlike other parts of our portfolio, they are dominated by UK interests so as to maximise our ability to exercise operational control.

- 2) We have no on-going investment of significance in property funds, externally-managed strategies or in standalone commercial, retail or industrial property assets.

- 3) Returns on wholly-owned property assets are unleveraged.

Double-digit returns were again recorded in our directly-owned property in 2014/15 as they have been over three, five and ten years. The small legacy holding in funds continues to disappoint.

The investments are evenly divided between residential and non-residential interests. About 90% of the value of the residential holding of £1.3 billion is represented by market-rented properties in our predominantly prime Central London estate of about 2,300 units to which we are adding incrementally. Our emphasis remains on building the long-term value of our estate.

Figure 17
Property net returns (%)
Period to 30 September 2015

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Non-Residential Property	12.1	19.8	20.4	14.1
Residential Property	11.1	15.5	16.0	14.2
Property Funds	1.7	(0.4)	(1.8)	0.2
Property & infrastructure	11.3	13.4	12.7	9.3

Figure 18
Property investments by strategy (£)
As at 30 September

	2015 Value £m	2014 Value £m	2013 Value £m	2012 Value £m	2011 Value £m
Non-Residential Property	1,214	667	218	191	138
Residential Property	1,272	1,216	1,101	1,091	881
Property Funds	105	128	437	349	388
Total	2,591	2,011	1,756	1,631	1,407

Trustee's Report (continued)

Strategic Report: Review of Investment Activities

The non-residential portfolio of £1.2 billion has four principal components. Two are property-backed subsidiaries. One is Farmcare, an agricultural business, which owns 23,000 acres of farmland, where we have been active in building the business acquired in 2014 from The Co-operative Group. The other is a marina business, Premier Marinas, acquired in 2015, which owns over 5,000 berths on the English South Coast in 8 marinas, where there is also scope for further expansion from its market-leading position through increased capital expenditure.

Our 50% joint venture in the London budget hotel owner and operator, Tune Hotels, continues to expand with current developments which will bring the business close to owning 1,000 rooms.

Across our property interests, we shall seek to drive market leadership, to provide a first class offering in each segment and to achieve economies of scale.

Currency, Regional & Sectoral Overview

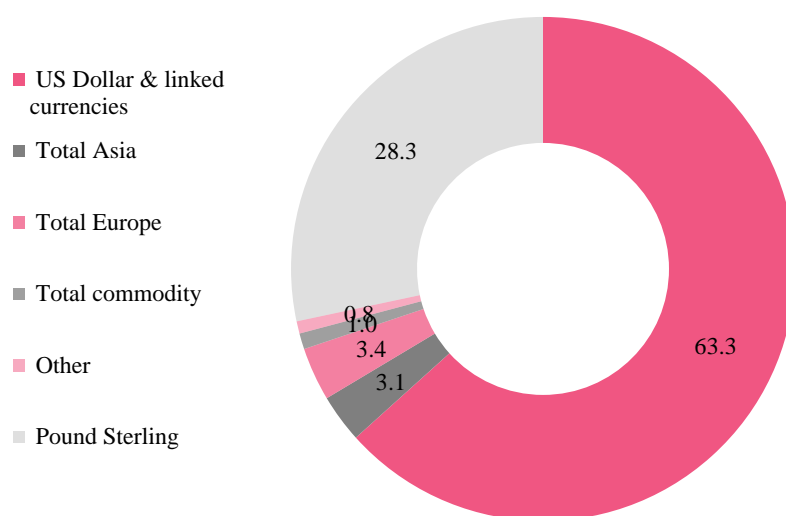
Figures 19-21 reflect a view of our portfolio on a bottom-up basis.

In 2014/15, we consistently hedged out almost the entirety of our exposure to Euro and to Yen generated by underlying assets. In January 2015, we issued our first non-Sterling bond, a €400 million 2027 bond carrying a coupon of 1.125%, which will help to stabilise further any short-term cash flow strains caused by currency volatility. We also repaid £227 million of short-term debt which was consolidated when we acquired our partner's 50% interest in iQ in 2014. We remain committed to our AAA/Aaa (stable) credit rating; any

further bond issuance will be commensurate with this commitment. With the exception of our unhedged Swiss Franc exposure (and exposure to the US Dollar-linked Hong Kong Dollar), we have no exposure equivalent to more than 1% of our portfolio to currencies other than our base currencies of US Dollars (63%) and to Sterling (28%) with a clear preference for the former. The shape of forward Euro and Yen curves means that we are gradually extending the duration of our hedges.

Figure 19

Currency allocation (net of currency forwards) (%)
As of 30 September 2015



Strategic Report: Review of Investment Activities

Analysis, in Figures 20 and 21, of the 72% of the portfolio invested in public and private equity assets on a look-through basis, illustrates a number of inherent biases.

Regionally, the split between the Americas (49%), Europe (28%), Asia/Pacific (19%) and Middle East/Africa (5%) reflects the continued dominance of US companies in sectors such as technology and financials. However, European multi-nationals in sectors such as healthcare, consumer staples and energy play an important role. The third largest sectoral exposure, to Consumer discretionary companies, reflects the importance of the eclectic mix from Marks & Spencer in Europe, through e-commerce companies in China and India to 'sharing economy' companies in the US. Traditional sectors, such as materials, telecoms and utilities, have a low representation and are likely to continue to do so.

Figure 20
Public and Private Equity Regional Exposure (%)
As of 30 September 2015

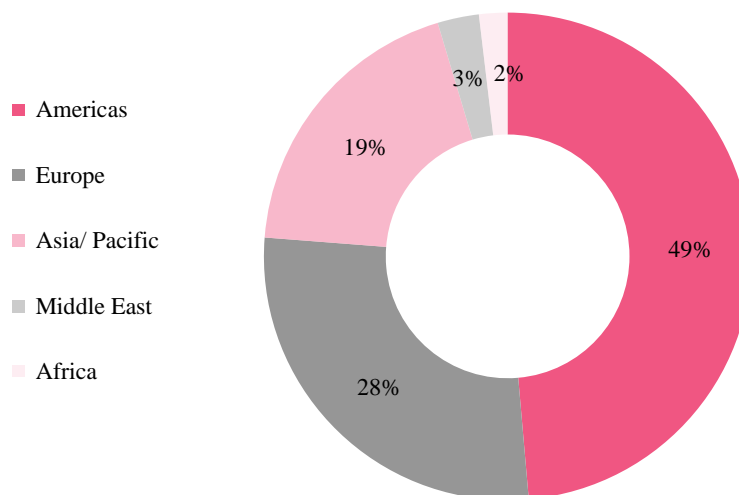
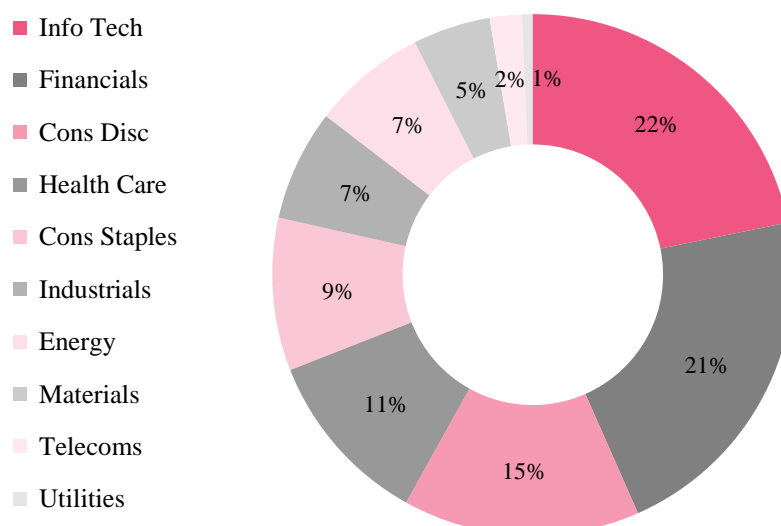


Figure 21
Public and Private Equity Sectoral Exposure (%)
As of 30 September 2015



Trustees Report (continued)

Strategic Report: Review of Investment Activities - Syncona

Syncona is an evergreen investment entity, identifying and developing and financially supporting technologies with the potential to transform the delivery of future healthcare. To date, the Trust has committed £250 million to this activity, of which £61 million has been invested.

The Syncona Group works in partnership with the best people (academics, inventors, entrepreneurs) in the industry, providing them with the commercial capability, resources and capital needed to develop their ideas and products. Syncona believes that innovation takes time to get right, but that ultimately it can deliver the best outcomes for patients and the best returns for investors. An evergreen structure allows it to support its companies over the timeframes required to bring innovative healthcare products to market. Its goal is to create sustainable businesses that will thrive in the healthcare market of the future and, over time, it aims to hold investments in a small number of significant, profitable businesses that have transformed their respective healthcare markets.

Syncona founds and invests in companies with ambition to become standalone global leaders within their sector. To date, Syncona has focussed its activities in three areas - Gene Therapy, Targeted Cell Therapy and Advanced Diagnostics - although it will review technologies and opportunities from all domains.

Syncona has made investments in the following companies:

- Cambridge Epigenetix Limited - a research tools and diagnostic company focused on epigenetics.
- NightstaRx Limited – a gene therapy company focused on retinal dystrophies.
- Blue Earth Diagnostics Limited – a diagnostic company developing FACBC, a PET-imaging agent for the diagnosis of biochemically recurrent prostate cancer.
- 14M Genomics Limited – a cancer genomics company developing a platform of technology from the Wellcome

Trust Sanger Institute for application to mainstream cancer care.

- Autolus Limited – a company focused on developing and commercializing next-generation engineered “CAR” (chimeric antigen receptor) T-cell therapies for cancer.
- Freeline Therapeutics Limited – a company focussed on gene therapy.

These companies, with the exception of Cambridge Epigenetix Limited which is an associate of Syncona, are considered to be subsidiaries. The minority interests are shown in the Consolidated Balance Sheet where appropriate.

Trustee's Report (continued)

Strategic Report: Risk Management

The Trust's risk management policy sets out the Trust's risk management objectives and principles and attitude to risk. This policy also sets out the responsibilities for risk management, including the role of the Board of Governors, the Executive Board and the Audit Committee.

Our Corporate Risk Register contains the key corporate risks owned and managed by the Executive Board and the Board of Governors. It is updated quarterly, after review by the Chief Financial Officer and then by the Executive Board. It also is reviewed by the Board of Governors

periodically and annually by the Audit Committee.

The risk categories are:

- delay or non-delivery of Trust objectives e.g. skill shortages, key partner or supplier failure, delay in delivery of a strategic objective;
- financial loss e.g. impact causes monetary loss;
- investment loss e.g. volatile investment markets, negative real returns;

- reputation and licence to operate e.g. criticism by stakeholders;
- regulatory, legal or tax compliance issues e.g. inquiry by a regulator, potential prosecution; and
- health and safety e.g. injury, fatality.

An Operational Risk Group was created in 2015 to review, consider and make recommendations in respect of risks associated with Wellcome Trust operations.

The specific risks which the Board of Governors considers as the most serious are:

	Nature of risk	Management and oversight of risk
Investment risks	Failure to support the Trust's ability to maintain the real level of charity spend in the future, due to one or more of; catastrophic loss of one or more assets within the portfolio, inadequate liquidity, and lack of protection against the impact of inflation.	The Investment Executive manage this risk by; global diversification across assets and asset classes, to limit the potential for catastrophic loss within the portfolio; diversification of cash flow sources and regular review of forecast cash flows to manage the portfolio's liquidity profile; and regular consideration of inflation protection within the portfolio and a focus on equities and property. The cash flow forecasts consider base and bear case scenarios and the Executive aim to ensure that forecast cash low remains above 2% of the current portfolio value. Strategic review is provided by the Investment Committee and oversight is provided by the Executive Board and the Board of Governors. The separate risks associated with the management of directly-owned, property-backed operational businesses are being managed by the development and appropriate incentivisation of executive teams within these businesses and the evolving governance and oversight by the Board of each company and by the Investment division.

Trustee's Report (continued)

Strategic Report: Risk Management

	Nature of risk	Management and oversight of risk
Policy and research environment	There is a risk that the research funding and regulatory environment does not remain scientifically or financially attractive. The UK government may – in the future – react to a difficult economic environment by reducing funding to the scientific community, although the 2015 Spending Review highlighted support for science spending. There is a risk that a British exit from the European Union would negatively impact upon the environment for UK-based researchers to undertake their work.	Management continues to monitor the environment and has active engagement with UK government departments and opposition parties on science funding and the regulatory framework. The Trust has an on-going dialogue with other relevant charities and universities on these issues. The Executive Board contributes actively to the UK Comprehensive Spending Review.
International initiatives	Failure to achieve the strategic research capacity building aims of the initiatives. Risks potentially arise from the local political, economic or physical environment; from failure of governance or management; and from operational issues.	Management continues to focus on governance structures and leadership development at the initiatives. Security reviews have taken place to enhance preparedness and resilience.

The Trust is risk averse with respect to liquidity risk and to health and safety risk, receptive (taking risk within limits) with respect to investment portfolio risk and certain charitable activities, and bold with respect to other charitable activities.

Whilst not listed in the table above, the Trust is very cognisant of cybercrime risks and continues to invest in security infrastructure and services (intrusion prevention systems, threat assessment systems and external security and risk intelligence services) as well as in training and staff awareness. We recognise that it is important to continue to evolve technology, partnerships and processes in this area and to ensure that cyber threat responses are built into business resilience and disaster recovery plans.

In the 2014 Annual Report, leadership change was listed as one of the risks that were considered to be significant. This risk has now been removed from the Corporate Risk Register, given the successful recruitment of four new Executive Board members following the retirement of two previous Executive Board members. There was also a smooth transition to a new Chair, who has served as a Governor since 2008.

Trustee's Report (continued)

Structure and Governance

The Wellcome Trust is an independent global charitable trust created in 1936 by the will of Sir Henry Wellcome and is now governed by its Constitution, which was established in February 2001 by a scheme of the Charity Commission and has been subsequently amended.

The Trust is a charity registered in England and Wales (registration number 210183) under the Charities Act 2011.

The Wellcome Trust "Group" comprises the Trust and its subsidiary undertakings.

The Trustee and the Board of Governors

The sole Trustee of the Wellcome Trust is The Wellcome Trust Limited (the "Trustee"), a company limited by guarantee (registration number 2711000), whose registered office is Gibbs Building, 215 Euston Road, London NW1 2BE. The Trustee is governed by its memorandum and articles of association. The Trustee's directors (known as Governors), the Company Secretary of the Trustee, the Executive Board and other administrative details are shown on pages 88 to 91.

The members of the Board of Governors are distinguished in the fields of medicine, science, business and policy. The Board considers each of the Governors to be independent in character and judgement and that there are no relationships or circumstances that are likely to affect, or could appear to affect, the Governors' judgement. Governors are appointed for terms of four years, with an extension of three years on mutual agreement, and a further three-year term on mutual agreement in exceptional circumstances. The Trust undertakes a comprehensive induction programme for all new Governors and training is available as required.

The Chair of the Board is Eliza Manningham-Buller, who succeeded William Castell on 1 October 2015.

She was appointed an independent, crossbench peer in the House of Lords in 2008 and now sits on the Science and Technology Committee. She is also President of Chatham House.

The Board sets strategy, decides priorities, maintains a framework for accountability, allocates budgets, makes strategic funding decisions and monitors progress.

During 2014/15, the Board of Governors met seven times, including a two-day residential strategic review meeting, and had one private meeting without the Executive Board members.

The Executive Board

The Executive Board, chaired by the Director of the Trust, reports directly to the Board of Governors. It is responsible for the day-to-day management of the Trust's operations and provides advice to both the Governors and the Director with regard to strategic, planning, operational or policy matters, the delivery of objectives and issues arising from the specific functional areas for which its members are responsible. It provides leadership across the organisation in support of the overall leadership given by the Director and ensures that the vision and strategic objectives of the Trust, which have been agreed with the Governors, are disseminated, and all necessary actions taken to uphold the vision and deliver the objectives.

In June 2015, Stephen Caddick started as Director of Innovations, as successor to Ted Bianco, who left the Trust in September 2015 after 13 years.

Statement of Trustee's responsibilities

The Trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in England and Wales requires the Trustee to prepare financial statements for each

financial year which give a true and fair view of the state of affairs of the Trust and the Group and of the incoming resources and application of resources of the Trust and the Group for that period.

In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice "Accounting Reporting by Charities";
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008. It is also responsible for safeguarding the assets and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustee's Report (continued)

Structure and Governance

Statement of Trustee's responsibilities (continued)

The Trustee has reviewed and considered the work and the recommendations of the Audit Committee as detailed in the Audit Committee Report on page 33 and considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Trust's performance and strategy.

Public benefits statement

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities and setting the grant-making policy for the year.

Statement of disclosure of information to auditors

So far as the Trustee is aware, there is no relevant audit information of which the Trust's auditors are unaware. The Trustee has taken all the steps that it believes it ought to have taken as a Trustee in order to make itself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

Committees of the Board of Governors

The Board of Governors is supported by its principal committees, on which at least one Governor is a member -

- Investment Committee;
- Remuneration Committee;
- Nominations Committee; and
- Audit Committee.

The terms of reference of these key Committees can be found at <http://www.wellcome.ac.uk/About-us/Organisation/Governance/Committee-structure/index.htm>

In its grant-funding and direct charitable activities, the Board of Governors is also supported by a number of decision-making or advisory committees, on which some of the Governors also sit or attend as

observer. The committees assess, review and decide which grant applications to fund and also advise on policy issues in various fields. During the year the Strategic Awards Committee was disbanded and strategic funding decisions are now reserved to the Board of Governors.

Principles of governance

The Trust has adopted a framework to ensure it is well governed taking into account its charitable status, nature of its activities and risk profile having regard to the principles of good governance and best practice such as those set out in the UK Corporate Governance Code and the "Good Governance" code.

Performance

The Board of Governors conducted a review of its performance during the year and revised the matters reserved to the Board.

Internal control

While no system of internal control can provide absolute assurance against material misstatement or loss, the Trust's systems are designed to provide the Board of Governors with reasonable assurance that there are proper procedures in place and that the procedures are operating effectively. The Executive Board reviews key internal operational and financial controls annually and confirms the operating effectiveness of those controls to the Board of Governors, which in turn also reviews key controls.

The key elements of the system of internal control are:

- Delegation: there is a clear organisational structure, with documented lines of authority and responsibility for control and documented procedures for reporting decisions, actions and issues;
- Policies: there is a suite of policies covering all major activities and risk areas. The Trust has adopted a values-based approach to internal policies which places greater

emphasis on personal judgement and responsibility. The Governors and all employees are expected to conduct themselves with integrity, impartiality and be open, fair and unbiased when making decisions on behalf of the Trust and act in its best interests;

- Reporting: the Board of Governors approves and reviews annual budgets and expenditure targets and monitors actual and forecast budgets and investment performance and risk reports on a regular basis;
- Risk management: a risk management policy is in place which states the Trust's approach to risk and documents the process of internal control. The Trust maintains a grants assurance framework to monitor the appropriate use of funds;
- Internal audit: reviews controls and the risk management process within the Trust; and
- Review: the Audit Committee, which comprises at least one Governor and two external members, oversees the outcomes of external and internal audits, reviews the Trust's processes of internal control and risk management, considers its compliance with relevant statutory and finance regulations, and advises the Board of Governors of any relevant matters.

Trustee's Report (continued)

Structure and Governance

Conflicts of interest

The Trust's policy on conflicts of interest, which applies to Governors, employees and committee members, sets out principles for identifying and managing actual and potential conflicts of interest to ensure decisions are free from any undue external influence. Where a potential conflict is identified it will be

managed according to its materiality with actions ranging from not participating at all to being involved in discussions but not voting through to being fully involved where the conflict is immaterial.

Governors who have paid appointments with institutions that are in receipt of grants from the Trust are

detailed in note 8 to the Financial Statements.

Professor Dame Kay Davies, who is a Governor, is a consultant of Summit Therapeutics plc, in which the Trust has a Programme Related Investment.

Trustee's Report (continued)

Remuneration Report

The Board of Governors appoints the Remuneration Committee, chaired by Sir William Castell until 30 September 2015 and subsequently chaired by Baroness Manningham-Buller.

The members are all Governors.

Responsibilities of the Remuneration Committee:

- Approving the reward strategy and policies for the remuneration of staff, including incentive and benefit plans;
- Determining individual remuneration packages and terms and conditions of employment for the members of the Executive Board and other senior staff;
- Exercising any powers of, and approving any decisions required by, the Trust in respect of the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan; and
- Ensuring remuneration practices and policies facilitate the employment and retention of talented people.

Table 1
Elements of remuneration

Element	Principle
Base salary	Salaries are reviewed annually taking account of responsibilities and personal performance. They are benchmarked against the market periodically using appropriate independent consultants.
Benefits	A competitive benefits package is available to all employees including private medical insurance, medical assessments, permanent disability insurance and life insurance.
Bonuses	The investment team have a bonus element included in their remuneration. Other bonuses/recognition awards are awarded only in exceptional cases.
Long-term incentive plan	In order to ensure remuneration of the Investment Division staff remains competitive and to encourage a long-term view, certain employees participate in a long-term incentive scheme. Awards to employees are made annually based on investment returns and individual performance over a measurement period, which generally spans three years.
Pension	The Group sponsors two approved funded defined benefit schemes, the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan. Pensions payable are related to length of service, salary and level of personal contribution.
Governors' remuneration	<p>The Governors are the directors of The Wellcome Trust Limited, the Trustee of the Wellcome Trust. In accordance with the Will of Sir Henry Wellcome, they are entitled to receive remuneration from the Trustee.</p> <p>Under the Constitution of the Trust, the Governors are entitled to receive remuneration from the Trustee at the rate of £57,100 per annum from 1 April 2000, adjusted with effect from 1 April each year by an amount equal to the percentage increase recommended by the Review Body on Senior Salaries in respect of the salary pay bands of the Senior Civil Service. The recommended percentage increase for the 12 months beginning 1 April 2015 was 0.670% (2014: 0.372%). The level of remuneration of the Chair was set by Order of the Charity Commission at 2 times the level of a Governor. Following approval by the Charity Commission of a Scheme in October 2011, the levels of remuneration of Chairs and Deputy Chairs appointed subsequent to this approval can be set by the Board of Governors to up to the levels of 2 times and 1.5 times the level of a Governor respectively.</p>

Trustee's Report (continued)

Remuneration Report

The principles of the remuneration policy

The Trust aims to develop and maintain remuneration strategies and policies in line with the strategy, culture and objectives of the organisation, in order to attract, retain, motivate and effectively reward our people, recognising their contribution to the Trust's overall mission. Key principles are that remuneration is:

Competitive

Salaries are bench-marked periodically using external market data.

Performance linked

Exceptional personal performance, giving due consideration to each role, is taken account of in the annual salary review.

Simple and transparent

The remuneration structure is clear and openly communicated to employees. This supports our aim of engendering fairness and teamwork across the organisation.

Table 2
Governors' Remuneration
Year to 30 September

	2015 £	2014 £
Sir William Castell (Chair)	140,776	140,047
Baroness Manningham-Buller	70,388	70,024
Professor Dame Kay Davies (Deputy Chair)	105,582	105,036
Professor Peter Rigby	70,388	40,790
Mr Alan Brown	70,388	70,024
Professor Tobias Bonhoeffer	70,388	5,846
Mr Damon Buffini	70,388	70,024
Professor Michael Ferguson	70,388	70,024
Professor Bryan Grenfell	70,388	5,846
Professor Richard Hynes	70,388	70,024
Professor Dame Anne Johnson	70,388	70,024
Professor Peter Smith	-	46,639
Total remuneration	879,850	764,348

Expenses in respect of travel, subsistence, telephone and sundries incurred by the Governors in the course of their duties amounted to £160,928 (2014: £176,430), of which £125,956 (2014: £126,219) was paid directly by the Trust and £34,972 (2014: £50,211) was paid by the Governors and directly reimbursed to them. No pension contributions were paid in respect of the Governors.

The Governors were included in the Directors' and Officers' liability insurance in the year to 30 September 2015.

Trustee's Report (continued)

Social Responsibility

Employment and diversity

As a global charitable foundation that works with a variety of people across different countries and cultures, we are committed to inclusion and equality. We recruit on merit and we help our employees to maximise their achievements through personal development. It is important to us all to create a culture that is open and respects others, where differences are valued and celebrated.

Diversity is monitored regularly and a detailed report is reviewed each year by the Executive Board and Board of Governors. At 30 September 2015, female representation stood at 22% of the Executive Board roles and 30% of our Board of Governors. We promote diversity, through internal and external media channels e.g. communities developed internally using intranet groups and we post all external vacancies on recruitment job boards that advertise to minority groups. We have continued to develop our apprentice, intern and graduate programmes to increase generational diversity in our organisation.

Scientific progress thrives on diversity – of people, ideas and approaches. We have a number of initiatives that improve the opportunity for researchers to access our funding based on talent and potential irrespective of age, race, religion, sexual orientation or gender.

We provide excellent facilities in our modern and well-equipped offices. During the year we have developed our intranet and re-worded all of our employment guidance to make it more accessible from any platform connected to the internet. We are committed to employee wellbeing, offering a high-quality staff restaurant, on-site gym and in-house occupational health service, alongside an attractive benefit package for all our employees.

We continue to be inspired by the curiosity of Henry Wellcome and his voracious appetite to expand his own knowledge and expertise. Today we remain true to his spirit, fostering a development culture where people are empowered to develop themselves, where curiosity and creativity are encouraged and difference is valued.

Following the implementation of our principles in November 2014, we have continued to review our organisational development programme to enable our employees to reinforce these in the way that they work.

From October 2015 encouraging diversity in the research environment, within the Trust, among our public audiences and in the organisations in which we invest will form a key part of the Wellcome Trust's strategy.

Health, safety and environment

The Trust underwent a health, safety and environment audit conducted by the British Safety Council in January 2015. We were awarded the 5 star (excellent) rating and British Standard 18001 and International Standard 14001 accreditation.

The Trust continues to progress with objectives aimed at achieving continual improvement, promoting the wellbeing of our employees and having a positive impact on the wider environment.

Key achievements include:

- We have maintained a very low incident rate with zero reportable incidents (as required under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) since 2012.
- Our annual carbon footprint assessment concluded a significant reduction in total tons of carbon (tCO₂e) per full time

employee. We have achieved a 40% reduction over the past five years and we anticipate further reductions in 2016.

- We have achieved an 8% increase in our recycling rate which now stands at 88%. We continue to minimize the use of non-recyclable products within our operational buildings and have reduced the use of packaging and disposables contributing to a significant decrease in waste volume.
- We have received a Camden Business Award for outstanding contribution to environment and sustainability.

We have formed a Wellbeing and Environment group for our employees, ensuring they are actively involved in decision making in relation to relevant initiatives and changes.

The Wellcome Genome Campus conducts its business with the highest level of Environmental Stewardship, recognising that the site location is environmentally sensitive, possessing an area of managed wetland abutting the River Cam. The campus is accredited to the ISO 14001 environmental quality standard. The Campus has an established health and safety management system, based on the HSG65 and BS OHS 18001 Plan, Do, Check, Act strategies.

We continued to monitor the health and safety performance of our wholly owned operating companies and directly owned property portfolio through a schedule of audits. We encourage best practise and review each entity's progress via six monthly reports. Their individual results will be published through their own annual report.

Trustee's Report (continued)

Independent Auditors

The external audit for the financial year ending 30 September 2016 was tendered during 2015. Following the recommendation of the group Audit Committee, the Board of Governors intend to appoint Deloitte LLP.

PricewaterhouseCoopers LLP will resign, with our thanks, as external auditor following the completion of this audit.

The *Annual Report* was approved by The Wellcome Trust Limited, as Trustee, on 14 December 2015 and signed on its behalf by



Baroness Manningham-Buller

Chair

14 December 2015

Audit Committee Report

In my capacity as Chairman of the Audit Committee, I am pleased to present the Audit Committee report for the year ended 30 September 2015. Our work during the year was carried out as laid out in our terms of reference. In addition to the formal Audit Committee meetings and in line with the previous year, we met several times during the year to enhance our understanding of the Trust, to allow for greater consideration of operational processes in place and provide time for horizon-scanning. Topics covered included consideration of the new strategic approach referred to on page 4, the Francis Crick Institute, procurement and taxation. There was also a meeting with the new Director of People and Facilities.

The membership of the Audit Committee is set out on page 88.

Although not members of the Committee, the Chief Financial Officer, the General Counsel, the Head of Financial Accounting, the Head of Risk Management and Performance and the lead audit partners from our external and internal auditors attend each meeting.

The Board of Governors considers that the Committee's members have broad commercial and scientific knowledge and extensive business leadership experience, having held between them various roles in investments, legal, financial management, treasury and medical research. The Board has determined that Alan Brown and Philip Johnson have recent and relevant financial experience in line with the UK Corporate Governance Code.

As well as regular business reviews, reviewing external and internal audit and Risk Management, key areas considered by the Audit Committee during the year were:

- The monitoring of governance of the property-backed operational businesses;
- The structure of the Wellcome Trust Group; and
- The structure of the Wellcome Trust Major Overseas Programmes.

After each Committee meeting, the Chairman of the Committee reports to the Board on the main issues that the Committee discussed.

External audit Appointment

As discussed in the 2014 Annual Report, a formal tender process for the external audit function was carried out during the year. The Audit Committee recommended the appointment of Deloitte LLP.

PricewaterhouseCoopers LLP will resign following completion of this audit.

Scope of work

At the April meeting each year, the Committee discusses with the auditors the scope of their audits and the proposed audit fee and makes recommendations to the Board before the auditors commence. The only significant change to the scope of the 2015 audit as agreed at the April 2015 meeting was the additional work resulting from the acquisition of the Premier Marinas Group (Premier Marinas).

At the September and December meetings respectively, it reviews the results of the interim and final audit work and considers the formal reports of the auditors and reports the results of those reviews to the Board.

Independence

The Audit Committee seeks to ensure the continued independence and objectivity of the Trust's external auditors.

In order to meet regulatory or business requirements, the external auditors may be employed for certain non-audit services. To safeguard the independence and objectivity of the external auditors, the Committee has determined policies, based on the Financial Reporting Council guidance, as to the approval process related to non-audit services. At both the April and the December meeting each year, the Committee reviews the auditors' report about independence of its staff, its policies for maintaining staff independence and monitoring compliance with relevant requirements and its safeguards in relation to the provision of non-audit services.

Financial reporting

At the December meeting each year, the Committee reviews the Trust and Consolidated Annual Report and Financial Statements and related announcements for statutory and regulatory compliance. It reviews any adjusted and unadjusted items identified by the external auditors during the course of their audit and satisfies itself that any adjustments are made as appropriate. The Committee is satisfied that all such items have been appropriately addressed this year. The Committee also reviews the rigour of the analysis supporting the use of the going concern assumption including the key principles of the Reserves and Expenditure policies as detailed in the Financial Review on page 6. It also reviews the integrity of the disclosures in the Financial Statements and it considers the minutes of the Valuation Group meetings. It reports its views to the Board to assist in its approval of such documents.

Audit Committee Report

The main areas of risk considered at the December 2015 meeting were the valuation of investments in private equity, real estate, hedge funds and derivatives. The valuation of the classes of investment listed above involves a level of complexity and judgement and the results of the detailed work of the Valuation Group were considered alongside the work of the external auditors. The Committee concurred with the Valuation Group's determination of fair values.

Other key issues discussed in 2015 were the acquisition of Premier Marinas, the inclusion of the investment operating subsidiaries into the consolidated financial statements and the implementation of the new grants system.

On the basis of the work done, the Audit Committee recommended to the Board of Governors that the Annual Report taken as a whole is fair, balanced and understandable. In justifying this statement, the Audit Committee has considered the robust process in place which includes the following:

- Clear guidance is given to all contributors;
- Revisions to regulatory requirements are monitored on an ongoing basis and are discussed at the Audit Committee meetings during the year;
- Finance staff meet with the auditors throughout the year to discuss developments within the

business and any impact on the financial reporting; and

- A thorough process of review, evaluation and verification is undertaken by senior management and finance staff.

Internal audit

Appointment

Deloitte were appointed as Internal Auditors in 2005. During the year, senior management and the Audit Committee agreed that the Engagement Letter with Deloitte which expired at the end of September 2015 should not be renewed in view of the decision to appoint them as external auditors. The internal audit plan for 2015/16 was endorsed by the Audit Committee during the September Audit Committee meeting. An in-house internal audit function is being established with use being made of external expertise as appropriate.

Scope of work

At each meeting, the Committee reviews internal audit activities, including plans and performance, and the relationship with the external auditors. It also reviews the report from the internal auditors on the steps taken by management to follow up the outstanding actions resulting from the audit work. It assesses the effectiveness of the internal audit function regularly. The 2015 internal audit plan covered a range of areas across the Trust based on risk and key functions including the Investment Controls Assurance framework, Business Continuity Planning/Disaster

Recovery, two of the Major Overseas Programmes as well as a review of the Investment operating subsidiaries.

Risk management

At each meeting, the Committee monitors and reviews risk management processes and the standards of risk management and internal control, including the processes and procedures for ensuring that material business risks are properly identified and managed. The Committee has monitored the areas listed on pages 24 and 25, which are reviewed and considered by the Head of Investment Risk and Performance alongside senior management.

Effectiveness

The performance of the Committee is reviewed on a regular basis with input from the Committee members and key executives. The results of the last review in November 2015 showed that the Committee continues to be effective in terms of both behaviours and processes.



Alan Brown

Chairman of the Audit Committee
14 December 2015

Independent Auditors' Report

To the Trustee of the Wellcome Trust

Report on the financial statements

Our opinion

In our opinion, Wellcome Trust's financial statements (the 'financial statements'):

- Give a true and fair view of the state of the Group's and the Trust's affairs as at 30 September 2015, and of the Group's and the Trust's incoming resources and application of resources and the Group's cash flows, for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

What we have audited

Wellcome Trust's financial statements comprise:

- The Consolidated and the Trust Balance Sheet as at 30 September 2015;
- The Consolidated and the Trust Statement of Financial Activities for the year then ended;
- The Consolidated Cash Flow Statement for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview



- Overall Group materiality: £106 million which represents 0.5% of total assets.

- We split our audit of the group into four components: Farmcare; iQ; Premier Marinas and the core business.
- Our audit was focused on the largest of these components, the core business, as this accounts for more than 90% of the total assets of the Group.
- We instructed other auditors to carry out full scope audit over iQ, and specified procedures over income, expenses and significant inputs to valuation of investment properties in Farmcare and Premier Marinas.

- Valuation of private equity funds, property funds, hedge funds, unquoted direct investments, investment properties and derivatives.
- Valuation of assets and liabilities in relation to the Premier Marinas acquisition.
- Unrealised gains and losses on funds, unquoted investments, investment properties and derivatives.

Independent Auditors' Report (continued)

To the Trustee of the Wellcome Trust

Report on the financial statements (continued)

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management has made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<i>Valuation of private equity funds, property funds, hedge funds, unquoted direct investments, investment properties and derivatives</i>	We assessed the valuation methodology adopted by management and considered whether it was in accordance with the accounting policies of the Trust, accounting standards and industry practice. We assessed the controls applied by management and tested these where we placed reliance on them. We also examined the key assumptions and judgements and tested the key inputs into the valuations. Our procedures for each asset class included:
<i>Refer to page 33 (Audit Committee Report), page 47 (Accounting Policies) and note 17 to the financial statements.</i>	<ul style="list-style-type: none">• Investments in private equity funds, property funds and hedge funds: We confirmed the value of a sample of investments to statements from the external fund managers, detailing the latest audited value, amended for subsequent calls and distributions. We examined the controls and procedures performed by the management during the year, including reviewing minutes of the calls/meetings held with the external fund managers to monitor these investments. We also examined management's review of the audited financial statements of the funds. Our review and re-performance of these procedures did not identify any material discrepancies. We also performed back-testing over a sample of investments by comparing the opening values against the latest audited figures reported. We reached the view that these investments are fairly valued.• Unquoted direct investments: for a sample of investments, we obtained and examined the documents and evidence used by management to value these investments, such as financial reports of investee companies, acquisition documents and market data. We found these values to be reasonable and explainable.• Investment properties:<ul style="list-style-type: none">– We read the valuation reports for a sample of properties and determined that the valuation approach for each was in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards and suitable for use in determining the carrying value for the purpose of the financial statements.– We assessed the valuers' qualifications and expertise and read their terms of engagement with the Trust to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We also considered fee arrangements between the valuers and other engagements which might exist between the Group and the valuers. The valuers have significant experience in the sectors in which the Trust has invested (agricultural, commercial and residential) and they performed their work in accordance with the RICS Professional Standards. We found no evidence to suggest that the objectivity of the valuers was compromised in their performance of the valuations.– We inspected legal documents for additions and disposals, tested the related cash flows by agreeing them to bank statements and checked

Independent Auditors' Report (continued)

To the Trustee of the Wellcome Trust

Area of focus	How our audit addressed the area of focus
Unquoted direct investments (£492 million (2014: £664 million)) are mainly held at a value determined by a lead co-investor. Due to the inherent subjectivity caused by lack of publicly available valuation inputs, we deem these investments to be an area of focus for us.	<p>ownership through the inspection of title deeds. We found no exceptions as a result of these procedures.</p> <ul style="list-style-type: none">– We discussed the valuation reports with the external valuers. We tested the inputs and assumptions used in the valuations process, for example the yields used, and discussed the assumptions and valuation movements with the valuers. We concluded that the assumptions and inputs used in the valuations were supportable in light of available and comparable market evidence.
The valuation of £2.4 billion (2014: £2.1 billion) of investment properties is inherently subjective due to, among other factors, the individual nature of each property, location and expected future rentals. The valuations have been carried out by third-party valuers, CB Richard Ellis, Jones Lang LaSalle, Gerald Eve and Brown & Co, who have been engaged by the Trust.	<ul style="list-style-type: none">• Derivatives: We re-priced a sample of derivatives using valuation models or external prices for exchange traded derivatives. Based on these procedures, we concluded that the valuation of derivatives is reasonable.
Finally, we consider valuation of derivatives (£31 million net liability position, 2014: £154 million net asset position) to be an area of focus for our audit work mainly due to the complexity of inputs and models required to assess the exposure and the valuation at each reporting date.	

Independent Auditors' Report (continued)

To the Trustee of the Wellcome Trust

Report on the financial statements (continued)

Area of focus	How our audit addressed the area of focus
<p><i>Valuation of assets and liabilities in relation to the Premier Marinas acquisition.</i></p> <p><i>Refer to page 33 (Audit Committee Report), page 47 (Accounting Policies) and note 23 of the financial statements.</i></p> <p>In May the Trust acquired 100% of Premier Marinas Group ('Premier Marinas'), the UK's largest owner and operator of coastal marinas.</p> <p>This entity is being consolidated for the first time and the assets and liabilities acquired are required to be recognised at fair value. Determining the fair value of the assets and liabilities acquired involves subjective judgements and hence was an area of focus for us.</p> <p>This resulted in recognition of £28.1 million goodwill in the Trust's consolidated balance sheet at acquisition. Investment property made up the majority of assets and liabilities acquired (£198.9 million). We therefore focussed on this when looking at the fair values at acquisition.</p>	<p>We understood the nature of the transaction and assessed the proposed accounting treatment in relation to the Trust's accounting policies and relevant accounting standards.</p> <p>We reviewed the legal documents in connection with this purchase and confirmed the associated cash flows. We agreed the assets and liabilities acquired to underlying completion accounts.</p> <p>We assessed the fair value of the assets and liabilities and evaluated the associated goodwill.</p> <p>We reviewed the pre-acquisition valuation report on Premier Marinas prepared by Jones Lang LaSalle ('JLL') and discussed the key assumptions with the valuer. In addition, we analysed the values and methodology used by JLL against the valuation carried out by Knight Frank, as part of Premier Marinas' year end reporting process at 31 March 2015.</p> <p>As both the valuation prepared for the acquisition and the year end valuation at 30 September 2015 have been performed by JLL, we carefully assessed the valuer's independence and objectivity, by examining their terms of engagement with the Trust as well as obtaining a confirmation of the nature of work performed directly from JLL. We deemed JLL to be sufficiently independent and objective to rely on their year end valuation work.</p> <p>We also verified that the terms in the acquisition agreements were appropriately considered and reflected within the Group's financial statements.</p> <p>Based on these tests, we deemed that the fair values of the assets, liabilities and resulting goodwill have been appropriately calculated and disclosed in the financial statements.</p>
<p><i>Unrealised gains/losses on funds, unquoted direct investments, investment properties and derivatives</i></p> <p><i>Refer to page 33 (Audit Committee Report), page 47 (Accounting Policies) and note 17 of the financial statements.</i></p> <p>The unrealised gains and losses on investments, which are recognised in the Statement of Financial Activities are a particular area of focus as they are driven by the valuation of investments, which in certain cases and most notably around investments in private equity funds, property funds, hedge funds, unquoted direct investments, investment properties and derivatives, will rely on subjective judgements by management.</p>	<p>We tested the reconciliations between the investment systems used by the Group and its general ledger. As part of our procedures, we substantively tested subscriptions and redemptions of investments into hedge funds, capital calls and distributions in relation to private equity and property funds and transactions in derivatives to contract notes/trade certificates. This gave us comfort over the cost of assets recorded in the system.</p> <p>Furthermore, in order to gain comfort over the unrealised gains recorded, we tested the year end valuation of investments as described above and checked the calculation of unrealised gains recognised during the year. We found no material misstatements as a result of our work.</p>

Independent Auditors' Report (continued)

To the Trustee of the Wellcome Trust

How we tailored the audit scope

When determining the scope of our audit we considered the internal organisation of the Group and sought to determine a scope of audit work that optimised the coverage of risks, balances and transactions. Following the purchase of Premier Marinas, Wellcome Trust consists of four components for the year end audit, compared to the three components in the previous year.

In establishing our overall approach to the Group audit, we considered the significance of these components to the financial statements. We also separately considered the overall coverage of our procedures across the Group, as well as the risk associated with less significant components.

We determined the type of work that needed to be performed for each component by us, as the Group engagement team, or component auditors operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The components in the Group vary significantly in size, the largest being the core business of Wellcome Trust, excluding Farmcare, iQ and Premier Marinas, which we defined as separate components. In our view this component required the Group engagement team to perform an audit of its complete financial information, due to its size and risk characteristics. Here we applied professional judgement to determine the extent of testing required over each balance. In addition, we considered the financial control environment at the Trust, including around the payment and administration of grants as well as the management of investments to help us to tailor our audit to focus on items in the financial statements with a higher risk of being materially misstated. This component accounted for more than 90% of the total assets of the Group.

For iQ, we instructed non-PwC component auditors to perform a full scope audit. For Farmcare and Premier Marinas we instructed non-PwC component auditors to perform specified procedures over certain balances, which were either found to be significant during our scoping exercise or as per agreement with the Audit Committee, including income, expenses and significant inputs to valuation of properties. This gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<i>Overall Group materiality</i>	£106 million (2014: £98 million)
<i>How we determined it</i>	0.5% of total assets
<i>Rationale for benchmark applied</i>	We have applied this benchmark, a generally accepted auditing practice, as it is deemed the most appropriate for an asset based organisation.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2 million (2014: £2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

As noted in the Trustee's Report, set out on page 6, the Trustee has concluded that it is appropriate to prepare the Group's and Trust's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Trust have adequate resources to remain in operation, and that the Trustee intends them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Trustee's use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee of the Group's and the Trust's ability to continue as a going concern.

Independent Auditors' Report (continued)

To the Trustee of the Wellcome Trust

Other required reporting

Consistency of other information

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

Information in the Annual Report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Trust acquired in the course of performing our audit; or
- Otherwise misleading.

We have no exceptions to report arising from this responsibility.

Charities Act 2011 reporting

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustee's Report is inconsistent in any material respect with the financial statements.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Sufficient accounting records have not been kept by the parent charity; or
- The parent charity financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Matters on which we have agreed to report by exception

Corporate Governance Statement

On page 26 of the Annual Report, the Trustee states that it considers the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Trust's performance and strategy. On page 34 the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under the terms of our engagement, we agreed to report to you if, in our opinion:

- The statement given by the Trustee on page 26, that they consider the Annual Report taken as a whole to be fair, balanced and understandable is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.
- The section of the Annual Report on page 34 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Independent Auditors' Report (continued)

To the Trustee of the Wellcome Trust

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 26, the Trustee is responsible for the preparation of the Group and Trust financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Trust financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Charity's Trustee as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of the Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

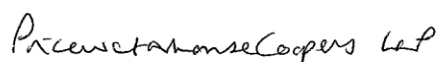
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the Group's and Trust's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the Trustee; and
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

14 December 2015

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

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

Consolidated Statement of Financial Activities

for the year ended 30 September 2015

	Note	2015 £m	2014 £m
Incoming resources			
Investment income			
Dividends and interest	2	245.3	238.7
Rental income	3	95.6	60.1
Other income	4	47.8	10.3
		388.7	309.1
Other incoming resources			
Grants receivable	5(a)	17.9	16.0
Other charitable income	5(b)	32.1	12.9
Total incoming resources		438.7	338.0
Resources expended			
Costs of generating funds			
Management fees and other investment costs	6	172.2	89.0
Interest payable on bond liability		57.7	45.4
Interest payable on variable rate debt		8.5	5.0
Charitable activities	7	951.9	727.7
Governance costs	11	3.0	2.7
Total resources expended before taxation		1,193.3	869.8
Taxation	14	(16.4)	-
Net outgoing resources before net gains on investments		(771.0)	(531.8)
Net realised and unrealised gains on investments	17(e)	979.8	2,280.2
Actuarial losses on defined benefit pension schemes	12(d)(i)	(43.1)	(52.7)
Net movement in funds		165.7	1,695.7
Fund at start of year		16,736.9	15,041.2
Minority interest		4.7	-
Fund at end of year		16,907.3	16,736.9

There are no gains or losses apart from those recognised above. All income is derived from continuing activities. All material funds are unrestricted.

There is no material difference between the net outgoing resources before other recognised gains and losses and the net movement in funds for the financial year stated above and their historical cost equivalents.

Consolidated Balance Sheet

As at 30 September 2015

	Note	2015 £m	2014 £m
Tangible fixed assets	15(a)	461.1	440.7
Intangible fixed assets	16	43.2	1.0
Investment assets			
Quoted investments	17(a)	9,399.0	9,207.1
Unquoted investments	17(a)	7,476.1	7,454.9
Investment properties	17(a)	2,392.6	2,071.2
Derivative financial instruments	17(b)	159.8	186.9
Investment cash and certificates of deposit	17(c)	875.1	705.4
Other investment assets	17(c)	325.7	282.8
Programme related investments	17(d)	3.5	-
		20,631.8	19,908.3
Current assets			
Stock	18	13.8	14.0
Debtors	19	51.7	30.3
Cash at bank and in hand		59.8	53.1
		125.3	97.4
Creditors falling due within one year	20	(1,230.0)	(855.0)
Net current liabilities		(1,104.7)	(757.6)
Total assets less current liabilities		20,031.4	19,592.4
Creditors falling due after one year	20	(2,859.7)	(2,651.9)
Provision for liabilities and charges	21	(36.3)	(33.5)
Minority interest		(10.1)	(0.4)
Net assets representing unrestricted funds excluding pension deficit		17,125.3	16,906.6
Defined benefit pension schemes' deficit	12(d)(ii)	(218.0)	(169.7)
Net assets representing unrestricted funds including pension deficit		16,907.3	16,736.9

The financial statements on pages 42 to 87 were approved by The Wellcome Trust Limited, as Trustee, on 14 December 2015 and signed on its behalf by:

Elizabeth Manningham-Buller

Baroness Manningham-Buller
Chair

Kay E. Davies

Professor Dame Kay Davies
Deputy Chair

Statement of Financial Activities of the Trust
for the year ended 30 September 2015

	Note	2015 £m	2014 £m
Incoming resources			
Investment income			
Dividends and interest	2	270.0	371.2
Rental income	3	38.0	35.8
		308.0	407.0
Other incoming resources			
Grants receivable	5(a)	1.3	-
Other charitable income	5(b)	85.6	178.7
Total incoming resources		394.9	585.7
Resources expended			
Costs of generating funds			
Management fees and other investment costs	6	73.4	59.7
Interest payable to group undertakings		29.1	6.3
Interest payable on bond liability		18.6	30.1
Charitable activities	7	947.3	712.2
Governance costs	11	2.6	2.4
Total resources expended		1,071.0	810.7
Net outgoing resources before net gains on investments		(676.1)	(225.0)
Net realised and unrealised gains on investments	17(e)	871.7	1,967.1
Actuarial losses on defined benefit pension scheme	12(d)(i)	(24.6)	(28.8)
Net movement in fund		171.0	1,713.3
Fund at start of year		16,672.4	14,959.1
Fund at end of year		16,843.4	16,672.4

There are no gains or losses apart from those recognised above. All income is derived from continuing activities.
All material funds are unrestricted.

There is no material difference between the net outgoing resources before other recognised gains and losses and the net movement in funds for the financial year stated above and their historical cost equivalents.

Balance Sheet of the Trust
As at 30 September 2015

	Note	2015 £m	2014 £m
Tangible fixed assets	15(b)	247.3	256.0
Investment assets			
Quoted investments	17(a)	8,885.2	8,681.7
Unquoted investments	17(a)	7,036.2	7,017.2
Investment properties	17(a)	1,304.9	1,262.6
Derivative financial instruments	17(b)	159.8	185.9
Investment cash and certificates of deposit	17(c)	862.1	697.4
Other investment assets	17(c)	286.0	227.9
Subsidiary and other undertakings		1,780.4	1,937.0
Programme related investments	17(d)	3.5	-
		20,318.1	20,009.7
Current assets			
Debtors	19	260.6	180.5
Cash at bank and in hand		7.6	4.9
		268.2	185.4
Creditors falling due within one year	20	(1,809.7)	(2,059.4)
Net current liabilities		(1,541.5)	(1,874.0)
Total assets less current liabilities		19,023.9	18,391.7
Creditors falling due after one year	20	(2,028.4)	(1,596.6)
Provision for liabilities and charges	21	(36.3)	(33.5)
Net assets representing unrestricted funds excluding pension deficit		16,959.2	16,761.6
Defined benefit pension scheme deficit	12(d)(ii)	(115.8)	(89.2)
Net assets representing unrestricted funds including pension deficit		16,843.4	16,672.4

The financial statements on pages 42 to 87 were approved by The Wellcome Trust Limited, as Trustee, on 14 December 2015 and signed on its behalf by:

Elizabeth Manningham-Buller

Baroness Manningham-Buller
Chair

Kay E. Davies

Professor Dame Kay Davies
Deputy Chair

Consolidated Cash Flow Statement

for the year ended 30 September 2015

	Note	2015 £m	2014 £m
Net cash outflow from operating activities	25(a)	(807.2)	(718.3)
Returns on investments and servicing of finance			
Investment income received	25(b)	397.6	310.9
Cash outflow for servicing of finance	25(c)	(298.7)	(43.2)
Net cash inflow from returns on investments and servicing of finance		98.9	267.7
Financial investment and capital expenditure			
Proceeds from sales of investment assets	25(d)	5,520.4	4,616.0
Purchase of investment assets	25(d)	(4,909.3)	(4,173.6)
Net cash inflow upon settlement of derivative financial instruments	25(d)	221.0	139.5
Purchase of tangible fixed assets		(49.0)	(37.6)
Net cash inflow for financial investment and capital expenditure		783.1	544.3
Acquisitions			
Purchase of subsidiary undertakings		(218.9)	(347.2)
Acquisition expenses		(1.0)	(1.6)
Cash at bank acquired with subsidiaries	23	3.5	18.4
Net cash outflow from acquisition of subsidiaries		(216.4)	(330.4)
Net cash outflow before use of liquid resources and financing		(141.6)	(236.7)
Management of liquid resources			
Increase in investment cash and certificates of deposit		(169.7)	(108.5)
Exchange gains/(losses)		17.1	(8.5)
Net cash outflow from management of liquid resources		(152.6)	(117.0)
Financing			
Issue of corporate bonds		300.9	395.1
Net cash inflow from financing		300.9	395.1
Increase in net cash		6.7	41.4

Notes to the Financial Statements for the year ended 30 September 2015

1. Accounting policies

Basis of preparation and accounting convention

The Financial Statements of the Wellcome Trust (the “Trust”) and the consolidated Financial Statements of the Trust and its subsidiary undertakings (the “Group”) have been prepared on a going concern basis and in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice). In particular, they comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice ‘Accounting and Reporting by Charities’ published in 2005 and updated in 2008 (the “SORP”) in all material respects.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investments and on a basis consistent with prior years.

Basis of consolidation

The consolidated financial statements include the financial statements of the Trust and all its subsidiary undertakings. The subsidiaries have been consolidated on a line by line basis in accordance with Financial Reporting Standards (“FRS”) 2 “Accounting for subsidiary undertakings”. Subsidiary undertakings are entities over which the Trust has control. The financial statements of subsidiaries are included from the date that control commences until the date that it ceases.

The Trust consolidates four types of subsidiary undertakings:

- (i) charitable subsidiary undertakings formed to pursue charitable objects closely allied to those of the Trust;
- (ii) non-charitable operating subsidiary undertakings to conduct non-primary purpose trading;
- (iii) non-charitable investment subsidiary undertakings formed to hold investments and freehold property on behalf of the Trust; and
- (iv) a non-charitable financing subsidiary undertaking formed to issue listed debt to finance Group activities.

Further detail on the Trust’s significant subsidiary undertakings is provided in note 24.

The Trust applies the exemption contained in FRS 9 “Associates, joint ventures and joint undertakings” and where joint ventures and associates are held as part of the investment portfolio, they are included within investment assets at fair value.

Accounting policies

Accounting policies have been reviewed in accordance with FRS 18 “Accounting Policies”.

Incoming resources

Dividends including any recoverable tax are recognised from the ex-dividend date when they become receivable. Rental income and interest income are recognised on an accruals basis. Other investment income is recognised when the significant risks and rewards of ownership of the goods have been transferred and the income can be reliably estimated. Charitable incoming resources are recognised in the period in which the Trust and the Group are entitled to receipt, any conditions are met and where the amount can be quantified with reasonable certainty.

Resources expended

All resources expended are recognised on an accruals basis, with the exception of grants as noted below.

The costs of generating funds relate to the management of the investment portfolio and include the allocation of the Trust’s support cost relating to this activity.

Grants awarded to institutions outside the Group are recognised as expenditure in the year in which the grant is formally approved by the Trust and has been communicated in writing to the recipient, except to the extent that it is subject to conditions that enable the Trust to revoke the award. Grants awarded to Group companies are recognised as and when the expenditure to which they relate is incurred, in accordance with the terms of the grant.

Charitable expenditure is analysed between grant funding and the cost of activities performed directly by the Trust and the Group together with the associated support cost. Where possible, expenditure incurred that relates to more than one activity is apportioned. The method of apportionment uses the most appropriate basis for each cost type.

Governance costs include the costs of governance arrangements that relate to the general running of the Group as opposed to those costs associated with investments or charitable activities. These costs include such items as internal and external audit, legal advice for Governors and costs associated with constitutional and statutory requirements.

Research expenditure is written off in the Statement of Financial Activities in the year in which it is incurred.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

1. Accounting policies (continued)

Fund accounting

All the funds of the Group are unrestricted funds with the exception of certain grants receivable that are not considered material to the Financial Statements of the Trust and the Group.

Tangible fixed assets

Tangible fixed assets, excluding land, held by the Group and the Trust are stated at cost less accumulated depreciation. Land is stated at cost. They are subject to review for impairment when there is an indication of a reduction in their carrying value. They are reviewed annually and any impairment is recognised in the year in which it occurs.

Depreciation is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life. Depreciation commences from the date an asset is brought into service. No depreciation is charged on assets in the course of construction.

The useful lives for depreciation purposes for the principal categories of assets are:

	Years
Buildings	50
Leasehold Land and Buildings	10 to 30
Other Plant and Equipment. Fixtures, fittings and fittings	3 to 15
Computer Equipment	3 to 5
Farming Assets	3 to 10

Heritage assets

The Trustee does not consider that reliable cost or valuation information can be obtained for the vast majority of heritage assets held by the Trust. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The cost of valuing the entire collection would be onerous compared with the benefit derived by users of the Financial Statements in assessing the Trustee's stewardship of the assets. The Trust does not therefore recognise these assets on the Balance Sheet, other than significant acquisitions acquired after 1 October 2005 which are reported at cost where the asset is purchased or at the curator's best estimate of current value where the object is donated.

Leased assets

Where assets are financed by leasing agreements that give rights to the lessee approximating to ownership, the assets are treated as if they had been purchased outright by the lessee. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Interest is charged over the duration of the lease in proportion to the balance outstanding. Depreciation on the relevant assets and interest on the lease are charged to the Statement of Financial Activities.

The annual rentals for operating leases are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Intangible assets

Goodwill

When a business combination occurs, the fair values of the identifiable assets and liabilities assumed, including intangible assets, are recognised. The determination of the fair values of acquired assets and liabilities is based on management's judgement. Where the goodwill arising on acquisition is recognised, this is amortised over management's estimate of its estimated useful life. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognised as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognised in the Statement of Financial Activities within net realised and unrealised gains and losses in the year of acquisition.

Intellectual Property

Intellectual property includes amounts spent by the Group acquiring rights to patents, technology and know-how that will be used to generate value within the Group.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

1. Accounting policies (continued)

Investment assets

Investment valuation policies and procedures are reviewed by the Valuation Group which is responsible for valuation decisions.

(i) Quoted investments

Quoted investments comprise publicly quoted, listed securities including shares, bonds and units. Quoted investments are stated at fair value at the balance sheet date. The basis of fair value for quoted investments is equivalent to the market value, using the bid-price. Asset sales and purchases are recognised at the date of trade.

(ii) Unquoted investments

Unquoted investments are valued at management's best estimate of fair value. The principal unquoted valuations are performed as follows:

Unquoted hedge funds

Unquoted hedge funds are valued by reference to the fair value of their underlying securities. These valuations are provided by the third party hedge fund administrators.

Private equity funds and property funds

The vast majority of private equity and property fund investments are held through funds managed by private equity and property groups. No readily identifiable market price is available for these unquoted funds. These funds are included at the most recent valuations from their respective managers. In addition, some early stage investments will be held at cost where the managers have yet to provide a valuation.

The majority of valuations are at the balance sheet date. In a very limited number of cases where information is not available as at 30 September, the most recent valuations from the manager are adjusted for cash flows and foreign exchange movements between the most recent valuation and the balance sheet date. In the unlikely event that a valuation is unavailable, the investment will be held at cost less impairment.

Direct investments

Unquoted direct investments are held at the valuation determined by management, with valuations, when provided by a third party investment manager, as a key input subject to appropriate review by management.

Earn-outs

These are valued at fair value by calculating a probability-weighted average of all possible future cash flows taking in to account specific risks and then calculating the present value at an appropriate discount rate. The probability weightings will reflect Trust management's assessment of the implicit/explicit probability weightings put forward by co-invest partners. If no co-invest partners' models are available, the Investment Division will develop a model that will take into account the risk associated with the cash flows in the probability ratings used. The Valuation Group may mandate the use of an external valuer where it considers this to be appropriate. The discount rate applied is a risk-free rate appropriate to the currency and maturity of the expected earn-out plus an adjustment for systematic risk.

(iii) Investment properties

Investment properties are valued at open market value, which is usually equivalent to fair value. The valuations are estimated by third party professional valuers; however, where properties are acquired close to the balance sheet date, valuations are not obtained because the acquired properties are recorded at open market value upon initial recognition, which management considers to be a reasonable estimate of open market value at the balance sheet date. Property transactions are recognised on the date of completion.

(iv) Derivative financial instruments

Derivative financial instruments are used as part of the Group's portfolio risk management and as part of the Group's portfolio management and investment return seeking strategy. The Group's use of derivative financial instruments includes equity index-linked futures and options, commodities futures and options, options on individual equities, warrants, interest rate swaps, interest rate caps and currency forwards.

The Group's exchange traded options are stated at fair value, equivalent to the market value, using the bid price, on the relevant exchange. Long-term linked currency forwards are stated at management's estimate of fair value, using the market value of a transaction with equivalent cash flows.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

1. Accounting policies (continued)

Investment assets (continued)

(iv) Derivative financial instruments (continued)

The Group's warrants are held at the fair value determined by management. These will generally reflect the valuations used by the Group's co-invest partners where these exist and where there is confidence in their approach. Valuations will generally be intrinsic value, as the best estimate of fair value, but for material warrant holdings the use of a Black-Scholes valuation methodology will be used by management.

The fair value of contract positions is recognised in the Balance Sheet and gains and losses on the contracts are recognised in the Statement of Financial Activities.

(v) Programme related investments

Programme related investments are made directly in pursuit of the Trust's charitable aims and although they may generate a financial return, the primary motivation is to further the objects of the charity. They are held at cost less any impairment.

(vi) Investment cash and certificates of deposit, other investment assets and other investment liabilities

Investment cash and certificates of deposit, and debtors and creditors arising as part of the investment portfolio are stated at their fair value.

(vii) Investments in subsidiaries

Subsidiary undertakings formed to hold investments are included in the Trust's Balance Sheet at their net asset value, which represents the fair value of their underlying net assets. Investments in all other subsidiary undertakings are held at cost less any impairment.

Stock

Stock consists of raw materials, consumables and goods for sale and is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stock.

Bond liabilities

Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition, the Bonds are measured at amortised cost using the effective interest rate method. The fair value of the Bonds disclosed within the notes to the Financial Statements is the market value of the Bonds at the year end date. The Group is not required to, and therefore does not, recognise any adjustment to fair value in the Balance Sheet and the Statement of Financial Activities.

Variable rate liabilities

The variable rate liabilities are measured at cost including capitalised arrangement fees and any unpaid accrued interest.

Securities lending programme

The Group undertakes securities lending arrangements whereby securities are loaned to external counterparties for a set period of time ("the loan period"). The Group receives cash collateral of greater value than the securities loaned from each counterparty for the duration of the loan period and receives a share of the interest earned on the cash collateral held. Under the terms of the securities lending agreements, the Group retains substantially all the risks and rewards of ownership of the loaned securities, and the contractual rights to any cash flows relating to the securities. The loaned securities are not derecognised on the Group's and Trust's Balance Sheets. The cash collateral and the obligation to return the cash collateral to the lender are recognised in the Group's and Trust's Balance Sheets.

Provisions

Provisions are recognised when the Group and the Trust have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are discounted to present value where the effect is material.

Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rate ruling at the balance sheet date. All foreign exchange gains and losses, realised and unrealised, are recognised in the Statement of Financial Activities.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

1. Accounting policies (continued)

Taxation

Irrecoverable Value Added Tax is included in the Statement of Financial Activities within the expenditure to which it relates.

Retirement benefits

The Trust and its subsidiary undertaking Genome Research Limited each operate a defined benefit pension scheme with benefits based on final pensionable pay. The assets of the schemes are held in funds separate from those of the Group and administered by their own trustees.

The schemes' liabilities are measured at discounted present value and the schemes' equity assets are stated at bid price. Any deficit identified is recognised as a liability on the Balance Sheet. Any surplus is recognised as an asset, though only to the extent that it can be used to reduce future contributions to the scheme. The operating and financing costs of such schemes are charged to Resources Expended in the Statement of Financial Activities based on the activity to which the staff relate.

The operating cost represents both the current and past service costs and is allocated over the service lives of employees. The net financing costs are recognised in the period in which they arise. The costs of individual events such as past service benefit enhancements, settlements, curtailments, and variations from expected costs, arising from the experience of the schemes or changes in actuarial assumptions resulting in actuarial gains and losses are recognised in the Statement of Financial Activities in the period in which they arise.

2. Dividends and interest

	Group		Trust	
	2015	2014	2015	2014
	£m	£m	£m	£m
Dividends from UK equities	78.1	62.9	78.1	62.9
Dividends and interest from subsidiaries	-	-	34.5	141.8
Dividends from overseas equities	141.9	129.2	133.0	120.4
Interest from securities	0.9	1.2	0.9	1.2
Income from unquoted investments	22.3	43.7	22.3	43.7
Interest on cash and cash deposits	0.2	0.4	0.1	0.4
Securities lending income	1.9	1.3	1.1	0.8
	245.3	238.7	270.0	371.2

Dividends and interest from subsidiaries included investment sales proceeds from Wellcome Trust Residential 1 and Wellcome Trust Residential 2 of £18.2 million (2014: £141.8 million), upon realisation of a proportion of their investments in 2013.

3. Rental income

All rental income is derived from investment properties in the United Kingdom. In 2015, this includes a full year of rental from iQ Unit Trust, which was acquired in 2014, and includes Premier Marinas acquired in May 2015.

4. Other Income

Other income represents income from the sale of farm produce earned by the Group's subsidiary, Farmcare Trading Limited.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

5. Other incoming resources

(a) Grants receivable

Grants receivable mainly represents awards to the Trust's subsidiary undertaking Genome Research Limited by other funders, notably the European Union, the US National Institutes of Health and the UK Medical Research Council. These are subject to specific conditions imposed by the donors and, therefore, are restricted in their use.

	Group		Trust	
	2015	2014	2015	2014
	£m	£m	£m	£m
	17.9	16.0	1.3	-

(b) Other charitable income

	Group		Trust	
	2015	2014	2015	2014
	£m	£m	£m	£m
	32.1	12.9	85.6	178.7

Included in other income is a claim for research and development expenditure credits ("RDEC") for the period from 1 October 2012 to 31 July 2015 made by the Trust's subsidiary undertaking, Genome Research Limited. The amount of RDEC claimed in the figure above is £14.5 million (2014: £nil) on which a corporation tax charge of £3.2 million is payable as disclosed in note 14.

Included in other income above for the Trust are Gift Aid donations, which are equal to the estimated taxable profit of each subsidiary undertaking listed below, totalling £79.0 million (2014: £174.6 million).

	2015	2014
	£m	£m
Wellcome Trust Trading Limited	-	0.1
Wellcome Trust Finance plc	2.5	3.7
Wellcome Trust Investments 1 Unlimited	0.9	-
Wellcome Trust Investments 2 Unlimited	57.0	134.3
Wellcome Trust Investments 3 Unlimited	3.1	25.1
Wellcome Trust Residential 1 Limited	5.4	7.2
Wellcome Trust Residential 2 Limited	7.6	4.2
Premier Marinas Group	2.5	-
	79.0	174.6

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

6. Management fees and other investment costs

	Group		Trust	
	2015	2014	2015	2014
	£m	£m	£m	£m
External investment management fees	51.0	45.0	47.3	39.5
Internal investment administration				
Trust and investment subsidiaries	19.9	15.5	21.1	15.2
Operating investment subsidiaries	48.2	18.7	-	-
Investment operating costs	48.1	4.8	-	-
Investment support cost allocation	5.0	5.0	5.0	5.0
	172.2	89.0	73.4	59.7

The amount accrued for Long Term Incentive Plans included in the internal investments administration costs above was £9.0 million (2014: £6.2 million).

The number of employees in Investments whose emoluments (as defined in note 12(c)) were greater than £100,000 was: 12 (2014: 12) between £100,000 and £199,999; 6 (2014: 4) between £200,000 and £399,999; and 3 (2014: 2) over £400,000.

In 2012, the Trust set up Syncona as an independent investment subsidiary company focused on the health and biotechnology sectors (see page 23). It is managed separately to the rest of the Trust's investment portfolio and its costs are included in administration costs of the Trust and investment subsidiaries above.

The Trust owns three operating investment subsidiaries that were acquired as part of the investment portfolio: Farmcare Limited and iQ Unit Trust acquired in 2014 and Premier Marinas acquired in 2015 (see note 23). The increase in internal investment administration and operating costs over the prior year has arisen due to the acquisition of Premier Marinas as well as the recognition of a full year of costs for both Farmcare Limited and iQ Unit Trust. The investment operating costs above are the cost of sales of these subsidiaries. The fair value of these three subsidiaries is included in the figures shown in the Review of Investment Activities (see page 12). Each subsidiary has its own management team who manages the operations of the business independently from the Trust.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

7. Charitable activities

Group

	Grant funding £m	Direct £m	Allocated support £m	Total 2015 £m	Total 2014 £m
Science	561.9	31.7	19.9	613.5	453.1
Culture & Society	39.9	28.0	18.3	86.2	75.6
Innovations	56.1	22.7	7.7	86.5	74.9
Strategy	15.2	5.1	10.3	30.6	-
Wellcome Genome Campus	-	125.8	9.3	135.1	124.1
	673.1	213.3	65.5	951.9	727.7

Grant funding and direct charitable activities totalled £886.4 million (2014: £674.3million).

Trust

	Grant funding £m	Direct £m	Allocated support £m	Total 2015 £m	Total 2014 £m
Science	561.9	31.7	19.9	613.5	453.1
Culture & Society	39.9	27.2	18.3	85.4	75.3
Innovations	56.1	22.7	7.7	86.5	74.9
Strategy	15.2	5.1	10.3	30.6	-
Wellcome Genome Campus	128.4	2.9	-	131.3	108.9
	801.5	89.6	56.2	947.3	712.2

Grant funding and direct charitable activities totalled £891.1 million (2014: £664.3 million).

Notes to the Financial Statements for the year ended 30 September 2015 (continued)

8. Grants awarded

Grants are generally awarded to a particular individual, although the actual award is made to the host institution. Small grants may be awarded directly to individuals for the purpose of travel and for public engagement with science. The grants awarded to the University of Oxford in 2015 included the renewal of two of the Major Overseas Programmes of £63 million.

Grants awarded during the year are analysed by organisation in the table below. The grants included within Grants to other organisations for 2015 totalled less than £5.0 million (2014: £4.0 million) in value for each organisation.

Group	Science £m	Culture & Society £m	Innovations £m	Strategy £m	Total 2015 £m	Total 2014 £m
University of Oxford	156.1	2.1	2.7	0.7	161.6	82.9
University of Cambridge	56.3	1.5	1.4	0.2	59.4	61.0
University College London	40.4	1.4	5.9	-	47.7	34.8
University of Edinburgh	34.8	1.3	1.9	-	38.0	35.9
Imperial College London	29.0	0.5	1.8	-	31.3	18.4
The Francis Crick Institute	20.6	-	-	-	20.6	-
London School of Hygiene & Tropical Medicine	14.2	1.8	-	0.7	16.7	5.7
King's College London	11.1	0.4	1.5	0.1	13.1	25.6
University of Manchester	10.9	1.6	0.1	-	12.6	7.3
University of Bristol	10.5	0.2	-	0.3	11.0	13.6
Stevenage Bioscience Catalyst	-	-	11.0	-	11.0	-
University of Dundee	8.0	-	1.8	-	9.8	14.3
Newcastle University	9.4	0.1	0.1	-	9.6	6.9
University of Glasgow	9.2	0.1	-	-	9.3	21.2
University of Kwazulu Natal, South Africa	8.5	-	-	-	8.5	3.7
Queen Mary, University of London	4.0	2.4	2.0	-	8.4	3.2
Kenya Medical Research Institute, Kenya	8.2	-	-	-	8.2	-
Novartis Institute for Tropical Diseases, Singapore	-	-	7.5	-	7.5	1.7
Diamond Light Source Ltd	7.1	-	-	-	7.1	5.3
University of Liverpool	6.7	0.1	0.3	-	7.1	4.8
Academy of Medical Sciences	6.0	1.0	-	-	7.0	0.1
Wellcome Trust/DBT India Alliance, India	6.4	-	-	-	6.4	-
Makerere University, Uganda	6.0	-	-	-	6.0	1.0
University of Bamako, Mali	5.5	-	-	-	5.5	-
Universite Cheikh Anta Diop de Dakar, Senegal	5.4	-	-	-	5.4	-
Centre Suisse De Recherches Scientifiques, Ivory Coast	5.4	-	-	-	5.4	1.4
African Population & Health Research Centre, Kenya	5.4	-	-	-	5.4	0.6
Cardiff University	4.9	0.3	0.2	-	5.4	10.4
World Health Organisation, Switzerland	5.2	-	-	-	5.2	-
Grants to other organisations	75.7	25.7	19.9	13.5	134.8	141.0
Total grants (excluding supplementations and grants no longer required)	570.9	40.5	58.1	15.5	685.0	500.8
Grant supplementations	4.8	-	-	-	4.8	3.6
Less: grants awarded in previous years no longer required	(13.8)	(0.6)	(2.0)	(0.3)	(16.7)	(16.7)
	561.9	39.9	56.1	15.2	673.1	487.7

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

8. Grants awarded (continued)

	Science £m	Culture & Society £m	Innovations £m	Strategy £m	Total 2015 £m	Total 2014 £m
Grants awarded by the Group of which:	561.9	39.9	56.1	15.2	673.1	487.7
United Kingdom	478.2	38.1	34.0	11.2	561.5	436.6
Directly funded international	83.7	1.8	22.1	4.0	111.6	51.1
Grants awarded by the Group	561.9	39.9	56.1	15.2	673.1	487.7

Trust	Science £m	Culture & Society £m	Innovations £m	Strategy £m	Wellcome Genome Campus £m	Total 2015 £m	Total 2014 £m
Grants awarded by the Group	561.9	39.9	56.1	15.2	-	673.1	487.7
Plus: grants awarded to subsidiary undertakings	-	-	-	-	128.4	128.4	105.5
Grants awarded by the Trust	561.9	39.9	56.1	15.2	128.4	801.5	593.2

Further details of grants awarded by the Trust are published on the Trust's website, at the address given on the back cover.

The following Governors during the year had appointments with organisations which were in receipt of grants:

Professor Dame Kay Davies - University of Oxford
Professor Richard Hynes - Massachusetts Institute of Technology
Professor Dame Anne Johnson - University College London
Baroness Manningham-Buller - Imperial College London
Professor Peter Rigby - The Institute of Cancer Research, Babraham Institute
Professor Michael Ferguson - University of Dundee

9. Grants awarded but not yet paid

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Liability at 1 October	1,688.7	1,654.1	1,688.7	1,652.2
Grants awarded during the year	673.1	487.7	801.5	593.2
Grants paid during the year	(477.1)	(453.1)	(605.5)	(556.7)
Liability as at 30 September	1,884.7	1,688.7	1,884.7	1,688.7
Of which:				
- falling due within one year (note 20)	541.3	488.1	541.3	488.1
- falling due after one year (note 20)	1,343.4	1,200.6	1,343.4	1,200.6
Liability as at 30 September	1,884.7	1,688.7	1,884.7	1,688.7

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

10. Support costs

Support costs are those costs that, while necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity. Support costs have been apportioned using the allocation methods indicated.

Operations comprises building costs, costs associated with the Human Resources Department, the Finance Department, the Legal Department and the Information Technology Department.

Group	Costs of generating funds £m	Science £m	Culture & Society £m	Innovations £m	Strategy £m	Wellcome Trust Genome Campus £m	Total 2015 £m	Total 2014 £m	Allocation method
Funding administration	-	9.6	1.7	3.9	6.8	-	22.0	17.9	Directly attributed
Support of scientific research	-	-	-	-	-	9.3	9.3	5.5	Directly attributed Headcount / building usage
Operations	4.8	8.3	16.4	3.5	3.4	-	36.4	32.4	
Other	0.2	2.0	0.2	0.3	0.1	-	2.8	2.6	Expenditure
	5.0	19.9	18.3	7.7	10.3	9.3	70.5	58.4	

Trust	Costs of generating funds £m	Science £m	Culture & Society £m	Innovations £m	Strategy £m	Wellcome Trust Genome Campus £m	Total 2015 £m	Total 2014 £m	Allocation method
Funding administration	-	9.6	1.7	3.9	6.8	-	22.0	17.9	Directly attributed Headcount / building usage
Operations	4.8	8.3	16.4	3.5	3.4	-	36.4	32.4	
Other	0.2	2.0	0.2	0.3	0.1	-	2.8	2.6	Expenditure
	5.0	19.9	18.3	7.7	10.3	-	61.2	52.9	

11. Governance costs

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Trustee's fees and expenses	1.0	0.8	1.0	0.8
Auditors' remuneration				
- parent company and consolidation	0.2	0.2	0.2	0.2
- audits of subsidiary undertakings	0.2	0.2	-	-
- audits of subsidiary undertakings - (non-group auditors)	0.2	0.1	-	-
Internal audit	0.6	0.5	0.6	0.5
Other costs	0.8	0.9	0.8	0.9
	3.0	2.7	2.6	2.4

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

11. Governance costs (continued)

In addition to the auditors' remuneration above, in 2015 total fees of £0.2 million (2014: £0.5 million) excluding VAT were payable to the Group's auditors PricewaterhouseCoopers LLP or associated firms.

	Group	
	2015 £m	2014 £1m
Taxation compliance	0.1	0.1
Bond issue	0.1	0.1
Operation of international initiatives	-	0.1
Due diligence on acquisitions	-	0.2
	0.2	0.5

In addition, there were fees payable to PricewaterhouseCoopers LLP in respect of the audit of the Wellcome Trust Pension Plan of £13,100 (2014: £12,900), excluding VAT, which were borne by the Plan and fees payable to PricewaterhouseCoopers LLP in respect of the audit of the Genome Research Limited Pension Plan of £6,700 (2014: £6,800), excluding VAT, which were borne by Genome Research Limited. The internal audit services were provided by Deloitte LLP.

12. Employee information

(a) Staff costs

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Emoluments including benefits in kind	95.1	78.7	45.4	39.4
Social Security costs	8.3	6.3	4.5	3.3
Pension costs and other benefits	25.0	17.2	12.6	8.6
	128.4	102.2	62.5	51.3

(b) Average numbers of employees who served during the year

	Average	
	2015	2014
Trust	621	595
Subsidiary undertakings	1,436	1,138
Total for the Group	2,057	1,733
Analysed by		
Investments	41	39
Non-charitable subsidiaries	450	182
Direct activities	1,002	1,066
Support	563	445
Governance	1	1
Total for the Group	2,057	1,733
Analysed by		
Investments	41	39
Direct activities	176	167
Support	403	388
Governance	1	1
Total for the Trust	621	595

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

12. Employee information (continued)

(c) Emoluments of employees

The number of employees of the Trust and its subsidiary undertakings whose emoluments (salaries, benefits in kind, bonuses and compensation for loss of office, but excluding pension contributions and amounts accrued under the Long Term Incentive Plans, (see note 6)) fell within the following bands were:

Group	2015	2014
£60,000-£69,999	67	47
£70,000-£79,999	35	24
£80,000-£89,999	30	26
£90,000-£99,999	19	16
£100,000-£109,999	16	10
£110,000-£119,999	12	4
£120,000-£129,999	6	5
£130,000-£139,999	10	2
£140,000-£149,999	10	4
£150,000-£159,999	5	2
£160,000-£169,999	1	1
£170,000-£179,999	1	2
£180,000-£189,999	3	2
£190,000-£199,999	3	5
£200,000-£209,999	1	1
£220,000-£229,999	3	3
£230,000-£239,999	1	-
£250,000-£259,999	2	1
£260,000-£269,999	1	-
£270,000-£279,999	1	1
£280,000-£289,999	3	-
£290,000-£299,999	2	-
£370,000-£379,999	-	1
£390,000-£399,999	-	1
£400,000-£409,999	1	-
£430,000-£439,999	-	1
£480,000-£489,999	1	-
£490,000-£499,999	1	-
£620,000-£629,999	-	1
£700,000-£709,999	1	-

The remuneration of the Director included in the table above totalled £405,604 (2014: £393,808).

Further information in respect of employees' and Governors' remuneration is included within the Remuneration Report on pages 29 and 30. The table of Governors' remuneration on page 30 forms part of the audited Financial Statements.

Notes to the Financial Statements for the year ended 30 September 2015 (continued)

12. Employee information (continued)

(d) Retirement benefits

The Group sponsors two approved funded defined benefit schemes, the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan.

The FRS 17 “Retirement benefits” actuarial valuation of the Wellcome Trust and Genome Research Limited Pension Plans at 30 September 2015 showed a combined deficit of £218.0 million (2014: £169.7 million). This deficit represents the difference between an assessment of the liabilities of the pension funds and the current value of their underlying assets. The amount of the deficit is subject to considerable variability because it depends on a valuation of assets at the year end date and a range of actuarial assumptions including interest and inflation rates, which change annually.

The contributions made by the employer over the financial year into the Wellcome Trust Pension Plan were £8.7 million (2014: £7.9 million). Contributions made by the employer into the Genome Research Limited Pension Plan were £8.4 million (2014: £8.2 million).

During the financial year, Genome Research Limited paid £3.1 million of deficit funding identified at the last actuarial valuation. In December 2015, the Trust committed to pay additional lump sum contributions of £6.7 million to the Wellcome Trust Pension Plan and £1.9 million to the Genome Research Limited Pension Plan in order to fund the pension deficits identified from annual actuarial valuation updates.

The assets of the schemes are stated at bid price. The liabilities and the provision for other retirement benefits have been calculated using the following actuarial assumptions:

	2015	2014	2013
	% per annum	% per annum	% per annum
Inflation	3.40%	3.50%	3.50%
Salary increases	4.15%	4.25%	4.25%
Rate of discount	3.85%	4.05%	4.55%
Allowance for pension in payment increase of RPI or 5% p.a. if less	3.30%	3.40%	3.40%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.40%	3.50%	3.50%
Allowance for commutation of pension for cash at retirement	90% of Post A-Day	90% of Post A-Day	90% of Post A-Day
Rate of increase of healthcare costs	6.00%	6.00%	6.00%

The mortality assumptions adopted at 30 September imply the following life expectancies in years:

	2015	2014
Male retiring at age 60 in 2015	28.0	27.9
Female retiring at age 60 in 2015	29.1	29.0
Male retiring at age 60 in 2035	29.3	29.4
Female retiring at age 60 in 2035	30.7	30.6

The mortality assumptions used in the valuation of the defined benefit pension liabilities of both schemes and the provision for other retirement benefits are based on the base mortality table of S2 PMA_L together with an allowance for mortality improvement in line with CMI 2014 projections and a 1.00% per annum minimum long-term rate of improvement.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

12. Employee information (continued)

(d) Retirement benefits (continued)

(i) Charge to the Statement of Financial Activities - Pension and other retirement benefits

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Current service cost	23.1	17.3	12.1	8.8
	23.1	17.3	12.1	8.8
Other finance (income)/expense				
Expected return on pension schemes' assets	(17.9)	(16.4)	(10.6)	(10.1)
Interest on pension schemes' liabilities	18.0	16.1	10.5	9.6
	0.1	(0.3)	(0.1)	(0.5)
Actuarial losses	43.1	52.7	24.6	28.8
Total charge to the Statement of Financial Activities	66.3	69.7	36.6	37.1

(ii) Present values of pension schemes' liabilities, fair value of assets and deficit

	Assets		Liabilities		Deficit	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Wellcome Trust Pension Plan	146.7	149.2	(262.5)	(238.4)	(115.8)	(89.2)
Genome Research Limited Pension Plan	103.3	99.6	(205.5)	(180.1)	(102.2)	(80.5)
Total pension schemes	250.0	248.8	(468.0)	(418.5)	(218.0)	(169.7)

(iii) Reconciliation of opening and closing balances of the present value of the pension schemes' liabilities as at 30 September

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Schemes' liabilities at start of year	418.5	333.8	238.4	195.4
Current service cost	22.8	16.5	11.4	8.0
Interest cost	17.3	15.5	9.8	9.0
Contributions by schemes' participants	0.9	1.4	0.1	0.7
Actuarial losses	12.3	55.3	5.9	28.4
Benefits paid and death-in-service insurance premiums	(3.8)	(4.0)	(3.1)	(3.1)
Schemes' liabilities at end of year	468.0	418.5	262.5	238.4

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

12. Employee information (continued)

(d) Retirement benefits (continued)

(iii) Reconciliation of opening and closing balances of the present value of the pension schemes' liabilities as at 30 September (continued)

Analysis of the sensitivity to the principal assumptions of the value of the schemes' liabilities.

Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by 12.6%
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by 7.1%
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by 2.4%
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by 2.3%
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by 1.6%

(iv) Reconciliation of opening and closing balances of the fair value of the schemes' assets as at 30 September

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Fair value of scheme assets at start of year	248.8	216.1	149.2	133.8
Expected return on scheme assets	17.9	16.4	10.6	10.1
Actuarial (losses)/gains	(30.9)	2.8	(18.8)	(0.2)
Contributions by the Group	17.1	16.1	8.7	7.9
Contributions by scheme participants	0.9	1.4	0.1	0.7
Benefits paid and death-in-service insurance premiums	(3.8)	(4.0)	(3.1)	(3.1)
Fair value of scheme assets at end of year	250.0	248.8	146.7	149.2

The actual return on the schemes' assets for the year ended 30 September 2015 was a loss of £13.0 million (2014: gain of £19.2 million).

These figures are for the pension schemes and exclude the other retirement benefits which are included in table 12(d)(i) above.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

12. Employee information (continued)

(d) Retirement benefits (continued)

(v) Split of assets and expected returns

	2015		2014		2013	
	£m	Expected return (%)	£m	Expected return (%)	£m	Expected return (%)
Wellcome Trust Pension Plan						
Equity	146.2	6.4%	148.8	7.0%	133.5	7.4%
Other	0.5	0.5%	0.4	0.5%	0.3	0.5%
Total assets	146.7	6.4%	149.2	7.0%	133.8	7.4%
Genome Research Limited Pension Plan						
Equity	102.7	6.4%	99.2	7.0%	81.8	7.4%
Other	0.6	0.5%	0.4	0.5%	0.5	0.5%
Total assets	103.3	6.4%	99.6	7.0%	82.3	7.4%

The long-term expected rate of return on other assets is determined by reference to bank base rates at the balance sheet dates. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for the equity risk premium. The pension scheme accounting assumptions for 2016 will be prepared under FRS 102 where there is no explicit expected return on assets assumption as the appropriate discount rate will be used.

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

(vi) Amounts for the current and previous four years as at 30 September

Group	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of schemes' assets	250.0	248.8	216.1	176.0	142.3
Present value of schemes' liabilities	(468.0)	(418.5)	(333.8)	(274.4)	(239.4)
Deficit in schemes	(218.0)	(169.7)	(117.7)	(98.4)	(97.1)
Experience adjustment on schemes' assets	(30.9)	2.8	16.6	12.8	(24.2)
Experience adjustment on schemes' liabilities	1.5	(2.6)	(0.1)	(1.0)	4.6
Effects of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(13.8)	(52.7)	(34.5)	(10.2)	38.0
Trust	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Fair value of scheme's assets	146.7	149.2	133.8	112.0	92.4
Present value of scheme's liabilities	(262.5)	(238.4)	(195.4)	(169.3)	(149.0)
Deficit in scheme	(115.8)	(89.2)	(61.6)	(57.3)	(56.6)
Experience adjustment on scheme's assets	(18.8)	(0.2)	10.6	7.8	(14.4)
Experience adjustment on scheme's liabilities	1.0	(0.7)	(0.1)	(0.5)	4.9
Effects of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(6.9)	(27.7)	(16.5)	(7.1)	19.9

Notes to the Financial Statements for the year ended 30 September 2015 (continued)

(vii) Estimate of contributions to be paid to scheme

The best estimate of contributions to be paid by the employer to the Wellcome Trust scheme for the period beginning after 30 September 2015, excluding the additional lump sum contributions detailed on page 64 is £5.7 million. The best estimate of contributions to be paid by the employer to the Genome Research Limited scheme for the period beginning after 30 September 2015, excluding the additional lump sum contributions detailed on page 64 but including the shortfall in funding identified in the valuations of 31 December 2012 is £8.4 million.

13. Remuneration of Governors and related party transactions

Information on Governors' remuneration is included in the Remuneration Report on pages 29 to 30. Details of the Governors who had appointments during the year with organisations which were in receipt of grants are disclosed in note 8.

Other related party transactions

The Francis Crick Institute Limited

The programme related investment loans are unsecured, interest free and have no repayment date. They have been provided to finance The Francis Crick Institute Limited's activities (note 17(d)). Grants awarded during the year are shown in note 8.

UKCMRI Construction Limited

The Francis Crick Institute Limited is the controlling party and immediate parent of UKCMRI Construction Limited. The Group incurred costs of £0.3 million (2014: £0.3 million) on behalf of UKCMRI Construction Limited, which it has recharged including the cost of secondment staff and rental charges. An area of the Wellcome Trust premises at 215 Euston Road is currently made available to UKCMRI Construction Limited at below market rent. The amount due from UKCMRI Construction Limited at the year end was £0.1 million (2014: £0.4 million).

14. Taxation

A tax charge of £3.2 million (2014: £nil) has arisen on a claim for research and development tax credits as detailed in note 5(b).

A tax charge arising within the subsidiary undertaking, Gower Place Investments Limited, is considered unlikely to crystallise as a result of the Company's intention to gift aid to Wellcome Trust the profit that gives rise to the charge. However, on the basis that this is contingent upon future events, a tax liability of £13.2 million (2014: £nil) has been disclosed on the face of the Statement of Financial Activities to reflect the position as at the year end.

The estimated cost of irrecoverable Value Added Tax suffered by the Group in the year was £14.1 million (2014: £17.9 million). The Trust claims exemption from income and capital gains taxes.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

15. Tangible fixed assets

(a) Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Finance leased buildings £m	Finance leased plant and equipment £m	Other plant, equipment, fixtures and fittings £m	Assets in course of construction £m	Farming assets £m	Total £m
Cost as at 1 October 2014	387.6	1.5	20.8	64.0	186.6	13.1	15.5	689.1
Additions	-	-	-	-	13.3	33.0	2.7	49.0
Transfers	38.7	-	-	-	1.5	(40.2)	-	-
Disposals	-	-	-	-	(3.9)	-	(3.3)	(7.2)
Cost as at 30 September 2015	426.3	1.5	20.8	64.0	197.5	5.9	14.9	730.9
Accumulated depreciation as at 1 October 2014	83.5	1.5	4.0	30.3	128.8	-	0.3	248.4
Charge for the year	6.8	-	0.4	3.1	13.9	-	2.4	26.6
Disposals	-	-	-	-	(3.7)	-	(1.5)	(5.2)
Accumulated depreciation as at 30 September 2015	90.3	1.5	4.4	33.4	139.0	-	1.2	269.8
Net Book Value as at 30 September 2015	336.0	-	16.4	30.6	58.5	5.9	13.7	461.1
Net Book Value as at 30 September 2014	304.1	-	16.8	33.7	57.8	13.1	15.2	440.7

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

15. Tangible fixed assets (continued)

(b) Trust

	Freehold land and buildings £m	Long leasehold land and buildings £m	Finance leased buildings £m	Finance leased plant and equipment £m	Other plant, equipment, fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost as at 1 October 2014	212.9	1.5	20.8	64.0	64.0	1.3	364.5
Additions	-	-	-	-	1.8	-	1.8
Transfers	-	-	-	-	1.3	(1.3)	-
Disposals	-	-	-	-	(0.5)	-	(0.5)
Cost as at 30 September 2015	212.9	1.5	20.8	64.0	66.6	-	365.8
Accumulated depreciation as at 1 October 2014	44.2	1.5	4.0	30.3	28.5	-	108.5
Charge for the year	3.3	-	0.4	3.1	3.4	-	10.2
Disposals	-	-	-	-	(0.2)	-	(0.2)
Accumulated depreciation as at 30 September 2015	47.5	1.5	4.4	33.4	31.7	-	118.5
Net Book Value as at 30 September 2015	165.4	-	16.4	30.6	34.9	-	247.3
Net Book Value as at 30 September 2014	168.7	-	16.8	33.7	35.5	1.3	256.0

Heritage assets

No assets have been capitalised in the current financial year and the Trust did not capitalise any assets in previous years.

Nature of the assets

The Trust has several collections of heritage assets comprising substantial collections of books, artefacts of scientific and historical interest and other museum pieces held in support of one of the Trust's main objectives of advancing and promoting knowledge and education. The vast majority of the collection is held at the premises in Euston Road but there are also off-site storage facilities situated in Cheshire with state-of-the-art technology and security.

Policy for acquisition

Materials selected for acquisition must be representative of the history of medicine or closely allied subjects; must be of demonstrable research value; must normally be in a reasonable state of completeness and in good condition; must not pose a health and safety risk or serious conservation threat to other items in the collection; and should not require significant additional resources for conservation and/or storage.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

15. Tangible fixed assets (continued)

Heritage assets (continued)

Preservation and conservation

The Trust adheres to the principles for the preservation and conservation of the library materials of the National Preservation Office (NPO) and International Federation of Library Associations (IFLA). The Trust continually develops repository and management systems for digital materials and monitors the digital environment for risk factors such as software or hardware obsolescence and the impact of new technologies. The Trust is committed to providing high quality storage for all its collections and aims to comply with the appropriate British Standards.

Disposal

The vast majority of materials in the library collections are retained in perpetuity. However, materials will normally be removed from the collections if they are duplicated (unless they are of particular monetary value or significant provenance), superseded, no longer relevant, have deteriorated beyond repair and have no historic value or they are considered to be a health risk. Certain items are sometimes donated to peer institutions.

Security and insurance

In order to assure security and safety of the collections, various procedures are in place including: registration of users; request of proof of identity prior to access; explanation of handling of materials; video surveillance; limits to amounts of closed access material in reading room; checking of returned material and security tagging; material risk assessments for fire, flood and theft; compliance with appropriate British Standards; fire precaution, fire detection and extinguishing systems; flood warning and egress of water systems; intruder alarms; locking up and opening procedures; monitoring of storage areas; maintenance checklist; and procedures for evacuation of premises. As part of the Trust's Business Continuity Plan, the Library has a disaster and salvage plan in place. The Library also has a contract with Harwell which provides support for the majority of the disaster and salvage issues that may arise. The Library materials are insured against damage or loss due to fire, flood, or terrorist activity at named locations, unnamed locations and while in transit. The collections are not insured for full replacement value as it is not possible to quantify this and the nature of the items held means that they are often irreplaceable.

16. Intangible fixed assets

Group

	Intellectual Property £m	Goodwill £m	Total £m
Cost as at 1 October 2014	1.0	-	1.0
Additions	15.3	28.1	43.4
Cost as at 30 September 2015	16.3	28.1	44.4
Accumulated amortisation as at 1 October 2014	-	-	-
Charge for the year	0.7	0.5	1.2
Accumulated amortisation as at 30 September 2015	0.7	0.5	1.2
Net Book Value as at 30 September 2015	15.6	27.6	43.2
Net Book Value as at 30 September 2014	1.0	-	1.0

The goodwill arose on the acquisition of the Premier Marinas as detailed in note 23. The intellectual property was purchased by Syncona in exchange for shares in Autolus Limited and Freeline Therapeutics Limited (as discussed on page 23).

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

17. Investments

(a) Investment assets

Group	Fair value 1 October 2014 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	Fair value 30 September 2015 £m
UK	1,594.7	892.4	(418.9)	(210.4)	1,857.8
Overseas	7,612.4	3,223.5	(3,289.5)	(5.2)	7,541.2
Total quoted	9,207.1	4,115.9	(3,708.4)	(215.6)	9,399.0
UK	256.8	43.0	(19.2)	36.5	317.1
Overseas	7,198.1	718.6	(1,652.0)	894.3	7,159.0
Total unquoted	7,454.9	761.6	(1,671.2)	930.8	7,476.1
UK	2,071.2	235.0	(124.6)	211.0	2,392.6
Total property	2,071.2	235.0	(124.6)	211.0	2,392.6
Total	18,733.2	5,112.5	(5,504.2)	926.2	19,267.7

Trust	Fair value 1 October 2014 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	Fair value 30 September 2015 £m
UK	1,594.7	892.4	(418.8)	(210.4)	1,857.9
Overseas	7,087.0	2,537.8	(2,569.8)	(27.7)	7,027.3
Total quoted	8,681.7	3,430.2	(2,988.6)	(238.1)	8,885.2
UK	210.6	40.2	(19.0)	29.0	260.8
Overseas	6,806.6	717.6	(1,671.9)	923.1	6,775.4
Total unquoted	7,017.2	757.8	(1,690.9)	952.1	7,036.2
UK	1,262.6	31.3	(123.2)	134.2	1,304.9
Total property	1,262.6	31.3	(123.2)	134.2	1,304.9
Total	16,961.5	4,219.3	(4,802.7)	848.2	17,226.3

During the year, the maximum aggregate fair value of securities on loan was £348.6 million (2014: £320.1 million) and the Trust held £334.9 million (2014: £337.7 million) as collateral in respect of these securities. The income receivable due to securities lending activities is disclosed in note 2. No loaned securities were recalled but not obtained during the year and therefore no collateral was retained.

Investment properties in the Group and the Trust have been valued at market value generally in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuations were carried out by Gerald Eve, Jones Lang Lasalle, Brown & Co and CB Richard Ellis.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

17. Investments (continued)

(b) Derivative financial instruments

	Group		Trust	
	2015	2014	2015	2014
	£m	£m	£m	£m
Derivative financial instrument asset positions	159.8	186.9	159.8	185.9

Derivative financial instrument liabilities for the Group and Trust are included within creditors, disclosed in note 20.

The Group's use of derivative financial instruments comprises:

Forward currency contracts

Forward currency contracts are used to hedge investment assets denominated in foreign currency into Sterling and as part of the investment strategy to have a globally diversified currency exposure. As at 30 September 2015, the notional value of open forward contracts amounted to £2,438.5 million (2014: £2,958.5 million). As at 30 September 2015, the Group and Trust held cash collateral relating to its forward currency contracts of £93.5 million (2014: £112.3 million).

Financial futures, options and warrants

The use of futures, options and warrants constitutes part of the Trust's portfolio management including: a substitution for investing in physical assets, a part of the Trust's long-term investment return strategy entered into with the expectation of realising gains, and adjusting asset exposures within the parameters set in the Trust's investment policy.

As at 30 September 2015, the notional value of purchased commodity future positions was £291.3 million (2014: £30.2 million). There were no purchased equity index futures positions (2014: £ nil) and no sold futures positions (2014: £ nil).

As at 30 September 2015, the notional value of purchased equity option positions amounted to £181.3 million (2014: £1,641.1 million) and the notional value of sold equity option positions amounted to £472.3 million (2014: £411.4 million). As at 30 September 2015, the notional value of purchased commodity option positions amounted to £38.3 million (2014: £225.1 million). Sold call equity options are covered by quoted equity positions as reflected in note 17(a). Sold put options are covered by cash as reflected in note 17(c).

As at 30 September 2015, the Group held long warrants positions relating to unquoted equity holdings which allow the Group to purchase additional equities at an agreed strike price. The notional value of these warrants amounted to £4.7 million (2014: £6.6 million).

Interest rate swaps and caps

Interest rate swaps and caps are used to manage interest rate risk arising from the variable rate liabilities. As at 30 September 2015, the notional value of interest rate swaps and caps amounted to £nil (2014: £42.3 million) and £nil (2014: £185.0 million) respectively.

(c) Investment cash and certificates of deposit and other investment assets

	Group		Trust	
	2015	2014	2015	2014
	£m	£m	£m	£m
Investment cash and certificates of deposit	875.1	705.4	862.1	697.4
Cash collateral held	241.0	182.6	217.5	164.2
Accrued income from investments	17.8	14.9	28.6	13.1
Income receivable	12.4	15.8	11.5	10.7
Proceeds receivable on sale of investments	31.8	44.9	26.5	38.4
Other investment debtors	22.7	24.6	1.9	1.5
Other investments assets	325.7	282.8	286.0	227.9

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

17. Investments (continued)

(d) Programme related investments

	Book value 1 October 2014 £m	Purchases £m	Disposals £m	Net write- downs £m	Book value 30 September 2015 £m
Loans – other	-	10.9	(0.5)	(9.8)	0.6
Loans	-	10.9	(0.5)	(9.8)	0.6
Equities – The Francis Crick Institute	-	25.1	-	(25.1)	-
Equities – Diamond	-	1.3	-	(1.3)	-
Equities – Hilleman Laboratories	-	3.2	-	(3.2)	-
Equities – Other	-	3.4	(0.4)	(0.1)	2.9
Equities	-	33.0	(0.4)	(29.7)	2.9
Revenue share - other	-	7.9	-	(7.9)	-
Revenue share	-	7.9	-	(7.9)	-
Total	-	51.8	(0.9)	(47.4)	3.5

The Francis Crick Institute Limited

Equities include equity interest for the Trust's share of the funding of this project for programme management costs and the construction costs of the Crick building. Under the terms of the legal agreement, the Trust and the Original Founders will lease the land and building for 55 years to The Francis Crick Institute Limited at nil rental, and upon expiry of the lease the Trust and the other Original Founders would expect to agree to renew this lease on the same terms. On this basis, the Trust does not expect to receive any financial return from these programme related investments and they have been fully written down and included within Science direct expenditure.

Diamond Light Source Limited

Equities also include a 14% equity interest in Diamond Light Source Limited, a company established to construct and operate a synchrotron in Oxfordshire. Under the shareholding agreement, there is no intrinsic value in the equity and the cost has therefore been fully written down and included within Science direct expenditure.

MSD-Wellcome Trust Hilleman Laboratories

Equities include a 50% equity interest in SCS Pharma Research and Development Private Limited (known as MSD-Wellcome Trust Hilleman Laboratories), a company established in India to develop affordable vaccines to prevent diseases that commonly affect low and middle-income countries. Under the shareholding agreement, there is no intrinsic value in the equity and the cost has therefore been fully written down and reflected within Innovations direct expenditure.

Other

As part of its Innovations activities, the Trust has provided funding to 68 (2014: 56) early-stage companies to carry out biomedical research projects with potential to deliver health benefits. Together, these programme related investments form a portfolio managed separately from the Trust's other investments. These investments are held primarily to further the charitable aims of the Trust rather than to provide a financial return. Consequently they are, as permitted by the SORP, held at cost less provision for impairment.

The net write-down of £17.8 million (2014: £10.7 million) is to reflect the Trust's policy of writing off the cost of the investment in these early-stage companies as it is not anticipated that this cost will be recovered. At each year end, a review of the programme related investment portfolio is performed, whereby the impairment on individual assets with known value is reversed and included within charitable activities. During 2015 the impairment reversed was £4.4 million (2014: £2.9 million). Any income received or gains realised are included in other income and amounted to £2.2 million (2014: £2.0 million).

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

17. Investments (continued)

(e) Realised and unrealised gains/(losses) on investments

	Note	Group		Trust	
		2015 £m	2014 £m	2015 £m	2014 £m
Quoted investments	17(a)	(215.6)	843.3	(238.1)	858.4
Unquoted investments		930.8	1,153.8	952.1	1,120.6
Investment properties	17(a)	211.0	160.7	134.2	133.0
Derivative financial instruments					
Currency overlay		30.9	51.7	30.9	51.7
Other derivative financial instruments		5.6	79.0	5.6	80.4
Shares in subsidiary undertakings		-	-	(30.7)	(269.3)
Foreign exchange		17.1	(8.3)	17.7	(7.7)
		979.8	2,280.2	871.7	1,967.1

The Trust adopts a policy of hedging a part of its non-base currency exposures using a currency overlay although the actual percentage hedged varies from time to time. The gains and losses relating to the currency overlay are therefore offsetting foreign exchange gains and losses on the foreign currency assets within quoted and unquoted investments.

(f) Reconciliation to Trustee's Report

The presentation of investment balances in notes 17 and 20 is in accordance with the statutory asset and liability classifications. However, the investment portfolio is reported by investment strategy for management purposes and for the Trustee's Report. The distinct classes of assets used and reported on within the Trustee's Report are: public equity; private equity; hedge funds; property and infrastructure; and cash.

This note reconciles the net investment asset fair value at the balance sheet date as presented within the Trustee's Report to the presentation within the Financial Statements. The market value of each asset class presented in the Trustee's Report is equal to the net investment assets and liabilities, held within portfolios with that applicable investment strategy.

The assets and liabilities presented in the Consolidated Balance Sheet and notes reconcile to Figure 6 in the Trustee's Report as follows:

	Note	2015	2014
		£m	£m
Quoted and unquoted investments and investment property	17(a)	19,267.7	18,733.2
Derivative financial instrument asset positions	17(b)	159.8	186.9
Investment cash and certificates of deposit	17(c)	875.1	705.4
Other investment assets	17(c)	325.7	282.8
Derivative financial instrument liabilities	20	(190.6)	(33.2)
Investment liabilities - other	20	(386.3)	(246.7)
Bond liabilities at amortised cost	20	(1,516.0)	(1,223.3)
Variable rate debt liabilities	20	-	(224.0)
Adjusted for			
Restatement of bond liabilities to fair value		(277.3)	(188.8)
Syncona assets not in investment asset allocation		(11.4)	(12.7)
Other investments not in asset allocation		(0.9)	(0.8)
Portfolio valuation adjustment for investment operating subsidiaries		16.6	-
Net other assets of investment operating subsidiaries included in asset allocation		54.0	59.5
Total assets net of Bond liabilities per Figure 6		18,316.4	18,038.3

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

17. Investments (continued)

(f) Reconciliation to Trustee's Report (continued)

	Note	2015 £m	2014 £m
Total assets net of Bond liabilities per figure 6		18,316.4	18,038.3
Add back investment liabilities			
Derivative financial instrument liabilities	20	190.6	33.2
Investment liabilities - other	20	386.3	246.7
Bond liabilities at amortised cost	20	1,516.0	1,223.3
Variable rate debt liabilities	20	-	224.0
Programme related investments	17(d)	3.5	-
Adjusted for			
Restatement of bond liabilities to fair value		277.3	188.8
Syncona assets not in investment asset allocation		11.4	12.7
Other investments not in asset allocation		0.9	0.8
Portfolio valuation adjustment for investment operating subsidiaries		(16.6)	-
Net other assets of investment operating subsidiaries included in asset allocation		(54.0)	(59.5)
Investment assets as presented in the Consolidated Balance Sheet		20,631.8	19,908.3

The Syncona Group is a wholly owned investment entity set up specifically to invest in the health and biotechnology sectors with a focus on investing in the translation of research into new treatments and patient care technologies. It is managed separately to the rest of the investment portfolio and is discussed in a separate section of the Review of Investment Activities on page 23.

Farmcare Limited, iQ Unit Trust and the Premier Marinas are investment operating subsidiaries consolidated in the financial statements on a line by line basis as required for statutory reporting purposes, but are managed on a fair value basis within the investment portfolio.

18. Stock

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Farming	10.9	11.6	-	-
Other	2.9	2.4	-	-
	13.8	14.0	-	-

19. Debtors

	Group		Trust	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts owed by subsidiary undertakings	-	-	249.8	171.1
Other debtors	43.2	22.9	6.9	6.4
Prepayments	8.5	7.4	3.9	3.0
	51.7	30.3	260.6	180.5

Amounts owed by subsidiary undertakings relate primarily to Gift Aid donations receivable.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

20. Creditors

		Group		Trust	
		2015	2014	2015	2014
	Note	£m	£m	£m	£m
Falling due within one year					
Amounts owed to subsidiary undertakings		-	-	710.7	1,294.9
Grant liabilities	9	541.3	488.1	541.3	488.1
Bond liabilities		17.8	15.5	8.6	6.3
Amount payable on acquisition of investments		65.4	12.3	59.9	7.8
Cash collateral creditor		241.0	182.6	217.5	164.2
Deferred income from investments		32.2	23.8	4.2	4.6
Derivative financial instrument liabilities		190.6	33.2	190.6	32.8
Other investment liabilities		47.7	28.0	23.9	14.5
Trade creditors		16.6	21.3	10.0	13.7
Other creditors		39.0	30.7	36.2	26.8
Accruals and deferred income		22.0	19.5	6.8	5.7
Corporation tax	14	16.4	-	-	-
Total falling due within one year		1,230.0	855.0	1,809.7	2,059.4
Falling due between one and five years					
Grant liabilities	9	1,176.3	1,028.8	1,176.3	1,028.8
Variable rate debt		-	224.0	-	-
Lease premium creditor		1.8	1.6	-	-
Other creditors		-	1.0	-	0.8
		1,178.1	1,255.4	1,176.3	1,029.6
Falling due after five years					
Grant liabilities	9	167.1	171.8	167.1	171.8
Bond liabilities		1,498.2	1,207.8	685.0	395.2
Lease premium creditor		16.3	16.9	-	-
		1,681.6	1,396.5	852.1	567.0
Total falling due after one year		2,859.7	2,651.9	2,028.4	1,596.6

Grant commitments are split pro rata according to the terms of the grant at the point of award. Variable rate liabilities in 2014 were secured on a number of Investment properties included in note 17(a). All other liabilities are unsecured. The Trust issued €400 million 1.125% bonds in January 2015.

21. Provisions for liabilities and charges

	Employment related provisions £m	Other provisions £m	Total £m
Group and Trust			
As at 1 October 2014	32.5	1.0	33.5
Charge for the year	10.5	0.6	11.1
Utilised in year	(8.3)	-	(8.3)
As at 30 September 2015	34.7	1.6	36.3

The employment-related provisions relate primarily to long-term incentive plans for certain employees in the Investment Division (see note 6).

Notes to the Financial Statements for the year ended 30 September 2015 (continued)

22. Commitments and contingent liabilities

(a) Investments

The Trust has entered into commitments to invest in private equity and property funds. At the balance sheet date, outstanding commitments amounted to £1,578.1 million (2014: £1,596.1 million). The Trust models its expected cash flows based on the year of the original commitment and historic trends. The Trust expects to invest £457.3 million (29%) of its outstanding commitments in one year, £733.2 million (46%) in between one and five years and £387.6 million (25%) after five years.

(b) Programme related investments

At 30 September 2015, the Trust's outstanding commitment to The Francis Crick Institute Limited was £8.5 million (2014: £39.9 million).

Programme related convertible loans and equity funding have been made over a series of years, of which £31.4 million (2014: £28.6 million) remains yet to be drawn down and is contingent upon specific milestones being achieved.

The Trust has committed to fund 14% of the third construction phase of the Diamond Light Source Limited synchrotron project. The outstanding commitment as at 30 September 2015 was £6.7 million (2014: £8.9 million).

During the year, the Trust incurred £3.3 million (2014: £1.8 million) in expenditure relating to an entity in India, MSD-Wellcome Trust Hilleman Laboratories. The outstanding commitment as at 30 September 2015 was £31.5 million (2014: £34.8 million).

(c) Grant funding activities

During the current and prior years, the Innovations division has made Seeding Drug Discovery grants of £149.2 million, of which £125.5 million has been included in grant expenditure in current and prior financial years. The remaining £23.7 million is contingent upon specific funding-related milestones being met and has therefore not been included within grant liabilities.

During the current and prior years, the Trust has incurred £36.1 million for expenditure relating to Wellcome Trust-DBT India Alliance. Subject to Trustee approval, the Trust will contribute up to a further £43.9 million over the next six years.

During the year, the Trust incurred £4.0 million in expenditure relating to a partnership between the Trust, the UK Medical Research Council and the UK Department for International Development to fund clinical trials in low and middle-income countries. Subject to review and approval of appropriate applications, the Trust will contribute up to £4.0 million next year.

During the current and prior years, the Trust incurred £1.9 million in expenditure relating to a joint initiative between the Trust, the UK Department for International Development, the Economic and Social Research Council and the UK Medical Research Council to fund health systems research in low and middle-income countries. Subject to review and approval of appropriate applications, the Trust will contribute up to £3.1 million over the next two years.

During the current and prior years, the Trust has incurred £5.1 million in expenditure relating to eLife Sciences Publications Limited. Subject to further review of activities, the Trust will contribute up to £9.9 million over the next seven years.

During the year, the Trust incurred £28.6 million in expenditure relating to PhD programmes. Subject to review and approval of appropriate applications, the Trust will contribute up to £98.1 million over the next five years.

(d) Capital commitments

At 30 September 2015, Genome Research Limited had capital commitments contracted for but not provided of £13.0 million (2014: £ nil) relating to purchases of equipment and buildings. Hinxton Hall Limited had no capital commitments contracted for but not provided (2014: £6.9 million) relating to capital projects at the Wellcome Genome Campus. W.T. Construction Limited had capital commitments contracted for but not provided of £2.4 million (2014: £0.6 million) relating to building projects. Premier Marinas Group had capital commitments contracted for but not provided of £1.5 million relating to building works.

Notes to the Financial Statements for the year ended 30 September 2015 (continued)

23. Acquisition of subsidiaries

During the financial year the group acquired 100% of the share capital in Premier Marinas Group “Premier Marinas” from BlackRock UK Property Fund.

Premier Marinas was acquired on 7 May 2015. The group is included in the Consolidated Balance Sheet at 30 September 2015. For the period since acquisition, sales of £9.6 million and operating profit of £4.1 million were made by the group and are included within the Consolidated Statement of Financial Activities.

The operating assets and liabilities of Premier Marinas at the date of acquisition were as follows:

	Premier Marinas Book value £m	Fair value adjustments £m	Total Fair value £m
Tangible fixed assets	148.1	(148.1)	-
Intangible fixed assets	1.4	(1.4)	-
Investment property	-	198.9	198.9
Other investment related assets	7.1	(5.7)	1.4
Stock	0.2	-	0.2
Debtors	3.0	-	3.0
Cash	3.5	-	3.5
Creditors	(17.4)	2.6	(14.8)
Loans and other debt	(0.4)	-	(0.4)
Total	145.5	46.3	191.8
Goodwill			28.1
Acquisition expenses			(1.0)
Purchase consideration			218.9

The purchase consideration was settled in cash.

For the purposes of the Wellcome Trust group, the tangible fixed assets of Premier Marinas, which are held at depreciated costs on the books of Premier Marinas, are considered to be Investment Properties and are included at fair value within the Investment assets on the Consolidated Balance Sheet.

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

24. Group undertakings

(a) Summary of activities of significant subsidiary undertakings

Company	Country of incorporation	Activities	Legal relationship
Genome Research Limited	England	Medical research, primarily in the field of genomics	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are equal members
Wellcome Trust Finance plc	England	To issue and invest in financial instruments	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investments 2 Unlimited	England	Investment holding company	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Residential 1 Limited	England	Investment holding company	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investment Limited Partnership	England	Investment holding partnership	The Wellcome Trust Limited is the limited partner and Wellcome Trust GP Limited is the general partner
iQ Unit Trust and iQ (Shareholder GP) Limited	England	Investment holding companies	The Wellcome Trust Limited is the sole shareholder of iQ (Shareholder GP) Limited and the ultimate controlling party of iQ Unit Trust as a result of its 100% owned subsidiaries, Wellcome Trust Investments 1 Unlimited and Wellcome Trust GP Limited owning 99.9% and 0.1% of the units respectively
Farmcare Trading Limited	England	Farming and agriculture	The Wellcome Trust Limited is the ultimate controlling party as a result of its subsidiary, Gower Place Investments Limited owning 100% of the ordinary share capital
Premier Marinas Group	England	Marinas	The Wellcome Trust Limited is the ultimate controlling party as a result of its subsidiary, Gower Place Investments Limited owning 100% of the ordinary share capital

The Trust has taken advantage of the exemption from audit available under 479A to 479C of the Companies Act 2006 for the following subsidiaries:

Wellcome Trust Investments 1 Unlimited
Wellcome Trust Investments 2 Unlimited
Wellcome Trust Investments 3 Unlimited

The Trust has taken advantage of the exemption from audit available under Regulation 7 of the Partnership (Accounts) Regulations 2008 for the following partnerships:

Wellcome Trust Investment Limited Partnership
Wellcome Trust Scottish Limited Partnership

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

24. Group undertakings (continued)

(b) Summary financial information

(i) Non-charitable investment subsidiary undertakings

	Wellcome Trust Investment Limited Partnership		Wellcome Trust Investments 2 Unlimited		Wellcome Trust Residential 1 Limited	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Turnover	9.7	9.2	1.1	0.7	6.8	6.7
Expenditure	(12.9)	(14.1)	(57.2)	(134.4)	(6.8)	(9.3)
Gains/(losses) on investments	22.4	(17.7)	11.0	10.1	9.7	12.5
	19.2	(22.6)	(45.1)	(123.6)	9.7	9.9
Investment assets	514.0	525.4	344.7	386.9	135.9	126.3
Current assets	35.4	35.6	57.0	887.8	6.1	12.9
Total assets	549.4	561.0	401.7	1,274.7	142.0	139.2
Liabilities	(257.1)	(287.8)	(64.6)	(114.7)	(5.8)	(4.7)
Net assets	292.3	273.2	337.1	1,160.0	136.2	134.5

	iQ Group (from 1 April 2014)		Farmcare Trading Limited (from 2 August 2014)		Premier Marinas Group (from 7 May 2015)	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Turnover	40.8	16.3	47.8	10.2	9.7	-
Expenditure	(53.1)	(11.4)	(52.2)	(11.6)	(8.1)	-
Gains/(losses) on investments	58.3	-	4.3	-	7.5	-
	46.0	4.9	(0.1)	(1.4)	9.1	-
Investment assets	502.2	442.0	220.3	230.1	206.4	-
Current assets	25.0	33.9	40.2	28.2	5.8	-
Total assets	527.2	475.9	260.5	258.3	212.2	-
Liabilities	(253.6)	(248.2)	(9.1)	(7.9)	(11.4)	-
Net assets	273.6	227.7	251.4	250.4	200.8	-

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

24. Group undertakings (continued)

(b) Summary financial information (continued)

(ii) Non-charitable investment financing subsidiary undertaking

	Wellcome Trust Finance plc	
	2015 £m	2014 £m
Turnover	41.6	42.8
Expenditure	(41.6)	(42.8)
	-	-
Assets	960.1	959.5
Liabilities	(822.6)	(822.0)
Net assets	137.5	137.5

(iii) Charitable subsidiary undertaking

	Genome Research Limited	
	2015 £m	2014 £m
Incoming resources	156.6	119.5
Resources expended	(122.8)	(114.6)
Actuarial losses on defined benefit pension scheme	(18.5)	(23.9)
Net movements in funds	15.3	(19.0)
Assets	195.1	152.5
Liabilities	(48.5)	(39.7)
Defined benefit pension scheme deficit	(102.2)	(80.5)
Net assets	44.4	32.3

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

25. Consolidated cash flow

(a) Reconciliation of Statement of Financial Activities to cash flow from operating activities

	2015 £m	2014 £m
Incoming resources	438.7	338.0
Less: Dividends and interest	(245.3)	(238.7)
Less: Rental income	(95.6)	(60.1)
Less: Other income	(47.8)	(10.3)
Less: Gain on sale of Programme Related Investments	(2.2)	(2.1)
Increase in debtors	(18.4)	(3.7)
Income received	29.4	23.1
Grants awarded	(673.1)	(487.7)
Increase in commitments	196.0	34.6
Grants paid	(477.1)	(453.1)
Other resources expended	(496.9)	(384.4)
Increase in creditors and provisions	60.1	46.4
(Increase)/decrease in other investment debtors	3.2	(9.7)
Increase in provision for Programme Related Investments	47.4	35.7
Depreciation	26.6	23.2
Decrease in stock	0.3	0.5
Other operating costs	(359.5)	(288.3)
Net cash outflow from operating activities	(807.2)	(718.3)

(b) Investment income received

	2015 £m	2014 £m
Dividends and interest	245.3	238.7
Rental income	95.6	60.1
Other income	47.8	10.3
(Increase)/decrease in income receivable from investments	3.4	(5.2)
Increase in accrued income from investments	(2.9)	(2.9)
Increase in deferred income from investments	8.4	9.9
Investment income received	397.6	310.9

(c) Servicing of finance

	2015 £m	2014 £m
Interest payable	(66.2)	(50.4)
Increase/(decrease) in interest creditors	(232.5)	7.2
Cash outflow for servicing of finance	(298.7)	(43.2)

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

25. Consolidated cash flow (continued)

(d) Reconciliation of investment sales and purchases

	2015 £m	2014 £m
Proceeds on sale of quoted investments	3,708.4	2,472.8
Proceeds on sale of unquoted investments	1,671.2	2,054.4
Proceeds on sale of investment property	124.6	81.4
Decrease in proceeds receivable on sale of investments	13.1	2.3
Proceeds on sale of Programme Related Investments	3.1	5.1
Proceeds from sales of investments	5,520.4	4,616.0
Purchases of quoted investments	4,115.9	3,000.3
Purchases of unquoted investments	761.6	1,045.0
Purchases of investment property	33.1	80.2
(Increase)/decrease in amounts payable on acquisition of investments	(53.1)	9.6
Purchase of Programme Related Investments	51.8	38.5
Purchases of investments	4,909.3	4,173.6
Gain on derivative financial instruments	36.5	130.7
Decrease in derivative financial asset positions	27.1	21.8
Increase/(decrease) in derivative financial liabilities	157.4	(13.0)
Net cash inflow upon settlement of derivative financial instruments	221.0	139.5

(e) Issue of corporate bonds

In January 2015, the Trust issued a €400 million 2027 bond carrying a coupon of 1.125%.

(f) Reconciliation of cash flow to movement in net debt

	At 1 October 2014 £m	Cash flow £m	Non-cash changes Effective interest & Foreign Exchange £m	Cash and debt acquired £m	At 30 September 2015 £m
Cash in hand and at bank	53.1	3.2	-	3.5	59.8
Debt due after one year					
- variable rate debt	(224.0)	228.2	(3.9)	(0.3)	-
- bond liabilities	(1,207.8)	(298.6)	8.2	-	(1,498.2)
Debt due within one year					
- bond liabilities	(15.5)	(2.3)	-	-	(17.8)
Liquid resources:					
- investment cash and certificates of deposit	705.4	169.7	-	-	875.1
Net debt	(688.8)	100.2	4.3	3.2	(581.1)

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

26. Major non-cash transactions

There were no major non-cash transactions during the year other than those disclosed in note 25(f) (2014: none).

27. Financial risk management

In the ordinary course of its activities, the Group actively manages a variety of financial risks including credit risk, liquidity risk and market risk. The Group identifies, measures and monitors risk through various control mechanisms as detailed in the following sections, including maximum approved counterparty exposure and diversifying exposures and activities across a variety of instruments, markets and counterparties.

(a) Credit risk

Credit risk is the risk that the Group would incur a financial loss if a counterparty failed to discharge its obligations to the Group.

Credit risk exposure

The Group is subject to credit risk from its financial assets held by various counterparties and the risk is particularly concentrated on its investment cash balances and certificates of deposit due to the significant value of these balances. The following table details the Group's maximum exposure to credit risk as at 30 September:

	2015 £m	2014 £m
Derivative financial instruments assets positions	119.3	140.8
Investment cash balances and certificates of deposit	875.1	705.4
Cash collateral held	241.0	182.6
Accrued income from investments	17.8	14.9
Proceeds receivable on sale of investments	31.8	44.9
Other investment debtor balances	22.7	40.4
Programme related investment loans	3.5	0.0
Other debtors	43.2	22.9
Term deposits and cash	59.8	53.1
	1,414.2	1,205.0

None of the Group's financial assets subject to credit risk (other than the Programme related investments which are discussed in note 17(d)) are past their due date or were impaired during the year.

Risk management policies and procedures

The objective of managing credit risk is to minimise counterparty default on the Group's financial assets causing financial loss to the Group. The Group aims to mitigate its counterparty credit risk exposure by monitoring the size of its credit exposure to and the creditworthiness of counterparties, including setting appropriate exposure limits and maturities. Counterparties are selected based on their financial ratings, regulatory environments and specific circumstances.

The following details the risk management policies applied to the financial assets exposed to credit risk:

- for interest-bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Group of default. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk;
- transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk. Derivative financial instrument asset positions exposed to credit risk comprise the Group's forward currency contracts;
- direct cash management mandate is limited to the use of deposits with selected banks (the credit ratings of which are taken into account to minimise credit risk), the purchase of short-dated UK Government securities and the controlled use of AAA rated money market funds; and
- sale and purchases of investments are carried out with a small number of brokers, whose credit quality forms part of the initial and on-going reviews by the investment managers.

These policies and procedures were applied and reviewed during the year. At the balance sheet date, in addition to the securities on loan discussed in note 17(a), forward currency contract assets of value £93.5 million (2014: £58.6 million) were secured by cash collateral. There were no other credit enhancements.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties raising cash to meet its obligations when they fall due.

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

27. Financial risk management (continued)

(b) Liquidity risk (continued)

Liquidity risk exposure

This is a risk to the Group, given the value of the Group's commitments to charitable and investment activities.

Risk management policies and procedures

The Group monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The Group held very liquid assets which amounted to £554.8 million as at 30 September 2015 (2014: £566.5 million), which comprises cash and cash equivalent assets. The level of very liquid assets held is regularly reviewed by senior management. Liquidity and cash forecasts are reviewed by the Investment Committee and Board of Governors on a quarterly basis. Short term operational cash flow forecasts are produced weekly.

The following table details the maturity of the Group's undiscounted contractual payments and grant liabilities as at 30 September:

Group	2015				2014			
	Three months or less £m	No more than one year £m	More than one year £m	Total £m	Three months or less £m	No more than one year £m	More than one year £m	Total £m
Payments falling due within one year								
Bond liabilities	-	57.8	-	57.8	-	54.5	-	54.5
Variable rate debt	-	-	-	-	2.0	6.0	-	8.0
Derivative financial instruments liabilities	190.6	-	-	190.6	33.2	-	-	33.2
Collateral liability	241.0	-	-	241.0	182.6	-	-	182.6
Amount payable on acquisition of investments	65.4	-	-	65.4	12.3	-	-	12.3
Other investment liabilities	47.7	-	-	47.7	28.0	-	-	28.0
Trade creditors	16.6	-	-	16.6	21.3	-	-	21.3
Other creditors	39.0	-	-	39.0	30.7	-	-	30.7
Accruals and deferred income	22.0	-	-	22.0	19.5	-	-	19.5
Corporation Tax	-	16.4	-	16.4	-	-	-	-
Contractual payments	622.3	74.2	-	696.5	329.6	60.5	-	390.1
Grant liability	116.2	425.1	-	541.3	126.8	361.3	-	488.1
	738.5	499.3	-	1,237.8	456.4	421.8	-	878.2
Payments falling due between one and five years								
Bond liabilities	-	-	231.3	231.3	-	-	218.0	218.0
Variable rate debt	-	-	-	-	-	-	240.0	240.0
Other creditors	-	-	-	-	-	-	1.0	1.0
Contractual payments	-	-	231.3	231.3	-	-	459.0	459.0
Grant liability	-	-	1,176.3	1,176.3	-	-	1,028.8	1,028.8
	-	-	1,407.7	1,407.7	-	-	1,487.8	1,487.8
Payments falling due after five years								
Bond liabilities	-	-	2,587.0	2,587.0	-	-	2,323.6	2,323.6
Contractual payments	-	-	2,587.0	2,587.0	-	-	2,323.6	2,323.6
Grant liability	-	-	167.1	167.1	-	-	171.8	171.8
	-	-	2,754.1	2,754.1	-	-	2,495.4	2,495.4

The grant liability is non-contractual and the expected maturity of this liability is based on historic payment profiles payable.

Notes to the Financial Statements for the year ended 30 September 2015 (continued)

27. Financial risk management (continued)

(c) Market risk – price, currency and interest rate risks

Market risk is the risk of potential loss the Group may incur as a result of adverse changes to the fair value of the Group's financial instruments. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group measures returns and monitors portfolio risks in a 50/50 blend of Sterling and US Dollars and monitored Sterling and US Dollar currency exposures. This reflects the globally diversified nature of the Group's assets, liabilities and commitments.

The Group uses a number of investment risk metrics, of which the following are key; liquidity and cash flow measures; currency exposures; expected likelihood of catastrophic failures of one or more assets held within the portfolio; and the assessed level of inflation protection within the portfolio. Liquidity and cash flow measures are provided by aggregating the expected dividends from publicly held securities and the net cash flows from private funds and private assets, directly held property rentals/income, an assessment of investment costs and net interest costs, plus investment/divestment decisions. Forecasts are reviewed at least monthly by the Investment Executive on both a three month and a five year horizon. Forecast cash flows as at the end of September 2015 were £570 million (2014: £590 million) and are highlighted at levels below 2% of investment assets. This compares with investment cash levels of £784 million at 30 September 2015 (3.9%), compared to 3.3% at 30 September 2014. An assessment is also made of the extent to which assets could be sold to cash within a month, without a distressed sale; 52% in September 2015 (2014: 52%).

Monitoring Sterling and US Dollar currency exposure, after the impact of currency hedges, provides an understanding of the degree to which the portfolio is exposed to currencies other than the benchmark of 50/50 blend of Sterling and US Dollar. The likelihood of catastrophic failures to individual assets is managed by broad and global diversification across assets and asset classes, with a limit of 3% on any individual asset or strategy managed by an external manager. As at 30 September 2015, this limit was adhered to, with the exception of £922 million (5.3% of investment assets) in the South Kensington/Ennismore estate of 1,700 units, an exception which has been agreed by the Board of Governors (2014: £865 million, 4.4%).

The assessed level of inflation protection within the portfolio is reviewed by considering the sum of all types of equity and property exposure across the portfolio (84% as at September 2015, 2014: 84%) since these are considered to be assets which will provide a material degree of inflation protection in the medium to long term in most circumstances, plus the cumulative issuance of £1,520 million nominal fixed coupon bonds by the Trust.

The Group no longer uses forecast value at risk (VAR) and equity market beta measures as primary risk metrics, given the reduced predictive ability of such models in the current environment of lower market volatility. Liquidity levels and cash flow forecasts and Sterling and USD Dollar exposures below a desired minimum are highlighted for discussion and review to the Investment Committee and the Board of Governors on a timely basis, as are undue concentrations of exposure.

(i) Price risk

Price risk is the risk that the value of an asset or liability will fluctuate due to changes in market price, caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. This is a risk for the Group because its ability to fund research over the long term is dependent on maintaining the purchasing power of the asset base. The Group's expenditure is predominantly discretionary and the Governors and senior management monitor cash expenditure, commitments and the endowment performance throughout the year to manage the balance between funding charitable activities and maintaining the purchasing power of the asset base.

Price risk exposure

The maximum asset and liability value exposed to other price risk at 30 September is the value of the traded investment assets and liabilities as detailed in the following table:

	2015 £m	2014 £m
Quoted investments	9,399.0	9,207.1
Unquoted investments	7,476.1	7,454.9
Investments properties	2,392.6	2,071.2
Derivative financial instruments assets positions	40.5	133.2
Assets exposed to risk	19,308.2	18,866.4
Derivative financial instruments liability positions	124.4	15.7
Liabilities exposed to risk	124.4	15.7

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

c) Market risk – price, currency and interest rate risks (continued)

Concentration of exposure to other price risk

An analysis of the Group's investment portfolio is shown in note 17(a). This shows that the majority of the investment value is in overseas companies in both quoted and unquoted investments. There is a high level of diversification by market including emerging markets within the long-only equity portfolio as it is the Group's policy to have no constraint on non-UK equity exposure. It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country. Derivative financial instruments exposed to price risk comprises the Group's options, warrants and futures.

The Investment Committee monitors the price risk inherent in the investment portfolios by ensuring full and timely access to relevant information from the investment managers. The Board of Governors reviews the price risk quarterly. The Board and the Investment Committee meet regularly and at each meeting review investment performance. The Board takes overall responsibility for investment strategy.

(ii) Currency risk

Currency risk is the risk that the value of an asset or liability will fluctuate due to changes to foreign currency exchange rates. The currency of the majority of the Group's expenditure and the functional currency of the Group is Sterling. However, the Group has investment assets denominated in currencies other than Sterling and is impacted by fluctuations in foreign currency exchange rates.

The financial liabilities of the Group denominated in currencies other than Sterling are shown in the table below. In addition, the Group has outstanding commitments for private equity funds and property funds of \$1,886.1 million and €436.6 million as at 30 September 2015 (2014: \$2,131.0 million and €337.8 million).

Currency risk exposure

As at 30 September 2015, 71.7% (2014: 73.3%) of the Group's investment assets were non-Sterling denominated, after including the impact of the currency overlay.

The following table details the asset value exposed to currency risk as at 30 September:

Currency	Value as at 30 September 2015 (currency, m)	Value as at 30 September 2015 £m	Value as at 30 September 2014 (currency, m)	Value as at 30 September 2014 £m
Traded investments assets				
US Dollar	\$16,228.8	11,785.2	\$17,456.7	10,768.1
Euro	€1,772.4	1,436.7	€1,876.5	1,462.3
Other		2,316.0		2,332.6
Other investment debtors balances				
US Dollar	\$827.8	601.2	\$500.0	308.4
Euro	€71.4	57.9	€35.5	27.7
Other		45.2		161.6
Other investment creditors balances				
US Dollar	(\$22.0)	(16.0)	(\$10.8)	(6.6)
Euro	(€3.3)	(2.7)	(€0.2)	(0.2)
Other		(104.7)		(117.9)
Forward currency contracts				
US Dollar	\$164.3	118.9	(\$360.9)	(222.6)
Euro	(€1,475.7)	(1,202.4)	(€1,866.0)	(1,455.0)
Other		(558.5)		(39.8)
Total exposed to currency risk		14,476.8		13,218.6

Notes to the Financial Statements
for the year ended 30 September 2015 (continued)

c) Market risk – price, currency and interest rate risks (continued)

	Impact on gain/(loss) for the financial year 2015 £m	Impact on gain/(loss) for the financial year 2014 £m
10% US Dollar appreciation	1,135.4	1,084.7
10% Euro appreciation	26.3	3.5

A 10% depreciation in currencies would have an equal but opposite impact.

Risk management policies and procedures

The Group measures returns and monitored portfolio risks in a 50/50 blend of Sterling and US Dollars. This reflects the globally diversified nature of the Group's assets, liabilities and commitments.

The investment team monitor the Group's exposure to foreign currencies on a daily basis and report to the Investment Committee on at least a quarterly basis. The Operational Risk Group measures the risk to the Group of the foreign currency exposure by considering the effect on the Group's net asset value of a movement in the key rates of exchange to which the Group's assets and income are exposed.

Foreign currency contracts are used to limit the Group's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are also used to achieve the portfolio characteristics that assist the Group in meeting its investment objectives. The Board of Governors have agreed that a currency hedging overlay can be used for the Group's exposure to assets in any currency in which forwards and futures contracts are available for use, given an assessment of costs and liquidity.

(iii) Interest rate risk

Interest rate risk arises from the risk that the value of an asset or liability will fluctuate due to changes in interest rates (i.e. for fixed interest rate assets or liabilities) or that future cash flows will fluctuate due to changes in interest rates (i.e. for variable rate assets or liabilities).

Interest rate exposure and sensitivity

The Group holds investment cash and certificates of deposit of £875.1 million (2014: £705.4 million) and overnight term deposits and cash of £59.8 million (2014: £53.1 million). These are floating rate interest bearing assets, at an estimated average interest rate of 0.3% during the year (2014: 0.7%). The future cash flows from these assets will fluctuate with changes in market interest rates. However, as these are liquid assets with no fixed maturity dates, the fair value would not fluctuate significantly with changes in market interest rates.

The interest bearing liabilities shown below are the bond liabilities which are fixed rate and the variable rate liabilities which are both held at amortised cost. The bond and variable rate liabilities value detailed in the table below is the book value.

	2015		2014	
	Weighted average interest rate	Value as at 30 September £m	Weighted average interest rate	Value as at 30 September £m
Interest-bearing financial liabilities				
Maturing between one and five years				
Floating rate - variable rate liabilities	n/a	-	2.95% above LIBOR	224.0
Maturing after five years				
Fixed rate - bond liabilities	3.80%	1,516.0	4.45%	1,223.3
Total interest-bearing liabilities		1,516.0		1,447.3

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

(c) Market risk - price, currency and interest rate risks (continued)

(iii) Interest rate risk (continued)

Risk management policies and procedures

The Group takes into account the possible effects of a change in interest rates on the fair value and cash flows of the interest-bearing financial assets and liabilities when making investment decisions. The Investment Committee monitors the Group's exposure to interest-bearing assets, the bond liability and the related finance costs regularly.

28. Fair value of financial assets and liabilities

The fair values and book values of the Group's financial assets and liabilities shown on the Balance Sheet are the same with the exception of the bond liabilities which are measured at amortised cost.

The value of the bond liabilities presented in the Trustee's Report Figure 6 on page 15 (£1,793 million, 2014: £1,412 million) is the sum of the fair value of the bond liabilities and the accrued interest on these liabilities.

The following table categorises the fair values of the Group's financial assets and liabilities based on the inputs to the fair value. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 - valued using quoted prices in active markets for identical assets.
- Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
- Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Fair value measurements using the FRS 29 fair value hierarchies

Assets at fair value as at 30 September 2015

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Quoted investments	9,399.0	-	-	9,399.0
Unquoted investments	-	3,403.3	4,072.7	7,476.0
Derivative financial instruments asset positions	40.5	119.3	-	159.8
Programme related investments	-	-	3.5	3.5
	9,439.5	3,522.6	4,076.2	17,038.3

Assets at fair value as at 30 September 2014

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Quoted investments	9,207.1	-	-	9,207.1
Unquoted investments	-	3,225.4	4,229.5	7,454.9
Derivative financial instrument assets positions	45.5	140.9	0.5	186.9
Programme related investments	-	-	-	-
	9,252.6	3,366.3	4,230.0	16,848.9

Notes to the Financial Statements

for the year ended 30 September 2015 (continued)

28. Fair value of financial assets and liabilities (continued)

Liabilities at fair value as at 30 September 2015

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Derivative financial instruments liabilities	124.4	66.2	-	190.6
	124.4	66.2	-	190.6

Liabilities at fair value as at 30 September 2014

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Derivative financial instruments liabilities	15.6	17.6	-	33.2
	15.6	17.6	-	33.2

A reconciliation of the opening and closing balances for Level 3 assets measured at fair value is detailed in the table below:

	Fair value 1 October 2014 £m	Purchases/ (sales proceeds) £m	Total gains/ (losses) £m	Transfers into Level 3 £m	Transfers out of Level 3 £m	Fair value 30 September 2015 £m
Level 3 assets	4,230.0	(873.2)	935.8	100.0	(316.4)	4,076.2

Unquoted investments include investments in hedge funds, private equity funds and property funds. The Group categorises these fund investments based on the fair value classification of the underlying assets and liabilities of these funds. Transfers in/out of Level 3 occur when the fair value classification of the underlying assets and liabilities of these funds changes during the reporting period.

Derivative financial instruments comprise:

- equity and commodities index futures and option positions which are exchange traded and valued at current price meet the criteria of Level 1;
- forward currency contracts assets and liabilities which are over the counter derivatives which derive their value from market exchange rates and therefore meet the criteria of Level 2; and
- long options and warrants asset positions which are valued with reference to the underlying, which are unquoted securities, and therefore meet the criteria of Level 3.

For Level 3 investments:

- private equity and property funds are valued at the most recent valuation from the fund manager, which is usually the net asset value of the fund; and
- unquoted direct investments are held at the valuation determined by management, with valuations, when provided by a third party investment manager as a key input subject to appropriate review by management.

Reference and Administrative Details for the year ended 30 September 2015

Board of Governors

Sir William Castell, LVO, FCA (Chair) (to 30 September 2015)
Baroness Manningham-Buller, LG, DCB (Chair from 1 October 2015)
Professor Dame Kay Davies, CBE, FRS, FMedSci (Deputy Chair)
Professor Tobias Bonhoeffer, PhD
Mr Alan Brown, FSIP
Mr Damon Buffini, MBA
Professor Michael Ferguson, CBE, FRS, FRSE, FMedSci
Professor Bryan Grenfell, OBE, FRS
Professor Richard Hynes, PhD, FRS
Professor Dame Anne Johnson, MD, FRCP, FFPH, FRCGP, FMedSci
Professor Peter Rigby, PhD, FRS, FMedSci

Brief biographies are included on pages 89 and 90.

Company Secretary

Ms Susan Wallcraft

Executive Board

Dr Jeremy Farrar, FRS, FMedSci, OBE (Director)
Dr Ted Bianco, PhD (Director of Innovations) (to 13 May 2015)
Dr Stephen Caddick (Director of Innovations) (from 8 June 2015)
Mr Simon Chaplin (Director of Culture and Society)
Mr Tim Livett (Chief Financial Officer) (from 1 January 2015)
Ms Clare Matterson (Director of Strategy)
Dr Kevin Moses, MA, PhD (Director of Science)
Mr Ted Smith (Director of People and Facilities) (from 1 January 2015)
Mr Danny Truell (Chief Investment Officer)
Ms Susan Wallcraft (General Counsel)

Audit Committee

Mr Alan Brown (Chair)
Mr Tim Clark
Professor Dame Anne Johnson
Mr Philip Johnson

Remuneration Committee

Sir William Castell (Chair) to 30 September 2015)
Baroness Manningham-Buller (Chair from 1 October 2015)
Mr Alan Brown (from 20 April 2015)
Professor Dame Kay Davies
Professor Richard Hynes
(remuneration of the Chairman and the Deputy Chair only)

Nominations Committee

Sir William Castell (Chairman) (to 30 September 2015)
Baroness Manningham-Buller (from 1 October 2015)
Mr Damon Buffini (from 23 November 2015)
Professor Dame Kay Davies
Professor Richard Hynes

Investment Committee

Sir William Castell (Chairman) (to 30 September 2015)
Mr Alan Brown (Chair from 1 October 2015)
Mr Damon Buffini
Mr Tim Church (to 31 October 2015)
Professor Dame Kay Davies
Mr Peter Davies (to 31 December 2014)
Dr Jeremy Farrar
Mrs Sarah Fromson
Mr Naguib Kheraj
Mr Tim Livett (from 20 April 2015)
Baroness Manningham-Buller (from 1 June 2015)
Mr David Mayhew
Mr Nicholas Moakes
Mr Peter Pereira Gray
Mr Danny Truell

Reference and Administrative Details for the year ended 30 September 2015 (continued)

Biographies of the Governors

Baroness Manningham-Buller, LG, DCB (Chair from 1 October 2015)

Eliza was educated at Benenden School and Lady Margaret Hall, Oxford. She taught for three years before joining MI5 in 1974. After a career which included a posting to the British Embassy in Washington, she became Deputy Director General, with responsibility for operations, before leading the organisation as Director General, 2002-2007.

Eliza was appointed an independent, crossbench peer in the House of Lords in 2008. She has been a member of the Privileges and Conduct Committee and the Joint Committee on the National Security Strategy. She now sits on the Science and Technology Committee.

Eliza joined the Wellcome Trust as a Governor in 2008 and the Council of Imperial College in 2009. She was the Chair of Council 2011-15.

Eliza has honorary degrees from Oxford, St Andrews, Leeds, Cranfield and the Open University and has received honorary fellowships from Northampton and Cardiff, City and Guilds and Lady Margaret Hall.

Eliza gave the 2011 Reith lectures on 'Securing Freedom' with Aung San Suu Kyi.

Professor Dame Kay Davies, CBE, FRS, FMedSci (Deputy Chair)

Kay is Dr Lee's Professor of Anatomy and Associate Head, Development, Impact and Equality, Medical Sciences Division, University of Oxford, and Honorary Director of the MRC Functional Genomics Unit. Her research interests cover the molecular analysis of neuromuscular and neurological disease, particularly Duchenne muscular dystrophy. Kay has an active interest in the ethical implications of genetics research and the public understanding of science.

Kay has considerable experience of biotechnology companies as a conduit for translating the results of experimental science into new therapeutics and diagnostics.

Kay is a founding editor of 'Human Molecular Genetics' and a founding fellow of the Academy of Medical Sciences. She is a Fellow of the Royal Society and a Member of the European Molecular Biology Organization.

Professor Tobias Bonhoeffer, PhD

Tobias is Director at the Max Planck Institute of Neurobiology and Professor at the Ludwig Maximilians University in Munich. He is one of the world's foremost researchers in systems neuroscience. He studies synaptic plasticity in the brain focusing on learning, memory and how the brain adapts to its environment.

Tobias brings organisational experience and research leadership, as he has served for more than 15 years as department head at the Max Planck Institute of Neurobiology and later also as Chair of the entire Biomedical Section of the Max Planck Society. He has been a member of the Scientific Advisory Boards of numerous leading Institutions, including ETH Zurich, the Janelia Farm Research Campus of the Howard Hughes Medical Institute and the Chinese Academy of Sciences.

Tobias is also a member of the German National Academy of Sciences, Leopoldina, the Academia Europaea and the European Molecular Biology Organization (EMBO) and he has been awarded the Ernst-Jung Prize for Medicine.

Mr Alan Brown, FSIP

Alan read natural sciences at the University of Cambridge before starting a career in the investment management industry, where he

worked for 40 years. He has held positions as a chief investment officer for the past 25 years, most recently as an Executive Director at Schroders.

Alan's other responsibilities include Chairman of the Board of the Carbon Disclosure Project and Chairman of Westway Trust. He is a non-executive director of Pool Reinsurance Company, a scheme established to provide cover for losses arising from terrorism.

Mr Damon Buffini, MBA

Damon was educated at St John's College, University of Cambridge, where he read law, and at Harvard Business School, where he gained an MBA. He was a founding partner of Permira, a European private equity firm with global reach. He was managing partner from 1999 to 2007 and chairman from 2007 to 2010.

Under Damon's leadership, Permira's funds under management grew from €1.9 billion to over €20 billion and the firm expanded its international network of offices from four to twelve. Over the same period, Permira helped to grow and build numerous successful businesses across Europe, including Homebase, Inmarsat and global aviation services group Jet Aviation.

Damon is a co-founder of Social Business Trust, an initiative to grow social enterprises by using the knowledge, skills and capital of UK businesses thereby benefitting one million people in the UK. He is also a main board member of the Royal Shakespeare Company and a trustee of the Royal Anniversary Trust, which administers The Queen's Anniversary Prizes for Higher and Further Education.

Reference and Administrative Details for the year ended 30 September 2015 (continued)

Biographies of the Governors

Professor Michael Ferguson, CBE, FRS, FRSE, FMedSci

Michael is Regius Professor of Life Sciences and Associate Dean for Research Strategy in The College of Life Sciences at the University of Dundee. Michael's personal research takes a multidisciplinary approach to understanding the biochemistry of protozoan parasites that cause tropical diseases. Michael believes in the fundamental importance of working across the Biology / Chemistry interface and in interdisciplinary research in general.

Michael is particularly interested in Translational Research and, together with his colleagues, established the Drug Discovery Unit at the University of Dundee and led the construction of the Discovery Centre (for Translational and Interdisciplinary Research). Michael also directs a Proteomics Facility that supports much of the work of the College and clinical biomarker discovery projects with colleagues at the medical school.

Professor Bryan Grenfell, OBE, FRS

Bryan is the Kathryn Briger and Sarah Fenton Professor of Ecology, Evolution and Public Affairs at Princeton University. Bryan is jointly appointed at the Woodrow Wilson School and Department of Ecology and Evolutionary Biology.

With over 30 years' experience researching the population dynamics of infectious diseases, Bryan's research focuses on the epidemiology, evolution and vaccination control of infections such as measles and influenza. Bryan has advised the UK Government and the World Health Organization on the mathematical modelling and control of a variety of infectious diseases.

Bryan is a Fellow of the Royal Society, the American Academy of Arts and Sciences, and the American

Association for the Advancement of Science. Bryan has also been awarded the T H Huxley Medal from Imperial College and the Scientific Medal of the Zoological Society of London.

Professor Richard Hynes, PhD, FRS

Richard is Daniel K Ludwig Professor for Cancer Research at the Koch Institute for Integrative Cancer Research at the Massachusetts Institute of Technology (MIT) in the US and a Howard Hughes Medical Institute Investigator. Professor Hynes previously served as Head of the Biology Department and Director of the Center for Cancer Research (CCR) at MIT. Richard's research is concerned with understanding the molecular basis of cell adhesion and its involvement in cell behaviour, including contributions to human disease.

Richard received a BA and MA in biochemistry from the University of Cambridge and a PhD in biology from MIT in 1971. After doing postdoctoral work at the Imperial Cancer Research Fund Laboratories in London, Richard returned to MIT as a faculty member of the CCR.

Richard is a Fellow of the Royal Society and a member of the American Academy of Arts and Sciences, the National Academy of Sciences and the Institute of Medicine. Awards include the Gairdner Foundation International Award, the Pasarow Medical Research Award, a Guggenheim Fellowship and a Research Career Development Award from the National Institutes of Health.

Professor Dame Anne Johnson, MD, FRCP, FFPH, FRCGP, FMedSci

Anne is Professor of Infectious Disease Epidemiology, Chair of the Population Health Domain and Vice Dean for external and international

relations in the Faculty of Population Health at University College London. Anne was formerly Director of the University's Division of Population Health. After training in medicine at the University of Cambridge and Newcastle University, Anne specialised in epidemiology and public health and has a clinical research career spanning over 30 years.

Anne's research interests focus on the epidemiology and prevention of HIV and sexually transmitted infections. This includes sexual lifestyle studies, international HIV cohort studies, behavioural intervention studies and the epidemiological and immunological determinants of seasonal and pandemic influenza transmission. Anne is a fellow of the Academy of Medical Sciences and was made Dame Commander of the British Empire in 2013.

Professor Peter Rigby, PhD, FRS, FMedSci

Peter was trained as a molecular biologist at Cambridge and Stanford, California, and has since worked at Imperial College, the MRC National Institute for Medical Research and the Institute of Cancer Research (ICR), all in London. From 1999 to 2011, Peter was Chief Executive of the ICR, where he remains as Professor Emeritus of Developmental Biology, working on the regulation of gene expression during the development of the embryo. Peter serves as Chair of the Board of Trustee Directors of the Babraham Institute and as a member of the Council of Marie Curie. Peter is a Fellow of the Royal Society and of the Academy of Medical Sciences and a Member of the European Molecular Biology Organisation.

Peter was Deputy Chairman of the Board of Governors from October 2010 to September 2013.

Reference and Administrative Details for the year ended 30 September 2015 (continued)

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT
United Kingdom

Internal Auditors

Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

Bankers

HSBC Bank plc
31 Holborn Circus
Holborn
London EC1N 2HR
United Kingdom

Solicitors

CMS Cameron McKenna LLP
160 Aldersgate Street
London EC1A 4DD
United Kingdom

Global custodian bank

JP Morgan Chase Bank NA
125 London Wall
London EC2Y 5AJ
United Kingdom

