

Summarised Annual Report and Financial Statements 2013



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The best research for better health



Summary of Chairman's Statement

- We committed £726 million in grant funding and direct charitable activities this year, mostly in grants to scientists working in medical research, and most of them in the UK.
- The UK's scientific infrastructure, to which Stevenage Bioscience Catalyst is an innovative addition, is an excellent foundation for achieving better health.
- We launched a new scheme this year, Sustaining Health, to encourage and support research in areas such as the health impacts of climate change, connections between ecology and public health, global nutrition and behaviour change.
- Over 10 and 20 years, returns have averaged 10% a year, enabling us to increase progressively our commitments to medical research.

The Wellcome Trust is at its best when catalysing interactions between researchers and other people, be they researchers in different fields, people in business or politics, or members of the public. We believe that science should be at the heart of life, but for it to play its part in society people must feel able to engage and partner with scientists to discover and create new opportunities. The Trust brings people together, enabling collaboration, excellent research and, ultimately, better health. We committed £726 million in grant funding and direct charitable activities this year, mostly in grants to scientists working in medical research, and most of them in the UK.

In last year's *Annual Report*, I mentioned that the first tenants had moved in at Stevenage Bioscience Catalyst, a biotechnology 'incubator' where life science companies can explore new ways of working and bring convergent technologies together. Reflecting its vision of openness and collaboration across companies and sectors, Stevenage Bioscience Catalyst is a joint venture between the Wellcome Trust, the UK government and GlaxoSmithKline. There are now 26 tenants on the site, more than 70 per cent of capacity. It is hugely exciting that there is such demand from British businesses to use the site and I am sure some impressive outcomes will follow.

The UK's scientific infrastructure, to which Stevenage Bioscience Catalyst is an innovative addition, is an excellent foundation for achieving better health. For example, a new vaccine was created this year to protect cattle and other livestock against the virus that causes foot and

mouth disease. The team included academic scientists from the Universities of Oxford and Reading and researchers at the Pirbright Institute, which is funded by the Biotechnology and Biological Sciences Research Council. Part of the work was done at Diamond Light Source, the UK's national synchrotron facility, which is funded by the Science and Technology Facilities Council and the Wellcome Trust. Diamond generates high-energy beams of electrons to investigate the physical properties of molecules and materials, and underpins much of the UK's strength in structural biology.

Diamond's role in developing the foot and mouth disease vaccine was to show the physical effects of modifications to the vaccine's structure. A similar approach could be used to make better human vaccines as well. The foot and mouth disease virus is related to the virus that causes polio, which remains a threat despite the success of a long-established global vaccination programme, as we have seen by the re-emergence of the disease in Syria this year. A new vaccine could help to redouble efforts towards finally eradicating polio.

Investments

Long-term investors are able both to be counter-cyclical and patient. Having significantly increased our exposure to public and private equity holdings in the period between 2008 and 2011 when many investors had become risk-averse, we have reaped the rewards in the last two years as they have again embraced risk assets. In 2012/13, we enjoyed returns of over £2.6 billion (18%) as our public equities, private equity holdings,

venture capital funds, hedge funds and residential property interests all recorded gains of 15-20%. Returns in the five years since September 2008 have exceeded £7 billion (57%). Over 10 and 20 years, returns have averaged 10% a year, enabling us to increase progressively our commitments to medical research.

Danny Truell and his investment team continue to evolve our portfolio in order to ensure that we have greater control of our destiny and that our long-term returns are driven more by the evolution of businesses than by short-term market fluctuations.

For example, our directly managed Mega Cap Basket of 31 holdings in large companies, valued at £3.4 billion, is the cornerstone of our equity holdings. Initiated in late 2008, it has returned 55% on cost: last year, we neither added new holdings nor sold any shares in existing holdings.

Over 80% of our portfolio is now concentrated in 42 directly-held public or private assets and in 51 external partnerships, each with a value exceeding \$100 million: of these partnerships, half are at least a decade old. Our cash flows have become increasingly positive and reinvestment risk has risen: hence, we shall need to be disciplined in focusing new investments on assets, which will genuinely add long-term value irrespective of geography or industry.

A world of knowledge

The big health challenges of the future will be global: every country will be affected by the changing climate, increasing population and more people living in cities. How we respond to the pressure these factors put on our health will depend on national and international policies which, in turn, draw on whatever scientific evidence is available. At the Trust, we want to ensure that the

evidence base is as robust as possible. We launched a new scheme this year, Sustaining Health, to encourage and support research in areas such as the health impacts of climate change, connections between ecology and public health, global nutrition and behaviour change. These are relatively new fields of research and bridge previously unconnected disciplines, so once again the Trust is looking to catalyse new initiatives, approaches and collaborations that could help map out routes to a sustainable future.

A global outlook comes naturally to our Director, Dr Jeremy Farrar, who started the role in October 2013. Jeremy trained as a medical doctor and clinical researcher in the UK, and has spent the last 20 years leading the Trust's Major Overseas Programme in Vietnam. His experience of building international partnerships and respect, especially in South-East Asia, will be of great value, as will his global vision and experience. With a new Director, the Trust continues to evolve: Jeremy will use his distinctive perspective to build on the work and wisdom of our former Directors, as did his immediate predecessor, Sir Mark Walport.

I extend my heartfelt thanks to Mark for ten years of distinguished leadership of the Trust, which came to an end in March 2013 when he left to become the Chief Scientific Advisor to the UK Government. As Director, Mark enhanced the professionalism of the Trust and bestowed a clear sense of purpose underpinned by a well-articulated strategy. Achievements in progressing scientific understanding were complemented by a programme of scholarship to support and develop researchers and scientific leaders for the future.

I would also like to thank Dr Ted Bianco, our Director of Technology Transfer, for standing in as Acting

Director for six months, as well as the entire staff: it is the people in the Trust and those we work with, including application reviewers and our funding committee members, who make our vision into a real success. From our Investments Committee, I would particularly like to acknowledge the contribution of Stewart Newton, chairman of Veritas Investment Management, who stood down this year.

Great thanks and recognition also to Professor Peter Rigby for the breadth of his scientific support and constructive challenge as Deputy Chairman of the Trust for the last three years. Professor Kay Davies has now taken up the position of Deputy Chair: Kay has been on the Board of Governors for the past six years and I am looking forward to working with her in this role as well.

Another of our Governors, Professor Anne Johnson, was made a Dame in the Queen's Birthday Honours – congratulations to Dame Anne, and also to Professor Steve O'Rahilly, co-Director of the Medical Research Council-Wellcome Trust Institute of Metabolic Science, and Professor Mike Stratton, Director of the Wellcome Trust Sanger Institute, who both received knighthoods this year.



Sir William Castell
Chairman of the Wellcome Trust
17 December 2013

Our vision and objects

We are dedicated to achieving extraordinary improvements in human and animal health

The objects of the Wellcome Trust (the "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; and

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 mission

We support the brightest minds in biomedical research and medical humanities

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 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.

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.

Combating infectious disease

We will promote an integrated approach to the study of infectious disease in humans and animals.

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.

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.

currency). All 20 of our hedge fund partners delivered positive returns with 14 achieving double digit returns. We were helped by our bias towards equity long/short funds. Large buyout funds, taking advantage of the opportunities for refinancing debt cheaply, returned 17%, only pipped by the 18% return from venture funds, which made good use of the strong IPO markets, especially in the US.

In our directly-held private company portfolio, we recognised a gain in excess of \$100 million from the acquisition of our stake in drug company Amplimmune by AstraZeneca. Accounting rules also required us to recognise the post-year-end IPO of Twitter, where our stake of more than 1% was marked up by more than \$100 million.

Our £515 million composite of multi-asset partnerships (MAPs) in selected regions (Africa, Arab World, Brazil, East Asia), which can invest freely in public or private equity or debt, returned 20% in the first six months of its existence against a 10% decline in FGM equity markets.

Within our property interests, 90% is represented by residential property which recorded another strong year, boosting our total returns from property to over 150% cumulative (10% p.a.) in the past ten years.

Looking forward, we would expect asset returns to be weaker over the next five years than they have been over the last five or ten years. High single-digit returns from equities might be a reasonable base expectation, in line with the very long-term experience. Companies will continue to struggle to grow revenues given the negative impact on the productivity of both labour and capital from continuing zero

interest rate policies, which divert capital away from productive investment. Favourable tailwinds from falling labour and financing costs may abate. Equities, after the 64% rally in the past five years, appear fairly valued: dividend payments and share buybacks would appear to be underpinned by cash flows but further re-rating may be unsustainable.

Our response has been to concentrate our portfolio further in order to seek excess returns, which are driven by the success of individual assets, business models and partnerships over the long-term rather than merely by market price movements. Currently we have just under 100 interests in assets, businesses (public or private) and partnerships (including multiple funds with the same partner), which are valued at least at \$100 million. They comprise more than 80% of the total value of the portfolio and are fairly evenly split between direct ownership and external management.

Our long-term focus is reflected by the fact that over 30% of these relationships are more than a decade old and less than 15% have been initiated in the past five years. A small number of business models may fail and need replacing, and we anticipate our net cash flows to be significantly positive over the next five years provided there is no renewed crisis impacting economies and markets. We might therefore expect to add 15-20 new partnerships over the period, while continuing to rationalise the legacy tail. While we have no pre-set notion of asset allocation however, we might expect many of the new investments to be related to our long-term investment themes of ageing demographics, the disruptive knowledge economy, the New New World and scarcity.

Trustee's Statement

The summarised financial statements are not the full annual report and financial statements but a summary of information derived from both the group's Statement of Financial Activities and the group's Balance Sheet.

The full annual report and financial statements, from which the summarised financial statements are derived, were approved by the trustee on 17 December 2013 and copies will be filed with the Charity Commission. The independent auditors' report on the full financial statements was unqualified.

The full annual report and financial statements are available free of charge from the charity at www.wellcome.ac.uk, or by email from contact@wellcome.ac.uk.

Signed on behalf of the Trustee



Sir William Castell
Chairman of the Wellcome Trust
17 December 2013

Consolidated Statement of Financial Activities for the year ended 30 September 2013

	2013	2012
	£m	£m
Incoming resources		
Investment income		
Dividends and interest	225.8	192.3
Rental income	29.1	25.2
	254.9	217.5
Other incoming resources		
Grants receivable	16.9	14.7
Other income	9.7	10.2
Total incoming resources	281.5	242.4
Resources expended		
Costs of generating funds		
Management fees and other investment costs	58.2	49.6
Interest payable on bond liability	39.0	39.0
Charitable activities	772.9	746.3
Governance costs	2.2	2.2
Total resources expended	872.3	837.1
Net outgoing resources before net gains on investments	(590.8)	(594.7)
Net realised and unrealised gains on investments	2,321.3	1,484.7
Actuarial (losses)/gains on defined benefit pension schemes	(19.0)	1.3
Net movement in fund	1,711.5	891.3
Fund at start of year	13,329.7	12,438.4
Fund at end of year	15,041.2	13,329.7

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

Consolidated Balance Sheet

as at 30 September 2013

	2013	2012
	£m	£m
Tangible fixed assets	411.3	392.7
Investment assets		
Quoted investments	7,836.3	6,494.6
Unquoted investments	7,419.6	7,423.6
Investment properties	1,264.8	922.1
Derivative financial instruments	206.8	72.7
Investment cash and certificates of deposit	595.5	412.4
Other investment assets	240.6	279.1
Programme related investments	0.3	1.1
	17,563.9	15,605.6
Current assets		
Stock	2.4	3.1
Debtors	19.9	22.6
Cash at bank and in hand	11.7	21.9
	34.0	47.6
Creditors falling due within one year	(1,017.0)	(881.6)
Net current liabilities	(983.0)	(834.0)
Total assets less current liabilities	16,992.2	15,164.3
Creditors falling due after one year	(1,804.6)	(1,716.2)
Provision for liabilities and charges	(28.7)	(20.0)
Net assets representing unrestricted funds excluding pension deficit	15,158.9	13,428.1
Defined benefit pension schemes' deficit	(117.7)	(98.4)
Net assets representing unrestricted funds including pension deficit	15,041.2	13,329.7

The Consolidated Financial Statements were approved by The Wellcome Trust Limited, as Trustee, on 17 December 2013.

Consolidated Cash Flow Statement for the year ended 30 September 2013

	2013	2012
	£m	£m
Net cash outflow from operating activities	(613.5)	(627.7)
Returns on investments and servicing of finance		
Investment income received	256.9	213.5
Cash outflow for servicing of finance	(38.5)	(38.4)
Net cash inflow from returns on investments and servicing of finance	218.4	175.1
Financial investment and capital expenditure		
Proceeds from sales of investment assets	4,385.4	3,275.3
Purchase of investment assets	(3,597.9)	(2,930.1)
Net cash (outflow)/inflow upon settlement of derivative financial instruments	(175.1)	85.1
Sale of tangible fixed assets	-	2.6
Purchase of tangible fixed assets	(43.0)	(18.7)
Net cash inflow for financial investment and capital expenditure	569.4	414.2
Net cash inflow/(outflow) before use of liquid resources and financing	174.3	(38.4)
Management of liquid resources		
Increase/(decrease) in investment cash and certificates of deposit	(183.1)	33.5
Decrease in term deposits	1.6	0.4
Exchange losses	(3.0)	(7.7)
Net cash (outflow)/inflow from management of liquid resources	(184.5)	26.2
Financing		
Net cash inflow from financing	-	-
Decrease in net cash	(10.2)	(12.2)

Grants Awarded

	Science Funding £m	Technology Transfer £m	Medical Humanities and Engagement £m	Total 2013 £m	Total 2012 £m
The Francis Crick Institute Limited	70.0	-	-	70.0	-
University of Oxford	61.5	4.6	2.9	69.0	56.0
University of Cambridge	63.8	2.4	1.5	67.7	52.8
University College London	41.0	5.4	0.6	47.0	47.1
Imperial College London	27.2	2.5	0.4	30.1	30.9
King's College London	11.9	6.8	3.4	22.1	19.4
University of Edinburgh	14.7	2.2	1.5	18.4	15.3
Liverpool School of Tropical Medicine	18.3	-	-	18.3	4.9
University of Dundee	16.0	0.1	-	16.1	34.9
London School of Hygiene & Tropical Medicine	14.6	-	0.9	15.5	16.0
Newcastle University	9.3	5.3	0.2	14.8	12.6
Diamond Light Source Limited	13.9	-	-	13.9	5.2
Cardiff University	13.0	-	0.2	13.2	6.9
Institute of Cancer Research	6.9	2.5	-	9.4	5.4
University of Manchester	7.0	0.4	0.5	7.9	4.4
University of Bristol	7.1	-	-	7.1	5.4
Wellcome Trust / DBT India Alliance, India	6.9	-	-	6.9	7.3
University of Warwick	4.1	-	1.1	5.2	-
Scottish National Blood Transfusion Service	-	5.1	-	5.1	-
University of Sheffield	3.4	0.8	-	4.2	-
University of Leicester	3.8	0.2	0.1	4.1	-
Save the Children	4.0	-	-	4.0	-
University of Glasgow	3.9	-	-	3.9	7.5
Infectious Disease Research Institute	-	3.9	-	3.9	-
University of St Andrews	3.8	-	-	3.8	3.3
University of Liverpool	3.4	-	-	3.4	4.7
MRC National Institute for Medical Research	3.2	-	-	3.2	-
Grants to other organisations	45.4	12.7	10.1	68.2	177.7

Grants Awarded

	Science Funding £m	Technology Transfer £m	Medical Humanities and Engagement £m	Total 2013 £m	Total 2012 £m
Total grants (excluding supplementations and grants no longer required)	478.1	54.9	23.4	556.4	517.7
Grant supplementations	4.2	-	-	4.2	3.9
Less: grants awarded in previous years no longer required	(18.8)	(2.0)	(2.0)	(22.8)	(10.5)
Grants awarded by the Group of which;	463.5	52.9	21.4	537.8	511.1
United Kingdom	445.6	40.6	19.4	505.6	445.2
Directly funded international	17.9	12.3	2.0	32.2	65.9
Grants awarded by the Group	463.5	52.0	21.4	537.8	511.1

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. Grants awarded during the year are analysed by organisation in the table above. The grants included within Grants to other organisations for 2013 totalled less than £3.0 million (2012: £3.0 million) in value for each organisation.

Reference and Administrative Details for the year ended 30 September 2013

Board of Governors

Sir William Castell, LVO, FCA (Chairman)
Professor Peter Rigby, PhD, FRS, FMedSci (Deputy Chairman to 30 September 2013)
Professor Dame Kay Davies, CBE, FRS, FMedSci (Deputy Chair from 1 October 2013)
Mr Alan Brown, FSIP
Mr Damon Buffini, MBA
Professor Michael Ferguson, CBE, FRS, FRSE, FMedSci
Professor Richard Hynes, PhD, FRS
Professor Dame Anne Johnson, MD, FRCP, FFPH, FRCGP, FMedSci
Baroness Manningham-Buller, DCB
Professor Peter Smith, CBE, DSc, FMedSci

Company Secretary

Ms Susan Wallcraft

Executive Board

Dr Jeremy Farrar, DPhil, FRCP, FMedSci (Director from 1 October 2013)
Sir Mark Walport, PhD, FRCP, FRS, FMedSci (Director to 14 March 2013)
Dr Ted Bianco, PhD (Acting Director from 15 March 2013 to 30 September 2013) (Director of Technology Transfer)
Mr John Cooper (Chief Operating Officer, The Francis Crick Institute)
Mr Simon Jeffreys (Chief Operating Officer)
Dr David Lynn, PhD (Director of Strategic Planning and Policy)
Ms Clare Matterson (Director of Medical Humanities and Engagement)
Dr Kevin Moses, MA, PhD (Director of Science Funding)
Mr Danny Truell (Chief Investment Officer)
Ms Susan Wallcraft (General Counsel)

Audit Committee

Mr Alan Brown (Chairman)
Mr Tim Clark
Mr Philip Johnson
Baroness Manningham-Buller
(until 19 September 2012)

Remuneration Committee

Sir William Castell (Chairman)
Professor Dame Kay Davies
(from 1 October 2013)
Professor Richard Hynes
(remuneration of the Chairman
and the Deputy Chair only)
Baroness Manningham-Buller
Professor Peter Rigby (to 30
September 2013)

Nominations Committee

Sir William Castell (Chairman)
Professor Dame Kay Davies
(from 1 October 2013)
Professor Richard Hynes
Baroness Manningham-Buller
Professor Peter Rigby (to 30
September 2013)

Investment Committee

Sir William Castell (Chairman)
Mr Alan Brown
Mr Damon Buffini
Mr Tim Church
Professor Dame Kay Davies
(from 1 October 2013)
Dr Ted Bianco
(to 30 September 2013)
Mr Peter Davies
Dr Jeremy Farrar
(from 1 October 2013)
Mrs Sarah Fromson
Mr Simon Jeffreys
Mr Naguib Kheraj
Mr David Mayhew
Mr Nicholas Moakes
Mr Stewart Newton
(to 30 September 2013)
Mr Peter Pereira Gray
Professor Peter Rigby
(to 30 September 2013)
Mr Danny Truell
Sir Mark Walport
(to 14 March 2013)

Strategic Awards Committee

Professor Dame Kay Davies
(Chair from 1 October 2013)
Professor Peter Rigby
(Chairman to 30 September 2013)
Mr Alan Brown
Mr Damon Buffini
Sir William Castell
Professor Michael Ferguson
Professor Richard Hynes
Professor Dame Anne Johnson
Baroness Manningham-Buller
Professor Peter Smith
Sir Mark Walport
(to 14 March 2013)
Dr Jeremy Farrar
(from 1 October 2013)
Dr Ted Bianco
Ms Clare Matterson
Dr Kevin Moses

Independent Auditors

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

Internal Auditors

Deloitte LLP
2 New Street Square
London EC4A 3BZ

Bankers

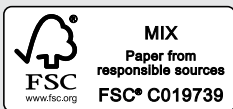
HSBC Bank plc
31 Holborn Circus
Holborn
London EC1N 2HR
United Kingdom

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



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Wellcome Trust

We are a global charitable foundation dedicated to achieving extraordinary improvements in human and animal health. We support the brightest minds in biomedical research and the medical humanities. Our breadth of support includes public engagement, education and the application of research to improve health.

We are independent of both political and commercial interests.

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