

ANNUAL REPORT AND FINANCIAL STATEMENTS

2006



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# CHAIRMAN'S STATEMENT

Sir Henry Wellcome's last will and testament established the Wellcome Trust in 1936 and since then it has been a force for the advancement of our understanding of human and animal health and disease. This potential has grown over the last decade with the significant increases we have seen in our endowment as our portfolio diversified.

My predecessor, Sir Dominic Cadbury, retired in April 2006. He chaired the Trust through an exciting period of development during which there were many important initiatives. Highlights include the completion of the human genome in which the Wellcome Trust Sanger Institute took a key role, the opening of our first five Clinical Research Facilities, the establishment of the National Science Learning Centre and completion of our new London Headquarters. These initiatives will significantly impact on the science base in the UK for many years to come and will, I am sure, provide great satisfaction for Sir Dominic. I thank him for his major contributions to the Trust.

I have the pleasure, in my first statement as Chairman, to review a year where expenditure on charitable activities in support of our mission has been £484 million. This was made possible by the good returns on our investment portfolio. In the last year we saw a return of 12.8% and the investment asset base rose to £13.9 billion at the balance sheet date.

## Investment

Our ability to support the best ideas and best people to answer important questions related to health and disease is dependent on the performance of our investment portfolio. This year we have continued to review our investment structure to balance the portfolio to ensure the greatest long-term return from our endowment. There has been important diversification of the portfolio, with increases in the use of hedge funds, the instigation of an active currency strategy, and a reduction in equities managed by UK managers.

Our investment portfolio was further enhanced when, in July, we became both the only UK domiciled non-public sector organisation with an AAA credit rating and the first UK charity to issue a listed bond. The £550 million bond issue should enable us to generate more income over the long-term to support our mission.

## Major funding activity

Basic research underpins future discovery and application. The support of investigator-led research and career initiatives therefore remains the single biggest element of our funding portfolio. The primary focus of this activity is in the UK, where in 2005/06 we supported biomedical research to the value of £278 million.

At the Trust we believe that flexible funding mechanisms are key to innovative research. Our Strategic Award scheme provides this and three outstanding awards, for fundamental biological enquiry, were made this year:

- £7 million to establish an international centre of excellence in fundamental stem cell research, at the University of Cambridge, to be led by world-renowned stem cell researchers Professor Austin Smith and Professor Fiona Watt;
- Over £6 million to Wellcome Trust Centre for Neuroimaging, at University College London, one of the world's foremost brain imaging research facilities, led by Professor Ray Dolan; and
- £4 million to Professor Paul Luzio at the Cambridge Institute for Medical Research enabling it to stay at the leading edge of research into how diseases arise and to play a key role training tomorrow's academic doctors and medical scientists.

The year also saw the Trust reaffirm its commitment to the excellent work carried out at the Wellcome Trust Sanger Institute, with the approval of a further five years of core funding of £340 million. The Institute will, over this period, focus its scientific efforts on global studies of natural genetic variation in humans and pathogens, and experimental variation of genome sequence in model organisms.

Research is a global enterprise and this year we published our strategy for supporting biomedical health research and training around the world. The primary focus is to invest in excellent scientists in developing and restructuring countries who have the greatest potential to advance knowledge, and ensure they have the resources they need to carry out their work.

It is vital that the potential provided by the rapid advances made in biomedical research is taken forward to enable improvements in healthcare and clinical practice. This year saw a consortium of research funders led by the Trust announce funding of £84 million to boost experimental

medicine in the UK and Ireland. This major investment will develop and strengthen our existing Clinical Research Facilities and provide additional facilities where the advances made in the research laboratory can be translated into real benefits for patients.

This year we launched a new initiative which I hope will also have tangible impacts on health. It has become increasingly difficult for research groups outside industry to secure funding for translational research in small molecule therapeutics. Our new Seeding Drug Discovery initiative aims to fill a funding gap, facilitating interdisciplinary research groups to engage in early drug discovery projects and the initiative has now made a number of awards.

We are opening our new public venue in summer 2007. Free to all, Wellcome Collection will inspire and challenge visitors through exhibitions and events of contemporary and historical material, which will encourage them to consider issues of health and human identity through the ages.

Wellcome Collection will be housed in the Wellcome Building, which was originally conceived by Sir Henry Wellcome as a home for his unique collection of medical artefacts and for his research institutes. Wellcome Collection will represent a contemporary version of his broad vision. It is the first venue of its kind and will form a significant new cultural landmark both for the United Kingdom and also for science.

The Trust has continued its advocacy work around the open and unrestricted access to the outputs of research. This year, in partnership with a nine-strong consortium of research funders, we established UK PubMed Central which will provide free access to an online digital archive of peer-reviewed research papers in the medical and life sciences.

## Measuring success

We are committed to developing and improving our organisation and its operations. In September 2005 we published our five-year Strategic Plan, *Making a Difference*. Early in 2007 we will publish an update of this plan, which will report on progress to date against our aims and objectives and also outline some new strategic priorities for the future.

## The year ahead

Our focus over the next year will remain to fund the best people, with the best ideas, in the best environments and to create the investment returns which we need to provide for this. We expect to see growth in our funding for both clinical research and our research activities overseas. Another key activity will be preparation for the opening of Wellcome Collection and ensuring its ongoing success. There is much to be done globally in facing the challenges of the health of human kind. We are fortunate to have an outstanding Director and a committed team of staff and Governors, and we will strive to deliver the vision enabled by the privilege of the Wellcome endowment to our maximum ability.



Sir William Castell  
20 December 2006

# TRUSTEE'S REPORT

for the year ended 30 September 2006

## Objects

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:
  - (a) research into any of the biosciences; and
  - (b) 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:
  - (a) research into the history of any of the biosciences; and
  - (b) the study and understanding of any of the biosciences or the history of any of the biosciences.

## Mission and Aims

The Trust's Strategic Plan for 2005-2010, *Making a Difference*, sets out the context and direction for the Wellcome Trust to achieve its overall mission to "foster and promote research with the aim of improving human and animal health" during this period. The Trust has six aims:

- **Advancing knowledge:** To support research to increase understanding of health and disease, and its societal context.
- **Using knowledge:** To support the development and use of knowledge to create health benefit.
- **Engaging society:** To engage with society to foster an informed climate within which biomedical research can flourish.
- **Developing people:** To foster a research community and individual researchers who can contribute to the advancement and use of knowledge.

- **Facilitating research:** To promote the best conditions for research and the use of knowledge.
- **Developing our organisation:** To use our resources efficiently and effectively.

The Strategic Plan and the Trust's *Annual Review*, which gives more detail of the achievements in the year, are available on request from the address on the inside back cover.

## Review of Activities

Biomedical research progresses through the gradual accumulation of knowledge, as groups of scientists make discoveries within their areas of work. The overall goal is a better understanding of living processes and how they affect health, which can lead to new ways to protect or improve our well-being. But neither the accumulation of knowledge nor its medical application is straightforward. The impacts of the Trust's funding are therefore likely to be seen some time after the expenditure is committed – and the direct link to health outcomes may be seen generations later.

This report sets out achievements arising during the year from both current and previous funding within the context of the Trust's aims. The charitable activities of the Trust, as detailed in note 6 to the Financial Statements, often cover more than one of these aims.

## Understanding health and disease, and societal context

Support of a broad portfolio of biomedical research is the principal route by which the Trust aims to make a significant difference by advancing knowledge of the processes that underpin health and disease. A significant proportion of this is supported by the Science Funding activity. The continuing support for excellent basic research also provides a platform from which to develop clinical research and use of knowledge to create health benefit. The Trust also supports research that addresses the wider societal and historical context of the biomedical sciences, to help understand the present and learn from the past. The Trust continued to award substantial funds to research institutions, primarily UK universities, through its established project, programme and other ad hoc award schemes. Support was awarded through Science Funding activity for 45 programme grants (2005: 44) and 218 project grants (2005: 192) with demand for both programme and project grants increasing significantly on the previous year.

Achievements from funding previously awarded include:

- Professor Christine Holt (University of Cambridge) and colleagues have identified a key mechanism used to guide the growth of nerve cells. The research will help us understand how the nervous system is wired together with such precision.
- With colleagues in Manchester and Lancaster, Professor Keith Gull, a Wellcome Trust Principal Research Fellow at the University of Oxford, carried out an analysis of key proteins in the trypanosome flagellum, the parasite associated with sleeping sickness, identifying all proteins involved in its construction and operation, and thereby uncovering numerous new targets for therapeutic intervention.
- Professor Steve Bloom (Imperial College) and colleagues have identified important signalling molecules that send messages from the gut to the brain and thereby regulate appetite. It may be possible to use these molecules, or derivatives of them, to reduce appetite and control food intake, and hence tackle obesity.
- Professor Ray Dolan and Professor Karl Friston (The Wellcome Trust Centre for Neuroimaging at University College London): Functional imaging techniques allow us to study the living brain as it engages in a wide variety of tasks. As well as shedding light on normal brain function, they are also providing insight into the nature of neurological and psychiatric conditions. The UCL centre is one of the world's leading sites in an area of great scientific interest and an award of £6.7 million was made to support its work.
- Professor Paul Luzio and colleagues (The Cambridge Institute for Medical Research): An award of £4.0 million was made to support research into the molecular mechanisms of disease. The Institute will also establish two new training programmes operating at the interface between clinical and basic research.

During the year the Trust launched the Strategic Award scheme, a flexible new mechanism to support research and training programmes in areas of strategic importance. Three major awards were made during the year:

- Professor Austin Smith (The Wellcome Trust Centre for Stem Cell Research at the University of Cambridge): An award of £7 million was made to establish a centre of excellence in fundamental stem cell research. The Wellcome Trust Centre for Stem Cell Research will be led by world-renowned stem cell researchers Professor Austin Smith and Professor Fiona Watt, and is due to open at the University of Cambridge in December 2006. In work published this year, Professor Smith and colleagues have found that the Nanog protein is fundamental to pluripotency – the ability of stem cells to multiply themselves and produce other, more specialised cell types. This work is particularly important as it suggests ways in which pluripotent stem cells could be created without having to harvest them from embryos. In addition Professor Watt was awarded a £3.0 million programme grant to explore how adult stem cells can be used to develop better skin grafts.

In addition in the area of history of medicine, which falls within the Medicine, Society and History activity, nine project grants and twelve fellowships were awarded. History of medicine awards cover a wide range of topics and periods. New studentships and fellowships build on the history of medicine community's strong academic foundations, and much work is now disseminated to public audiences. Topics covered include public health, genetics, ancient medical texts and pre-twentieth century military medicine.

## Creation of health benefit

It is anticipated that in the longer-term major health impacts will result from basic research funded by the Trust. In addition, we also support research specifically aimed at driving forward the application of research to create health benefits. There have been several achievements during the year as a result of funding of both basic research and Technology Transfer activity.

Wellcome Trust Senior Clinical Fellow Dr Ajit Lalvani and colleagues from the University of Oxford have developed an improved test for latent tuberculosis which is now part of National Institute for Health and Clinical Excellence guidelines.

Dr Kathryn Maitland and colleagues at the Kenya Medical Research Institute (KEMRI) Wellcome Trust Major Overseas Programme have demonstrated that children suffering from severe malaria stand a better chance of survival if they are given an immediate infusion of albumin.

# TRUSTEE'S REPORT

for the year ended 30 September 2006 (continued)

DanioLabs Ltd, a spin-out from the University of Cambridge and the University of California, San Francisco, uses zebrafish, a major research tool in vertebrate biology, to screen for new drugs for a range of ophthalmic and neurological diseases. It has recently secured additional venture capital funding and its first drugs, for use to treat symptoms of Parkinson's disease, have entered clinical trials.

Aircraft Medical Ltd successfully concluded a US distribution agreement for its innovative laryngoscope product that offers a near-guaranteed view of the larynx, through the integration of a miniature video camera into the device and a display screen on the handle.

Also in furtherance of this aim the Trust and The Institute of Cancer Research entered into a new alliance with GlaxoSmithKline to discover, develop and commercialise novel small molecule inhibitors of BRAF, a key signal transduction protein, for use as anticancer agents.

In addition, a new international research partnership has been developed to drive forward antimalarial drug development. The Wellcome Trust, the Singapore Economic Development Board and the Medicines for Malaria Venture (MMV) are co-funding a \$20 million initiative, led by Professor Alex Matter at the Novartis Institute for Tropical Diseases in Singapore, of which the Trust has awarded £6.4 million. The programme aims to discover and establish a new generation of antimalarial drugs, which would provide further opportunities for development by MMV. Research will be conducted jointly with several institutions, including the Genomics Institute of the Novartis Research Foundation and the Swiss Tropical Institute.

## International

During the year the Trust has developed its international strategy as a framework to expand its research and capacity building activities in developing and restructuring countries. The strategy builds on the successes of both current year and previous international Trust funding, which has resulted in some significant achievements, examples of which are listed below.

Dr Vikram Patel (London School of Hygiene and Tropical Medicine) holds a Senior Clinical Fellowship in Tropical Medicine. He has published a number of papers highlighting the full extent of women's mental health problems in India, and their links to gynaecological symptoms. Depression in mothers is a significant but neglected health issue in disadvantaged communities.

Researchers at the KEMRI Wellcome Trust Major Overseas Programme have carried out a range of important studies on children's health. They have shown that vaccination substantially reduced the number of *Haemophilus influenzae* type b infections, leading the Kenyan Ministry of Health to continue its vaccine programme. The research was led by the University of Oxford's Dr Anthony Scott, a Wellcome Trust Research Career Development Fellow in Clinical Tropical Medicine.

Professor Jeremy Farrar and colleagues at the Wellcome Trust's Major Overseas Programme in Vietnam continue to be at the forefront of efforts to understand the effects of H5N1 avian flu on people. The group has noted worrying signs of resistance to oseltamivir, one of the few effective drugs against avian flu, and has discovered that fatal cases of infection are associated with high viral loads and a massive inflammatory response, which is probably the cause of death. New funding was awarded in the year to Dr Cameron Simmons, who is working with teams in Switzerland and the USA to produce monoclonal antibodies derived from patients who survived the H5N1 virus. These will be tested to see if they protect against H5N1 infection.

In January 2006, the World Health Organization (WHO) changed its guidelines to recommend the use of artemisinin combination therapies (ACTs) in uncomplicated falciparum malaria. Professor Nick White, Chairman of the Wellcome Trust's South-east Asia Major Overseas Programme, has pioneered the use of combination therapies based on artemisinin (originally derived from the sweet wormwood plant). ACTs have now been adopted by most countries affected by malaria, but obstacles still remain to their widespread use, including their relatively high cost.

Current estimates of malaria's global disease burden owe much to the pioneering studies of Professor Bob Snow, based at the Wellcome Trust's Major Overseas Programme in Kenya. Professor Snow was awarded a Wellcome Trust Principal Research Fellowship to continue his work on mapping malaria risk on national, continental and global scales. The goal is to develop an accurate estimate of the public health burden posed by the malaria parasite, in order to model the impact of changing demographics, climate, poverty and intervention over the next 25 years. In complementary research, Dr Simon Hay was awarded a Senior Research Fellowship to disentangle the effects of natural environmental change and that caused by human activities. Concentrating on Africa, which bears the brunt of malaria, Dr Hay hopes to exploit this knowledge to predict

how the disease will respond to environmental change, which would ultimately help decision makers planning control strategies.

In 2005, the Trust announced a £3 million grant scheme, Livestock for Life, aimed at strengthening links between stakeholders working in the field of international animal health, was being launched. During 2006, 19 new awards were made under this scheme to a value of £2.4 million. The grants portfolio encompasses a wide geographic area and covers a variety of animal health issues in developing countries. Indeed, the disease focus of projects varies from avian influenza to zoonoses such as bovine tuberculosis and brucellosis. Each of the 19 projects will be addressing unique needs with regard to enhancing dialogue between different stakeholders, better understanding of the role of the media, science and public policy in forging public perceptions of animal health diseases.

## Partnerships

The Trust works in innovative funding partnerships where added benefit can be gained and sees this as a strategically important way to achieve its mission.

The Structural Genomics Consortium, a partnership with other organisations from the UK, Canada and Sweden, was awarded a further £16 million of funding for its second phase. The Consortium has focused on determining structures of human protein families relevant to health and disease as well as determining structures of proteins from the malaria parasite.

In July 2006, the Medical Research Council and the Wellcome Trust, who are funding the UK Biobank project, gave their approval for the project to proceed to the full recruitment phase following successful completion of the pilot phase testing. Therefore, the final £19.4 million of the £28 million award by the Trust, which was contingent upon the successful completion of the pilot phase, has been reflected in the financial statements this year. Over the next few years UK Biobank will build up a uniquely rich resource for investigating why some people develop particular diseases while others do not. As a resource, UK Biobank will be able to complement other large prospective cohort studies that have been set up in recent years. The UK Biobank project will enable scientists to gain unique insight into the genetic and environmental causal factors associated with a wide range of debilitating diseases, providing vital information needed to work on future preventative and curative measures.

As stated in the Future Plans section of the 2005 Review of Activities, a UK site for PubMed Central has been developed during the year. A contract to run UK PubMed Central (UKPMC) was awarded to a partnership between the British Library, the University of Manchester and the European Bioinformatics Institute (EBI). The Wellcome Trust is one of a nine-strong group of UK research funders of this project. Based on a model currently used in the United States, UKPMC will provide free online access to the digital archive of published articles resulting from research paid for by any of the funding consortium. It will be fully searchable and provide context-sensitive links to other online resources, such as gene and chemical compound databases.

## Engaging society

The Trust continues to engage society to foster an informed climate within which biomedical research can flourish. The Trust's approach to engaging the public with biomedical sciences draws on its unique resources, history and expertise to place biomedical science within a societal, historical and cultural context. Much of this work takes place within the Medicine, Society and History activity.

In March 2006, Prime Minister Tony Blair opened the National Science Learning Centre, part of a national network of Science Learning Centres. The £51 million initiative, jointly developed with the Department for Education and Skills, aims to enhance teachers' continuing professional development, to ensure the highest possible standards in science education. Complementing this initiative, the Twenty First Century Science GCSE science curriculum was launched during the year. Part-funded by the Trust, the curriculum has been developed to give all 14 to 16 year olds a worthwhile and inspiring experience of science. The strength of the programme is that it meets the needs, through flexible options, of both those who will go on to be professional scientists and of those who will not, but will still be living in a technologically advanced society.

In July 2006, the Wellcome Trust hosted three evenings of debate, discussion and performance in the Soho Theatre in central London. The events, *What Makes Us Happy?*, *Exploring the Rhythms of Life* and *Full Life, Long Life?*, were billed as a chance to explore the impact of happiness, music and medicine on the nation's health, with experts from the arts, science and humanities. The events were designed to raise levels of public awareness and debate about biomedical science in society and provide a platform

# TRUSTEE'S REPORT

## for the year ended 30 September 2006 (continued)

for dialogue and engagement between scientists, health professionals, education and culture providers and the public and were well received. They were a foretaste of the kinds of events due to be held in Wellcome Collection, the Wellcome Trust's new public venue due to open in summer 2007.

A group of 60 leading international scientists, journal editors, regulators and bioethicists met in February 2006 at the Wellcome Trust Conference Centre in Hinxton, to discuss bioethical issues surrounding stem cell research. The result of the meeting was a consensus statement calling for greater clarity in international regulation of stem cell research.

The Trust has helped ensure that the Royal Society minutes written by Robert Hooke will return to their original home with an award of £0.5 million towards their purchase. The 520-page folio dating from 1661 to 1682 charts the revolution in scientific understanding that marks the beginning of modern science.

Another way to engage society is through interactive events such as exhibitions. An award of £1.5 million was made in the year to support the "Generation Genome: Life in the making" exhibition. Being developed by the At-Bristol science centre on behalf of ECSITE UK, the exhibition will tour UK Science Centres and museums in 2007.

The Trust has funded a wide range of external organisations working with a diversity of public audiences:

- Y Touring Theatre Company developed a highly successful drama based on the use of animals in medical research. Every Breath toured schools and featured at the Edinburgh Fringe Festival.
- Young people had the chance to consider and debate the thorny issue of genetic technologies and reproduction, thanks to a project at the University of Glamorgan. A 'citizens' jury' of 14 young people cross-examined experts, heard from people directly affected and debated the key issues. Their conclusions were presented to the Human Genetics Commission, the Human Fertilisation and Embryology Authority, and the Health and Social Services Committee of the Welsh Assembly Government.

### Contributing to a long-term and vibrant research environment

In meeting the Trust's aims of advancing and using knowledge, whilst engaging with society, the Trust

appreciates the absolute importance of both the people it supports and the research environment in which they work.

The most prestigious of the Trust's career support schemes are the Principal Research Fellowships (PRFs) which provide long-term support for basic and clinical researchers of international standing.

During the year two new PRF awards were made to Professor Patrick Tam and Professor Bob Snow (see above).

Three PRFs were also renewed:

- Professor David Tollervey (University of Edinburgh) – To continue his work on structures in RNA processing.
- Professor Alan Fairlamb (University of Dundee) – For further studies of enzyme pathways in trypanosome parasites and investigating their potential as drug targets.
- Professor Chris Fairburn (University of Oxford) – To develop and test an enhanced form of cognitive behavioural therapy for the treatment of eating disorders.

In addition, the Wellcome Trust Centre for Cell Biology at the University of Edinburgh, directed by Professor Adrian Bird, was reviewed and awarded £3.3 million of core funding for the next five years. Researchers at the Centre use a broad range of genetic, biochemical and optical technologies to study the key molecular players in a system of interest and thereby develop a broader view of the molecular strategies adopted by living cells.

### Wellcome Trust Sanger Institute and Wellcome Trust Genome Campus, Hinxton

The aims of the Trust are furthered by the outstanding work undertaken at the Wellcome Trust Sanger Institute, in Hinxton. The Sanger Institute's principal activity is a programme of biomedical research based on large scale studies of gene function.

This has been a significant year for the Sanger Institute, with the conclusion of its first five-year plan, the renewal of support by the Wellcome Trust with £340 million of funding for the next five years and the development of a new strategic focus for the next five years.

Of particular note has been the Sanger Institute's contribution to the work performed to generate the most complete map yet of regions within the human genome that vary in copy number between individuals. The main genetic differences between individuals were thought to

be single letter variations in DNA. Recent work undertaken at the Sanger Institute culminated in November 2006 in a series of scientific studies being published which show that it's not only single letters but sentences, paragraphs and even whole pages that can be missing or duplicated. In the leading publication *Nature*, an international team has produced a map of such changes among 270 copies of the human genetic code that is already revealing new routes for finding genes involved in disease.

An award for £4.1 million was made to the European Bioinformatics Institute (EBI) for the Ensembl project. Ensembl is a joint project between the EBI at the European Molecular Biology Laboratory (EMBL) and the Sanger Institute. It provides free access to genome sequence data and software tools for analysis of genome data, and is widely used by the global community of researchers.

The EBI is located on the Wellcome Trust Genome Campus at Hinxton. In order to accommodate the expansion of its work, the Trust is contributing £8.6 million towards the extension of its current building. Construction work on the extension began in 2006.

The Trust also funds a conference facility and Advanced Courses and meetings programmes at the Wellcome Trust Conference Centre, Hinxton. There were 60 major scientific conferences, meetings and courses held during the year compared with 30 in the previous year. Total sales revenue for the conference activity for the year was £1.7 million, an increase on the previous year of £0.4 million.

## Future Plans

Over the next few years, most of the Trust's funding will be to support basic, curiosity-driven investigator-led research and career initiatives which underpin future discovery and application of knowledge. Other priorities are to increase support for clinical research and training, and to continue promoting the use of knowledge arising from biomedical research to improve human and animal health.

The Trust looks to fund where it will make a difference and plans to build on the success of its Major Overseas Programmes as well as exploring the potential to expand its work in India and Europe. The Trust acknowledges that sometimes the best method of funding is in partnership with other world class organisations and this will continue to be a strategic focus for the future. The coming years will also see an expansion of the Trust's activities to engage with the public about biomedical science and its implications for society.

In partnership with a consortium of other funders, in principle awards in the region of £84 million were announced, to boost clinical research infrastructure in the UK and the Republic of Ireland via the Clinical Research Initiative. Of this funding the Trust has in principle agreed to fund £23.5 million, from which awards will be made in the coming year.

The £12 million pilot phase of the Seeding Drug Discovery scheme was launched in October 2005, as an innovative new mechanism to support early stage drug discovery projects. Following the success of the pilot phase, a £91 million initiative for five years will be taken forward by the Trust.

Construction of the new Diamond synchrotron has continued during the year, with joint funding from the Trust and the UK Government. The first construction phase is due for completion in January 2007 and the Trust has agreed to contribute up to £22.9 million to the operation of the facility over the next five years in order to provide a world class facility, which will provide access for researchers to state-of-the-art synchrotron beam-lines. These highly focused light beams will enable scientists and engineers to probe deep into the basic structure of matter and materials, addressing fundamental questions about everything from the building blocks of life to the origin of our planet.

The refurbished Wellcome Building in London, which includes the Wellcome Library, will open to the public in 2007, as an innovative venue to provide the public, scientists, historians, the arts community, health professionals and opinion formers with a forum for exploration and exchange about health, wellbeing and biomedical science. Wellcome Collection will take a thoughtful and experimental look at medicine, life and art, rooting science in the broad context of health and wellbeing.

The coming year will also see the implementation of the new grants administration system, which will provide the Trust with a more modern approach to monitoring its grant funding, providing enhanced information both internally and, via the web, externally to grant recipients.

As mentioned above, during the year the Wellcome Trust Sanger Institute developed its Strategic Plan 2006-11 to undertake large scale analysis of gene function with the ultimate aim of deciphering the role of each and every gene in the genome.

# TRUSTEE'S REPORT

for the year ended 30 September 2006 (continued)

## Financial Review

Figure 1: Summary financial information

	2006	2005
	£m	Restated £m
<b>Statement of financial activities</b>		
<b>Incoming resources</b>		
Total return from investment activities	1,531	2,288
Other income	16	8
<b>Total incoming resources</b>	<b>1,547</b>	<b>2,296</b>
<b>Outgoing resources</b>		
Total outgoing resources	488	489
Actuarial loss on pension schemes	9	3
<b>Net movement in Fund</b>	<b>1,050</b>	<b>1,804</b>
<b>Summary of net assets</b>		
Tangible fixed assets	458	444
Investment assets	13,941	12,341
Bond liability	(544)	–
<b>Net investment assets</b>	<b>13,397</b>	<b>12,341</b>
Other assets	18	20
Grant liability	(1,017)	(1,023)
Other liabilities	(173)	(148)
<b>Net assets</b>	<b>12,683</b>	<b>11,634</b>
<b>Movement in net investment</b>		
Opening net investment balances at 1 October	12,341	10,541
Total return from investment activities	1,531	2,288
Reduction in cash balances	1	16
Lease financing	–	12
<i>Less charitable cash payments:</i>		
Charitable activities and governance	441	467
Capital expenditure	35	49
<b>Closing net investment balances at 30 September</b>	<b>13,397</b>	<b>12,341</b>

Prior year comparatives have been restated as a result of full adoption of FRS 17 (see note 1(b) to the Financial Statements).

## Total return from investment activities

### Investment performance

#### Total portfolio real return

The Trust's investment objective is to generate a 6% real return over the long-term. The Trust's performance returns are independently calculated by the WM Company and show a nominal return of 12.8% and a real return of 10.4% for the year to the end of September 2006.

The portfolio's returns have exceeded the Trust's 6% real return objective over 1, 3 and 10 years reflecting the ongoing commitment to investment in real assets and the judicious selection of managers and strategies over these periods. Going forward, the Trust continues to focus on finding and securing capacity with the best managers across asset classes in order to achieve its demanding return targets. The figures below show the portfolio returns before the deduction of certain costs as set out in note 5 to the Financial Statements.

Figure 2: Total portfolio real returns (£ Sterling)

#### Period to 30 September 2006

	Nominal return %	Consumer price index %	Real return %
Time Weighted Return			
1 year	12.8	2.4	10.4
3 year	15.4	2.0	13.4
5 year	7.5	1.7	5.8
10 year	8.6	1.5	7.1

Figure 3: Asset class nominal returns (£ Sterling)

#### Period to 30 September 2006

	Public securities %	Private equity %	Hedge funds %	Property %
Time Weighted Return				
1 year	11.7	14.7	4.8	19.4
3 year	15.5	14.9	6.6	17.7
5 year	7.1	4.3	3.3	17.0
10 year	7.6	14.9	n/a	15.3

The nominal returns stated in the table above are in base currency and exclude the impact of the passive currency hedge mentioned below.

**Figure 4: Asset class nominal returns (local currency)**

Period to 30 September 2006

	Private equity	Hedge funds
	%	%
Time Weighted Return		
1 year	20.0	9.4
3 year	18.0	10.3
5 year	6.9	8.0
10 year	20.8	n/a
<b>Net Internal Rate of Return (IRR)</b>	<b>%</b>	
Private equity IRR since inception	25.0	

In the past year, performance was driven by strong returns across the Trust's portfolio. In local currency terms, private equity strategies performed most strongly: in particular, the Trust's extensive portfolio of buyout funds benefited from strong market conditions. Property enjoyed another strong year, with the South Kensington estate recording significant gains on the back of strong demand for premium properties in London. Equity strategies recorded another year of double-digit growth, to bring 10 year real returns back above the 6% real return target and the Trust's growing hedge fund portfolio has recorded more than 6% real annual returns in local currency over 1, 3 and 5 years with low levels of volatility. Losses from sterling strength against the US Dollar and Japanese Yen were mitigated by the introduction of a passive currency hedge.

## Investment risk management

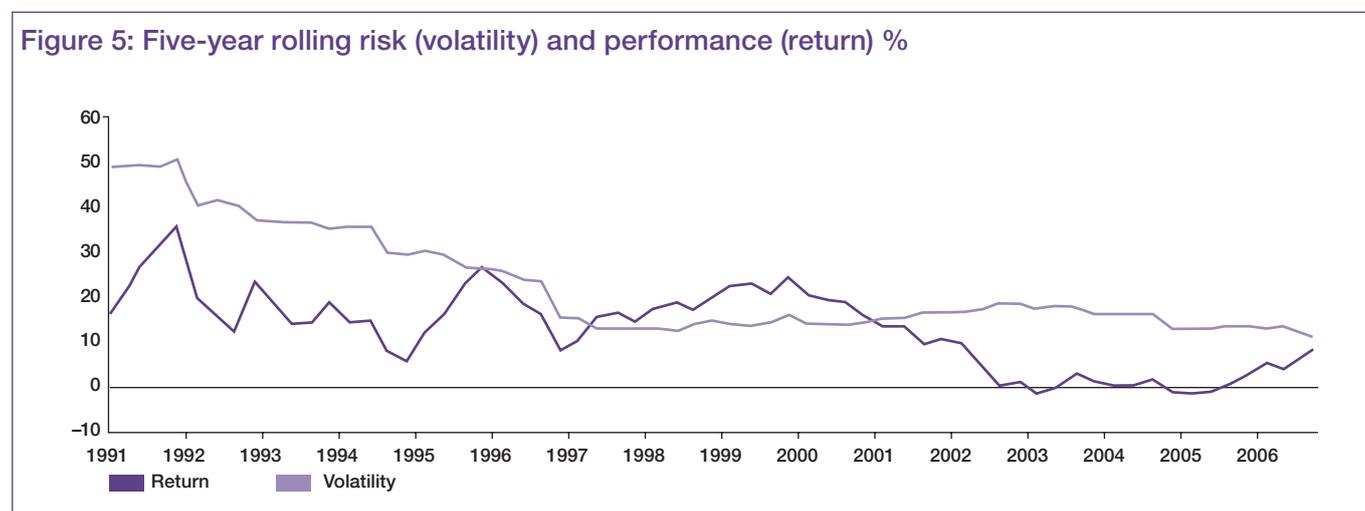
Risk forms an integral part of the investment process. At a strategic level, simulations are utilised to assess the risk and return characteristics of the portfolio. Value at Risk is a key measure of risk in the portfolio and is evaluated on a regular basis. Value at Risk is the predicted worst case loss at a given confidence level (95%) and over a given period of time (1 year). The portfolio has a Value at Risk limit of 15%.

At the manager selection level, risk is integrated into the due diligence process and is an essential component in the assessment of managers. The quantitative assessment of managers mitigates the two key risks in manager selection; hiring managers at the top of their performance and firing managers after their worst. The Trust has a high tolerance for risk and is focused on hiring the best managers in each asset class. Project Alpha is an internally developed performance and risk tool that separates market returns (beta) and alpha (returns above the market) returns by manager for all of the Trust's investment assets. The model assists the portfolio management team in the assessment of investment assets and as a tool to ensure the maximisation of risk-adjusted alpha return. In the absence of high conviction alpha ideas, assets are held passively to minimise fees.

Following continued diversification of the portfolio, the experienced volatility (of returns) of the portfolio has declined significantly over the last decade. Over a 5 year rolling period volatility has fallen from 37.0% in 1993 to 12.0% in September 2006. Over the last 3 years annualised 5 year rolling volatility has declined by over 30% from 17.7% to 12.0%.

This annualised volatility over a 5 year rolling period is clearly illustrated in figure 5 below.

**Figure 5: Five-year rolling risk (volatility) and performance (return) %**



# TRUSTEE'S REPORT

for the year ended 30 September 2006 (continued)

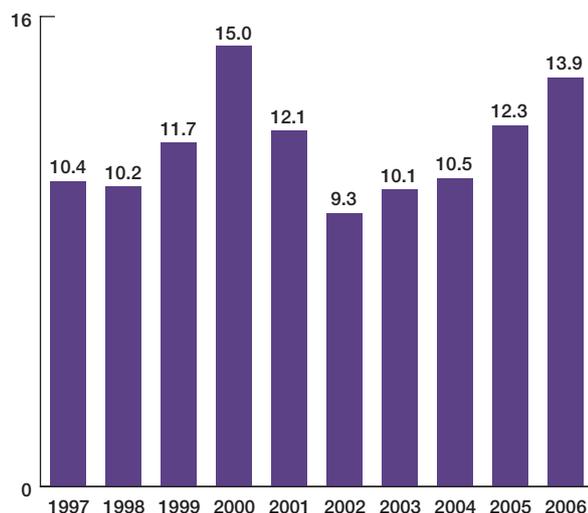
## Financial risk management

The Group is exposed to market price risk, credit risk, liquidity risk, currency risk and cash flow and interest rate risk arising from the financial instruments it holds. These risks are summarised in note 23.

## Investment assets

The value of the Trust's investment portfolio continued to appreciate over the course of the financial year. Equity markets were strong in the first half of the year before suffering a sharp setback in the second quarter of 2006, while the Trust's pounds sterling portfolio value was also adversely impacted by the weakness of the US Dollar and Japanese Yen. As at 30 September 2006, the value of investment assets totalled £13.9 billion, which, after taking into account the proceeds from the bond issue of £539 million, gives a net investment value of £13.4 billion. This is a net increase of £1.1 billion from £12.3 billion last year (figure 6).

**Figure 6: Market Value of Total Portfolio as at end September (£ billion)**



The Trust's asset allocation is split into four categories (figure 7):

- long-only equity and long/short equity strategies;
- absolute return and buyout strategies (including cash and bonds);
- healthcare and venture strategies; and
- property and infrastructure.

These include directly held investments, separately managed accounts, pooled funds and limited partnerships for private equity and hedge funds.

**Figure 7: Asset allocation**

	As at 30 Sept 2006 %	As at 30 Sept 2005 %	Change
UK equities	23.6	31.9	(8.3)
Global equities (excl UK)	32.8	32.2	0.6
Emerging market equities	5.3	5.0	0.3
<b>Equities</b>	<b>61.7</b>	<b>69.1</b>	<b>(7.4)</b>
Equity long/short	6.2	2.6	3.6
<b>Equities and equity long/short</b>	<b>67.9</b>	<b>71.7</b>	<b>(3.8)</b>
Buyout funds	8.2	8.1	0.1
Absolute return funds	6.4	1.0	5.4
Active currency funds	1.8	nil	1.8
Gilts	4.1	2.8	1.3
Cash	1.7	5.4	(3.7)
<b>Absolute return &amp; buyouts</b>	<b>22.2</b>	<b>17.3</b>	<b>4.9</b>
Healthcare equity	0.8	nil	0.8
Healthcare hedge funds	0.4	0.1	0.3
Direct healthcare	0.4	0.4	–
Venture funds	3.5	3.0	0.5
<b>Healthcare &amp; venture</b>	<b>5.1</b>	<b>3.5</b>	<b>1.6</b>
<b>Property &amp; infrastructure</b>	<b>8.7</b>	<b>7.5</b>	<b>1.2</b>
<b>Passive currency</b>	<b>0.3</b>	<b>nil</b>	<b>0.3</b>
<b>Debt</b>	<b>(4.2)</b>	<b>nil</b>	<b>(4.2)</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

Over the course of 2006, the Trust continued to diversify its investment portfolio. In March and April 2006, taking advantage of the strong rise in equity markets, the Trust sold almost £1 billion of equities, principally from its UK managers, reinvesting the monies principally in its hedge fund portfolios (equity long/short, absolute return and healthcare) and in funding new active currency strategies.

In July 2006, the Trust, using its position as the only UK charitable foundation with a AAA/Aaa credit rating at that time, took advantage of institutional demand for 30-year bonds and issued, through Wellcome Trust Finance plc, £550 million of 2036 bonds with a coupon of 4.625% at a rate 44 bps above that prevailing for similar UK Government bonds. The proceeds are being used to enhance the overall investment return and it is intended to manage the Trust's affairs with the aim of maintaining the AAA/Aaa rating. The Trust was pleased to be awarded the International Financing Review award for the Sterling Bond of the Year for 'demonstrating the relevance of the capital markets to the sector and capturing the imagination of the investor community'.

The Trust consolidated the management of the long-only equity portfolio over the course of the year, terminating a number of managers in whom there was insufficient confidence that they could consistently deliver positive net returns against their respective benchmarks. At the end of 2006, £2.1 billion was being managed passively, principally in UK equities, while the number of on-going active management mandates had been reduced to 26. The portfolio continues to be diversified geographically as shown in figure 8.

**Figure 8: Equity allocation by manager strategies**

		£m	% of total equities	Number of managers
UK	- passive	1,649	20	2
	- active	1,399	17	4
Europe	- passive	285	3	1
	- active	1,032	13	2
US	- passive	30	1	1
	- active	1,152	14	5
Japan	- active	521	6	4
Asia	- active	546	6	3
Global	- active	971	12	3
Emerging	- active	634	8	4
Healthcare	- active	107	1	1
<b>Total equities</b>		<b>8,326</b>	<b>100</b>	<b>30</b>

In the Trust's new Investment Policy, there is no longer any strategic allocation to specific geographies within the long-only equity strategy. As a consequence, in its search for talented managers, it is to be expected that the Trust will continue to reduce its historic exposure to UK equities.

The Trust significantly increased its exposure to hedge funds over the course of the year, in its equity long/short, absolute return and healthcare strategies, principally in order to reduce exposure to volatility in the markets (figure 9). At the end of 2006, total hedge fund exposure (including active currency strategies) amounted to almost £2 billion. In order to ensure that there is appropriate diversification and to reflect the fact that a number of the best managers have limited capacity, the Trust directly holds investments in a broad range of strategies. As well as seeking the most talented managers, the Trust tends to avoid strategies that are highly dependent on leverage to create returns.

**Figure 9: Hedge fund allocation by manager strategies**

	£m	% of total hedge funds	Number of managers
Equity long/short	861	46	30
Absolute return	724	38	16
Active currency	239	13	2
Healthcare	56	3	3
<b>Total</b>	<b>1,880</b>	<b>100</b>	<b>51</b>

The Trust remains a major investor in private equity (figure 10). However, over the course of the year, the Trust has become concerned over the levels of debt and increasing prices in the market. As a consequence, new commitments are being focused on groups with clear competitive advantages either in terms of size, area of expertise or geography. Our access to the best managers remains strong. The Trust continues to increase its portfolio of directly held investments, especially in the area of healthcare venture where it enjoys some competitive advantages.

# TRUSTEE'S REPORT

for the year ended 30 September 2006 (continued)

**Figure 10: Private equity allocation by manager strategies**

	£m	% of total private equity	Number of managers	Number of funds
Buyouts	1,144	69	74	167
Venture	465	28	65	160
Direct	40	3	n/a	20
<b>Total</b>	<b>1,649</b>	<b>100</b>	<b>139</b>	<b>347</b>

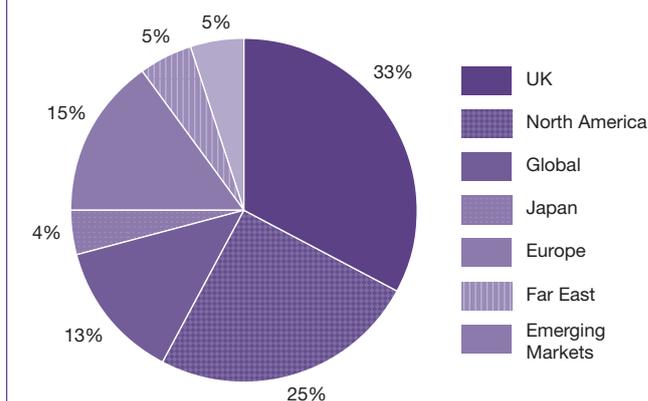
Property remains an important part of the Trust's portfolio (figure 11): the largest component remains the portfolio of freeholds in South Kensington, London, which continues to deliver and to offer exceptional long-term value. The Trust has, however, been gently reducing the number of properties in its UK commercial portfolio as advantage has been taken of strong buyer demand. It has continued to diversify globally, with a significant investment in a German residential property fund being the largest investment in 2006. It also continues to examine infrastructure investments, both directly and indirectly, although it remains cautious about investing in strategies where leverage is a principal source of return and feels that, in a number of recent deals, prices inadequately reflect associated risks.

**Figure 11: Property allocation by asset type**

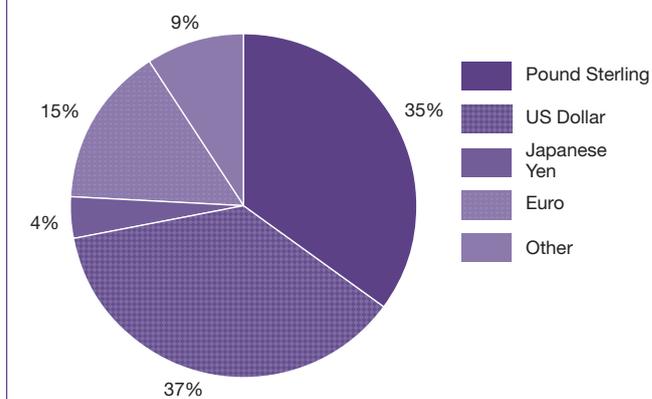
	£m	% of total property	Number of managers	Number of funds
Direct – UK	907	79	4	n/a
Indirect – UK	38	3	2	2
Indirect – Overseas	206	18	6	9
<b>Total</b>	<b>1,151</b>	<b>100</b>	<b>12</b>	<b>11</b>

With its globally diversified portfolio, the Trust has significant exposure to foreign currency. The charts in figures 12 and 13 show asset allocation by region and by currency as at 30 September 2006. The exchange rate applied to Euro, US Dollar and Japanese Yen denominated stocks were €1.47, \$1.87 and JP¥ 220.54 respectively (2005: €1.47, \$1.77 and JP¥ 200.51).

**Figure 12: Asset allocation by region**



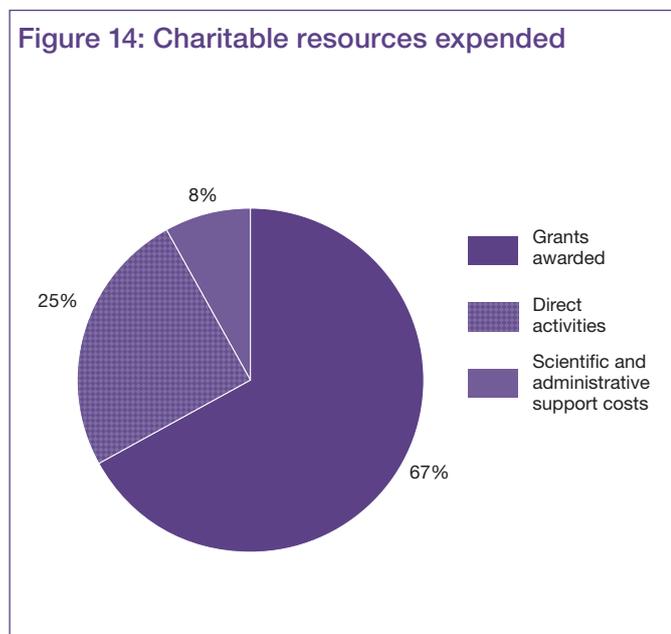
**Figure 13: Asset allocation by currency**



### Charitable outgoing resources

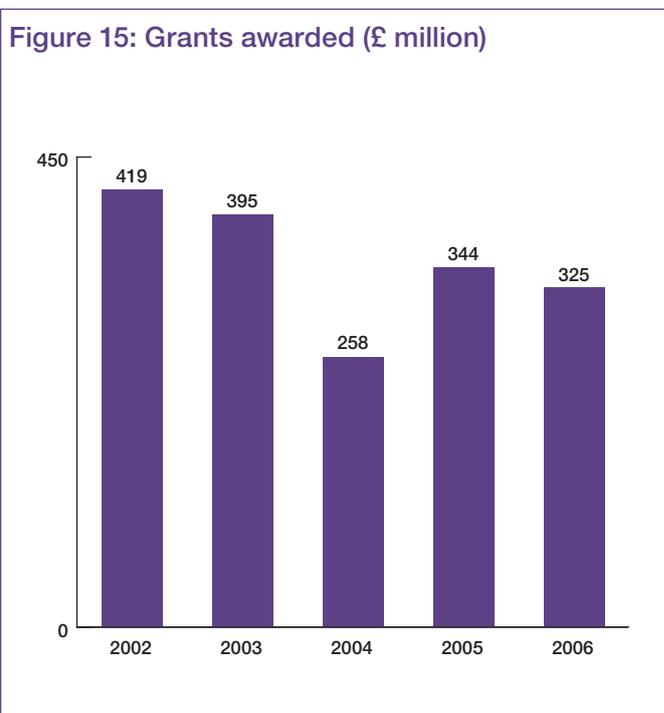
Total charitable expenditure for the year was £484 million (2005: £486 million), a decrease of £2 million. Short-term variances in expenditure are an inevitable result of the nature of the Trust's activities. The underlying trend is one of a continued growth of expenditure.

Figure 14 below analyses the Trust's charitable expenditure as a percentage of total charitable resources expended. Key activities have been discussed in the Review of Activities on pages 4 to 9.



### Grant expenditure

In the year to 30 September 2006, grants worth £325 million were awarded (2005: £344 million) (figure 15). This was a decrease of £19 million (6%). Awards to recipients in the United Kingdom totalled £298 million (92%) (2005: £293 million (85%)).



The decrease of £19 million was mainly due to £51 million of awards in 2005 to Major Overseas Programmes and to Trust UK Centres, when most of the UK Centres were renewed for a three-year period. This was compared with £19 million in 2006 when it was decided to extend the three-year awards to UK Centres made in prior years to five-year awards. This decrease was offset by several Strategic Awards and other significant activities funded during 2006. These are highlighted in the Review of Activities on pages 4 to 9.

The number of grants awarded during the year was 790 (2005: 816), a decrease of 3%. The number of applications received was 2,666 (2005: 2,493), an increase of 7%. Further information regarding the main grant recipients is shown in note 7 to the Financial Statements.

# TRUSTEE'S REPORT

for the year ended 30 September 2006 (continued)

## Direct expenditure

Expenditure on the activities managed directly by the Trust in 2006 was £119 million (2005: £104 million), an increase of £15 million. This is principally due to an additional depreciation charge of £10 million associated with the 183 Euston Road building as a consequence of the 183 Refurbishment programme and £4 million increased accommodation costs arising from the expanded facilities at the Wellcome Trust Genome Campus.

Of the £119 million, £84 million (2005: £72 million) related to the expenditure at the Wellcome Trust Genome Campus, mainly by the Wellcome Trust Sanger Institute. Staff levels at the Wellcome Trust Sanger Institute grew from 805 to 847, as biological programmes continued to grow in line with the Institute's five-year plan.

Expenditure of £22 million (2005: £13 million) was attributable to direct activities undertaken by the Medicine, Society and History division, primarily its Public Engagement and Wellcome Collection activities and costs of preparing for the opening of the new building in 2007.

## Support and governance expenditure

Support and Governance expenditure was £44 million (2005: £41 million) increased by £3 million over the year as a result of higher levels of activity, mainly at the Wellcome Trust Sanger Institute, and the expenditure on the development of the new grants administration system planned for launch in late 2007. The number of support staff increased from 365 to 368 at the balance sheet date as underlying costs remained under tight control.

## Defined benefit pension schemes

The FRS17 'Retirement benefit' accounting deficit of the two Group pension schemes was £51.4 million at 30 September 2006 (2005: £40.2 million). Full independent actuarial valuations of the two schemes were last performed on 1 January 2005. The actuary also performs approximate funding assessments to report to each Trustees meeting of the pension schemes. The latest report indicates that the funding deficits were eliminated as at 30 September 2006.

## Cash flow payments

### Charitable activities and governance

#### Grant cash expenditure

Total grant cash expenditure including Joint Infrastructure Fund (JIF) and Science Research Investment Fund (SRIF) expenditure was £330 million (2005: £356 million), a reduction of £26 million. This is mainly due to cash payments on the JIF and SRIF initiatives during the year decreasing from £63 million to £20 million as these substantial initiatives draw to an end. The remaining cash payments on these fully awarded initiatives are approximately £13 million and are expected to be made during 2006/07.

**Figure 16: Grants paid and outstanding grant liability (£ million)**

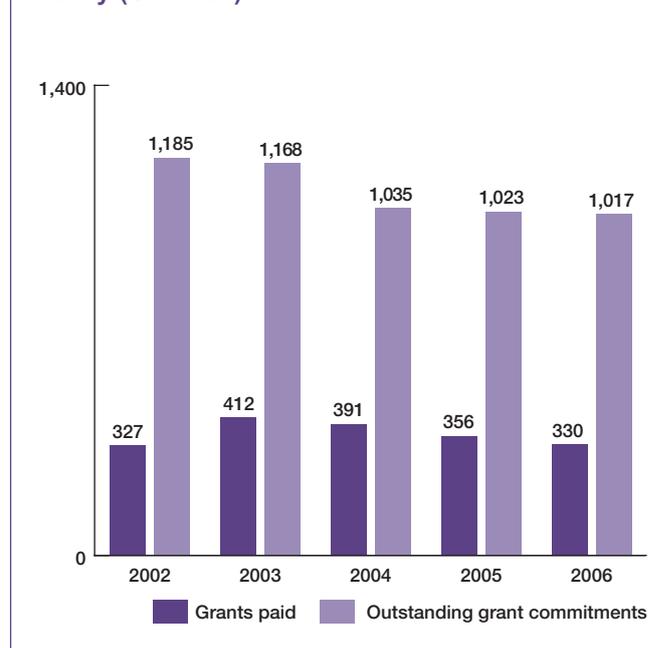


Figure 16 demonstrates the cash outflow in respect of the Trust's total grant liability. The grant liability has reduced over the last five years as the JIF/SRIF awards have been paid out. There are normally significant timing differences between when grants are awarded, research is undertaken and subsequent claims are made for the funds by the recipients.

## Cash payments on direct activities and support, governance and other items

These cash payments remained stable staying at £111 million in 2006 (2005: £111 million).

## Capital expenditure

There were two main areas of capital cash expenditure:

**Buildings:** £25 million was spent during the year (2005: £32 million). The expenditure this year relates mainly to the refurbishment of 183 Euston Road for the planned expansion in public engagement activities. It is expected that Wellcome Collection will open in summer 2007.

**Research facilities:** Capital expenditure at the Wellcome Trust Sanger Institute amounted to £6 million (2005: £16 million) as the Trust continues to ensure that high-quality IT and research facilities and capital resources are available following occupation of additional scientific buildings in 2005.

## Policy

### Grant-making policy

The Trust supports high-quality research across both the breadth of the biomedical sciences and the spectrum of proposals from “blue skies” to clinical to applied research, and encourages the translation of research findings into medical benefits.

Although the majority of grants are awarded to United Kingdom recipients, there are also a number of schemes designed specifically for overseas applicants.

For the most part grant funding is channelled through a university or similar institution in response to proposals submitted by individual academic researchers. Applications are peer reviewed using referees selected by Trust staff from the United Kingdom and international research communities. Expert committees, which also include members from outside the United Kingdom, make most funding decisions.

Grant awards are made to the employing institution, which is then required to take responsibility for administering a grant in accordance with its purpose and with the terms and conditions attached to the award. Only a limited number of small-scale awards are made directly to individuals. Grant funding is available via a range of schemes including:

- short-term awards for between a few months and three years, and longer-term project and programme grants for research, usually for up to five years.
- awards for research training and career development where support is provided for individuals at all stages of their careers.
- strategic awards to provide outstanding research groups with significant levels of support.

The Trust is aware of the profound impact biomedical research has on society and in its grant making also seeks to raise awareness of the medical, ethical and social implications of research and to promote dialogue between scientists, the public and policy makers.

The Trust also undertakes activities in and funds research into the history of medicine. The Wellcome Library provides access to resources that support its activities, and the Trust provides grant funding for improved access to and preservation of medical history collections in the United Kingdom.

In addition to the above, the Trust funds its own research institute, the Wellcome Trust Sanger Institute, channelling support through a wholly-owned subsidiary, Genome Research Limited. Led by Allan Bradley, the Director of the Sanger Institute, its researchers are engaged in research programmes using large-scale sequencing, informatics and analysis of genetic variation to further understanding of gene function in health and disease and to generate data and resources of lasting value to biomedical research.

# TRUSTEE'S REPORT

## for the year ended 30 September 2006 (continued)

### Reserves policy

The Trust's spending policies are set at a level intended to maximise sustainable spend through time and preserve, at least, the real purchasing power of the investment base through time.

### Expenditure policy

For planning purposes the annual expenditure target is set by reference to a three-year weighted average of the value of the investment assets in order to smooth the effect of short-term volatility in investment values. Future investment values are projected forward using realistic medium-term targets and are used to indicate expenditure levels in the future.

Expenditure targets may be over or under-spent in any individual year in a controlled manner reflecting anticipated demand from the larger long-term commitments. However, the Board of Governors plans to match these targets cumulatively over the medium term.

### Investment policy

The Trust's assets are invested in accordance with the wide investment powers set out in its Constitution and within its Investment Policy. The Investment Policy was amended in February 2006 to adopt a risk-based approach to investment rather than to make use of strategic asset allocation targets. The Trust's overall investment objective is to seek total return in inflation-adjusted terms over the long term of at least 6% per annum. The objective is to provide for real increases in annual expenditure while preserving at least the Trust's capital base in real terms.

Diversification is a key factor in managing the inherent risk of investments. The Trust invests globally and across a very broad range of assets and strategies.

Securities management has been largely outsourced to external managers whose performance is measured against agreed absolute or index benchmarks. The Trust currently allows its discretionary long-only managers to use derivatives under certain prescribed conditions, which are specified in the investment management agreement. They are also used for risk management purposes when transitioning assets from one manager or asset class to another. Some fund managers may tactically hedge the foreign exchange exposure associated with overseas assets back into sterling. In 2006, the Trust adopted a policy of hedging up to 70% of its currency exposure to US Dollar, Euro and Japanese Yen assets using a passive currency overlay.

It is currently the policy of the Trust not to allow investment in companies that derive material turnover or profit from tobacco or tobacco-related products. The Trust has a policy of actively fulfilling its responsibilities for UK long-only equity investments as a shareholder through exercising its voting rights.

### Structure, Governance and Management

The Trust is a charitable trust created in 1936 by the Will of the late Sir Henry Wellcome and now governed by its Constitution, which was established in February 2001 by a scheme of the Charity Commission. The Trust is a charity registered in England under the Charities Act 1993 (registration number 210183).

The Wellcome Trust "Group" comprises the Trust and its subsidiary undertakings, as detailed in note 20(a) to the Financial Statements.

### The Trustee and the Board of Governors

The sole trustee (the "Trustee") of the Wellcome Trust is The Wellcome Trust Limited, a company limited by guarantee (registration number 2711000), whose registered office is 215 Euston Road, London NW1 2BE. The Trustee is governed by its memorandum and articles of association. The directors of the Trustee (known as Governors), the Company Secretary of the Trustee, the Executive Board and other administrative details are shown on pages 60 to 64.

During the year, the Board of Governors appointed Sir William ("Bill") Castell as a Governor and Chairman-designate of the Board of Governors. He joined the Board in January 2006 and succeeded Sir Dominic Cadbury as Chairman in May 2006. This followed Bill's retirement as President and Chief Executive Officer of GE Healthcare, the medical diagnostics and biosciences business of the General Electric Company of the USA, of which he remains a non-executive director. He is also a non-executive director of BP plc and a trustee of the Natural History Museum.

The incumbent Governors make appointments to the Board of Governors, after advertisement and consultation. The Board of Governors sets strategy, decides priorities, establishes funding policies and allocates budgets. The Board of Governors draws on the advice and help of decision-making and advisory committees of experts in various fields. The Trust undertakes a comprehensive induction programme for all new Governors, which includes a detailed induction notebook and meetings with members of senior management. In addition, training is available to all Governors.

The members of the Board of Governors are distinguished in the fields of medicine, science, law, 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 which are likely to affect, or could appear to affect, the Governors' judgement. Governors are appointed for terms of four years, with a further extension of three years on mutual agreement, and a further three-year term in exceptional circumstances. The Board considers this more appropriate than appointment to a three-year term followed by a second three-year term.

The Board is responsible for ensuring that the Trust's charitable objects are being met. It develops and agrees the overall scientific strategy and policies related to biomedical science grant activities. It monitors and reviews progress and policies, and takes funding decisions on initiatives falling outside the remit of the decision-making committees. The Board of Governors also develops and agrees the overall strategy and policies for this area.

During 2005/06 the Board of Governors met eight times, including a two-day residential strategic review meeting and a private meeting with the Director of the Trust and one Governor was absent at one meeting.

The Executive Board, chaired by the Director of the Trust, reports directly to the Board of Governors and is responsible for the day-to-day management of the Trust's operations and activities.

### Statement of Trustee's responsibilities

The Trustee is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Trust and enable the Trustee to ensure that the Financial Statements comply in all material respects with the Charities Act 1993 and applicable regulations. The Trustee is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee prepares Financial Statements for each financial year to give a true and fair view of the state of affairs at the end of the financial year, and of the incoming resources and application of resources during the year, both of the Trust and of the Group, and the cash flow of the Group.

The Trustee:

- selects suitable accounting policies and applies them consistently.
- makes judgements and estimates that are reasonable and prudent.
- states whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- prepares the Financial Statements on a going concern basis, unless it is inappropriate to do so.

### Committees of the Board of Governors

The Board of Governors is assisted in its duties by a number of corporate committees that report directly to it, on which at least two Governors are members:

- **Audit Committee:** for matters of internal control, compliance with financial reporting requirements and liaison with the internal and external auditors.
- **Investment Committee:** for matters relating to the Trust's investments.
- **Nominations Committee:** for identifying potential candidates to fill Board and Committee vacancies.
- **Remuneration Committee:** for remuneration issues.

The Strategic Awards Committee (replacing the Academic Advisory Committee from June 2006), of which all Governors and four senior executives are members, makes funding decisions on proposals or initiatives that fall outside of established review, decision-making or funding mechanisms and delegations, and that require strategic, scientific or academic appraisal. The Committee brings in external experts to debate with the applicants and the committee members the scientific, medical history, ethical or public engagement arguments about the merits of an initiative or proposal. The Committee then makes the funding decisions. The Committee meets four times a year.

# TRUSTEE'S REPORT

## for the year ended 30 September 2006 (continued)

Details of the membership of these committees are given on page 61. During the year, there were changes to the membership of the Nominations Committee, the Remuneration Committee and the Investment Committee.

The Audit Committee met three times during the year and all members attended all meetings. The Investment Committee met four times during the year for regular meetings and five of the members missed one meeting each. There were four additional meetings, which were called at short notice and therefore all members could not be present. The Nominations Committee met twice during the year, one of the members missed one meeting, all members attended the remaining meeting. The Remuneration Committee held two meetings during the year. One member absented themselves from one meeting, to avoid a potential conflict of interest.

During the year the Nominations Committee used an external search consultancy and open advertising to identify candidates for Board appointment. One new Governor was appointed in January 2006 and a shortlist of candidates was drawn up for another forthcoming vacancy on the Board.

In its grant-funding and direct charitable activities, the Board of Governors is also assisted by a number of decision-making or advisory committees, on some of which Governors also sit. The committees assess, review and decide which grant applications to fund and also advise on policy issues in various fields. The Board of Governors is also assisted by a number of Strategy Committees, each of which has Governor representation, and which advise on strategy for the Trust's various charitable activities. These committees make recommendations to the Board of Governors. Most of these committees have an external chairman; all include experts from relevant fields.

Details of the membership of these committees are published on the Trust's website.

## Principles of governance

The Combined Code on Corporate Governance ("Combined Code"), revised in June 2006, contains principles of good governance and a code of best practice for companies whose shares are listed on the London Stock Exchange. The "Good Governance" code ("Voluntary Sector Code"), published in June 2005, contains principles of good governance for the voluntary and community sector and has been endorsed by the Charity Commission as a framework for registered charities.

Whilst there is no statutory or other requirement for the Trust to comply with either Code, the Board of Governors has conducted a review of compliance during 2005/06 with the Combined Code and with the Voluntary Sector Code and has concluded that the Trust complied during the year with the main provisions of the Codes relevant to it.

## Performance

During the year the Board of Governors and the Executive Board initiated a review of their performance. Collective performance was considered at the December 2005 Board of Governors meeting attended by all Governors. Performance review discussions followed with individual Governors and the Director, carried out by the previous Chairman, and with individual members of the Executive Board, carried out by the Director. The Deputy Chairman and the Director of the Trust conducted a performance review with the Chairman. All reviews were based on systematic questionnaires drawing on the experience of other organisations.

The Audit Committee reviewed its performance against its terms of reference. During 2006/07, each of the corporate committees will conduct a review of its performance against its terms of reference.

## Internal control including risk management

Whilst no system of internal control can provide absolute assurance against material misstatement or loss, the Trust's system is 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.
- **Reporting:** the Board of Governors approves and reviews annual budgets and expenditure targets and monitors actual and forecast budgets and investment reports on a regular basis.
- **Risk management:** there are processes in place for identifying, evaluating and managing significant risks faced by the Trust. The major risks to which the Trust is exposed, as identified by the Executive Board and the Board of Governors, are reviewed quarterly, and systems are established to mitigate those risks. A risk management policy is in place, which states the Trust's approach to risk and documents the systems of internal control.
- **Internal audit:** an internal audit function reviews controls and the risk management process within the Trust.
- **Review:** the Audit Committee, which comprises three external members and two Governor members, reviews the Trust's position on internal control and its compliance with relevant statutory and finance regulations and advises the Board of Governors of any relevant matters.

## Conflicts of interest

The Trust has a policy on conflicts of interest, which applies to Governors, employees and members of the Trust's corporate and decision-making committees.

When a Governor has a material interest in any grant, investment or other matter being considered by the Trust, that Governor does not participate in the Trust's decision on that grant or other matter. In particular, where a Governor is a member of a university to which a specific grant would be made, this is considered to be a matter of material interest. The same principle applies to staff and to members of corporate and decision-making committees.

Where Governors also have paid appointments with institutions that are in receipt of grants from the Trust, these are detailed in note 7 to the Financial Statements.

## Health and safety

The Trust takes seriously its responsibilities for health and safety at its sites. The staff induction programme includes a health and safety session and the Trust's intranet is used to provide staff with the latest information. A Health and Safety Committee meets quarterly, its members include two staff representatives, and the Executive Board considers its minutes and an annual report. Occupational health support is provided to staff, and regular risk assessments are conducted to meet Display Screen Equipment Regulations. The Trust's Health and Safety Policy was reviewed and updated during 2005/06 and disseminated to all staff.

An independent body, such as the British Safety Council, conducts a full Health and Safety audit biannually, and the Trust has been assessed as having a good record.

The Trust's headquarters, the Gibbs Building, was designed to meet all the requirements of Health and Safety legislation, providing good access for disabled staff and visitors. The construction project itself was completed with a better-than-average safety record, and no major accidents occurred.

The project boards overseeing the construction of new facilities at the Wellcome Trust Genome Campus and in the Wellcome Building review health and safety issues every month with the project team.

# TRUSTEE'S REPORT

for the year ended 30 September 2006 (continued)

## Employment

The Trust is committed to being an Equal Opportunities employer and aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of gender, marital status, sexual orientation, race, colour, ethnic origin or nationality, religion or belief, disability or age. Staff recruitment, appointment and related processes are monitored, and a report presented annually to the Executive Board and the Board of Governors.

In recent years a comprehensive training and personal development programme has been developed by the Human Resources department, comprising some thirty internal training courses, ranging from senior management development to report writing. These courses are supplemented by a wide range of other training events, such as seminars, briefings and induction programmes, and by appropriate external training courses when required.

In 2005 the Trust established a Staff Association, which met for the first time in November 2005. The group was set up to provide an additional channel for internal communication, and was partly prompted by legislation covering information and consultation with staff, which came into force in April 2005. The Association covers all employees of the Trust and its aim is to strengthen the process of communication and consultation on key issues of direct relevance to employees. It is intended to complement other existing communication methods.

## Environment

The Trust recognises that pollution can be a trigger for those susceptible to certain illnesses and, just as the research it funds aims to improve human health and wellbeing, the Trust also seeks to conduct its activities so as to minimise their environmental impact.

## The Wellcome Trust Sanger Institute

Health and Safety, Employment and Environment policies for the Sanger Institute are managed and monitored by its Board of Management, which reports to the Board of Directors of Genome Research Limited. The Institute implements the same high standards in these areas as the Trust, but adapted to its own different circumstances and needs.

## Auditors

Our auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Board of Governors confirmed their reappointment on 20 December 2006.

The Annual Report was approved by The Wellcome Trust Limited, as Trustee, on 20 December 2006 and signed on its behalf by



Sir William Castell

# INDEPENDENT AUDITORS' REPORT

to the Trustee of the Wellcome Trust

We have audited the Financial Statements of the Wellcome Trust for the year ended 30 September 2006, which comprise the Statement of Financial Activities and the Balance Sheet of the Trust and the Group, the Cash Flow Statement of the Group and the related notes.

These Financial Statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of the Trustee and auditors

As set out in the Statement of Trustee's Responsibilities, the charity's Trustee is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have been appointed auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the charity's Trustee in accordance with paragraph 7(2) of the 2005 Regulations made under Part VI, Charities Act 1993 and for no other purpose. We do not, in giving this opinion, accept or assume any 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.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustee's Report is not consistent with the Financial Statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. This other information comprises the Trustee's Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or

material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Trustee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the Financial Statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the Trust and the Group at 30 September 2006 and of the net outgoing resources for the Trust and the Group and cash flows of the Group for the year then ended; and
- Have been properly prepared in accordance with the Charities Act 1993.



## PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London  
20 December 2006

# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 30 September 2006

	Note	2006 £m	2005 As restated £m
<b>INCOMING RESOURCES</b>			
<b>Investment income</b>			
Dividends and interest	2	281.4	265.5
Rental income	3	27.1	28.0
		<b>308.5</b>	<b>293.5</b>
<b>Other incoming resources</b>			
Grants receivable	4(a)	6.5	5.0
Gains on disposal of fixed assets		–	0.5
Other income	4(b)	9.4	2.8
<b>Total incoming resources</b>		<b>324.4</b>	<b>301.8</b>
<b>RESOURCES EXPENDED</b>			
Costs of generating funds			
Management fees and other costs	5	50.6	42.0
Interest payable on bond liability		4.8	–
Interest payable on finance leases	22	1.8	1.6
Charitable activities	6	484.1	485.9
Governance costs	10	1.9	1.7
<b>Total resources expended</b>		<b>543.2</b>	<b>531.2</b>
<b>Net outgoing resources before gains on investments</b>		<b>(218.8)</b>	<b>(229.4)</b>
<b>Realised and unrealised gains on investments</b>			
Quoted investments	15(a)	749.2	1,638.7
Unquoted investments	15(a)	236.2	283.3
Investment properties	15(a)	129.8	80.7
Derivative financial instruments	15(b)	161.9	30.9
Foreign exchange	15(f)	0.4	2.6
		1,277.5	2,036.2
<b>Actuarial losses on defined benefit pension schemes</b>	11(d)	(9.2)	(3.3)
<b>Net movement in fund</b>		<b>1,049.5</b>	<b>1,803.5</b>
Fund at start of year (as previously stated)		11,674.6	9,864.7
Prior year adjustment		(41.0)	(34.6)
Fund at start of year (restated)		11,633.6	9,830.1
<b>Fund at end of year</b>		<b>12,683.1</b>	<b>11,633.6</b>

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

Prior year comparatives have been restated due to the changes in accounting policies and disclosure resulting from the introduction of FRS 17 (see note 1(b)).

# CONSOLIDATED BALANCE SHEET

as at 30 September 2006

	Note	2006 £m	2005 As restated £m
<b>Tangible fixed assets</b>	14(a)	458.0	444.4
<b>Investment assets</b>			
Quoted investments	15(a)	9,143.5	8,412.6
Unquoted investments	15(a)	2,794.2	1,842.1
Investment properties	15(a)	892.6	777.9
Derivative financial instruments	15(b)	51.9	–
Other investment balances	15(c)	1,057.7	1,308.0
Programme related investments	15(d)	0.8	0.5
		<b>13,940.7</b>	<b>12,341.1</b>
<b>Current assets</b>			
Debtors	16	12.4	13.4
Cash at bank and in hand		5.4	6.5
		<b>17.8</b>	<b>19.9</b>
<b>Creditors falling due within one year</b>	17	<b>(506.5)</b>	<b>(538.2)</b>
<b>Net current liabilities</b>		<b>(488.7)</b>	<b>(518.3)</b>
<b>Total assets less current liabilities</b>		<b>13,910.0</b>	<b>12,267.2</b>
<b>Creditors falling due after one year</b>	17	<b>(1,167.4)</b>	<b>(589.5)</b>
<b>Provision for liabilities and charges</b>	18	<b>(8.1)</b>	<b>(3.9)</b>
<b>Net assets representing unrestricted funds excluding pension liability</b>		<b>12,734.5</b>	<b>11,673.8</b>
<b>Defined benefit pension scheme liability</b>	11(d)	<b>(51.4)</b>	<b>(40.2)</b>
<b>Net assets representing unrestricted funds including pension liability</b>		<b>12,683.1</b>	<b>11,633.6</b>

Prior year comparatives have been restated due to the changes in accounting policies and disclosure resulting from the introduction of FRS 17 (see note 1(b)).

The Consolidated Financial Statements were approved by The Wellcome Trust Limited, as Trustee, on 20 December 2006 and signed on its behalf by



Sir William Castell



Professor Martin Bobrow

# STATEMENT OF FINANCIAL ACTIVITIES OF THE TRUST

(excluding subsidiary undertakings) for the year ended 30 September 2006

	Note	2006 £m	2005 As restated £m
<b>INCOMING RESOURCES</b>			
<b>Investment income</b>			
Dividends and interest	2	261.9	263.4
Rental income	3	27.1	28.0
		<b>289.0</b>	<b>291.4</b>
<b>Other incoming resources</b>			
Gains on disposal of fixed assets		–	0.5
Other income	4(b)	12.2	3.1
<b>Total incoming resources</b>		<b>301.2</b>	<b>295.0</b>
<b>RESOURCES EXPENDED</b>			
Costs of generating funds			
Management fees and other costs	5	48.6	39.9
Interest payable on finance leases	22	1.8	1.6
Charitable activities	6	479.1	492.0
Governance costs	10	1.8	1.7
<b>Total resources expended</b>		<b>531.3</b>	<b>535.2</b>
<b>Net outgoing resources before gains/(losses) on investments</b>		<b>(230.1)</b>	<b>(240.2)</b>
<b>Realised and unrealised gains/(losses) on investments</b>			
Quoted investments	15(a)	728.9	1,631.5
Unquoted investments	15(a)	249.7	261.1
Investment properties	15(a)	129.8	80.7
Derivative financial instruments	15(b)	161.9	30.9
Subsidiary undertakings	20(b)	11.1	29.3
Foreign exchange	15(f)	(0.1)	2.6
		1,281.3	2,036.1
<b>Actuarial losses on defined benefit pension schemes</b>	11(d)	(4.8)	(3.1)
<b>Net movement in fund</b>		<b>1,046.4</b>	<b>1,792.8</b>
Fund at start of year (as previously stated)		11,553.9	9,756.3
Prior year adjustment		(28.8)	(24.0)
Fund at start of year (restated)		11,525.1	9,732.3
<b>Fund at end of year</b>		<b>12,571.5</b>	<b>11,525.1</b>

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

Prior year comparatives have been restated due to the changes in accounting policies and disclosure resulting from the introduction of FRS 17 (see note 1(b)).

# BALANCE SHEET OF THE TRUST

(excluding subsidiary undertakings) as at 30 September 2006

	Note	2006 £m	2005 As restated £m
<b>Tangible fixed assets</b>	14(b)	<b>328.6</b>	<b>323.6</b>
<b>Investment assets</b>			
Quoted investments	15(a)	8,403.3	8,383.6
Unquoted investments	15(a)	2,764.6	1,680.9
Investment properties	15(a)	892.6	777.9
Derivative financial instruments	15(b)	51.9	–
Other investment balances	15(c)	872.9	1,292.1
Subsidiary and other undertakings	20(b)	420.9	207.0
Programme related investments	15(d)	0.8	0.5
		<b>13,407.0</b>	<b>12,342.0</b>
<b>Current assets</b>			
Debtors	16	6.1	5.6
Cash at bank and in hand		3.8	5.8
		<b>9.9</b>	<b>11.4</b>
<b>Creditors falling due within one year</b>	17	<b>(503.7)</b>	<b>(530.5)</b>
<b>Net current liabilities</b>		<b>(493.8)</b>	<b>(519.1)</b>
<b>Total assets less current liabilities</b>		<b>13,241.8</b>	<b>12,146.5</b>
<b>Creditors falling due after one year</b>	17	<b>(628.5)</b>	<b>(589.5)</b>
<b>Provision for liabilities and charges</b>	18	<b>(8.1)</b>	<b>(3.9)</b>
<b>Net assets representing unrestricted funds excluding pension liability</b>		<b>12,605.2</b>	<b>11,553.1</b>
<b>Defined benefit pension scheme liability</b>	11(d)	<b>(33.7)</b>	<b>(28.0)</b>
<b>Net assets representing unrestricted funds including pension liability</b>		<b>12,571.5</b>	<b>11,525.1</b>

Prior year comparatives have been restated due to the changes in accounting policies and disclosure resulting from the introduction of FRS 17 (see note 1(b)).

The Trust Financial Statements were approved by The Wellcome Trust Limited, as Trustee, on 20 December 2006 and signed on its behalf by



Sir William Castell



Professor Martin Bobrow

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2006

	Note	2006 £m	2005 £m
<b>Net cash outflow from operating activities</b>	21(a)	<b>(182.3)</b>	<b>(205.8)</b>
<b>Capital expenditure and financial investment</b>			
Sales of investment assets	21(b)	6,247.6	5,350.8
Purchases of investment assets	21(b)	(6,851.3)	(4,598.5)
Derivative financial instruments	21(b)	110.0	30.9
Purchases of tangible fixed assets		(34.8)	(39.0)
Sale of tangible fixed assets		–	1.1
<b>Net cash (outflow)/inflow from capital expenditure and investing activities</b>		<b>(528.5)</b>	<b>745.3</b>
<b>Financing</b>			
Issue of corporate bonds	21(c)	538.9	–
<b>Management of liquid resources</b>			
Decrease/(increase) in deposits held by fund managers	21(d)	170.8	(555.7)
<b>Net cash inflow/(outflow) from financing and management of liquid resources</b>		<b>709.7</b>	<b>(555.7)</b>
<b>Decrease in cash for the year</b>	21(d)	<b>(1.1)</b>	<b>(16.2)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006

## 1. ACCOUNTING POLICIES

### (a) Basis of preparation and scope of the Financial Statements

The Financial Statements of the Wellcome Trust (the "Trust") and of the Trust and its subsidiary undertakings (the "Group") have been prepared in accordance with applicable UK accounting standards. In particular they comply with the Charities Act 1993, the Statement of Recommended Practice 'Accounting and Reporting by Charities' published in 2005 (the "SORP") and The Charities (Accounts and Reports) Regulations 2005 in all material respects.

The Trust's subsidiary undertakings are considered to be wholly-owned subsidiary undertakings by virtue of control by the Trust and their assets, liabilities and results have therefore been consolidated with those of the Trust, in accordance with Financial Reporting Standard 2 'Subsidiary undertakings' ("FRS 2") and the SORP. The financial year ends of the subsidiary undertakings coincide with that of the Trust with the exception of one investment holding company, which, for commercial considerations, has a different year end. The results of this subsidiary undertaking have been consolidated on the basis of unaudited interim accounts.

The Financial Statements of the Group include:

- Consolidated Statement of Financial Activities.
- Consolidated Balance Sheet.
- Statement of Financial Activities of the Trust.
- Balance Sheet of the Trust.
- Consolidated Cash Flow Statement.
- Notes to the Financial Statements.

### (b) Accounting policies

Accounting policies have been reviewed in accordance with FRS 18 'Accounting policies'. The retirement benefits policy has been updated following the full adoption of FRS 17 'Retirement benefits' and the comparative figures have been restated accordingly.

The change in retirement benefits policy, as detailed in note 1(g) below, has resulted in a £41 million decrease in the consolidated Fund brought forward (see "prior year adjustment" in the Consolidated Statement of Financial Activities). The charge to the Statement of Financial Activities, including actuarial losses, in the current year is £12 million higher under the new accounting standard. Comparative costs have also been restated and prior year staff costs have increased by £3 million (note 11(a)).

In addition, the unquoted investment valuation policy as detailed in note 1(l) has been updated following the adoption of FRS 25 'Financial Instruments Disclosure and Presentation' and FRS 26 'Financial Instruments Measurement'. The Trust has chosen to adopt FRS 25 and 26 and has taken the optional exemptions available under these standards from restating comparative information.

### (c) Subsidiary undertakings

The Trust has four types of subsidiary undertaking: charitable subsidiary undertakings formed to pursue charitable objects closely allied to those of the Trust; non-charitable subsidiary undertakings formed to hold investments and freehold property on behalf of the Trust; a non-charitable subsidiary undertaking formed to issue listed debt to finance Group activities; and trading subsidiary undertakings to conduct non-primary purpose trading. Further detail on the Trust's subsidiary undertakings is provided in note 20.

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

### (d) Historical cost convention

Except where otherwise stated, these Financial Statements have been prepared using the historical cost convention.

### (e) Income

Income is recognised on an accruals basis. Dividends, including any tax recoverable, are credited to income from the ex-dividend date when they become receivable.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 1. ACCOUNTING POLICIES (continued)

### (f) Grants

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.

Grants receivable are credited to the Statement of Financial Activities when conditions for receipt have been met or when they become receivable.

### (g) Retirement benefits

The Trust and its subsidiary undertaking Genome Research Limited each operate a 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 current and past service costs, and the net of interest cost and expected return on assets (Net return), are charged to Resources Expended on the Statement of Financial Activities based on the activity to which the staff relate. Actuarial gains or losses are also separately charged to the Statement of Financial Activities as unrealised gains or losses. All calculations are made on an annual basis by an independent qualified actuary.

The net pension scheme surplus or deficit as at the balance sheet date is shown on the Balance Sheet.

### (h) Fund accounting

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

### (i) Tangible fixed assets

Land and buildings in use by the Group are included in the Balance Sheet at cost less accumulated depreciation. Freehold buildings are depreciated at the rate of 2% per annum. The costs of leasehold property are depreciated over the term of the right of use, not exceeding 50 years.

All other classes of fixed assets are also stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets in equal instalments over their estimated useful lives.

Assets for use in the Gibbs Building and the Wellcome Building are depreciated as follows: plant and equipment 15 to 30 years and furniture 10 years. Other plant and equipment, furniture, fixtures and fittings are depreciated over 5 to 15 years. Computer equipment and motor vehicles are depreciated over 3 to 5 years.

Specialist equipment owned by Genome Research Limited is depreciated over 10 years, laboratory equipment over 5 years and sequencing machines over 3 years.

Heritage assets acquired prior to 2005, comprising substantial collections of books, artefacts of scientific and historical interest and other museum pieces, are not capitalised as, in the view of the Trustee, the cost of valuing the entire collection would be onerous compared with the benefit derived by users of the accounts in assessing the Trustee's stewardship of the assets. Significant purchases of heritage assets since 2005 are capitalised.

No depreciation is charged during the year on assets in the course of construction.

### (j) 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 are charged to the Statement of Financial Activities.

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

### **(k) Quoted investments**

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. Realised and unrealised gains less losses are credited to the Statement of Financial Activities. Asset sales and purchases are recognised at date of trade.

### **(l) Unquoted investments**

Investments are valued at the Trustee's best estimate of market or fair value. The principal unquoted valuations are performed as follows:

#### *Unquoted hedge funds*

Unquoted hedge funds are valued by reference to the market value of their underlying quoted securities. These valuations are provided by the Hedge Fund administrators.

#### *Unquoted active currency funds*

Unquoted active currency funds are valued by reference to the market value of their underlying over-the-counter derivatives. These valuations are provided by the Currency Fund managers.

#### *Private equity funds*

The vast majority of private equity investments are held through funds managed by private equity groups. No readily identifiable market price is available for private equity funds. These funds are included at the most recent valuations from the private equity groups. The private equity groups either provide a fair value valuation of the partner's share or, for a small number of groups, state it at cost. The significant criteria which guide the private equity groups as to whether they provide a fair value for their fund or state it at cost and that impact the Trust's portfolio are as follows:

- i. Private equity groups which comply with the International Private Equity and Venture Capital Valuation Guidelines provide a fair value of the partner's share.
- ii. Private equity groups which comply with International Financial Reporting Standards provide a fair value of the partner's share. Where locally generally accepted accounting principles applicable to private equity vehicles are applied instead, the treatment varies by country.
- iii. Other private equity groups comply with the provisions of the investments funds' Limited Partnership Agreements or Private Placing Memorandums, which may be fair value or cost.

Where private equity groups do not provide a fair value, the Trust is unable to obtain a reliable fair value, and therefore these investments are held at cost.

The majority of valuations are at the balance sheet date. In a limited number of cases where information is not available as at 30 September, the most recent valuations from private equity managers are adjusted for cash flows and foreign exchange movements between the most recent valuation and the balance sheet date.

#### *Direct investments*

Direct investments under the Healthcare and Venture Capital strategy are held at cost, less any provision for diminution in value.

Gains and losses for all unquoted investments are accounted for in the Statement of Financial Activities.

### **(m) Investment properties**

Investment properties are included in the Balance Sheet at fair value, which is usually equivalent to open market value. The valuations are established by professional advisers; however, where properties are acquired close to the balance sheet date, valuations are not obtained because they are recorded at fair value upon initial recognition, which the Trustee considers to be a reasonable estimate of market value at that time. Realised and unrealised gains less losses are credited to the Statement of Financial Activities.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 1. ACCOUNTING POLICIES (continued)

### (n) Derivative financial instruments

#### *Financial futures*

The use of index futures comprises part of the Trust's portfolio management. The use of futures includes:

- A substitution for trading of physical assets, and
- Adjusting asset exposures within the parameters set in the Trust's investment policy.

Contracts are cash backed and the cash held in relation to the futures is recognised in the Financial Statements. The fair value of open contract positions is recognised in the Balance Sheet and gains and losses on the contracts recognised in the Statement of Financial Activities.

#### *Other derivative financial instruments*

The use of other derivative financial instruments comprises part of the Trust's portfolio risk management.

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

### (o) Other investment balances

Cash balances, debtors and creditors arising as part of the investment portfolio are classified as other investment balances and grouped together as part of investment assets and are stated at their fair value. Realised and unrealised gains less losses are credited to the Statement of Financial Activities.

### (p) Bond liability

The Bond liability relates to the 30-year corporate bonds issued by Wellcome Trust Finance plc, listed on the London Stock Exchange. The initial measurement of the liability is equal to the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition the liability is measured at amortised cost using the effective interest rate method. The fair value of the Bond liability disclosed within the notes to the Financial Statements is the market value of the Bonds at the year end date. This is disclosed, however, 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.

### (q) Profits and losses on foreign exchange

Transactions denominated in foreign currency are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rate ruling at the balance sheet date. All gains and losses on exchange, realised and unrealised, are reflected in the Statement of Financial Activities. Exchange gains and losses are allocated to the appropriate income or expenditure category.

### (r) Resources expended

The costs of generating funds and charitable expenditure are charged to the relevant category or activity, according to the area to which the expenditure relates, on an accruals basis. Where possible, expenditure incurred that relates to more than one cost category is apportioned. The method of apportionment uses the most appropriate basis for each cost type, the most common being by direct analysis of the expenditure incurred.

The cost of functions which support more than one activity has been allocated using the most appropriate method, as disclosed in note 9. Costs which relate to the general running of the charity as opposed to those costs associated with investments or charitable activity have been allocated to Governance costs as detailed in note 10.

### (s) Irrecoverable VAT

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

Following a ruling by the UK and EC courts, the Lennartz mechanism, which is available for the purchase of land, buildings and civil engineering works with mixed business and non-business use, is used. Under this mechanism, VAT is recovered at the outset of the project. After completion of the project, the amount recovered relating to actual non-business use is repaid to HM Revenue and Customs over 20 years. This VAT is recognised as irrecoverable in the year it is first incurred based on the Trust's estimate of the future usage for non-business activity and is included as a liability in the Trust's Balance Sheet.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 2. DIVIDENDS AND INTEREST

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Dividends from UK equities	108.1	118.6	108.1	118.6
Dividends from overseas equities	80.4	73.2	78.6	72.0
Interest from UK fixed interest securities	40.0	32.0	27.7	31.2
Income from unquoted investments	35.0	30.9	33.5	30.9
Interest on cash and cash deposits	15.8	5.0	11.9	4.9
Other income	2.1	5.8	2.1	5.8
	<b>281.4</b>	<b>265.5</b>	<b>261.9</b>	<b>263.4</b>

## 3. RENTAL INCOME

### Group and Trust

	2006 £m	2005 £m
<b>Gross rental income</b>	<b>27.1</b>	<b>28.0</b>

The property costs related to the rental income such as management fees and costs of renovation are included in the costs of generating funds, under external investment management fees as shown in note 5.

## 4. OTHER INCOMING RESOURCES

### (a) Grants receivable

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

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
	6.5	5.0	-	-

### (b) Other income

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
	9.4	2.8	12.2	3.1

Other income includes a gift in kind of £5.3 million (2005: £nil) relating to the surrender of a lease on a building to Genome Research Limited by the previous occupant, the Medical Research Council ("MRC"), as part of the funding package agreed for the new building for the European Bioinformatics Institute. This has been recognised in the Statement of Financial Activities at its net book value at time of transfer and capitalised into tangible fixed assets on the Balance Sheet.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 5. MANAGEMENT FEES AND OTHER COSTS

Management fees and other costs primarily represent costs incurred, both internally and externally, in managing the Trust's investment portfolio.

	Group		Trust	
	2006	2005	2006	2005
	As restated		As restated	
	£m	£m	£m	£m
External investment management fees	41.7	34.7	39.5	32.6
Internal investment administration costs	5.5	4.1	5.5	4.1
Other investment costs	1.2	1.2	1.4	1.2
Investment support cost allocation	2.2	2.0	2.2	2.0
	<b>50.6</b>	<b>42.0</b>	<b>48.6</b>	<b>39.9</b>

## 6. CHARITABLE ACTIVITIES

### Group

	Grant Funding £m	Direct £m	Allocated Support £m	Total 2006 £m	Total 2005 As restated £m
Science Funding	295.7	9.5	18.9	324.1	338.1
Medicine, Society and History	16.0	21.8	9.8	47.6	48.5
Technology Transfer	13.0	4.2	2.5	19.7	18.2
Wellcome Trust Genome Campus	–	83.8	8.9	92.6	81.1
	<b>324.7</b>	<b>119.3</b>	<b>40.1</b>	<b>484.1</b>	<b>485.9</b>

### Trust

	Grant Funding £m	Direct £m	Allocated Support £m	Total 2006 £m	Total 2005 As restated £m
Science Funding	295.7	9.5	18.9	324.1	338.4
Medicine, Society and History	16.0	22.0	9.8	47.8	48.5
Technology Transfer	13.0	4.2	2.5	19.7	18.1
Wellcome Trust Genome Campus	77.3	8.6	1.6	87.5	87.0
	<b>402.0</b>	<b>44.3</b>	<b>32.8</b>	<b>479.1</b>	<b>492.0</b>

## 7. GRANTS AWARDED

Grants are generally awarded in support of biomedical research to particular individuals, although the award is normally made to the host institution. Small grants may be awarded directly to individuals for the purpose of travel and for the public engagement with science.

Grants awarded during the year are analysed by recipient as follows:

	Science Funding £m	Medicine, Society and History £m	Technology Transfer £m	Wellcome Trust Genome Campus £m	Total 2006 £m	Total 2005 £m
University of Oxford	38.2	0.5	1.6		40.3	53.5
University of Cambridge	38.4	0.4	1.2		40.0	39.2
University College London	26.8	0.6	–		27.4	24.6
University of Edinburgh	21.7	0.2	0.1		22.0	17.8
UK Biobank Limited	19.4	–	–		19.4	2.2
Imperial College London	17.4	–	–		17.4	27.4
Structural Genomics Consortium	16.0	–	–		16.0	–
King's College London	11.3	0.2	–		11.5	6.5
London School of Hygiene and Tropical Medicine	9.7	0.2	–		9.9	5.2
University of Dundee	8.6	–	–		8.6	12.1
University of Manchester	7.2	0.9	0.1		8.2	13.5
European Bioinformatics Institute	6.8	–	–		6.8	–
Novartis Institute for Tropical Diseases, Singapore	–	–	6.4		6.4	–
University of Glasgow	6.2	0.1	–		6.3	7.0
Cardiff University	4.4	0.2	0.8		5.4	2.4
University of Bristol	4.9	–	–		4.9	11.6
University of Liverpool	4.5	0.1	–		4.6	3.5
Cancer Research UK	4.5	–	–		4.5	0.3
University of Aberdeen	3.8	–	–		3.8	0.8
Kenya Medical Research Institute, Kenya	3.4	0.1	–		3.5	5.8
University of York	3.4	–	–		3.4	3.6
University of Birmingham	3.4	–	–		3.4	2.8
University of Newcastle upon Tyne	2.8	0.3	–		3.1	4.6
University of St Andrews	3.0	–	–		3.0	1.9
Other grants	39.1	12.2	2.8		54.1	99.1
<b>Total Grants (excluding supplementations, grants no longer required and grants to subsidiary undertakings)</b>	<b>304.9</b>	<b>16.0</b>	<b>13.0</b>	<b>–</b>	<b>333.9</b>	<b>345.4</b>
Grant Supplementations	13.9	–	–	–	13.9	16.5
Less: grants awarded in previous years no longer required	(23.1)	–	–	–	(23.1)	(18.1)
<b>Grants to subsidiary undertakings</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>77.3</b>	<b>77.3</b>	<b>82.0</b>
<b>Grants awarded by the Trust</b>	<b>295.7</b>	<b>16.0</b>	<b>13.0</b>	<b>77.3</b>	<b>402.0</b>	<b>425.8</b>
<b>Less: grants to subsidiary undertakings</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(77.3)</b>	<b>(77.3)</b>	<b>(82.0)</b>
<b>Grants awarded by the Group</b>	<b>295.7</b>	<b>16.0</b>	<b>13.0</b>	<b>–</b>	<b>324.7</b>	<b>343.8</b>
<b>of which</b>						
United Kingdom	277.6	14.2	6.6	–	298.4	293.3
Directly funded international	18.1	1.8	6.4	–	26.3	50.5
<b>Grants awarded by the Group</b>	<b>295.7</b>	<b>16.0</b>	<b>13.0</b>	<b>–</b>	<b>324.7</b>	<b>343.8</b>

The grants included within 'Other grants' above were less than £3 million each in value.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 7. GRANTS AWARDED (continued)

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

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

Professor Adrian Bird – *University of Edinburgh*

Professor Martin Bobrow – *University of Cambridge*

Professor Sir Leszek Borysiewicz – *Imperial College London (appointed 1 January 2006)*

Dame Patricia Hodgson – *University of Cambridge*

Professor Peter Smith – *London School of Hygiene and Tropical Medicine*

Professor Dame Jean Thomas – *University of Cambridge*

In addition, Sir Dominic Cadbury (retired on 30 April 2006) holds the unpaid position of Chancellor of the University of Birmingham.

An award of £19.4 million (2005: £2.2 million) was made to UK Biobank Limited, a company limited by guarantee, under an agreement with the joint funders, the Medical Research Council and the Department of Health. This has been accounted for as if it were a grant.

During the year the Trust awarded a grant of £16 million to the Structural Genomics Consortium ("SGC"). Through its funding the Trust is a member of this collaboration with other organisations in the UK, Canada and Sweden. The aims of the SGC are to advance scientific and medical education and research.

## 8. GRANTS AWARDED BUT NOT YET PAID

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Liability at 1 October	1,023.0	1,035.2	1,023.0	1,035.2
Grants awarded during the year	324.7	343.7	402.0	425.8
Grants paid during the year	(330.2)	(355.9)	(407.6)	(438.0)
<b>Liability as at 30 September</b>	<b>1,017.4</b>	<b>1,023.0</b>	<b>1,017.4</b>	<b>1,023.0</b>

### Of which

Falling due within one year (note 17)	478.7	519.5	478.7	519.5
Falling due after one year (note 17)	538.7	503.5	538.7	503.5
<b>Liability as at 30 September</b>	<b>1,017.4</b>	<b>1,023.0</b>	<b>1,017.4</b>	<b>1,023.0</b>

## 9. SUPPORT COSTS

Support costs are those costs that, whilst 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.

Group	Costs of	Science	Medicine,	Technology	Wellcome	Total	Total	Allocation
	generating							
	funds	£m	and History	£m	Genome	£m	As	
	£m	£m	£m	£m	Campus	£m	restated	
							£m	
Funding administration	–	6.9	0.8	1.3	0.1	9.1	9.0	Directly attributed
Support of scientific research	–	–	–	–	7.3	7.3	6.0	Directly attributed
Resources	1.6	8.3	8.5	1.0	0.5	19.9	19.2	Headcount/Building usage
Other	0.6	3.7	0.5	0.2	1.0	6.0	6.0	Expenditure
	<b>2.2</b>	<b>18.9</b>	<b>9.8</b>	<b>2.5</b>	<b>8.9</b>	<b>42.3</b>	<b>40.2</b>	

Trust	Costs of	Science	Medicine,	Technology	Wellcome	Total	Total	Allocation
	generating							
	funds	£m	and History	£m	Genome	£m	As	
	£m	£m	£m	£m	Campus	£m	restated	
							£m	
Funding administration	–	6.9	0.8	1.3	0.1	9.1	9.0	Directly attributed
Resources	1.6	8.3	8.5	1.0	0.5	19.9	19.2	Headcount/Building usage
Other	0.6	3.7	0.5	0.2	1.0	6.0	6.0	Expenditure
	<b>2.2</b>	<b>18.9</b>	<b>9.8</b>	<b>2.5</b>	<b>1.6</b>	<b>35.0</b>	<b>34.2</b>	

Resources comprise building costs and costs associated with the human resources department and information technology.

## 10. GOVERNANCE COSTS

Governance costs are the costs associated with the governance arrangements of the charity that relate to the general running of the charity as opposed to those costs associated with investments or charitable activities.

	Group		Trust	
	2006	2005	2006	2005
	£m	£m	£m	£m
Trustee fees and expenses	0.8	0.8	0.8	0.8
Auditors' remuneration	0.2	0.2	0.2	0.2
Internal audit	0.5	0.2	0.4	0.2
Other costs	0.4	0.5	0.4	0.5
	<b>1.9</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>

The total audit fee, excluding VAT, for the Group for the year was £226,000 (2005: £184,000).

In addition to the above, in 2006 total fees of £95,000 (2005: £44,000) excluding VAT were payable to the Group's Auditors PricewaterhouseCoopers LLP or associated firms in respect of taxation services, advisory services relating to the Bond issue and other services. The amounts relating to these services were £40,000 (2005: £39,000), £50,000 (2005: £nil) and £5,000 (2005: £5,000), respectively.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 11.EMPLOYEE INFORMATION

### (a) Staff costs

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Salaries and benefits in kind	41.0	38.6	19.3	18.7
Social Security costs	3.5	3.2	1.8	1.7
Pension costs and other benefits (as previously stated)	10.4	9.2	6.0	5.2
Prior year adjustment (FRS 17 - see note 1(b))		3.0		1.8
Pension costs and other benefits (as restated)	10.4	12.2	6.0	7.0
	<b>54.9</b>	<b>54.0</b>	<b>27.1</b>	<b>27.4</b>

The above costs for the Trust and the Group include £0.3 million (2005: £0.8 million) payable as compensation for loss of office to 10 employees (2005: 16) for the Trust and the Group in the year to 30 September 2006.

### (b) Employee numbers

	Average		As at 30 September	
	2006	2005	2006	2005
Trust	474	483	489	489
Subsidiary undertakings	803	776	847	805
<b>Total for the Group</b>	<b>1,277</b>	<b>1,259</b>	<b>1,336</b>	<b>1,294</b>
<b>Analysed by</b>				
Investments	21	23	23	22
Direct activities	886	867	934	902
Support	368	365	378	367
Governance	2	4	1	3
<b>Total for the Group</b>	<b>1,277</b>	<b>1,259</b>	<b>1,336</b>	<b>1,294</b>

### (c) Emoluments of employees

The numbers 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) fell within the following bands were:

		Group		
		2006	2005	
£60,000	–	£69,999	15	24
£70,000	–	£79,999	11	10
£80,000	–	£89,999	10	4
£90,000	–	£99,999	3	6
£100,000	–	£109,999	6	6
£110,000	–	£119,999	2	5
£120,000	–	£129,999	1	1
£130,000	–	£139,999	3	2
£140,000	–	£149,999	2	1
£150,000	–	£159,999	–	2
£160,000	–	£169,999	2	–
£170,000	–	£179,999	–	1
£180,000	–	£189,999	1	1
£190,000	–	£199,999	1	–
£210,000	–	£219,999	–	–
£230,000	–	£239,999	–	–
£240,000	–	£249,999	1	–
£260,000	–	£269,999	–	1
£280,000	–	£289,999	2	–
£340,000	–	£349,999	1	–
£490,000	–	£499,999	–	1

The highest paid employee in both the current and prior year was a member of the Investment Division. The remuneration of the Director included in the table above totalled £289,205 (2005: £266,171). Pension benefits have been accruing under defined benefit schemes for all of the Group's employees included in the above bandings.

The remuneration of Governors is excluded from the table above and is disclosed in note 12.

### (d) Retirement benefits

The Group sponsors two funded defined benefit schemes, the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan. In addition, the Trust provides unfunded defined benefit pension to 18 (2005: 17) employees and former employees as well as post retirement medical benefits to 42 former employees (2005: 43). Together these are the Total Group Benefits.

The Group has adopted FRS 17 'Retirement benefits' for the first time in the current financial year and the pension fund deficit is now included on the face of the Balance Sheet. The unfunded defined benefit pension and the post retirement medical benefits are included in provisions for liabilities and charges (refer to Note 18). Operating and finance charges are split across the charitable activities within the Statement of Financial Activities, with actuarial loss for the year separately identified. To produce these statements, the most recent actuarial valuation has been updated by an independent qualified actuary, with assumptions disclosed below.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## (d) Retirement benefits (continued)

The Director has an accrued pension of £32,778 as at 30 September 2006 (2005: £21,389). The transfer value of his pension benefits was £523,000 (2005: £344,000). The increase in transfer value net of the Director's contributions made in the year was £134,000.

### Pension funds

The Wellcome Trust Pension Plan was last assessed by independent consulting actuaries as at 1 January 2005 using the projected unit credit method. On the basis of the actuarial report, the funding rate from 1 October 2005 was increased to 22.4% of pensionable pay (from 20.5%) for members who joined prior to 1 April 2005 or for those joining after that date who elect to accrue benefits on 1/80ths. For members who joined on or after 1 April 2005 and elect to accrue benefits on 1/60ths the funding rate is 22.4% less 5% normal employee contributions. In addition, insurance premiums for death-in-service benefits are also paid. The next actuarial assessment is due as at 1 January 2008.

The Genome Research Limited Pension Plan was last assessed by independent consulting actuaries as at 1 January 2005 using the projected unit credit method. On the basis of the actuarial report, the funding rate is 20% of pensionable pay (less ordinary employee contributions for those members that joined the Plan after 1 April 2005 and elect to accrue benefits on 1/60ths) plus insurance premiums for death-in-service benefits and the expenses of running the scheme. The next actuarial assessment is due as at 1 January 2008.

The contributions made by the employer over the financial year into the Wellcome Trust Pension Plan were £4.2 million (2005: £3.7 million) and into the Genome Research Limited Pension Plan £4.3 million (2005: £3.8 million).

The assets of the schemes are stated at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	30 September 2006	30 September 2005	30 September 2004
Inflation	3.00% p.a.	2.75% p.a.	3.00% p.a.
Salary increases	5.00% p.a.	4.50% p.a.	4.75% p.a.
Rate of discount	5.00% p.a.	5.00% p.a.	5.50% p.a.
Future pension increases (5.00% per annum or RPI if less)	3.00% p.a.	2.75% p.a.	3.00% p.a.
Revaluation rate for deferred pensioners	as guaranteed	as guaranteed	as guaranteed

### Other retirement benefits

Post retirement medical benefits and the unfunded pension arrangement provisions are also calculated by an independent actuary.

The unfunded arrangement provides pension benefits for those employees as if they were not affected by the earnings cap. This is provided by enhancing benefits through the Wellcome Trust Pension Plan and through additional unapproved pension payments. The assumptions used for the unfunded pension are the same as for the Pension Funds.

The post retirement medical benefits relate to providing medical insurance to 42 former employees. The provision is based on the following assumptions:

	30 September 2006	30 September 2005	30 September 2004
Rate of cost increase	5.00% p.a.	5.00% p.a.	3.00% p.a.
Rate of discount	5.00% p.a.	5.00% p.a.	5.50% p.a.

## Balance Sheet figures

Balance Sheet figures for each scheme at 30 September are as follows:

	Assets			Liabilities			Deficit		
	2006 £m	2005 £m	2004 £m	2006 £m	2005 £m	2004 £m	2006 £m	2005 £m	2004 £m
Wellcome Trust Pension Plan	66.4	57.3	45.5	100.1	85.3	69.1	(33.7)	(28.0)	(23.6)
Genome Research Limited Pension Plan	33.9	26.5	18.0	51.6	38.7	28.8	(17.7)	(12.2)	(10.8)
<b>Total Pension Funds</b>	<b>100.3</b>	<b>83.8</b>	<b>63.5</b>	<b>151.7</b>	<b>124.0</b>	<b>97.9</b>	<b>(51.4)</b>	<b>(40.2)</b>	<b>(34.4)</b>
Unfunded liabilities	–	–	–	3.6	2.7	2.0	(3.6)	(2.7)	(2.0)
Post Retirement Medical Benefits	–	–	–	1.2	1.2	0.8	(1.2)	(1.2)	(0.8)
<b>Total Other Retirement Benefits</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4.8</b>	<b>3.9</b>	<b>2.8</b>	<b>(4.8)</b>	<b>(3.9)</b>	<b>(2.8)</b>
<b>Total Group Benefits</b>	<b>100.3</b>	<b>83.8</b>	<b>63.5</b>	<b>156.5</b>	<b>127.9</b>	<b>100.7</b>	<b>(56.2)</b>	<b>(44.1)</b>	<b>(37.2)</b>

## Assets

	Equities			Bonds			Cash		
	2006 £m	2005 £m	2004 £m	2006 £m	2005 £m	2004 £m	2006 £m	2005 £m	2004 £m
Wellcome Trust Pension Plan	50.7	43.3	34.8	15.4	13.7	10.4	0.3	0.3	0.3
Genome Research Limited Pension Plan	32.1	24.9	16.5	1.4	1.3	1.2	0.4	0.3	0.3
	<b>82.8</b>	<b>68.2</b>	<b>51.3</b>	<b>16.8</b>	<b>15.0</b>	<b>11.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>

## Expected long term rate of return

	30 September 2006	30 September 2005	30 September 2004
Equities	8.00%	8.00%	8.00%
Bonds	4.25%	4.50%	4.75%
Cash	4.75%	4.50%	4.75%

## Charge to the Statement of Financial Activities over the financial year

	Total Group Benefits		Trust Pension Fund		Other Trust Retirement Benefits	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
<b>Operating charge</b>						
Current service cost	11.4	9.9	5.5	4.9	0.3	0.2
Past service cost	–	0.4	–	0.2	–	0.2
	<b>11.4</b>	<b>10.3</b>	<b>5.5</b>	<b>5.1</b>	<b>0.3</b>	<b>0.4</b>
<b>Other finance income</b>						
Expected return on pension schemes' assets	(6.3)	(4.9)	(4.2)	(3.4)	0.1	–
Interest on pension schemes' liabilities	6.5	5.7	4.4	3.9	0.1	0.1
	<b>0.2</b>	<b>0.8</b>	<b>0.2</b>	<b>0.5</b>	<b>0.2</b>	<b>0.1</b>
<b>Total charge to the Statement of Financial Activities</b>	<b>11.6</b>	<b>11.1</b>	<b>5.7</b>	<b>5.6</b>	<b>0.5</b>	<b>0.5</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## (d) Retirement benefits (continued)

### Movement in Balance Sheet deficit figures during the year

	Total Group Benefits		Trust Pension Fund		Other Trust Retirement Benefits	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Deficit in schemes at 1 October	(44.1)	(37.2)	(28.0)	(23.6)	(3.8)	(2.8)
Movement in year:						
Current service cost	(11.4)	(9.9)	(5.5)	(4.9)	(0.3)	(0.3)
Past service cost	–	(0.4)	–	(0.2)	–	(0.2)
Net interest/return on assets	(0.2)	(0.8)	(0.2)	(0.5)	(0.2)	(0.1)
Contributions	8.7	7.5	4.2	3.7	0.1	0.1
Actuarial loss	(9.2)	(3.3)	(4.2)	(2.5)	(0.6)	(0.6)
<b>Deficit in schemes at 30 September</b>	<b>(56.2)</b>	<b>(44.1)</b>	<b>(33.7)</b>	<b>(28.0)</b>	<b>(4.8)</b>	<b>(3.9)</b>

Total Group Benefits include the Wellcome Trust Pension Plan, the Genome Research Limited Pension Plan, the unfunded defined benefit pension and post retirement medical benefits.

### Gains and losses included within the Statement of Financial Activities

#### Group

	2006	2005	2004	2003	2002
Gains/(losses) between expected and actual return on assets	£3.3m	£9.3m	£1.5m	£3.1m	(£10.3m)
Percentage of schemes' assets at 30 September	3%	11%	2%	6%	25%
Experience losses arising on the schemes' liabilities	(£0.9m)	(£3.3m)	(£0.1m)	(£0.8m)	(£3.6m)
Percentage of the present value of the schemes' liabilities at 30 September	1%	3%	nil	1%	6%
Losses due to effect of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(£11.6m)	(£8.9m)	(£9.9m)	(£5.3m)	(£6.3m)
Percentage of the present value of the schemes' liabilities at 30 September	7%	7%	10%	7%	10%
<b>Total losses</b>	<b>(£9.2m)</b>	<b>(£2.9m)</b>	<b>(£8.5m)</b>	<b>(£3.0m)</b>	<b>(£20.2m)</b>
<b>Percentage of the present value of the schemes' liabilities at 30 September</b>	<b>6%</b>	<b>2%</b>	<b>9%</b>	<b>4%</b>	<b>32%</b>

#### Trust

	2006	2005	2004	2003	2002
Gains/(losses) between expected and actual return on assets	£2.0m	£6.1m	£1.3m	£2.2m	(£7.4m)
Percentage of schemes' assets at 30 September	3%	11%	3%	6%	23%
Experience losses arising on the schemes' liabilities	(£0.9m)	(£2.8m)	–	(£0.6m)	(£2.4m)
Percentage of the present value of the schemes' liabilities at 30 September	1%	3%	nil	1%	5%
Losses due to effect of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(£5.9m)	(£5.8m)	(£6.0m)	(£2.7m)	(£4.6m)
Percentage of the present value of the schemes' liabilities at 30 September	6%	7%	9%	5%	10%
<b>Total losses</b>	<b>(£4.8m)</b>	<b>(£2.7m)</b>	<b>(£4.8m)</b>	<b>(£1.1m)</b>	<b>(£14.6m)</b>
<b>Percentage of the present value of the schemes' liabilities at 30 September</b>	<b>5%</b>	<b>3%</b>	<b>7%</b>	<b>2%</b>	<b>30%</b>

## 12.REMUNERATION OF GOVERNORS

The Governors are the directors of The Wellcome Trust Limited (the "Trustee"). They receive remuneration from that company, which has been charged to the Trust, as follows:

	2006 £	2005 £
<b>Current Governors</b>		
Sir William Castell (Current Chairman from 1 May 2006. Governor from 1 January 2006)	91,765	–
Professor Martin Bobrow (Deputy Chairman)	97,649	95,479
Professor Adrian Bird	65,099	63,654
Professor Leszek Borysiewicz (from 1 January 2006)	48,989	–
Dame Patricia Hodgson	65,099	63,654
Professor Ronald Plasterk	65,099	63,654
Mr Alastair Ross Goobey	65,099	63,654
Professor Peter Smith	65,099	63,654
Professor Dame Jean Thomas	65,099	63,654
Mr Edward Walker-Arnott	65,099	63,654
<b>Former Governors</b>		
Sir Dominic Cadbury (Previous Chairman) (retired 30 April 2006)	92,819	156,070
Professor Christopher Edwards (retired 31 March 2005)	–	31,434
<b>Total remuneration</b>	<b>806,864</b>	<b>728,561</b>

Included in the remuneration above, the previous Chairman and the current Chairman received estimated benefits in kind relating to travel costs of £16,920 (2005: £28,765) and £15,376 (2005: £nil), respectively. No other benefits or pension contributions are paid in respect of the other Governors.

During the year expenses in respect of travel, subsistence, telephone and other expenses in the course of their duties were incurred by the Governors which amounted to £24,659 (2005: £38,191), of which £22,123 (2005: £36,918) was paid directly by the Trust and £2,536 (2005: £1,273) was paid by the Governors and directly reimbursed to them.

The Governors were included in the Directors' and Officers' liability insurance in the year to 30 September 2006, which cost in total £45,905 (2005: £47,250).

All costs incurred by the Trustee are reimbursed by the Trust and are included in the Trustee fees and expenses included in Governance costs (note 10).

Under the Constitution of the Trust, the Governors were 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 minima and maxima of the salary pay bands of the Senior Civil Service. The recommended percentage increase for the twelve months beginning 1 April 2006 was 2.05% (2005: 2.5%).

By Orders of the Charity Commission in March 2001 and March 2006, the remuneration of the previous and current Chairmen was set at two times the level of a Governor. By an Order of the Charity Commission in June 2004, the remuneration of the Deputy Chairman was set at 1.5 times the level of a Governor.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 12. REMUNERATION OF GOVERNORS (continued)

The following table summarises the remuneration, excluding estimated benefits in kind, for the periods covered by these Financial Statements.

	12 months beginning 1 April 2006 £	12 months beginning 1 April 2005 £	12 months beginning 1 April 2004 £
Chairman	131,518	128,878	125,736
Deputy Chairman	98,638	96,659	94,302
Governor	65,759	64,439	62,868

## 13. TAXATION

The Trust, Genome Research Limited and Hinxton Hall Limited are all charities registered under the Charities Act 1993. Their income and gains are applied for charitable purposes and are mainly exempt from direct UK tax.

W.T. Construction Limited, Wellcome Trust Trading Limited, WT European Investments Limited and Wellcome Trust Finance plc are non-charitable subsidiaries and subject to UK corporation tax but as a result of gift aid donations to the Trust no corporation tax arises. Gift aid donations were £24,000 (2005: £132,000), £219,000 (2005: £173,000), £7.5 million (2005: £nil) and £1.3 million (2005: £nil), respectively.

Although usually exempt from income taxes, the Trust and its subsidiary undertakings have entered into investment transactions or other arrangements, in the UK and overseas, where the returns obtained or costs incurred are dependent on the tax rates and interpretation of regulations applicable to the underlying transactions by UK or local tax authorities.

During a routine review of the Trust's tax return for the year ended 2004 HM Revenue and Customs identified anti-avoidance legislation which, if applicable, has the effect of removing the Trust's charity exemption on certain dividend income. The Trust is disputing the extent to which this legislation is being applied. It is therefore not possible to provide an accurate estimate, but the Trust considers any potential liability would be immaterial.

The estimated cost of irrecoverable Value Added Tax suffered by the Group in the year was £8.9 million (2005: £6.6 million).

## 14. TANGIBLE FIXED ASSETS

### (a) Group

	Freehold land and buildings	Long leasehold land and buildings	Finance leased buildings	Finance leased plant and equipment	Equipment fixtures and fittings	Freehold assets in course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost as at 1 October 2005	362.3	1.5	20.8	64.0	106.2	12.7	567.5
Additions	16.0	–	–	0.1	8.0	20.0	44.1
Transfers	1.3	–	–	–	–	(1.3)	–
Disposals	(13.4)	–	–	(0.1)	(8.9)	–	(22.4)
<b>Cost as at 30 September 2006</b>	<b>366.2</b>	<b>1.5</b>	<b>20.8</b>	<b>64.0</b>	<b>105.3</b>	<b>31.4</b>	<b>589.2</b>
Depreciation as at 1 October 2005	44.1	1.3	0.3	2.5	74.9	–	123.1
Net charge for the year	6.3	0.2	0.5	3.1	10.1	–	20.2
Impairment charge	9.9	–	–	–	–	–	9.9
Disposals	(13.4)	–	–	–	(8.6)	–	(22.0)
<b>Depreciation as at 30 September 2006</b>	<b>46.9</b>	<b>1.5</b>	<b>0.8</b>	<b>5.6</b>	<b>76.4</b>	<b>–</b>	<b>131.2</b>
<b>Net Book Value as at 30 September 2006</b>	<b>319.3</b>	<b>–</b>	<b>20.0</b>	<b>58.4</b>	<b>28.9</b>	<b>31.4</b>	<b>458.0</b>
Net Book Value as at 30 September 2005	318.2	0.2	20.5	61.5	31.3	12.7	444.4

### (b) Trust

	Freehold land and buildings	Long leasehold land and buildings	Finance leased buildings	Finance leased plant and equipment	Equipment fixtures and fittings	Freehold assets in course of construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost as at 1 October 2005	253.0	1.5	20.8	64.0	14.7	10.1	364.1
Additions	2.3	–	–	0.1	1.3	20.0	23.7
Disposals	(13.4)	–	–	(0.1)	(2.0)	–	(15.5)
<b>Cost as at 30 September 2006</b>	<b>241.9</b>	<b>1.5</b>	<b>20.8</b>	<b>64.0</b>	<b>14.0</b>	<b>30.1</b>	<b>372.3</b>
Depreciation as at 1 October 2005	26.7	1.3	0.3	2.5	9.7	–	40.5
Net charge for the year	3.9	0.2	0.5	3.1	1.0	–	8.7
Impairment charge	9.9	–	–	–	–	–	9.9
Disposals	(13.4)	–	–	–	(2.0)	–	(15.4)
<b>Depreciation as at 30 September 2006</b>	<b>27.1</b>	<b>1.5</b>	<b>0.8</b>	<b>5.6</b>	<b>8.7</b>	<b>–</b>	<b>43.7</b>
<b>Net Book Value as at 30 September 2006</b>	<b>214.8</b>	<b>–</b>	<b>20.0</b>	<b>58.4</b>	<b>5.3</b>	<b>30.1</b>	<b>328.6</b>
Net Book Value as at 30 September 2005	226.3	0.2	20.5	61.5	5.0	10.1	323.6

During the current renovation of the Wellcome Building, assets with a book cost of £13.4 million have been replaced. The associated accumulated depreciation as at 1 October 2005 was £3.5 million and this has resulted in an impairment charge of £9.9 million.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 15. INVESTMENTS

### (a) Investment assets

#### Group

##### (i) Fair value

	Fair value 1 October 2005 £m	Purchases £m	Sales proceeds £m	Total gains £m	Fair value 30 September 2006 £m
UK	3,719.1	2,438.2	3,358.1	336.6	3,135.8
Overseas	4,693.5	3,145.5	2,243.9	412.6	6,007.7
<b>Total quoted</b>	<b>8,412.6</b>	<b>5,583.7</b>	<b>5,602.0</b>	<b>749.2</b>	<b>9,143.5</b>
UK	243.3	420.4	221.3	58.4	500.8
Overseas	1,598.8	964.5	447.7	177.8	2,293.4
<b>Total unquoted</b>	<b>1,842.1</b>	<b>1,384.9</b>	<b>669.0</b>	<b>236.2</b>	<b>2,794.2</b>
UK	777.9	33.3	48.4	129.8	892.6
<b>Total property</b>	<b>777.9</b>	<b>33.3</b>	<b>48.4</b>	<b>129.8</b>	<b>892.6</b>
<b>Total</b>	<b>11,032.6</b>	<b>7,001.9</b>	<b>6,319.4</b>	<b>1,115.2</b>	<b>12,830.3</b>

##### (ii) Reconciliation to book cost

	1 October 2005 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	30 September 2006 £m
<b>Book cost and realised gains</b>					
Quoted investments	6,718.3	5,583.7	5,602.0	876.8	7,576.8
Unquoted investments	2,056.0	1,384.9	669.0	266.4	3,038.3
Investment properties	380.4	33.3	48.4	39.5	404.8
<b>Market value adjustment</b>					
Unrealised gains/(losses)	1,877.9	–	–	(67.5)	1,810.4
<b>Total</b>	<b>11,032.6</b>	<b>7,001.9</b>	<b>6,319.4</b>	<b>1,115.2</b>	<b>12,830.3</b>

## Trust

### (i) Fair value

	Fair value 1 October 2005 £m	Purchases £m	Sales proceeds £m	Total gains £m	Fair value 30 September 2006 £m
UK	3,696.9	1,711.9	3,038.9	335.8	2,705.7
Overseas	4,686.7	2,836.3	2,218.5	393.1	5,697.6
<b>Total quoted</b>	<b>8,383.6</b>	<b>4,548.2</b>	<b>5,257.4</b>	<b>728.9</b>	<b>8,403.3</b>
UK	243.3	420.4	221.3	58.4	500.8
Overseas	1,437.6	932.9	298.0	191.3	2,263.8
<b>Total unquoted</b>	<b>1,680.9</b>	<b>1,353.3</b>	<b>519.3</b>	<b>249.7</b>	<b>2,764.6</b>
UK	777.9	33.3	48.4	129.8	892.6
<b>Total property</b>	<b>777.9</b>	<b>33.3</b>	<b>48.4</b>	<b>129.8</b>	<b>892.6</b>
<b>Total</b>	<b>10,842.4</b>	<b>5,934.8</b>	<b>5,825.1</b>	<b>1,108.4</b>	<b>12,060.5</b>

### (ii) Reconciliation to book cost

	1 October 2005 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	30 September 2006 £m
<b>Book cost and realised gains</b>					
Quoted investments	6,692.5	4,548.3	5,257.4	872.6	6,856.0
Unquoted investments	1,927.0	1,353.2	519.3	250.8	3,011.7
Investment properties	380.4	33.3	48.4	39.5	404.8
<b>Market value adjustment</b>					
Unrealised gains/(losses)	1,842.5	–	–	(54.5)	1,788.0
<b>Total</b>	<b>10,842.4</b>	<b>5,934.8</b>	<b>5,825.1</b>	<b>1,108.4</b>	<b>12,060.5</b>

The unquoted valuation above includes private equity funds of £78.1 million and direct investments of £39.7 million for which the valuation used is equal to cost. For these investments the fair value cannot be reliably measured and therefore they are held at cost.

Investment properties have been valued at open market value in accordance with the Valuation and Appraisal Manual of the Royal Institute of Chartered Surveyors, subject to the restrictions detailed below. The valuations were carried out by Gerald Eve, FPD Savills and CB Richard Ellis.

Gerald Eve have been instructed to value the Trust's freehold interests in the South Kensington estate and the Ennismore Gardens estate at 30 September 2006 and at the end of the previous nine years. They have reported their opinion as at 30 September 2006 on a restricted basis, as it was not practical for them to carry out inspections of all properties as at that date. They have reported their opinion of the aggregate of the values of the Trust's interests in the individual buildings on the South Kensington estate.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 15. INVESTMENTS (continued)

### (b) Derivative financial instruments

(i) Fair value

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Derivative financial instruments	51.9	–	51.9	–

(ii) Gains

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Net gains on derivative financial instruments	161.9	30.9	161.9	30.9

As at 30 September 2006 the notional value of open futures positions, held by the Trust's discretionary managers, amounted to £586.4 million. Futures are used by the Trust's transition managers to manage market exposure while awaiting reallocation of funds to other managers/asset classes. Open futures positions are covered by cash as reflected in note 15(c). As at 30 September 2006 the notional value of open forward contracts amounted to £2,557.5 million. Forward contracts are used to hedge foreign exchange exposure.

### (c) Other investment balances

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Investment cash balances and certificates of deposit	1,057.5	1,228.3	887.9	1,208.9
Accrued income from investments	25.1	28.2	18.6	28.2
Proceeds receivable on sale of investments	202.6	130.8	199.2	130.8
Other investment debtor balances	10.0	9.3	0.4	8.8
Amounts payable on acquisition of investments	(214.2)	(63.6)	(210.2)	(63.6)
Deferred income from investments	(5.9)	(5.9)	(5.9)	(5.9)
Other investment creditor balances	(17.4)	(19.1)	(17.1)	(15.1)
	<b>1,057.7</b>	<b>1,308.0</b>	<b>872.9</b>	<b>1,292.1</b>

**(d) Programme related investments****Group and Trust**

	Loans £m	Equity £m	Total £m
Net book value as at 1 October 2005	0.4	0.1	0.5
Additions during the year	3.3	0.9	4.2
Provisions against investments	(3.1)	(0.8)	(3.9)
<b>Net book value as at 30 September 2006</b>	<b>0.6</b>	<b>0.2</b>	<b>0.8</b>

The Trust has provided funding to thirteen (2005: ten) early stage companies to carry out biomedical research projects with potential to deliver health benefits. Together these investments form a portfolio managed separately from the Trust's other investments. These investments are not intended to be held for the longer term. Consequently, these investments are, as permitted by the SORP and FRS 9 'Associates and joint ventures', held at cost less provision for impairment rather than treated as associated companies.

In view of the immateriality of the value of these investments at 30 September 2006, further details of individual companies have not been disclosed.

**(e) Other undertakings****Trust**

	£m
Net book value as at 1 October 2005	–
Additions during year	9.0
Write down	(9.0)
<b>Net book value as at 30 September 2006</b>	<b>–</b>

Other undertakings represents a 14% equity interest in Diamond Light Source Limited, a company established to construct and operate a synchrotron. Under the shareholding agreement there is no intrinsic value in the equity and the cost has therefore been fully written down and reflected within Science Funding direct expenditure in note 6. Outstanding commitments are disclosed in note 19(a).

**(f) Foreign exchange**

In the financial year to 30 September 2006 there were foreign exchange losses on monetary transactions of £0.1 million in the Trust (2005: gains of £2.6 million) and foreign exchange gains on monetary transactions £0.4 million in the Group (2005: £2.6 million).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 15. INVESTMENTS (continued)

### (g) Reconciliation to Trustee's Report

The presentation of investment movements in note 15(a) is in accordance with the SORP. However, the investment portfolio is structured differently for strategic management and management reporting. The distinct classes of assets used and reported on within the Trustee's Report are: Equity; Hedge Funds; Private Equity; and Property and Infrastructure.

This note reconciles the investment asset fair value at the balance sheet date as presented within the Trustee's Report to the presentation within the Financial Statements.

	Note 15(a)	Note 15(b)	Note 15(c)	Note 15(d)	Fair value 30 September 2006
	£m	£m	£m	£m	£m
Equity	7,765.8	–	560.4	–	8,326.2
Hedge funds	1,856.8	–	23.6	–	1,880.4
Private equity	1,632.6	–	16.4	–	1,649.0
Property and infrastructure	1,136.6	–	14.3	–	1,150.9
Fixed interest	438.5	–	126.0	–	564.5
Derivative financial instruments	–	51.9	–	–	51.9
Other	–	–	317.0	–	317.0
Programme related investments	–	–	–	0.8	0.8
<b>Total investment assets</b>	<b>12,830.3</b>	<b>51.9</b>	<b>1,057.7</b>	<b>0.8</b>	<b>13,940.7</b>

## 16. DEBTORS

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
Amounts due from subsidiary undertakings	–	–	2.6	0.3
Accrued income	0.3	0.6	0.3	0.4
Other debtors	7.4	8.1	2.1	4.0
Prepayments	4.7	4.7	1.1	0.9
	<b>12.4</b>	<b>13.4</b>	<b>6.1</b>	<b>5.6</b>

## 17. CREDITORS

	Group		Trust	
	2006 £m	2005 £m	2006 £m	2005 £m
<b>Falling due within one year</b>				
Bank overdrafts	–	0.9	–	–
Amounts due to subsidiary undertakings	–	–	16.6	4.4
Grant liability (note 8)	478.7	519.5	478.7	519.5
Bond liability	4.7	–	–	–
Finance lease creditor	0.6	0.6	0.6	0.6
Trade creditors	8.2	6.0	3.7	2.7
Other creditors	2.7	2.5	0.7	0.9
Accruals and deferred income	11.6	8.7	3.4	2.4
<b>Total falling due within one year</b>	<b>506.5</b>	<b>538.2</b>	<b>503.7</b>	<b>530.5</b>
<b>Falling due between one and five years</b>				
Grant liability (note 8)	515.9	489.9	515.9	489.9
Finance lease creditor	1.0	0.9	1.0	0.9
Other creditors	0.8	–	0.8	–
	<b>517.7</b>	<b>490.8</b>	<b>517.7</b>	<b>490.8</b>
<b>Falling due after five years</b>				
Grant liability (note 8)	22.8	13.6	22.8	13.6
Bond liability	538.9	–	–	–
Finance lease creditor	84.9	85.1	84.9	85.1
Other creditors	3.1	–	3.1	–
	<b>649.7</b>	<b>98.7</b>	<b>110.8</b>	<b>98.7</b>
<b>Total falling due after one year</b>	<b>1,167.4</b>	<b>589.5</b>	<b>628.5</b>	<b>589.5</b>

Grant commitments are split pro rata according to the terms of the grant at the point of award.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 17. CREDITORS (continued)

The Bond liability is the amortised cost, using the effective interest method, of the £550 million 4.625 per cent, Guaranteed Bonds due 2036, issued by Wellcome Trust Finance plc (a subsidiary of the Wellcome Trust) on 25 July 2006. The liability is guaranteed by the Wellcome Trust. The Bond liability falling due within one year is the unpaid coupon interest accrued for the period to 30 September 2006. The interest payment to the Bondholders is at a fixed rate of 4.625% per annum and is paid in arrears on 25 July each year until repayment of the Bond principal. In the table above, no amounts fall due between one and five years because the remainder of the Bond liability at the balance sheet date is the amortised cost of the amount due to be repaid upon expiry of the 30-year term on 25 July 2036 and therefore falling due after five years. The fair value of the liability as at 30 September 2006 with reference to the market value of the Bonds was £555.9 million.

The Trust has a finance arrangement with Assetfinance December (P) Limited, a subsidiary of HSBC Bank plc, which involves the lease and leaseback of the office building at 215 Euston Road, London. The total related finance lease creditor outstanding is £48.7 million. The financing period outstanding at 30 September 2006 is 23 years and 1 month.

In addition, the Trust has a finance arrangement with Assetfinance December (P) Limited, which involves a lease and lease back of the South Field research facility at the Wellcome Trust Genome Campus in Hinxton, Cambridgeshire. The total related finance lease creditor outstanding is £37.8 million. The financing period outstanding at 30 September 2006 is 23 years and 10 months.

## 18. PROVISIONS FOR LIABILITIES AND CHARGES

### Group and Trust

	Retirement benefits £m	Other provisions £m	Total £m
As at 1 October 2005 (as originally stated)	3.1	–	3.1
Prior year adjustment	0.8	–	0.8
As at 1 October 2005 (as restated)	3.9	–	3.9
Charge for the year	1.0	3.3	4.3
Utilised in year	(0.1)	–	(0.1)
<b>As at 30 September 2006</b>	<b>4.8</b>	<b>3.3</b>	<b>8.1</b>

Retirement benefit provisions relate to unfunded defined benefit pension benefits and post retirement medical benefits. Other liabilities include onerous leases on Group properties which are expected to be utilised within two years.

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Investments

The Trust has entered into commitments to invest in private equity funds. At the balance sheet date, outstanding commitments amounted to £1,494.5 million (2005: £1,078.1 million). The Trust models its expected cash flows based on the year of the original commitment and historic trends. In any given year, in a normal economic environment, the Trust would expect to invest around 30% of its outstanding commitments or approximately £450 million.

The Trust has an outstanding commitment of £16.6 million as part of the first two construction phases of the Diamond Light Source Limited synchrotron project (2005: £25.5 million). It is estimated that £6.8 million of this will fall due within one year. This project is expected to begin operations in January 2007 and the Trust has agreed to fund up to £22.9 million over the next five years for its share of the operational costs. See note 15(e).

**(b) Grant funding activities**

In prior years, the Trust has made commitments with respect to the National Science Learning Centre which opened in October 2005. £5.6 million is contingent upon specific funding related milestones and, therefore, has not been included within grant commitments. The current funding is for a three year duration and therefore it is not anticipated that the contingent amount will fall due within one year.

The Trust has made commitments of up to £23.5 million for the Clinical Research Infrastructure Initiative to various UK based institutions. The final funding amounts to be awarded to each institution are currently being negotiated and have therefore, not been included within grant commitments. The awards are expected to be finalised during the next financial year.

**(c) Direct activities**

The Group has outstanding commitments of £4.3 million (2005: £7.5 million) relating to building projects, which is all due within one year.

Programme related convertible loans have been approved, of which £2.2 million remains yet to be drawn down and is contingent upon specific milestones being achieved. It is estimated that approximately £2.1 million of this will fall due within one year.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 20. GROUP UNDERTAKINGS

### (a) Summary of activities of 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
Hinxton Hall Limited	England	Provision of conference facilities and site services at the Wellcome Trust Genome Campus, Hinxton	The Wellcome Trust Limited and Genome Research Limited are equal members
Wellcome Trust Trading Limited	England	Trading company	The Wellcome Trust Limited is the sole shareholder
Catalyst BioMedica Limited	England	Holding programme related investments	The Wellcome Trust Limited is the sole shareholder
W. T. Construction Limited	England	Property construction company	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Director Limited	England	Corporate directorships	The Wellcome Trust Limited is the sole shareholder
Mkono Ya Bahari Limited	Kenya	Property holding company	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are equal shareholders
WT European Investments Limited	England	Investment holding company	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust GP Limited	England	Act as a general partner to Wellcome Trust Investment Limited Partnership	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Finance plc	England	To issue and invest in financial instruments	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders
NCI Holdings Limited	Cayman Islands	Investment holding company	The Wellcome Trust Limited is the sole shareholder
Trident Holdings Limited	Cayman Islands	Investment holding company	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investment Limited Partnership	England <sup>1</sup>	Investment holding partnership	The Wellcome Trust Limited is the limited partner and Wellcome Trust GP Limited is the general partner

<sup>1</sup>Country of registration

The shares or memberships of these subsidiary undertakings are held by The Wellcome Trust Limited, as trustee of the Wellcome Trust, and, in the cases indicated, also by Wellcome Trust Nominees Limited, a nominee company for the Wellcome Trust. The companies are considered to be wholly-owned subsidiary undertakings of the Wellcome Trust for accounting purposes, and their assets, liabilities and results are consolidated with those of the Wellcome Trust as required under FRS 2.

Summarised financial information is provided below, with the exception of Mkono Ya Bahari Limited and Wellcome Trust Director Limited, which are not considered material for this additional disclosure.

Both Genome Research Limited and Hinxton Hall Limited are charities registered under the Charities Act and are companies limited by guarantee. The Wellcome Trust Investment Limited Partnership's liability is limited to the amount of its capital commitment. All other subsidiary undertakings are non-charitable and limited by shares.

Trident Holdings Limited has a financial year end of 31 December and unaudited interim accounts have been drawn up to 30 September 2006 for consolidation purposes. NB Holdings Limited and IAM Holdings Limited which were struck off prior to the balance sheet date have been excluded from the table above.

Subsidiary undertakings which are dormant have been excluded from the table above.

**(b) Summary financial information****i) Charitable subsidiary undertakings**

	Genome Research Limited		Hinxton Hall Limited	
	2006	2005	2006	2005
	As restated			
	£m	£m	£m	£m
Incoming resources	88.3	82.4	11.3	11.0
Resources expended	(80.8)	(73.8)	(11.3)	(7.2)
<b>Net movements in funds</b>	<b>7.5</b>	<b>8.6</b>	<b>-</b>	<b>3.8</b>
Assets	114.5	105.2	26.7	26.1
Liabilities	(8.8)	(8.1)	(2.1)	(1.5)
<b>Net assets</b>	<b>105.7</b>	<b>97.1</b>	<b>24.6</b>	<b>24.6</b>

**ii) Non-charitable operating subsidiary undertakings**

	W.T. Construction Limited		Catalyst BioMedica Limited		Wellcome Trust Trading Limited	
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	£m	£m
Turnover	7.1	27.7	-	-	0.5	0.4
Expenditure	(7.1)	(27.7)	-	-	(0.5)	(0.4)
	-	-	-	-	-	-
Investment Assets	-	-	-	-	-	-
Current Assets	4.1	3.5	0.8	0.8	0.3	0.2
Total Assets	4.1	3.5	0.8	0.8	0.3	0.2
Liabilities	(4.1)	(3.5)	-	-	(0.3)	(0.2)
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>0.8</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## (b) Summary financial information (continued)

### iii) Non-charitable investment subsidiary undertakings

	Investing in quoted investments		Investing in unquoted investments	
	2006 £m	2005 £m	2006 £m	2005 £m
Turnover	17.6	1.9	1.9	0.0
Expenditure	(6.7)	(1.6)	(9.0)	(0.5)
Gains	20.5	7.2	(5.5)	31.2
	<b>31.4</b>	<b>7.5</b>	<b>(12.6)</b>	<b>30.7</b>
Investment assets	740.1	29.0	29.7	161.2
Current assets	184.7	17.0	10.4	3.1
Total assets	924.8	46.0	40.1	164.3
Liabilities	( 682.2)	(3.8)	(0.1)	(0.3)
<b>Net assets</b>	<b>242.6</b>	<b>42.2</b>	<b>40.0</b>	<b>164.0</b>

### iv) Non-charitable financing subsidiary undertakings

	Wellcome Trust Finance plc	
	2006 £m	2005 £m
Turnover	4.8	–
Expenditure	(4.8)	–
Gains	–	–
	–	–
Investments	681.1	–
Current assets	–	–
Total assets	681.1	–
Liabilities	543.6	–
<b>Net assets</b>	<b>137.5</b>	<b>–</b>

The fair value of shares in subsidiary and other undertakings of £420.9 million (2005: £207.0 million) is equal to the sum of the net assets of the entities shown in tables (ii)-(iv). The net gain in subsidiary undertakings including foreign exchange gains and losses on translation amounts to £11.1 million (2005: £29.3 million).

## 21. CONSOLIDATED CASH FLOW

### (a) Reconciliation of Statement of Financial Activities to operating cash flows

	2006 £m	2005 As restated £m
Incoming resources	324.4	301.8
Decrease (increase) in accrued income	3.1	(3.4)
Decrease in deferred income	–	(0.1)
Gift in kind asset received	(5.3)	–
Profit on disposal of fixed assets	–	(0.5)
Exchange gains	0.4	2.6
<b>Income received</b>	<b>322.6</b>	<b>300.4</b>
Grants awarded	(324.7)	(343.7)
Decrease in commitments	(5.7)	(12.2)
<b>Grants paid</b>	<b>(330.4)</b>	<b>(355.9)</b>
Other resources expended	(221.2)	(189.0)
Decrease/(increase) in debtors	0.3	1.4
Increase in creditors & provisions	18.1	14.2
Depreciation	20.2	24.7
Impairment charge	9.9	–
<b>Other operating costs</b>	<b>(172.7)</b>	<b>(148.7)</b>
<b>Returns on investments and servicing of finance</b>	<b>(1.8)</b>	<b>(1.6)</b>
<b>Net cash outflow from operating activities</b>	<b>(182.3)</b>	<b>(205.8)</b>

### (b) Reconciliation of investment sales and purchases

	2006 £m	2005 £m
Sales of quoted investments	5,602.0	4,956.0
Sales of unquoted investments	669.0	418.7
Sales of investment property	48.4	46.2
(Increase)/decrease in proceeds receivable on disposal of investments	(71.8)	(70.1)
<b>Proceeds from sales of investments</b>	<b>6,247.6</b>	<b>5,350.8</b>
Purchases of quoted investments	5,583.7	4,078.8
Purchases of unquoted investments	1,384.9	533.4
Purchases of investment property	33.3	3.9
Increase in amounts payable on acquisition of investments	(150.6)	(17.6)
<b>Purchases of investments</b>	<b>6,851.3</b>	<b>4,598.5</b>
Gain on derivative financial instruments	161.9	30.9
Increase in amounts receivable on derivative financial instruments	(51.9)	–
<b>Proceeds from derivative financial instruments</b>	<b>110.0</b>	<b>30.9</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2006 (continued)

## 21. CONSOLIDATED CASH FLOW (continued)

### (c) Issue of corporate bonds

During the year Wellcome Trust Finance plc (a subsidiary of the Wellcome Trust) issued £550 million 4.625 per cent, Guaranteed Bonds due 2036. The net proceeds of the issue of £538.9 million are equal to the proceeds of issue of £541.6 million less the directly attributable transaction costs of £2.7 million.

### (d) Movement in cash and liquid resources

	30 September 2006 £m	Cash flows £m	1 October 2005 £m
Cash and certificates of deposits held by fund managers	1,057.5	(170.8)	1,228.3
Cash at bank and in hand	5.4	(1.1)	6.5
<b>Total cash and liquid resources</b>	<b>1,062.9</b>	<b>(171.9)</b>	<b>1,234.8</b>

## 22. MAJOR NON-CASH TRANSACTIONS

The Trust has finance lease arrangements with a total capital value of £86.5 million as at 30 September 2006 (2005: £86.6 million). Interest charges of £1.8 million (2005: £1.6 million) were added to the financing balance.

## 23. FINANCIAL RISK MANAGEMENT

### (a) Market price risk

The Group invests in financial instruments, taking positions in traded instruments, including cash backed derivatives. The Group's interest rate securities, equity securities, investment properties and trading derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments. The maximum asset value exposed to market price risk at 30 September 2006 was £12.8 billion which is the value of the traded investment assets i.e. the quoted assets, unquoted assets, investment properties and derivative financial instruments (note 15(a)&(b)).

The Group's market price risk is managed through diversification of the investment portfolio. The Group's overall market positions are monitored on a daily basis by the Trust Investment Division, and are reviewed on a quarterly basis by the Board of Governors.

### (b) Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

The Group's credit risk concentration is spread between its debtors and assets held by counterparties. The Group manages credit risks it undertakes by limiting the amount of risks accepted in relation to its counterparties. The Group's exposure to credit risk is £1.7 billion at 30 September 2006, which comprises investments in bonds (fixed interest investments note 15(g)), proceeds on sales of investments (note 15(c)), other investment debtor balances (note 15(c)), investment cash balances and certificates of deposit (note 15(c)), other debtors (note 16) and term deposits and cash (Balance Sheet).

### (c) Liquidity risk

The Group is exposed to liquidity risk in respect of its payment commitments, including annual bond interest payments of £25.4 million, quarterly finance lease creditor payments of £0.5 million, payments of committed grants, payments of committed investments and standard operational expenditure. The Group's liquidity requirements are managed through an appropriate holding in very liquid assets.

#### (d) Currency risk

64.7% of the Group's investment assets are denominated in currencies other than pounds sterling, the currency of the majority of the Group's expenditure and the functional currency of the Group. The Group is therefore exposed to currency risk, as the value of the investments denominated in other currencies will fluctuate due to changes in exchange rates.

The Group hedges its currency risk through the use of a passive currency overlay covering up to a maximum of 70% of its overseas exposure. The following table details the total value exposed to currency risk as at 30 September 2006:

Currency	Value as at 30 September 2006 (Currency, m)	Value as at 30 September 2006 £m
<b>Foreign currency assets</b>		
US \$	\$9,117.6	4,881.0
Euro	€2,931.1	1,987.8
Japanese Yen	¥130,000.0	589.5
Other		1,252.6
<b>Forward contracts</b>		
US \$	(\$2,665.9)	(1,427.1)
Euro	(€1,000.9)	(678.8)
Japanese Yen	(¥48,263.9)	(218.8)
<b>Total value exposed to currency risk</b>		<b>6,386.2</b>

#### (e) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument and the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group's bond investment portfolio valued at £438.5 million at 30 September 2006 receives fixed interest and therefore is susceptible to value changes due to fluctuations of market interest rates.

There is no interest rate risk attached to the Group's Bond liability because the interest is fixed. However, the Group's finance lease creditor of £86.5 million bears variable interest rates (linked to LIBOR) resulting in interest rate risks.

#### (f) Fair value of financial assets and liabilities

The following table is a comparison of fair values and book values of all Group financial assets and liabilities as at 30 September 2006:

	Fair Value as at 30 September 2006 £m	Book Value as at 30 September 2006 £m
<b>Financial assets</b>		
Quoted investments	9,143.5	9,143.5
Unquoted investments	2,794.2	2,794.2
Investment properties	892.6	892.6
Derivative financial instruments	51.9	51.9
Other investment balances	1,057.7	1,057.7
Programme related investments	0.8	0.8
Other debtors	7.4	7.4
Term deposits and cash	5.4	5.4
<b>Financial liabilities</b>		
Bond liability	555.9	543.6
Finance lease creditor	86.5	86.5
Trade creditors	8.2	8.2
Other creditors	6.6	6.6

# REFERENCE AND ADMINISTRATIVE DETAILS

## Board of Governors

Sir Dominic Cadbury (*Chairman retired 30 April 2006*)

Sir William Castell, LVO, FCA (*Chairman from 1 May 2006. Governor from 1 January 2006*)

Professor Martin Bobrow, CBE, FRS, DSc FRCP, FMedSci, (*Deputy Chairman*)

Professor Adrian Bird, CBE, FRS, FMedSci

Professor Sir Leszek Borysiewicz, PhD, FRCP, FRCPath, FMedSci (*from 1 January 2006*)

Dame Patricia Hodgson

Professor Richard O Hynes, PhD, FRS (*from 1 January 2007*)

Professor Ronald Plasterk, PhD

Mr Alastair Ross Goobey, CBE

Professor Peter Smith, CBE, DSc, HonMFPH, FMedSci

Professor Dame Jean Thomas, DBM, CBE, FRS, ScD, FMedSci

Mr Edward Walker-Arnott

## Company Secretary

Mr John Stewart

## Executive Board

Dr Mark Walport, PhD, FRCP, FMedSci (*Director*)

Dr Ted Bianco, PhD (*Director of Technology Transfer*)

Mr John Cooper (*Director of Resources*)

Dr David Lynn, PhD (*Head of Strategic Planning and Policy Unit*)

Ms Clare Matterson (*Director of Medicine, Society and History*)

Mr David Phillipps, FCA (*Director of Finance*)

Dr Sohaila Rastan, MA, DPhil, FMedSci (*Director of Science Funding*)

Mr John Stewart (*Head of Legal*)

Mr Danny Truell (*Chief Investment Officer*)

## Other Senior Management

Professor Allan Bradley, FRS, PhD, FMedSci (*Director of the Wellcome Trust Sanger Institute*)

Ms Susannah Randall (*Head of Communications from 9 January 2006*)

All of the above have been in office throughout the year unless otherwise stated.

# COMMITTEES OF THE BOARD OF GOVERNORS

## Audit Committee

Mr Simon Leathes (*Chairman*)

Mr Rodney Baker-Bates

Professor Peter Smith

Mr Nicholas Temple

Mr Edward Walker-Arnott

## Remuneration Committee

Sir William Castell (*Chairman from 1 May 2006*)

Sir Dominic Cadbury (*Chairman retired 30 April 2006*)

Professor Martin Bobrow

Dame Patricia Hodgson

Mr Edward Walker-Arnott

Mr Alastair Ross Goobey (*remuneration of the Chairman and the Deputy Chairman only*)

## Investment Committee

Sir William Castell (*Chairman from 1 May 2006. Governor member from 1 January 2006*)

Sir Dominic Cadbury (*Chairman retired 30 April 2006*)

Professor Martin Bobrow

Mr Alastair Ross Goobey

Mr Stewart Newton

Mr Hugh Stevenson

Dr Mark Walport

Mr Peter Pereira Gray

Mr David Phillipps (*from 8 February 2006*)

Ms Sandra Robertson

Mr Keith Shepherd (*to 8 February 2006*)

Mr Danny Truell

## Nominations Committee

Sir William Castell (*Chairman from 1 May 2006. Governor member from 1 January 2006*)

Sir Dominic Cadbury (*Chairman retired 30 April 2006*)

Professor Martin Bobrow

Professor Jean Thomas

Mr Edward Walker-Arnott

## Strategic Awards Committee (formerly the Academic Advisory Committee )

Professor Martin Bobrow (*Chairman*)

Sir William Castell (*from 1 January 2006*)

Sir Dominic Cadbury (*retired 30 April 2006*)

Professor Adrian Bird

Professor Leszek Borysiewicz (*from 1 January 2006*)

Dame Patricia Hodgson

Professor Ronald Plasterk

Mr Alastair Ross Goobey

Professor Peter Smith

Professor Jean Thomas

Mr Edward Walker-Arnott

Dr Mark Walport

Dr Ted Bianco

Ms Clare Matterson

Dr Sohaila Rastan

# PRINCIPAL ADVISERS

## **Auditors**

PricewaterhouseCoopers LLP

## **Bankers**

HSBC Bank plc

## **Solicitors**

CMS Cameron McKenna LLP

Proskauer Rose LLP

## **Global custodian bank**

State Street Bank and Trust Company

# BOARD OF GOVERNORS



Sir William Castell  
(Chairman)



Professor Martin Bobrow  
(Deputy Chairman)



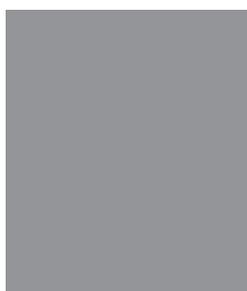
Professor Adrian Bird



Professor  
Sir Leszek Borysiewicz



Dame Patricia Hodgson



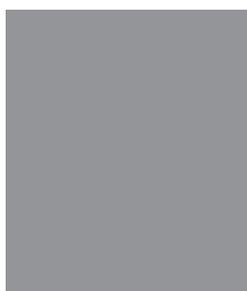
Professor Ronald Plasterk



Mr Alastair Ross Goobey



Professor Peter Smith



Professor  
Dame Jean Thomas



Mr Edward Walker-Arnott

# EXECUTIVE MANAGEMENT

## Executive Board



Dr Mark Walport  
(Director)



Dr Ted Bianco



Mr John Cooper



Dr David Lynn



Ms Clare Matterson



Mr David Phillipps



Dr Sohaila Rastan



Mr John Stewart



Mr Danny Truell

## Other Senior Management



Dr Allan Bradley



Ms Susannah Randall

Further copies of this Annual Report and Financial Statements 2006, are available from the Trust's website or, without charge, from:

Publishing Department  
Wellcome Trust  
FREEPOST  
ANG 6754  
Ely CB7 4YE

**T** +44 (0)20 7611 8651  
**F** +44 (0)20 7611 8242  
**E** [publishing@wellcome.ac.uk](mailto:publishing@wellcome.ac.uk)

[www.wellcome.ac.uk/aboutus](http://www.wellcome.ac.uk/aboutus)

Addresses for the Trust's principal advisers are available from:

The Company Secretary  
Wellcome Trust  
215 Euston Road  
London NW1 2BE

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The Wellcome Trust is the largest charity in the UK and the second largest medical research charity in the world. It funds innovative biomedical research, in the UK and internationally, spending around £500 million each year to support the brightest scientists with the best ideas. The Wellcome Trust supports public debate about biomedical research and its impact on health and wellbeing.

[www.wellcome.ac.uk](http://www.wellcome.ac.uk)

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