

WELLCOME TRUST FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS

2008

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DIRECTORS' REPORT

for the year ended 30 September 2008

Report of the Directors

The Directors of Wellcome Trust Finance plc (the "Company") present their report and the audited Financial Statements for the year ended 30 September 2008.

Activities

The principal activity of the Company is to issue and invest in financial instruments e.g. shares, bonds, debentures, loans, certificates of deposit and other financial obligations.

During the year the Company invested in a subsidiary which remained dormant throughout the year.

Review of the business

On 25 July 2006 the Company issued £550 million of 4.625% Guaranteed Bonds due July 2036 (the "Bonds"). The Bonds are listed on the London Stock Exchange. The obligations of the Company on the Bonds are governed by a Trust Deed dated 25 July 2006 between the Company, The Wellcome Trust Limited, as trustee of the Wellcome Trust, and Citicorp Trustee Company Limited, as the trustee for the holders of the Bond (the "Trust Deed"). The payment of all amounts due in respect of the Bonds is unconditionally and irrevocably guaranteed pursuant to the terms of a guarantee given by The Wellcome Trust Limited, as trustee of the Wellcome Trust; the guarantee is part of the Trust Deed.

Results for the year

The Company made a profit of £nil (2007: £nil) during the year ended 30 September 2008, after recognising a Gift Aid donation of £6,127,001 (2007: £6,502,048) to the Wellcome Trust, a charity registered in England under the UK Charities Act 1993 (registered charity number 210183). As at the 30 September 2008 the Company had net assets of £137,500,000 (2007: £137,500,000). The Directors do not propose the payment of a dividend (2007: nil).

Political and charitable donations

The Company made no political contributions during the year (2007: nil). The Company made charitable contributions of £6,127,001 (2007: £6,502,048) to the Wellcome Trust under Gift Aid.

Financial risk management

The Directors of the Company implement policies to manage the inherent risks relating to the financial assets and liabilities of the Company; however, the Company does not undertake any hedging transactions.

The Directors have assessed for each financial asset and liability: the market risk, interest rate risk, liquidity risk, and credit risk exposure. The Company is not exposed to significant market risk or interest rate risk because the Company's main financial assets and liabilities have fixed redemption values, fixed interest rates and fixed maturity dates. The liquidity risk of the Company is mitigated by the matching of the cash flows from the Company's financial assets and liabilities. Credit risk exposure of the Company's loans is reduced by the Company advancing loans to Group entities only. Credit risk exposure of the Company's remaining financial assets is reduced by stringent selection procedures for any external counter parties with which the Company transacts.

Key performance indicators

Due to the nature of the Company's operations the key performance measures are: that the Company meets all its legal obligations to the Bond holders and that the Company achieves sufficient return on its assets to be profitable, before any donations to the Wellcome Trust under Gift Aid. During the year the Company met all its legal obligations to the Bond holders and had profits before donations to the Wellcome Trust under Gift Aid.

Environment

Due to the nature of its activities the Company has a minimal environmental impact.

Employees

There are no employees of the Company.

The management and administration of the Company is undertaken by staff from the Wellcome Trust. The Wellcome Trust has not incurred any incremental costs due to the management of this Company and therefore no management fee has been charged to the Company by the Wellcome Trust.

Corporate governance

The Company is limited by shares. Its governing documents are its Memorandum of Association and its Articles of Association. The shareholders of the company are: The Wellcome Trust Limited, as trustee of the Wellcome Trust, and Wellcome Trust Nominees Limited, as nominee for the Wellcome Trust.

The Company is considered to be a wholly owned subsidiary of The Wellcome Trust Limited, as trustee of the Wellcome Trust. The Company is not subject to the requirements of the Combined Code because it does not have any equity shares listed on the London Stock Exchange. A statement on corporate governance policies of the Group and the report of the audit, nominations and remuneration committees of the Wellcome Trust are included in the Wellcome Trust's *Annual Report and Financial Statements* for the year ended 30 September 2008.

The Company complies with all appropriate filing and information requirements of the Financial Services Authority.

Creditor payment terms

The Company pays suppliers in accordance with contractual terms or within 30 days of invoice date.

Directors and their interests

The Directors of the Company who served during the year and to the date of this report are set out below:

David Phillipps
 Danny Truell
 Suzy Jacques (resigned 14 April 2008)
 Genny Kiff (resigned 14 April 2008)
 Joanna Peart (resigned 14 April 2008)
 Peter Pereira Gray (appointed 14 April 2008)
 Nicholas Moakes (appointed 14 April 2008)

None of the Directors held any beneficial interest in the shares of the Company or any interest in its parent company, The Wellcome Trust Limited, as trustee of the Wellcome Trust, or Wellcome Trust Nominees Limited, as nominee for the Wellcome Trust.

Each of the Directors is an employee of the Wellcome Trust and receives remuneration from the Wellcome Trust as an employee. No remuneration is paid to any Director for his or her services as a Director.

DIRECTORS' REPORT

for the year ended 30 September 2008 (continued)

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those Financial Statements, the Directors are required to:

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (4) prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Director in office at the date of approving this report confirms that: so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board of Directors and signed on its behalf on 15 December 2008.

Auditors

A resolution was passed by the Board of Directors on 15 December 2008 appointing PricewaterhouseCoopers LLP as auditor until such time as the Company decides otherwise.

Danny Truell
Director

INDEPENDENT AUDITORS' REPORT

for the year ended 30 September 2008

Independent Auditors' Report to the shareholders of Wellcome Trust Finance plc

We have audited the Financial Statements of Wellcome Trust Finance plc for the year ended 30 September 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's shareholders as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial 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 Company's affairs as at 30 September 2008 and of its result and cash flows for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

16 December 2008

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2008

	Note	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Turnover			
Interest receivable and similar income	2	32,111,993	32,160,189
Administrative expenses	3	(311,592)	(62,990)
		31,800,401	32,097,199
Interest payable and similar charges		(25,673,400)	(25,595,151)
Gift Aid donation		(6,127,001)	(6,502,048)
Profit on ordinary activities before taxation		-	-
Taxation on ordinary activities	6	-	-
Profit on ordinary activities after taxation		-	-

All income is derived from continuing activities.

There were no recognised gains or losses other than those shown above.

The notes on pages 9 to 14 form part of these Financial Statements.

BALANCE SHEET

as at 30 September 2008

	Note	As at 30 September 2008 £	As at 30 September 2007 £
Fixed assets			
Investment in subsidiaries	7	1	–
Current assets			
Loans to Group undertaking	8	676,000,000	676,000,000
Amounts due from Group undertakings		985,000	–
Accrued interest on loans		4,867,124	4,867,123
Prepayments		34,448	15,422
Cash at bank and in hand		9,472	663,496
Creditors: amounts falling due within one year	9	(5,100,478)	(4,986,374)
Net current liabilities		676,795,566	676,559,667
Creditors: amounts falling due after more than one year	9	(539,295,567)	(539,059,667)
Net assets		137,500,000	137,500,000
Capital reserves			
Called up share capital	11	137,500,000	137,500,000
Profit and loss account		–	–
Total shareholders' funds		137,500,000	137,500,000

The Financial Statements on pages 6 to 14 were approved by the Board of Directors on 15 December 2008 and signed on its behalf by

Danny Truell
Director

CASH FLOW STATEMENT

for the year ended 30 September 2008

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Net cash outflow from operating activities		
Payments to suppliers	(313,515)	(44,877)
Returns on investments and servicing of finance		
Interest received	32,111,991	33,275,203
Interest paid	(25,437,500)	(25,437,500)
	6,674,491	7,837,703
Financial investments		
Loans to Group undertaking	(985,000)	–
Gift Aid donations paid	(6,030,000)	(7,598,301)
Net (decrease)/increase in cash	(654,024)	194,525
Cash at beginning of year	663,496	468,971
Cash at end of year	9,472	663,496

Reconciliation of operating profit to net cash outflow from operating activities

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Operating profit		
Administrative expenses	(311,592)	(62,990)
(Increase)/decrease in prepayments and accrued income	(19,026)	(15,422)
(Decrease)/increase in accruals and deferred income	(15,902)	33,215
Increase in amounts owed to Group undertakings	33,005	320
Net cash outflow from operating activities	(313,515)	(44,877)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2008

1. ACCOUNTING POLICIES

(a) Basis of preparation of the Financial Statements

The Financial Statements of the Company, an entity in the Wellcome Trust Group (the "Group"), have been prepared on a going concern basis in accordance with Schedule 4 of the Companies Act 1985 and applicable accounting standards in the United Kingdom.

All income and expenditure is recognised in the Financial Statements on an accruals basis. A summary of the more important accounting policies, which have been consistently applied, is set out below:

(b) Accounting policies

Accounting policies have been reviewed in accordance with FRS 18 – "Accounting Policies".

(c) Interest receivable

Interest income is interest derived from loans to Wellcome Trust Investment Limited Partnership (the "Limited Partnership"), an undertaking in the Group. Interest income is calculated using the effective interest rate method and is recognised on an accruals basis.

(d) Interest payable

Interest payable is the effective interest on the Bond liability (as described in note 1(f)) and is recognised on an accruals basis.

(e) Loans to Group undertaking

The investment loans are to Wellcome Trust Investment Limited Partnership, with fixed redemption value and fixed interest payments. The loans are not quoted in an active market. The loans were recognised initially at fair value and after initial recognition are measured at amortised cost using the effective interest method.

(f) Bond liability

The Bond liability relates to the 30-year corporate bonds issued by the Company in July 2006, listed on the London Stock Exchange (the "Bonds"). 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 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. The Company is not required to, and therefore does not, recognise any adjustment to fair value in the Balance Sheet and Profit and Loss Account.

(g) Foreign currencies

Transactions in currencies other than Sterling are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, recorded monetary assets and liabilities and balances carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All realised and unrealised profits and losses arising on exchange are included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2008 (continued)

2. INTEREST RECEIVABLE

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Interest receivable on Loans to Group undertaking	32,110,000	32,110,000
Interest receivable on cash deposits	1,993	50,189
	32,111,993	32,160,189

Interest receivable on "Loans to Group undertaking" (see note 8) is the effective interest on Loans A and B and is at a fixed rate of 4.75%.

3. ADMINISTRATIVE EXPENSES

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Legal fees	137,309	40,432
Taxation advice	82,250	–
Auditors' remuneration	7,403	7,050
Rating agency fees	49,419	13,134
Other	35,211	2,374
	311,592	62,990

Auditors' remuneration is solely in relation to the statutory audit of the Financial Statements.

4. EMPLOYEE INFORMATION

The Company has no employees. Personnel from the Wellcome Trust undertake the management and administration of the Company at no incremental cost to the Wellcome Trust.

5. REMUNERATION OF DIRECTORS

The Directors of the Company received no remuneration from the Company for their services. There were no Directors for whom retirement benefits are accruing under a money purchase or defined benefit scheme. The Company does not issue share options or offer any long-term incentive schemes, so there were no Directors who exercised share options during the year or became entitled to shares under a long-term incentive scheme.

6. TAXATION

The profits of the Company for the year will be paid under Gift Aid to the Wellcome Trust, a charity registered in England under the UK Charities Act 1993 (registered charity number 210183).

There is no difference between accounting and taxable profits, so there is no provision required for deferred tax.

7. INVESTMENTS IN SUBSIDIARIES

During the year the Company invested £1 in a subsidiary, Wellcome Trust Finance No. 2 Limited. The subsidiary has remained dormant during the year and has net assets of £1 (comprising the unpaid share capital debtor) as at 30 September 2008.

The Company has not prepared consolidated financial statements because the subsidiary is not material, and so meets the exemption requirements of FRS 2 – "Accounting for Subsidiary Undertakings".

8. LOANS TO GROUP UNDERTAKING

	Principal amount £	Interest rate per annum %	Loan anniversary date	Amortised cost Year ended 30 September 2008 £	Amortised cost Year ended 30 September 2007 £
Loan A	550,000,000	4.75	25 July	550,000,000	550,000,000
Loan B	126,000,000	4.75	25 September	126,000,000	126,000,000
				676,000,000	676,000,000

Loans to Group undertaking are loans (the "Loans") to Wellcome Trust Investment Limited Partnership (the "Limited Partnership"). The principal under each Loan is repayable by the Limited Partnership on demand by the Company, but the Loans are expected to be outstanding for 28 years. The Loans have fixed redemption value of the principal amount and fixed interest rates. Interest accrued up to the Loan anniversary date is paid five days prior to the Loan anniversary date.

9. CREDITORS

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Accruals and deferred income	29,063	44,965
Amounts due to Group undertakings	33,325	320
Gift Aid due to the Wellcome Trust	299,049	202,048
Accrued interest on Bond liability	4,739,041	4,739,041
Total creditors: amounts falling due within one year	5,100,478	4,986,374
Falling due between one and five years	-	-
Bond liability	539,295,567	539,059,667
Falling due after five years	539,295,567	539,059,667
Total creditors: amounts falling due after one year	539,295,567	539,059,667

The Bond liability is the amortised cost using the effective interest method of the £550 million 4.625% Guaranteed Bonds due July 2036, issued by the Company on 25 July 2006. The Bond liability falling due within one year is the unpaid coupon interest accrued for the year to 30 September 2008. 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. 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 falls due after five years.

The obligation of the Company on the Bonds is governed by a Trust Deed dated 25 July 2006 between the Company, The Wellcome Trust Limited, as trustee of the Wellcome Trust, and Citicorp Trustee Company Limited, as the trustee for the holders of the Bond (the "Trust Deed"). The payment of all amounts due in respect of the Bonds is unconditionally and irrevocably guaranteed pursuant to the terms of a guarantee given by The Wellcome Trust Limited, as trustee of the Wellcome Trust; the guarantee is part of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2008 (continued)

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
At 1 October 2007	137,500,000	137,500,000
At 30 September 2008	137,500,000	137,500,000

11. SHARE CAPITAL

	Number	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Authorised ordinary shares of £1 each	137,500,000	137,500,000	137,500,000
Issued and fully paid ordinary shares of £1 each	137,500,000	137,500,000	137,500,000

12. RELATED PARTY TRANSACTIONS

The Company, a wholly owned subsidiary undertaking of the Wellcome Trust, has taken the exemption available from related party disclosure requirements of FRS 8 – “Related Party Disclosures”, because the Financial Statements of the parent company are available to the public (note 14).

13. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise the Loans to Group undertaking and the liability arising from the issue of the Bonds. The Company's loans are non-derivative financial assets with fixed payments which are not available for sale. The Bond liability is a non-derivative financial liability with a fixed redemption value, fixed interest rate and fixed maturity date. The Company has not undertaken any trading in financial instruments during the year.

The financial instruments issued by, or held by, the Company are Sterling denominated and carry no foreign exchange risk.

The financial instruments issued by, or held by, the Company are at fixed interest rates and therefore do not have any related interest rate risk.

The key risks relating to the financial instruments held by the Company are the credit risk and liquidity risk of the counter party – Wellcome Trust Investment Limited Partnership (the “Limited Partnership”) under the Loans to Group undertaking. These risks are in respect of the Limited Partnership's ability to meet the interest and principal payments as they fall due. The total value exposed to credit risk as at 30 September 2008 is £681.8 million (2007: £681.5 million), the value of the Loans to Group undertaking, amounts due from Group undertakings, accrued interest on loans and cash at bank and in hand.

13. FINANCIAL INSTRUMENTS (continued)

The following tables detail the maturity of the Company's undiscounted contractual payments as at 30 September 2008:

Contractual payments falling due within one year

	Year ended 30 September 2008			Year ended 30 September 2007		
	Three months or less	Between three months and one year	Total	Three months or less	Between three months and one year	Total
	£	£	£	£	£	£
Accruals and deferred income	29,063	–	29,063	44,965	–	44,965
Amounts due to Group undertakings	33,325	–	33,325	320	–	320
Gift Aid due to the Wellcome Trust	–	299,049	299,049	–	202,048	202,048
Accrued interest on Bond liability	–	4,739,041	4,739,041	–	4,739,041	4,739,041
Contractual payments falling due within one year	62,388	5,038,090	5,100,478	45,285	4,941,089	4,986,374

Contractual payments falling due after one year

	Year ended 30 September 2008			Year ended 30 September 2007		
	Between two and five years	After five years	Total	Between two and five years	After five years	Total
	£	£	£	£	£	£
Bond liability	–	539,295,567	539,295,567	–	539,059,667	539,059,667
Contractual payments falling due after one year	–	539,295,567	539,295,567	–	539,059,667	539,059,667

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2008 (continued)

13. FINANCIAL INSTRUMENTS (continued)

Fair value of financial assets and financial liabilities

The following table is a comparison of fair values and book values of all financial assets and liabilities as at the end of the year:

	Fair value Year ended 30 September 2008 £	Book value Year ended 30 September 2008 £
Financial assets		
Loans to Group undertaking	593,011,536	676,000,000
Amounts due from Group undertakings	985,000	985,000
Accrued interest	4,867,123	4,867,123
Investment in subsidiaries	1	1
Cash at bank and in hand	9,472	9,472
Financial liabilities		
Accrued interest on Bond liability	(4,739,041)	(4,739,041)
Bond liability	(482,479,800)	(539,295,567)

The fair value of the Bond liability as at 30 September 2008 was £482.5 million (2007: £491.5 million) and is based on the market value of the Bonds at that date. The fair value of the Loans to Group undertaking as at 30 September 2008 was £593.0 million (2007: £604.1 million); this is based on the market value of the Bonds, an instrument that is substantially the same as the Loans in term, interest rate and magnitude. The book value of cash at bank and in hand represents its fair value.

14. CONTROLLING ENTITY

The Company's shares are held by The Wellcome Trust Limited, as trustee of the Wellcome Trust, and by Wellcome Trust Nominees Limited, as nominee for the Wellcome Trust. The Company is a wholly owned subsidiary undertaking of the Wellcome Trust for accounting purposes, and its assets, liabilities and results have been consolidated with those of the Wellcome Trust as required by FRS 2 – "Accounting for Subsidiary Undertakings".

Copies of the Wellcome Trust *Annual Report and Financial Statements 2008* are available from the Trust's website (www.wellcome.ac.uk) or, without charge, from:

Wellcome Trust
FREEPOST
RLYJ-UJHU-EKHJ
Slough
SL3 0EN

ADMINISTRATIVE DETAILS

Directors

David Phillipps
Danny Truell
Peter Pereira Gray (appointed 14 April 2008)
Nicholas Moakes (appointed 14 April 2008)

Company Secretary

John Stewart

Registered company number

5857955

Registered office

215 Euston Road
London
NW1 2BE

Auditors

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1 Hays Lane
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SE1 2RD

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31 Holborn Circus
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