Annual Report and Financial Statements 2010

wellcome trust

Wellcome Trust

We are a global charitable foundation dedicated to achieving extraordinary improvements in human and animal health.

We support the brightest minds in biomedical research and the medical humanities. Our breadth of support includes public engagement, education and the application of research to improve health.

We are independent of both political and commercial interests.

Contents

In 2011, we will celebrate the 75th anniversary of the Wellcome Trust, which was established in 1936 upon the death of Sir Henry Wellcome.

In his will, Wellcome noted that: "With the enormous possibility of development in chemistry, bacteriology, pharmacy and allied sciences...there are likely to be vast fields opened for productive enterprise for centuries to come." The Trust's first 75 years have indeed been highly productive. Through our investment in research, we have made major contributions to science and medicine, technology transfer, medical humanities and public engagement.

Our strategic approach

How can we ensure that the coming years are just as fruitful? In February 2010 we launched our new Strategic Plan to guide our activities. Unlike our previous five-year plans, this new framework covers the decade 2010–20. It takes a long time to make scientific discoveries, so we want to empower researchers to ask difficult and challenging questions and give them the confidence that they will have the time to find the answers. As part of the Plan, we set out five research challenges: maximising the health benefits of genetics and genomics; understanding the brain; combating infectious disease; investigating development, ageing and chronic disease; and connecting environment, nutrition and health. These are areas where we already fund many talented researchers and activities, but we are now setting out a vision of how our funding can have a significant impact over the next ten years and beyond.

We have launched a major new funding scheme, Wellcome Trust Investigator Awards, to accompany the new Strategic Plan. These extend our ethos of funding talented and innovative researchers, and giving them the freedom and resources they need. The first successful recipients of Investigator Awards will be announced in 2011.

During 2010 we celebrated the tenth anniversary of the completed first draft of the human genome sequence. This landmark in biomedical science was the starting-point for a decade of discoveries in how variation in the genome influences health and disease. The Wellcome Trust Sanger Institute has been at the forefront of this research, and one of its many achievements during the year was to produce the first comprehensive analyses of cancer genomes. The studies reveal, for the first time, almost all of the mutations in the genomes of a lung cancer and a malignant skin melanoma. This research will aid the development of new drugs that target specific mutated cancer genes and help to determine which patients would benefit from such treatments.

The Wellcome Trust Sanger Institute will also take the lead on the ambitious UK10K project, launched in June. This aims to decode the genomes of 10,000 people over the next three years, enabling an unprecedented level of study of individual human genomes and disease. Professor Mike Stratton took the helm of the Institute this year; his strategy is to build on the Institute's leadership in large-scale genome analysis to explore human and animal biology, and provide new insights into how disease develops.

While some projects – such as UK10K – we fund alone, for others we can be even more effective if we work in partnership. For example, an exciting new development is a £37 million partnership with the UK government, the Technology Strategy Board, the East of England Development Agency and GlaxoSmithKline. This will build on 'open innovation' models to create a world-leading hub in Stevenage for early-stage biotech companies to translate research into health benefits. In addition, working with the Indian government's Department of Biotechnology, we launched a new £45 million partnership to support the development of innovative healthcare products. India's biotechnology sector is extremely vibrant, and we hope this new scheme will catalyse the development of new healthcare products at an affordable cost.

Medicine and culture

A rather different partnership led to Wellcome Collection's first major overseas exhibition, which took place in Japan. *Medicine and Art*, co-curated by Wellcome Collection and

the Mori Art Museum in Tokyo, considered the fundamental question of the meaning of life and death from the parallel perspectives of science and art.

Back in London, Wellcome Collection has continued to go from strength to strength, with the major exhibitions *Skin* and *Identity*. The latter formed part of the Trust's Identity Project, a season of activities focused on the captivating topic of human identity. This included our first major performance arts production – *Pressure Drop*, a passionate new play from acclaimed writer and theatre director Mick Gordon, with music and songs by Billy Bragg. I would also like to highlight the success of the film *The English Surgeon*. Made by film maker Geoffrey Smith and part-funded by the Trust, the film won the 2010 Emmy for Outstanding Science and Technology Programming.

Investments

The scale of our support for research is entirely driven by the health of our investment portfolio. I am delighted to report that, in 2009/10, our broadly based positive return of 11.1%, equating to £1,450 million on a portfolio value of £13.0 billion at the start of the year, has propelled our investment returns to all-time record levels and provided a net endowment value of £13.9 billion at year end. This progress is due to our actions to reduce risk ahead of the financial crisis and to acquire assets at distressed prices in late 2008 and 2009.

Since September 2008, we have invested directly in a long-term basket of global stocks, principally in shares of 32 companies that each have a market capitalisation above $75 billion. To date, we have returned 25% on these direct investments, valued at £2.1 billion. A further £1.8 billion of our £6.6 billion public equity portfolio is invested in markets in the fast-growing economies of Africa, Asia, Latin America and the Middle East; in 2009/10, these investments delivered returns in excess of 20%. During the past two years, our total public equity assets have outperformed global stock markets by 12%.

Meanwhile, we have increased our exposure to private growth and venture investments to £2.1 billion out of a total private equity exposure of £3.5 billion. Among these, our 34 direct private investments – in financial services, healthcare and knowledge industries – are now valued at £515 million. Other investments include cash and short-dated bonds in different currencies of £0.9 billion, hedge fund investments of £2.5 billion and £1.4 billion of property, which is almost exclusively prime residential property.

We continue to try to take advantage of our very long investment horizon and our ability to withstand short-term volatility. We have an excellent investment team supported by an experienced Investment Committee and a powerful governance structure, all of which have served us well.

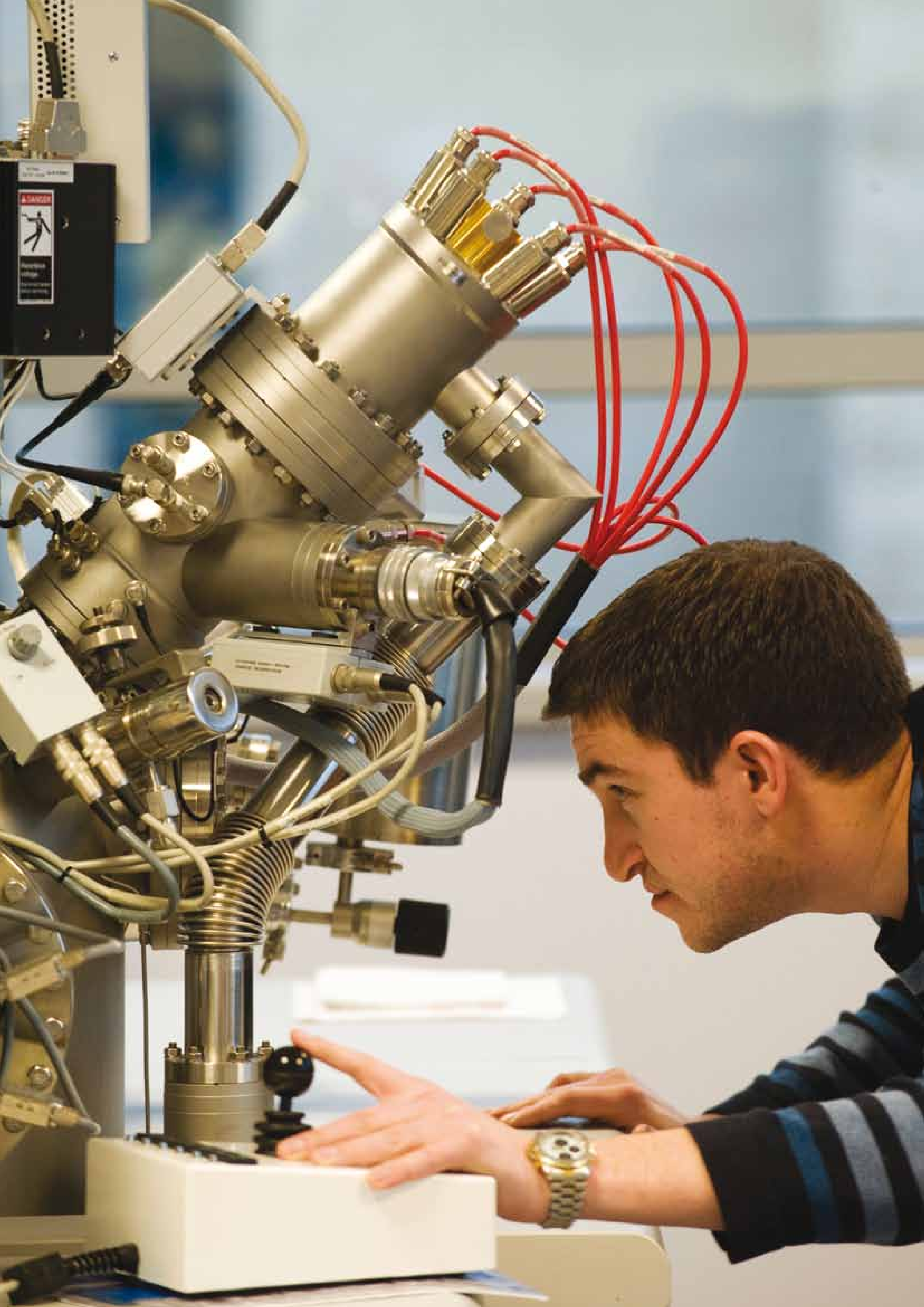
Governance

In September 2010, we wished both Adrian Bird and Edward Walker-Arnott farewell from our Board of Governors and we welcomed Peter Rigby as our new Deputy Chair. Adrian and Edward have collectively provided over two decades of wise counsel to the Board, and their valuable contribution to the Trust's activities will be greatly missed.

Lastly, I would like to thank all of my colleagues at the Wellcome Trust for their commitment and professionalism over the last year – another year of extraordinary achievements and progress for the Trust.

Bill Castell

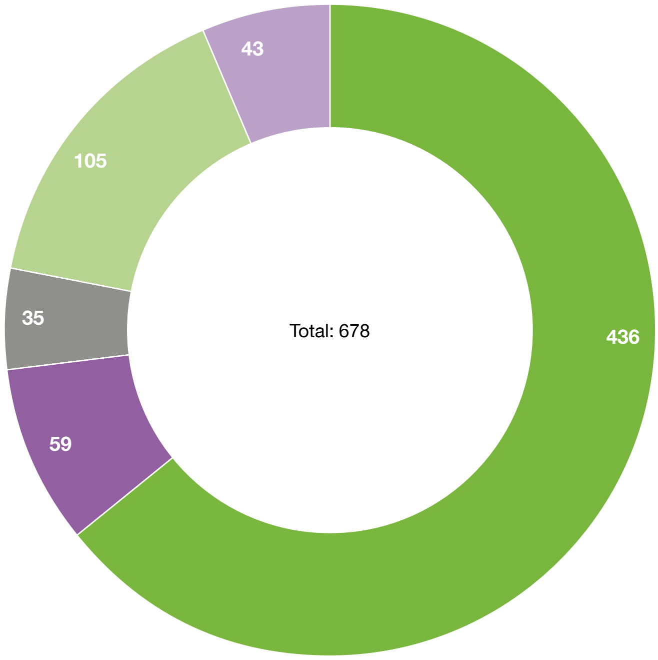
Sir William Castell
14 December 2010


DANGER

Financial Review

Charitable activities 2010 (£m)

- Science Funding
- Technology Transfer
- Medical Humanities and Engagement
- Wellcome Trust Genome Campus
- Support costs



Key financials (£m)

	2010	2009	2008	2007	2006
Charitable funding committed in year	678	720	666	488	449
Charitable cash payments in year	543	534	475	471	476
Net asset value	12,740	11,949	12,032	14,365	12,683
Grant commitments not yet paid out	1,493	1,409	1,260	1,040	1,017

Financial management

Reserves policy
Our reserves policy is to set spending at a level intended to maximise sustainable spend through time and preserve the investment base.

Our focus is on:
- **planning** to sustain funding to deliver our mission;
- **responding** rapidly to new opportunities;
- **ensuring** our long-term financial position is secure and our spending levels sustainable; and
- **preserving**, at least, the real purchasing power of the investment base.

Investment Policy
Our 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 the capital base in real terms. Our assets are invested in accordance with the wide investment powers set out in the Trust Constitution and within its Investment Policy. The Investment Policy is reviewed annually by the Board of Governors and was amended in September 2009. From 1 October 2009, we have decided to use a blended 50/50 US/UK CPI measure to reflect the globally diversified nature of our assets. Diversification is a key factor in managing the inherent risk of investments. We invest globally and across a very broad range of assets and strategies.

Investments are made through a variety of arrangements, including direct investments managed by our investment team, outsourced managers who invest on our behalf, and investments in collective investment vehicles of various kinds.

We currently allow our discretionary managers who invest on our behalf to use derivatives under certain conditions, which are specified in the investment management agreements. In line with our Constitution, we – and selected managers – are permitted to use options, futures (including foreign exchange contracts), swaps and contracts for differences, for portfolio and risk management. We adopt a policy of investing a part of our non-base currency exposures using a currency overlay; the actual percentage hedged varies from time to time.

It is our policy not to invest in companies that derive material turnover or profit from tobacco or tobacco-related products. We also have a policy of actively fulfilling our responsibilities as a shareholder and generally exercise our voting rights.

Expenditure policy
Our annual grant commitment budget is set by reference to a three-year weighted average of the values of the investment assets in order to smooth the effect of short-term volatility. Adjustments to this budget can be made in a controlled manner to reflect expected known events such as exceptional grant application volumes or adverse economic or market events. This has enabled us to reduce the impact of the recent recession on our charitable funding.

Over the next five years we aim to commit around £3 billion funding for charitable activities; however, the actual amount will depend on our financial performance.

The Board of Governors regularly monitors market and economic conditions and has currently set the spending policy as: committing 4.5% of the three-year weighted average of investment assets, which results in an expected annual cash payout of 4% of the investment assets.

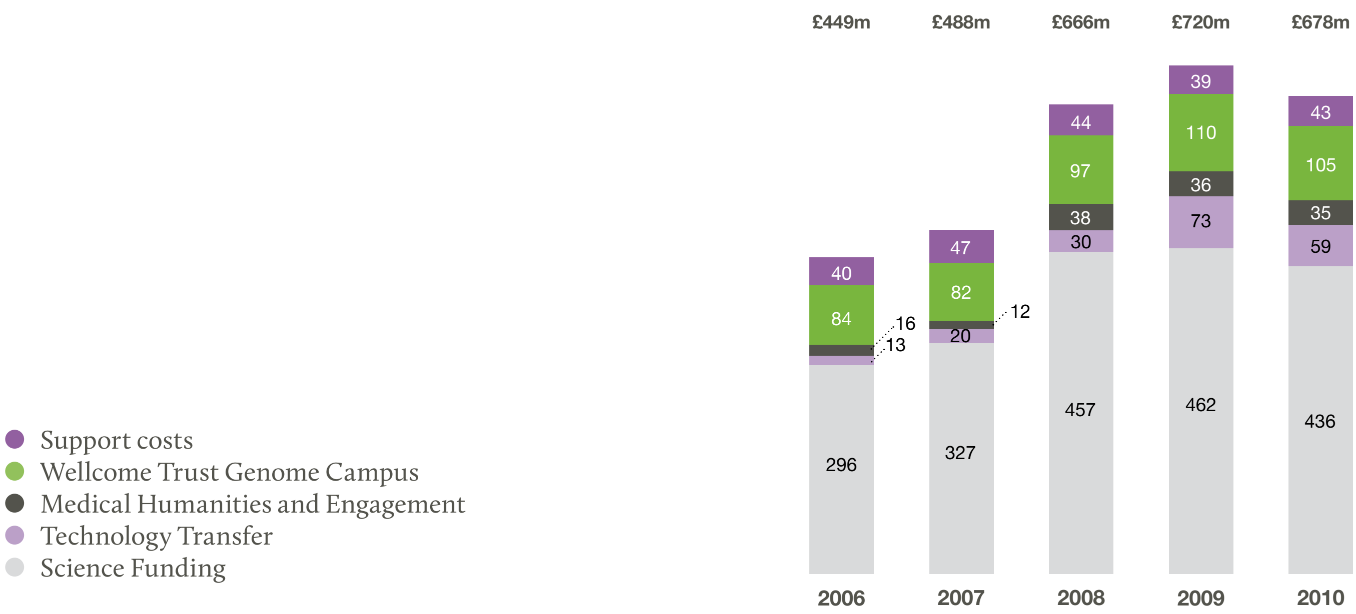
Historically our expenditure policy has proven to be very prudent, due mainly to the strong performance of the portfolio. This led to a significant 'special dividend' of £500 million being declared in 2007 for initiatives with exceptional vision and scale, global importance and where there is the prospect of high-impact outcomes.

Charitable activities
We support high-quality research across the breadth of the biomedical sciences – from 'blue skies' to clinical and applied research – and encourage the translation of research findings into medical benefits. Our funding in the medical humanities and public engagement seeks to raise awareness of the medical, ethical and social implications of research and to promote dialogue between scientists, the public and policy makers.

Although the majority of grants are awarded to recipients in the UK, we also support research overseas. Grant funding is usually channeled through a university or similar institution in response to proposals submitted by individual academic researchers. Applications are peer-reviewed, and expert committees typically make the funding decisions. Where initiatives fall outside of established review, decisions are made by the Strategic Awards Committee. Grant awards are made to the employer institution, which takes responsibility for grant administration. Only a limited number of small-scale awards are made directly to individuals.

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

Charitable activities by type (£m)



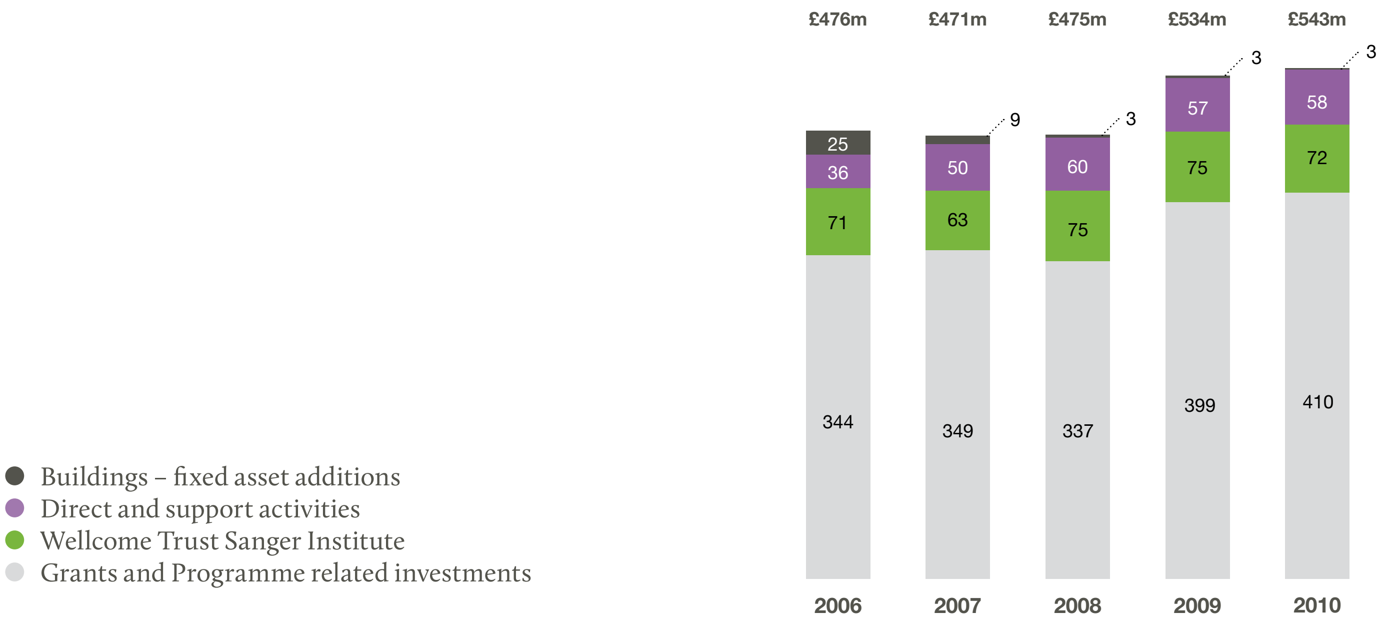
Expenditure on total charitable activities has increased during the past five-year period particularly due to initiatives in 2008 and 2009 arising from the special dividend released in 2007.

Charitable activities represent funding that we commit to in each year. It will not all be paid in the same year.

Charitable cash payments

The chart below details the grant payments that have been made each year.

Charitable cash payments (£m)



The total anticipated charitable expenditure over the life of a grant is recognised in the year in which the grant is awarded and included in the charitable expenditure in that year. However, payments made over the life of the grant are included in charitable cash payments in the year in which they are made and consequently charitable cash payments in any one year will include amounts relating to grants awarded in prior years. The increase in grants awarded over recent years is therefore also reflected in the recent increase in cash outflows, which is expected to continue in 2011.

Incoming resources and matching of cash receipts with cash payments

The Board of Governors, through its investment team, keeps a careful eye on the current and future cash flows, ensuring that there are always sufficient cash reserves to meet the required expenditure on charitable grants. Grants committed but not yet paid are a modest proportion of the Trust's total assets. Incoming resources are those generated by the investment portfolio in the form of dividends, rental and interest and by the trading subsidiaries. They do not include any movement in the value of the portfolio as shown in the Balance Sheet and Statement of Financial Activities as gains and losses. Cash payments are funded by a combination of incoming resources, cash balances and sales of investment assets.

Review of Past and Future Activities

This review provides an overview and examples of our funding, activities and accomplishments during the year. Achievements reported here often reflect the results of many years of research from previous funding. The year covers both the end of our Strategic Plan for 2005–10 and the launch of our new Plan for 2010–20; the examples reviewed here are presented in terms of the latter.

The *Wellcome Trust Annual Review* for the period 1 October 2009–30 September 2010 will cover the year's scientific achievements. It will be available on the Trust's website (www.wellcome.ac.uk), or on request, from February 2011.

Strategic Plan

In February we introduced our new, ten-year Strategic Plan for 2010–20. It outlines a bold vision for the Wellcome Trust over the coming decade: to achieve extraordinary improvements in human and animal health.

The Strategic Plan sets out how we will work with others to achieve this vision. The three areas on which we will focus our funding are: supporting outstanding researchers; accelerating the application of research; and exploring medicine in historical and cultural contexts.

The Plan also sets out our desire for these three areas of funding to answer important questions in five main research challenges over the next decade. These challenges are: maximising the health benefits of genetics and genomics; understanding the brain; combating infectious disease; investigating development, ageing and chronic disease; and connecting environment, nutrition and health.

Our ten-year Plan reflects the complex and global nature of these challenges and the long-term view we take in tackling them. We seek to empower researchers by giving them the time, freedom and resources they need to find answers and make discoveries.

Supporting outstanding researchers
In November 2009, we announced the launch of Investigator Awards, a major new scheme to support world-class researchers who can address our five challenges. These awards extend the ethos of our fellowship schemes to include researchers salaried by their universities or research institutes. Researchers at two levels of experience will be supported – those in their first five postdoctoral years, and those who are world leaders in their fields. Investigator Awards opened for applications in October 2010 and the first awards will be announced early in 2011.

Our fellowship schemes continue to provide flexible, long-term support for many scientists, at all stages of their careers. One notable award during the year was Professor Hector Garcia in Lima, Peru, who became the first ever Wellcome Trust Senior Fellow in Public Health and Tropical Medicine. His research is on the brain disease neurocysticercosis – the major cause of acquired epilepsy in low-income countries – which occurs when the larvae of the pork tapeworm *Taenia solium* enter the brain.

We are working in partnership with other organisations to extend the range of our fellowship support. Mr Andrew Schache, a trainee surgeon in Liverpool, received the first Wellcome Trust–Royal College of Surgeons joint training research fellowship to further his research into the role of the human papillomavirus in mouth and throat cancer.

New funding arrangements with the Republic of Ireland were unveiled in September with the announcement that the Trust, Science Foundation Ireland (SFI) and the Health Research Board (HRB) have formed the SFI–HRB–Wellcome Trust Biomedical Research Partnership. This will fund Investigator Awards, fellowships and Strategic Awards in the Republic of Ireland.

As well as supporting individual scientists, we fund many major research initiatives in the UK and abroad. In December 2009 our Major Overseas Programme in

Thailand (the Wellcome Trust–Mahidol University–Oxford Tropical Medicine Research Programme) – recognised internationally for excellence in tropical disease research – celebrated its 30th anniversary.

To provide researchers with state-of-the-art facilities and research infrastructure, we are working in partnership with governments and other organisations. December 2009 saw the unveiling of the scientific vision, research strategy and first designs of a major new facility, the UK Centre for Medical Research and Innovation (UKCMRI) in London. This is a £600 million partnership with Cancer Research UK, the Medical Research Council and University College London. Meanwhile, seven major awards, totalling £32 million, for new buildings and refurbishment in UK universities, were funded by the biennial Wellcome–Wolfson Capital Awards initiative. This partnership with the Wolfson Foundation was launched in 2007 to follow our successful Joint Infrastructure Fund and Science Research Innovation Fund partnerships with the UK government.

In March, four European research funders – the Health Research Board Ireland, Science Foundation Ireland, Telethon Italy and the Austrian Science Fund – agreed to make life sciences research outputs from their funding freely available through UK PubMed Central (UKPMC), which we support. This is an important step towards expanding UKPMC to become a Europe-wide service.

Accelerating the application of research

During the year, we worked in partnership with other organisations on a number of large-scale initiatives in the UK and abroad to advance the translation of research outputs into new health products and technologies.

In partnership with the Department of Biotechnology, Government of India, we unveiled a new five-year £45 million R&D for Affordable Healthcare in India initiative. The fund will enable scientists in India's thriving biotechnology sector to develop innovative healthcare products on a large scale at affordable costs to solve India's healthcare needs.

We teamed up with the UK Medical Research Council and Department for International Development to commit up to £12 million per year for the next three years to Global Health Trials, a scheme to fund late-stage trials of health interventions in low- and middle-income countries.

We also formed a public–private partnership with the UK government, GlaxoSmithKline plc, the Technology Strategy Board and the East of England Development Agency, to develop a Bioscience Campus in Stevenage, Hertfordshire. The aim is to create a world-leading hub for early-stage biotechnology companies on GlaxoSmithKline's research site, with access to cutting-edge facilities and specialist skills to help stimulate innovation in drug development.

We invested in biopharmaceutical company Kymab, a spin-out from the Wellcome Trust Sanger Institute. Kymab will use a genomically engineered mouse to generate new human-antibody-based biopharmaceuticals directed against disease targets.

We also funded a team of international researchers from King's College London. They are developing an inexpensive and robust device that uses harmless radio waves to identify counterfeit and substandard drugs in low-income countries.

Exploring medicine in historical and cultural contexts

Through our Engaging Science programme, we support projects that inspire the public to explore biomedical science and its social contexts. Notable awards during the year supported the ER Surgery Workshop at the Edinburgh International Science Festival, in which

children could operate on manikin patients, and 'I'm a Scientist, Get Me out of Here', an online *X Factor*-style competition in which school students ask scientists questions about their work.

In the field of education, an independent evaluation showed that Project ENTHUSE – a £30 million partnership between the UK government, industry and the Wellcome Trust that provides bursaries for science teachers to attend National Science Learning Centre courses – is having a positive impact on science teaching in the UK. Primary Science Quality Mark, a Trust-funded award scheme to develop and celebrate the quality of science teaching and learning in primary schools, received further funding to expand nationally, following two successful pilot years. The awards ceremony from the second pilot scheme was held in London in May 2010.

In addition to the Identity Project, *Pressure Drop* and *Medicine and Art: Imagining a future for life and love* (which are discussed in the Chairman's Statement), *Skin*, an exhibition running at Wellcome Collection from June to September 2010, was well received in the media.

The Wellcome Library launched a major digitisation project, Modern Genetics and its Foundations. The two-year pilot project aims to digitise up to half a million manuscripts and images relating to the theme of how modern genetics has developed – including archives and papers from Nobel Prize-winning scientists Francis Crick, Fred Sanger and Peter Medawar.

The tenth Wellcome Image Awards were presented in London in October 2009 and displayed in Wellcome Collection until June 2010.

Research challenges

Over the year, Trust-funded researchers published significant findings relating to our five challenges. And we made a wide range of large awards to advance biomedical research and understanding of its history and social contexts in those five areas.

Maximising the health benefits of genetics and genomics
We launched the UK10K project and the Human Heredity and Health in Africa Project (H3 Africa), two ambitious initiatives to uncover genetic factors that are important in human disease. The UK10K project, funded through a Strategic Award to the Wellcome Trust Sanger Institute, aims to decode the genomes of 10,000 people over the next three years. The project will study 4,000 people from the TwinsUK database and the Avon Longitudinal Study of Parents and Children – two studies that we support – as well as 6,000 people with extreme obesity, neurodevelopmental disease and other conditions. H3 Africa is a $38 million partnership with the US National Institutes of Health that will enable African researchers to lead studies unravelling the environmental and genetic factors involved in diseases affecting African populations.

A major breakthrough in our understanding of cancer genetics came in December 2009: Cancer Genome Project researchers at the Wellcome Trust Sanger Institute published the first full catalogues of the mutations in the genomes of two cancers – a lung cancer and a melanoma – in the journal *Nature*. The International Cancer Genome Consortium (ICGC) also set out its plans in the year, publishing a *Nature* paper in April 2010 on how it will decode the genomes from 25,000 cancer samples and create a resource of freely available data. The ICGC was created in April 2008, supported by ten funding organisations from around the world, including us, and includes researchers from the Wellcome Trust Sanger Institute.

Above left: Proposed designs for the UKCMRI – view from St Pancras International. *Justin Piperger Photography/Wadsworth3d*
Top right: The decline of pollinating insects is the focus of an initiative that announced funding for nine projects this year. *Wellcome Images*
Above right: Professor Mike Stratton, a lead researcher on the Cancer Genome Project and Director of the Wellcome Trust Sanger Institute. *Wellcome Images*

In June 2010 we funded PTC Therapeutics, Inc. through our Seeding Drug Discovery initiative to develop drugs targeting Bmi-1, a protein that allows cancer cells to self-renew in spite of chemo- and radiotherapy. Blocking the expression of this protein will help to combat drug-resistant cancers.

Our Research Resources in Medical History grants scheme supports projects to preserve, catalogue and conserve significant medical history and humanities collections in libraries and archives. One of the first awards under the theme of Modern Genetics and its Foundations was to Dr Kate West, who received an award to catalogue and conserve the historical collections at the John Innes Centre in Norwich. This includes the collections of two key figures in the early history of genetics: William Bateson and Cyril Dean Darlington.

Understanding the brain
The Wellcome Trust and Medical Research Council Neurodegenerative Diseases Initiative announced funding for three Strategic Awards in November 2009. Research into four key neurodegenerative diseases is being supported: Alzheimer's disease, Parkinson's disease, frontotemporal dementia and motor neurone disease. The multidisciplinary research programmes funded involve collaborations by leading UK academic research teams, international groups and pharmaceutical companies.

We made a Seeding Drug Discovery award to researchers at King's College London to identify a retinoid drug candidate for spinal cord injury, which could be taken into a clinical trial in three years.

In June 2010, Newcastle University scientists published a paper in the *Proceedings of the National Academy of Science* describing a spinal-cord system that counteracts the brainwaves that produce tremors, suggesting a new therapeutic target for Parkinson's disease, multiple sclerosis or essential tremor. Later, in September, researchers at Cardiff University School of Medicine published the results of a three-year Trust-funded genome-wide association study in the *Lancet*, uncovering evidence of a genetic contribution to attention deficit hyperactivity disorder (ADHD). The study found that children with clinical symptoms of ADHD had double the normal rate of large copy number variations (CNVs) as controls.

Combating infectious disease
In November 2009, we announced, in partnership with the UK Medical Research Council, the UK Biotechnology and Biological Sciences Research Council and the UK Department for Environment, Food and Rural Affairs, £7.5 million of funding for four major research collaborations aimed at understanding the development and spread of pandemic H1N1 swine influenza.

Researchers from the University of Bristol received a Translation Award to test and develop their 'OdoReader'. The device analyses gases to diagnose the diarrhoeal infection *Clostridium difficile* at the bedside. Meanwhile, the Mintaka Foundation for Medical Research in Geneva received funding to test the safety of a powerful, low-cost anti-HIV microbicide in humans – the first step towards full clinical trials.

Oxford-based company Oxitec Ltd received a Translation Award to trial a new approach to combat dengue using genetically sterilised male *Aedes aegypti* insects to reduce the disease-transmitting mosquito population.

Investigating development, ageing and chronic disease
In July 2010, UK Biobank completed its recruitment phase, with half a million Britons now signed up to the pioneering health research study. Around one in every 50 people aged 40–69 years in England, Scotland and Wales has been weighed, measured and questioned about their health and lifestyles for this landmark study.

Trust-funded researchers at Imperial College London and colleagues published results of a study of heart cells using a new imaging technique known as nanoscale scanning ion conductance microscopy. The technique will make it possible to build up a detailed picture of what happens to heart cells during heart failure and could help researchers to design better drugs to slow the development of disease.

Researchers at the University of Bristol received a Seeding Drug Discovery award to develop a new painkiller for severe chronic pain associated with diabetes, for which there are currently few effective treatments. The researchers will work with UK drug discovery company BioFocus and the university spin-out company NeuroTargets to develop a drug based on the protein galanin, made by nerve cells.

Connecting environment, nutrition and health
In November 2009, the *Lancet* published the results of a large international project to model the health effects of different strategies to reduce greenhouse gas emissions. The report showed that strategies to reduce greenhouse gases have substantial public health co-benefits that can offset their costs. We part-funded the research, and the findings informed the UN Climate Change Conference in Copenhagen in December 2009.

In June 2010, the Insect Pollinators Initiative announced funding for nine projects investigating the decline of honeybees and other pollinating insects in recent years. This is a joint initiative that we are running alongside the UK Biotechnology and Biological Sciences Research Council, the UK Department for Environment, Food and Rural Affairs, the UK Natural Environment Research Council and the Scottish Government. It was funded under the auspices of the Living With Environmental Change programme.

Trust-funded researchers from the University of Cambridge published in *Nature* the results of a genome scan of 300 children with severe obesity. They found that obese children had CNV deletions in a gene called *SH2B1* on chromosome 16, which resulted in a strong drive to eat and rapid weight gain. This is the first evidence linking CNVs to a metabolic condition.

Review of Investment Activities

2009/10 was a third consecutive challenging year. Investors moved on from fearing depression and the collapse of the banking system to questioning sovereign risk and, in particular, the cohesion of the Euro. Many companies have responded rapidly to these developments. Faster-growing economies in Africa, Asia, Latin America and the Middle East have rebounded impressively as economic power shifts in line with demographic trends.

Stock markets were range-bound. They finished the year towards the top end of the range, underpinning our return of 11% (in Sterling terms) over the year, equivalent to £1,450 million. Double-digit returns were recorded in each major element of the portfolio: equity and equity long/short, absolute return and buyouts, growth and venture, and property and infrastructure. The strongest performance came from directly held commercial property (61%), directly held private knowledge assets (38%) and directly held illiquid financial assets (32%).

Figure 1a
Total portfolio net returns (£)

	Annualised return in £ (%)		
	Nominal	**UK CPI**	**Real**
Trailing 1 year	11.1	3.0	8.1
Trailing 3 years	1.2	2.9	(1.7)
Trailing 5 years	6.6	2.7	3.9
Trailing 10 years	3.5	2.0	1.5
Since October 1985	14.3	2.9	11.4

	Cumulative return in £ (%)		
	Nominal	**UK CPI**	**Real**
Trailing 1 year	11.1	3.0	8.1
Trailing 3 years	3.8	9.0	(5.2)
Trailing 5 years	37.4	14.1	23.3
Trailing 10 years	40.9	22.2	18.7
Since October 1985	2,736.1	106.3	2,629.8

Figure 1b
Total portfolio net returns (blended £/$)

	Annualised return in blended currency (%)		
	Nominal	**UK/US CPI**	**Real**
Trailing 1 year	10.5	2.3	8.2

Note: With effect from 1 October 2009, a 50/50 UK/US blended CPI has been used as a comparator for real portfolio returns in blended currencies.

Over two years, our total portfolio has returned a cumulative 16% (in Sterling). Our public equities, the largest element, have returned 31%, which is 12% ahead of that of global equity markets over the period. More than 30% of our total public equity holdings are now managed internally.

This recovery in values has meant that, over the three years since the start of the financial crisis, our cumulative returns have been mildly positive. Returns now stand at an all-time high.

Over five years, our annual returns have been just below 4% in real terms. We have been helped by actions that we have taken to limit exposure to leveraged funds and to diversify our investments globally with less than 15% exposure to domestic UK risk assets. The number of external managers that we use has been reduced significantly; directly managed public and private equities have become a greater proportion of our assets. We actively manage our asset allocation decisions and our equity beta, liquidity, derivative and currency exposures.

It is now 25 years since we first began to invest in financial assets outside our holding in Wellcome plc, which we floated in 1986 and which merged with GSK in 1995. Over this period, we have succeeded in multiplying the value of our portfolio by over 27 times, as shown in figure 1a, despite a barren period between 2000 and 2003, when the fund decreased in value by approximately 40%.

Our target has been to return 6% annually in real terms, a target that we have not been able to achieve in the past decade despite performing almost 3% a year better than global stock markets.

Figure 2
Total portfolio cumulative net returns since 1986

£ from 1986 to 30 September 2009
(UK CPI)
Blended £/$ from 1 October 2009
(UK/US CPI)

- Wellcome Trust
- MSCI World
- CPI + 6%

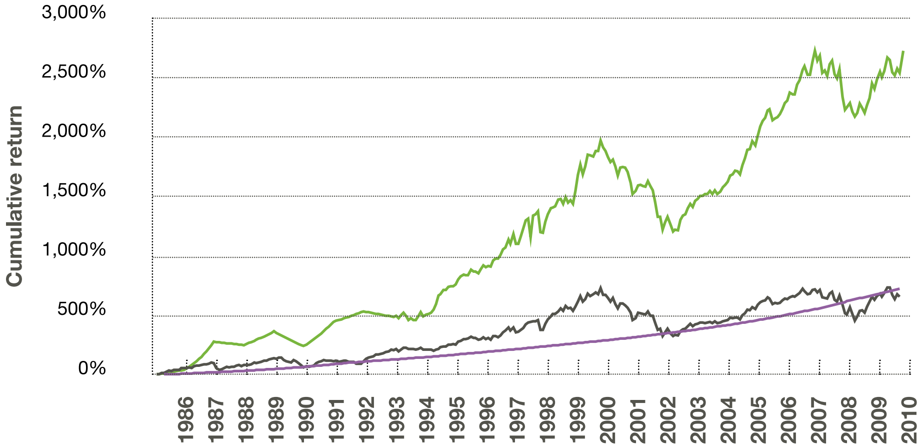


Figure 3
Volatility (standard deviation) of returns

Trailing 3 years' volatility
£ to 30 September 2009
Blended £/$ from 1 October 2009

- Wellcome Trust rolling 3 years
- MSCI World rolling 3 years

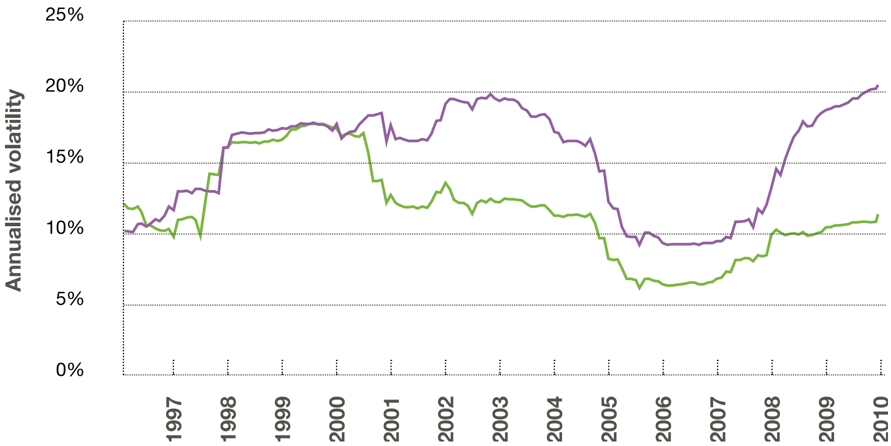


Figure 4a
Evolution of asset allocation (%)

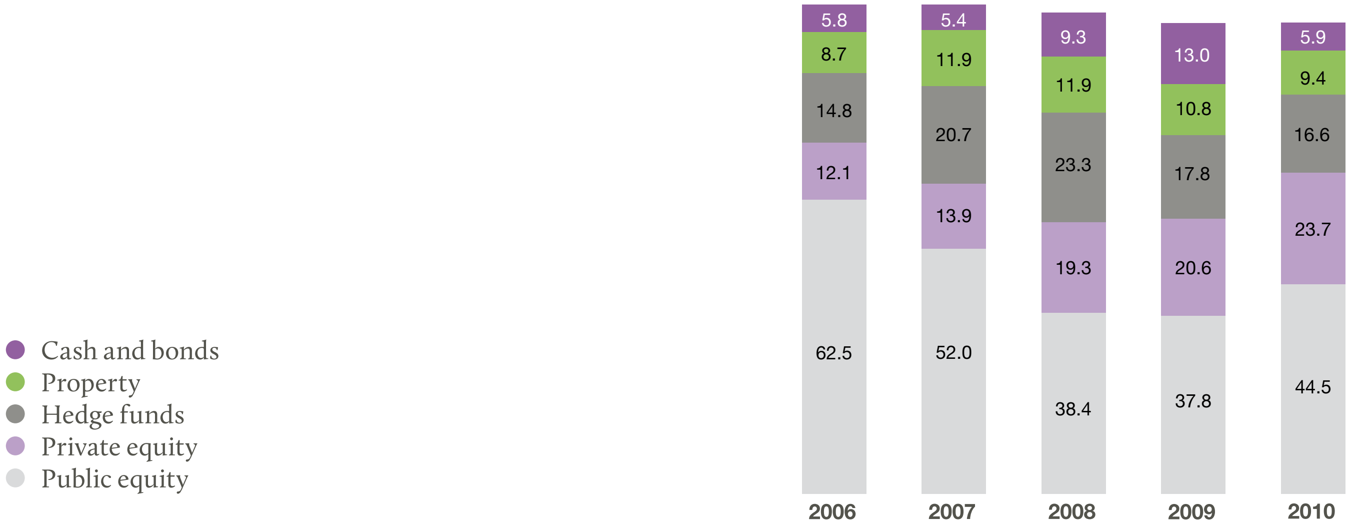
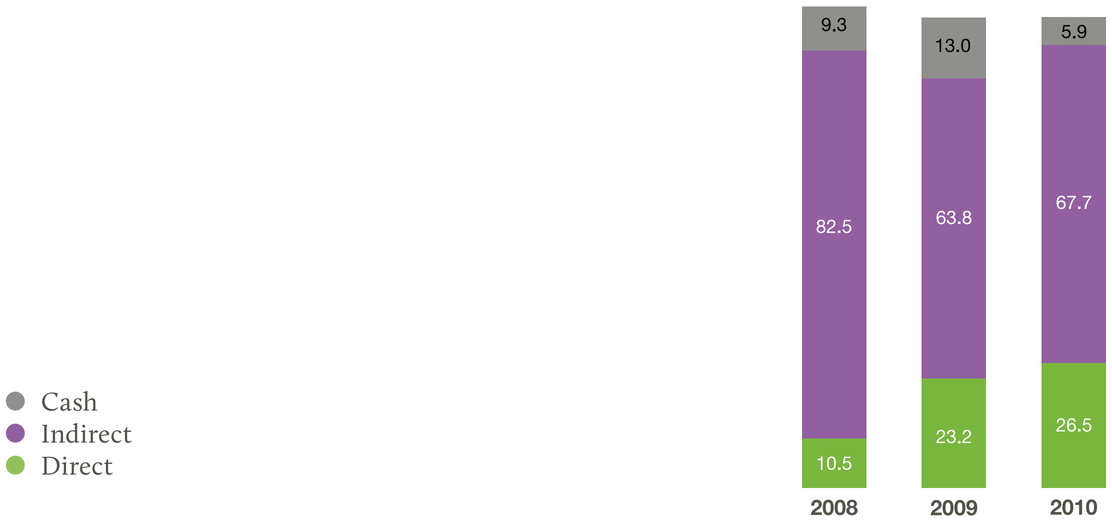
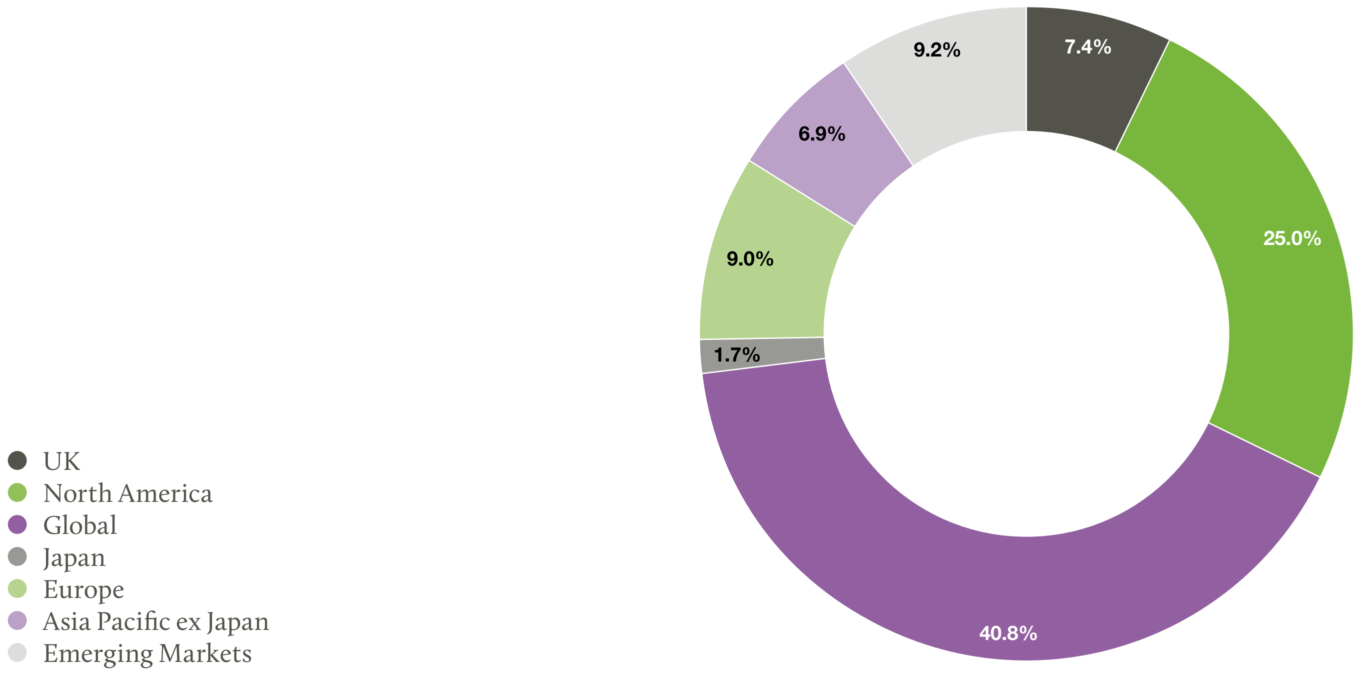


Figure 4b
Evolution of asset allocation, directly and indirectly managed (%)



Note that the percentages in figures 4a and 4b exclude the impact of currency overlay, which can be positive or negative.

Figure 5
Regional asset allocation



Note that these figures are net of the investment-related liabilities and the Wellcome Trust Bonds.

Over the past year, we reduced our holdings of cash, which is an expensive asset in real terms. We executed a further sale of interests in buyout funds, bringing our total sales since 2007 to almost £400 million. We also completed the disposal of the majority of our directly held UK commercial property interests, which we had commenced in 2006, as prices rebounded.

These enabled us to raise the level of equity holdings, especially through direct ownership of very large global companies. We also raised our exposure, both directly and through partnerships of different kinds, to private growth and venture assets. These now comprise approximately 70% of our private non-property assets. Direct interests in private/illiquid companies, especially in the energy, financial, healthcare and knowledge sectors, almost doubled from £260 million to £515 million, as new investments were supplemented by higher valuations. It is broadly estimated that overall exposure to faster-growing economies in Africa, Asia, Latin America and the Middle East was increased to over 25% of non-hedge fund assets.

Looking forward, there is a genuine threat that nominal returns will be eroded in an environment where the cost of equity stands at record levels compared with the cost of debt. Companies are understandably finding it difficult to access attractive investment opportunities in developed markets, which will serve to exacerbate a low-growth environment. Faster-growing economies continue to take share in global GDP but investment opportunities continue to carry differing levels of risk.

At the same time, monetary expansion, especially in the USA and UK, threatens to create levels of inflation not experienced for more than 20 years. Rising wages in East Asia, fiercer competition for increasingly scarce natural resources, tighter regulation in the energy and financial service sectors and a shift in the focus of new technologies towards the consumer rather than the commercial customer may add to cost pressures.

Figure 6
Investment asset allocation

	Market value £m	Market value US$m	Allocation as at 30 Sep 2010 %	Allocation as at 30 Sep 2009 %	Change in allocation %
Equity and Equity Long/Short	**7,993**	**12,595**	**54.1**	**47.9**	**6.2**
Long-only equities	***6,570***	***10,353***	***44.5***	***37.8***	***6.7***
Global	2,887	4,549	19.6	18.5	1.1
US	890	1,402	6.0	6.4	(0.4)
Emerging markets	885	1,395	6.0	5.4	0.6
Asia Pacific ex Japan	737	1,162	5.0	4.7	0.3
Optionality	588	927	4.0	4.0	–
UK	199	314	1.3	1.8	(2.2)
Europe	196	309	1.3	1.5	(0.2)
Japan	190	299	1.3	1.5	(0.2)
Futures	–	–	–	(6.0)	6.0
Options	(2)	(4)	–	–	–
Long/Short Hedge Funds	***1,423***	***2,242***	***9.6***	***10.1***	***(0.5)***
Bonds and cash	**870**	**1,371**	**5.9**	**13.0**	**(7.1)**
Bonds and cash	868	1,367	5.9	7.0	(1.1)
Futures and options collateral offset	2	4	–	6.0	(6.0)
Absolute return and buyout	**2,432**	**3,833**	**16.6**	**16.8**	**(0.2)**
Large MBO funds	709	1,118	4.8	4.2	0.6
Mid MBO funds	274	432	1.9	2.4	(0.5)
Secondaries PE funds	37	59	0.3	0.3	–
Distressed Debt PE funds	380	598	2.6	2.2	0.4
Multistrategy hedge funds	693	1,091	4.7	5.5	(0.8)
Distressed debt hedge funds	339	535	2.3	2.2	0.1
Growth and venture	**2,093**	**3,298**	**14.1**	**11.5**	**2.6**
Venture capital funds	1,010	1,592	6.8	6.0	0.8
Sector PE funds	295	464	2.0	2.0	–
Growth PE funds	154	242	1.0	0.9	0.1
Emerging market PE funds	119	188	0.8	0.7	0.1
Direct – healthcare	196	309	1.3	1.2	0.1
Direct – knowledge	190	299	1.3	0.3	1.0
Direct financials	129	204	0.9	0.4	0.5
Property and infrastructure	**1,392**	**2,194**	**9.4**	**10.8**	**(1.4)**
Residential property	***1,199***	***1,889***	***8.1***	***7.9***	***0.2***
Direct residential property	1,019	1,606	6.9	6.3	0.6
Residential property funds	180	283	1.2	1.6	(0.4)
Commercial property	***193***	***305***	***1.3***	***2.9***	***(1.5)***
Commercial property funds	167	264	1.1	1.4	(0.2)
Direct commercial property	26	41	0.2	1.5	(1.3)
Currency overlay 1	**(45)**	**(71)**	**(0.3)**	**–**	**(0.3)**
Currency overlay 2	**32**	**50**	**0.2**	**–**	**0.2**
Total assets	**14,767**	**23,270**	**100.0**	**100.0**	–
Bond liability 4.625% 2036	(556)	(876)			
Bond liability 4.75% 2021	(303)	(478)			
Total Assets inc Bond liabilities	**13,908**	**21,916**			

High levels of inflation are the major threat to charitable foundations in that they can quickly erode our real purchasing power. As our concerns rise, we attempt to ensure that we invest in assets, diversified by geography and by sector, with the potential to generate strong and growing real cash flows, to access outstanding manager skill and to be proactive and flexible in relation to changing events. We continue to use no preconceived asset allocation, we manage our liquidity and risk thoughtfully, and we try to balance control with partnership. Figure 3 on page 15 shows how our experienced risk has risen by much less than that of equity markets.

Investment risk management

We manage our portfolio within the context of four key risk parameters:

1) Value at Risk (VAR). The VAR of our portfolio at the end of September 2010 was 15.9% (2009: 14.2%) as risk levels were gently increased during the year.
2) Equity beta. The performance of most real assets contains an element of equity beta. In September 2010, overall equity beta was 0.74 (2009: 0.65), having troughed at 0.5 in December 2008.
3) Base case cash forecasts. Cash levels will be gently reduced by charitable expenditure; it is forecast that our cash levels, without any major portfolio changes, will trough at above £500 million in 2012.
4) Base currency exposure. Since October 2009, we have measured our returns in a 50/50 blend of Sterling and Dollars in order to recognise the global nature of our portfolio and the need to maintain global purchasing power. We maintain exposure, after hedges, of at least 25% to each of these currencies.

Investment philosophy

A number of investment beliefs drive our asset allocation in the deliberate absence of any pre-determined strategic guidelines:

1) Sufficient liquidity must be maintained to avoid the forced sale of assets at distressed prices. However, real assets offer the best long-term growth prospects and provide protection against inflationary pressures.
2) In order to maximise investment returns from global economic activity, the portfolio should be very broadly diversified with no innate geographical bias.
3) We seek to utilise the advantages of our long-term investment horizon, our ability to tolerate high levels of short-term volatility, our AAA balance sheet and our proactive governance structure.
4) The best returns will be driven by combining aligned partnership with the strongest external managers and building in-house resource to own selected assets directly.
5) We are flexible as to the nature of the vehicles in which we invest, whether public companies or private partnerships.

Public equities

Figure 7
Public equity net returns

Period to 30 September

	Annualised return in £ (%)		
	Wellcome Trust	**MSCI World**	**Relative**
1 year	11.4	8.9	2.5
2 years	14.6	9.3	5.3
3 years	1.8	0.5	1.3
5 years	6.4	4.2	2.2
10 years	3.3	0.6	2.7
Since Jan 1993	8.3	7.0	1.3

	Annualised return in US$ (%)		
	Wellcome Trust	**MSCI World**	**Relative**
1 year	9.7	7.3	2.4
2 years	7.7	2.7	5.0
3 years	(6.5)	(7.7)	1.2
5 years	4.0	1.9	2.1
10 years	4.0	1.3	2.7
Since Jan 1993	8.5	7.2	1.3

Figure 8
Public equity allocations by region and by direct/indirect management (£)
As at 30 September

	2010 value (£m)	2009 value (£m)	2008 value (£m)
Indirectly managed	4,211	4,205	5,042
Global	*815*	*978*	*1,062*
Developed markets	*1,603*	*1,670*	*2,520*
Faster-growing markets	*1,793*	*1,557*	*1,460*
Directly managed	2,354	1,855	160
Mega Cap basket	*2,072*	*1,649*	*160*
Optionality basket	*282*	*206*	–
Futures, options and others	5	(817)	13
Total	**6,570**	**5,243**	**5,215**

Given that public equity holdings represent 45% of our gross assets, it is important that we both make use of our long-term horizon and are prepared to manage our exposure dynamically. At the peak in 2005, equities made up over 70% of our portfolio; at the trough in 2008, after significant sales, they accounted for 35%.

Since we moved away from strategic allocations in 2005, we have added value against the global equity indices of 2.2% per annum; in the past two years, since we began to own public equities directly, we have added value of 5.3% per annum.

Within the £4.2 billion ($6.6 billion) of holdings managed by 16 external managers, almost 20% is invested in explicitly global mandates and 43% is invested in markets in faster-growing economies, a proportion that has risen from 37% in September 2009. Exposure to externally managed equities in developed-market mandates has declined by almost £1 billion (40%) over the two years; there is no domestic UK bias.

Over £2.3 billion (30%) of public equities are managed in-house, principally through our Mega Cap and Optionality baskets of public equities. The Optionality basket includes a global selection of stocks, each separately chosen on the basis that it offers the prospect of particularly attractive risk-adjusted returns. The stocks within the basket are typically long-term sustainable franchises, which the team considers to be undervalued as a result of short-term market dislocation. Direct management of these baskets enabled us to control the timing of increased equity exposure, especially into market weakness in the first half of 2009 and in mid-2010.

The Mega Cap basket has returned 25% against cost. Its inception was in September 2008, around the collapse of Lehman Brothers. Each of the 32 stocks in the basket has a market capitalisation in excess of $75 billion, each company has multinational operations and each is covered by an internal analyst. Reflecting our long-term view, no shares have ever been actively sold in any of the 32 existing holdings. In 2009/10, however, all our shares in Nokia were sold, while Berkshire Hathaway was added as a new holding. Turnover in the basket is expected to remain very low.

We hold a stake in excess of 3% of Marks & Spencer, which we bought in 2008. This remains our largest equity holding and the largest single component of the Optionality basket. The stock has returned more than 65% since purchase, as there has been a smooth change of senior management and thoughtful evolution of its business strategy. Other stocks have been and will be added as opportunities arise to acquire strong franchises at attractive prices.

Hedge funds

Figure 9
Hedge fund net returns
Period to September 2010

	Annualised return in £ (%)			
	1 year	2 years	3 years	5 years
Credit	11.9	19.0	13.3	9.5
Multistrategy	12.0	12.4	9.1	7.3
Equity Long/Short	7.3	11.4	7.2	7.1
Total hedge funds	**9.2**	**12.5**	**8.7**	**7.4**

	Annualised return in US$ (%)			
	1 year	2 years	3 years	5 years
Credit	10.3	11.9	4.0	7.0
Multistrategy	10.3	5.7	0.2	4.9
Equity Long/Short	5.7	4.8	(1.6)	4.6
Total hedge funds	**7.6**	**5.8**	**(0.2)**	**5.0**

Figure 10
Hedge fund investments by strategy and funds (£)
As at 30 September (number of funds where Trust has investment >£10m)

	2010		2009	
	Value £m	Number of funds	Value £m	Number of funds
Credit	339	3	308	3
Multistrategy	693	8	754	8
Equity Long/Short	1,423	27	1,417	30
Total hedge funds	**2,455**	**38**	**2,479**	**41**

Our hedge fund exposure declined from 23% of our gross assets in September 2008 to 17% in September 2010. Managers performed respectably in 2009/10 and have produced flat performance in US Dollars over the past three years. Hedge funds have served a useful purpose by creating Sterling value as US Dollar-denominated assets, having been largely funded by the sale of UK equities in 2006–08 when US Dollar/Sterling was priced above 2.00. They also provided liquidity to maintain charitable expenditure and funds to reinvest into stressed assets during the crisis.

Many of our equity long/short funds have found the choppy range-bound market conditions over the past year a little difficult to navigate and we have made selective changes to our line-up of partnerships. Credit and multi-strategy hedge funds, which make up around 45% of our hedge fund exposure, have performed more strongly over one, three and five years.

We have concentrated our £2.5 billion ($3.9 billion) of hedge fund interests into 38 funds, spanning 28 underlying partnerships, from which we also derive valuable mindshare and macroeconomic, market and individual stock insights. We would generally expect each partnership to manage in excess of $100 million of our assets, and we therefore continue to seek new partnerships on a very selective basis. Overall exposure to hedge funds will be driven by broader market conditions.

Private equity

Figure 11
Private equity net returns
Period to 30 September 2010

Net Internal Rate of Returns (since 1994)

	US$ (%)	£ (%)
Buyouts	10.5	10.6
Venture	63.4	65.1
Total private equity	15.0	15.6

Figure 12
Private equity investment by strategy (£)
As at 30 September

	2010 £m	2009 £m	2008 £m
Total buyouts	1,589	1,404	1,412
Buyouts	*1,021*		
Growth	*568*		
Distressed	380	346	287
Venture	1,010	829	731
Direct	515	260	169
Total	**3,494**	**2,839**	**2,599**

Our private equity investments account for a record 24% (£3.5 billion) of our gross assets in September 2010. Outstanding fund commitments stand at a level of £1.7 billion (2009: £2.1 billion), which should mean that we will have a fairly constant exposure to private equity investments in the next few years.

Since inception in 1994, annual total returns in US Dollars for our private equity investments have been 15.0% compared with 7.8% for the S&P 500 equity index (our investments have historically had a strong US bias).

In 2010, we recategorised our holdings to provide greater detail. We have deliberately repositioned our interests over the past three years to give greater weight to venture and growth interests at the expense of buyout funds, which have been reduced by almost £400 million through secondary sales of mature and second-tier interests.

The £1 billion of buyout and secondary fund holdings make up 29% of our private equity investments and a similar component of commitments. We remain partnered with excellent managers who are well positioned to take advantage of markets where operational excellence rather than leverage will drive returns. Over the past three years, returns have been 20%.

Sector funds are focused primarily on agriculture, energy, financial services, healthcare and technology. Together with later-stage growth capital and 'emerging' market interests, this growth component accounts for 16% of investments and 28% of commitments, reflecting the more recent nature of many commitments. In each of sub-Saharan Africa, Middle East and North Africa, and East Asia, we have created new models of forming tight partnerships of two to three parties committing considerable funds to operating partners with the scope to invest in assets that may be public or private, debt or equity.

Distressed funds, 11% of our private equity investments, have performed very well over the crisis, returning almost 40% over the past three years. As capital flows into these funds have increased substantially, opportunities for outsize returns are now diminishing, as reflected in our reduction to 7% of total private equity commitments.

Venture has had a quiet decade, which we have used to cement existing partnerships with those who share our long-term view and preference for outstanding cash multiples on investments. It is now the largest single component (29%) of our private equity investments and 33% of our private equity commitments. The venture capitalists with whom we partner are benefiting from a scarcity of capital, disruptions to existing business models in many industries and the availability of highly talented labour. Both companies and stock market investors are again demonstrating a desire to access the rapid growth trajectory that can be created, as shown by the return above 20% in the past three years. We remain optimistic about future long-term returns as companies mature and value is realised.

Controlling our long-term destiny and creating flexibility over private investments is also important. Using our partnership network, we have increased our direct exposure to private companies, including some that have subsequently been listed. In the past three years, our direct exposure has grown from £91 million to £515 million, representing 15% of our private equity investments, as we have focused resource in this area, new investments have been made and valuations have appreciated.

Our direct private interests include algae-based fuel, financial services in Bermuda, India and the USA, Chinese universities, secure data centres, UK cancer drug developers, US health insurance websites, healthcare providers, genetic sequencing technologies, nuclear fusion and the first spin-out from the Wellcome Trust Sanger Institute. We continue to develop our expertise and exposure.

Property and infrastructure

Figure 13
Property net returns (£)
Period to 30 September 2010

	Annualised return in £ (%)				
	1 year	**3 years**	**5 years**	**10 years**	**Since inception**
Direct commercial	60.6	6.0	8.2	11.3	10.4
Direct residential	12.3	2.7	12.5	13.9	16.2
Commercial funds	(1.1)	(9.5)	2.2	–	4.8
Residential funds	(4.6)	(15.2)	–	–	(3.0)
Property and infrastructure	**10.2**	**(2.5)**	**5.9**	**10.2**	**10.9**

Inception dates as follows: direct commercial (Jan 1994), direct residential (Jul 1997), residential funds (Jun 2006), commercial funds (Dec 2000).

Figure 14
Property investments by strategy
As at 30 September

	2010 £m	**2009 £m**	**2008 £m**
Residential property	1,199	1,101	1,180
Commercial property	194	399	439
Total	**1,393**	**1,500**	**1,619**

Our property investments, which represent 9% of gross assets (2009: 11%), continue to perform well. Directly owned ungeared residential property, dominated by our South Kensington Estate, returned 12% in the past year. Since the inception of this composite in 1997, our active management has enabled us to enjoy a return in excess of seven times the cost of our investment.

Our directly owned ungeared commercial property had an exceptional recovery, returning over 25% in the period from September 2009 until mid-2010, when we used new demand from buyers to sell almost all our remaining interests at a large premium to underlying value. Returns over three years have been 19% despite the broader market slump in prices. Our smaller interests in commercial funds have performed satisfactorily; some were reduced.

We are comfortable with the fact that 85% of our property investments are in prime UK residential, UK student accommodation, German residential and Chinese residential development assets. We continue to look for opportunities in these areas.

We also seek to take advantage of non-residential opportunities where we can benefit from our long-term horizon.

Overlay capital management

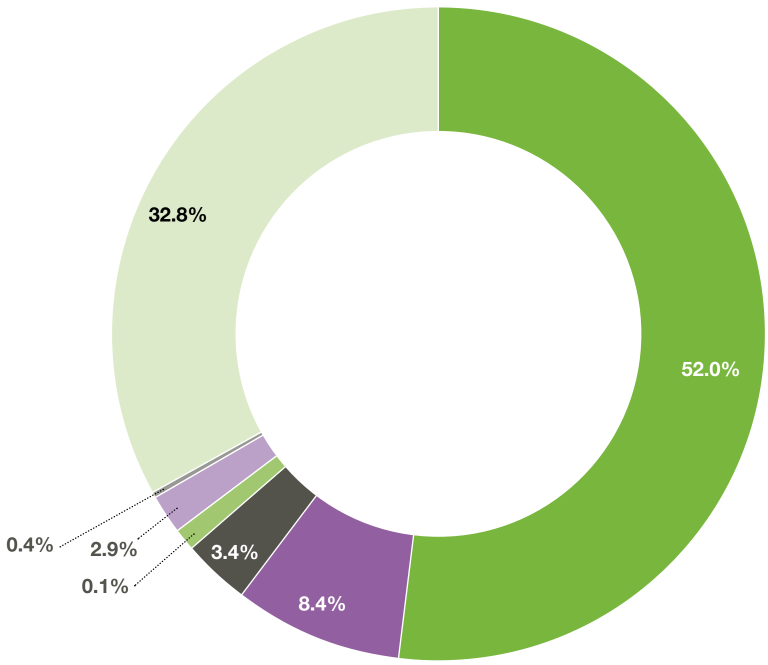
Our direct overlay capital management activities add to returns and help to manage our risks. We use cash, futures, forwards and options to manage asset allocation, regional exposures, individual stock and foreign exchange positions within carefully calibrated risk limits.

Returns were enhanced in 2009/10 through the writing of individual stock put options and active diversification of our liquidity into Asian and commodity currency positions. Risk was reduced by the use of equity index futures and the hedging of exposure of Euro and Yen positions. At the end of the year, outside our base currencies of Dollars and Sterling, we held net exposure in excess of £100 million to nine currencies: Hong Kong Dollar, South Korean Won, Swiss Franc, Taiwan Dollar, Indian Rupee, Singapore Dollar, Brazilian Real, South African Rand and Polish Zloty.

Figure 15
Currency exposure (net of currency hedging)
As at 30 September 2010

Asset allocation by currency

- US Dollar
- Total Asia
- Total Europe
- Japanese Yen
- Total commodity
- Other
- Pound Sterling



Remuneration Report

The Board of Governors appoints the Remuneration Committee, which is chaired by Sir William Castell. The members, all of whom are Governors, are set out on page 87. No members of the Executive Board are involved in deciding their own remuneration.

Responsibilities of the Remuneration Committee

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

Remuneration policy

We aim to develop and maintain remuneration strategies and policies in line with the culture and objectives of the Trust, in order to attract, retain, motivate and effectively reward staff, recognising their contribution to the Trust's overall mission. Consistent with this approach, salary levels and benefits are benchmarked to ensure they remain competitive.

Salaries are usually reviewed once a year, with any changes taking effect from 1 April. The underlying principles of the annual salary review are performance, market orientation and flexibility.

The salary review policy is re-examined each year to ensure it is aligned to and supports the aims and objectives of the organisation. This year greater emphasis was placed on rewarding the highest performers effectively.

The Salary Review Committee, a subcommittee of the Executive Board, oversees the salary review process and overall remuneration policies, as agreed by the Remuneration Committee.

Long-term incentive plans

In order to ensure remuneration of the Investment division staff remains competitive and to encourage a long-term view, certain employees participate in a long-term incentive scheme. Awards to employees are made annually based on investment returns and individual performance over a measurement period, which generally spans three years. Plans are in place covering measurement periods 2006 to 2010 (using a four-year measurement period), 2008 to 2011 and 2009 to 2012. A portion of each award is deferred for two years following the end of the measurement period and the deferred amount is adjusted in proportion to the performance of the fund.

Governors' remuneration

The Governors are the directors of The Wellcome Trust Limited, the Trustee of the Wellcome Trust. In accordance with the will of Sir Henry Wellcome, they are entitled to receive remuneration from the Trustee.

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 12 months beginning 1 April 2010 was 0.7% (2009: 2.1%).

The levels of remuneration of the Chairman and the Deputy Chairman are set by Orders of the Charity Commission. By an Order of the Charity Commission in March 2006, the remuneration of the Chairman was set at two times the level of a Governor. By an Order of the Charity Commission in June 2007, the remuneration of the Deputy Chairman during the year was set at 1.5 times the level of a Governor. By an Order of the Charity Commission in September 2010, the remuneration of the current Deputy Chairman was set at 1.5 times the level of a Governor.

This remuneration is charged to the Wellcome Trust as follows:

	2010 £	2009 £
Sir William Castell, LVO *(Chairman)*	136,807	134,923
Professor Adrian Bird *(Deputy Chairman retired 30 September 2010)*	102,605	101,192
Professor Dame Kay Davies	68,404	67,462
Mr Peter Davies	68,404	5,680
Professor Christopher Fairburn	68,404	67,462
Professor Richard Hynes	68,404	67,462
Mr Roderick Kent	68,404	67,462
Baroness Manningham-Buller	68,404	67,462
Professor Peter Rigby *(Deputy Chairman from 1 October 2010)*	68,404	67,462
Professor Peter Smith	68,404	67,462
Mr Edward Walker-Arnott *(retired 30 September 2010)*	68,404	67,462
	855,048	**781,491**

In addition to the above, the Chairman received estimated benefits-in-kind relating to travel costs of £38,279 (2009: £32,953). 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, amounting to £83,389 (2009: £137,378), of which £43,792 (2009: £102,046) was paid directly by the Trust and £39,597 (2009: £35,332) 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 2010.

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

Structure and Governance

The Wellcome Trust is a charitable trust created in 1936 by the Will of Sir Henry Wellcome and is now governed by its Constitution, which was established in February 2001 by a scheme of the Charity Commission and amended on 9 January 2009 and 22 July 2010.

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.

The Trust is a charity registered in England and Wales (registration number 210183) under the Charities Act 1993, as amended by the Charities Act 2006 (collectively the "Charities Acts").

The Wellcome Trust Group (the "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 87 to 88.

The Trust uses a mixture of external search consultancies and open advertising in its searches for new Governors, based on an analysis in each case of the most effective way to make a particular appointment. The Nominations Committee evaluates the balance of skills, experience, independence and knowledge on the Board, and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment. The Nominations Committee conducts formal interviews with the shortlisted candidates and makes recommendations to the Board or makes the appointment subject to specific delegated authority. The appointments are made on merit.

The Trust undertakes a comprehensive induction programme for all new Governors, which includes a detailed induction notebook containing all the key background materials, and meetings with members of the Executive Board and 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 that each of the Governors is to be independent in character and judgement and that there are no relationships or circumstances that are likely to affect, or could appear to affect, the Governors' judgement. Governors are appointed for terms of four years, with a further extension of three years on mutual agreement, and a further three-year term on mutual agreement in exceptional circumstances. The Board considers this more appropriate than appointment to a three-year term followed by a second three-year term.

The Chairman of the Board is Sir William Castell, a leading businessman who has other significant current appointments. He is a non-executive director of the General Electric Company of the USA and a non-executive director of BP plc.

Professor Peter Rigby was appointed as Deputy Chairman on 1 October 2010 in place of Professor Adrian Bird, who retired on 30 September after ten years as a Governor. Professor Rigby is Chief Executive of The Institute of Cancer Research, London. He has been a member of Medical Research Council, Biotechnology and Biological Sciences Research Council, Cancer Research UK and other research charity committees, and has advised numerous biotechnology companies.

The Board is responsible for ensuring that the Trust's charitable objects are being met. The Board sets strategy, decides priorities, establishes funding policies and allocates budgets. It develops and agrees the overall scientific strategy and policies related to biomedical science grant activities, and monitors and reviews progress and policies.

During 2009/10 the Board of Governors met seven times, including a two-day residential strategic review meeting and regular private meetings.

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 that 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 Acts 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 of the Trust and the Group at the end of the financial year, and of the incoming resources and application of resources, both of the Trust and of the Group, and the cash flow of the Group during the year.

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.

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

Statement of disclosure of information to auditors

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

Committees of the Board of Governors

The Board of Governors is assisted in its duties by a number of 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 advice on matters relating to the Trust's investments.
- Nominations Committee: for identifying potential candidates to fill Board and committee vacancies.
- Remuneration Committee: for remuneration issues. Further information is given on pages 24 to 25.
- Strategic Awards Committee (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. In addition, when a proposal falls within the remit of one of the four departments in Science Funding, the head of that department is a member of the Committee for consideration of that proposal. The Committee brings in external experts to discuss with the applicants and the Committee.

Details of the membership of these committees are given on pages 87 to 88. During the year, there were changes to the membership of the Audit Committee, the Investment Committee, the Nominations Committee, the Remuneration Committee and the Strategic Awards Committee.

During the year, the Audit Committee met three times, the Investment Committee six times, the Remuneration Committee once, the Strategic Awards Committee five times and the Nominations Committee three times.

Details of the attendance by committee members are shown in the table below:

	Board of Governors	Strategic Awards Committee	Audit Committee	Investment Committee	Remuneration Committee	Nominations Committee
Dr Ted Bianco	–	5/5	–	–	–	–
Professor Adrian Bird	7/7	5/5	–	–	1/1	3/3
Sir William Castell	7/7	4/5	–	5/6	1/1	3/3
Mr Tim Church	–	–	–	6/6	–	–
Professor Dame Kay Davies	6/7	5/5	–	–	–	–
Mr Peter Davies	7/7	5/5	–	6/6	–	–
Professor Christopher Fairburn	7/7	5/5	–	–	–	–
Ms Sarah Fromson	–	–	–	6/6	–	–
Professor Richard Hynes	7/7	5/5	–	–	–	3/3
Mr Simon Jeffreys	–	–	–	4/6	–	–
Mr Philip Johnson	–	–	3/3	–	–	–
Mr Roderick Kent	7/7	5/5	3/3	6/6	0/1	–
Mr Naguib Kheraj	–	–	–	6/6	–	–
Mr Simon Leathes	–	–	1/1	–	–	–
Baroness Manningham-Buller	6/7	4/5	2/3	–	–	2/2
Ms Clare Matterson	–	3/5	–	–	–	–
Mr David Mayhew	–	–	–	1/1	–	–
Mr Nicholas Moakes	–	–	–	6/6	–	–
Mr Stewart Newton	–	–	–	6/6	–	–
Mr Peter Pereira Gray	–	–	–	5/6	–	–
Professor Peter Rigby	7/7	5/5	–	–	–	3/3
Dr Alan Schafer	–	4/5	–	–	–	–
Professor Peter Smith	7/7	5/5	–	–	–	–
Mr Nicholas Temple	–	–	1/1	–	–	–
Mr Danny Truell	–	–	–	6/6	–	–
Mr Edward Walker-Arnott	7/7	5/5	3/3	–	1/1	3/3
Sir Mark Walport	–	5/5	–	2/6	–	–

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.

Principles of governance

The UK Corporate Governance Code (the "Corporate Code"), published in June 2010, 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"), revised in October 2010, 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.

While 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 2009/10 with the Corporate Code and 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

The performance of the Board and the Trust was considered at a private meeting of the Board and the Director during the year. The Director withdrew from the part of the meeting during which his own performance was discussed. The Chairman's performance was also considered during the year.

The Audit Committee conducted a performance review during the year. The Investment Committee, Nominations Committee and Remuneration Committee did not conduct a review, but a process for reviews will be implemented in 2011.

The Investment Committee's terms of reference were revised during the year as part of a general review of the Trust's Investment Policy.

Internal control including risk management

While 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 performance and risk 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 by the Executive Board each quarter and by the Board of Governors every six months, 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. A risk committee, which is a subcommittee of the Executive Board, was established during the year under review and meets quarterly.
- Internal audit: an outsourced internal audit function reviews controls and the risk management process within the Trust.
- Review: the Audit Committee, which comprises two Governors (one of whom is the Chair) and one external member, oversees the outcomes of internal audits, reviews the Trust's processes of internal control and risk management, considers its compliance with relevant statutory and finance regulations, and advises the Board of Governors of any relevant matters.

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.

Mr Peter Davies is a senior partner at Lansdowne Partners, which acts as a fund manager for the Trust. Further details are provided in note 12.

Mr Roderick Kent is a non-executive director of Grosvenor Group Holdings Limited, a subsidiary of which acted for part of the year as one of the fund managers on behalf of the Trust. Further details are provided in note 12.

Professor Dame Kay Davies is a shareholder in Summit plc in respect of which the Trust has a contingent liability of £0.6 million relating to a Programme related investment at 20 September 2010.

Social responsibility

Health and safety
In December 2009, the British Safety Council (BSC) undertook an audit of our management of occupational health and safety (OH&S), which produced a "very good" rating of 90.6%. Simultaneously, we gained accreditation to the British Standard for OH&S management systems (OHSAS 18001), which now provides a template for continuous improvement.

In addition to a rolling programme of internal audits, the Trust underwent a Combined Five Star Occupational Health and Safety Audit with the British Safety Council in October 2010 and achieved an excellent rating of five stars and also fulfilled the requirements for retaining the BS OHSAS 18001 accreditation.

During 2009, specific OH&S objectives were set and their progress, including other critical health and safety data, reported to the Executive Board by quarterly report. These metrics included statistics on accidents and incidents.

The structure for managing OH&S risks has been strengthened by new initiatives to promote a proactive approach to hazard identification and risk control. Significant health and safety risks are now included within the corporate risk register.

At the Wellcome Trust Genome Campus, the Health and Safety Strategy Group has overseen further developments in the health and safety service and in management arrangements for the Campus. A contracted Campus Occupational Health Service is now well established and managed by the Wellcome Trust Sanger Institute; arrangements agreed with the Trust's Occupational Health and Human Resources departments are in place for Trust staff employed at the Campus to be covered by the Campus service.

There is regular reporting on health and safety performance to the Boards of Directors of Genome Research Limited and Hinxton Hall Limited as well as to the Wellcome Trust Sanger Institute Board of Management. Programmes of inspection, audit and training are in place for the assurance of monitoring and maintenance of management competence.

Environment
It is our policy to conduct Trust business in an environmentally accountable manner. In implementing this policy, we seek to:

- take full account of the direct environmental impacts of our operations, including those of our offices, travel, and the procurement of materials and services
- work with our supply chain to identify and mitigate the environmental impacts associated with our activities
- measure, monitor and communicate the environmental performance of our activities in order to drive continuous improvement
- provide a culture of environmental awareness among our staff.

During the past year, a number of actions and measures have been put in place in our operational buildings in London, including:

- contracting with an innovative waste treatment plant whereby waste to recycling increased from 30% to 42%, and waste to landfill fell from 69% to just 8%
- introduction of voltage optimisation to produce power savings of approximately 10%

- installation of magnetic fuel conditioning for gas boilers with fuel savings between 6% and 10%
- registration for the UK government's Carbon Reduction Commitment and application for Carbon Trust accreditation
- a number of other energy saving measures that contributed to an overall reduction in our annual electricity consumption of 4.5%.

At the Wellcome Trust Genome Campus near Cambridge:

- waste production was reduced by 10%
- gas consumption fell by 23%, although electricity usage rose by just under 2% (attributable largely to a substantial increase in usage of IT equipment)
- the UK government's Cyclescheme was introduced in February 2010 to encourage cycling to and from the workplace
- the Green Transport Plan continued significantly to reduce the site's carbon footprint – the percentage of vehicle journeys to the Campus that are single-occupancy has fallen from 70% to 48% since the Plan was introduced in 2003.

Corporate social responsibility

We seek to support local organisations whose work is felt to be beneficial to the area in which we do business, and to foster and maintain positive relationships with local businesses and residents. Over the past year we have supported a number of local organisations and groups through our local community support fund. The fund was used to support a number of projects, including the St Pancras and Somers Town Arts Festival of Cultures, the Camden Schools Music Festival 2010 at the Royal Albert Hall attended by over 4,000 local residents and pupils, an HIV awareness play at the Shaw Theatre and a number of sports and dance activities for local people.

We have also held a number of events and activities in Wellcome Collection and within the local community to engage local residents, workers, stakeholders and opinion formers. We also opened the Gibbs Building to the public as part of Open House.

The Wellcome Trust Genome Campus is a 55-acre estate south of Cambridge. Teachers, students and members of the community can tour the Campus and some of its high-throughput facilities, participate in an increasing number of educational experiences including ethical debates and computer-based activities, and meet scientific staff. These visits are free of charge. The adjoining parkland and Wellcome Trust-funded wetland sites have developed a diverse ecosystem; the facilities are open to the general public.

Employment

Attracting, developing, motivating and retaining a diverse and capable group of people, and providing an environment in which they can excel, is critical to our success. We recognise that the success of the organisation is wholly dependent on the effective contribution of every member of staff.

Working environment and practices

We provide an excellent working environment in both the modern and well-equipped Trust offices based in central London and the Wellcome Trust Genome Campus in Hinxton, Cambridgeshire. We regularly review our employment policies and practices to ensure that we are well placed to deliver our objectives and to enhance the overall working environment for the staff. We are committed to staff wellbeing, offering a high-quality staff restaurant, on-site gym and in-house occupational health service. We also provide an attractive benefit package for staff, including a final salary pension scheme.

Staff development

We continue to be inspired by the curiosity of Henry Wellcome, and his voracious appetite to expand his own knowledge and expertise. Today we remain true to his spirit, supporting staff to reach their potential through a comprehensive approach to development.

All employees receive a comprehensive induction that familiarises them with all aspects of the Trust and how they will contribute to achieving our strategic vision. We follow this up with ongoing regular personal development reviews and feedback to ensure we are providing each individual with appropriate development support. We access the best initiatives and experiences for staff from a wide range of high-quality technical and personal development opportunities. We also develop in-house programmes to ensure our learning is entirely appropriate for our staff and gives them the best opportunity for success.

Diversity and equality

As a global charitable foundation that works across different countries and cultures, we are committed to inclusion and equality. Our staff are employed solely on their merits and we help them to maximise their achievements. It is important to us all to create a culture that is open and respects others, where differences are valued and celebrated.

New staff are briefed on diversity as part of their overall induction programme, and recruitment and staffing matters are monitored on an ongoing basis. A report and action plan is presented on an annual basis to the Executive Board and the Board of Governors.

During the last year a cross-Trust Task Force has been exploring diversity within the Trust. As a result, we are currently implementing a varied programme throughout the organisation. This includes a number of actions in the areas of communication, recruitment, development and the introduction of new programmes to support this activity.

Staff engagement and communication
There is an active Trust Staff Association to foster discussion and enable consultation on a wide range of issues of relevance to staff. We also conduct periodic staff surveys in order to elicit feedback directly from our staff and help us target areas for improvement. The most recent, conducted in July 2009, indicated continued high levels of staff engagement.

The Wellcome Trust Sanger Institute has a Consultation Committee to facilitate employee communication with staff at the Wellcome Trust Genome Campus.

Auditors

The Trust's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Board of Governors confirmed their reappointment on 14 December 2010.

The *Annual Report* was approved by The Wellcome Trust Limited, as Trustee, on 14 December 2010 and signed on its behalf by

Bill Castell

Sir William Castell
Chairman

Independent Auditors' Report

We have audited the Financial Statements of the Wellcome Trust for the year ended 30 September 2010 which comprise the Consolidated and the Trust Statement of Financial Activities, the Consolidated and the Trust Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustee and auditors

The Trustee's responsibilities for preparing the Annual Report and 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 trustees' responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under 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). This report, including the opinion, has been prepared for and only for the Trust's trustee in accordance with Regulation 30 of The Charities (Accounts and Reports) Regulations 2008 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 prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the information given in the Trustee's Annual Report is not consistent with those Financial Statements, if the Trust has not kept sufficient accounting records, if the Trust's Financial Statements are not in agreement with these 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. The other information comprises only the Trustee's Report and the Chairman's Statement and all of the other information listed on the contents page. 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 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 Group's and the Trust'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 Group's and the Trust's affairs as at 30 September 2010 and of the Group's and the Trust's incoming resources and application of resources, including the Group's cash flows, for the year then ended; and
- the Financial Statements have been prepared in accordance with the Charities Act 1993 as amended by the Charities Act 2006.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 December 2010

Notes:
The Financial Statements are published on the Wellcome Trust website, www.wellcome.ac.uk. The maintenance and integrity of the Wellcome Trust website is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Consolidated Statement of Financial Activities
for the year ended 30 September 2010

	Note	2010 £m	2009 £m
Incoming resources			
Investment income			
Dividends and interest	2	178.1	166.1
Rental income	3	23.0	24.3
		201.1	**190.4**
Other incoming resources			
Grants receivable	4(a)	15.7	18.1
Other income	4(b)	13.5	8.6
Total incoming resources		**230.3**	**217.1**
Resources expended			
Costs of generating funds			
Management fees and other costs	5	50.4	45.8
Interest payable on Bond liabilities		38.9	30.2
Interest payable on finance leases	22	–	1.3
Charitable activities	6	678.1	720.4
Governance costs	10	2.1	2.1
Total resources expended		**769.5**	**799.8**
Net outgoing resources before net gains on investments		**(539.2)**	**(582.7)**
Gain on variation of finance leases	17	–	**6.8**
Net realised and unrealised gains on investments	15(e)	**1,345.1**	**516.4**
Actuarial losses on defined benefit pension schemes	11(d)(i)	**(14.4)**	**(23.2)**
Net movement in fund		**791.5**	**(82.7)**
Fund at start of year		11,949.0	12,031.7
Fund at end of year		**12,740.5**	**11,949.0**

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

The notes on pages 39 to 86 form part of the Financial Statements.

Consolidated Balance Sheet

as at 30 September 2010

	Note	2010 £m	2009* £m
Tangible fixed assets	14(a)	**406.4**	**413.7**
Investment assets			
Quoted investments	15(a)	6,306.8	5,892.7
Unquoted investments	15(a)	6,746.2	6,077.1
Investment properties	15(a)	738.8	799.3
Derivative financial instruments	15(b)	60.5	2.3
Investment cash and certificates of deposit	15(c)	916.5	1,074.2
Other investment assets	15(c)	185.5	117.5
Programme related investments	15(d)	5.1	21.0
		14,959.4	**13,984.1**
Current assets			
Stock		3.0	2.0
Debtors	16	21.7	21.9
Cash at bank and in hand		26.8	8.8
		51.5	**32.7**
Creditors falling due within one year	17	**(893.5)**	**(745.2)**
Net current liabilities		**(842.0)**	**(712.5)**
Total assets less current liabilities		**14,523.8**	**13,685.3**
Creditors falling due after one year	17	**(1,656.1)**	**(1,631.3)**
Provision for liabilities and charges	18	**(14.4)**	**(9.8)**
Net assets representing unrestricted funds excluding pension deficit		**12,853.3**	**12,044.2**
Defined benefit pension schemes deficit	11(d)(ii)	**(112.8)**	**(95.2)**
Net assets representing unrestricted funds including pension deficit		**12,740.5**	**11,949.0**

* There has been a reclassification of certain investment balances as at 1 October 2009 to better reflect the nature of these investments.

The Consolidated Financial Statements were approved by The Wellcome Trust Limited, as Trustee, on 14 December 2010 and signed on its behalf by

Sir William Castell

Professor Peter Rigby

The notes on pages 39 to 86 form part of the Financial Statements.

Statement of Financial Activities of the Trust
for the year ended 30 September 2010

	Note	2010 £m	2009 £m
Incoming resources			
Investment income			
Dividends and interest	2	161.2	144.7
Rental income	3	21.1	23.5
		182.3	**168.2**
Other incoming resources			
Other income	4(b)	27.0	22.8
Total incoming resources		**209.3**	**191.0**
Resources expended			
Costs of generating funds			
Management fees and other costs	5	47.0	44.1
Interest payable on finance leases	22	–	1.3
Interest payable to Group undertakings		13.5	4.9
Charitable activities	6	653.9	692.8
Governance costs	10	1.9	1.9
Total resources expended		**716.3**	**745.0**
Net outgoing resources before net gains on investments		**(507.0)**	**(554.0)**
Gain on variation of finance leases	17	–	**6.8**
Net realised and unrealised gains on investments	15(e)	**1,314.0**	**495.3**
Actuarial losses on defined benefit pension scheme	11(d)(i)	**(11.9)**	**(12.2)**
Net movement in fund		**795.1**	**(64.1)**
Fund at start of year		11,861.0	11,925.1
Fund at end of year		**12,656.1**	**11,861.0**

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

The notes on pages 39 to 86 form part of the Financial Statements.

Balance Sheet of the Trust

as at 30 September 2010

	Note	2010 £m	2009* £m
Tangible fixed assets	14(b)	**271.5**	**279.8**
Investment assets			
Quoted investments	15(a)	5,645.2	5,246.4
Unquoted investments	15(a)	5,840.7	5,462.6
Investment properties	15(a)	707.9	773.8
Derivative financial instruments	15(b)	52.5	2.3
Investment cash and certificates of deposit	15(c)	902.9	1,039.7
Other investment assets	15(c)	156.8	89.2
Subsidiary and other undertakings	20(b)	1,195.3	822.6
Programme related investments	15(d)	5.1	21.0
		14,506.4	**13,457.6**
Current assets			
Debtors	16	12.2	13.5
Cash at bank and in hand		15.1	3.7
		27.3	**17.2**
Creditors falling due within one year	17	**(1,224.4)**	**(1,010.4)**
Net current liabilities		**(1,197.1)**	**(993.2)**
Total assets less current liabilities		**13,580.8**	**12,744.2**
Creditors falling due after one year	17	**(843.7)**	**(818.4)**
Provision for liabilities and charges	18	**(14.4)**	**(9.8)**
Net assets representing unrestricted funds excluding pension deficit		**12,722.7**	**11,916.0**
Defined benefit pension scheme deficit	11(d)(ii)	**(66.6)**	**(55.0)**
Net assets representing unrestricted funds including pension deficit		**12,656.1**	**11,861.0**

* There has been a reclassification of certain investment balances as at 1 October 2009 to better reflect the nature of these investments.

The Trust Financial Statements were approved by The Wellcome Trust Limited, as Trustee, on 14 December 2010 and signed on its behalf by

Sir William Castell

Professor Peter Rigby

The notes on pages 39 to 86 form part of the Financial Statements.

Consolidated Cash Flow Statement
for the year ended 30 September 2010

	Note	2010 £m	2009* £m
Net cash outflow from operating activities	21(a)	**(548.6)**	**(551.8)**
Returns on investments and servicing of finance			
Investment income received	21(b)	199.3	195.7
Cash outflow for servicing of finance	21(c)	(38.6)	(26.5)
Net cash inflow from returns on investments and servicing of finance		**160.7**	**169.2**
Financial investment and capital expenditure			
Proceeds from sales of investment assets	21(d)	3,926.1	4,673.1
Purchase of investment assets	21(d)	(3,695.4)	(3,996.1)
Net cash inflow/(outflow) upon settlement of derivative financial instruments	21(d)	13.3	(810.5)
Purchase of tangible fixed assets		(16.6)	(14.9)
Net cash inflow/(outflow) for financial investment and capital expenditure		**227.4**	**(148.4)**
Net cash outflow before use of liquid resources and financing		**(160.5)**	**(531.0)**
Management of liquid resources			
Decrease in investment cash and certificates of deposit		157.6	331.8
Decrease/(increase) in term deposits		0.4	(0.2)
Exchange gains		20.5	1.9
Net cash inflow from management of liquid resources		**178.5**	**333.5**
Financing			
Issue of corporate Bonds		–	270.4
Capital element of finance lease payments	17	–	(79.2)
Net cash inflow from financing		**–**	**191.2**
Increase/(decrease) in net cash		**18.0**	**(6.3)**

* The format of the Consolidated Cash Flow Statement has been amended to better reflect the nature of the cash flows and the comparatives have been amended accordingly.

The notes on pages 39 to 86 form part of the Financial Statements.

1. Accounting Policies

Basis of preparation and accounting convention
The Financial Statements of the Wellcome Trust (the "Trust") and the Consolidated Financial Statements of the Trust and its subsidiary undertakings (the "Group") have been prepared in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice). In particular they comply with the Charities Act 1993 (as amended by the Charities Act 2006), The Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice 'Accounting and Reporting by Charities' published in 2005 and updated in 2008 (the "SORP") in all material respects.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investments.

Basis of consolidation
The Consolidated Financial Statements include the Financial Statements of the Trust and all its subsidiary undertakings. Subsidiary undertakings are entities over which the Trust has control. The Financial Statements of subsidiaries are included from the date that control commences until the date that it ceases.

The 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, had a different year. This company ceased operations during the year ended 30 September 2009 and final audited Financial Statements to 30 April 2009 were used for consolidation purposes for that year.

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

Further detail on the Trust's subsidiary undertakings is provided in note 20.

The Group undertakes joint ventures for charitable and investment purposes. Joint ventures undertaken in the pursuit of the Group's charitable objects are Programme related investments and accounted for in the consolidated Financial Statements of the Group using the gross equity method if the impact is material. Joint ventures undertaken in pursuit of investment returns are accounted for within the main investment portfolio as investments.

Accounting policies
Accounting policies have been reviewed in accordance with Financial Reporting Standards ("FRS") 18 – "Accounting Policies". The Trust adopted "Amendment to FRS 29 – Improving Disclosures about Financial Instruments" – during the current financial year. This had no impact on the financial position reported.

Incoming resources
Interest income and rental income are recognised on an accruals basis. Dividends including any recoverable tax are recognised from the ex-dividend date when they become receivable. Other incoming resources are recognised in the period in which the Trust and the Group are entitled to receipt, any conditions are met and where the amount can be quantified with reasonable certainty.

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

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

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

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.

1. Accounting Policies (continued)

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

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

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

Tangible fixed assets
Tangible fixed assets, excluding land, held by the Group and the Trust are stated at cost less accumulated depreciation. Land is stated at cost.

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

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

	Years
Buildings	50
Finance leased plant and equipment	10 to 30
Other plant and equipment, furniture, fixtures and fittings	3 to 15
Computer equipment and motor vehicles	3 to 5

Heritage assets acquired prior to October 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 Financial Statements in assessing the Trustee's stewardship of the assets. Significant purchases of heritage assets since that date are capitalised.

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 is charged to the Statement of Financial Activities.

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

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

(ii) Unquoted investments
Unquoted investments are valued at the Trustee's best estimate of fair value. The principal unquoted valuations are performed as follows:

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

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

Where the managers do not provide a fair value of a fund, the Trust is unable to obtain a reliable fair value, and therefore these investments are held at cost less any known impairment.

The majority of valuations are at the balance sheet date.

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

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

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

(iv) Derivative financial instruments
Derivative financial instruments are used as part of the Trust's portfolio risk management and as part of the Trust's portfolio management and investment return strategy.

The Trust's use of derivative financial instruments includes index-linked futures, stock options, warrants and currency forwards.

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

(v) Programme related investments
Programme related investments (PRIs) are made directly by the charitable divisions in pursuit of the Trust's charitable aims. Although they may generate a financial return, the primary motivation is to further the objects of the charity.

PRIs are held at cost less any impairment.

(vi) Investment cash and certificates of deposit, other investment assets and other investment liabilities
Investment cash and certificates of deposit, and debtors and creditors arising as part of the investment portfolio, are stated at their fair value.

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

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

Bond liabilities
The Bond liabilities (the "Bonds") are the corporate bonds, listed on the London Stock Exchange, issued by Wellcome Trust Finance plc, a subsidiary of the Trust. The Bonds are initially measured at the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition the Bonds are measured at amortised cost using the effective interest rate method. The fair value of the Bonds disclosed within the notes to the Financial Statements is the market value of the Bonds at the year end date. The Group is not required to, and therefore does not, recognise any adjustment to fair value in the Balance Sheet and the Statement of Financial Activities.

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

1. Accounting Policies (continued)

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

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

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

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

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

Taxation
The Trust, Genome Research Limited and Hinxton Hall Limited are all charities registered under the Charities Act 1993 (as amended by the Charities Act 2006). Their income and gains are applied for charitable purposes and are mainly exempt from direct UK tax.

The income of Wellcome Trust Investment Limited Partnership and Wellcome Trust Scottish Limited Partnership are treated for UK tax purposes as the income or gains of the partners, the Trust and Wellcome Trust GP Limited, in the proportions specified in the partnership agreement.

Wellcome Trust GP Limited and the Trust's remaining subsidiary undertakings are non-charitable subsidiaries and are subject to UK corporation tax, but as a result of Gift Aid donations to the Trust, no corporation tax arises.

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

2. Dividends and Interest

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Dividends from quoted UK equities	45.0	45.7	43.9	44.4
Dividends from quoted overseas equities	96.6	90.0	89.7	83.3
Interest from UK fixed interest securities	1.1	8.3	1.0	5.5
Interest from overseas fixed interest securities	4.9	4.6	4.9	1.8
Income from unquoted investments	29.6	14.2	20.8	6.7
Interest on cash and cash deposits	0.6	3.3	0.6	3.0
Securities lending income	0.3	–	0.3	–
	178.1	**166.1**	**161.2**	**144.7**

3. Rental Income

All rental income is derived from investment properties in the United Kingdom.

4. Other Incoming Resources

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

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Grants receivable	**15.7**	**18.1**	**–**	**–**

(b) Other income

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Other income	**13.5**	**8.6**	**27.0**	**22.8**

Included in other income above for the Trust are Gift Aid donations, which are equal to the estimated taxable profit of each subsidiary undertaking listed overleaf, totalling £19.8 million (2009: £18.8 million).

4. Other Incoming Resources (continued)

	2010 £m	2009 £m
W.T. Construction Limited	–	–
Wellcome Trust Trading Limited	0.8	1.0
Wellcome Trust Finance plc	6.5	6.5
Wellcome Trust GP Limited	–	–
Wellcome Trust Investments 1 Unlimited	–	(0.3)
Wellcome Trust Investments 2 Unlimited	4.0	–
Wellcome Trust Investments 3 Unlimited	0.1	2.5
Wellcome Trust Residential 1 Unlimited	8.3	9.0
Wellcome Trust Residential 2 Unlimited	0.1	0.1
	19.8	**18.8**

5. Management Fees and Other Costs

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

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
External investment management fees	34.0	33.3	31.7	31.6
Internal investment administration costs	12.0	8.1	11.8	8.1
Other investment costs	0.9	0.9	–	0.9
Investment support cost allocation	3.5	3.5	3.5	3.5
	50.4	**45.8**	**47.0**	**44.1**

6. Charitable Activities

Group

	Grant funding £m	Direct £m	Allocated support £m	Total 2010 £m	Total 2009 £m
Science Funding	410.0	26.4	14.7	451.1	476.9
Medical Humanities and Engagement	16.6	18.3	16.4	51.3	50.0
Technology Transfer	46.6	12.6	6.3	65.5	78.5
Wellcome Trust Genome Campus	–	104.6	5.6	110.2	115.0
	473.2	**161.9**	**43.0**	**678.1**	**720.4**

Trust

	Grant funding £m	Direct £m	Allocated support £m	Total 2010 £m	Total 2009 £m
Science Funding	410.0	26.4	14.7	451.1	476.9
Medical Humanities and Engagement	16.6	18.0	16.4	51.0	49.8
Technology Transfer	46.6	13.1	6.3	66.0	78.5
Wellcome Trust Genome Campus	78.3	6.0	1.5	85.8	87.6
	551.5	**63.5**	**38.9**	**653.9**	**692.8**

7. Grants Awarded

Grants are generally awarded to particular individuals, although the actual award is made to the host organisation. Small grants may be awarded directly to individuals for the purpose of travel and for public engagement with science.

Grants awarded during the year are analysed by organisation in the table below. The grants included within 'Grants to other organisations' for 2010 totalled less than £3.0 million (2009: £3.0 million) in value for each organisation.

7. Grants Awarded (continued)

Group	Science Funding £m	Medical Humanities and Engagement £m	Technology Transfer £m	Wellcome Trust Genome Campus £m	Total 2010 £m	Total 2009 £m
University of Oxford	74.8	0.4	4.2		79.4	100.1
University of Cambridge	49.5	1.1	1.1		51.7	43.3
University College London	34.5	1.2	2.2		37.9	84.4
University of Edinburgh	25.4	–	2.6		28.0	18.1
University of Dundee	18.1	–	8.5		26.6	6.2
Kenya Medical Research Institute, Kenya	24.1	–	–		24.1	0.2
Imperial College London	17.4	0.6	–		18.0	33.2
London School of Hygiene and Tropical Medicine	14.3	0.1	–		14.4	13.9
University of Manchester	12.0	1.3	0.4		13.7	14.8
UK Biobank Ltd	12.5	–	–		12.5	1.8
King's College London	9.8	0.3	2.2		12.3	19.6
University of Bristol	10.8	–	1.2		12.0	9.8
University of Newcastle Upon Tyne	10.9	0.1	–		11.0	7.1
University of Glasgow	9.6	0.2	–		9.8	6.9
Structural Genomics Consortium Ltd	8.0	–	–		8.0	–
Cardiff University	7.0	0.3	–		7.3	8.4
University of York	5.8	0.5	–		6.3	0.9
University of Liverpool	6.2	–	–		6.2	5.4
Stevenage Bioscience Catalyst Limited	–	–	6.0		6.0	–
Wellcome Trust–Department of Biotechnology India Alliance	5.6	–	–		5.6	4.7
University of Birmingham	5.1	–	–		5.1	7.4
Diamond Light Source Ltd	5.0	–	–		5.0	6.1
University of Leeds	4.4	0.2	–		4.6	9.7
The Institute of Cancer Research	1.8	–	2.3		4.1	3.6
St George's, University of London	2.3	–	1.8		4.1	5.2
University of Leicester	1.9	–	1.4		3.3	4.8
University of Sheffield	2.8	–	0.4		3.2	1.9
Keele University	0.3	0.2	2.6		3.1	0.3
Grants to other organisations	42.7	10.1	9.7		62.5	105.5
Total grants (excluding supplementations and grants no longer required)	**422.6**	**16.6**	**46.6**		**485.8**	**523.3**
Grant supplementations	4.2				4.2	15.8
Less: grants awarded in previous years no longer required	(16.8)				(16.8)	(7.9)
Grants awarded by the Group of which	**410.0**	**16.6**	**46.6**		**473.2**	**531.2**
United Kingdom	364.7	16.0	39.7		420.4	477.0
Directly funded international	45.3	0.6	6.9		52.8	54.2
Grants awarded by the Group	**410.0**	**16.6**	**46.6**		**473.2**	**531.2**

Trust	Science Funding £m	Medical Humanities and Engagement £m	Technology Transfer £m	Wellcome Trust Genome Campus £m	Total 2010 £m	Total 2009 £m
Grants awarded by the Group	410.0	16.6	46.6	–	473.2	531.2
Plus: grants awarded to subsidiary undertakings	–	–	–	78.3	78.3	78.6
Grants awarded by the Trust	**410.0**	**16.6**	**46.6**	**78.3**	**551.5**	**609.8**

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

The following Governors during the year had appointments with organisations that were in receipt of grants:
Professor Adrian Bird – University of Edinburgh
Professor Kay Davies – University of Oxford
Professor Christopher Fairburn – University of Oxford
Professor Peter Rigby – The Institute of Cancer Research
Professor Peter Smith – London School of Hygiene and Tropical Medicine, Nuffield Council on Bioethics

8. Grants Awarded but Not Yet Paid

	Group 2010 £m	Group 2009 £m	Trust 2010 £m	Trust 2009 £m
Liability as at 1 October	1,409.4	1,259.6	1,406.4	1,255.6
Grants awarded during the year	473.2	531.2	551.5	609.8
Grants paid during the year	(389.6)	(381.4)	(467.9)	(459.0)
Liability as at 30 September	**1,493.0**	**1,409.4**	**1,490.0**	**1,406.4**
Of which				
Falling due within one year (note 17)	649.9	591.0	648.8	591.0
Falling due after one year (note 17)	843.1	818.4	841.2	815.4
Liability as at 30 September	**1,493.0**	**1,409.4**	**1,490.0**	**1,406.4**

9. Support Costs

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

Operations comprise building costs, costs associated with the Human Resources department, the Finance department, the Legal department and Information Technology.

Group

	Costs of generating funds £m	Science Funding £m	Medical Humanities and Engagement £m	Technology Transfer £m	Wellcome Trust Genome Campus £m	Total 2010 £m	Total 2009 £m	Allocation method
Funding administration	–	6.9	3.5	2.9	0.1	13.4	10.4	Directly attributed
Support of scientific research	–	–	–	–	4.0	4.0	3.7	Directly attributed
Operations	3.3	5.6	12.7	2.9	1.1	25.6	21.0	Headcount/ building usage
Other	0.2	2.2	0.2	0.5	0.4	3.5	8.2	Expenditure
	3.5	**14.7**	**16.4**	**6.3**	**5.6**	**46.5**	**43.3**	

Trust

	Costs of generating funds £m	Science Funding £m	Medical Humanities and Engagement £m	Technology Transfer £m	Wellcome Trust Genome Campus £m	Total 2010 £m	Total 2009 £m	Allocation method
Funding administration	–	6.9	3.5	2.9	0.1	13.4	10.4	Directly attributed
Operations	3.3	5.6	12.7	2.9	1.1	25.7	21.0	Headcount/ building usage
Other	0.2	2.2	0.2	0.5	0.3	3.3	8.2	Expenditure
	3.5	**14.7**	**16.4**	**6.3**	**1.5**	**42.4**	**39.6**	

10. Governance Costs

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Trustee fees and expenses	0.9	0.9	0.9	0.9
Auditors' remuneration				
Parent company and consolidation	0.2	0.2	0.2	0.2
Audits of subsidiary undertakings	0.1	0.1	–	–
Internal audit	0.4	0.4	0.3	0.3
Other costs	0.5	0.5	0.5	0.5
	2.1	**2.1**	**1.9**	**1.9**

In addition to the Auditors' remuneration above, in 2010 total fees of £0.2 million (2009: £0.3 million) excluding VAT were payable to the Group's auditors PricewaterhouseCoopers LLP or associated firms in respect of taxation and consultancy services. In addition, there were audit fees payable to PricewaterhouseCoopers LLP in respect of the Wellcome Trust Pension Plan of £11,400 (2009: £11,400), excluding VAT, which were borne by the Plan and audit fees relating to Genome Research Limited Pension Plan of £6,000 (2009: £6,000), excluding VAT, which were borne by Genome Research Limited.

The internal audit services are outsourced to Deloitte LLP.

11. Employee Information

a) Staff costs

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Salaries and benefits in kind	57.3	53.4	28.3	26.0
Social security costs	4.6	4.4	2.4	2.3
Pension costs and other benefits	15.8	12.4	8.5	6.4
	77.7	**70.2**	**39.2**	**34.7**

11. Employee Information (continued)

b) Average numbers of employees who served during the year

	Average 2010	Average 2009
Trust	515	517
Subsidiary undertakings	845	822
Total for the Group	**1,360**	**1,339**
Analysed by		
Investments	30	31
Direct activities	964	953
Support	365	354
Governance	1	1
Total for the Group	**1,360**	**1,339**
Analysed by		
Investments	30	31
Direct activities	148	154
Support	336	331
Governance	1	1
Total for the Trust	**515**	**517**

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 and amounts awarded under the Long Term Incentive Plans) fell within the following bands were:

	Group	
	2010	2009
£60,000–£69,999	30	37
£70,000–£79,999	25	14
£80,000–£89,999	15	11
£90,000–£99,999	8	8
£100,000–£109,999	10	9
£110,000–£119,999	2	8
£120,000–£129,999	7	4
£130,000–£139,999	2	6
£140,000–£149,999	4	2
£150,000–£159,999	2	3
£160,000–£169,999	1	3
£170,000–£179,999	4	2
£180,000–£189,999	1	1
£190,000–£199,999	–	1
£210,000–£219,999	1	1
£220,000–£229,999	1	–
£240,000–£249,999	1	1
£260,000–£269,999	–	1
£280,000–£289,999	1	–
£310,000–£319,999	1	–
£340,000–£349,999	–	1
£390,000–£399,999	1	–
£460,000–£469,999	–	1
£550,000–£559,999	1	1

The remuneration of the Director included in the table above totalled £391,105 (2009: £346,430).

Pension benefits have been accruing under the defined benefit schemes for all of the Group's employees included in the above bandings.

Further information in respect of employees' and Governors' remuneration is included within the Remuneration Report on pages 24 to 25. The table of Governors' remuneration on page 25 forms part of the audited Financial Statements.

11. Employee Information (continued)

d) Retirement benefits

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

The Wellcome Trust Pension Plan was last assessed by independent consulting actuaries, Jardine Lloyd Thompson, as at 1 January 2008, using the projected unit credit method. The valuation identified a £10 million shortfall in funding, which the Trustees of the Plan agreed to make good over five years. The Trust's funding arrangements for normal contributions have, however, remained unchanged from those adopted on 1 October 2007 at 22.4% of pensionable pay 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 valuation was updated to 30 September 2010 by a qualified actuary, independent of the scheme's sponsoring employer. The next actuarial assessment is due as at 1 January 2011.

A full actuarial valuation of the Genome Research Limited Pension Plan was carried out at 1 January 2010 by a qualified actuary, Jardine Lloyd Thompson, independent of the scheme's sponsoring employer, using the projected unit credit method. The preliminary results of this have been updated to 30 September 2010. The company currently pays contributions at the rate of 17.1% of pensionable pay for members who joined before 1 April 2005, 9.7% of pensionable pay for members who joined after 1 April 2005 accruing benefits on a 1/60ths scale and 9.5% of pensionable pay for members who joined after 1 April 2005 accruing benefits on a 1/80ths scale. The contribution rate is set to continue until reviewed following the outcome of the actuarial valuation at 1 January 2010.

The FRS 17 "Retirement Benefit" actuarial valuation of the Wellcome Trust's and Genome Research Limited's Pension Plans, at 30 September 2010, showed a combined deficit of £112.8 million (2009: £95.2 million). This deficit represents the difference between an assessment of the liabilities of the pension funds and the current value of their underlying assets. The amount of the deficit is subject to considerable variability because it depends on a valuation of assets at the year end date and a range of actuarial assumptions including interest and inflation rates, which change annually.

The contributions made by the employer over the financial year into the Wellcome Trust Pension Plan were £7.2 million (2009: £4.8 million). Contributions made by the employer into the Genome Research Limited Pension Plan were £3.5 million (2009: £3.6 million).

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

	2010 % per annum	2009 % per annum	2008 % per annum
Inflation	3.40%	3.30%	3.70%
Salary increases	4.90%	5.30%	5.70%
Rate of discount	5.00%	5.50%	6.30%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.30%	3.30%	3.70%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.40%	3.30%	3.70%
Allowance for commutation of pension for cash at retirement	None	None	None
Rate of increase of healthcare costs	6.00%	6.00%	6.00%

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

	2010	2009
Male retiring at age 60 in 2010	28.2	28.2
Female retiring at age 60 in 2010	30.7	30.7
Male retiring at age 60 in 2030	29.5	29.4
Female retiring at age 60 in 2030	31.7	31.7

The mortality assumptions used in the valuation of the defined benefit pension liabilities of both schemes and the provision for post-retirement medical benefits are based on the PNA00 series standard mortality tables (year of birth) with allowance for future mortality improvement rates in line with the long cohort projections. Members are not assumed to take cash at retirement. These are the same assumptions as the prior year.

11. Employee Information (continued)

i) Charge to the Statement of Financial Activities

	Group Pension and other retirement benefits		Trust Pension and other retirement benefits	
	2010 £m	2009 £m	2010 £m	2009 £m
Current service cost	12.7	10.6	6.5	4.8
Past service cost	–	–	–	–
	12.7	**10.6**	**6.5**	**4.8**
Other finance income				
Expected return on pension schemes' assets	(10.0)	(8.8)	(6.5)	(5.7)
Interest on pension schemes' liabilities	12.6	11.3	7.9	7.3
	2.6	**2.5**	**1.4**	**1.6**
Actuarial losses	**14.4**	**23.2**	**11.9**	**12.2**
Total charge to the Statement of Financial Activities	**29.7**	**36.3**	**19.8**	**18.6**

ii) Present values of scheme liabilities, fair value of assets and deficit

	Assets		Liabilities		Deficit	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Wellcome Trust Pension Plan	94.1	79.1	(160.7)	(134.1)	(66.6)	(55.0)
Genome Research Limited Pension Plan	50.2	41.7	(96.4)	(81.9)	(46.2)	(40.2)
Total pension funds	**144.3**	**120.8**	**(257.1)**	**(216.0)**	**(112.8)**	**(95.2)**

iii) Reconciliation of opening and closing balances of the present value of the scheme liabilities as at 30 September

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Scheme liabilities at start of period	216.0	169.2	134.1	108.0
Current service cost	12.2	10.1	6.0	4.3
Interest cost	12.2	10.9	7.5	6.9
Contributions by scheme participants	0.8	0.6	0.4	0.3
Actuarial losses	19.2	28.8	15.4	17.6
Benefits paid and death in service insurance premiums	(3.3)	(3.6)	(2.7)	(3.0)
Scheme liabilities at end of period	**257.1**	**216.0**	**160.7**	**134.1**

Analysis of the sensitivity to the principal assumptions of the value of the scheme liabilities

Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by 15.9%
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by 8.8%
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by 2.1%
Rate of mortality	1 year increase in life expectancy	Increase by 2.3%

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

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Fair value of scheme assets at start of period	120.8	101.0	79.1	65.9
Expected return on scheme assets	10.0	8.8	6.5	5.7
Actuarial gains	4.8	5.6	3.5	5.4
Contributions by the Group	11.2	8.4	7.3	4.8
Contributions by scheme participants	0.8	0.6	0.4	0.3
Benefits paid and death in service insurance premiums	(3.3)	(3.6)	(2.7)	(3.0)
Assets acquired in a business combination	–	–	–	–
Assets distributed on settlements	–	–	–	–
Fair value of scheme assets at end of period	**144.3**	**120.8**	**94.1**	**79.1**

The actual return on the Group assets over the period ending 30 September 2010 was a loss of £14.8 million (2009: £14.4 million).

11. Employee Information (continued)

v) Split of assets and expected returns

	2010 £m	Expected return (%)	2009 £m	Expected return (%)	2008 £m	Expected return (%)
Wellcome Trust Pension Plan						
Equity	93.8	7.8%	78.8	8.0%	65.4	8.5%
Bond	–	–	–	–	–	–
Other	0.3	0.5%	0.3	0.5%	0.5	5.0%
Total assets	**94.1**	**7.8%**	**79.1**	**8.0%**	**65.9**	**8.5%**

	2010 £m	Expected return (%)	2009 £m	Expected return (%)	2008 £m	Expected return (%)
Genome Research Limited Pension Plan						
Equity	50.2	7.8%	41.7	8.0%	35.1	8.5%
Bond	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total assets	**50.2**	**7.8%**	**41.7**	**8.0%**	**35.1**	**8.5%**

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

The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long-term expected return on bonds is determined by reference to UK long-dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for outperformance.

vi) Amounts for the current and previous four years

Group

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of schemes' assets	144.3	120.8	101.0	118.6	100.3
Present value of schemes' liabilities	(257.1)	(216.0)	(169.2)	(159.0)	(151.7)
Deficit in schemes	**(112.8)**	**(95.2)**	**(68.2)**	**(40.4)**	**(51.4)**
Experience adjustment on schemes' assets	4.8	5.6	(36.1)	3.2	3.3
Experience adjustment on schemes' liabilities	11.4	0.9	2.2	(1.0)	(0.9)
Effects of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(30.6)	(29.7)	8.0	13.7	(11.6)

Trust

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets	94.1	79.1	65.9	76.5	66.4
Present value of scheme liabilities	(160.7)	(134.1)	(114.6)	(108.8)	(104.9)
Deficit in scheme	**(66.6)**	**(55.0)**	**(48.7)**	**(32.3)**	**(38.5)**
Experience adjustment on scheme assets	3.5	5.4	(22.1)	2.4	2.0
Experience adjustment on scheme liabilities	2.1	0.1	3.4	(1.0)	(0.9)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(17.5)	(17.7)	2.0	8.0	(5.9)

vii) Estimate of contributions to be paid to scheme

The best estimate of contributions to be paid by the employer to the Wellcome Trust scheme for the period beginning after 30 September 2010 is £7.0 million. This includes the additional contributions required to make good the shortfall in funding identified in the valuations of 1 January 2008. The best estimate of contributions to be paid by the employer to the Genome Research Limited scheme for the period beginning after 30 September 2010 is £3.5 million.

12. Remuneration of Governors and Related Party Transactions

Information on Governors' remuneration is included in the Remuneration Report on pages 24 to 25.

In addition:

- Mr Peter Davies, who is a senior partner at Lansdowne Partners, has been an external member of the Board's Investment Committee for over two years and joined the Board of Governors on 1 September 2009. Lansdowne Partners acts as one of the fund managers on behalf of the Trust and received management fees of £1.2 million (2009: £0.8 million). Lansdowne Partners is also entitled to a performance fee of 20% of the appreciation of the net asset value of the fund during each period of 12 months ending 31 December. The amount payable in respect of performance fees for the year ended 30 September 2010 was £2.7 million (2009: £nil).
- Mr Roderick Kent is a non-executive director of Grosvenor Group Holdings Limited, a subsidiary of which acted for part of the year as one of the fund managers on behalf of the Trust and received management fees of £0.2 million (2009: £0.3 million).
- Details of the Governors who had appointments during the year with organisations that were in receipt of grants are disclosed in note 7.

13. Taxation

The estimated cost of irrecoverable Value Added Tax suffered by the Group in the year was £7.8 million (2009: £7.1 million). The Trust claims exemption from income and capital gains taxes; however, the exemption does not extend to underwriting commission.

14. Tangible Fixed Assets

a) Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Finance leased buildings £m	Finance leased plant and equipment £m	Other plant equipment, fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost as at 1 October 2009	345.3	1.5	20.8	64.0	146.4	1.2	579.2
Additions	0.6	–	0.2	–	13.8	1.5	16.1
Disposals	–	–	–	–	(11.3)	–	(11.3)
Cost as at 30 September 2010	**345.9**	**1.5**	**21.0**	**64.0**	**148.9**	**2.7**	**584.0**
Depreciation as at 1 October 2009	51.4	1.5	2.0	14.9	95.7	–	165.5
Charge for the year	6.5	–	0.4	3.1	13.3	–	23.3
Disposals	–	–	–	–	(11.2)	–	(11.2)
Depreciation as at 30 September 2010	**57.9**	**1.5**	**2.4**	**18.0**	**97.8**	**–**	**177.6**
Net book value as at 30 September 2010	**288.0**	**–**	**18.6**	**46.0**	**51.1**	**2.7**	**406.4**
Net book value as at 30 September 2009	293.9	–	18.8	49.1	50.7	1.2	413.7

b) Trust

	Freehold land and buildings £m	Long leasehold land and buildings £m	Finance leased buildings £m	Finance leased plant and equipment £m	Other plant equipment, fixtures and fittings £m	Total £m
Cost as at 1 October 2009	211.0	1.5	20.8	64.0	44.9	342.2
Additions	0.5	–	–	–	1.1	1.6
Cost as at 30 September 2010	**211.5**	**1.5**	**20.8**	**64.0**	**46.0**	**343.8**
Depreciation as at 1 October 2009	27.7	1.5	2.0	14.9	16.3	62.4
Charge for the year	3.3	–	0.4	3.1	3.1	9.9
Depreciation as at 30 September 2010	**31.0**	**1.5**	**2.4**	**18.0**	**19.4**	**72.3**
Net book value as at 30 September 2010	**180.5**	**–**	**18.4**	**46.0**	**26.6**	**271.5**
Net book value as at 30 September 2009	183.3	–	18.8	49.1	28.6	279.8

15. Investments

a) Investment assets

Group

	Fair value 1 October 2009* £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	Fair value 30 September 2010 £m
UK	1,205.8	395.3	395.7	50.5	1,255.9
Overseas	4,686.9	2,349.8	2,475.1	489.3	5,050.9
Total quoted	**5,892.7**	**2,745.1**	**2,870.8**	**539.8**	**6,306.8**
UK	241.9	16.6	50.7	4.1	211.9
Overseas	5,835.2	886.7	809.7	622.1	6,534.3
Total unquoted	**6,077.1**	**903.3**	**860.4**	**626.2**	**6,746.2**
UK	799.3	11.9	186.5	114.1	738.8
Total property	**799.3**	**11.9**	**186.5**	**114.1**	**738.8**
Total	**12,769.1**	**3,660.3**	**3,917.7**	**1,280.1**	**13,791.8**

Trust

	Fair value 1 October 2009* £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	Fair value 30 September 2010 £m
UK	1,175.8	279.8	292.6	49.2	1,212.2
Overseas	4,070.6	1,710.8	1,792.7	444.3	4,433.0
Total quoted	**5,246.4**	**1,990.6**	**2,085.3**	**493.5**	**5,645.2**
UK	241.9	16.6	50.7	4.1	211.9
Overseas	5,220.7	619.5	794.1	582.7	5,628.8
Total unquoted	**5,462.6**	**636.1**	**844.8**	**586.8**	**5,840.7**
UK	773.8	10.4	186.5	110.2	707.9
Total property	**773.8**	**10.4**	**186.5**	**110.2**	**707.9**
Total	**11,482.8**	**2,637.1**	**3,116.6**	**1,190.5**	**12,193.8**

* There has been a reclassification of certain investment balances as at 1 October 2009 to better reflect the nature of these investments.

The investment assets at fair value in the Trust and the Group include securities on loan at year end with fair value of £42.3 million (2009: £nil); the Trust and the Group held £44.9 million (2009: £nil) as collateral in respect of these securities. The Trust recognises the cash collateral held asset and a liability to return the cash collateral to the borrowers as disclosed in note 15(c) and note 17. During the year the maximum aggregate fair value of securities on loan was £175.5 million (2009: £62.2 million) and the Trust held £189.3 million (2009: £66.6 million) as collateral in respect of these securities. The income receivable due to securities lending activities is disclosed in note 2. No loaned securities were re-called but not obtained during the year and therefore no collateral was retained.

The unquoted valuation in the Trust and the Group above includes direct investments of £nil (2009: £206.3 million) and other investments of £127.1 million (2009: £249.8 million) for which the valuation used is equal to cost less any impairment. For these investments the fair value cannot be reliably measured and therefore they are held at cost less any impairment.

Investment properties in the Trust and the Group have been valued at market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuations were carried out by Gerald Eve, Savills (L and P) Limited and CB Richard Ellis.

(b) Derivative financial instruments

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Derivative financial instrument asset positions	**60.5**	**2.3**	**52.5**	**2.3**

Derivative financial instrument liabilities for the Group and the Trust of £60.7 million (2009: £32.6 million) are included within creditors falling due within one year, disclosed in note 17.

The Trust's use of derivative financial instruments comprises:

Forward currency contracts
Forward currency contracts are used to hedge investment assets denominated in foreign currency into Sterling and as part of the investment strategy to have globally diversified currency exposure. As at 30 September 2010, the notional value of open forward contracts amounted to £3,962.2 million (2009: £365.0 million). As at 30 September 2010, the Trust held cash collateral relating to its forward currency contracts of £37.0 million (2009: £nil), as disclosed in note 15(c) and note 17.

Financial futures, options and warrants
The use of futures, options and warrants constitutes part of the Trust's portfolio management, including:

- a substitution for investing in physical assets
- a part of the Trust's long-term investment return strategy, entered into with the expectation of realising gains
- adjusting asset exposures within the parameters set in the Trust's Investment Policy.

15. Investments (continued)

As at 30 September 2010, there were no long futures positions (2009: £nil) and the notional value of open sold futures positions amounted to £0.1 million (2009: £828.3 million). Sold futures are covered by quoted equity positions as reflected in note 15(a).

As at 30 September 2010, the notional value of long options positions amounted to £64.8 million (2009: £64.8 million) and the notional value of short options positions amounted to £49.4 million (2009: £ 63.4 million). Sold call options are covered by quoted equities positions as reflected in note 15(a). Sold put options are covered by cash as reflected in note 15(c).

As at 30 September 2010, the Group held long warrants positions relating to unquoted equity holdings that allow the Group to purchase additional equities at an agreed strike price. The notional value of these warrants amounted to £4.0 million (2009: £nil).

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

	Group		Trust	
	2010 £m	**2009 £m**	**2010 £m**	**2009 £m**
Investment cash and certificates of deposit	**916.5**	**1,074.2**	**902.9**	**1,039.7**
Cash collateral held	81.9	–	81.9	–
Accrued income from investments	11.6	9.9	10.0	9.0
Income receivable	7.0	8.8	7.0	8.8
Proceeds receivable on sale of investments	68.4	76.7	53.4	67.9
Prepayment of investment purchases	11.7	18.2	–	–
Other investment debtors	4.9	3.9	4.5	3.5
Other investment assets	**185.5**	**117.5**	**156.8**	**89.2**

d) Programme related investments

	Fair value 1 October 2009 £m	**Purchases £m**	**Transfers on conversion £m**	**Total losses £m**	**Fair value 30 September 2010 £m**
Freehold land – UKCMRI	14.0	–	–	(14.0)	–
Loans – UKCMRI	3.1	2.8	–	(5.9)	–
Loans – other	3.2	12.2	(0.8)	(11.0)	3.6
Loans	**6.3**	**15.0**	**(0.8)**	**(16.9)**	**3.6**
Equities – Diamond	–	3.6	–	(3.6)	–
Equities – Hilleman Laboratories	–	0.6	–	(0.6)	–
Equities – other	0.7	–	0.8	–	1.5
Equities	**0.7**	**4.2**	**0.8**	**(4.2)**	**1.5**
Total	**21.0**	**19.2**	**–**	**(35.1)**	**5.1**

UKCMRI
The Trust continued to work with the UK Medical Research Council, Cancer Research UK and University College London (the "other Founders") to develop the UK Centre for Medical Research and Innovation (UKCMRI), a world-class multidisciplinary biomedical research centre to be based in London. During the year the Trust agreed, with the other Founders and UKCMRI Limited, the Heads of Terms and the legal agreement for the purpose of establishing and operating UKCMRI. The Heads of Terms were signed on 11 February 2010. The legal agreement was signed on 9 November 2010, after the balance sheet date; however, at the balance sheet date terms of this legal agreement were final and the Trust was committed to this agreement.

The Programme related investment in freehold land is the Trust's interest in the UKCMRI site. The Programme related investment in Loans – UKCMRI is the Trust's share of the funding of this project. Under the terms of the agreement the Trust will provide funding for the construction of the UKCMRI building on this site and will lease the land and building for 55 years to UKCMRI Limited at £nil rental. Upon expiry of the lease the Trust would expect to agree to renew this lease on the same terms. On this basis the Trust does not expect to receive any financial return from these Programme related investments and they have been fully written down during the year.

In addition, under the terms of the agreement, the Trust's 25% equity interest in UKCMRI Construction Limited, the entity that is undertaking the design and build of the UKCMRI building, will be transferred to UKCMRI Limited. At the balance sheet date UKCMRI Construction Limited was jointly controlled by the Trust and the other Founders. In the prior year, this entity was recognised as a joint venture (share of liabilities £4.4 million and share of turnover £2.5 million); however, as the interest is no longer held on a long-term basis UKCMRI Construction Limited has been treated as a Programme related investment at the balance sheet date.

Other
As part of its Technology Transfer activities, the Trust has provided funding to 42 (2009: 37) early-stage companies to carry out biomedical research projects with potential to deliver health benefits. Together these Programme related investments form a portfolio managed separately from the Trust's other investments. These investments are not intended to be held for the longer term. Consequently, these investments are, as permitted by FRS 9, held at cost less provision for impairment rather than treated as associated companies. The £11.0 million loss is to reflect the Trust's policy of writing off 90% of the investment in these early-stage companies due to the low rate of success of these Technology Transfer activities. This is included in the Technology Transfer direct expenditure in note 6. In view of the immateriality of the value of these investments as at 30 September 2010, further details of individual companies have not been disclosed.

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

Hilleman Laboratories
Equities include a 50% equity interest in SCS Pharma Research and Development Private Limited (known as MSD–Wellcome Trust Hilleman Laboratories), a company established to develop affordable vaccines to prevent diseases that commonly affect low- and middle-income countries. Under the shareholding agreement there is no intrinsic value in the equity and the cost has therefore been fully written down and reflected within Technology Transfer direct expenditure in note 6. Outstanding commitments are disclosed in note 19(b).

15. Investments (continued)

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

		Group		Trust	
		2010	**2009**	**2010**	**2009**
		£m	**£m**	**£m**	**£m**
Quoted investments	15(a)	539.8	1,122.6	493.5	1,008.5
Unquoted investments	15(a)	626.2	(68.7)	586.8	(23.3)
Investment properties	15(a)	114.1	2.9	110.2	0.5
Derivative financial instruments					
Currency overlay		90.2	(270.1)	90.2	(270.1)
Other derivative financial instruments		(46.8)	(272.1)	(47.6)	(257.3)
Shares in subsidiary undertakings		–	–	58.9	41.2
Foreign exchange		21.6	1.8	22.0	(4.2)
		1,345.1	**516.4**	**1,314.0**	**495.3**

Gains relating to derivative financial instruments include £90.2 million (2009: loss of £270.1 million) relating to the currency overlay, which comprises forward currency contracts to hedge the Group and Trust's exposure to foreign currency assets. The remaining losses of £46.8 million (2009: £272.1 million) relate to losses on other forward currency contracts, financial futures, options and warrants. The Trust adopts a policy of hedging a part of its non-base currency exposures using a currency overlay, although the actual percentage hedged varies from time to time. The gains and losses relating to the currency overlay are therefore offsetting foreign exchange gains and losses on the foreign currency assets within quoted and unquoted investments. The Group and Trust's exposure to foreign currency is detailed in note 23(c)(ii).

(f) Reconciliation to Trustee's Report

The presentation of investment balances in notes 15 and 17 is in accordance with the statutory asset and liability classifications. However, the investment portfolio is reported by investment strategy for management purposes and for the Trustee's Report. The distinct classes of assets used and reported on within the Trustee's Report are: 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. The market value of each asset class presented in the Trustee's Report and the table below is equal to the net investment assets and liabilities, held within portfolios with that applicable investment strategy.

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

	Fair value 2010 £m	Fair value 2009 £m
Equity and Equity Long/Short	**7,992.9**	**6,661.9**
Long-only equities	**6,570.4**	**5,243.9**
Global	2,887.5	2,568.8
USA	889.9	884.4
Emerging markets	885.0	745.6
Asia Pacific ex Japan	737.4	651.6
Optionality	588.0	558.2
UK	199.1	249.8
Europe	195.8	210.3
Japan	190.0	207.1
Futures	–	(827.3)
Options	(2.3)	(4.6)
Long/Short Hedge Funds	**1,422.5**	**1,418.0**
Bonds and cash	**869.9**	**1,798.4**
Bonds and cash	867.6	966.6
Future and options collateral offset	2.3	831.8
Absolute return and buyout	**2,432.4**	**2,314.2**
Large MBO funds	709.3	578.6
Mid MBO funds	274.3	327.1
Secondaries private equity funds	37.2	37.1
Distressed debt private equity funds	379.8	309.7
Multistrategy hedge funds	692.6	754.1
Distressed debt hedge funds	339.2	307.6
Growth and venture	**2,093.1**	**1,585.4**
Venture capital funds	1,010.1	826.9
Sector private equity funds	294.7	270.8
Growth private equity funds	153.9	126.8
Emerging market private equity funds	119.4	101.8
Direct healthcare	196.0	170.5
Direct knowledge	189.8	42.1
Direct financials	129.2	46.5
Property and infrastructure	**1,392.3**	**1,499.9**
Residential property	**1,198.9**	**1,101.2**
Direct residential property	1,019.1	879.3
Residential property funds	179.8	221.9
Commercial property	**193.4**	**398.7**
Commercial property funds	167.3	186.6
Direct commercial property	26.1	212.1
Currency overlay	**(13.1)**	**(6.4)**
Total assets	**14,767.5**	**13,853.3**
Bond liability 4.625% 2036	(555.8)	(541.3)
Bond liability 4.75% 2021	(303.5)	(281.4)
Total assets net of Bond liabilities	**13,908.2**	**13,030.6**

15. Investments (continued)

(f) Reconciliation to Trustee's Report (continued)
Total Assets net of Bond liabilities presented in the table above comprises the following assets and liabilities in the Consolidated Balance Sheet and notes:

	Note	2010 £m	2009 £m
Quoted and unquoted investments and investment property	15(a)	13,791.8	12,769.1
Derivative financial instrument asset positions	15(b)	60.5	2.3
Investment cash and certificates of deposit	15(c)	916.5	1,074.2
Other investment assets	15(c)	185.5	117.5
Derivative financial instrument liabilities	17	(60.7)	(32.6)
Other investment liabilities	17	(132.1)	(77.2)
Bond liabilities at amortised cost	17	(819.6)	(819.1)
Adjusted for:			
Restatement of Bond liabilties to fair value		(39.7)	(3.6)
Subsidiary held as direct investment in table above		6.0	–
Total assets net of Bond liabilities		**13,908.2**	**13,030.6**
The following table reconciles Total Assets net of Bond liabilities to Investment Assets as presented in the Consolidated Balance Sheet:			
Total assets net of Bond liabilities		**13,908.2**	**13,030.6**
Add back:			
Derivative financial instrument liabilities	17	60.7	32.6
Other investment liabilities	17	132.1	77.2
Bond liabilities at amortised cost	17	819.6	819.1
Programme related investments	15(d)	5.1	21.0
Adjusted for:			
Restatement of Bond liabilties to fair value		39.7	3.6
Subsidiary held as direct investment in table above		(6.0)	–
Investment assets as presented in the Consolidated Balance Sheet		**14,959.4**	**13,984.1**

(g) Foreign exchange
In the financial year to 30 September 2010 there were foreign exchange gains on monetary transactions of £21.6 million in the Group (2009: £1.8 million) and £22.0 million in the Trust (2009: losses of £4.2 million).

16. Debtors

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts due from subsidiary undertakings	–	–	0.7	4.8
Other debtors	15.2	15.0	8.6	6.2
Prepayments	6.5	6.9	2.9	2.5
	21.7	**21.9**	**12.2**	**13.5**

Other Group debtors includes £6 million (2009: £3.9 million) due from UKCMRI and £5.6 million (2009: £8.5 million) due under third-party grant awards.

17. Creditors

	Note	Group 2010 £m	Group 2009 £m	Trust 2010 £m	Trust 2009 £m
Falling due within one year					
Amounts due to subsidiary undertakings		–	–	380.3	301.7
Grant liability	8	649.9	591.0	648.8	591.0
Bond liabilities		9.2	9.2	–	–
Amount payable on acquisition of investments		30.0	53.1	18.6	48.3
Cash collateral creditor		81.9	–	81.9	–
Deferred income from investments		3.7	5.7	3.4	5.4
Other investment liabilities		16.5	18.4	16.0	17.6
Derivative financial instrument liabilities		60.7	32.6	60.7	32.6
Trade creditors		9.7	7.0	1.9	2.1
Other creditors		8.0	8.5	2.7	4.4
Accruals and deferred income		23.9	19.7	10.1	7.3
Total falling due within one year		**893.5**	**745.2**	**1,224.4**	**1,010.4**
Falling due between one and five years					
Grant liability	8	796.4	769.1	794.5	766.1
Finance lease creditor		0.1	0.1	0.1	0.1
Other creditors		1.8	1.8	1.7	1.8
		798.3	**771.0**	**796.3**	**768.0**
Falling due after five years					
Grant liability	8	46.7	49.3	46.7	49.3
Bond liabilities		810.4	809.9	–	–
Other creditors		0.7	1.1	0.7	1.1
		857.8	**860.3**	**47.4**	**50.4**
Total falling due after one year		**1,656.1**	**1,631.3**	**843.7**	**818.4**

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

The Bond liabilities comprise the £550 million 4.625% Guaranteed Bonds due July 2036 ("£550 million Bonds") and the £275 million 4.750% Guaranteed Bonds due May 2021 ("£275 million Bonds"), issued by Wellcome Trust Finance plc, a subsidiary undertaking.

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 and part of the research facility at the Wellcome Trust Genome Campus in Hinxton, Cambridgeshire. During the year to 30 September 2009 the Trust made variation payments amounting to £79.2 million to Assetfinance December (P) Limited to vary the future payments under these arrangements. The finance lease creditors outstanding after the variation payments were re-measured to the present value of the future lease payments. A gain of £6.8 million arose due to the re-measurement, which was recognised in the Statement of Financial Activities in the year to 30 September 2009. There have been no variation payments in the year to 30 September 2010 and therefore no further gains have arisen.

18. Provisions for Liabilities and Charges

Group and Trust

	Employment related provisions £m	Other provisions £m	Total £m
As at 1 October 2009	8.0	1.8	9.8
Charge for the year	5.0	(0.1)	4.9
Utilised during the year	(0.3)	–	(0.3)
As at 30 September 2010	**12.7**	**1.7**	**14.4**

19. Commitments and Contingent Liabilities

(a) Investments
The Trust has entered into commitments to invest in private equity and property funds. At the balance sheet date, outstanding commitments amounted to £1,765.4 million (2009: £2,167.7 million). The Trust models its expected cash flows based on the year of the original commitment and historic trends. In a normal economic environment, the Trust would expect to invest £773.6 million (44%) of its outstanding commitments in one year, £900.0 million (51%) in between one to five years, and £91.8 million (5%) after five years.

(b) Programme related investments
The Trust has an outstanding commitment of £2.2 million as part of the second construction phase of the Diamond Light Source Limited synchrotron project (2009: £4.9 million).

Programme related convertible loans have been made over a series of years, of which £19.2 million (2009: £15.2 million) remains yet to be drawn down and is contingent upon specific milestones being achieved.

At 30 September 2010, the Trust's outstanding commitment to UKCMRI was £106.8 million (2009: £1.9 million).

(c) Grant funding activities
During the current and prior years, the Technology Transfer division has made Seeding Drug Discovery awards of £86.5 million, of which £26.2 million is contingent upon specific funding-related milestones being met and has therefore not been included within grant liabilities.

During the year, the Trust incurred £1 million in expenditure relating to an entity in India, MSD–Wellcome Trust Hilleman Laboratories, which will focus on developing affordable vaccines to prevent diseases that commonly affect low- and middle-income countries. The Trust will contribute up to £44 million over the next five years, of which £1 million was an outstanding commitment at the year end.

During the year, the Trust incurred £5.6 million in expenditure relating to a not-for-profit entity established in India (Wellcome Trust–DBT India Alliance). The Trust will contribute up to £30 million over the next three years, and if deemed appropriate will continue funding an additional £40 million for a further five-year period.

(d) Direct activities
At 30 September 2010, Genome Research Limited had capital commitments of £4.0 million (2009: £0.4 million) relating to purchases of scientific equipment.

20. Group Undertakings

(a) Summary of activities of subsidiary undertakings
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 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 1993 (as amended by the Charities Act 2006) and are companies limited by guarantee. The liability of Wellcome Trust Investment Limited Partnership and Wellcome Trust Scottish Limited Partnership is limited to the amount of their capital commitment. All other subsidiary companies are non-charitable and either limited by shares or unlimited by shares.

Subsidiary undertakings that are dormant have been excluded from the table below.

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
Wellcome Trust Finance plc	England	To issue and invest in financial instruments	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders
Wellcome Trust Investments 1 Unlimited	England	Investment holding company (Sterling investments)	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders
Wellcome Trust Investments 2 Unlimited	England	Investment holding company (US Dollar investments)	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders

20. Group Undertakings (continued)

Company	Country of incorporation	Activities	Legal relationship
Wellcome Trust Investments 3 Unlimited	England	Investment holding company (Euro investments)	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders
Wellcome Trust Residential 1 Unlimited	England	Investment holding company	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders
Wellcome Trust Residential 2 Unlimited	England	Investment holding company	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are the shareholders
Wellcome Trust GP Limited	England	Acts as a general partner to Wellcome Trust Investment Limited Partnership	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investment Limited Partnership	England	Investment holding partnership	The Wellcome Trust Limited is the limited partner and Wellcome Trust GP Limited is the general partner
Wellcome Trust Scottish Limited Partnership	Scotland	Investment holding partnership	The Wellcome Trust Limited is the limited partner and Wellcome Trust GP Limited is the general partner
Catalyst BioMedica Limited	England	Holding Programme related investments	The Wellcome Trust Limited is the sole shareholder
Kymab Limited	England	Biotechnology research and development	The Wellcome Trust Limited is the parent undertaking and the ultimate controlling party, holding 92% of the equity
W.T. Construction Limited	England	Property construction company	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
Wellcome Trust Director Limited	England	Corporate directorships	The Wellcome Trust Limited is the sole shareholder

(b) Summary financial information

(i) Charitable subsidiary undertakings

	Genome Research Limited 2010 £m	Genome Research Limited 2009 £m	Hinxton Hall Limited 2010 £m	Hinxton Hall Limited 2009 £m
Incoming resources	93.9	96.2	15.2	15.5
Resources expended	(97.1)	(101.8)	(15.1)	(15.6)
Actuarial losses on defined benefit pension scheme	(2.5)	(11.0)	–	–
Net movements in funds	**(5.7)**	**(16.6)**	**0.1**	**(0.1)**
Assets	136.3	130.3	26.5	26.5
Liabilities	(25.4)	(19.7)	(2.1)	(2.2)
Defined benefit pension scheme deficit	(46.2)	(40.2)	–	–
Net assets	**64.7**	**70.4**	**24.4**	**24.3**

(ii) Non-charitable operating subsidiary undertakings

	W.T. Construction Limited 2010 £m	W.T. Construction Limited 2009 £m	Catalyst BioMedica Limited 2010 £m	Catalyst BioMedica Limited 2009 £m
Turnover	1.5	1.3	–	–
Expenditure	(1.5)	(1.3)	–	–
	–	–	–	–
Tangible fixed assets	–	–	–	–
Current assets	1.7	2.5	0.8	0.8
Total assets	1.7	2.5	0.8	0.8
Liabilities	(1.7)	(2.5)	–	–
Net assets	**–**	**–**	**0.8**	**0.8**

20. Group Undertakings (continued)

(ii) Non-charitable operating subsidiary undertakings (continued)

	Wellcome Trust Trading Limited		Kymab Limited	
	2010 £m	2009 £m	2010 £m	2009 £m
Turnover	1.7	1.9	–	–
Expenditure	(1.7)	(1.9)	(0.8)	–
	–	**–**	**(0.8)**	**–**
Tangible fixed assets	0.1	0.1	0.6	–
Current assets	1.7	1.7	5.1	–
Total assets	1.8	1.8	5.7	–
Liabilities	(1.6)	(1.6)	(0.6)	–
Net assets	**0.2**	**0.2**	**5.1**	**–**

(iii) Non-charitable investment subsidiary undertakings

	Wellcome Trust Investment Limited Partnership		Wellcome Trust Scottish Limited Partnership		Wellcome Trust GP Limited	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Turnover	9.4	15.0	0.1	0.4	–	–
Expenditure	(34.1)	(33.5)	–	–	–	–
Gains/(losses) on investments	45.1	87.2	(6.1)	–	–	–
	20.4	**68.7**	**(6.0)**	**0.4**	**–**	**–**
Investment assets	870.8	842.8	15.5	22.2	–	–
Current assets	43.3	44.6	9.9	9.2	0.6	0.4
Total assets	914.1	887.4	25.4	31.4	0.6	0.4
Liabilities	(693.2)	(686.9)	–	–	(0.6)	(0.4)
Net assets	**220.9**	**200.5**	**25.4**	**31.4**	**–**	**–**

	Wellcome Trust Investments 1 Unlimited		Wellcome Trust Investments 2 Unlimited		Wellcome Trust Investments 3 Unlimited	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Turnover	–	–	–	–	–	2.6
Expenditure	–	0.3	(4.1)	–	(0.2)	(2.8)
Gains/(losses) on investments	2.0	(2.6)	36.3	6.2	4.3	(15.0)
	2.0	**(2.3)**	**32.2**	**6.2**	**4.1**	**(15.2)**
Investment assets	1.7	17.7	407.4	89.6	23.6	41.2
Current assets	18.3	0.3	18.4	18.0	47.0	14.8
Total assets	20.0	18.0	425.8	107.6	70.6	56.0
Liabilities	–	–	(0.1)	(0.2)	–	(2.8)
Net assets	**20.0**	**18.0**	**425.7**	**107.4**	**70.6**	**53.2**

20. Group Undertakings (continued)

(iii) Non-charitable investment subsidiary undertakings (continued)

	Wellcome Trust Residential 1 Unlimited		Wellcome Trust Residential 2 Unlimited		Trident Holdings Limited	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Turnover	8.5	5.0	0.1	0.1	–	0.1
Expenditure	(8.4)	(9.0)	(0.1)	(0.1)	–	–
Gains/(losses) on investments	14.6	(23.0)	0.2	(0.2)	–	–
	14.7	**(27.0)**	**0.2**	**(0.2)**	**–**	**0.1**
Investment assets	282.7	270.9	2.9	2.7	–	–
Current assets	11.0	8.2	0.1	0.1	–	–
Total assets	293.7	279.1	3.0	2.8	–	–
Liabilities	(8.3)	(8.4)	(0.1)	(0.1)	–	–
Net assets	**285.4**	**270.7**	**2.9**	**2.7**	**–**	**–**

(iv) Non-charitable financing subsidiary undertaking

	Wellcome Trust Finance plc	
	2010	**2009**
	£m	**£m**
Turnover	45.6	36.8
Expenditure	(45.6)	(36.8)
	–	–
Current assets	957.7	957.5
Total assets	957.7	957.5
Liabilities	(820.2)	(820.0)
Net assets	**137.5**	**137.5**

21. Consolidated Cash Flow

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

	2010 £m	2009 £m
Incoming resources	230.3	217.1
Less: dividends and interest	(178.1)	(166.1)
Less: rental income	(23.0)	(24.3)
Decrease/(increase) in debtors	0.2	(8.2)
Income received	**29.4**	**18.5**
Grants awarded	(473.2)	(531.2)
Increase in commitments	83.6	149.8
Grants paid	**(389.6)**	**(381.4)**
Other resources expended	(271.8)	(260.2)
Increase in creditors and provisions	26.2	31.2
Decrease in other investment debtors	(1.0)	(0.5)
Provision for Programme related investments	35.1	16.1
Loss on disposal of fixed assets	(0.2)	–
Depreciation	23.3	24.5
Other operating costs	**(188.4)**	**(188.9)**
Net cash outflow from operating activities	**(548.6)**	**(551.8)**

(b) Investment income received

	2010 £m	2009 £m
Dividends and interest	178.1	166.1
Rental income	23.0	24.3
Increase/(decrease) in income receivable from investments	1.8	(1.5)
(Increase)/decrease in accrued income from investments	(1.6)	6.7
(Decrease)/increase in deferred income from investments	(2.0)	0.1
Investment income received	**199.3**	**195.7**

(c) Servicing of finance

	2010 £m	2009 £m
Interest payable	(38.9)	(31.5)
Gain on variation of finance leases	–	6.8
Increase/(decrease) in interest creditors	0.3	(1.8)
Cash outflow for servicing of finance	**(38.6)**	**(26.5)**

21. Consolidated Cash Flow (continued)

(d) Reconciliation of investment sales and purchases

	2010 £m	2009 £m
Proceeds on sale of quoted investments	2,870.8	4,025.2
Proceeds on sale of unquoted investments	860.4	649.0
Proceeds on sale of investment property	186.5	24.9
Increase in proceeds receivable on sale of investments	8.4	(26.0)
Proceeds from sales of investments	**3,926.1**	**4,673.1**
Purchases of quoted investments	2,745.1	3,435.1
Purchases of unquoted investments	903.3	507.8
Purchases of investment property	11.9	11.0
Decrease in amounts payable on acquisition of investments	23.1	6.3
(Decrease)/increase in prepayment for investment purchases	(6.5)	17.4
Purchase of Programme related investments	18.5	18.5
Purchases of investments	**3,695.4**	**3,996.1**
Gain/(loss) on derivative financial instruments	43.4	(542.1)
(Increase)/decrease in derivative financial asset positions	(58.2)	8.9
Increase/(decrease) in derivative financial liabilities	28.1	(277.3)
Net cash inflow/(outflow) upon settlement of derivative financial instruments	**13.3**	**(810.5)**

e) Issue of corporate Bonds

In July 2006 Wellcome Trust Finance plc issued £550 million 4.625 per cent Guaranteed Bonds due 2036 and in May 2009 Wellcome Trust Finance plc issued £275 million 4.75 per cent Guaranteed Bonds due 2021. During the year Wellcome Trust Finance plc paid interest on the Bonds amounting to £38.5 million (2009: £25.4 million). These Bonds were issued to maintain high levels of liquidity in volatile conditions in order to meet charitable expenditure and obviate the need to sell high-quality assets at distressed prices.

f) Analysis of net funds

	At 1 October 2009 £m	Cash flow £m	Non-cash changes: effective interest £m	At 30 September 2010 £m
Cash in hand and at bank	8.8	18.0	–	26.8
Debt due after one year:				
Bond liabilities	(809.9)	–	(0.5)	(810.4)
Debt due within one year:				
Bond liabilities	(9.2)	38.6	(38.6)	(9.2)
Finance leases due after one year	(0.1)	–	–	(0.1)
Finance leases due within one year	–	0.1	(0.1)	–
Liquid resources:				
Investment cash and certificates of deposit	1,074.2	(157.6)	–	916.6
	263.8	**(100.9)**	**(39.2)**	**123.7**

22. Major Non-Cash Transactions

The Trust has finance lease arrangements with a total capital value of £0.2 million as at 30 September 2010 (2009: £0.2 million). There were no interest charges (2009: £1.3 million) added to the financing balance.

23. Financial Risk Management

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

(a) Credit risk
Credit risk is the risk that the Group would incur a financial loss if a counterparty fails to discharge their obligations to the Group.

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

	2010 £m	2009 £m
Interest-bearing securities	23.5	23.4
Derivative financial instrument asset positions	45.3	2.3
Investment cash balances and certificates of deposit	916.5	1,074.2
Cash collateral held	81.9	–
Accrued income from investments	11.6	9.9
Proceeds receivable on sale of investments	68.4	76.7
Other investment debtor balances	23.6	30.9
Programme related investment loans	3.6	6.3
Other debtors	15.2	15.0
Term deposits and cash	26.8	8.8
	1,216.4	**1,247.5**

None of the Group's financial assets subject to credit risk are past their due date or were impaired during the year.

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

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

- For interest-bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Group of default. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk.
- Transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk. Derivative financial instrument asset positions exposed to credit risk comprise the Group's forward currency contracts.

- Direct cash management mandate is limited to the use of deposits with selected banks (the credit ratings of which are taken into account to minimise credit risk), the purchase of short-dated UK government securities and the controlled use of AAA rated money market funds.
- Sale and purchases of investments are carried out with a small number of brokers, whose credit quality forms part of the initial and ongoing reviews by the investment managers.

These policies and procedures were applied and reviewed during the year. At the balance sheet date, in addition to the securities on loan discussed in note 15(a), forward currency contract assets of value £36.5 million (2009: £nil) were secured by cash collateral. There were no other credit enhancements.

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

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

Risk management policies and procedures
The Group monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The Group holds very liquid assets amounting to £845.2 million as at 30 September 2010 (2009: £640.0 million), which comprises cash and cash equivalent assets. The level of very liquid assets held is regularly reviewed by senior management. Liquidity and cash forecasts are reviewed by the Investment Committee and Board of Governors on a quarterly basis. Short-term operational cash flow forecasts are produced weekly. The Group also mitigates its exposure to liquidity risk through the investment in quoted securities of £6,306.8 million (2009: £5,892.7 million) that are readily realisable.

23. Financial Risk Management (continued)

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

	2010				2009			
	3 months or less £m	Not more than 1 year £m	More than 1 year £m	Total £m	3 months or less £m	Not more than 1 year £m	More than 1 year £m	Total £m
Contractual payments falling due within one year								
Bond liabilities	–	9.2		9.2	–	9.2		9.2
Derivative financial instrument liabilities	60.7	–		60.7	32.6	–		32.6
Collateral liability	81.9	–		81.9	–	–		–
Amount payable on acquisition of investments	30.0	–		30.0	53.1	–		53.1
Other investment liabilities	16.5	–		16.5	18.4	–		18.4
Trade creditors	9.7	–		9.7	7.0	–		7.0
Other creditors	8.0	–		8.0	8.4	–		8.4
Accruals and deferred income	23.9	–		23.9	19.7	–		19.7
Contractual payments	230.7	9.2		239.9	139.2	9.2		148.4
Grant liability	253.3	396.6		649.9	220.5	370.5		591.0
	484.0	**405.8**		**889.8**	**359.7**	**379.7**		**739.4**
Contractual payments falling due between one and five years								
Finance lease creditor			0.1	0.1			0.1	0.1
Other creditors			1.8	1.8			1.8	1.8
Contractual payments			1.9	1.9			1.9	1.9
Grant liability			796.4	796.4			769.1	769.1
			798.3	**798.3**			**771.0**	**771.0**
Contractual payments falling due after five years								
Bond liabilities			810.4	810.4			809.9	809.9
Other creditors			0.7	0.7			1.1	1.1
Contractual payments			811.1	811.1			811.0	811.0
Grant liability			46.7	46.7			49.3	49.3
			857.8	**857.8**			**860.3**	**860.3**
Total	**484.0**	**405.8**	**1,656.1**	**2,545.9**	**359.7**	**379.7**	**1,631.3**	**2,370.7**

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

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

From 1 October 2009 the Group measured returns and monitored portfolio risks in a 50/50 blend of Sterling and US Dollars and monitored Sterling and US Dollar currency exposures. This reflects the globally diversified nature of the Group's assets, liabilities and commitments.

The Group uses a number of risk metrics to monitor exposure to market risk. These include forecast Value at Risk (VAR), equity market beta, and Sterling and US Dollar currency exposure. The VAR measures the worst expected loss under normal market conditions over a specific time interval at a given confidence level. The one-year 95% VAR was 15.9% as at 30 September 2010 (2009: 14.2%). Equity market beta provides an estimation of how returns from the portfolio are expected to move in relation to returns from global equity markets. In September 2010, overall equity beta was 0.74 (2009: 0.65). A beta of 0.5 suggests that, for each 10% rise (or fall) in global equity markets, the portfolio would be expected to rise (or fall) by 5% in value.

Monitoring Sterling and US Dollar currency exposure, after the inclusion of the impact of currency hedges, provides an understanding of the degree to which the portfolio is exposed to currencies other than the 50/50 blend of Sterling and US Dollar benchmark.

VAR levels above a desired threshold and/or equity market betas outside a desired range and/or Sterling and US Dollar currency exposure below a desired minimum are highlighted for discussion and review to the Investment Committee and the Board of Governors on a timely basis.

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

23. Financial Risk Management (continued)

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

	2010 £m	2009 £m
Quoted investments	6,306.8	5,892.7
Unquoted investments	6,746.2	6,077.1
Investment properties	738.8	799.3
Derivative financial instrument asset positions	15.3	0.8
Assets exposed to risk	**13,807.1**	**12,769.9**
Derivative financial instrument liability positions	2.3	22.9
Liabilities exposed to risk	**2.3**	**22.9**

Concentration of exposure to other price risk
An analysis of the Group's investment portfolio is shown in note 15(a). This shows that the majority of the investment value is in overseas companies in both quoted and unquoted investments. There is a high level of diversification by market including emerging markets within the long-only equity portfolio as it is the Group's policy to have no constraint on non-UK equity exposure. It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country. Derivative financial instruments exposed to price risk comprise the Group's options, warrants and futures.

Risk management policies and procedures
The Investment Committee monitors the price risk inherent in the investment portfolios by ensuring full and timely access to relevant information from the investment managers. The Board of Governors reviews the price risk quarterly. The Board and the Investment Committee meet regularly and at each meeting review investment performance. The Board takes overall responsibility for investment strategy and asset allocation, particularly across regions and asset classes.

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

The Group has no significant financial liabilities denominated in currencies other than Sterling. However, the Group has outstanding commitments for private equity funds and property funds of $1,263.8 million, £50.9 million and €450.8 million as at 30 September 2010 (2009: $1,468.6 million, £50.9 million and €648.1 million).

Currency risk exposure
As at 30 September 2010, 67% (2009: 79%) of the Group's investment assets were non-Sterling-denominated, after including the impact of passive currency overlay.

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

	2010 Value (Currency, m)	2010 Value £m	2010 Percentage £	2009 Value (Currency, m)	2009 Value £m	2009 Percentage £
Traded investment assets						
US Dollar	$12,475.0	7,916.6	57.0%	$11,360.6	7,103.2	54.6%
Euro	€1,544.0	1,337.7	9.7%	€1,473.5	1,346.7	10.4%
Japanese Yen	¥39,917.4	303.2	2.2%	¥47,625.1	332.6	2.6%
Other		1,518.2	10.9%		1,289.1	9.9%
Investment cash and certificates of deposit, and other investment assets						
US Dollar	$358.8	227.7	1.6%	$484.0	302.6	2.3%
Euro	€27.1	23.5	0.2%	€60.3	55.1	0.4%
Japanese Yen	¥2,697.0	20.5	0.1%	¥1,994.1	13.9	0.1%
Other		270.7	1.9%		187.5	1.4%
Other investment creditors						
US Dollar	($13.7)	(8.7)	-0.1%	($33.0)	(20.6)	-0.2%
Euro	(€5.8)	(5.0)	0.0%	(€8.5)	(7.8)	-0.1%
Japanese Yen	(¥712.9)	(5.4)	0.0%	(¥739.9)	(5.2)	0.0%
Other		(43.9)	-0.3%		(14.8)	-0.1%
Forward currency contracts						
US Dollar	($1,356.0)	(861.1)	-6.2%	($60.2)	(37.6)	-0.3%
Euro	(€1,487.4)	(1,288.6)	-9.3%	(€241.6)	(220.8)	-1.7%
Japanese Yen	(¥39,628.5)	(301.3)	-2.2%	¥203.5	1.4	0.0%
Other		237.6	1.7%		(72.4)	-0.6%
Total exposed to currency risk		**9,341.7**	**67.2%**		**10,252.9**	**78.7%**
Total not exposed to currency risk			**32.8%**			**21.3%**
			100.0%			**100.0%**

Risk management policies and procedures

From 1 October 2009 the Group measured returns and monitored portfolio risks in a 50/50 blend of Sterling and US Dollars. This reflects the globally diversified nature of the Group's assets, liabilities and commitments.

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

23. Financial Risk Management (continued)

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

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

Interest rate exposure
The following table details the values of interest-bearing securities and liabilities exposed to interest rate risk as at 30 September:

Interest-bearing financial assets and liabilities	**Weighted average interest rate**	**Value as at 30 September 2010 £m**	**Weighted average interest rate**	**Value as at 30 September 2009 £m**
Interest-bearing assets				
Maturing within one year:				
Fixed rate	4.250%	33.0	–	–
Floating rate	n/a	–	n/a	9.1
Maturing between two and five years:				
Fixed rate	n/a	–	6.000%	2.9
Floating rate	n/a	–	n/a	–
Maturing after five years:				
Fixed rate	–	–	–	–
Floating rate	n/a	–	n/a	11.4
Total interest-bearing assets		**33.0**		**23.4**
Interest-bearing liabilities				
Maturing after five years:				
Fixed rate – Bond liabilities	4.708%	(819.6)	4.668%	(819.2)
Floating rate – finance lease creditor	n/a	(0.2)	n/a	(0.2)
Total interest-bearing liabilities		**(819.8)**		**(819.4)**

In addition to the interest-bearing securities detailed in the table above, the Group holds investment cash and certificates of deposit of £916.5 million (2009: £1,074.2 million) and term deposits and cash of £26.8 million (2009: £8.8 million). These assets are interest-bearing and the future cash flows from these assets will fluctuate with changes in market interest rates.

The maturity dates of the Group's interest-bearing liabilities are detailed in note 17. The Bond liabilities value detailed in the table above is the book value; the fair value of this liability is detailed in note 24.

Interest rate sensitivity

The fair value of the investment assets will reduce by 0.1% if the interest rate falls by 50 basis points, and will increase by 0.1% if the interest rate increases by 50 basis points. A 0.1% change is equivalent to a £13.9 million variance in the fair value of investment assets. This dependency is based on the stress test result of using a Monte Carlo simulation model. This level of change is considered to be reasonable based on the observation of current market conditions. The sensitivity analysis is based on the Group's monetary financial instruments held at each balance sheet date, with all other variables held constant.

Risk management policies and procedures

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

24. Fair Value of Financial Assets and Liabilities

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

The fair value of the Bond liabilities as at 30 September 2010 was £850.3 million (2009: £813.2 million) and is based on the offer price of the Bonds at that date. The fair value of the Bond liabilities presented in the Trustee's Report (figure 6) is the sum of the fair value of the Bond liabilities of £850.3 million (2009: £813.2 million) and the accrued interest payable on these Bond liabilities of £9.2 million (2009: £9.2 million) as detailed in note 17.

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

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

24. Fair Value of Financial Assets and Liabilities (continued)

Assets at fair value as at 30 September 2010

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Quoted investments	6,306.8	–	–	6,306.8
Unquoted investments	–	2,889.4	3,856.8	6,746.2
Derivative financial instruments – asset positions	–	45.3	15.2	60.5
Programme related investments	–	–	5.1	5.1
	6,306.8	**2,934.7**	**3,877.1**	**13,118.6**

Liabilities at fair value as at 30 September 2010

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments – liability positions	2.3	58.4	–	60.7
	2.3	**58.4**	**–**	**60.7**

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

	Fair value 1 October 2009 £m	Purchase/ (sales proceeds) £m	Total gains/ (losses) £m	Transfers into Level 3 £m	Transfers out of Level 3 £m	Fair value 30 September 2010 £m
Level 3 assets	**3,427.9**	**174.4**	**341.9**	**–**	**67.1**	**3,877.1**

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

Derivative financial instruments comprise:

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

The Group values its private equity and property funds at the most recent valuation from the funds manager, which is usually the net asset value of the fund. The private equity and property funds do not apply standard valuation assumptions and therefore there are no assumptions supporting the Level 3 fair values, which if changed to a reasonably possible alternative assumption would significantly impact the fair value of Level 3 assets.

Reference and Administrative Details
for the year ended 30 September 2010

Board of Governors

Sir William Castell, LVO, FCA (*Chairman*)

Professor Adrian Bird, CBE, FRS, FMedSci (*Deputy Chairman, retired 30 September 2010*)

Professor Dame Kay Davies, CBE, FRS, FMedSci

Mr Peter Davies

Professor Christopher Fairburn, DM, FRCPsych, FMedSci

Professor Richard Hynes, PhD, FRS

Mr Roderick Kent, MA, MBA

Baroness Manningham-Buller, DCB

Professor Peter Rigby, PhD, FRS, FMedSci (*Deputy Chairman from 1 October 2010, Governor from 1 January 2008*)

Professor Peter Smith, CBE, DSc, HonMFPH, FMedSci

Mr Edward Walker-Arnott (*retired 30 September 2010*)

Company Secretary

Mr John Stewart

Executive Board

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

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

Mr John Cooper (*Chief Operating Officer and Interim Chief Executive, UK Centre for Medical Research and Innovation*)

Mr Simon Jeffreys (*Chief Operating Officer*)

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

Ms Clare Matterson (*Director of Medical Humanities and Engagement*)

Dr Alan Schafer, PhD (*Director of Science Funding to 5 November 2010*)

Mr John Stewart (*Head of Legal*)

Mr Danny Truell (*Chief Investment Officer*)

Audit Committee

Mr Edward Walker-Arnott (*Chairman to 30 September 2010*)

Mr Philip Johnson

Mr Roderick Kent (*Chairman from 1 October 2010*)

Mr Simon Leathes (to 31 December 2009)

Baroness Manningham-Buller

Mr Nicholas Temple (*to 31 December 2009*)

Remuneration Committee

Sir William Castell (*Chairman*)

Professor Adrian Bird (*to 30 September 2010*)

Professor Richard Hynes (*from 1 February 2010*) (*remuneration of the Chairman and the Deputy Chairman only*)

Mr Roderick Kent

Baroness Manningham-Buller (*from 13 April 2010*)

Professor Peter Rigby (*from 1 October 2010*)

Mr Edward Walker-Arnott (*to 30 September 2010*)

Investment Committee

Sir William Castell (*Chairman*)

Mr Tim Church

Mr Peter Davies

Mrs Sarah Fromson

Mr Simon Jeffreys

Mr Roderick Kent

Mr Naguib Kheraj

Mr Nicholas Moakes

Mr David Mayhew (*from 1 July 2010*)

Mr Stewart Newton

Mr Peter Pereira Gray

Mr Danny Truell

Sir Mark Walport

Nominations Committee

Sir William Castell *(Chairman)*

Professor Adrian Bird *(to 30 September 2010)*

Professor Richard Hynes

Baroness Manningham-Buller *(from 13 April 2010)*

Professor Peter Rigby *(from 1 February 2010)*

Mr Edward Walker-Arnott *(to 30 September 2010)*

Strategic Awards Committee

Professor Adrian Bird *(Chairman to 30 September 2010)*

Dr Ted Bianco

Sir William Castell

Professor Dame Kay Davies

Mr Peter Davies

Professor Christopher Fairburn

Professor Richard Hynes

Mr Roderick Kent

Baroness Manningham-Buller

Ms Clare Matterson

Professor Peter Rigby *(Chairman from 1 October 2010)*

Dr Alan Schafer *(to 5 November 2010)*

Professor Peter Smith

Mr Edward Walker-Arnott *(to 30 September 2010)*

Sir Mark Walport

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Bankers

HSBC Bank plc

Solicitors

CMS Cameron McKenna LLP

Proskauer Rose LLP

Global custodian bank

JP Morgan Chase Bank NA

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