wellcome

Annual Report and Financial Statements 2017

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> “At Wellcome, we believe in the power of ideas to improve health”

Jeremy Farrar
Director

Report from the Chair and the Director

"Our core approach is funding people to explore great ideas, at every step of the way from discovery to impact"

At Wellcome, we believe in the power of ideas to improve health. Funded from our independent investment portfolio, we support thousands of scientists and researchers in more than 70 countries, as well as innovators, educators and artists. Together, we take on big problems, fuel imaginations and spark debate, working always to achieve better health for everyone.

Wellcome has grown significantly in recent years, in terms of both influence and how much we can spend on our charitable activities. This year, Wellcome spent £1.1 billion, more than ever before and double what we spent a decade ago. Our investment portfolio returned 16.9% in the year to September 2017; this equates to £3.5 billion on the year's starting value of £20.9 billion. The 9.1% annual return over the past decade is an excellent result given that this period included the worst financial crisis in living memory. The financial strength we derive from our £23.2 billion portfolio underpins the ability to pursue our mission.

Improving health

We start with an example. In 1980, Chris Fairburn arrived in Oxford with an idea. He thought that a form of cognitive behavioural therapy (CBT) might be the best way to treat bulimia nervosa, an eating disorder. His research has continued with support from Wellcome ever since and Chris has proved that his idea was a good one.

In May 2017, a version of CBT developed by Chris and his colleagues was formally recommended in the UK for treating adults with any form of eating disorder. Now approaching retirement and the end of his Wellcome Principal Research Fellowship, Chris has led the development of an online training programme for therapists, which means his idea has the potential to help millions of people affected by eating disorders around the world.

This case illustrates our core approach: funding people to explore great ideas, at every step of the way from discovery to impact. Everything we do is grounded in our support for research that generates new knowledge in biomedical science, from how the body works to how infectious diseases spread.

Our approach includes funding large-scale studies like the WOMAN trial, which showed this year that an inexpensive drug called tranexamic acid could prevent a third of maternal deaths caused by excessive bleeding after childbirth – the biggest cause of maternal mortality in the world. It also includes supporting research in the humanities and social sciences, such as a project which this year published ethical guidelines for involving pregnant women in Zika vaccine research. And resources like the Human Induced Pluripotent Stem Cell Initiative, which has created a catalogue of high-quality stem cell lines for other researchers to use, whether in developmental biology or research into diseases such as cancer.

Ambitions and opportunities

Having committed to a new scale of ambition in our strategic framework in 2015, we continued to develop the strategies of our three funding divisions – including Science under the leadership of Jim Smith, who became Director of Science in December 2016 – and to make other changes within Wellcome this year. Our aim, supported by our governance and management of risk, is to make the organisation better prepared to operate at this new scale, and achieve the ambitious goals we set ourselves.

The past five years have seen a powerful bull market from which Wellcome has benefitted enormously, but the investment environment will become more difficult at some point. We are concentrating on careful stewardship of the assets and partnerships in which we invest, aiming to ensure that the portfolio is capable of generating cash flow sufficient to support the current level of spending on key activities in real terms, even against a more challenging backdrop.

We have also been examining how best to balance protecting our core activities with being well placed to take risks and seize new opportunities. From 2017/18 onward, we have adopted a new approach to how we fund our charitable activities. We plan an average funding level for our core activities of around £900 million a year in real terms over a five year period, thus protecting this funding from the volatility of the financial markets, and bringing long-term stability to our spending plans.

In addition, we plan discretionary funding to support Priority areas and other opportunities to bring about lasting changes that will make a big difference to human health in the short- or long-term. Reflecting this approach, the breakdown of our spend on charitable activities now includes Priority areas as a separate item alongside our funding divisions.

Report from the Chair and the Director

"Our aim is to make the organisation better prepared to operate at this new scale, and achieve the ambitious goals we have set ourselves."

Science thrives when it includes a diversity of people, ideas and approaches, but the statistics show that major inequalities and barriers remain across the research sector. We appreciate that Wellcome has a lot of work to do internally on this issue, so one of our six current Priority areas is Diversity and Inclusion, with a dedicated team driving reform within Wellcome first, as well as seeking to influence the whole sector and society more widely. This work should benefit not just individuals but the entire scientific enterprise.

Another Priority area is Vaccines, and the team leading our work in this area played a central role in the launch of the Coalition for Epidemic Preparedness Innovations (CEPI) at the World Economic Forum in January 2017. CEPI brings together governments, civic society, businesses and charitable foundations around the world to develop vaccines against infections with the potential to cause epidemics and pandemics.

Working together

Operating at such a scale will always require strong partnerships. This year, we worked closely with the G7 and G20 nations, and at the United Nations General Assembly, to secure commitments to act on some of the biggest health challenges in the world today, including drug-resistant infections and climate change. These are Priority areas for Wellcome, and our policy and advocacy work is becoming more significant as we seek to engage the world's political leaders in order to achieve our goals.

As negotiations continue for the UK's exit from the European Union, we are engaging with representatives on both sides to ensure that British research continues to contribute to, and benefit from, the closest possible ties with Europe. It is vital, both for global science and the British economy, that the benefits gained from deep EU partnerships are maintained, and that the UK can continue to attract excellent scientists at all career levels.

Research is a fast-moving intellectual endeavour, so Wellcome needs to have a working culture that can adapt to new opportunities. In line with the same financial discipline we expect of our grantholders, budgets for internal support activities were held at levels similar to last year to ensure that as much of our spending as possible goes directly towards achieving our mission. We thank our colleagues at Wellcome for embracing this and other significant changes this year that put us in an even better position to support great ideas that will improve health.

We also thank the global research community for their essential support for all our work, from reviewing grant applications to sitting on committees and providing advice. Without such dedication, the research enterprise simply would not function and the benefits to society would be lost.

Richard Hynes served as a Governor of the Wellcome Trust from 2007 until December 2016, and Kay Davies will be stepping down from the Board of Governors in January 2018 after ten years, including four years as deputy chair. Bill Burns was appointed Chair of the Audit Committee in January 2017. We are grateful for all their wisdom, invaluable contributions and support during this transitional phase for Wellcome.

Finally, we want to thank Danny Truell who has been an extraordinary Chief Investment Officer for Wellcome. From 2005 until he stepped down to become Emeritus Partner in September 2017, he led a team which delivered returns that have allowed us to more than double our charitable spend and given us confidence of meeting our ambitions for the future.

Eliza Manningham-Buller

Eliza Manningham-Buller
Chair, Wellcome Trust

Jeremy Farrar
Director, Wellcome Trust

Trustee's Report

What we do

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

Our vision and objects

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

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

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

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

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

Our philosophy

Good health makes life better. We want to improve health for everyone by helping great ideas to thrive.

Science and research expand knowledge by testing and investigating ideas. New understanding can then be applied to health, and change medicine, behaviour and society. That is why we support thousands of curious, passionate people all over the world to explore great ideas, at every step of the way from discovery to impact.

Together, we can do more. We can drive reform to ensure that ideas can reach their full potential. And we can give focused, intensive support when we see real opportunities to transform lives. As an independent charitable foundation, we are willing to take risks. We combine the ability to act swiftly with long-term ambition.

Our strategic framework

Wellcome benefits people around the world by improving health through three complementary approaches across science, research and engagement with society. This framework allows us to adapt as new ideas and challenges arise, drawing on insights from more than 80 years of achievement and our broad network of experts.

Advancing ideas

We support excellent research addressing fundamental health challenges of our time, across discovery science, medical innovation and the humanities and social sciences. Supporting ideas from people dedicated to discovery, creativity and innovation will always be at the heart of Wellcome's activities.

We are open to proposals and give grants through schemes run by our three funding divisions: Science, Innovations, and Culture and Society. We also initiate and maintain direct activities, such as Wellcome Collection.

Seizing opportunities

When we judge that concerted intervention will accelerate progress towards better health, we provide focused, intensive support to create a step change in a priority area within five to ten years.

Current priority areas: Vaccines, Drug-resistant infections, Research in Africa and Asia, and Our Planet, Our Health.

Driving reform

We promote change in practices and the removal of barriers so that ideas can reach their full potential – leading by example, convening alliances, and campaigning for wider reform in priority areas.

Current priority areas: Diversity and inclusion, and Science education.

Our funding approach

For 2016/17, we used an established formula to identify the amount of funding that we would plan to commit over a five year period, including the value for the first year. Based on this plan our charitable expenditure was £1,134 million this year.

As announced in September 2017, from 2017/18 onward, we have adopted a new approach to how we fund our charitable activities. The new approach will protect our core activities in Advancing Ideas and provide stability and predictability for our spending plans. We plan a funding level of around £900 million a year, on average, over a five year period, which we intend to increase annually with inflation.

In addition, to support the Priority areas, and potentially other large-scale and high-impact activities, we plan additional discretionary funding. We have currently identified funding of £865 million, of which £365 million has been budgeted to existing priority areas. We will add to this funding only when the investment portfolio performance is sufficiently strong. New priority areas or other activities supported through this funding will be highly ambitious projects aiming to bring about significant change within a specific time period.

The approach outlined above will help us manage our internal resources for achieving our long-term vision of improving health, as set out in our strategic framework.

Trustee's Report

Review of Charitable Activities

Science

£832m

Our aim is to catalyse excellent science and maximise its health impacts. A major part of our work is engaging with the research community, many of whom will apply to and be supported by our funding schemes.

(Includes £51 million of allocated support costs)

Culture and Society

£112m

We maximise Wellcome's impact on human health by understanding the social and cultural contexts of science and health. This includes supporting research in the humanities and social sciences, and public engagement with science.

(Includes £23 million of allocated support costs)

Innovations

£116m

We work with people and organisations across the world to transform great ideas, discoveries and inventions into treatments and products.

(Includes £9 million of allocated support costs)

Priority areas

£162m

Wellcome chooses priority areas where we want to see significant change. We lead and are accountable for these activities, working with partners to achieve ambitious goals.

(Includes £6 million of allocated support costs)

Annual Charitable Expenditure is analysed in the Financial Review on page 30.

Our Mixed Motive Investments are discussed under the Review of Investment Activities on page 28.

Review of Charitable Activities (continued)

This year, we celebrated many achievements made by people we support through our three funding divisions – Science, Innovations, and Culture and Society – and our priority areas. This report highlights just a few examples – more can be found on wellcome.ac.uk. These achievements often reflect the results of many years of research from previous funding.

Scientific research is inherently cumulative and progressive, opening up new knowledge, understanding and applications. The majority of our funding supports hypothesis-based investigation; by definition, the outcome of such activity cannot be predicted with certainty, but we are confident that the people, teams and places we support will produce valuable information and insight in support of our overall mission to improve health. The funding of translation activity is structured through milestones, ensuring only successful activity is fully supported.

Two years ago, our strategic framework set a new scale of ambition for how Wellcome should work taking into account the sustained growth of our investment portfolio, the expertise we support and the influence we have in the world. We have committed to maintaining or increasing our existing levels of support for great ideas in research, innovation and public engagement, while also looking for opportunities to transform specific areas we have prioritised.

In March 2017, we published five broad goals for our engagement with policy-makers in the UK and around the world:

- Champion and support research through changing times
- Ensure the world is prepared for the next epidemic
- Advance the global response to drug-resistant infections
- Harness the creativity of innovators to deliver health impact
- Push research and development for health up the global political agenda

This included setting out our view of what science needs after Britain leaves the European Union (EU) in 2019. We have already seen, for example, a significant drop in applications from people in EU countries to do PhDs at the Wellcome Trust Sanger Institute, emphasising the need for a straightforward migration system that welcomes students, researchers, technicians, innovators and their families to the UK. Two other areas we want the government to prioritise are strong investment in British research, and a commitment to securing associate membership of EU science schemes that promote international collaboration.

After setting out our position to political parties standing in the UK's General Election in June, we have engaged with representatives from both the UK and the EU as Brexit negotiations continue. Wellcome's voice as an advocate for science has been heard in public as well as private: in September 2017 we coordinated the launch of Together Science Can, a campaign to celebrate and build support for international collaboration in research.

Globally, we worked closely with the G7 nations and also the G20, chaired by Germany this year, to secure commitments from their leaders to act on urgent health problems including epidemics, drug-resistant infections and climate change.

Applying genomics

The Wellcome Trust Sanger Institute and the wider Wellcome Genome Campus operate under the auspices of Genome Research Limited ("GRL"), a wholly owned subsidiary of Wellcome. In November 2016, Prime Minister Theresa May opened two new buildings on the site: one housing sequencing facilities for the Sanger Institute and Genomics England; the other a Biodata Innovation Centre for start-up genomics companies.

Bringing together local and global researchers from different sectors fuels ambitious collaborations. For example, the Human Cell Atlas is using the latest genetic sequencing tools to characterise every type of cell in the human body. It is led by scientists at the Sanger Institute and the European Bioinformatics Institute, which is also on the campus and is part of the European Molecular Biology Laboratory.

Review of Charitable Activities (continued)

Wellcome Centres give groups of researchers funding for the shared facilities, collaboration and training they need to deliver world-leading, high-impact research. Following an open competition last year across our funding portfolio, eight renewed Wellcome Centres were joined by seven new ones, which opened or prepared to open this year. Although the outcome has been very positive, we have reflected on a process that, while allowing us to weigh all the proposals against each other, took a lot of time and effort from many people. In future, we do not intend to consider this many applications for Centre status concurrently.

Within Wellcome, we have continued to make changes that will help us operate and deliver at a more ambitious scale. In our funding divisions, we introduced a new Innovations strategy this year, and a new Science strategy has been developed. In Culture and Society, several funding schemes were merged into one Public Engagement scheme and a new strategy for Wellcome Collection is now in place.

Membership of the Executive Leadership Team ("ELT", formerly the Executive Board) was extended to include four additional roles, while four more colleagues were recruited to sit on ELT subcommittees. As well as bringing new skills to the leadership team, this increased the range of perspectives at the top of the organisation.

As the scale of Wellcome's charitable activities has grown over recent years, the amount we spend on support functions has grown at the same rate, whereas we might have expected to see this proportion decrease due to economies of scale. In line with the same financial discipline we require of our grantholders, therefore, this year's budgets for internal support functions were held at similar levels, in cash terms, to last year. We are confident this remains sufficient to support our funding and direct activities.

Advances in surgery

One of three new Centres in our Innovations portfolio, the Wellcome EPSRC Centre for Interventional and Surgical Sciences has been established at UCL to develop more precise, less invasive surgical procedures. As well as safer treatments and shorter recovery times in hospital, this should mean that more people can be offered the benefits of complicated but life-altering surgery.

Review of Charitable Activities (continued)

Science

Jim Smith joined Wellcome as Director of Science at the end of 2016. Since then, he and his team have been developing a new strategy to formalise and clarify working processes within the Science division, strengthen collective decisions and ensure we improve health through funding the best research. Essential to this vision is supporting research that increases our basic understanding of life, an inherently valuable human endeavour with the potential to lead to advances in health in the long term.

The strategy outlines principles and mechanisms to:

- support research that creates knowledge
- strengthen research capability
- use knowledge effectively
- promote an environment in which research can flourish.

One aim is to strengthen the partnership between Wellcome and the scientists we support. Researchers help us choose the right science by peer reviewing grant applications, while Wellcome colleagues often help to shape the direction of applicants' work. By building active and productive relationships, we contribute and achieve more together. For example, a Science Strategy Advisory Group has been established, with external experts helping to review and advise on the activities of the Science division.

In July 2017, a new strategy was announced for funding longitudinal population studies. This includes cohort studies such as ALSPAC in Bristol and the Pelotas study in Brazil, as well as panel surveys and biobanks, all of which Wellcome has long supported with more than £120 million in grants over the past ten years. The new strategy streamlines future funding and supports data sharing between studies.

A national stem cell resource

In 2012, Wellcome and the Medical Research Council announced a £13 million award for the Human Induced Pluripotent Stem Cell Initiative (HipSci) to create a catalogue of high quality stem cells. These cells are available to other researchers who can use them to explore the biological mechanisms of development and disease. The team, based in London, Cambridge and Dundee, published details of their progress in May 2017. They have generated an impressive 711 cell lines, all with detailed information about their genomes, proteins and cell biology.

CBT for eating disorders

In May 2017, the UK's National Institute for Health and Care Excellence recommended an enhanced form of cognitive behavioural therapy (CBT-E) for treating eating disorders in adults. The therapy was developed by Chris Fairburn, a Wellcome Principal Research Fellow in Oxford. Professor Fairburn and his team received long-term support from Wellcome to evaluate it and then to adapt it for treating any eating disorder. Further Wellcome funding enabled them to develop an online training programme, which more than 2000 therapists all over the world have used so far.

Improving child health

In the 1980s, César Victora worried that findings from longitudinal studies in high-income countries might be of limited use in his home country of Brazil, where poor fetal growth, childhood infections and malnutrition were still common. He set up a study of nearly 6000 babies born in the city of Pelotas in 1982, and with funding from Wellcome and others, has followed up these children – and two later cohorts – at intervals ever since.

Professor Victora was awarded the 2017 John Dirks Canada Gairdner Global Health Award for outstanding contributions to maternal and child health and nutrition in low- and middle-income countries, with particular focus on the long-term impact of early nutrition.

Review of Charitable Activities (continued)

Innovations

Wellcome's innovation team has supported many projects to help advance ideas from discovery to the point at which they can be commercialised by others. This has led to the development of over 30 new products to date, a similar number of projects reaching the clinic, and others still at an early stage but with the potential to save and improve lives.

Our new strategy, launched in February 2017, marks a significant change of approach. As a result, this has been a year of transition: we closed our previous response-mode schemes and created a new set of activities that allow us to work more intensively with our partners and with greater flexibility. We are focusing on a small number of ambitious programmes with potential to transform health outcomes. These include the Hilleman Laboratories in New Delhi, and three Wellcome Centres in the UK, two of which are in partnership with the Engineering and Physical Sciences Research Council.

Our aim is to:

- maximise impact from the science Wellcome supports
- develop a portfolio of innovative products, technologies and interventions
- mitigate the impact of disease through innovation.

We are piloting a new translational partnership model with a small number of Wellcome-funded universities and institutes. The aim is to create a more explicit link between science and innovation. Innovator Awards, our open-call funding scheme, are designed to support new projects and broaden our innovation network.

We will select the opportunities that have the greatest potential for impact, as opposed to commercial return. With more focus, we expect to achieve greater impact, and deliver a portfolio of innovations that will have a measurable positive effect on the health of at least a million people each year by 2022.

Affordable vaccines

In 2009, Wellcome and Merck (USA) created the Hilleman Laboratories, a £90 million research and development joint venture based in New Delhi. Its not-for-profit mission is to develop affordable vaccines for diseases that commonly affect low- and middle-income countries. Under the leadership of Davinder Gill, Hilleman has grown into a successful and innovative partnership, and major advances were made this year in testing affordable vaccines against cholera and rotavirus, a major cause of child deaths.

Safer childbirth

Severe bleeding after childbirth is the biggest cause of maternal death in the world, affecting 14 million women a year and causing 100,000 deaths. Widely available at around £2 a dose, tranexamic acid is used to stop bleeding after major accidents and surgery, but had never been assessed for use in childbirth. The WOMAN trial, coordinated by the London School of Hygiene and Tropical Medicine between 2010 and 2016, tested tranexamic acid as a potential treatment for bleeding after childbirth. The study was funded through the Health Innovation Challenge Fund, a partnership between Wellcome and the UK Department of Health, and the Bill and Melinda Gates Foundation. Wellcome's contribution was £1.8 million. Having recruited more than 20,000 mothers in 21 countries, results published in April 2017 showed that tranexamic acid had no side-effects for mothers or babies, and prevented almost a third of deaths due to bleeding. As a result, in November 2017, the World Health Organization began recommending tranexamic acid as a treatment for women diagnosed with severe bleeding.

Review of Charitable Activities (continued)

Culture and Society

In November 2016, after a six-month pause in awarding grants for projects that engage the public with science, we announced that we would consolidate several open funding schemes into a single scheme that is simpler and more flexible for applicants. This followed the appointment in September 2016 of Imran Khan as Head of Public Engagement. He has been developing a new public engagement strategy this year to define more clearly our ambitions for the future and how to account for our impact.

It has also been a year of transition for Wellcome Collection, our public venue in central London. Having relaunched in 2015, we recognised the need to consider how activities within Wellcome Collection could be more closely aligned with each other. We decided to focus on bringing together Wellcome Collection's functions as museum and library, engaging a wider range of people with our collections and programmes, and creating a unified approach to our digital activity.

This meant stopping some activities, such as supporting a commercial image library, and redefining how colleagues would work in the future. A number of new roles were created and other roles made redundant, which had an impact on morale as we tried to balance transparency with sensitivity to those directly affected. We will now develop Wellcome Collection under one brand as a free museum and library that challenges how people feel and think about health.

Body issues

"The Sick of the Fringe" started at the 2015 Edinburgh Festival, celebrating and supporting shows that dealt with issues of health, identity, medicine, and research. As well as events for performers and producers, arts and science writers attend shows and produce 'diagnoses' that put the issues in a broader context. The project, conceived by Wellcome Engagement Fellow Brian Lobel, returned to Edinburgh in 2016 and 2017, and has spread to festivals in Manchester, Folkestone, London and Adelaide, Australia.

Zika research ethics

Since 2016, thousands of children in South America have been born with microcephaly after their mothers were infected with the Zika virus. A number of potential vaccines are in clinical trials, but pregnant women are often excluded from trials over safety concerns. Through our Humanities and Social Sciences funding stream, Wellcome supported a group of experts this year to advise the research community on how they can avoid pregnant women and babies being unfairly excluded from the benefits of a future Zika vaccine.

Review of Charitable Activities (continued)

Priority Areas

We currently have six priority areas, where we lead and are accountable for significant change, working with partners to achieve ambitious goals. New priority areas can be proposed at any time – an idea may then be given resources for a development phase, after which we decide whether or not to make it a priority area.

After a development phase this year, we chose not to make open research a priority area. Instead, a new team was created to bring together everything we currently do and to set out a longer-term roadmap for our work to support access to and sharing of all kinds of research outputs.

The theme of young people's mental health was selected to go into a development phase this year, and a decision on whether it becomes a priority area is expected in 2018.

Diversity and Inclusion

Wellcome made Diversity and Inclusion a priority area in November 2016. Scientific innovation thrives on a diversity of people, ideas and approaches, but we recognise that the research community – including Wellcome – does not draw on as broad a range of ideas, thought and participation as it could, so we have budgeted £12.5 million over five years to drive reform.

Our strategy includes commissioning research, incentivising and leading change, and working with networks across the corporate, public and health sectors to foster collaboration and influence policies. This year we partnered with the Francis Crick Institute and GlaxoSmithKline to establish a group called Equality, Diversity and Inclusion in Science and Health Research, and held our first joint symposium in September 2017.

Science Education

Science gives young people the opportunity to satisfy their curiosity about how the world works. It also gives them knowledge to make decisions in life as well as skills for future study and employment. Science Education began implementation in April 2016 as a priority area.

We aim to support and motivate teachers to give students across the UK an inspiring and relevant science education. We have focused on three areas: science education research, professional development for science teachers, and a big push to transform primary science.

After more than a year of development and testing, we launched Explorify in September 2017. It is a free resource that guides primary teachers through activities that will help their pupils to develop thinking skills and encourage them to explore the world around them more deeply. Thousands of teachers have signed up to get help to build their own confidence, do more science in the classroom, and access professional development.

Open Research

Wellcome has long been at the forefront of efforts to make research data and publications more open and accessible. This year, we established an Open Research team to coordinate activities across the organisation, and to develop and introduce new initiatives. In November 2016 we partnered with F1000 to create Wellcome Open Research, a platform for researchers we fund to rapidly publish any kind of results. Articles benefit from immediate publication, transparent peer review and the inclusion of all source data.

Curiosity Fund

In June 2017, Wellcome partnered with BBC Children in Need to launch Curiosity, a £2.5 million funding scheme for exciting and engaging science activities aimed at children and young people experiencing disadvantage in the UK. Curiosity grants will enable youth organisations to develop informal learning activities to support young people's personal and social development through science. This scheme was co-developed by Wellcome's Education and Learning, Public Engagement, and Diversity and Inclusion teams.

Review of Charitable Activities (continued)

Research Ecosystems in Africa and Asia
In June 2016 we began implementation of Research Ecosystems in Africa and Asia a priority area. Having supported research in these regions for many years, largely through our five major Africa and Asia Programmes, we are now doing more to develop the next generation of research leaders and support more resilient research infrastructure.

In September 2016, we handed over two major funding programmes to the Alliance for Accelerating Excellence in Science in Africa (AESA), which has since continued to develop robust and transparent systems for managing grants.

The Wellcome Trust/DBT India Alliance, a co-funded initiative between Wellcome and the Indian Government's Department of Biotechnology, launched in 2008 to support future scientific leaders in India. To date, more than 250 Indian researchers have been funded. Talented researchers have been attracted back to establish research groups in India, which is having a positive effect on the Indian research ecosystem.

Our Planet, Our Health
Health is intertwined with environment, so as the environment changes - whether due to climate change or urbanisation - we will need ways to safeguard human health. Our Planet, Our Health became a priority area in October 2015 in order to coordinate Wellcome's growing investment in research to understand the complex links between environment and health.

Four new major partnerships were funded in October 2016. Interdisciplinary research groups are investigating what makes cities healthy, the benefits of ecologically and economically sustainable water infrastructure in informal urban settlements, sustainable and healthy food systems, and the future of animal-sourced food.

Drug-Resistant Infections
Growing resistance to antibiotics and other drugs is a major health threat in the world today. Drug-Resistant Infections was formally made a priority area in November 2016 and good progress has been made in implementing the programme in its first year. For example, we partnered with the UK Department of Health and the Bill and Melinda Gates Foundation to include drug-resistant infections in the Global Burden of Disease index. This will provide much needed data about the true scale of the problem, and help guide national and international strategies for tackling drug-resistant infections.

In March 2017, we announced £125 million over five years, subject to certain criteria being met, for the transatlantic partnership Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator ("CARB-X"). This biopharmaceutical accelerator is funding biotech and research teams working on new antibiotics or new ways to diagnose and protect people against drug-resistant bacteria.

Vaccines
Vaccines have the potential to prevent millions of deaths from infectious disease. We made Vaccines a priority area for Wellcome in November 2016, and implementation began in January, building a team with four focus areas. In one of those areas, better preparing the world for epidemics, a significant step was the launch of the Coalition for Epidemic Preparedness Innovations in January 2017. It brings together the governments of Norway, India, Japan and Germany, as well as the European Commission, industry partners and charitable organisations, including Wellcome, the Bill and Melinda Gates Foundation and the World Economic Forum, to develop vaccines for infections with epidemic potential.

New vaccines for a safer world

The Coalition for Epidemic Preparedness Innovations ("CEPI") officially launched in January 2017 with US$540 million of pledged funding, including US$100 million from Wellcome through our Vaccines priority area, to develop vaccines for potential epidemic infections. Richard Hatchett started as CEPI's chief executive in April 2017. The coalition's first call, launched in January 2017, was for proposals to advance vaccines for Mers-CoV, Lassa fever and Nipah virus, and the second, launched in September 2017, was for new approaches to reduce the time required to develop new vaccines.

Review of Charitable Activities (continued)

Social responsibility

Employment and inclusion

Wellcome works with a variety of people across different countries and cultures, which means equality, diversity and inclusion are fundamental to our vision of improving health for everyone. We help our colleagues maximise their achievements through a programme of personal development. It is important to us all to create a culture that is ambitious, open and respectful, and in which differences are valued and celebrated.

Guided by our Diversity and Inclusion priority area team, all members of Wellcome's Executive Leadership Team ("ELT") have participated in a programme supporting them to create cultures in which everyone can thrive. We are changing recruitment processes to ensure applicants and colleagues from diverse backgrounds are not disadvantaged when applying for jobs or accessing development opportunities. We are also working with organisations like Stonewall and the Social Mobility Foundation to benchmark our progress.

An Equality, Diversity and Inclusion programme across the Wellcome Genome Campus is addressing equality issues. Key changes include a more equitable recruitment process, greater gender balance on decision-making committees, proactively working to ensure equal access to promotion and development opportunities, and further developing and promoting a family friendly culture.

Last year, the "Great Place to Work" survey provided a baseline against which we could judge the success of our improvement programmes. Repeating the survey this year confirmed that people are proud to work at Wellcome, but many wanted additional clarity on strategy and direction. The ELT has taken actions to improve transparency, communication and engagement with colleagues. This includes expanding membership of the ELT and being more open about decisions and long-term plans.

Volunteering has become a highly valued part of Wellcome's ethos, with everyone having the opportunity to use paid volunteering leave. We ran our second Community Action Week in July 2017: colleagues worked together on projects in our local community, such as refurbishing a science garden at a primary school or helping with a language café in Wellcome Collection's Reading Room for asylum seekers and refugees.

Health and environment

Wellcome has a combined Health and Safety and Environment (HSE) policy, and while responsibility for Environment remains in our People and Places division, we have formed a new Risk, Health and Safety team in Finance. This enables closer working links with the Enterprise Risk Manager and greater input into business continuity planning.

We are committed to employees' physical and mental wellbeing, and this year we signed the Time to Change Pledge, which tackles stigma around mental health. We have programmes to train colleagues in mental health first aid, as well as supporting physical first aiders through recognised and certified first aid training.

At the Wellcome Genome Campus, health and safety training includes specialist training for scientific laboratories. The Campus was commended in the Royal Society for the Prevention of Accidents Research and Development Sector awards this year, based on various elements of the health and safety management system.

For Wellcome, the British Safety Council Five Star Occupational Health and Safety Audit will now be conducted every two years instead of annually. Higher risk departments and divisions are audited internally every year, and no significant actions have been raised.

Our Wellbeing and Environment group supports and promotes HSE objectives, and is actively involved in decision making in relation to relevant initiatives and changes.

We currently recycle 53 per cent of our waste and continue to look for ways to reduce the energy performance in our buildings. Replacing three air conditioning chillers ahead of schedule but with new technology helped to improve energy efficiency this year. At our London properties, we reduced the consumption of electricity and gas by almost 11 per cent compared with the previous year.

Wellcome's carbon emissions, reported under the Carbon Reduction Commitment Energy Efficiency Scheme Phase II, totalled 31,459 equivalent tonnes of carbon between April 2016 and March 2017. The largest contributor is the Wellcome Genome Campus, which includes the Sanger Institute, our conference centre and other buildings. Genome Research Limited is ensuring that all new and refurbished buildings are equipped with meters for electricity, gas and water to help understand usage and minimise waste.

Investments

Wellcome seriously considers the implications of our investments approach. Further details of our investment policy are in the Financial Review on page 32.

Review of Investment Activities

Investment Portfolio

Figure 1a

Total portfolio net returns (blended £/US$)
Period to 30 September 2017

	Annualised return in blended currency (%)		
	Nominal	UK/US CPI	Real
Trailing one year	18.9	2.1	16.8
Trailing three years	10.4	1.0	9.4
Trailing five years	13.0	1.4	11.6
Trailing ten years	8.2	2.1	6.1
Trailing twenty years	8.0	1.8	6.2
Since Oct 1985	13.7	2.7	11.0

	Cumulative return in blended currency (%)		
	Nominal	UK/US CPI	Real
Trailing three years	35	3	32
Trailing five years	84	7	77
Trailing ten years	120	23	97
Trailing twenty years	368	44	324
Since Oct 1985	5,908	134	5,774

£ used to 30 September 2009. Blended £/US$ 50/50 from 1 October 2009.

Net returns include impact of all external management fees/expenses and custodial costs.

Figure 1b

Total portfolio net returns (£)
Period to 30 September 2017

	Annualised return in £ (%)		
	Nominal	UK CPI	Real
Trailing one year	16.9	2.2	14.7
Trailing three years	13.8	1.0	12.8
Trailing five years	15.0	1.5	13.5
Trailing ten years	9.1	2.4	6.7
Trailing twenty years	8.5	1.9	6.6
Since Oct 1985	13.9	2.8	11.2

	Cumulative return in £ (%)		
	Nominal	UK CPI	Real
Trailing three years	47	3	44
Trailing five years	101	8	93
Trailing ten years	138	26	112
Trailing twenty years	407	47	360
Since Oct 1985	6,410	139	6,271

Net returns include impact of all external management fees/expenses and custodial costs.

Summary

2016/17 was a strong year for most investment assets, and a very good one for Wellcome's portfolio. Despite plenty of political noise, investors focused on an improving global economy, continued monetary support from Central Banks and growing corporate earnings. Unlike last year, the portfolio was not unduly influenced by currency movements, although our decision to increase exposure to the Euro helped. The big driver was buoyant equity markets, which brought strong gains in our public equity positions and underpinned a positive environment for our hedge fund and private equity portfolios. Our overall portfolio rose by 16.9% in Sterling, equivalent to £3.5 billion, taking the value of the endowment to £23.2 billion.

Over the past ten years, which included the worst global economic crisis in a generation, the portfolio has delivered a real return after inflation of 112% in Sterling (138% or 9.1% a year in nominal terms). While we expect future returns to be more muted, we are confident that the portfolio will continue to generate sufficient cash flow to support charitable expenditure.

Overview

The period since the Global Financial Crisis (GFC) may be 'the most hated bull market in history'. There has been an obvious disconnect between gloomy political headlines, and steadily rising stock markets. The key to performance has been to stay invested in equities and avoid the temptation to sell. Our long-term perspective has been extremely useful in helping us maintain this discipline.

There has been a powerful economic story underpinning financial markets. For the first time since the GFC, we are seeing concerted economic growth around the world, including in previously depressed areas such as parts of the Eurozone. Economic growth has boosted corporate cash flows and fed through into equity prices.

Central Banks have resisted responding to stronger growth and rising asset prices by raising interest rates quickly, for fear of short-circuiting the recovery. Despite tight labour markets in major economies, there has not yet been sufficient inflation to force Central Banks' hands, and so favourable conditions have persisted.

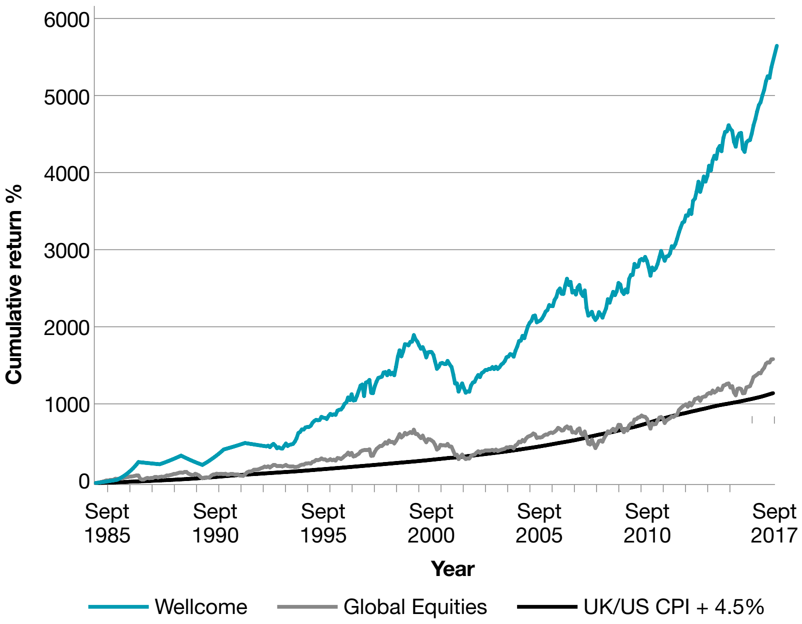
Two big themes dominated markets this year. Technological change, especially the increasing ubiquity of mobile computing, social networks and e-commerce, has led to accelerating growth from

Review of Investment Activities (continued)

Investment Portfolio

Figure 2

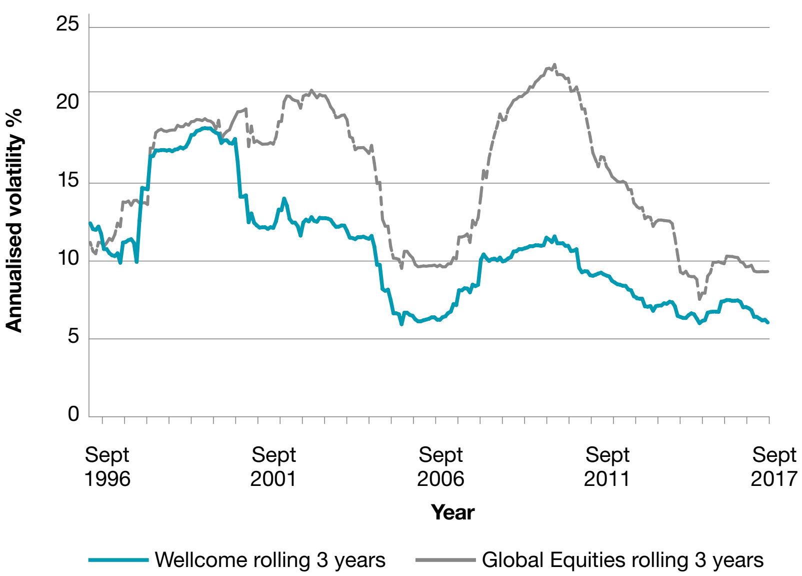
Total portfolio cumulative net returns since 1986 (%)



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

Figure 3

Volatility (standard deviation) of returns (%)



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

large technology companies from an already very large revenue base. At the same time, more cyclical parts of the global economy have played catch up with US markets, as global growth has spread and the US Dollar has weakened. Emerging Markets have been at the front of this trend, but Europe and Japan have also benefitted.

The 16.9% rise in the portfolio in Sterling was led by gains in the £13.5 billion public equity portfolio, which delivered returns of 19.6%, well ahead of the 15.5% return from MSCI AC World. In US Dollar terms, the total portfolio returned 20.7%, as Sterling appreciated slightly after the UK economy outperformed expectations. Our internally managed portfolios again delivered strong performance, but our outsourced equity managers in developed markets also made a strong contribution.

Following a period of poor returns, our hedge funds (£2.4 billion) performed well, with a Sterling return of 9.6%. With greater dispersion of performance between stocks and sectors, there have been more opportunities for hedge fund managers to add alpha.

In our £6.2 billion Private Equity portfolio, buyout funds generated strong positive cash flows, with managers taking advantage of buoyant public equity markets to sell down positions in listed stocks. Our venture capital (VC) managers are taking advantage of readily available private funding to run positions for longer, with the objective of building bigger, more dominant businesses away from the gaze of public markets.

Our property assets of just over £2.2 billion are concentrated in the UK, and therefore susceptible to any weakness related to Brexit. Although the residential market was weak, this was more than made up by strength in our operating asset backed businesses, taking the composite as a whole into slightly positive territory.

Outlook

Asset owners like Wellcome have been very fortunate in the past few years in having major Central Banks underpinning global asset prices, by buying bonds to drive down the risk free rate. More recently, improving economic conditions have helped corporate earnings to grow rapidly enough to provide a further boost to markets.

We do not expect this fortunate coincidence of circumstances to persist indefinitely. Asset valuations

Review of Investment Activities (continued)

Investment Portfolio

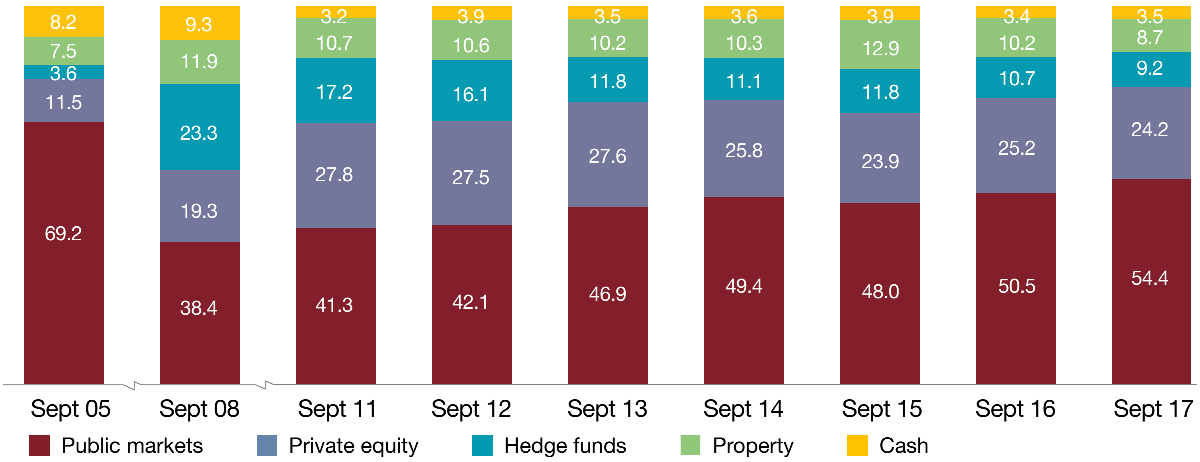
are at levels that leave little room for disappointment. Many economies are operating close enough to full capacity that monetary conditions might start to tighten soon. Lower cash levels among investors, slower corporate buybacks, and ultra-low volatility are all warning signs. It also remains to be seen what the longer term consequences will be of the sheer volume of passive money in the market. There are now many more equity indices than stocks.

Given these trends, we are preparing for a world of somewhat higher interest rates, lower returns from investment assets, and probably higher volatility than we have seen in recent years. Our response has been to concentrate on assets and partnerships in which we have most confidence. We are spending far more time focusing on stewardship of the assets that we do own, than worrying about those we do not.

Although the pace of disruption and of economic change will not slow, there are opportunities as well as threats from change. Examples include increasing use of AI and machine learning, mass adoption of robotics and industrial automation, the growing importance of genomics in healthcare or the emergence of a massive number of relatively wealthy consumers across many parts of the Emerging World. Through our long-term outlook and our extensive investments in Venture Capital and Emerging Markets, we aim to capture some of the economic benefit of these trends.

Figure 4

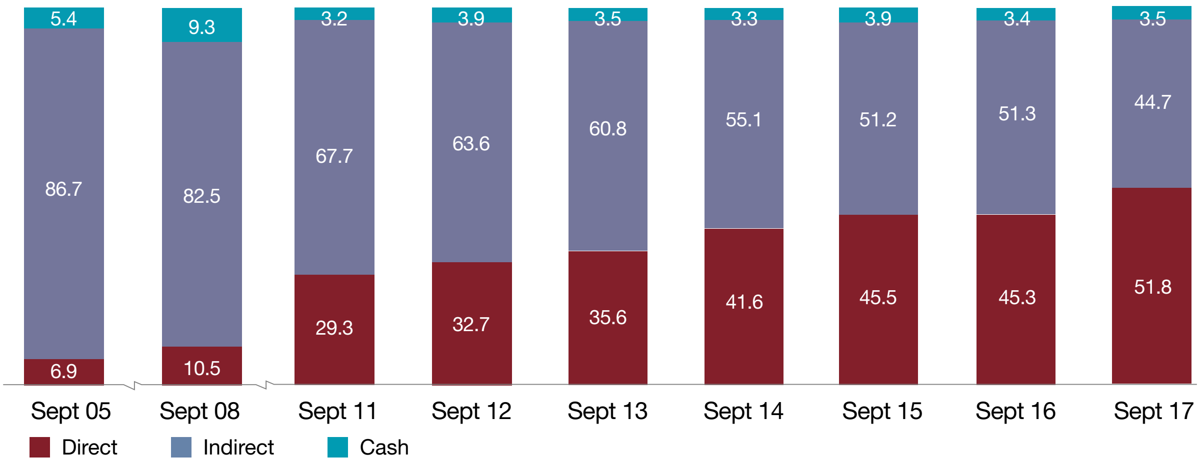
Evolution of asset allocation (%)



The percentages exclude foreign exchange overlays. Public markets includes public equities, equity index and commodity futures and options.

Figure 5

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



The percentages exclude foreign exchange overlays.

Review of Investment Activities (continued)

Investment Portfolio

Figure 6

Investment asset allocation as at 30 September

	2017 £m	2017 US$m	2017 %	2016 %	2015 %	Change in allocation Sept 2016 to Sept 2017 %
Total public equities	**13,487**	**18,095**	**52.3**	**50.5**	**48.0**	**1.8**
Global	10,049	13,483	39.0	36.2	34.6	2.8
Developed world	981	1,316	3.8	4.9	5.1	(1.1)
Growth markets	2,457	3,296	9.5	9.4	8.4	0.1
Equity index futures and options*	**233**	**312**	**0.9**	**-**	**-**	**0.9**
Commodity futures and options*	**310**	**416**	**1.2**	**-**	**-**	**1.2**
Hedge funds	**2,368**	**3,177**	**9.2**	**10.7**	**11.8**	**(1.5)**
Equity long/short	1,503	2,016	5.8	6.5	6.2	(0.7)
Directional hedge funds	360	483	1.4	1.9	2.4	(0.5)
Non Directional hedge funds	505	678	2.0	2.3	3.2	(0.3)
Cash	**893**	**1,198**	**3.5**	**3.4**	**3.9**	**0.1**
Private equity	**6,238**	**8,370**	**24.2**	**25.2**	**23.9**	**(1.0)**
Buyout funds	1,197	1,606	4.6	5.1	5.5	(0.5)
Specialist funds	1,289	1,730	5.0	5.1	3.9	(0.1)
Multi asset partnerships	690	925	2.7	3.1	2.9	(0.4)
Venture funds	2,203	2,956	8.5	8.8	8.9	(0.3)
Directs	859	1,153	3.4	3.1	2.7	0.3
Property	**2,244**	**3,011**	**8.7**	**10.2**	**12.9**	**(1.5)**
Net overlay assets*	**(13)**	**(18)**	**-**	**-**	**0.1**	**-**
Total assets	**25,760**	**34,561**	**-**	**-**	**-**	**-**
Bond liabilities	(2,041)	(2,738)	-	-	-	-
Other liabilities	(531)	(713)	-	-	-	-
Total liabilities	**(2,572)**	**(3,451)**	**-**	**-**	**-**	**-**
Total assets net of all liabilities	**23,188**	**31,110**	**-**	**-**	**-**	**-**

*As of September 2017, the equity and commodity derivatives have been shown separately as notional exposures, with futures offsets included in other liabilities. Net overlay assets comprise foreign exchange overlays and the related cash collateral amounts due to counterparties.

Review of Investment Activities (continued)

Investment Portfolio

Public Equity

In 2016/17, Global Equity Markets (MSCI AC World) returned 15.5% in Sterling or 19.3% in US Dollars. All major markets saw decent gains in Sterling, but European equities led the way, returning 26.2% (Eurostoxx50). Emerging Markets equities returned 19.0% (MSCI EMF), US equities rose 14.9% (S&P 500), and Japan 12.6% (Topix). The UK trailed behind other markets but still delivered a return of 11.2% (FTSE100).

Our total public equity portfolio had a strong year (Figure 7) delivering a 19.6% return, 4.1% ahead of global equities. This is not a level of outperformance (alpha) we expect to be able to sustain – since inception, the equity portfolio has outperformed global equities by 0.7% a year on average – but our focus is in any case on absolute return. The Internal Rate of Return (IRR) of our equity portfolio since mid 2008 (when we started owning public stocks directly rather than running a purely outsourced portfolio) has been 11.4% (Figure 8). After such a strong period of returns it is not surprising that our forward looking return expectations have come down sharply.

Our internal portfolios in developed markets had a good year. The Megacap Basket (MCB) has been running since September 2008. We continued to hold the same 27 stocks throughout the year. The MCB had another strong year, returning 19.2%, taking the IRR since inception to 14.9%.

The Optionality Basket (OB) also had a good year, delivering a return of 29.0%. It includes a global selection of stocks, each separately chosen on the basis that it offers the prospect of attractive risk-adjusted returns. There were strong contributions from a range of holdings, including Chinese ecommerce giant Alibaba, Morgan Stanley, JD.com, Vonovia and Rolls Royce. We added one position during the year in French insurance company AXA, taking advantage of market uncertainty around the presidential election. The other significant change was to sell our position in Bank United in the US, where we had invested as part of the recapitalisation process in 2009.

Figure 7

Public equity net returns (%)
Period to 30 September 2017

	Annualised return in £ (%)		
	1 year	3 years	5 years
Global	21.1	16.0	16.1
Developed world	19.0	16.0	18.6
Growth markets	13.8	11.3	10.3
Total public equities	**19.6**	**15.3**	**15.5**
MSCI AC World	15.5	15.1	15.0

Figure 8

Direct public equities IRR by strategy (£) (%)
Inception to 30 September 2017

	2017 Value £m	IRR (%)
Mega cap basket (inception Sept 2008)	6,091	14.9
Optionality basket (inception July 2008)*	2,460	15.0
Growth basket (inception Dec 2009)	536	12.3
Total public equities	**13,487**	**11.4**

*Returns adjusted for private purchases.

Figure 9

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

	2017 Value £m	2016 Value £m	2015 Value £m	2014 Value £m	2013 Value £m
Indirectly managed	**3,741**	4,220	3,540	4,073	4,044
Global	1,498	1,342	1,106	645	531
Developed markets	724	1,139	1,025	1,866	1,953
Growth markets	1,519	1,739	1,409	1,562	1,560
Directly managed	**9,746**	7,442	6,123	5,474	4,045
Mega cap basket	6,091	5,213	4,055	3,883	3,352
Optionality basket	2,460	1,799	1,789	1,379	612
Growth basket	536	430	279	211	81
Other	659		-	-	-
Total	**13,487**	**11,662**	**9,664**	**9,546**	**8,089**

Review of Investment Activities (continued)

Investment Portfolio

In Emerging Markets, the internally managed Growth Basket (GB) delivered a solid absolute return of 12.4%. However, the deliberate bias to high quality consumer and banking franchises meant that it lagged the broad market, which was led by cyclical stocks and markets. We are still building this basket, with the principal addition of Hong Kong based pan-Asian insurer AIA during this year.

We terminated two external equity mandates during the year, and reinvested the proceeds into passive products to maintain our underlying exposure. Our remaining nine outsourced managers have been running money for us for a combined 135 years and an average of 15 years each. Some of them have had performance challenges recently, but over the past year things have improved, with four out of our five managers in developed markets, and two out of the four in Emerging Markets outperforming their respective benchmarks. We continue to evaluate the relative merits of running money internally and externally, and the value of active as opposed to passive strategies.

German real estate company Vonovia remained our largest single direct equity position at financial year end (Figure 10). All 35 directly owned positions in excess of US$150m have delivered positive returns, 22 of which have returned in excess of 100% since inception. The portfolio remains cash generative. The MCB has returned roughly a quarter of its total cost in cash dividends since inception.

Figure 10

Direct public equity holdings > US$150m
As at 30 September 2017

Rank 2017	Rank 2016		Total Value £m	Total Value US$m	Return on Cost GBP (Inception dates differ)
1	1	Vonovia*	429	575	157%
2	4	Alibaba*	419	562	527%
3	2	Apple	403	540	702%
4	6	Bank Of America	378	507	143%
5	3	Microsoft	361	485	270%
6	7	JPMorgan Chase	335	450	215%
7	12	Morgan Stanley	304	408	139%
8	5	Royal Dutch Shell	304	407	73%
9	33	Banco Santander	286	384	56%
10	N/A	AXA	271	363	12%
11	9	Siemens	266	356	108%
12	8	Facebook	258	346	245%
13	11	Alphabet	258	346	353%
14	20	JD.com*	257	345	121%
15	15	Berkshire Hathaway	256	344	157%
16	14	HSBC	251	336	72%
17	25	Unilever	246	330	210%
18	10	Nestle	228	306	118%
19	16	Toyota	224	301	104%
20	18	Merlin	223	299	20%
21	35	Rolls-Royce	200	268	4%
22	17	BP	199	266	42%
23	19	Marks & Spencer	194	261	97%
24	32	Novartis	179	240	127%
25	21	Pepsico	175	234	151%
26	24	Cisco Systems	171	229	129%
27	13	Anheuser-Busch	171	229	168%
28	22	Procter & Gamble	170	228	85%
29	31	Roche	169	226	123%
30	28	Vodafone	167	224	52%
31	29	Johnson & Johnson	165	221	180%
32	27	Sumitomo Mitsui FG	143	192	26%
33	23	General Electric	135	182	102%
34	34	Schlumberger	130	175	47%
35	26	Rio Tinto Plc	113	151	67%

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

Review of Investment Activities (continued)

Investment Portfolio

Hedge Funds

Our £2.4 billion hedge fund portfolio had a good year (Figure 11). Correlations between stocks have fallen from historically high levels, which has recently made it easier for both long/short hedge funds and active long only managers to generate alpha.

The proportion of our portfolio invested in hedge funds has fallen to 9.2% from its 2008 peak of 23.3%. As market valuations become more stretched and we move closer to an environment where interest rates may start to move up meaningfully, we ought to see more opportunities for skilled managers. However, manager selection remains key, as many hedge funds tend to exchange performance for asset gathering as they mature. Many of the best funds (including most of ours) remain closed to new money from investors.

We are also conscious of the fact that the hedge fund community has struggled with succession planning, and that decision making is usually highly centralised, which creates key person risk. We are watching closely to see how our hedge fund partners handle generational transition. Hedge fund management appears to us to be an idiosyncratic cottage industry rather than an asset class to which large scale funds should be allocated.

Private Equity

The value of our private equity (PE) investments in buyout funds, venture capital funds, direct private investments and Multi Asset Partnerships has risen to £6.2 billion. PE has done well, but still fallen to 24.2% of the portfolio because of the strength of the performance in our public equity assets. These assets are primarily located outside of the UK, therefore, Sterling returns have benefited from historical periods of Sterling weakness.

Our buyout and VC funds have delivered a significant premium over time in return for the illiquidity we need to take on in the asset class (Figures 14a and 14b). This PE premium has attracted new money, which is pushing up entry valuations for new investments. Over time we believe that returns from PE will decline, but we remain confident that in an environment where returns to all equity assets are likely to be lower, our managers will be able to deliver a decent illiquidity premium.

Figure 11

Hedge fund net returns (%)
Period to 30 September 2017

	Annualised return in US$ (%)			
	1 year	3 years	5 years	10 years
Directional	11.7	2.7	5.6	4.1
Non Directional	6.8	1.1	4.0	3.7
Equity Long/Short	15.5	5.4	9.2	5.5
Total Hedge funds	**13.2**	**4.0**	**7.4**	**4.8**
MSCI AC World	19.3	8.0	10.8	4.4

Figure 12

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

	2017 Value £m	2016 Value £m	2015 Value £m	2014 Value £m	2013 Value £m
Directional	360	435	492	534	605
Non Directional	505	533	633	558	506
Equity Long/Short	1,503	1,495	1,251	1,073	929
Total Hedge funds	**2,368**	**2,463**	**2,376**	**2,165**	**2,040**

Figure 13

Private equity fund net returns (multiples)
Inception to 30 September 2017

	Drawn (£m)	Realised (£m)	Net Asset Value (£m)	Total Value to Drawn
Buyouts	4,137	5,056	1,197	1.51x
Specialist	2,431	2,276	1,289	1.47x
Venture	1,960	2,220	1,774	2.04x
Healthcare and Healthcare/ Venture	1,430	1,761	429	1.53x
All Private equity funds <=2010	7,914	10,973	2,000	1.64x
All Private equity funds >=2011	2,044	340	2,689	1.48x
All Private equity funds total	**9,958**	**11,313**	**4,689**	**1.61x**

Total Value equals Realised plus Net Asset Value. Funds of vintage years 2010 and earlier have generally completed their investments.

Review of Investment Activities (continued)

Investment Portfolio

Large buyouts again led the way in 2016/17, and delivered a one year return comfortably ahead of public markets. Our buyout managers have been taking advantage of market strength to sell down positions in public stocks in their funds and distribute the proceeds back to investors. Net distributions from all buyout funds over the 12 months to 30 September 2017 totalled £221 million.

We have become increasingly selective in re-committing to PE funds. We focus on those managers who have a demonstrated ability to make money by effecting real change at businesses rather than just through financial engineering.

While buyout funds have been returning cash, distributions from VC firms have slowed down significantly. Many technology companies have raised large amounts of private funding, so founders are not feeling pressured into exposing themselves to the scrutiny of public markets. With new sources of private funding available from non-traditional investors in the VC space, this trend could go on for a long time.

Net distributions from our VC portfolio (-£31 million) were negative, which is surprising given the maturity of the funds. We have therefore recast our forward looking expectations of cash flows to reflect a more conservative five-year view of VC realisations. This does not affect our view of eventual value creation in these funds. There is likely to be significant latent value in the portfolio from the fact that our VCs are holding key positions at a substantial discount to most recent funding rounds.

Figure 14a

Private equity fund net returns (%)
Period to 30 September 2017

	Annualised return in US$ (%)			
	1 year	3 years	5 years	10 years
Large Buyouts	25.6	14.3	15.3	8.8
Mid Buyouts	16.6	9.9	12.1	N/A
Specialist	22.4	8.9	10.4	N/A
Venture	9.5	15.4	18.5	11.0
MSCI AC World	19.3	8.0	10.8	4.4

Figure 14b

Private equity fund net returns (%)
Period to 30 September 2017

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Large Buyouts	21.6	21.8	19.6	13.4
Mid Buyouts	12.9	17.0	16.4	N/A
Specialist	18.5	16.0	14.6	N/A
Venture	6.0	22.9	23.0	15.8
MSCI AC World	15.5	15.1	15.0	8.9

Figure 15

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

	2017 Value £m	2016 Value £m	2015 Value £m	2014 Value £m	2013 Value £m
Buyouts	1,197	1,176	1,115	1,283	1,226
Specialist	1,289	1,187	775	717	895
Venture	2,203	2,043	1,791	1,683	1,352
Direct	859	716	535	733	786
Total	**5,548**	**5,122**	**4,216**	**4,416**	**4,259**

Figure 16

Multi-Asset Partnerships (MAPs)
Period to 30 September 2017

	Annualised Return		
	£ (%)	US$ (%)	**Value £m**
MAPs (inception Jan 2013)	7.9	3.6	**690**

Review of Investment Activities (continued)

Investment Portfolio

Property including Asset Backed Operating Companies

Our property holdings have a significant bias towards UK assets. Continued uncertainty towards Brexit, exacerbated by the inconclusive results of the General Election in June, have put a dampener on physical assets in the UK.

In South Kensington, although the super-prime residential estate market was quite weak, we only suffered a marginal decline in value. Our other residential assets in the Southeast of England, and in our London serviced apartments also saw slight declines.

However these negative movements were more than counter-balanced by value accretion in a number of our asset backed operating businesses. Of particular note was the performance at our student accommodation business, iQ. The valuation of our equity holding increased and we received a significant return of capital.

There were also valuation gains at our joint venture budget hotel company (Point A Hotels, formerly Tune Hotels), and our wholly owned leisure marina business, Premier Marinas. Both companies have seen solid growth in their underlying businesses despite a challenging environment. The value of our farming business, Farmcare, was effectively flat. As announced, contract farming options are being investigated. Over the long-term we are confident that the value of land in the UK will be underpinned by supply constraints and strong demand, but in the short term this is a challenging business.

The net impact of these moving parts has been a return of 4.4% from our property assets (Figure 17). We are watching closely to see whether political uncertainty throws up interesting opportunities in this area.

Currency, Regional and Sectoral Overview

In the light of the extreme volatility of Sterling in recent years, and the increasingly international profile of Wellcome as an organisation, we have moved away from an explicit Sterling-based currency benchmark. Until October 2009, we followed a 100% Sterling benchmark, thereafter we moved to a 50:50 neutral position between US Dollars and Sterling.

During this financial year the constraint of a neutral currency position of 50:50 was lifted, together with the need for a minimum 25% position in Sterling and

Figure 17

Property net returns (%)
Period to 30 September 2017

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Non-Residential property	9.8	7.2	5.8	1.2
Residential property	0.5	5.0	9.9	9.0
Property	**4.4**	**6.2**	**9.4**	**6.1**

Figure 18

Property investments by strategy (£)
As at 30 September

	2017 Value £m	2016 Value £m	2015 Value £m	2014 Value £m	2013 Value £m
Non-Residential property	1,002	1,076	1,319	795	655
Residential property	1,242	1,279	1,272	1,216	1,101
Total	**2,244**	**2,355**	**2,591**	**2,011**	**1,756**

Residential property includes the South Kensington estate, other rented residential properties and serviced apartments.

Review of Investment Activities (continued)

Investment Portfolio

US Dollars. We continue to hold a minimum 15% denominated in Sterling.

The practical impact of this change has been to remove the need to hold substantial FX hedges into Sterling, which had been creating cash losses as the currency weakened. We still measure performance in Sterling, US Dollars and a 50:50 blend of the two, but any currency overlay positions are now taken purely on their merits.

Our currency book currently includes positions in the Euro (which was very undervalued in 2016 on a fundamental basis), and various Emerging Market currencies, which are beneficiaries of better global growth. We have hedged some of our substantial underlying exposure to Japanese and Chinese assets. Some legacy long-term Sterling currency positions have also been retained.

The net impact of these changes has been to reduce our Sterling exposure to 21.0% (Figure 19), and to more than double our Europe ex-UK currency exposure to 10.9%. US Dollar exposure has been cut to 52.6% from 58.1%. The balance is in a range of Asian, Emerging Market and commodity linked currencies.

Underlying public and private equity exposures have not changed much (Figure 20). US markets were boosted after President Trump's election by hopes for tax reform and reflationary fiscal spending. Euphoria has since died down as both have become embroiled in the realities of the US political system. The US remains a dynamic, innovative economy with deep and liquid financial markets, hence our large weighting. Exposure to more cyclical areas of the global economy, such as Europe and Emerging Markets, has slightly increased.

We have a large weighting in technology companies (Figure 21). In addition to holdings in public companies like Alphabet, Facebook, Microsoft and Alibaba, we have significant exposure to technology through VC and other private investments. We see no evidence that the pace of innovation is slowing down, although market prices of innovative companies may be catching up with their potential.

The large financial sector weighting in part reflects strong performance of existing positions on faster economic growth. Even after this rally, bank stocks remain cheap compared to pre-crisis levels, reflecting a tougher regulatory environment. We slightly increased our holdings over the year by adding to positions in the insurance sector.

Figure 19

Currency allocation (net of currency forwards) (%)
As of 30 September 2017

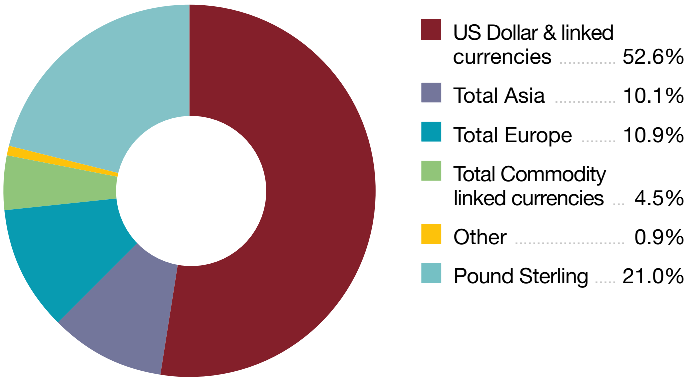


Figure 20

Public and Private Equity Regional Exposure (%)
As of 30 September 2017

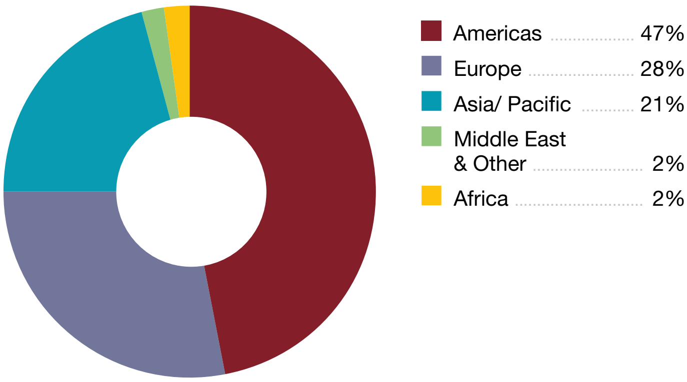
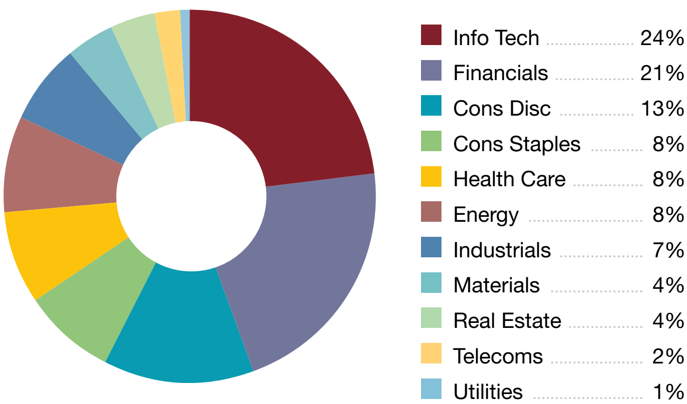


Figure 21

Public and Private Equity Sectoral Exposure (%)
As of 30 September 2017



Review of Investment Activities (continued)

Social Investments – Mixed Motive Investment

The Wellcome Group holds a 37% investment in Syncona Limited which is considered to be a Mixed Motive Investment. The investment is held at fair value. It is managed by the Chief Financial Officer on behalf of the Executive Leadership Team.

Background

In 2012, the Trust set up the Syncona LLP group as an independent investment subsidiary group focused on the health and biotechnology sectors. The organisation was created in response to the lack of 'patient capital' in life science in the United Kingdom, with a long-term vision of building sustainable life science businesses around highly innovative academic science. It was managed separately to the rest of the Trust's investment portfolio undertaking.

On 18 December 2016, the group sold its 100% interest in the Syncona LLP group to BACIT Limited and purchased additional shares at market value. Following the transaction, the Group holds a 37% share in BACIT Limited. Subsequent to the transaction, BACIT Limited was renamed Syncona Limited. Syncona's business is made up of a fund investment portfolio and a life science investment company. It takes a long term approach to investments and the structure enables it to access a deep pool of capital when the right life science opportunities arise, while generating attractive returns for shareholders on an ongoing basis. Over time, it intends to become primarily a life science investment company.

Further details are provided in note 16(d) and note 22.

Performance

The value of the Trust's investment in Syncona Limited at 30 September 2017 was £457 million. The cost of the investment was £319 million. Wellcome purchased its shares for 131.5p per share and the share price at 30 September 2017 was 187.8p. This represented a premium of 20% to net asset value. Syncona paid a dividend of 2.3p per share in August 2017.

Performance has been driven by the continued progress in the funds portfolio, an increase in the valuation of Blue Earth Diagnostics Limited (BED) and Autolus Limited, and a Nasdaq listing of Nightstar Therapeutics plc.

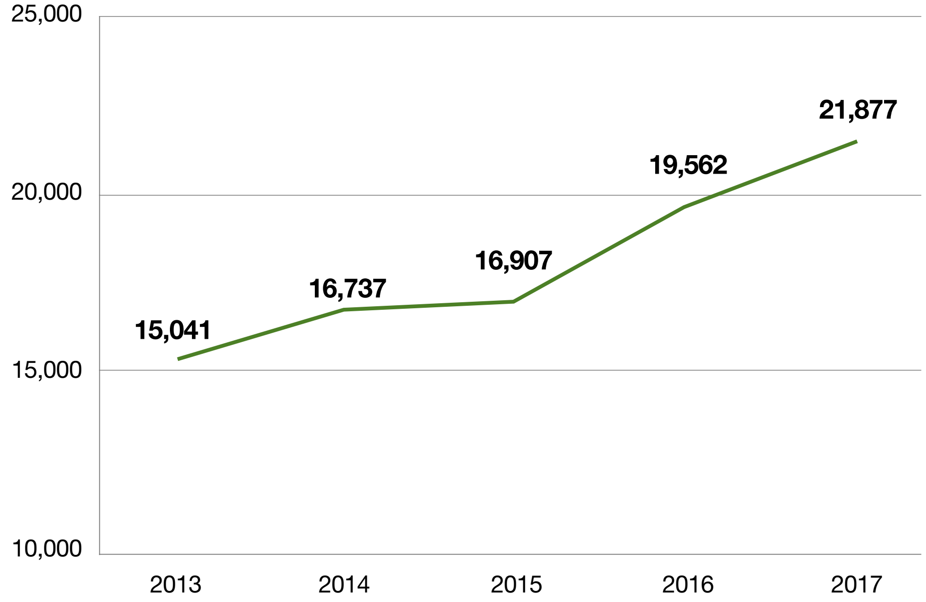
BED has commenced sales of Axumin in the United States and has now received approval from the European Medicines Agency for sales in Europe. Axumin targets and images prostate cancer cells. Autolus is developing first or best in class CAR-T treatments with curative potential in cancer and completed an investor financing round in September 2017. Nightstar is positioned to become a global leader in gene therapy for the treatment of inherited retinal diseases.

Syncona donates 0.3% of its net asset value each year to charity.

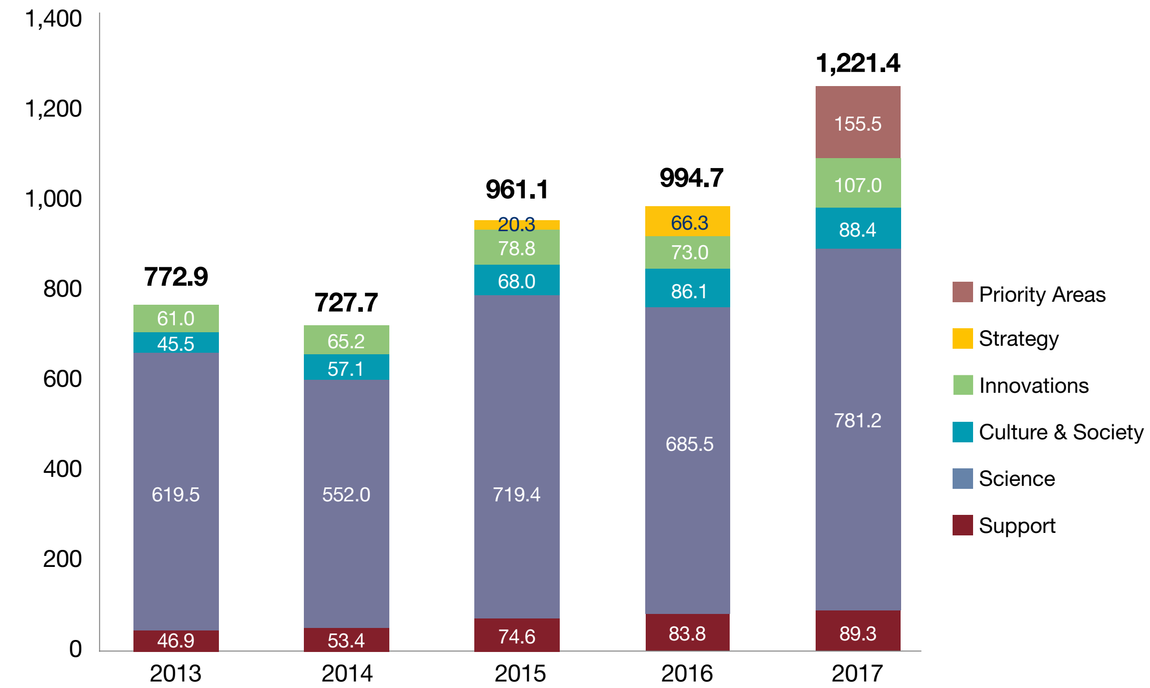
Trustee's Report

Financial Review

Total funds of the Charity (£m)



Total Gross Spend on Charitable Activities (£m)



An overview of the Charitable Activities is provided on pages 30–31.

The figures from 2015 (the year of transition to FRS102) onwards exclude the adjustment for the discounting of grants.

The figures from 2016 onwards also exclude the foreign exchange revaluation of the grant liability.

Financial Review (continued)

Overview

In 2016/17 our Net income before tax totalled £2,205 million (2016: £2,689 million) – slightly lower than the previous year. However, this still reflects another period of very strong performance from our investment portfolio.

Our charitable expenditure increased by 14% to £1,134 million (2016: £992 million). This increase is in line with our ambitious plans and reflects the strength of our portfolio, allowing funding of a broad range of activities in line with our charitable objectives.

Investment activity

Our Investment activity generated net income of £3,300 million (2016: £3,645 million); this includes £263 million arising from the disposal of Syncona LLP group and the subsequent growth in value of our stake in Syncona Limited. Strong investment gains were delivered across all the main investment asset classes: a full commentary is provided on pages 18–28.

Net Funds

The Net funds of the Group increased by £2,315 million (12%) to £21,877 million (2016: £19,562 million). The increase is dominated by the growth in the value of our investment assets, based on the returns noted above, with a very small offset from the liability associated with our growing grant commitments.

Charitable activity

Income

Income from grants and PRI activity was £39 million (2016: £36 million); this in part reflects grant income received by the Wellcome Trust Sanger Institute.

Expenditure

Charitable expenditure grew to £1,134 million (2016: £992 million): growth was dominated by increasing levels of awards in Science and the launch of three new priority areas. This year we have separately identified expenditure on Priority areas, and activity previously included within Strategy has been reclassified into other areas following internal reorganisation.

Overview

for the year ended 30 September 2017

	2017 £m	2016 £m	Change £m
Investment activity			
Income	386	354	32
Expenditure	(146)	(178)	32
Investment gain/(loss)	3,060	3,469	(409)
	3,300	**3,645**	**(345)**
Charitable activity			
Income	39	36	3
Expenditure	(1,134)	(992)	(142)
	(1,095)	**(956)**	**(139)**
Net income before tax	**2,205**	**2,689**	**(484)**

Net Funds

at 30 September 2017

	2017 £m	2016 £m	Change £m
Fixed assets	435	459	(24)
Investment assets	26,184	23,661	2,523
Net current assets/(liabilities)	(1,127)	(1,038)	(89)
Long term liabilities	(3,615)	(3,520)	(95)
Net funds	**21,877**	**19,562**	**2,315**

Annual Charitable Expenditure

for the year ended 30 September 2017

	2017 £m	2016 £m	Change £m
Science	832	723	109
Culture and society	112	110	2
Innovations	116	82	34
Priority areas	162	-	162
Strategy	-	80	(80)
Gross spend on charitable activity	**1,221**	**995**	**226**
Present value adjustment on grant liability	(65)	(41)	(24)
Foreign exchange revaluation of grant liability	(22)	39	(61)
Total	**1,134**	**992**	**141**

Financial Review (continued)

Expenditure incurred supported the following key areas of activity:

Science – expenditure increased to £832 million (2016: £723 million) and included:

- Investigator Awards of £94 million.
- Fellowships and studentships of £311 million, including a £155 million commitment to Science PhD programmes over the next 5 years.
- £27 million for the renewal of the Malawi-Liverpool-Wellcome Trust Clinical Research Programme.
- £106 million of funding for the Wellcome Trust Sanger Institute (via our wholly owned subsidiary GRL).

Culture & Society – expenditure increased to £112 million (2016: £110 million) and included:

- Wellcome Collection expenditure of £17 million.
- Humanities & Social Science expenditure of £24 million largely made up of Investigator & Collaborative awards.
- Public Engagement expenditure of £21 million.

Innovations – expenditure increased to £116 million (2016: £82 million) and included:

- Final funding rounds in Seeding Drug Discovery (£10 million), Translation Fund (£10 million) and legacy schemes (£24 million), as Innovations transition to their new funding strategy/approach.
- £10 million awarded to the Global Health Innovative Technology Fund.

Across Wellcome additional funding included £124 million for Wellcome UK Centres following an open competition completed in late 2016 (included in activities listed above).

Priority Areas – expenditure of £162 million (2016: £nil) included:

- Vaccines – a commitment of £82 million to fund the Coalition for Epidemic Preparedness Innovations ("CEPI").
- Drug Resistant Infections – £30 million of funding for Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator ("CARB-X"), a global partnership set up to accelerate antibacterial innovation.
- Our Planet, Our Health – funding of £30 million for research partnerships.

Expenditure Policy & Management

Our objective when setting the annual grant commitment budget is to preserve the value of Wellcome's investment portfolio so that the purchasing power of our charitable expenditure is maintained over time, while minimising short-term volatility in commitments caused by changes in asset values. We also aim to ensure that we fund only the best research and that this is achieved in an efficient manner.

We support research that addresses fundamental health challenges of our time, across discovery science, medical innovation, and the humanities and social sciences. We develop leaders, advocate policy change and help to engage the public with research. We also identify strategic priorities with clear targets for how to make a difference.

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

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

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

Financial Planning

In preparing our Financial Plan for 2016/17, we considered the forthcoming five year period and applied our historic policy of committing 4.7% of the three-year weighted average of investment asset values. This plan was used to create an annual budget which was monitored against unexpected economic or market events.

A revised methodology for defining our future charitable expenditure plans was approved by the Board of Governors in June 2017: this new approach applied from October 2017. The new methodology is designed to provide greater resilience and stability for the bulk of our funding.

The Financial Plan is prepared in line with the following funding approach principles:

- Provide sustainable and predictable funding for Wellcome's core activity, so this becomes less vulnerable to market volatility.
- Draw sustainably on any growth in the portfolio to support substantial, time-limited initiatives when the right opportunities arise.
- As a minimum, preserve the value of the portfolio at £20 billion in today's money so that we do not jeopardise the future by committing too much today; but equally recognise that Wellcome's mission is to deploy our funds to improve health through science and great ideas rather than building an ever-larger portfolio.

Financial Review (continued)

As part of this new approach we continue to make an assessment of future investment returns, as well as future cashflows, and this is reviewed on an annual basis. The 2018 planning cycle, will therefore include the slightly more muted expectations of long-term investment returns noted in the Review of Investment Activities, but this is not anticipated to have a significant impact on our current plans.

The core research and other activities we deliver today through Science, Culture and Society and Innovations will be supported with an expenditure level, in line with current commitment, of around £900 million a year on average over a five year period, which we intend to increase annually with inflation. This funding will not be tied so closely to the performance of our investment portfolio, which means we will have more stability and predictability in our support.

In addition, we plan to fund the Priority areas, and potentially other large-scale and high-impact activities, with an initial one-off budget of £865 million for the next five years. This will support the current priority areas, with an additional £500 million to spend on a limited number of new initiatives with potential to transform specific health or scientific issues. We will add to this funding only when the investment portfolio performance is sufficiently strong, subject to annual review. This approach will provide increased resilience to market volatility: if markets perform poorly, we will react initially by not funding these additional projects rather than reducing our core funding.

Reserves Policy

Our reserves policy is directly linked to our expenditure policy, which is detailed above. Historically, rather than setting a target absolute minimum or maximum level of unrestricted reserves, the policy has been to set spending at a level intended to deliver our charitable mission today while preserving the investment base to provide sustainable increases in annual expenditure into the future. The reserve balance at 30 September 2017 was £21,877 million (2016: £19,562 million). Our expenditure policy is intended to ensure that the level of reserves is maintained. The new funding methodology has now defined a minimum level for the net investment portfolio to be maintained over the medium term. This level will be subject to annual review by the Board of Governors.

The reserves are mainly unrestricted, but certain awards made to the Wellcome Trust's subsidiary undertaking, GRL, by other funders are subject to specific conditions imposed by the donors and are therefore restricted in their use. These amounted to £21 million at the end of 2017 (2016: £8 million).

Investment Policy and Performance

Our assets are invested in accordance with the wide investment powers set out in the Wellcome Trust's Constitution and within its investment policy. The investment policy is reviewed periodically by the Board of Governors. We invest globally and across a very broad range of assets and strategies. It is our policy not to invest in companies that derive material turnover or profit from tobacco or tobacco-related products. We continue to engage well with our directly owned, public and material private equity holdings in terms of their sustainability and continued licence to operate. The performance of the investments is discussed in the Review of Investment Activities on pages 18–28.

The Programme related investments are managed separately by the Innovations team whose activities are described on pages 9 and 95.

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

Pensions

The Group provides employees with the opportunity to participate in either defined benefit or defined contribution pension schemes. Since April 2016, new employees have joined the defined contribution scheme.

The combined accounting deficit for both Group defined benefit pension schemes at 30 September 2017 amounted to £248 million (2016: £379 million). The deficit has decreased principally due to strong asset returns against a stable backdrop of assumptions supporting the liability assessment.

The defined benefit pension schemes are required to have triennial actuarial valuations, which are then updated in an interim valuation each year at the balance sheet date. As at 30 September 2017, the deficit of the GRL scheme using actuarial valuation assumptions was circa £16 million; the Wellcome Trust scheme was in surplus on this basis. A rolling deficit recovery plan to address the actuarial deficit over a period of five years is in place for both schemes and will be deployed as required.

More detail on the pension schemes is given in note 11(e) Retirement benefits.

Financial Review (continued)

Going Concern

In view of the policies discussed above, and after considering the 2017/18 budget and longer-term plans, the cash flows and the highly liquid nature of a substantial portion of Wellcome's investment assets, the Trustee is satisfied that it is appropriate to adopt the going concern basis in preparing the Financial Statements of both the Wellcome Trust and the Group. The activity and performance of the significant subsidiaries is disclosed in note 23.

The Board of Governors have assessed the viability of Wellcome Trust and its subsidiaries over the five years to September 2022. They consider the affordability of the financial plan as part of their review and have concluded that there is a reasonable expectation that there are adequate resources, including the strength to operate and meet the liabilities of the Group as they fall due over the period of their assessment and for the foreseeable future. This assessment has been in line with the Expenditure policy described above and after considering the significant risks laid out in the Risk Management section in the Trustee's Report as well as the significant accounting estimates and judgements in note 2.

Trustee's Report

Structure and Governance

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

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

The Wellcome Trust Group comprises Wellcome and its subsidiary undertakings.

Principles of governance

With regard to governance, Wellcome takes into account its charitable status, the nature of its activities and its risk profile, and has regard to the principles of good governance and best practice such as those set out in the UK Corporate Governance Code and the Charity Governance Code.

The Trustee and the Board of Governors

The sole Trustee of Wellcome is The Wellcome Trust Limited (the "Trustee"), a company limited by guarantee (registration number 2711000), whose registered office is The Gibbs Building, 215 Euston Road, London NW1 2BE. The Trustee is governed by its memorandum and articles of association. The Trustee's directors (known as Governors), the Company Secretary of the Trustee, the Executive Leadership Team and other administrative details are shown on pages 117 to 119.

The Board of Governors sets strategy, decides priorities, maintains a framework for accountability, allocates budgets, makes strategic funding decisions and monitors progress. During 2016/17, the Board met six times, including a two-day residential strategic review meeting, and had five private meetings without the Executive Leadership Team ("ELT").

Members of the Board of Governors are distinguished in the fields of medicine, science, business and policy. The Board considers each of the Governors to be independent in character and judgement and manages any relationships or circumstances that are likely to affect, or could appear to affect, the Governors' judgement. Governors are appointed for terms of four years, with an extension of three years on mutual agreement, and a further three-year term in exceptional circumstances. Wellcome undertakes a comprehensive induction programme for all new Governors and training is available as required.

The Chair of the Board is Eliza Manningham-Buller, an independent, crossbench peer in the House of Lords. She joined Wellcome as a Governor in 2008 and was appointed Chair in 2015. She is also President of Chatham House.

Richard Hynes stepped down in December 2016 after serving as a Governor for 10 years. Kay Davies will step down in January 2018 after serving on the Board for 10 years, including four years as Deputy Chair. The new Deputy Chair will be Mike Ferguson, who joined the Board in 2012.

An evaluation of the performance of the Board of Governors is currently being undertaken by an independent specialist, Ffion Hague Independent Board Evaluation.

Executive Leadership Team

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

An Operational Sub-Group of the ELT was created in the first quarter of the 2017 calendar year. Other than for certain key governance areas and matters having a material impact, the Group has the full delegated authority of ELT in relation to all operational matters affecting Wellcome, and implementing policy agreed by the Board of Governors or ELT in relation to them.

Alyson Fox, Mark Henderson, Chonnettia Jones and James Thomas joined the ELT in October 2016 and Ed Whiting joined in June 2017.

In December 2016, Jim Smith was appointed as Director of Science. In October 2017, Danny Truell stepped down after 12 years as Chief Investment Officer and more recently Managing Partner. He is now Emeritus Partner. Nicholas Moakes has been appointed as Managing Partner and Chief Investment Officer, and Peter Pereira Gray has been appointed as Managing Partner and Chief Executive Officer, Investments.

Statement of the Trustee's responsibilities

The Trustee is responsible for preparing the Trustee's Annual Report and Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. The law applicable to charities in England and Wales requires the Trustee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of Wellcome and the Group and of the incoming resources and application of resources of Wellcome and the Group for that period.

Trustee's Report

Structure and Governance (continued)

In preparing these Financial Statements, the Trustee is required to:

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

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Wellcome and enable them to ensure that the Financial Statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008.

The Trustee is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the maintenance and integrity of the charity and financial information included on Wellcome's website. UK legislation governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Trustee has reviewed and considered the work and the recommendations of the Audit Committee, as detailed in the Audit Committee Report on pages 43–44, and considers that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the performance and strategy of Wellcome and the Group.

Grant-making policy

Wellcome has established its grant-making policy to support its status as a public benefit entity.

We consider and fund a large number of grants and awards for our core activities through our wide portfolio of funding schemes. The scheme categories are: Biomedical science research, Population health research, Product development and applied research, Humanities and social science, and Public engagement and creative industries.

All applications are reviewed to ensure that they will be supported by adequate and appropriate resources and are used only for grant activities. Grants are generally subject to requirements to submit progress reports during the grant period and an end of grant report within three months of the end of the grant period.

Details of how to apply for grants, together with the relevant forms, are available on wellcome.ac.uk.

As discussed under "Our funding approach" on page 8, in addition to the grants for our core activities, we provide funding for the Priority areas. Areas for this funding are Wellcome sought for Wellcome's mission and primarily Wellcome led. Levels of funding are determined through the scoping, development and implementation stages.

Public benefit

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Wellcome'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 Wellcome's auditors are unaware. The Trustee has taken all the steps that it believes it ought to have taken as a Trustee in order to make itself aware of any relevant audit information and to establish that Wellcome's auditors are aware of that information.

Committees of the Board of Governors

The Board of Governors is supported by its principal committees, each of which has at least one Governor as a member:

- Investment Committee: Reviews and determines strategy and other matters relating to Wellcome's investment portfolio
- Remuneration Committee (Discussed on pages 40–42)
- Nominations Committee: Identifies potential candidates to fill Board and Committee vacancies and ensures succession planning
- Audit Committee (Discussed on page 43–44)

The terms of reference of these committees can be found at wellcome.ac.uk/About-us/Organisation/Governance.

In its grant-funding and direct charitable activities, the Board of Governors is also supported by a number of advisory committees, which some Governors attend as observers. These committees assess, review and advise which grant applications to fund, and also advise on policy issues in various fields.

Structure and Governance (continued)

Internal control

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

The key elements of the system of internal control are:

- Delegation: there is a clear organisational structure with documented lines of authority and responsibility for control, and documented procedures for reporting decisions, actions and issues.
- Policies: a suite of policies cover all major activities and risk areas. Wellcome has adopted a values-based approach to internal policies which places greater emphasis on personal judgement and responsibility. Governors and employees are expected to conduct themselves with integrity and impartiality, be open, fair and unbiased when making decisions on behalf of Wellcome, and act in its best interests.
- Reporting: the Board of Governors approves and reviews annual budgets and expenditure, and monitors forecast expenditure, investment performance and risk reports on a regular basis.
- Risk management: a risk management policy states Wellcome's approach to risk and documents the process of internal control. Wellcome maintains a grants assurance framework to monitor the appropriate use of funds.
- Internal audit: a team evaluates the design and effectiveness of risk management, control, and governance processes across Wellcome, and at selected grant recipients and third parties.
- Review: the Audit Committee, which has at least one Governor and two external members, oversees the outcomes of external and internal audits, reviews Wellcome'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

Wellcome's policy on conflicts of interest, which applies to Governors, employees and committee members, sets out principles for identifying and managing actual and potential conflicts of interest to ensure decisions are free from any undue external influence. Where a potential conflict is identified it will be managed according to its materiality, with actions ranging from not participating at all or being involved in discussions but not voting, to being fully involved if the conflict is immaterial.

Governors who have paid appointments with institutions that are in receipt of grants from Wellcome are detailed in note 7 to the Financial Statements.

Kay Davies, Deputy Chair of the Board of Governors until 1 January 2018, is a co-founder and shareholder of Summit Therapeutics plc, in which Wellcome has a Programme Related Investment.

Risk Management

Wellcome's risk management policy sets out our risk management objectives and principles and attitude to risk. This policy summarises the responsibilities of key roles for risk management, including the role of the Board of Governors, the Executive Leadership Team ("ELT") and the Audit Committee.

Wellcome is risk averse with respect to liquidity risk and to health and safety risk, and receptive (taking risk within accepted limits) with respect to investment portfolio risk and certain charitable activities, such as supporting milestone driven grants within the UK scientific and research community. It is bold with respect to other charitable activities, for example, where Wellcome supports research and developments in priority areas, such as drug resistant infections and vaccines.

Wellcome's statement as required by the Modern Slavery Act 2015 is available on our website.

In preparation for the EU General Data Protection Regulation (GDPR) coming into force in May 2018, Wellcome has created an internal, cross-divisional working group to look at the impact of GDPR and oversee the implementation of its requirements. Working within Wellcome's Information Governance framework with oversight from Wellcome's Senior Information Risk Officer, a programme of implementation activity is underway, led by Wellome's Data Protection Officer. This includes an all staff training and awareness programme which will run through to early 2018, an extensive data mapping exercise and a review of all relevant Wellcome contracts, policy, procedure and data processing activities and arrangements.

The Corporate Risk Register contains the key corporate risks owned and managed by the ELT and the Board of Governors. It is updated and reviewed on a regular basis by the Chief Financial Officer and then by the ELT. It also is reviewed by the Board of Governors annually and by the Audit Committee.

The Corporate Risk Register includes:

- Wellcome's Corporate Risk Matrix, against which the risks are scored; and
- a description of each corporate risk and treatment plan.

For each of the risks included, the Corporate Risk Register gives:

- a description of the risk;
- the owner of the risk, as designated by the ELT;
- the controls currently in place to manage the risk;
- the current risk assessment score;
- any further actions proposed with delivery deadline;
- the owner of each proposed action; and
- the target risk assessment score.

The current risk assessment ranking estimates the level of risk that is currently faced taking into account the effectiveness of existing preventative and mitigating actions. The target risk assessment ranking estimates the level of risk that will be faced once all planned actions are completed. The target risk ranking does not estimate the desired level of risk – just the level of risk that will be faced once the planned actions are completed. The target risk ranking is often used to determine whether sufficient actions are being implemented for significant risks.

The risk categories are:

- delay or non-delivery of Wellcome's objectives e.g. skill shortages, key partner or supplier failure, delay in delivery of a strategic objective;
- financial loss e.g. impact causes monetary loss, fraud;
- investment loss e.g. volatile investment markets, negative real returns;
- reputation and licence to operate e.g. criticism by stakeholders; unethical behaviour by Wellcome impacting a key stakeholder group;

Risk Management (continued)

- regulatory, legal, accounting or tax compliance issues e.g. inquiry by a regulator, potential prosecution; and
- health & safety e.g. injury, fatality.

Wellcome Trust's wholly owned operating investment subsidiaries take responsibility for risk management within their respective operating companies. The Board of each operating company includes appropriate representation from the Wellcome Trust and is responsible for ensuring that the operating company has an appropriate balance between risk and reward, and an appropriate risk management culture. The Audit/Audit & Risk Committee for each operating company is responsible for carrying out the roles delegated to it by the Board. This includes reviewing the adequacy and effectiveness of the company's internal financial controls, internal control systems and risk management systems. Wellcome's Head of Risk attends the Audit/Audit & Risk Committees of the subsidiaries and escalates any substantive issues to the Wellcome's ELT and Audit Committee.

The Directors of Genome Research Limited ("GRL") have implemented a formal risk management process to assess financial and business risk and implement risk management strategies for the Genome Campus. They have identified the main risks GRL faces, prioritised them in terms of potential impact and likelihood of occurrence, and have identified means of mitigating the risks. The GRL Audit and Risk Committee reviews the risk management policy, risk processes and the Institute Risk Register annually.

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

Risk Management (continued)

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

	Nature of risk	Management and oversight of risk
Investment risks	Failure to support Wellcome's ability to maintain the real level of charitable spend in the future, due to one or more of; catastrophic loss of one or more assets within the portfolio, inadequate liquidity, and/or lack of protection against the impact of inflation.	The Investment Executive manage this risk by; global diversification across assets and asset classes, to limit the potential for catastrophic loss within the portfolio; diversification of cash flow sources and regular review of forecast cash flows to manage the portfolio's liquidity profile; and regular consideration of inflation protection within the portfolio and a focus on equities and property. The cash flow forecasts consider base and bear case scenarios and the Managing Partners aim to ensure that the forecast cash low remains above 2% of the current portfolio value. Strategic review is provided by the Investment Committee and oversight is provided by the Board of Governors. The separate risks associated with the management of directly-owned, property-backed operational businesses are being managed by the development and appropriate incentivisation of executive teams within these businesses and the evolving governance and oversight by the Board of each company and by the Investment division.
Delivery of the goals of Policy and Public Affairs	There is a risk that the research funding and regulatory environment does not remain scientifically or financially attractive. The UK government may – in the future – react to a difficult economic environment by reducing funding to the scientific community, although the post-EU Referendum statements made by government have highlighted support for science spending.	Management continues to monitor the environment and has active engagement with UK government departments and opposition parties on science funding and the regulatory framework. Wellcome has an on-going dialogue with other relevant charities and universities on these issues. The ELT contributes actively to the UK Comprehensive Spending Review.
EU Referendum outcome	The key risks to Wellcome with respect to the UK's referendum vote to leave the EU are that the UK Science ecosystem is seen as a less attractive arena for Wellcome to support, given a difficulty in retaining and attracting non-UK scientists, a potential impact on the salaries in the UK given Sterling weakness and a period of uncertainty in respect of UK science regulation and policies. There is also a risk that current grant recipients are impacted by Sterling weakness and volatility and are thus unable to complete projects with the allocated funding. There is an operational risk that Wellcome is unable to hire and retain the best employees given a perception that the UK working environment is less welcoming to international and EU nationals.	A working group has been established to consider the impact of the EU referendum outcome. This group collates feedback from across Wellcome on the impact of this on the strength of the UK funding environment and Wellcome's activities, to monitor the situation as it develops. The group provides information to the ELT to support its decision-making. In addition, we have a policy and advocacy programme that seeks to influence key outcomes on migration, regulation and funding for science, including informing the shape of a potential UK-EU Science and Innovation deal.
International initiatives	Failure to achieve the research capacity building aims of the initiatives. Risks potentially arise from the local political, economic or physical environment; from failure of governance or management; and from operational issues.	Management continues to focus on governance structures and leadership development at the initiatives. Security reviews have taken place to enhance preparedness and resilience.

Remuneration Report

Wellcome develops and maintains remuneration strategies and policies in line with the strategy, culture and objectives of the organisation. Our aim is to attract, retain, motivate and effectively reward our people, recognising their contribution to Wellcome's overall mission.

Our key principles are that remuneration should be:

- **Competitive:** salaries are benchmarked using external market data appropriate to the sector in which people work.
- **Performance-linked:** individual performance and behaviours are assessed and team achievements taken into consideration for the award of bonuses during the annual salary review.
- **Simple and transparent:** the remuneration structure is openly communicated to colleagues. The bonus scheme and benefits are available to all employees. Benefits can be accessed and managed through a portal that also provides a total reward statement.

During the year, Willis Towers Watson acted as independent consultants to provide us with salary benchmarking data and McLagan provided independent advice on the remuneration of the investments team.

Table 1

Elements of remuneration

Element	Principle
Base salary	Salaries are reviewed annually, taking account of responsibilities and development in the role. They are regularly benchmarked against the market using appropriate specialist surveys or independent consultants.
Benefits	A competitive benefits package is available to all employees, including private medical insurance, medical assessments, permanent disability insurance, an on-site gym, enhanced maternity and paternity pay, shopping and entertainment discounts and season ticket loans.
Bonuses	All colleagues are included in a bonus scheme based on individual and collective achievements. The Investments team has a separate, additional bonus element in their remuneration. Other individual and project-based awards are made at managers' discretion.
Long-term incentive plan	In order to ensure that remuneration of the Investments team remains competitive and to encourage a long-term view, certain employees participate in a long-term incentive plan. Awards to employees are made annually, based on investment returns and individual performance over a period of three to five years.
Pension	The Group sponsors two approved funded defined benefit schemes: the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan. Pensions payable are related to length of service, salary and level of personal contribution. The Group also provides a defined contribution Group Personal Pension plan, into which both employee and employer contributions are paid. Since April 2016, new employees join the defined contribution scheme.
Governors' remuneration	In accordance with the will of Sir Henry Wellcome, Governors are entitled to receive remuneration from the Trustee, The Wellcome Trust Limited, of which they are directors. Under Wellcome's Constitution, Governors are entitled to receive £57,100 a year from 1 April 2000, adjusted with effect from 1 April each year by an amount equal to the percentage increase recommended by the Review Body on Senior Salaries in respect of the salary pay bands of the Senior Civil Service. Following approval by the Charity Commission of a Scheme in October 2011, the levels of remuneration of Chairs and Deputy Chairs can be set by the Board of Governors at up to 2 and 1.5 times the level of a Governor respectively.

Remuneration Report (continued)

The Remuneration Committee

The Board of Governors appoints the Remuneration Committee, chaired by Eliza Manningham-Buller. The members are all Governors, all of whom are excluded from any discussion which affects their own pay. The responsibilities of the committee are to approve the reward strategy and policies for remuneration of employees, including incentive and benefit plans, and to determine individual remuneration packages and terms and conditions of employment for members of the Executive Leadership Team and other senior staff.

In addition, the committee exercises any powers, and approves any decisions required by Wellcome, in respect of the Wellcome Trust Pension Plan, the Genome Research Limited Pension Plan, and any other pension arrangements. It ensures that remuneration practices and policies facilitate the employment and retention of talented people.

Table 2

Governors' Remuneration
Year to 30 September

	2017 £	2016 £
Baroness Manningham-Buller (Chair)	**142,108**	141,677
Professor Dame Kay Davies (Deputy Chair)	**106,581**	106,258
Professor Michael Ferguson	**71,054**	70,839
Professor Tobias Bonhoeffer	**71,054**	70,839
Mr Alan Brown	**71,054**	70,839
Sir Damon Buffini	**71,054**	70,839
Mr William Burns	**71,054**	35,527
Professor Bryan Grenfell	**71,054**	70,839
Professor Richard Hynes	**17,764**	70,839
Professor Anne Johnson	**71,054**	70,839
Professor Peter Rigby	**-**	53,075
Total remuneration	**763,831**	832,410

Expenses in respect of travel, subsistence, telephone and sundries incurred by the Governors in the course of their duties amounted to £102,061 (2016: £180,775), of which £90,546 (2016: £121,185) was paid directly by Wellcome, and £11,515 (2016: £59,590) was paid by Governors and directly reimbursed to them. No pension contributions were paid in respect of the Governors.

The Governors were included in the Directors' and Officers' liability insurance in the year to 30 September 2017.

Remuneration Report (continued)

Key Management Personnel

The key management personnel of the Wellcome Trust Group and Wellcome have been defined as the Board of Governors and the ELT (consisting of the Director, 11 senior executives and the Investment Executive (responsible for decision making in respect of the investment portfolio)). The roles and responsibilities of the Board of Governors and the ELT are discussed in the Structure and Governance section on page 34.

The total consideration includes Governors' remuneration, salaries, benefits in kind, bonuses, amounts accrued under long-term incentive plans, termination payments and employer pension contributions. The determination of the remuneration of the Governors is discussed in Table 1. The remuneration of the ELT is determined in accordance with the principles for all staff as detailed within this Remuneration Report. The remuneration of the Investment Executive is discussed under "Investments team" below.

Details of the number of employees working on the charitable activities of the Group whose total benefits (excluding employer pension contributions) fall within specific £10,000 bandings, where benefits exceed £60,000, are shown within the Financial Statements under Note 11(d).

Table 3

Consideration of Key Management Personnel
Year to 30 September

	2017 £	2016 £
Governors' remuneration	**763,831**	832,410
Director of Wellcome Trust	**445,220**	480,534
Executive Leadership Team (excluding Investment Executive)	**2,723,079**	2,326,103
Investment Executive	**8,923,802**	6,680,131
Employer pension contributions (for relevant staff)	**256,735**	194,459
Employer National Insurance Contributions (for relevant staff)	**1,067,119**	1,154,371
	14,179,786	11,668,008

The comparator figure for the year to 30 September 2016 relates to the 7 members of the Executive Board that was in place during that period. This was replaced by the ELT in 2017 as discussed on page 34.

Investments team

Wellcome manages the investment portfolio that underpins our charitable activities through an internal Investments team, which manages a large proportion of the investments directly rather than through external fund managers. Due to the size, breadth and long-term nature of its portfolio, Wellcome can attract and retain a highly skilled group of investment professionals. With the right leadership and approach, this group has been able to generate superior returns and incur lower costs than would be the case if this activity were outsourced to traditional asset management organisations. The performance of the portfolio supports this approach.

Members of the Investments team are remunerated in line with normal practice in the asset management sector: their base salaries are supported by significant variable elements, which are based directly on the performance of the portfolio, either in the form of annual bonus or, more significantly, long-term incentive plans as detailed in Table 1. The structure and quantum of remuneration is benchmarked on an ongoing basis using market data and external consultants.

Details of the number of employees working on the investment activities of the Group whose total benefits (excluding employer pension contributions) fall within specific £10,000 bandings, where benefits exceed £60,000, are shown within the Financial Statements under Note 5.

Audit Committee Report

As the new Chairman of the Audit Committee, I am pleased to present our report for the year ended 30 September 2017. This report summarises the work the Committee has done over the past year in fulfilling our responsibilities to provide effective governance over the Group financial reporting.

Effective Committee Governance

The membership of the Audit Committee ("the Committee") is set out on page 117. Although not members of the Committee, the Chief Financial Officer, the General Counsel and Company Secretary, the Head of Financial Accounting, the Head of Risk, the audit partner from our external auditors and the Head of Internal Audit attend each meeting.

The Board of Governors considers that the Committee's members have broad commercial, scientific and charitable knowledge and experience. The Board has determined that William Burns, Adèle Anderson and Chris Jones have recent and relevant financial experience in line with the UK Corporate Governance Code. The Terms of Reference of the Committee are aligned with the FRC Guidance on Audit Committees.

The performance of the Committee is reviewed on a regular basis with input from the Committee members and key executives. The conclusions of the review at the April Audit Committee meeting were that the Committee works well and that the independent member and Governor mix adds significant value to the work of Wellcome. However, some attention should be given to the scope of the meetings and remit of the Committee to ensure that they operate efficiently at all times.

In addition to the reviews of External audit, Financial Reporting, Internal audit and Risk Management discussed below, key governance areas considered by the Committee at the formal meetings during the year were:

- Fraud and whistleblowing;
- Business Continuity; and
- The Modern Slavery Act.

After each Committee meeting the Chairman of the Committee reports to the Board on the main issues that the Committee discussed. In addition to the formal Committee meetings and in line with the previous year, we met informally several times during the year to provide briefings on areas of interest, which are of particular interest to non-Governor members. Topics discussed included a review of the Science strategy, horizon scanning, IT controls, a review of the Investment portfolio, Wellcome's international operations, the procurement policies and cybersecurity.

On behalf of the Committee I would like to thank Alan Brown and Philip Johnson, who stepped down from their roles in December 2016, most sincerely for their invaluable contributions to the development and functioning of the Committee during their time as Chair and member respectively.

External audit

At the April meeting each year, the Committee discusses with the auditors the scope of their audit and makes recommendations to the Board before the audit commences. The significant audit risks that are in line with 2016 are:

- The valuation of unquoted investments
- Gains and losses on investments
- Management override of controls (which is a risk in any organisation)

In addition, in 2017 the rate of discount selected to discount the grant liabilities was added as a significant risk as it requires considerable judgement on the part of management and the liability is material.

Independence

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

In order to meet regulatory or business requirements, the external auditors may be employed for certain non-audit services. To safeguard the independence and objectivity of the external auditors, the Committee has determined policies as to the approval process related to non-audit services. These policies take in to account the changes required by the relevant EU Regulations and Directives, the FRC "Guidance on Audit Committees" and the "Revised Ethical Standard".

At both the April and the December meeting each year, the Committee reviews the Auditor's report about independence of its staff, its policies for maintaining staff independence and monitoring compliance with relevant requirements and its safeguards in relation to the provision of non-audit services.

Financial reporting

At the December meeting each year, the Committee reviews the Trust and Consolidated Annual Report and Financial Statements and related announcements for statutory and regulatory compliance and in line with its Terms of Reference. In particular it reviews the integrity of the disclosures in the Financial Statements and considers the minutes of the Valuation Group meetings. It reports its views to the Board to assist in its approval of such documents.

Audit Committee Report

The main area of risk considered at the December 2017 meeting was the valuation of investments in private equity, direct and real estate. The valuation of these classes of investments involves a level of complexity and judgement and the results of the detailed work of the Valuation Group were considered.

Other matters covered in 2017 were:

- A review of the assessment that management has made of the key judgements and estimations applied to Assets and Liabilities reported in the Group Balance Sheet to ensure that these are appropriate and are considered when finalising the year end results, including the revision to the expected rate of return used to discount the grant liabilities.
- A review of the treatment of and disclosures relating to the disposal of the group's subsidiary, Syncona LLP group and the related investment in Syncona Limited (formerly BACIT Limited).
- Accounting and reporting for joint ventures and associates, which are held as investments at fair value in line with FRS 102, but which is a departure from the SORP. The SORP requires that such investments are accounted for using the equity method of accounting. (This is further discussed on page 64 and in note 16).

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

- Clear guidance is given to all contributors;
- Revisions to regulatory requirements are monitored on an ongoing basis and are discussed at the Audit Committee meetings throughout the year;
- Finance staff meet with the auditors throughout the year to discuss developments within the business and any impact on the financial reporting; and
- A thorough process of review, evaluation and verification is undertaken by senior management and finance staff.

Internal audit

Wellcome Trust has an in-house internal audit function that is supplemented through the use of a co-source partner, which provides external expertise where relevant. The Head of Internal Audit reports functionally into the Audit Committee which evaluates her performance annually. Internal Audits are performed based on a risk-based internal audit plan ("the plan"). The plan is reviewed and approved by the Audit Committee prior to implementation, with the 2017/18 plan being endorsed by the Committee during the September 2017 Audit Committee meeting. The plan outlines how each audit will be resourced to provide assurance that it has the right expertise for execution. The plan is regularly reviewed and updated taking into account Wellcome's risks. Any changes are approved by the Audit Committee.

At each meeting, the audit committee receives an update on audit reports completed and observations identified, progress on completion of actions arising from the audits and performance of the internal audit function.

Risk management

At each meeting, the Committee monitors and reviews risk management processes and the standards of risk management and internal control, including the processes and procedures for ensuring that material business risks are properly identified and managed. The Committee has monitored the areas listed on pages 37–39, which are reviewed and considered by the Head of Risk alongside senior management.

William Burns
Chairman of the Audit Committee

11 December 2017

Independent Auditor's Report

To the Trustee of the Wellcome Trust

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Trust's affairs as at 30 September 2017 and of the Group's and of the Trust's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements of the Wellcome Trust (the 'Trust') and its subsidiaries (the 'Group') which comprise:

- the Consolidated and the Trust Statements of Financial Activities;
- the Consolidated and the Trust Balance Sheets;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Trust.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Key Audit Matters

The key audit matters that we identified in the current year were:

- The valuation of unquoted investments and the related realised and unrealised gains/losses relating to controlled, unconsolidated subsidiary investments:
  - o Premier Marinas and Farmcare
- The valuation of unquoted investments and the related realised and unrealised gains/losses relating to:
  - o direct investments
  - o private equity funds
  - o joint ventures (iQ Student Accommodation)
- Accounting for associates and joint ventures
- The discount rate used to calculate grant liabilities

Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year are identified with .

Materiality

The Group materiality that we used in the current year for the financial statements as a whole was £221 million which was determined on the basis of 1% of net assets.

We also applied a lower level materiality to balances related to the Trust's grant liabilities and grant expenditures included within Costs of Charitable Activities on the Statement of Financial Activities. The lower level materiality we used in the current year was £18.2 million which was determined on the basis of 2% of grant expenditure.

Scoping

Our Group audit scope included the audit of all subsidiaries that accounted for more than 1% of net assets as well as any subsidiary that required a statutory audit. This meant that 99% of net assets were subject to a full scope audit for the year ended 30 September 2017.

Significant changes in the approach for the current year

In our audit approach for the current year we revised the basis used to determine materiality and applied a lower level of materiality for certain account balances. We also identified two additional key audit matters with respect to the discount rate used to discount grant liabilities and also the departure from the SORP for accounting for associates and joint ventures.

Change in materiality basis
The basis of Group materiality has been revised to 1% of net assets from 0.5% of total assets. This revision was determined based on our judgement, considering that the Trust's balance sheet operates similarly to that of an investment trust. This change aligns our methodology with industry practice for comparable asset–based organisations.

Furthermore, we determined that using lower materiality threshold for grant liabilities and grant expenditure was appropriate given the impact of the change in our materiality. We determined this lower level materiality as 2% of grant expenditure. The grant making activities are balances that are important to the users of the financial statements and so the lower level of materiality enabled appropriate focus on these balances.

Additional Key Audit Matters
- The departure from SORP in relation to accounting for associates and joint ventures was determined as a key audit matter due to the significant management judgement in determining the accounting treatment.
- The discount rate used for calculating the grant liabilities was determined to be a key audit matter due to the impact a change in the discount rate has upon the grant liability balance. We have applied the lower level of materiality, explained above, which is applicable to this grant liabilities balance.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Conclusions related to principal risks, going concern and viability

We have reviewed the Trustee's Report regarding the appropriateness of the going concern basis of accounting contained within note 1(a) to the Financial Statements and the Trustee's statement on the longer-term viability of the Group contained within the Trustee's Report on page 33.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the Trustee's confirmation on page 33 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 37–39 that describe those risks and explain how they are being managed or mitigated;
- the Trustee's statement on pages 34–35 of the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements; and
- the Trustee's explanation on page 33 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the Trustee's adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

To the Trustee of the Wellcome Trust (continued)

Key audit matters (continued)

Valuation of unquoted investments, including realised and unrealised gains/losses relating to joint ventures (iQ Student Accommodation) and controlled, unconsolidated subsidiary investments (Premier Marinas and Farmcare)	
Key audit matter description	The valuation of Premier Marinas, Farmcare and iQ Student Accommodation (previously called Vero) involves significant judgement when determining the valuation approach and the use of key judgemental inputs and assumptions. As a result of these judgements, there is more potential for fraud in this area. The primary input to each of these valuations is the fair value of alternative real estate assets including marina assets, student accommodation and farmland. There are few comparable transactions for alternative real estate assets such as Marinas and therefore this increases the judgement in determining the fair valuation of those assets There is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate assumptions could result in the valuation of unquoted investments being materially misstated. This would subsequently drive the changes in gains and losses. The valuation of Premier Marinas, Farmcare and iQ Student accommodation amount to £0.76bn, which is 8% of the Group's unquoted investments, and 3% of the Group's net assets. The Audit Committee Report on page 44 identifies the valuation of real estate assets as a main area of risk. The significant accounting judgements with respect to the Group's fair value measurement and valuation policies are described in notes 2 and 16.
How the scope of our audit responded to the key matter	In responding to the key audit matter arising when determining the fair value of Premier Marinas, Farmcare and iQ Student Accommodation, we performed the following procedures: **Controls Assessment** We assessed the design and implementation of key controls identified in relation to the valuations throughout our audit. This included gaining an understanding of the procedures performed by the Valuation Group. We attended a Valuation Group meeting to evidence that the information provided by Management provides sufficient insight into the investments for the Valuation Group to appropriately challenge the assumptions. **Premier Marinas and Farmcare** • We obtained and reviewed 30 September 2017 and 30 September 2016 external valuation reports. Management instructed and determined that the valuation approach for each was in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. We assessed the competence, qualifications, capabilities and independence of the third party valuers. We compared 2016 and 2017 reports to assess any changes in methodology or approach year on year; • We involved real estate specialists as part of our audit team to review the third party valuation reports. We challenged the appropriateness of the fair value methodologies used for the various real estate assets, the market assumptions used as part of their valuations (e.g. berth rates for Premier Marinas, rents, yields, discounts for tenancies and discount rates) and their valuation conclusions. As part of this process, we held a meeting with the third party valuers used where we challenged the key judgements made in their valuation against our expectations, our own market intelligence and external information, where such data was available; • Specifically for Premier Marinas: we reviewed the work of our Deloitte audit team who perform the Premier Marinas audit to determine whether cash flow data used in the discounted cash flows valuation was appropriate given their understanding of the business; and • Specifically for Farmcare: for a sample of assets we obtained relevant third party data to support acreage and other inputs that drive the valuation.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Key audit matters (continued)

How the scope of our audit responded to the key matter	**iQ Student Accommodation** • We obtained and reviewed the 30 September 2017 external valuation report and noted that the valuation was in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards; and • We involved real estate specialists as part of our audit team to review information provided by Management, including asset listings and yields. We assessed the appropriateness of the key assumptions driving the valuation including rental assumptions, occupancy rates, operating cost assumptions and yield assumptions. We challenged these assumptions based on our own market intelligence and external information. **Realised and unrealised gains/losses** • We sampled purchases and sales during the period and traced these to supporting documentation. Based on this procedure and the above procedures performed over valuation, we were able to recalculate the associated gains and losses and conclude on the appropriateness thereof.
Key observations	We note a departure from the Charities SORP with respect to the accounting treatment for associates and joint ventures. This impacts the treatment of iQ Student Accommodation. The departure from the Charities SORP is discussed below in the Accounting for associates and joint ventures in the key audit matters. As a result of our procedures, we found the valuations of these investments were appropriate.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Key audit matters (continued)

Valuation of unquoted investments, including realised and unrealised gains/losses relating to unquoted direct investments and private equity funds

Key audit matter description	The valuation of private equity funds and unquoted direct investments requires significant judgement as the values are derived from unobservable inputs and assumptions. As a result of these judgements, for direct investments, there is more potential for fraud in this area. The values are obtained from co-investors, underlying private equity fund managers, or are valued based on internal models. As they are sensitive to these unobservable inputs and assumptions, there is a risk that the application of an inappropriate valuation methodology and/or the use of inappropriate assumptions could result in the valuation of unquoted investments being materially misstated. This would subsequently drive the changes in gains and losses. The valuation of the Group's investments in private equity funds and unquoted direct investments amount to £6.2bn which is 64% of the Group's unquoted investments, and 28% of the Group's net assets. The Audit Committee Report on page 44 the valuation of private equity funds assets as a main area of risk. The significant accounting judgements with respect to the Group's fair value measurement and valuation policies are described in notes 2 and 16.
How the scope of our audit responded to the key matter	We assessed Management's valuation methodology and considered whether it was in accordance with the accounting policies of the Trust, applicable accounting standards and industry practice. We assessed the controls applied by Management and tested these controls where we placed reliance on them. **Controls Assessment** We assessed the design and implementation of key controls identified in relation to the valuations throughout our planning and interim work. This included gaining an understanding of the procedures related to the ongoing monitoring of fund managers and the processes by which valuation approaches are continually re-assessed and challenged by the Valuation Group. We performed testing of the following valuation controls: • We tested the controls and procedures performed by Management during the year, including reviewing minutes of the calls/meetings held with the external fund managers and co-investors to monitor these investments; • For unquoted direct investments, we reperformed Management's review for a sample of investment assets by inspecting documentation to determine whether valuations were challenged based on recent knowledge of the investments, as gained through calls with key Management personnel of the investment companies; • For private equity investments, we reperformed the review of the private equity fund financial statements by Management and ensured that the review appropriately assessed key elements in the financial statements such as whether the funds measured the investments at fair value, auditor information, basis of preparation and going concern; and • We inspected documentation and attended the valuation Group meeting to evidence that the Valuation Group has reviewed and reasonably challenged the valuation of investments at year end, as presented by Management and as recorded in the financial statements.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Key audit matters (continued)

How the scope of our audit responded to the key matter	**Private equity funds** To verify the year-end valuation for private equity investments, we independently obtained and reviewed the valuation statements for a sample of funds. We assessed the financial statements of the underlying funds are fair valued and assessed whether the auditor standing, auditor location, audit opinion, basis of preparation, going concern and subsequent events disclosure indicated any areas of concern. As part of this review, we critically assessed whether the underlying investments held by the fund were being measured at fair value and whether the methodologies and unobservable inputs disclosed demonstrated appropriate fair value treatment. For the portfolio as a whole, we benchmarked the results and compared these to independently sourced market information to understand the correlation of the portfolio movements as compared to movements in the industry and wider market. **Unquoted direct investments** For selected samples, we independently obtained and reviewed the unquoted direct investments valuation statements to determine whether the value recorded by the Group was appropriate. We challenged Management's assessment of the valuation assumptions and appropriateness of valuation methodologies used by the third party to determine the fair value. Where the valuation is determined by the Group, we obtained and reviewed the valuation derivation and assessed the reasonableness of any significant judgemental inputs and assumptions. As part of this process we sought independent evidence including considering contradictory evidence and market comparables to challenge the appropriateness of the judgemental assumptions. **Realised and unrealised gains/losses** We have sampled purchases and sales during the period and traced these to supporting documentation, based on this procedure and the above procedures, we are able to recalculate the gains and losses associated and conclude on the appropriateness thereof.
Key observations	As a result of our procedures we found the valuations of these investments were appropriate.

To the Trustee of the Wellcome Trust (continued)

Accounting for associates and joint ventures

Key audit matter description	The Group currently holds investments in various associates and joint ventures. They record these investments at fair value through the profit and loss rather than using the equity method of accounting, both of which are permitted by FRS 102. The Charities SORP however states that investments in associates and joint ventures should be measured only using the equity method of accounting. The Group's treatment of these investments is therefore a departure from the Charities SORP and Management's rationale was that this departure was necessary for the financial statements to give a true and fair view of the investments and appropriately reflect how the Trust considers these investments. In addition, during the year, the Group made an investment in Syncona Limited which is determined to be an associate of the Group. Management also determined that Syncona Limited is a mixed motive investment. The Charities SORP states that a mixed motive investment should be held at fair value, however as discussed above the Charities SORP also states that an associate should be accounted for using the equity method of accounting as the Charities SORP does not appear to envisage a situation where there is a mixed motive investment that is also an associate. Management made the judgement to depart from the Charities SORP and measure all investment associates and joint ventures at fair value through profit and loss. This departure from the Charities SORP is discussed in Accounting Policies 1(a) Basis of consolidation on page 63 of the notes to the financial statements. The departure has not been quantified on the grounds that Management believe this would prove to be onerous and costly compared to the value it will generate to the readers of the financial statements and is therefore not qualitatively material to the financial statements. We identified that the key audit matters in relation to this are whether: (i) the fair valuation methodology is an appropriate departure from the Charities SORP given the specific circumstances of the Trust; and (ii) the omission of the quantitative effects of the departure is not material.
How the scope of our audit responded to the key audit matter	**Substantive procedures: accounting for associates** • We reviewed Management's paper on their accounting for associates and joint ventures which provides their rationale on the reason for departure from the SORP and assessed whether it was appropriate given the specific circumstances of the Trust. • We reviewed Management's assessment of the departure from disclosing the quantitative effect of the departure. **Substantive procedures: determining classification of Syncona Limited** • We reviewed Management's paper on accounting for Syncona Limited, considering whether the activities of Syncona Limited were in line with the Trust's charitable purpose. • We challenged Management's paper on the criteria considered in determining whether the investment constituted a Mixed Motive Investment, including inspecting evidence that the terms of the investment included investing in life sciences. As part of this, we reviewed communications between the Governors prior to the transaction which confirmed that the investment was in life sciences. This demonstrated that the intention of the investment was not only one of investment return but also delivering on the Trust's charitable purpose.
Key observations	We concur with Management's view that fair value is a better indicator to the readers of the financial statements of the value of these investments. We concluded that the accounting policies appropriately reflected this departure from the SORP. We concur with Management's view that the investment in Syncona Limited is a mixed motive investment. We concluded that, although the valuation of Syncona Limited at fair value is not in accordance with the Charities SORP, it is however in accordance with FRS 102, and represents the substance of the transaction.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Discount rate applied to the grant liabilities	
Key audit matter description	This is included as a key audit matter this year for the first time given the sensitivity of grant liabilities to a change in the discount rate and the importance of this balance to the users of the accounts. We have identified the appropriateness of the discount rate applied to the grant liabilities as one of the key sources of estimation uncertainty in the financial statements. The discount rate used is identified as a significant estimate in Note 2 of the annual report. The sensitivity analysis performed in Note 2 shows that a 0.5% change in the discount rate will result in a material change to the grant liabilities of £19m, based on the application of our lower level materiality. The grant liabilities are discounted, as per the requirements of FRS 102. The amount at which they are discounted is based on a calculation involving a discount rate selected and applied by Management, and is based on Management's expectation of the long-term return of the Trust's portfolio. This is described by Management in Note 2 as a significant estimate. The discount rate used should reflect the opportunity cost to the Trust of not earning an investment return on funds granted and its current assessment of the time value of money. The appropriate discount rate depends on the circumstances of the charity and determining this discount rate requires significant Management judgement concerning future expectations of investment performance. The discounted portion of the grant liabilities is sensitive to small changes in the discount rate applied and small differences in the discount rate can lead to material misstatement of the grant liabilities. The Audit Committee Report on page 44 makes reference to the significant estimate in this area.
How the scope of our audit responded to the key audit matter	**Controls Assessment** We assessed the design and implementation of key controls identified in relation to the selection of an appropriate discount rate throughout our planning and interim work. This included gaining an understanding of the procedures related to the review of Management's papers on the selection of an appropriate discount rate and expected rates of long-term return by the Board of Governors used in financial planning and budgeting considerations. **Substantive procedures** In responding to the key audit matter that an appropriate discount rate has not been applied and the grant liabilities balance is potentially misstated, we performed the following procedures: • We reviewed Management's paper to the Board of Governors on its expectation of a long-term nominal rate of return of 5.6% and challenged the assertions made by Management by: o testing the split of investments stated in the paper and the associated expected investment return of each category; o corroborating the stated ranges of nominal rates of return with reference to third party forecasts; and o performing sensitivity analysis on the rate of return by using third party market data in the calculation of the discount rate and determining if variances were material. • We tested the arithmetical accuracy of the grant liabilities discounting workings to determine whether the grant liability was materially accurate, and used Deloitte's Analytics tools to challenge the integrity of these spreadsheets.
Key observations	As a result of our audit procedures, we found the discount rate to be appropriate.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

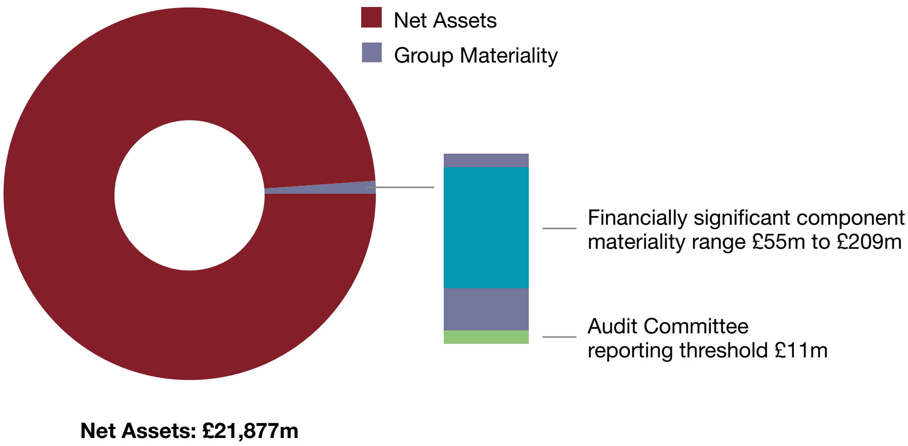
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality for the financial statements as a whole	£221m (2016:£119m)
Basis for determining materiality	1% of net assets (2016: 0.5% of total assets)
Rationale for the benchmark applied	The Wellcome Trust is an asset based charity making returns on its investment portfolio to support the charitable actives. The basis of Group materiality has been revised to 1% of net assets from 0.5% of total assets. This revision was determined based on our judgement, considering that the Trust's balance sheet operates similarly to that of an investment trust. This change aligns our methodology with industry practice for comparable asset–based organisations.

Furthermore, we determined that using lower materiality threshold for grant liabilities and grant expenditure was appropriate given the impact of the change in our materiality and these balances are important to the users of the financial statements.

Lower level materiality	£18.2m
Basis for determining materiality	2% of grant expenditure
Rationale for the benchmark applied	We have based the lower level materiality on the related grant expenditure balance in the Consolidated Statement of Financial Activities. The basis has been determined using professional judgement. Although gross income is the benchmark most commonly used in the sector, grant expenditure is a significant balance for users of these financial statements, being the primary indicator of the level of charitable activity of the Trust during the year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11m (2016: £2.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.



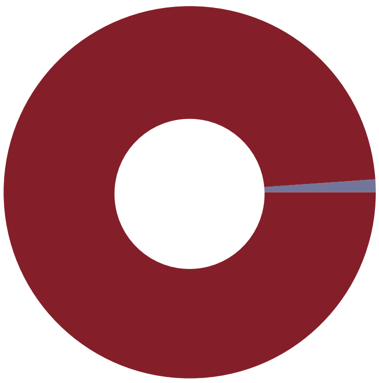
Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the balances within each entity and the risks of material misstatement at the Group level. Our Group audit scope included the full scope audit of all financially significant subsidiaries, comprising of those with accounting for >1% of Net Assets and those requiring statutory financial statements. Audits were performed at a materiality level determined by reference to the scale of the business concerned. Where significant components didn't require a statutory audit, the work was performed to component materialities ranging from £55m to £209m. The vast majority of audit procedures were performed at the Trust itself.

Net Assets



Full audit scope 99%
Review at group level 1%

Other subsidiaries not in audit scope within the Group contributed to less than 1% of net assets. Analytical procedures were performed at Group level for these non-significant subsidiaries.

At the Group level we also tested the consolidation process.

Other information

The Trustee is responsible for the other information. The other information comprises the information included in the annual report (including comments from the Chair and the Director, Trustee's Report, Audit Committee Report, Reference and Administrative Details) other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in respect of these matters.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Group's and the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Trustor to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report

To the Trustee of the Wellcome Trust (continued)

Use of our report

This report is made solely to the Trustee in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act and for no other purpose. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Charities Act 2011 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

We have nothing to report arising from our review.

Other matters

Auditor tenure
Following the recommendation of the audit committee we were appointed by the Trust at its Board of Governor's meeting on 14 December 2015 to audit the financial statements of the Trust for the period ending 30 September 2016 and subsequent financial periods.

Our total uninterrupted period of engagement is 2 years, covering periods from our appointment through to the period ending 30 September 2017.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

The engagement partner on the audit resulting in this independent auditor's report is Terri Fielding.

Deloitte LLP

Deloitte LLP
Statutory Auditor
London
11 December 2017

Deloitte LLP is eligible for appointment as auditor for the charity by virtue of its eligibility for appointment as audit of a company under section 1212 of the Companies Act 2006.




Consolidated Statement of Financial Activities

for the year ended 30 September 2017

	Note £m	Restricted funds £m	Unrestricted funds £m	**2017 £m**	2016 £m
Income from investments					
Dividends and interest	3	-	348.0	**348.0**	308.3
Rental income		-	37.4	**37.4**	44.2
Other income		-	0.9	**0.9**	1.6
		-	386.3	**386.3**	354.1
Charitable Income					
Grants receivable	4(a)	21.9	-	**21.9**	17.8
Other charitable income	4(b)	11.6	5.5	**17.1**	18.4
Total Income		33.5	391.8	**425.3**	390.3
Expenditure on Raising Funds					
Management fees and other investment costs	5(a)	-	(86.1)	**(86.1)**	(118.8)
Interest payable on bond liability		-	(59.7)	**(59.7)**	(59.3)
Expenditure on Charitable Activities	6	(20.6)	(1,113.8)	**(1,134.4)**	(992.3)
Total Expenditure		(20.6)	(1,259.6)	**(1,280.2)**	(1,170.4)
Net realised and unrealised gains on investments	16(f)	-	2,797.5	**2,797.5**	3,469.4
Realised gain on disposal of subsidiary	22		124.8	**124.8**	-
Unrealised gain on mixed motive investments	16(d)		137.9	**137.9**	-
Net income before taxation		12.9	2,192.4	**2,205.3**	2,689.3
Taxation	13	-	(44.8)	**(44.8)**	36.9
Net income after taxation		12.9	2,147.6	**2,160.5**	2,726.2
Actuarial gains/(losses) on defined benefit pension schemes	11(e)(i)	-	154.3	**154.3**	(161.2)
Net movement in funds		12.9	2,301.9	**2,314.8**	2,565.0
Funds at start of year	21	8.3	19,553.3	**19,561.6**	16,978.2
Non-controlling interests		-	0.6	**0.6**	18.4
Funds at end of year	21	21.2	21,855.8	**21,877.0**	19,561.6

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

An analysis of the movement of Funds in 2017 is shown in note 21.

Consolidated Balance Sheet

as at 30 September 2017

	Note	2017 £m	2016 £m
Tangible fixed assets	14(a)	**435.0**	448.2
Intangible fixed assets	15	**-**	10.5
Investment assets			
Quoted investments	16(a)	**13,147.8**	11,347.6
Unquoted investments	16(a)	**9,611.4**	9,339.9
Investment properties	16(a)	**1,390.5**	1,408.0
Derivative financial instruments	16(b)	**178.6**	148.0
Investment cash and certificates of deposit	16(c)	**946.7**	916.9
Other investment assets	16(c)	**445.4**	494.8
Social investments			
Mixed motive investments	16(d)	**457.2**	-
Programme related investments	16(e)	**6.4**	5.9
Total Fixed Assets		**26,619.0**	24,119.8
Current assets			
Stock		**2.2**	2.2
Debtors	17	**36.7**	22.3
Cash at bank and in hand		**15.7**	56.1
Total Current Assets		**54.6**	80.6
Creditors falling due within one year	18	**(1,181.8)**	(1,118.3)
Net current liabilities		**(1,127.2)**	(1,037.7)
Total assets less current liabilities		**25,491.8**	23,082.1
Creditors falling due after one year	18	**(3,247.9)**	(3,047.6)
Provision for liabilities and charges	19	**(119.0)**	(80.0)
Non-controlling Interests		**-**	(14.1)
Net assets excluding pension deficits		**22,124.9**	19,940.4
Defined benefit pension schemes' deficits	11(e)(ii)	**(247.9)**	(378.8)
Net assets including pension deficits		**21,877.0**	19,561.6
Funds of the charity			
Restricted Funds	21	**21.2**	8.3
Unrestricted Funds	21	**21,855.8**	19,553.3
Total Funds		**21,877.0**	19,561.6

The Financial Statements on pages 58–116 were approved and authorised for issue by The Wellcome Trust Limited, as Trustee, on 11 December 2017 and signed on its behalf by:

Eliza Manningham-Buller

Baroness Manningham-Buller
Chair

Kay E. Davies

Professor Dame Kay Davies
Deputy Chair

Statement of Financial Activities of the Trust

for the year ended 30 September 2017

	Note	**2017 £m**	2016 £m
Income from Investments			
Dividends and interest	3	**323.2**	309.2
Rental income		**34.8**	37.2
		358.0	346.4
Charitable income			
Grants receivable	4(a)	**-**	0.8
Other charitable income	4(b)	**11.9**	119.2
Total Income		**369.9**	466.4
Expenditure on Raising Funds			
Management fees and other investment costs	5(a)	**(70.7)**	(66.5)
Interest payable to group undertakings		**(27.1)**	(24.7)
Interest payable on bond liability		**(20.4)**	(20.0)
Expenditure on Charitable Activities	6	**(1,090.3)**	(958.5)
Total Expenditure		**(1,208.5)**	(1,069.7)
Net realised and unrealised gains on investments	16(f)	**2,928.8**	3,365.0
Net Income		**2,090.2**	2,761.7
Actuarial gains/(losses) on defined benefit pension schemes	11(e)(i)	**75.6**	(63.3)
Net movement in funds		**2,165.8**	2,698.4
Funds at start of year		**19,606.1**	16,907.7
Funds at end of year		**21,771.9**	19,606.1

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

Balance Sheet of the Trust

as at 30 September 2017

	Note	2017 £m	2016 £m
Tangible fixed assets	14(b)	**230.9**	239.8
Investment assets			
Quoted investments	16(a)	**12,505.7**	10,726.1
Unquoted investments	16(a)	**8,551.8**	8,229.0
Investment properties	16(a)	**1,229.3**	1,241.1
Derivative financial instruments	16(b)	**178.6**	148.0
Investment cash and certificates of deposit	16(c)	**946.6**	904.6
Other investment assets	16(c)	**439.2**	441.8
Subsidiary and other undertakings		**2,332.9**	1,981.8
Social investments			
Programme related investments	16(e)	**6.4**	5.9
Total Fixed Assets		**26,421.4**	23,918.1
Current assets			
Debtors	17	**13.6**	19.0
Cash at bank and in hand		**8.7**	5.4
Total Current Assets		**22.3**	24.4
Creditors falling due within one year	18	**(2,092.3)**	(1,899.3)
Net current liabilities		**(2,070.0)**	(1,874.9)
Total assets less current liabilities		**24,351.4**	22,043.2
Creditors falling due after one year	18	**(2,413.3)**	(2,215.5)
Provision for liabilities and charges	19	**(53.3)**	(45.8)
Net assets excluding pension deficit		**21,884.8**	19,781.9
Defined benefit pension scheme's deficit	11(e)(ii)	**(112.9)**	(175.8)
Net assets including pension deficit		**21,771.9**	19,606.1
Funds of the charity			
Unrestricted Funds		**21,771.9**	19,606.1
Total Funds		**21,771.9**	19,606.1

The Financial Statements on pages 58–116 were approved and authorised for issue by The Wellcome Trust Limited, as Trustee, on 11 December 2017 and signed on its behalf by:

Baroness Manningham-Buller
Chair

Professor Dame Kay Davies
Deputy Chair

Consolidated Cash Flow Statement

for the year ended 30 September 2017

	Note	2017 £m	2016 £m
Net income for the year (as per the Statement of financial activities)		**2,314.8**	2,565.0
Adjustments to exclude non-cash items and investment income and expenditure			
(Increase)/decrease in debtors		**(14.5)**	20.9
Decrease in stock		**-**	0.7
Decrease in intangible assets		**10.5**	-
Increase in grant commitments		**278.6**	250.2
(Decrease)/increase in creditors and provisions		**(75.1)**	135.1
Less gain on sale of Programme Related Investments		**(2.3)**	(2.7)
Increase in provision for Programme Related Investments		**22.9**	23.1
Increase/(decrease) in other investment debtors		**19.2**	(56.7)
Discounting of Grant Liability	6	**65.3**	41.2
Depreciation and Amortisation		**24.9**	31.6
Investment income		**(386.3)**	(354.1)
Net realised and unrealised gains on investments	16(f)	**(2,797.5)**	(3,469.4)
Non cash sale proceeds on disposal of subsidiary	22	**(176.9)**	-
Unrealised gain on mixed motive investments	16(f)	**(137.9)**	-
Net cash flows from operating activities		**(854.3)**	(815.1)
Cash flows from investing activities:			
Investment income received	24(a)	**386.2**	349.4
Proceeds from sales of investment assets	24(c)	**4,906.4**	5,362.8
Purchase of investment assets	24(c)	**(4,417.1)**	(4,488.7)
Purchase of tangible fixed assets	14(a)	**(15.5)**	(27.5)
Net cash inflow/(outflow) upon settlement of derivative financial instruments	24(c)	**49.5**	(330.7)
Net cash flows from investing activities		**909.5**	865.3
Cash flows from financing activities:			
Cash outflow for servicing of finance	24(b)	**(58.4)**	(58.0)
Net cash flows from financing activities		**(58.4)**	(58.0)
Change in cash and cash equivalents during the year		**(3.2)**	(7.9)
Cash and cash equivalents at the beginning of the year		**973.0**	911.7
Change in cash and cash equivalents due to exchange rate movements		**(7.3)**	69.2
Cash and cash equivalents at the end of the year		**962.5**	973.0

Cash and cash equivalents include cash at bank and in hand, and investment cash and certificates of deposits.

Notes to the Financial Statements

1. Accounting policies

(a) Statement of compliance

The Financial Statements of the Wellcome Trust (the "Trust") and the consolidated Financial Statements of the Trust and its subsidiary undertakings (the "Group") have been prepared on a going concern basis and in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102"). In particular, they comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice 'Accounting and Reporting by Charities' published in 2015 (the "SORP") in all material respects with the exception of the valuation of certain joint ventures and associates as detailed under the Basis of Consolidation below.

Wellcome Trust meets the definition of a public benefit entity under FRS 102. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investments on a basis consistent with prior years.

The functional currency of the Trust is considered to be Pounds Sterling because that is the currency of the primary economic environment in which the Trust operates. The consolidated Financial Statements are also presented in Pounds Sterling.

Wellcome Trust meets the definition of a qualifying entity under the SORP and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements, which are presented alongside the consolidated Financial Statements. Exemptions have been taken in relation to financial instruments and the presentation of a Cash Flow Statement.

(b) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The preparation of Financial Statements in conformity with FRS 102 requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 2.

Basis of consolidation

The consolidated Financial Statements include the Financial Statements of the Trust and its subsidiary undertakings together with the Group's share of the results of associates and joint ventures (other than those included as part of the investment portfolio discussed below) made up to 30 September. Subsidiary undertakings are entities over which the Trust has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When the Group owns less than 50% of the voting powers of an entity, but controls the entity by virtue of an agreement with other investors that gives it control of the financial and operating policies, it accounts for these as subsidiaries. The Financial Statements of subsidiaries are included from the date that control commences until the date that it ceases.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary Financial Statements to apply the Group's accounting policies when preparing the consolidated Financial Statements.

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) a non-charitable financing subsidiary undertaking formed to issue listed debt to finance Group activities; and

(iv) non-charitable investment subsidiary undertakings formed to hold investments and freehold property on behalf of the Trust.

A subsidiary is excluded from consolidation where the interest in the subsidiary is held as part of the investment portfolio and its value to the Group is through fair value rather than as the medium through which the Group carries out business and where it has not previously been consolidated in the consolidated Financial Statements under FRS 102.

These subsidiaries are included at fair value within investments in accordance with 9.9B(a) of FRS 102.

Further detail on the Trust's significant subsidiary undertakings is provided in note 23.

1. Accounting policies (continued)

A joint venture is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to joint control. The Group considers that it has joint control where there is contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures). The results of the joint ventures are accounted for using the equity method of accounting unless the entity is held as part of the investment portfolio or as a Social Investment as discussed below.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and has significant influence. The Group considers it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of the associate are accounted for using the equity method of accounting unless the entity is held as part of the investment portfolio or as a Social Investment as discussed below and on page 68.

Where an associate or joint venture is held as part of the investment portfolio or as a Mixed Motive Investment and its value to the Group is through fair value rather than as medium through which the Group carries out business, the associate or joint venture is measured at fair value with changes in fair value recognised in profit or loss (Statement of Financial Activities) in the consolidated Financial Statements in accordance with 14.4B or 15.9B of FRS 102. The fair value is determined in accordance with the accounting policies for Financial Assets and Liabilities detailed on pages 66–67. This is a departure from the SORP which requires that all such investments are accounted for using the equity method of accounting. The fair value of the associates and joint ventures held in the investment portfolio is included in Unquoted investments in note 16(a). The value of the Mixed Motive investment is shown in note 16(d).

All intra-group transactions, balances, income and expenses are eliminated on consolidation of subsidiaries. Adjustments are made to eliminate the profit or loss arising on transactions with joint ventures or associates to the extent of the Group's interest in the entity. Where subsidiaries, joint ventures and associates are held as part of the investment portfolio or as a Social Investment and measured at fair value, no elimination of intra-group items is undertaken.

Income

The Group recognises income at the fair value of the consideration received or receivable when the significant risks and rewards of ownership have been transferred, the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Group and when the specific criteria relating to the each of Group's income channels have been met, as described below. All amounts are net of discounts and rebates allowed and value added taxes if applicable.

Dividend income including any recoverable tax is recognised from the ex-dividend date when it becomes receivable.

Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

Interest income is recognised using the effective rate of interest.

Other investment income is recognised when the significant risks and rewards of ownership have been transferred and the amounts can be reliably estimated.

Charitable income for performance-related grants is recognised when the expenditure is incurred as this reflects the service levels. Income for non-performance-related grants is recognised when awarded as this represents entitlement. Capital grants with no performance related conditions are recognised when the charity is entitled, the receipt is probable and the amount is measurable which is when the award letter is received. Any receipts that do not meet these criteria are held as deferred income.

Gift aid income is recognised on an accruals basis when the receipt is both probable and measurable.

Expenditure

Expenditure and liabilities are recognised as soon as there is a legal or constructive obligation committing the Group to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is recognised on an accruals basis, with the exception of grants as noted below.

Expenditure on raising funds relates to the management of the investment portfolio and includes the allocation of support costs relating to this activity.

Expenditure on charitable activities is analysed between grant funding and the cost of activities performed directly by the Trust and the Group together with the associated support costs, including governance costs. Governance costs are the costs of governance arrangements that relate to the general running of the Group as opposed to those costs associated with investments or charitable activities. These costs include such items

Notes to the Financial Statements

1. Accounting policies (continued)

as internal and external audit, legal advice for Governors and costs associated with constitutional and statutory requirements.

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.

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 to the recipient, except to the extent that it is subject to conditions that enable the Trust to revoke the award.

The provision for multi-year grants is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit it to avoid making the future payments, settlement is probable and the effect of the discounting is material. The discount rate used is regarded by the Board of Governors as the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust. The impact of the discount rate is discussed in note 2 (significant accounting estimates and assumptions).

Research expenditure is written off in the Statement of Financial Activities in the year in which it is incurred and is included in Expenditure on Charitable Activities.

Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, long-term incentive plans, paid holiday arrangements and defined benefit and defined contribution pension plan. These are detailed in the Remuneration Report on page 40.

Short term benefits
Short term benefits, including holiday pay, private medical insurance, medical assessments, permanent disability insurance and life insurance are recognised as an expense in the period in which the service is received.

Pension schemes
The Group pension arrangements are detailed in note 11(e).

The contributions to defined contribution plans are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

The liability recognised in the balance sheet in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to “Actuarial gains and losses on defined benefit pension schemes” in the Statement of Financial Activities.

The cost of the defined benefit plans, recognised in charitable expenditure as employee costs comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments, settlements, and administration expenses.

Other retirement benefits are included within provisions and are valued at the present value of the defined benefit obligation at the end of the reporting date.

Annual bonus plan
An expense is recognised in the Statement of Financial Activities when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Long-term incentive plans
The cost is recognised in the Statement of Financial Activities over the period of service to which the plan relates. Where amounts are left in the plan after vesting date, any adjustment in value between the date of vesting and the date of payment is recognised in the Statement of Financial Activities.

Termination benefits
Termination benefits are payable when employment is terminated by the Group, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer of voluntary redundancy.

Fund accounting

The Group’s charitable funds consist of restricted funds, held in Genome Research Limited, and unrestricted funds. Restricted funds are subject to specific conditions imposed by the donors.

Intangible assets

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

The useful life over which intangible assets are amortised depends on management’s estimate of the period over which economic benefit will be derived from the asset. This ranges from 3 years to 20 years.

1. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets, excluding land and investment properties, held by the Group and the Trust are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is stated at cost less any accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Fixed assets are subject to review for impairment when there is an indication of a reduction in their carrying value. They are reviewed annually and any impairment is recognised in the year in which it occurs.

Assets in the course of construction are stated at cost and are not depreciated until available for use.

Depreciation is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life. Residual value represents the estimated amount that would currently be obtained from disposal of an asset, after deducting estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life. Depreciation commences from the date an asset is brought into service. The useful lives for depreciation purposes for the principal categories of assets are:

	Years
Buildings	50
Leasehold Land and Buildings	Over the term of the lease
Other Plant and Equipment. Fixtures and fittings	3 to 15
Computer Equipment	3 to 5

Heritage assets

The Trustee does not consider that reliable cost or valuation information can be obtained for the vast majority of heritage assets held by the Trust. This is because of the diverse and specialist nature of the assets held, the number of assets held and the lack of comparable market values. The cost of valuing the entire collection would be onerous compared with the benefit derived by users of the Financial Statements in assessing the Trustee's stewardship of the assets. Assets are recognised on the Balance Sheet if they meet the definition of a heritage asset, their value can be reliably measured and they are considered to be material. Further details are provided in note 14.

Leased assets

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

Financial assets and liabilities

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets which qualify as basic financial instruments as laid out in FRS 102 paragraph 11.8, including trade and other receivables and cash and bank balances, are subsequently valued at amortised cost and assessed for impairment at the end of each reporting period.

Other financial assets, including investments, are subsequently valued at fair value.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

1. Accounting policies (continued)

Financial assets and liabilities are only offset in the Balance Sheet when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investment valuation policies and procedures are reviewed by the Valuation Group which is responsible for valuation decisions. Specific policies are detailed below and the detail of the application of these policies is disclosed in the relevant note to the accounts where appropriate.

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

(ii) Unquoted investments
Unquoted investments are valued at management's best estimate of fair value. Further details are provided in note 2 (Significant accounting judgements and key sources of estimation uncertainty).

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

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

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

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

(iv) 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.

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

Investment properties

Investment properties for which fair value can be measured reliably on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Financial Activities. The fair values are based on valuations estimated by third party professional valuers; however, where properties are acquired close to the balance sheet date, valuations are not obtained because the acquired properties are recorded at open market value upon initial recognition, which management considers to be a reasonable estimate of open market value at the balance sheet date. Property transactions are recognised on the date of completion.

Investments in subsidiaries

Subsidiary undertakings established purely 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.

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

1. Accounting policies (continued)

agreements, the Group retains substantially all the risks and rewards of ownership of the loaned securities, and the contractual rights to any cash flows relating to the securities. The loaned securities are not derecognised on the Group's and Trust's Balance Sheets. The cash collateral and the obligation to return the cash collateral to the lender are recognised in the Group's and Trust's Balance Sheets.

Social investments

Mixed motive investments
These are valued at fair value. For a listed entity, this value represents the bid price of the shares in the market in which it is listed. These are discussed in note 16(d).

Programme related investments
These are disclosed under social investments in the balance sheet and are held at cost less impairment as it is considered that the fair value cannot be reliably estimated. Where the decision is taken that a programme related investment will generate an appropriate level of return it will be transferred to the main investment portfolio and measured accordingly. These are discussed in note 16(e).

Stock

Stock consists of 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.

Provisions and contingencies

Provisions
Provisions are recognised when the Group has 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.

Contingencies
Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote, but is not considered probable or cannot be measured reliably. These are not recognised but are disclosed in the Financial Statements.

Contingent assets are not recognised. Contingent assets are potential future inflows of economic benefits where the likelihood of receipt is considered more than remote, but is not considered probable or cannot be measured reliably. These are not recognised but are disclosed in the Financial Statements.

Foreign currencies

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

Taxation

The charitable members of the Group are exempt from taxation on their income and gains falling within Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to their charitable purposes.

The non-charitable subsidiaries, although subject to taxation, do not pay UK Corporation Tax because their policy is to donate taxable profits as Gift Aid to the Wellcome Trust. Foreign tax incurred by subsidiaries operating overseas is charged as it is incurred.

In common with many other charities, the charitable members of the Group are unable to recover the majority of Value Added Tax ("VAT") incurred on expenditure. The amount of VAT that cannot be recovered is included within the underlying cost to which it relates.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the taxable profits and results as stated in the Financial Statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised on fair market value adjustments of investment subsidiaries even though the subsidiaries will be able to donate the profits from the future realisation of the underlying assets so that no current tax charge will arise.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

2. Significant accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements in applying the Group's accounting policies

The following are the significant judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in Financial Statements:

Fair value measurement and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group applies judgement in selecting the appropriate valuation techniques for calculating the fair value for reporting purposes.

A. Unquoted investments

Judgement is required in valuing the items listed below. This is primarily in the form of judgement applied by third parties. Where management applies further judgement this is detailed below. There are no items where the amount of judgement is considered to be critical:

(i) Private equity, venture and property funds – Value at 30 September 2017: £5,233 million

These funds are valued externally by their fund managers and the controls operating at the underlying funds are carefully considered. In exceptional cases where management is not satisfied with the robustness of these external valuations, these funds are internally valued, and then certain judgemental assumptions are required relating to the probability of future distributions from the funds.

(ii) Direct investments – Value at 30 September 2017: £859 million

The majority of these are made with co-investors (who are funds within our private equity, venture and property funds portfolio discussed above) and the co-investor valuation is used to determine the fair value. Where there is no co-investor, these investments are internally valued, generally using the price of recent investment.

(iii) Investment properties – Value at 30 September 2017: £1,391 million

These are valued based on external valuers employing RICS valuation methodology who are required to apply a moderate amount of judgement.

(iv) Investment operating subsidiaries and joint ventures – Value at 30 September 2017: £815 million

As noted in the Basis of Consolidation on page 63, certain subsidiaries and joint ventures and associates are excluded from consolidation where the interest in the entity is held as part of the investment portfolio. Rather than holding these entities to carry out business, they are held and measured on a fair value basis. The most significant item in determining the value of these entities is property, which is valued using external valuers employing RICS valuation methodology.

B. Grant liabilities – Value at 30 September 2017: £2,242 million

The initial liability recognised is based on actual amounts awarded, but as the awards are paid out over a number of years this value is discounted based on expected future cash outflows. Internal judgement is required in selecting the appropriate discount rate as well as determining when the liability will be called down as a claim to be paid.

C. Defined benefit pension scheme liability – Value at 30 September 2017: £248 million

The valuations are based on a model provided by external qualified actuaries who exercise a judgement in determining the actuarial assumptions required by FRS 102. Internal judgement is applied by management in agreeing the appropriate corporate bond and inflation rate curves to use.

2. Significant accounting judgements and key sources of estimation uncertainty (continued)

Significant accounting estimates and assumptions

The Group makes estimates and assumptions to produce the Financial Statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed opposite.

A. Defined benefit pension scheme

Management is required to apply appropriate assumptions to estimate the discount rate and rate of inflation used for the calculation of the pension scheme liabilities.

A sensitivity analysis is provided below:

Estimate	Change in estimate	Impact on net pension liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £98.2m (13.9%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £67.8m (9.6%)

B. Grant liabilities

The initial liability recognised is based on actual amounts awarded but as the awards are paid out over a number of years, this value is discounted based on expected future cash outflows.

The rate applied to discount the grant liabilities payable within more than twelve months requires an estimate of the opportunity cost of income from investments foregone by the Group.

A sensitivity analysis is provided below:

Estimate	Change in estimate	Impact on grant liabilities
Rate used to discount grant liability	Increase/decrease of 0.5% p.a.	Decrease/increase by £19 million (0.8%)

3. Dividends and interest

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Dividends from UK equities	**92.1**	75.1	**86.5**	75.1
Dividends and interest from subsidiaries	**-**	-	**-**	17.7
Dividends from overseas equities	**205.6**	175.4	**188.4**	164.2
Income from unquoted investments	**47.1**	54.8	**46.0**	50.4
Interest on cash and cash deposits	**0.9**	0.4	**0.8**	0.3
Securities lending income	**2.3**	2.6	**1.5**	1.5
	348.0	308.3	**323.2**	309.2

4. Other income

(a) Grants receivable

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
	21.9	17.8	**-**	0.8

Grants receivable mainly represents awards to the Trust's subsidiary undertaking Genome Research Limited by other funders, notably government grants of £7.2 million (2016: £6.3 million).

(b) Other charitable income

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
	17.1	18.4	**11.9**	119.2

Included in other income above for the Trust are Gift Aid donations, which are equal to the estimated taxable profit of each subsidiary undertaking listed below, totalling £8.2 million (2016: £111.8 million). The level of these donations is driven by the gains and losses generated in each individual entity. Details of significant group undertakings are given in note 23.

	2017 £m	2016 £m
Wellcome Trust Trading Limited	**0.8**	1.2
Wellcome Trust Finance plc	**3.4**	3.5
Wellcome Trust GP Limited	**0.1**	-
Wellcome Trust Investments 1 Unlimited	**-**	59.2
Wellcome Trust Investments 2 Unlimited	**-**	(23.8)
Wellcome Trust Investments 3 Unlimited	**-**	(0.2)
Wellcome Trust Residential 1 Limited	**0.8**	5.1
Wellcome Trust Residential 2 Limited	**0.1**	1.0
Gower Place Investments Limited	**3.0**	65.8
	8.2	111.8

5. Management fees and other investment costs

(a) Total investment costs

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
External investment management fees	**41.8**	41.0	**39.7**	38.2
Internal investment administration	**25.7**	22.3	**25.5**	22.3
Investment support cost allocation	**5.6**	6.5	**5.5**	6.0
Syncona Investment				
Administration	**6.0**	27.3	**-**	-
Operating Costs	**7.0**	21.7	**-**	-
	86.1	118.8	**70.7**	66.5

The amount accrued for Long Term Incentive Plans included in the internal investments administration costs above was £11.3 million (2016: £7.4 million). Senior staff in the Investments team receive performance-based remuneration, as noted on page 42, which can give rise to variations in the amount charged to internal investment administration year on year.

In 2012, the Trust set up the Syncona LLP group as an independent investment subsidiary group focused on the health and biotechnology sectors. The Trust sold its 100% interest in the Syncona LLP group in December 2016. Further details are provided in note 22. As Syncona LLP group was a subsidiary for only 2.5 months of the 2017 financial year, Syncona LLP group administration and operating costs are only reflected for this period of time.

The methodology behind the support cost allocation is detailed in note 9.

The bandings tables in notes 5(b) and 5(c) show employees working on the investment activities of the Group and distinguish between those of the Trust and of the Syncona LLP group.

5. Management fees and other investment costs (continued)

(b) Investment team salary bandings
The number of employees working within the Investment team whose total benefits (excluding employer pension contributions and employer National Insurance Contributions) fell within the following bands is shown in the table below.

	2017	2016
£60,000-£69,999	**3**	5
£70,000-£79,999	**2**	-
£80,000-£89,999	**1**	1
£90,000-£99,999	**1**	1
£100,000-£109,999	**3**	2
£110,000-£119,999	**3**	1
£120,000-£129,999	**1**	4
£130,000-£139,999	**1**	1
£140,000-£149,999	**3**	1
£170,000-£179,999	**2**	1
£210,000-£219,999	**-**	1
£220,000-£229,999	**1**	1
£240,000-£249,999	**-**	1
£250,000-£259,999	**-**	1
£260,000-£269,999	**-**	1
£270,000-£279,999	**-**	2
£290,000-£299,999	**-**	1
£300,000-£309,999	**1**	-
£320,000-£329,999	**1**	-
£360,000-£369,999	**2**	-
£420,000-£429,999	**1**	-
£580,000-£589,999	**-**	1
£680,000-£689,999	**-**	1
£700,000-£709,999	**-**	1
£810,000-£819,999	**-**	1
£850,000-£859,999	**1**	-
£910,000-£919,999	**1**	-
£1,060,000-£1,069,999	**1**	-
£1,160,000-£1,169,999	**1**	-
£1,760,000-£1,769,999	**-**	1
£1,860,000-£1,869,999	**-**	1
£2,470,000-£2,479,999	**1**	-
£2,730,000-£2,739,999	**1**	-
£3,050,000-£3,059,999	**-**	1
£3,700,000-£3,709,999	**1**	-
	33	32

5. Management fees and other investment costs (continued)

(c) Syncona LLP group team salary bandings
The number of employees working within the Syncona LLP group whose total benefits (excluding employer pension contributions and employer National Insurance Contributions) fell within the following bands is shown in the table below.

	2017	2016
£60,000-£69,999	-	10
£70,000-£79,999	-	5
£80,000-£89,999	-	7
£90,000-£99,999	-	6
£100,000-£109,999	-	2
£110,000-£119,999	1	4
£120,000-£129,999	-	6
£130,000-£139,999	-	5
£140,000-£149,999	-	2
£150,000-£159,999	-	5
£160,000-£169,999	-	1
£170,000-£179,999	-	2
£180,000-£189,999	-	1
£190,000-£199,999	-	2
£210,000-£219,999	-	1
£220,000-£229,999	-	1
£240,000-£249,999	-	1
£250,000-£259,999	-	1
£260,000-£269,999	-	1
£280,000-£289,999	-	1
£310,000-£319,999	-	1
£330,000-£339,999	-	1
	1	66

Syncona LLP group was a subsidiary for only 2.5 months of the 2017 financial year. The one individual included in the bandings above received an additional relocation allowance, which was paid in this period.

6. Charitable activities

Group	Grant funding £m	Direct £m	Allocated support £m	**Total 2017 £m**	Total 2016* £m
Science	636.4	144.8	50.8	**832.0**	723.3
Culture & Society	56.5	31.9	23.3	**111.7**	109.6
Innovations	87.7	19.3	9.0	**116.0**	82.1
Priority Areas	151.1	4.4	6.2	**161.7**	-
Strategy	-	-	-	**-**	79.7
	931.7	**200.4**	**89.3**	**1,221.4**	994.7
Present value adjustment for discounting of grant liability	(65.3)	-	-	**(65.3)**	(41.2)
Foreign exchange revaluation of grant liability	(21.7)	-	-	**(21.7)**	38.8
Total	**844.7**	**200.4**	**89.3**	**1,134.4**	992.3

Grant funding and direct charitable activities totalled £1,132.1 million (2016: £949.7 million). Support costs related to the grant funding activities of the Group include; Science £33.3 million (2016: £23.0 million), Culture & Society £15.2 million (2016: £14.0 million), Innovations £7.5 million (2016: £7.6 million), Priority Areas £6.0 million (2016: £ nil) and Strategy £ nil (2016: £12.3 million).

Trust	Grant funding £m	Direct £m	Allocated support £m	**Total 2017 £m**	Total 2016* £m
Science	742.8	12.3	33.8	**788.9**	690.2
Culture & Society	56.5	30.9	23.3	**110.7**	108.9
Innovations	87.7	19.3	9.0	**116.0**	82.1
Priority Areas	151.1	4.4	6.2	**161.7**	-
Strategy	-	-	-	**-**	79.7
	1,038.1	**66.9**	**72.3**	**1,177.3**	960.9
Present value adjustment for discounting of grant liability	(65.3)	-	-	**(65.3)**	(41.2)
Foreign exchange revaluation of grant liability	(21.7)	-	-	**(21.7)**	38.8
Total	**951.1**	**66.9**	**72.3**	**1,090.3**	958.5

Grant funding and direct charitable activities totalled £1,105.0 million (2016: £930.0 million). Support costs related to the grant funding activities of the Trust include; Science £33.2 million (2016: £23.1 million), Culture & Society £15.4 million (2016: £14.1 million), Innovations £7.5 million (2016: £7.6 million), Priority Areas £6.0 million (2016: £ nil) and Strategy £ nil (2016: £12.3 million).

*The figures for 2016 have been restated to exclude the foreign exchange revaluation of the grant liability for both the Group and the Trust.

7. Grants awarded

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

Grants awarded during the year are analysed by organisation in the table below. The grants awarded to the University of Cambridge in 2017 are higher than in 2016 due to awards made to the Wellcome Trust Centres (the Gurdon Institute and the Cambridge Stem Cell Institute), an increase in Henry Dale Fellowships and PhD renewals. The grant to the Coalition for Epidemic Preparedness Innovation ("CEPI") is to develop vaccines for epidemic infections and the grant to Boston University is for the transatlantic partnership, Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator ("CARB-X"). Both of these initiatives are discussed in the Review of Charitable Activities on page 16.

The grants included within 'Grants to other organisations' for 2017 totalled less than £6.5 million (2016: £5.0 million) in value for each organisation.

7. Grants awarded (continued)

Group	Science £m	Culture & Society £m	Innovations £m	Priority Areas £m	**2017 £m**	2016 £m
University of Cambridge	114.3	2.9	3.5	-	**120.7**	59.5
University of Oxford	82.4	5.4	5.2	5.6	**98.6**	134.4
Coalition for Epidemic Preparedness Innovations, Norway	-	-	-	82.2	**82.2**	-
University College London	63.6	0.4	6.6	0.8	**71.4**	102.4
University of Edinburgh	42.3	1.4	3.3	0.6	**47.6**	31.1
Imperial College London	35.1	0.5	7.1	0.2	**42.9**	34.3
London School of Hygiene & Tropical Medicine	21.7	0.1	5.4	5.6	**32.8**	12.3
University of Dundee	11.1	-	21.1	-	**32.2**	12.2
Boston University, United States of America	-	-	-	30.0	**30.0**	-
Liverpool School of Tropical Medicine	28.8	-	0.5	-	**29.3**	6.4
King's College London	20.0	0.3	6.9	-	**27.2**	27.6
University of Manchester	23.4	1.5	0.7	-	**25.6**	18.3
Medical Research Council	18.9	0.1	-	-	**19.0**	9.7
University of Bristol	15.7	1.2	0.5	-	**17.4**	4.9
Newcastle University	15.3	0.4	-	-	**15.7**	4.2
University of Liverpool	15.2	0.1	-	-	**15.3**	7.2
UK Biobank Ltd	12.4	-	-	-	**12.4**	20.6
Global Health Innovative Technology Fund, Japan	-	-	10.4	-	**10.4**	1.0
University of Sheffield	6.3	0.7	3.3	-	**10.3**	-
Drexel University, United States of America	-	-	-	9.4	**9.4**	-
Diamond Light Source Ltd	9.0	-	-	-	**9.0**	16.1
University of Leeds	7.4	-	1.5	-	**8.9**	8.0
Monash University, Australia	-	-	-	8.7	**8.7**	1.9
University of Birmingham	8.5	-	-	-	**8.5**	7.6
University of Cape Town, South Africa	8.3	-	-	-	**8.3**	0.4
Wellcome Trust/DBT India Alliance, India	7.0	-	-	-	**7.0**	5.6
Grants to other organisations	69.1	41.8	15.8	7.4	**134.1**	187.1
Total grants (excluding supplementations and grants no longer required)	**635.8**	**56.8**	**91.8**	**150.5**	**934.9**	712.9
Grant supplementations	14.3	0.4	1.7	0.7	**17.1**	18.7
Less: grants awarded in previous years no longer required	(13.7)	(0.7)	(5.8)	(0.1)	**(20.3)**	(17.5)
	636.4	**56.5**	**87.7**	**151.1**	**931.7**	714.1

7. Grants awarded (continued)

Group	Science £m	Culture & Society £m	Innovations £m	Priority Areas £m	**2017 £m**	2016 £m
Grants awarded by the Group of which:						
United Kingdom	592.3	52.6	71.3	15.8	**732.0**	700.6
Directly funded international	44.1	3.9	16.4	135.3	**199.7**	13.5
Grants awarded by the Group	**636.4**	**56.5**	**87.7**	**151.1**	**931.7**	714.1

Trust	Science £m	Culture & Society £m	Innovations £m	Priority Areas £m	**2017 £m**	2016 £m
Grants awarded by the Group	636.4	56.5	87.7	151.1	**931.7**	714.1
Plus: grants awarded to subsidiary undertakings	106.4	-	-	-	**106.4**	103.1
Grants awarded by the Trust	**742.8**	**56.5**	**87.7**	**151.1**	**1,038.1**	817.2

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

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

Professor Tobias Bonhoeffer – Max-Planck-Institut für Neurobiologie

Mr William Burns – The Institute of Cancer Research

Professor Dame Kay Davies – University of Oxford

Professor Michael Ferguson – University of Dundee

Professor Bryan Grenfell – Princeton University

Professor Richard Hynes – Massachusetts Institute of Technology

Professor Dame Anne Johnson – University College London

8. Grants awarded but not yet paid

	Group		Trust	
	2017 £m	2016* £m	**2017 £m**	2016* £m
Liability at 1 October	**1,963.4**	1,754.3	**1,967.7**	1,754.3
Grants awarded during the year	**931.7**	714.1	**1,038.1**	817.2
Grants paid during the year	**(566.1)**	(502.6)	**(674.0)**	(601.4)
Discounting of liability	**(65.3)**	(41.2)	**(65.3)**	(41.2)
Foreign exchange revaluation of grant liability	**(21.7)**	38.8	**(21.7)**	38.8
Liability as at 30 September	**2,242.0**	1,963.4	**2,244.8**	1,967.7
Of which:				
- falling due within one year (note 18)	**571.5**	483.8	**574.3**	488.1
- falling due after one year (note 18)	**1,670.5**	1,479.6	**1,670.5**	1,479.6
Liability as at 30 September	**2,242.0**	1,963.4	**2,244.8**	1,967.7

*The figures for 2016 have been restated to show the foreign exchange revaluation of the grant liability separately for both the Group and the Trust.

The total value of the grant liability discount for the year ended 30 September 2017 is £237.1 million applying an expected nominal rate of investment return of 5.6%. In the previous year ended 30 September 2016 an expected real rate of investment return of 4.5% was applied to give a total grant liability discount of £171.8 million.

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 are allocated to the activities shown in the table below.

Funding administration costs are those costs that can be directly attributed to an activity.

Operations comprise the costs of the following departments; Internal Communications, People and Places, Finance, Legal, and Digital and Technology.

The remaining support costs have been apportioned using the allocation methods indicated and include governance costs.

- Where costs have been allocated on the basis of headcount numbers, headcount numbers are the average number of full time employees within each activity.
- Where costs have been allocated on the basis of expenditure, expenditure is determined as being either the total grant expenditure of the charitable activities; or where appropriate, based on a proportion of both grant and direct spend of the activity of Wellcome Trust.

Group	Costs of generating funds £m	Science £m	Culture & Society £m	Innovations £m	Priority Areas £m	**Total 2017 £m**	Total 2016 £m	Allocation method
Funding administration	-	15.1	2.4	4.8	2.6	**24.9**	26.7	Expenditure/ Directly attributed
Support of scientific research	-	16.9	-	-	-	**16.9**	14.3	Directly attributed
Operations	5.1	15.4	20.5	3.7	2.9	**47.6**	43.3	Headcount/ Expenditure
Other	0.1	1.9	0.2	0.3	0.4	**2.9**	3.5	Expenditure
Governance Costs	0.4	1.5	0.2	0.2	0.3	**2.6**	2.5	Expenditure/ Directly attributed
	5.6	**50.8**	**23.3**	**9.0**	**6.2**	**94.9**	90.3	

Trust	Costs of generating funds £m	Science £m	Culture & Society £m	Innovations £m	Priority Areas £m	**Total 2017 £m**	Total 2016 £m	Allocation method
Funding administration	-	15.1	2.4	4.8	2.6	**24.9**	26.7	Expenditure/ Directly attributed
Operations	5.1	15.4	20.5	3.7	2.9	**47.6**	43.2	Headcount/ Expenditure
Other	0.1	1.9	0.2	0.3	0.4	**2.9**	3.5	Expenditure
Governance Costs	0.3	1.4	0.2	0.2	0.3	**2.4**	2.3	Expenditure/ Directly attributed
	5.5	**33.8**	**23.3**	**9.0**	**6.2**	**77.8**	75.7	

10. Governance costs

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Governors’ fees and expenses	**0.9**	0.9	**0.9**	0.9
Auditor’s remuneration				
- parent company and consolidation	**0.5**	0.3	**0.5**	0.3
- audits of subsidiary undertakings	**0.2**	0.4	**-**	-
Internal audit	**0.6**	0.5	**0.6**	0.5
Other costs	**0.4**	0.4	**0.4**	0.6
	2.6	2.5	**2.4**	2.3

The internal audit services of £0.6 million (2016: £0.5 million) are those provided by the in-house internal audit team, together with the cost of specialist services provided by PricewaterhouseCoopers LLP.

In addition to the Auditor’s remuneration above, in 2017 total fees of £0.4 million (2016: £0.9 million) excluding VAT were payable to the Group’s auditors Deloitte LLP or associated firms for non-audit services.

	Group	
Non-audit services split (excluding VAT)	**2017 £m**	2016 £m
Tax	**-**	0.4
Due diligence	**-**	0.4
Leadership development programmes	**0.4**	0.1
	0.4	0.9

The Leadership development programmes are for external leadership training.

11. Employee information

(a) Employee Benefits

	Group		Trust	
	2017 £m	2016* £m	**2017 £m**	2016* £m
Remuneration and salary benefits	**102.3**	100.5	**56.5**	53.3
Social Security costs	**9.9**	9.8	**5.4**	5.5
Pension costs and other benefits	**50.8**	35.6	**25.1**	19.3
	163.0	145.9	**87.0**	78.1

As Syncona LLP group was a subsidiary for only 2.5 months of the 2017 financial year, Syncona LLP group employee benefit costs are only reflected for this period of time. Details are provided in note 22. Pension costs and other benefits includes the current service cost of the pension fund which is disclosed in note 11(e)(i).

*The 2016 remuneration and salary benefits amount has been restated in this disclosure to reflect the cost of the long-term incentive plans as included in the SOFA.

(b) Termination Payments

	2017 £m	2016 £m
Redundancy	**1.1**	1.7
Other compensation	**0.2**	1.1
	1.3	2.8

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

These numbers exclude employees of the investment subsidiaries held as part of the investment portfolio.

	Average	
	2017	2016
Trust	**684**	691
Subsidiary undertakings	**1,100**	1,141
Total for the Group	**1,784**	1,832
Analysed by		
Investments	**42**	42
Non-charitable subsidiaries	**25**	127
Direct activities	**1,162**	1,091
Support	**555**	572
Total for the Group	**1,784**	1,832
Analysed by		
Investments	**42**	42
Direct activities	**212**	201
Support	**430**	448
Total for the Trust	**684**	691

As Syncona LLP group was a subsidiary for only 2.5 months of the 2017 financial year, Syncona LLP group employee numbers will be only be reflected for this period of time. Details are provided in note 22.

11. Employee information (continued)

(d) Benefits of employees
The number of employees working on charitable activities of the Trust and its subsidiary undertakings whose benefits (salaries, benefits in kind, bonuses and termination payments, but excluding employer pension contributions and employer National Insurance Contributions), fell within the following bands is shown in the table below. The emoluments of the Director included in the table below totalled £445,220 (2016: £480,534).

As noted in the Remuneration Report on page 42, information relating to the Investment team staff and the staff of the Syncona LLP group subsidiary businesses is not included in this table but are shown separately in note 5(b) and 5(c).

	2017	2016
£60,000-£69,999	**72**	51
£70,000-£79,999	**44**	46
£80,000-£89,999	**35**	33
£90,000-£99,999	**16**	10
£100,000-£109,999	**16**	22
£110,000-£119,999	**9**	10
£120,000-£129,999	**9**	6
£130,000-£139,999	**4**	3
£140,000-£149,999	**3**	4
£150,000-£159,999	**7**	4
£160,000-£169,999	**2**	1
£170,000-£179,999	**1**	1
£180,000-£189,999	**-**	1
£190,000-£199,999	**1**	-
£220,000-£229,999	**-**	1
£240,000-£249,999	**1**	2
£270,000-£279,999	**1**	1
£280,000-£289,999	**-**	1
£290,000-£299,999	**1**	-
£300,000-£309,999	**1**	1
£310,000-£319,999	**2**	1
£320,000-£329,999	**1**	-
£370,000-£379,999	**1**	-
£380,000-£389,999	**-**	1
£440,000-£449,999	**1**	-
£480,000-£489,999	**-**	1
£650,000-£659,999	**-**	1
	228	202

11. Employee information (continued)

(d) Benefits of employees (continued)
Further information in respect of employees' and Governors' remuneration is included within the Remuneration Report on pages 40–42.

Tables 2 and 3 of the Remuneration Report on pages 41 and 42, together with the accompanying notes, form part of the audited Financial Statements.

(e) Retirement benefits
The Group sponsors two approved funded defined benefit schemes, the Wellcome Trust Pension Plan and the Genome Research Limited Pension Plan. In addition certain Wellcome Trust senior employees are members of an Unfunded Unapproved Retirement Benefit scheme ("UURBs"). The Group also provides a defined contribution Group Personal Pension plan into which both employee and employer contributions are paid.

The FRS102 "Retirement benefits" actuarial valuation of the Wellcome Trust and Genome Research Limited defined benefit pension plans at 30 September 2017 showed a combined deficit of £247.9 million (2016: £378.8 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 impacting the liabilities.

FRS102 requires discount rates to be based on corporate bond yields of an appropriate duration, regardless of actual investment strategy and actual investment returns expected. This leads to a difference between the accounting deficit and the funding position under the triennial valuations.

A full actuarial valuation of the Wellcome Trust Pension Plan is currently being carried out at 31 December 2016. The most recent actuarial valuation as at 31 December 2013 showed a surplus of £0.5 million. As a result no recovery plan was required. An actuarial valuation update was performed for the 30 September 2017; the valuation showed the plan was in the region of 103% funded with a surplus of around £7.7 million.

A full actuarial valuation of the Genome Research Limited Pension Plan was carried out as at 31 December 2015. This valuation showed that the plan was 82% funded with a deficit of £25 million. An actuarial valuation update was performed for the 30 September 2017; the valuation showed the plan was in the region of 93% funded with a deficit of around £15.8 million.

In addition to deficit funding contributions identified in triennial valuations, a rolling deficit recovery plan is in place, which aims to remove the deficit in the annual intermediate valuations over a period of five years. Deficit funding contributions of £7.0 million were made into the Genome Research Limited Pension Plan and £5.5 million into the Wellcome Trust Pension Plan during the year.

The liability values within the UURBS are calculated at individual member level. The cost of accrual contributes to the charge to the Statement of Financial Activities. As these benefits are unfunded, there is no corresponding asset value. The UURBS liability values represent the present value of providing top-ups to the benefits accrued to date within the approved Wellcome Trust Pension Plan, without restrictions imposed by the approved Plan rules. The assumptions used to value the benefits are as per those stated within the FRS102 disclosures.

The liabilities and the provision for other retirement benefits have been calculated using the following actuarial assumptions:

	2017 % per annum	2016 % per annum	2015 % per annum
Inflation	**3.40%**	3.40%	3.40%
Salary increases	**3.90%**	4.15%	4.15%
Rate of discount	**2.75%**	2.35%	3.85%
Allowance for pension in payment increase of RPI or 5% p.a. if less	**3.25%**	3.30%	3.30%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.40%**	3.40%	3.40%
Allowance for commutation of pension for cash at retirement	**90% of Post A-Day**	90% of Post A-Day	90% of Post A-Day
Rate of increase of healthcare costs	**6.00%**	6.00%	6.00%

11. Employee information (continued)

(e) Retirement benefits (continued)

The mortality assumptions adopted at 30 September 2017 imply the following life expectancies in years:

	2017	2016
Male retiring at age 60 in 2017	**27.7**	27.8
Female retiring at age 60 in 2017	**28.7**	28.9
Male retiring at age 60 in 2037	**28.9**	29.2
Female retiring at age 60 in 2037	**30.0**	30.5

The mortality assumptions used in the valuation of the defined benefit pension liabilities of both schemes and the provision for other retirement benefits are based on the base mortality table of S2 PMA_L (male) and S2 PFA_L (female) together with an allowance for mortality improvement in line with CMI 2016 projections and a 1.00% per annum minimum long-term rate of improvement.

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

	Pension Fund		Unfunded, unapproved scheme liabilities		Post-retirement medical benefits		Total	
Trust	2017 £m	2016 £m	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Current service cost	19.0	13.0	0.7	0.5	-	-	**19.7**	13.5
Expenses	0.3	-	-	-	-	-	**0.3**	-
Interest on pension schemes' liabilities	4.2	4.4	0.4	0.6	-	-	**4.6**	5.0
Actuarial (gains)/losses	(74.7)	59.2	(0.6)	4.1	(0.3)	-	**(75.6)**	63.3
Total charge to the Statement of Financial Activities	(51.2)	76.6	0.5	5.2	(0.3)	-	**(51.0)**	81.8

	Total	
Group	**2017 £m**	2016 £m
Current service cost	**39.2**	26.8
Expenses	**0.5**	-
Interest on pension schemes' liabilities	**9.5**	9.0
Actuarial (gains)/losses	**(154.3)**	161.2
Total charge to the Statement of Financial Activities	**(105.1)**	197.0

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

	Assets		Liabilities		Deficit	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Wellcome Trust Pension Plan	**260.9**	208.8	**(373.8)**	(384.6)	**(112.9)**	(175.8)
Genome Research Limited Pension Plan	**197.6**	152.4	**(332.6)**	(355.4)	**(135.0)**	(203.0)
Total pension plans	**458.5**	361.2	**(706.4)**	(740.0)	**(247.9)**	(378.8)
Unfunded, unapproved scheme liabilities	**-**	-	**(17.7)**	(18.2)	**(17.7)**	(18.2)
Post-retirement medical benefits	**-**	-	**(0.9)**	(1.3)	**(0.9)**	(1.3)
Total other retirement benefits	**-**	-	**(18.6)**	(19.5)	**(18.6)**	(19.5)
Total pension liabilities	**458.5**	361.2	**(725.0)**	(759.5)	**(266.5)**	(398.3)

11. Employee information (continued)

(e) Retirement benefits (continued)

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

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Plans' liabilities at start of year	**740.0**	468.0	**384.6**	262.5
Current service cost	**38.5**	26.3	**19.0**	13.0
Expenses	**0.5**	-	**0.3**	-
Interest cost	**17.8**	18.5	**9.2**	10.3
Contributions by plans' participants	**0.1**	0.1	**0.1**	0.1
Actuarial (gains)/losses	**(84.3)**	232.9	**(35.0)**	103.3
Benefits paid and death-in-service insurance premiums	**(6.2)**	(5.8)	**(4.4)**	(4.6)
Plans' liabilities at end of year	**706.4**	740.0	**373.8**	384.6

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

Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by £98.2m (13.9%)
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by £67.8m (9.6%)
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by £17.0m (2.4%)
Probability of death in any year after retirement	Increase/decrease of 10.0% p.a.	Increase/decrease by £19.1m (2.7%)
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by £9.2m (1.3%)

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

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Fair value of plan assets at start of year	**361.2**	250.0	**208.8**	146.7
Expected return on plan assets	**8.7**	10.1	**5.0**	5.9
Actuarial gains	**69.1**	75.8	**39.7**	44.0
Contributions by the Group employers	**25.6**	31.0	**11.7**	16.7
Contributions by plan participants	**0.1**	0.1	**0.1**	0.1
Benefits paid and death-in-service insurance premiums	**(6.2)**	(5.8)	**(4.4)**	(4.6)
Fair value of plan assets at end of year	**458.5**	361.2	**260.9**	208.8

These figures are for the pension schemes and exclude the other retirement benefits which are included in table 11(e)(i) above.

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.

11. Employee information (continued)

(e) Retirement benefits (continued)

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

Group	**2017**	2016	2015	2014	2013
Fair value of plans' assets	458.5	361.2	250.0	248.8	216.1
Present value of plans' liabilities	(706.4)	(740.0)	(468.0)	(418.5)	(333.8)
Deficit in plans	(247.9)	(378.8)	(218.0)	(169.7)	(117.7)
Experience adjustment on plans' assets	69.1	75.8	(23.2)	2.8	16.6
Experience adjustment on plans' liabilities	(9.4)	(6.8)	1.5	(2.6)	(0.1)
Effects of changes in the demographic and financial assumptions underlying the present value of the plans' liabilities	93.7	(226.1)	(13.8)	(52.7)	(34.5)

Trust	**2017**	2016	2015	2014	2013
Fair value of plan's assets	260.9	208.8	146.7	149.2	133.8
Present value of plan's liabilities	(373.8)	(384.6)	(262.5)	(238.4)	(195.4)
Deficit in plan	(112.9)	(175.8)	(115.8)	(89.2)	(61.6)
Experience adjustment on plan's assets	39.7	44.0	(14.2)	(0.2)	10.6
Experience adjustment on plan's liabilities	(10.0)	1.5	1.0	(0.7)	(0.1)
Effects of changes in the demographic and financial assumptions underlying the present value of the plan's liabilities	45.0	(104.8)	(6.9)	(27.7)	(16.5)

(vi) 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 1 October 2017 is £6.3 million (2016: £7.0 million), with an additional £4.6 million (2016: £6.4 million) of deficit funding. The best estimate of the contributions to be paid by the employer to the Genome Research Limited scheme for the period beginning 1 October 2017 is £13.3 million (2016: £9.5 million), with an additional £7.8 million (2016: £6.2 million) of deficit funding.

12. Remuneration of Governors

Information on Governors' remuneration is included in the Remuneration Report on page 41. Details of the Governors who had appointments during the year with organisations which were in receipt of grants are disclosed in note 7.

In addition, Professor Dame Kay Davies, who is a Governor, is a shareholder in Summit Corporation plc. The Trust has made no payments to Summit Corporation plc (2016: £0.1 million) in respect of programme related investments.

13. Taxation

Group	**2017 £m**	2016 £m
(a) Current Tax		
UK Corporation Tax on profits for the year	**13.8**	12.8
Effect of Gift Aid distribution	**(0.4)**	(13.5)
Reversal of prior year charge	**(0.6)**	(14.0)
Research and Development refund	**-**	(3.6)
Total current tax	**12.8**	(18.3)
(b) Deferred Tax		
Origination and reversal of timing differences	**32.9**	(17.4)
Effect of change in UK tax rate	**(0.9)**	(1.2)
Total deferred tax	**32.0**	(18.6)
Taxation	**44.8**	(36.9)

13. Taxation (continued)

Group	2017 £m	2016 £m
(c) Reconciliation of Tax Charge		
Profit/(loss) on ordinary activities before taxation on subsidiaries subject to taxation	**189.1**	(50.0)
Profit/(loss) before tax multiplied by average rate of corporation tax of 19.5% (2016: 20%)	**36.9**	(10.0)
Effects of:		
Prior year adjustments	**-**	(0.7)
Income not subject to tax	**(1.0)**	-
Expenses not deductible for tax purposes	**(8.6)**	0.3
Temporary differences:		
Difference in timing of recognition of gains and income	**12.7**	(20.3)
Difference in timing of recognition of gains and income (revaluation reserve movement)	**(1.4)**	1.1
Difference in timing of recognition of taxable profit from underlying investments	**0.5**	18.0
Difference in timing of recognition of profit share from unit trust	**(1.8)**	-
Unused tax losses carried forward	**7.4**	3.2
Utilisation of tax losses brought forward	**(0.2)**	2.1
Unrealised loss/(gain) on fair value movement	**1.3**	(1.3)
Depreciation greater/(less) than capital allowances	**-**	(0.1)
Current year Gift Aid	**(0.4)**	(13.5)
Gift Aid payment unable to be provided in prior year	**(0.6)**	(13.2)
Gift Aid over/under provision	**-**	0.3
R&D Tax Credit	**-**	(2.8)
Taxation	**44.8**	(36.9)

The UK headline corporation tax rate for the period was 20%. Finance Act (No.2) 2015 enacted a fall in the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Additionally in the Budget on 16 March 2016 a further rate reduction to 17% was proposed from 1 April 2020.

For the purposes of reporting under FRS102 the investment subsidiaries must provide for deferred tax on temporary timing differences as we are not allowed to assume the deed will be effective when these reverse.

The estimated cost of irrecoverable Value added tax suffered by the Group in the year was £12.4 million (2016: £16.6 million).

Notes to the Financial Statements

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 2016	444.9	1.5	20.7	64.0	191.5	2.1	724.7
Additions	0.4	-	-	-	7.7	7.4	15.5
Transfers	22.3	-	(20.7)	(64.0)	63.5	(1.1)	-
Disposals	-	-	-	-	(10.9)	-	(10.9)
Cost as at 30 September 2017	**467.6**	**1.5**	**-**	**-**	**251.8**	**8.4**	**729.3**
Accumulated depreciation as at 1 October 2016	98.4	1.5	4.9	36.3	135.3	-	276.4
Charge for the year	8.3	-	0.5	3.1	12.2	-	24.1
Transfers	5.4	-	(5.4)	(39.4)	39.4	-	-
Disposals	-	-	-	-	(6.2)	-	(6.2)
Accumulated depreciation as at 30 September 2017	**112.1**	**1.5**	**-**	**-**	**180.7**	**-**	**294.3**
Net Book Value as at 30 September 2017	**355.5**	**-**	**-**	**-**	**71.1**	**8.4**	**435.0**
Net Book Value as at 30 September 2016	346.5	-	15.8	27.7	56.2	2.1	448.2

(b) Trust

	Freehold land and buildings £m	Long leasehold land and buildings £m	Finance leased buildings £m	Finance leased plant and equipment £m	Other plant, equipment, fixtures and fittings £m	Assets in course of construction £m	**Total £m**
Cost as at 1 October 2016	212.8	1.5	20.8	64.0	56.6	0.8	356.5
Additions	-	-	-	-	1.1	0.8	1.9
Transfers	20.8	-	(20.8)	(64.0)	64.8	(0.8)	-
Disposals	-	-	-	-	(0.9)	-	(0.9)
Cost as at 30 September 2017	**233.6**	**1.5**	**-**	**-**	**121.6**	**0.8**	**357.5**
Accumulated depreciation as at 1 October 2016	51.1	1.5	4.9	36.3	22.8	-	116.6
Charge for the year	3.6	-	0.5	3.1	3.5	-	10.7
Transfers	5.4	-	(5.4)	(39.4)	39.4	-	-
Disposals	-	-	-	-	(0.7)	-	(0.7)
Accumulated depreciation as at 30 September 2017	**60.1**	**1.5**	**-**	**-**	**65.0**	**-**	**126.6**
Net Book Value as at 30 September 2017	**173.5**	**-**	**-**	**-**	**56.6**	**0.8**	**230.9**
Net Book Value as at 30 September 2016	161.6	-	15.9	27.7	33.8	0.8	239.8

Notes to the Financial Statements

14. Tangible fixed assets (continued)

Heritage assets

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

Nature of the assets

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

Policy for acquisition

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

Preservation and conservation

The Trust adheres to the principles for the preservation and conservation of the library materials set by the National Preservation Office (NPO), International Federation of Library Associations and Institutions (IFLA), the Museum Association Code of Ethics, the Institute of Conservation (ICON) code of ethics and the British Standards Publicly Available Specification (PAS) 198 managing environmental conditions for cultural collections. The Trust continually develops repository and management systems for digital materials and monitors the digital environment for risk factors such as software or hardware obsolescence and the impact of new technologies. The Trust is committed to providing high quality storage for all its collections and aims to comply with the appropriate British Standards.

Disposal

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

Security and insurance

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

15. Intangible fixed assets

Group	Total Intellectual property £m
Cost as at 1 October 2016	17.3
Additions	-
Disposals	(17.3)
Cost as at 30 September 2017	-
Accumulated amortisation as at 1 October 2016	6.8
Charge for the year	-
Disposals	(6.8)
Accumulated amortisation as at 30 September 2017	-
Net Book Value as at 30 September 2017	-
Net Book Value as at 30 September 2016	10.5

The intangible assets were disposed during the year as part of the Syncona LLP group disposal (refer to note 22).

16. Investments

(a) Quoted investments, Unquoted investments and Investment properties

Group	Fair value 1 October 2016 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	**Fair value 30 September 2017 £m**
Total quoted investments	11,347.6	3,154.8	(3,275.8)	1,921.2	**13,147.8**
Total unquoted investments	9,339.9	1,071.1	(1,512.5)	712.9	**9,611.4**
Total investment properties	1,408.0	6.8	(22.8)	(1.5)	**1,390.5**
Total	22,095.5	4,232.7	(4,811.1)	2,632.6	**24,149.7**

Trust	Fair value 1 October 2016 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	**Fair value 30 September 2017 £m**
Total quoted investments	10,726.1	2,434.0	(2,577.2)	1,922.8	**12,505.7**
Total unquoted investments	8,229.0	977.0	(1,335.1)	680.9	**8,551.8**
Total investment properties	1,241.1	6.7	(21.5)	3.0	**1,229.3**
Total	20,196.2	3,417.7	(3,933.8)	2,606.7	**22,286.8**

The significance of and the exposure associated with the investment assets are discussed in the Review of Investment Activities section of the Trustee's Report.

During the year, the maximum aggregate fair value of quoted investment securities on loan was £829.8 million (2016: £244.4 million) and the Group held £856.0 million (2016: £283.5 million) as collateral in respect of these securities. The income receivable due to securities lending activities is disclosed in note 3. No loaned securities were recalled but not obtained during the year and therefore no collateral was retained.

The unquoted investment balance shown above includes investments in associates and joint ventures held at fair value of £571.5 million (2016: £599.3 million). As their value to the Group is through fair value rather than as a medium through which the Group carries out business, the Trustee considers this the most appropriate accounting policy. This is a departure from the SORP, which requires that all such investments are accounted for using the equity method of accounting. In a further departure from the SORP, the impact of accounting for such investments on an equity accounting basis has not been quantified. Due to the number of investments made, often over a number of years, the cost to our associates and joint ventures of providing the required additional historic reporting is considered to be disproportionate to the value that would be added by the disclosure.

During the year the Group had the following transactions with associates, joint ventures or subsidiaries held as part of the investment portfolio and not consolidated, which are related party entities:

- purchases in the form of equity and debt of £50.3 million (2016: £8.8 million); and
- received sales proceeds of £144.8 million (2016: £182.6 million).

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

16. Investments (continued)

b) Derivative financial instruments

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Derivative financial instrument asset positions	**178.6**	148.0	**178.6**	148.0

Derivative financial instrument liabilities for the Group and Trust are included within creditors, disclosed in note 18.

The Group's use of derivative financial instruments comprises:

Forward currency contracts
Forward currency contracts are used to hedge investment assets denominated in foreign currency into Pounds Sterling and as part of the investment strategy to have a globally diversified currency exposure.

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

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

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Investment cash and certificates of deposit	**946.7**	916.9	**946.6**	904.6
Cash collateral held	**347.8**	287.7	**347.8**	253.9
Accrued income from investments	**22.1**	18.2	**18.9**	15.6
Income receivable	**13.7**	15.6	**11.3**	14.1
Proceeds receivable on sale of investments	**16.2**	108.4	**16.2**	103.0
Other investment debtors	**45.6**	64.9	**45.0**	55.2
Other investments assets	**445.4**	494.8	**439.2**	441.8

16. Investments (continued)

(d) Mixed motive investments

Group	Fair value balance as at 1 October 2016 £m	Purchases £m	Disposals £m	Total gain £m	**Fair value balance as at 30 September 2017 £m**
Investment in Syncona Limited	-	319.3	-	137.9	**457.2**

As detailed in note 22, in December 2016, the group acquired a 37% interest in BACIT Limited which was subsequently named Syncona Limited. This investment is considered to be an associate as defined under the Basis of Consolidation on page 63.

Syncona Limited's business is made up of an investment portfolio and a life science investment company. It takes a long term approach to investments and the structure enables it to access a deep pool of capital when the right life science opportunities arise, while generating attractive returns for shareholders on an ongoing basis. Over time, it intends to become primarily a life science investment company.

The investment in Syncona Limited will both forward Wellcome's charitable objectives and provide a financial return. Internal analysis demonstrated that over the long-term this return would be less than Wellcome's expectation for typical venture capital investments held within the main investment portfolio.

This investment is held at fair value. This is in accordance with FRS 102 9.9B(a), but is a departure from the SORP which requires that all such investments are accounted for using the equity method of accounting. The treatment adopted is considered to be appropriate as this is how the investment is measured by management for decision making, reporting and performance assessment to ensure that the overall yield on Syncona is sufficient and Syncona's activities continue to meet Wellcome's charitable objectives. This is in line with the accounting policy for associates detailed in note 1. In a further departure from the SORP, the impact of accounting for this investment on an equity accounting basis has not been quantified, to be consistent with the approach for unquoted investments detailed in note 16(a).

16. Investments (continued)

(e) Programme related investments

Group	Book value 1 October 2016 £m	Purchases £m	Disposals £m	Net write-downs £m	**Book value 30 September 2017 £m**
Loans – other	-	10.9	-	(10.0)	**0.9**
Loans	-	10.9	-	(10.0)	**0.9**
Equities – The Francis Crick Institute	-	0.1	-	(0.1)	**-**
Equities – Diamond Light Source	-	2.7	-	(2.7)	**-**
Equities – MSD-Wellcome Trust Hilleman Laboratories	-	3.6	-	(3.6)	**-**
Equities – other	5.9	0.9	(2.6)	1.3	**5.5**
Equities	5.9	7.3	(2.6)	(5.1)	**5.5**
Revenue share – other	-	7.8	-	(7.8)	**-**
Revenue share	-	7.8	-	(7.8)	**-**
Total	5.9	26.0	(2.6)	(22.9)	**6.4**

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

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

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

Other
As part of its Innovations activities, the Trust has provided funding to 77 (2016: 72) early-stage companies to carry out biomedical research projects with potential to deliver health benefits. Together, these programme related investments form a portfolio managed separately from the Trust's other investments. These investments are held primarily to further the charitable aims of the Trust rather than to provide a financial return. Consequently they are, as permitted by the SORP, held at cost less provision for impairment. The net write-down of £16.5 million (2016: £11.7 million) is to reflect the Trust's policy of writing off the cost of the investment in these early-stage companies as it is not anticipated that this cost will be recovered. At each year end, a review of the programme related investment portfolio is performed, whereby the impairment on individual assets with known value is reversed and included within charitable activities. During 2017 the impairment reversed was £3.1 million (2016: £3.1 million). The net write back relates to three investments that are no longer considered to be impaired. Any income received or gains realised are included in other income and amounted to £2.3 million (2016: £2.7 million).

16. Investments (continued)

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

		Group		Trust	
	Note	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Quoted investments	16(a)	**1,921.2**	2,414.7	**1,922.8**	2,257.9
Unquoted investments	16(a)	**712.9**	1,376.2	**680.9**	1,366.8
Investment properties	16(a)	**(1.5)**	11.5	**3.0**	5.9
Derivative financial instruments					
Currency overlay		**(17.5)**	(122.0)	**(17.5)**	(122.0)
Other derivative financial instruments		**196.0**	(229.4)	**196.1**	(229.2)
Shares in subsidiary undertakings		**-**	-	**167.7**	66.0
Foreign exchange (losses)/gains on monetary assets		**(7.3)**	69.2	**(17.9)**	70.4
Foreign exchange (losses)/gains on bond liability		**(6.3)**	(50.8)	**(6.3)**	(50.8)
		2,797.5	3,469.4	**2,928.8**	3,365.0

16. Investments (continued)

(g) Reconciliation to Trustee's Report

The presentation of investment balances in notes 16 and 18 is in accordance with the statutory asset and liability classifications. However, the investment portfolio is reported by investment strategy for management purposes and for the Trustee's Report. The distinct classes of assets used and reported on within the Trustee's Report are: public equity; private equity; hedge funds; property and infrastructure; and cash.

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

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

	Note	**2017 £m**	2016 £m
Quoted investments	16(a)	**13,147.8**	11,347.6
Unquoted investments	16(a)	**9,611.4**	9,339.9
Investment property	16(a)	**1,390.5**	1,408.0
Derivative financial instrument asset positions	16(b)	**178.6**	148.0
Investment cash and certificates of deposit	16(c)	**946.7**	916.9
Other investment assets	16(c)	**445.4**	494.8
Derivative financial instrument liabilities	18	**(100.9)**	(199.3)
Amount payable on acquisition of investments	18	**(5.0)**	(21.0)
Cash collateral creditor	18	**(347.8)**	(287.7)
Deferred income from investments	18	**(4.6)**	(3.1)
Other investment liabilities	18	**(29.1)**	(36.1)
Bond liabilities at amortised cost falling due within one year	18	**(18.3)**	(18.2)
Bond liabilities at amortised cost falling due between one and five years	18	**(273.3)**	(272.9)
Bond liabilities at amortised cost falling due after five years	18	**(1,284.1)**	(1,277.0)
Adjusted for:			
Restatement of bond liabilities to fair value		**(464.8)**	(679.5)
Syncona assets not in investment asset allocation		**-**	(6.5)
Other investments not in asset allocation		**(4.5)**	(0.9)
Total assets net of Bond liabilities per Figure 6		**23,188.0**	20,853.0

16. Investments (continued)

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

	Note	**2017 £m**	2016 £m
Total assets net of Bond liabilities per figure 6		**23,188.0**	20,853.0
Add back investment liabilities:			
Derivative financial instrument liabilities	18	**100.9**	199.3
Amount payable on acquisition of investments	18	**5.0**	21.0
Cash collateral creditor	18	**347.8**	287.7
Deferred income from investments	18	**4.6**	3.1
Other investment liabilities	18	**29.1**	36.1
Bond liabilities at amortised cost falling due within one year	18	**18.3**	18.2
Bond liabilities at amortised cost falling due between one and five years	18	**273.3**	272.9
Bond liabilities at amortised cost falling due after five years	18	**1,284.1**	1,277.0
Mixed motive investments	16(d)	**457.2**	-
Programme related investments	16(e)	**6.4**	5.9
Adjusted for:			
Restatement of bond liabilities to fair value		**464.8**	679.5
Syncona assets not in investment asset allocation		**-**	6.5
Other investments not in asset allocation		**4.5**	0.9
Investment assets as presented in the Consolidated Balance Sheet		**26,184.0**	23,661.1

17. Debtors

	Group		Trust	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Amounts owed by subsidiary undertakings	**-**	-	**6.4**	6.7
Other debtors	**28.1**	14.3	**4.1**	8.4
Prepayments	**8.6**	8.0	**3.1**	3.9
	36.7	22.3	**13.6**	19.0

18. Creditors

		Group		Trust	
	Note	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Falling due within one year					
Amounts owed to subsidiary undertakings		**-**	-	**975.5**	865.6
Grant liabilities	8	**571.5**	483.8	**574.3**	488.1
Bond liabilities		**18.3**	18.2	**9.0**	9.0
Amount payable on acquisition of investments		**5.0**	21.0	**5.0**	16.2
Cash collateral creditor		**347.8**	287.7	**347.8**	253.9
Deferred income from investments		**4.6**	3.1	**4.6**	3.0
Derivative financial instrument liabilities		**100.9**	199.3	**100.9**	199.3
Other investment liabilities		**29.1**	36.1	**19.0**	16.5
Trade creditors		**15.5**	10.2	**7.2**	3.2
Other creditors		**41.4**	36.5	**39.0**	34.3
Accruals and deferred income		**34.4**	21.7	**10.0**	10.2
Corporation tax		**13.3**	0.7	**-**	-
Total falling due within one year		**1,181.8**	1,118.3	**2,092.3**	1,899.3
Falling due between one and five years					
Grant liabilities	8	**1,451.4**	1,258.0	**1,451.4**	1,258.0
Other creditors		**2.8**	0.6	**-**	-
Lease premium creditor		**1.9**	1.8	**-**	-
Bond liabilities		**273.3**	272.9	**-**	-
		1,729.4	1,533.3	**1,451.4**	1,258.0
Falling due after five years					
Grant liabilities	8	**219.1**	221.6	**219.1**	221.6
Lease premium creditor		**15.3**	15.7	**-**	-
Bond liabilities		**1,284.1**	1,277.0	**742.8**	735.9
		1,518.5	1,514.3	**961.9**	957.5
Total falling due after one year		**3,247.9**	3,047.6	**2,413.3**	2,215.5

During the year, Wellcome Trust Investments 1 Unlimited novated a loan from Wellcome Trust Finance plc to the Trust at fair value of £190.6 million in exchange for settlement of an equal amount owed to Wellcome Trust Investments 1 Unlimited. The principal value of this loan payable to Wellcome Trust Finance plc is £150.0 million at a coupon interest rate of 4.125% per annum payable in 2036 and the fair value adjustment of £40.6 million will be amortised over the life of the loan offsetting the higher coupon interest rate.

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

19. Provisions for liabilities and charges

Group	Deferred tax £m	Employment related provisions £m	Other provisions £m	**Total £m**
As at 1 October 2016	34.2	41.3	4.5	80.0
Charge for the year	32.0	11.4	(0.2)	43.2
Utilised in year	-	(3.8)	-	(3.8)
Foreign exchange revaluations	(0.4)	-	-	(0.4)
As at 30 September 2017	**65.8**	**48.9**	**4.3**	**119.0**

Trust	Employment related provisions £m	Other provisions £m	**Total £m**
As at 1 October 2016	41.3	4.5	45.8
Charge for the year	11.4	(0.2)	11.2
Utilised in year	(3.8)	-	(3.8)
As at 30 September 2017	**48.9**	**4.3**	**53.3**

The employment-related provisions relate primarily to long-term incentive plans for certain employees in the Investment Division (see note 5(a)).

20. 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 £2,383.9 million (2016: £2,078.7 million). The Trust models its expected cash flows based on the year of the original commitment and historic trends. The Trust expects to invest £610.7 million (26%) of its outstanding commitments in one year, £1,053.7 million (44%) in between one and five years and £719.5 million (30%) after five years.

(b) Programme related investments

At 30 September 2017, the Trust had no outstanding commitment to The Francis Crick Institute Limited (2016: £0.1 million). No further programme related investment costs are expected.

Programme related convertible loans and equity funding have been made over a series of years, of which £19.4 million (2016: £33.0 million) remains yet to be drawn down and is contingent upon specific milestones being achieved.

The Trust has committed to fund 14% of the third construction phase of the Diamond Light Source Limited synchrotron project. The outstanding commitment as at 30 September 2017 was £0.6 million (2016: £1.7 million).

During the year, the Trust incurred £3.8 million (2016: £1.6 million) in expenditure relating to an entity in India, MSD-Wellcome Trust Hilleman Laboratories. The outstanding commitment as at 30 September 2017 was £26.1 million (2016: £29.9 million).

(c) Grant funding activities

During the current and prior years, the Innovations division has made Seeding Drug Discovery grants of £173.0 million, of which £160.6 million has been included in grant expenditure in current and prior financial years. The remaining £12.4 million is contingent upon specific funding-related milestones being met and has therefore not been included within grant liabilities.

To date the Trust has incurred £48.8 million for expenditure relating to Wellcome Trust-DBT India Alliance. Subject to Trustee approval, the Trust will contribute up to £31.2 million over the next six years.

During the year, Wellcome incurred £4.7 million in expenditure relating to a partnership between Wellcome, the UK Medical Research Council, the UK Department for International Development and the UK Department of Health to fund clinical trials in low and middle-income countries. Subject to review and approval of appropriate applications, Wellcome will contribute up to a further £20.3 million over the next four years.

Wellcome has incurred £5.3 million in expenditure relating to a joint initiative between Wellcome, the UK Department for International Development, the Economic and Social Research Council and the UK Medical Research Council to fund health systems research in low and middle-income countries. Subject to review and approval of appropriate applications, Wellcome will contribute up to £9.5 million over the next four years.

During the year the Trust has incurred £4.2 million in expenditure relating to a partnership with the Department for Business, Energy & Industrial Strategy (formerly BIS), to support science centres across the UK. Subject to review and approval of appropriate applications, the Trust will contribute up to a further £5.8 million over the next two years.

During the prior year, the Trust incurred £44.1 million in expenditure relating to three years of Institutional Strategic Support Funding. Subject to review and approval of progress, the Trust may contribute up to £29.4 million for years 4 and 5 of these awards in future years.

During the year, the Trust entered into a partnership with the US Government's Biomedical Advanced Research and Development Authority (BARDA) and Boston University to create the Combating Antibiotic Resistant Bacteria Biopharmaceutical Accelerator (CARB-X) to support preclinical product development of new antibiotics. £30 million was committed in 16/17 and subject to review and approval of appropriate applications; the Trust will contribute up to £87.1 million over the next four years.

(d) Capital commitments

As at 30 September 2017 Genome Research Limited had commitments contracted and not provided for of £3.8 million relating to the construction of the Genome Campus datacentre (2016: £nil).

21. Movement in Charity Funds

Group	Balance as at 1 October 2016 £m	Income £m	Expenditure £m	Net investment gains £m	Balance as at 30 September 2017 £m
Restricted Funds	8.3	33.5	(20.6)	-	**21.2**
Unrestricted Funds	19,553.3	391.8	(1,149.5)	3,060.2	**21,855.8**
Total Charity Funds	19,561.6	425.3	(1,170.1)	3,060.2	**21,877.0**

Restricted funds are subject to the conditions of the individual grants awarded by the donor. Expenditure includes the tax credit, the movement on the pension schemes' liabilities and the minority interest. All restricted funds arise in Genome Research Limited. In 2016 restricted income was £22.8 million and expenditure was £22.4 million.

22. Disposal of Subsidiary

Sale of subsidiary undertaking

On 19 December 2016, the Group sold its 100% interest in the Syncona Partners LLP to BACIT Limited receiving 134,883,720 shares in BACIT Limited as consideration. At the same point the Group purchased an additional 108,577,965 shares in BACIT Limited at market value. Following the transaction, the Group holds a 37% share in BACIT Limited. This investment is included as a Mixed Motive Investment at fair value. The loss of Syncona Partners LLP and its subsidiaries attributable to the Group up to 19 December 2016 the date of disposal was £11.5 million and for its last financial year was £22.0 million. On 19 December 2016 BACIT Limited was renamed Syncona Limited.

Net assets disposed of and the related sales proceeds were as follows:

	£m
Fixed assets	14.2
Investments	5.2
Other assets	16.9
Finance cash	40.5
Current Liabilities	(11.3)
Net assets	**65.5**
Non-controlling interest	(13.4)
	52.1
Gain on sale	124.8
Sale proceeds	**176.9**
Satisfied by:	
Issue of shares in BACIT Limited	176.9

No adjustment has been made to the fair value of the shares invested in BACIT Limited for a two year lock up period during which time the Group has, in a separate agreement, agreed to a restriction over the disposal of the shares. This restriction was not inherent in the class of share issued and is not reflected in the share price.

22. Disposal of Subsidiary (continued)

Amounts relating to the Syncona LLP group operations included in the Statement of Financial Activities:

	2017 £m	2016 £m
Income from investments		
Other income	**1.0**	1.7
Total Income	**1.0**	1.7
Expenditure on Raising Funds		
Management fees and other investment costs	**(13.2)**	(49.0)
Total Expenditure	**(13.2)**	(49.0)
Net realised and unrealised (losses)/gains on investments	**(0.1)**	1.1
Net income before taxation	**(12.3)**	(46.2)
Taxation	**0.2**	5.7
Net income after taxation	**(12.1)**	(40.5)
Total movement in funds	**(12.1)**	(40.5)
Non-controlling interests	**0.6**	18.5
Net movement in fund after minority interests	**(11.5)**	(22.0)

23. Group undertakings

a) Summary of activities of significant subsidiary undertakings

Company	% Holding	Registered Number	Country of incorporation	Legal relationship
Genome Research Limited	100%	2742969	England	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are equal members
Gower Place Investments Limited	• Ordinary shares – 100% • Class A preference shares – 0% • Class B preference shares – 100%	08594660	England	The Wellcome Trust Limited is the shareholder
North London Ventures Limited	• Ordinary shares – 100% • Class A preference shares – 0% • Class B preference shares – 100%	08226374	England	The Wellcome Trust Limited is the shareholder
Wellcome Trust Finance plc	100%	5857955	England	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investments 2 Unlimited	100%	6576220	England	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investment Limited Partnership	100%	LP011456	England	The Wellcome Trust Limited is the limited partner and Wellcome Trust GP Limited is the general partner

These significant subsidiaries are considered to be:

- non-charitable investment subsidiary undertakings formed to hold investments and freehold property on behalf of the Trust where the net asset value is in excess of £200 million – refer to note 23(b)(i);
- a non-charitable mixed motive investment holding subsidiary undertaking – refer to note 23(b)(ii);
- a non-charitable financing subsidiary undertaking formed to issue listed debt to finance Group activities – refer to note 23(b)(iii); and
- charitable subsidiary undertakings formed to pursue charitable objects closely allied to those of the Trust – refer to note 23(b)(iv).

The table below details the subsidiaries that are held as part of the investment portfolio. They are not included in the consolidation and therefore do not appear in the analysis in note 23(b).

Company	% Holding	Registered Number	Country of incorporation	Legal relationship
Farmcare Trading Limited	100% (indirect through Gower Place Investments Limited)	09152445	England	The Wellcome Trust Limited is the indirect shareholder through Gower Place Investments Limited
Premier Marinas Holdings Limited	100% (indirect through Gower Place Investments Limited)	05524490	England	The Wellcome Trust Limited is the indirect shareholder through Gower Place Investments Limited

23. Group undertakings (continued)

a) Summary of activities of significant subsidiary undertakings (continued)

The Trust has taken advantage of an exemption from audit available under 479A to 479C of the Companies Act 2006 for the following subsidiaries which are all registered in England:

Wellcome Trust Investments 1 Unlimited

Wellcome Trust Investments 2 Unlimited

Wellcome Trust Investments 3 Unlimited

The Wellcome Trust Limited has provided the appropriate guarantee for all liabilities of these entities.

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

Wellcome Trust Investment Limited Partnership – registered in England.

Wellcome Trust Scottish Limited Partnership – registered in Scotland.

(b) Summary financial information

The expenditure figures below include the impact of gift aid distributions and tax.

(i) Non-charitable investment subsidiary undertakings

	Wellcome Trust Investment Limited Partnership		Gower Place Investments Limited		Wellcome Trust Investments 2 Unlimited	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Turnover	**17.9**	12.1	**-**	0.1	**0.8**	-
Expenditure	**(12.1)**	(13.0)	**(3.4)**	(0.1)	**1.5**	32.2
Gains/(losses) on investments	**5.6**	158.6	**(23.0)**	18.6	**(12.8)**	22.5
	11.4	157.7	**(26.4)**	18.6	**(10.5)**	54.7
Investment assets	**647.4**	621.7	**569.3**	588.3	**290.2**	243.6
Current assets	**61.6**	114.9	**0.5**	7.9	**40.3**	142.9
Total assets	**709.0**	736.6	**569.8**	596.2	**330.5**	386.5
Liabilities	**(247.6)**	(286.6)	**(6.8)**	(6.5)	**(19.5)**	(21.6)
Net assets	**461.4**	450.0	**563.0**	589.7	**311.0**	364.9

The functional currency of Wellcome Trust Investments 2 Unlimited is the US Dollar because the majority of the Company's transactions are denominated in US Dollars.

23. Group undertakings (continued)

(b) Summary financial information (continued)

(ii) Non-charitable mixed motive investment holding subsidiary undertaking

	North London Ventures Limited	
	2017 £m	2016 £m
Turnover	**5.6**	-
Expenditure	**(40.3)**	-
Gains/(losses) on investments	**207.2**	-
	172.5	-
Investment assets	**457.2**	96.6
Current assets	**80.5**	-
Total assets	**537.7**	96.6
Liabilities	**(40.4)**	(0.1)
Net assets	**497.3**	96.5

(iii) Non-charitable investment financing subsidiary undertaking

	Wellcome Trust Finance plc	
	2017 £m	2016 £m
Turnover	**42.6**	42.8
Expenditure	**(42.6)**	(42.8)
Total Profit	**-**	-
Assets	**961.5**	963.7
Liabilities	**(824.0)**	(826.2)
Net assets	**137.5**	137.5

(iv) Charitable subsidiary undertaking

	Genome Research Limited	
	2017 £m	2016 £m
Income	**137.9**	125.1
Expenditure	**(143.6)**	(130.4)
Actuarial gains/(losses) on defined benefit pension scheme	**78.7**	(97.8)
Net movements in funds	**73.0**	(103.1)
Total assets	**213.8**	203.6
Liabilities	**(48.6)**	(43.4)
Defined benefit pension scheme deficit	**(135.0)**	(203.0)
Net assets	**30.2**	(42.8)

All restricted funds arise in Genome Research Limited.

24. Consolidated cash flow

(a) Investment income received

	2017 £m	2016 £m
Dividends and interest	**348.0**	308.3
Rental income	**37.4**	44.2
Other income	**0.9**	1.6
(Increase)/decrease in income receivable from investments	**2.3**	(3.2)
Increase in accrued income from investments	**(3.9)**	(0.4)
Decrease/(increase) in deferred income from investments	**1.5**	(1.1)
Investment income received	**386.2**	349.4

(b) Servicing of finance

	2017 £m	2016 £m
Interest payable	**(59.7)**	(59.3)
Foreign exchange losses on revaluation of interest bearing liabilities	**(6.3)**	(50.8)
Increase in interest bearing liabilities	**7.6**	52.1
Cash outflow for servicing of finance	**(58.4)**	(58.0)

(c) Reconciliation of investment sales and purchases

	2017 £m	2016 £m
Proceeds on sale of quoted investments	**3,275.8**	3,248.4
Proceeds on sale of unquoted investments	**1,512.5**	2,114.5
Proceeds on sale of investment property	**22.8**	71.5
Decrease/(increase) in proceeds receivable on sale of investments	**92.2**	(76.6)
Proceeds on sale of Programme Related Investments	**3.1**	5.0
Proceeds from sales of investments	**4,906.4**	5,362.8
Purchases of quoted investments	**3,154.8**	2,782.2
Purchases of unquoted investments	**1,071.1**	1,631.7
Purchases of investment property	**6.8**	4.2
Decrease in amounts payable on acquisition of investments	**15.9**	44.4
Purchase of Mixed Motive Investments	**142.5**	-
Purchase of Programme Related Investments	**26.0**	26.2
Purchases of investments	**4,417.1**	4,488.7
Gain/(loss) on derivative financial instruments	**178.5**	(351.2)
(Increase)/decrease in derivative financial asset positions	**(30.6)**	11.8
(Decrease)/increase in derivative financial liabilities	**(98.4)**	8.7
Net cash inflow/(outflow) upon settlement of derivative financial instruments	**49.5**	(330.7)

25. Major non-cash transactions

The disposal of the subsidiary Syncona LLP group and receipt of BACIT shares as consideration (refer to note 22) is the only major non-cash transaction in the year. There were no major non-cash transactions during 2016.

26. Financial risk management

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

(a) Credit risk

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

Credit risk exposure

The Group is subject to credit risk from its financial assets held by appropriate 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:

	2017 £m	2016 £m
Derivative financial instruments assets positions	**178.6**	148.0
Investment cash balances and certificates of deposit	**946.7**	916.9
Cash collateral held	**347.8**	287.7
Accrued income from investments	**22.1**	18.2
Proceeds receivable on sale of investments	**16.2**	108.4
Other investment debtor balances	**45.6**	64.9
Programme related investment loans	**0.9**	-
Other debtors	**28.1**	14.3
Term deposits and cash	**15.7**	56.1
	1,601.7	1,614.5

None of the Group's financial assets subject to credit risk (other than the Programme related investments which are discussed in note 16(e)) are past their due date or were impaired during the year.

26. Financial risk management (continued)

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

At the balance sheet date, in addition to the securities on loan discussed in note 16(a), forward currency contract assets which are secured by cash collateral are discussed in note 16(b). 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. Cash held within the Group's cash mandate (refer to Cash reported in Figure 6 of the Review of Investment Activities section of the Trustee's report) and the liquidity forecast is reviewed: weekly by investments management; monthly by the Executive Leadership Team; and quarterly by the Investment Committee and Board of Governors.

26. Financial risk management (continued)

Risk management policies and procedures (continued)
The following table details the maturity of the Group's undiscounted contractual payments and grant liabilities as at 30 September:

	2017				2016			
Group	Three months or less £m	No more than one year £m	More than one year £m	**Total £m**	Three months or less £m	No more than one year £m	More than one year £m	**Total £m**
Payments falling due within one year								
Bond liabilities	-	58.5	-	**58.5**	-	58.4	-	58.4
Derivative financial instruments liabilities	100.9	-	-	**100.9**	199.3	-	-	199.3
Collateral liability	347.8	-	-	**347.8**	287.7	-	-	287.7
Amount payable on acquisition of investments	5.0	-	-	**5.0**	21.0	-	-	21.0
Other investment liabilities	29.1	-	-	**29.1**	36.1	-	-	36.1
Trade creditors	15.5	-	-	**15.5**	10.2	-	-	10.2
Other creditors	41.3	-	-	**41.3**	36.5	-	-	36.5
Accruals and deferred income	34.4	-	-	**34.4**	21.7	-	-	21.7
Corporation Tax	-	13.3	-	**13.3**	-	0.7	-	0.7
Contractual payments	574.0	71.8	-	**645.8**	612.5	59.1	-	671.6
Grant liability	142.8	428.5	-	**571.3**	120.9	362.9	-	483.8
	716.8	500.3	-	**1,217.1**	733.4	422.0	-	1,155.4
Payments falling due between one and five years								
Bond liabilities	-	-	495.8	**495.8**	-	-	508.6	508.6
Other creditors	-	-	2.8	**2.8**	-	-	0.6	0.6
Contractual payments	-	-	498.6	**498.6**	-	-	509.2	509.2
Grant liability	-	-	1,670.5	**1,670.5**	-	-	1,369.8	1,369.8
	-	-	2,169.1	**2,169.1**	-	-	1,879.0	1,879.0
Payments falling due after five years								
Bond liabilities	-	-	2,270.4	**2,270.4**	-	-	2,309.0	2,309.0
Contractual payments	-	-	2,270.4	**2,270.4**	-	-	2,309.0	2,309.0
Grant liability	-	-	219.1	**219.1**	-	-	282.2	282.2
	-	-	2,489.5	**2,489.5**	-	-	2,591.2	2,591.2
Total	716.8	500.3	4,658.6	**5,875.7**	733.4	422.0	4,470.2	5,625.6

The grant liability is non-contractual.

26. Financial risk management (continued)

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

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

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

The Group uses a number of investment risk metrics, of which the following are key; the expected ability of the portfolio to generate cash flows growing in real terms; currency exposures; expected likelihood of catastrophic failures of one or more assets held within the portfolio; and the assessed level of inflation protection within the portfolio.

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

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

	2017 £m	2016 £m
Quoted investments	**13,147.8**	11,347.6
Unquoted investments	**9,611.4**	9,339.9
Investments properties	**1,390.5**	1,408.0
Derivative financial instruments assets positions	**178.6**	148.0
Assets exposed to risk	**24,328.3**	22,243.5
Derivative financial instruments liability positions	**100.9**	199.3
Liabilities exposed to risk	**100.9**	199.3

26. Financial risk management (continued)

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

Group	Value as at 30 September 2017 (currency, m)	Value as at 30 September 2017 £m	Value as at 30 September 2016 (currency, m)	Value as at 30 September 2016 £m
Traded investments assets				
US $	$15,443.4	11,510.8	$14,018.5	10,791.8
Euro	€2,580.5	2,273.9	€1,791.6	1,550.0
Other		4,970.6		4,197.0
Other investment debtors balances				
US $	$349.7	260.7	$674.9	519.6
Euro	€16.7	14.7	€143.5	124.2
Other		158.6		41.1
Other investment creditors balances				
US $	($4.5)	(3.4)	($5.5)	(4.2)
Euro	(€397.5)	(350.3)	(€397.4)	(346.5)
Other		(45.8)		(8.6)
Forward currency contracts				
US $	$8.0	1.9	$552.0	421.4
Euro	(€211.4)	(205.8)	(€1,292.8)	(1,139.3)
Other		(257.7)		(229.2)
Total exposed to currency risk		18,328.2		15,917.3

	Impact on gain/(loss) for the financial year 2017 £m	Impact on gain/(loss) for the financial year 2016 £m
10% US Dollar appreciation	**1,177.0**	1,172.9
10% Euro appreciation	**173.3**	18.8

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

26. Financial risk management (continued)

Risk management policies and procedures
The investment team monitor the Group's exposure to foreign currencies on a daily basis and report to the Investment Committee on at least a quarterly basis.

Foreign currency contracts are used to limit the Group's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Where appropriate, they are also used to achieve the portfolio characteristics that assist the Group in meeting its investment objectives.

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

Interest rate exposure and sensitivity
The Group holds investment cash and certificates of deposit and overnight term deposits and cash, as detailed on the Balance Sheet. These are floating rate interest bearing assets, the future cash flows from these assets will fluctuate with changes in market interest rates. However, as these are liquid assets with no fixed maturity dates, the fair value would not fluctuate significantly with changes in market interest rates.

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

	2017		2016	
Interest-bearing financial liabilities	Weighted average interest rate	Value as at 30 September £m	Weighted average interest rate	Value as at 30 September £m
Maturing between one and five years				
Fixed rate - bond liabilities	0.83%	277.8	0.83%	277.4
Maturing after five years				
Fixed rate - bond liabilities	2.88%	1,297.9	2.89%	1,290.8
Total interest-bearing liabilities		**1,575.7**		1,568.2

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

27. Fair value of financial assets and liabilities

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

The value of the bond liabilities presented in the Trustee's Report Figure 6 on page 21 (£2,040.5 million, 2016: £2,247.7 million) is the sum of the fair value of the bond liabilities and the accrued interest on these liabilities.

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

- Level 1 – valued using quoted prices in active markets for identical assets.
- Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques (to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations) using inputs that are not based on observable market data.

Assets at fair value as at 30 September 2017

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Quoted investments	13,027.4	120.4	-	**13,147.8**
Unquoted investments	-	3,124.7	6,486.7	**9,611.4**
Derivative financial instruments asset positions	35.0	143.6	-	**178.6**
Mixed motive investments	457.2	-	-	**457.2**
Programme related investments	-	-	6.4	**6.4**
	13,519.6	3,388.7	6,493.1	**23,401.4**

Assets at fair value as at 30 September 2016

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Quoted investments	11,228.7	118.9	-	**11,347.6**
Unquoted investments	-	3,277.7	6,062.2	**9,339.9**
Derivative financial instrument assets positions	56.3	91.7	-	**148.0**
Programme related investments	-	-	5.9	**5.9**
	11,285.0	3,488.3	6,068.1	**20,841.4**

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

Liabilities at fair value as at 30 September 2017

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Derivative financial instruments liabilities	23.5	77.4	-	**100.9**

Liabilities at fair value as at 30 September 2016

	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Derivative financial instruments liabilities	46.5	152.8	-	**199.3**

Unquoted investments include investments in hedge funds, private equity funds, property funds, direct investments and investment operating subsidiaries. For the funds the Group categorises the investments based on the fair value classification of the underlying assets and liabilities of the funds.

Derivative financial instruments comprise:

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

For Level 3 investments:

- private equity and property funds are valued at the most recent valuation from the fund manager, which is usually the net asset value of the fund; and
- unquoted direct investments are held at the valuation determined by management, with valuations, when provided by a third party investment manager as a key input subject to appropriate review by management. Further details are provided in note 2 (Significant accounting judgements and key sources of estimation uncertainty).

Reference and Administrative Details

Board of Governors

Baroness Manningham-Buller,
LG, DCB (Chair)

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

Professor Tobias Bonhoeffer

Mr Alan Brown, FSIP

Sir Damon Buffini, MBA

Mr William Burns

Professor Michael Ferguson,
CBE, FRS, FRSE, FMedSci

Professor Bryan Grenfell, OBE, FRS

Professor Richard Hynes,
FRS (to 31 December 2016)

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

Brief biographies are included on
pages 118–119.

Company Secretary

Mr Chris Bird

Executive Leadership Team

Dr Jeremy Farrar,
FRS, FMedSci, OBE (Director)

Mr Chris Bird
(General Counsel from 1 October 2016)

Professor Stephen Caddick
(Director of Innovation)

Dr Simon Chaplin, FDSRCS
(Director of Culture and Society)

Dr Alyson Fox (Director of Grants
Management from 1 October 2016)

Mr Mark Henderson (Director of
Communications from 1 October 2016)

Dr Chonnettia Jones (Director of Insight
and Analysis from 1 October 2016)

Mr Tim Livett (Chief Financial Officer)

Sir Jim Smith, FRS, FMedSci
(Director of Science from 1 December 2016)

Mr Ted Smith
(Director of People and Places)

Mr James Thomas (Chief Technology
Officer from 1 October 2016)

Mr Ed Whiting (Director of Policy
and Chief of Staff from 1 June 2017)

Investment Executive

Mr Peter Pereira Gray
(Managing Partner, Investments to
30 September 2017, Managing
Partner and Chief Executive Officer,
Investments from 1 October 2017)

Mr Nicholas Moakes (Managing Partner,
Investments to 30 September 2017,
Chief Investment Officer, Investments
from 1 October 2017)

Mr Danny Truell
(Managing Partner, Investments to
30 September 2017, Emeritus Partner
from 1 October 2017)

Audit Committee

Mr William Burns
(Chair from 1 January 2017)

Mr Alan Brown
(Chair to 31 December 2016)

Ms Adèle Anderson

Mr Tim Clark

Professor Dame Anne Johnson

Mr Philip Johnson (to 31 December 2016)

Mr Chris Jones

Remuneration Committee

Baroness Manningham-Buller (Chair)

Mr Alan Brown

Professor Dame Kay Davies

Professor Richard Hynes
(to 31 December 2016)

Nominations Committee

Baroness Manningham-Buller (Chair)

Sir Damon Buffini

Professor Dame Kay Davies

Professor Richard Hynes
(to 31 December 2016)

Investment Committee

Mr Alan Brown (Chair)

Sir Damon Buffini

Professor Dame Kay Davies

Mr Stefan Dunatov

Dr Jeremy Farrar

Mrs Sarah Fromson

Mr Naguib Kheraj

Mr Tim Livett

Baroness Manningham-Buller

Mr David Mayhew

Mr Nicholas Moakes

Sir Michael Moritz

Mr Peter Pereira Gray

Mr Danny Truell

Reference and Administrative Details

Biographies of the Governors

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

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

Eliza joined Wellcome as a governor in 2008 and the Council of Imperial College in 2009. She was the Chair of Council from 2011 to 2015.

In 2015, she became the Co-President of Chatham House, Royal Institute of International Affairs.

Professor Dame Kay Davies, CBE, FRS, FMedSci (Deputy Chair)
Kay Davies is Dr Lee's Professor of Anatomy and Associate Head, Development, Impact and Equality, Medical Sciences Division, University of Oxford.

Her research interests cover the molecular analysis of neuromuscular and neurological disease, particularly Duchenne muscular dystrophy. She has considerable experience of biotechnology companies as a conduit for translating the results of experimental science into new therapeutics and diagnostics.

Kay is a founding editor of 'Human Molecular Genetics' and a founding fellow of the Academy of Medical Sciences. She has an active interest in the ethical implications of genetics research and the public understanding of science.

Kay is a Fellow of the Royal Society and a Member of the European Molecular Biology Organization.

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

Tobias served for more than 15 years as department head at the Max Planck Institute of Neurobiology and later also as Chair of the Biomedical Section of the Max Planck Society. He has been a member of the scientific advisory boards of numerous leading Institutions, including the Chan Zuckerberg Initiative, the ETH Zurich, the Janelia Farm Research Campus of the Howard Hughes Medical Institute and the Chinese Academy of Sciences.

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

Mr Alan Brown, FSIP
Alan Brown read natural sciences at the University of Cambridge before starting a career in the investment management industry, where he worked for almost 40 years. He has held positions as a chief investment officer for the past 24 years, most recently as an Executive Director at Schroders.

Alan's other responsibilities include Chair of the Board of the Carbon Disclosure Project, and Chair of the Board of the Westway Trust. He is a non-executive director of Pool Reinsurance Company, a scheme established to provide cover for losses arising from terrorism. Previously he was a Director of the Investment Management Association and an alternate member of the Takeover Panel.

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

Under his leadership, Permira's funds under management grew from €1.9 billion to over €20 billion and the firm expanded its international network of offices from four to 12. Over the same period, Permira helped to grow and build numerous successful businesses across Europe, including Homebase, Inmarsat and global aviation services group Jet Aviation.

Damon is Chair of the Board at the National Theatre, Chair of the Royal Anniversary Trust, which administers The Queen's Anniversary Prizes for Higher and Further Education, and Senior Independent Director of the European Golf Tour. He is also co-founder of Social Business Trust, an initiative to grow social enterprises by using the knowledge, skills and capital of UK businesses.

Reference and Administrative Details

Mr William Burns
William (Bill) Burns is a Senior Independent director of Shire Pharmaceuticals, Chairman of Vestergaard and Molecular Partners and Vice Chairman of Mesoblast. He also serves as a Trustee of the Institute of Cancer Research.

Bill has over 40 years' experience in the pharmaceutical and life sciences industry. He was CEO of the global pharmaceuticals division of Roche Holdings from 2001 to 2009.

He previously chaired the funding committee of the Health Innovation Challenge Fund, a partnership between Wellcome and the Department of Health.

Professor Michael Ferguson, CBE, FRS, FRSE, FMedSci
Mike Ferguson is Regius Professor of Life Sciences and academic lead for Research Strategy in the School of Life Sciences at the University of Dundee. His personal research takes a multidisciplinary approach to understanding the biochemistry of protozoan parasites that cause tropical diseases. He believes in the fundamental importance of working across the biology-chemistry interface and in interdisciplinary research in general.

He is particularly interested in translational research and, together with his colleagues, established the Drug Discovery Unit at the University of Dundee and led the construction of the Discovery Centre (for Translational and Interdisciplinary Research).

He also directs a proteomics facility that supports much of the work of his colleagues in the Schools of Life Sciences and Medicine and other academic and commercial organisations.

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

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

He is a Fellow of the Royal Society, the American Academy of Arts and Sciences, and the American Association for the Advancement of Science. He has also been awarded the T H Huxley Medal from Imperial College and the Scientific Medal of the Zoological Society of London.

Professor Dame Anne Johnson, MD, FRCP, FFPH, FRCGP, FMedSci
Anne Johnson is Professor of Infectious Disease Epidemiology, Chair of the Population Health Domain, and Vice Dean for international relations in the Faculty of Population Health at University College London. She was a co-founder of the University's Institute for Global Health.

After training in medicine at the University of Cambridge and Newcastle University, she specialised in epidemiology and public health and has a clinical research career spanning over 30 years.

Her research interests focus on the epidemiology and prevention of HIV, sexually transmitted infections and other infectious diseases. This includes sexual lifestyle studies, international HIV cohort studies, behavioural intervention studies, and the epidemiological and immunological determinants of seasonal and pandemic influenza transmission.

Anne is a Fellow of the Academy of Medical Sciences and has been awarded the Alwyn Smith Prize by the Faculty of Public Health for contribution to Public Health.

Reference and Administrative Details

Independent Auditor

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Statutory Auditor
Hill House
1 Little New Street
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EC4A 3TR
United Kingdom

Banker

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

Solicitors

CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London EC4N 6AF
United Kingdom

Global custodian bank

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

Wellcome exists to improve health for everyone by helping great ideas to thrive.

We're a global charitable foundation, both politically and financially independent.

We support scientists and researchers, take on big problems, fuel imaginations and spark debate.

Further copies of this *Annual Report and Financial Statements 2017* are available from the Trust's website or upon request though emailing contact@wellcome.ac.uk

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