

WELCOME TRUST FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS

2007

CONTENTS

	Page
Directors' Report	2
Independent Auditors' Report	5
Profit and Loss Account	6
Balance Sheet	7
Cash Flow Statement	8
Notes to the Financial Statements	9
Administrative Details	14

DIRECTORS' REPORT

for the year ended 30 September 2007

Report of the Directors

The Directors of Wellcome Trust Finance plc (the "Company") present their report and the audited Financial Statements for the year ended 30 September 2007. The comparative is for the period that commenced on 26 June 2006 and ended 30 September 2006.

Activities

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

Review of the business

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

Results for the year

The Company made a profit of £nil (2006: £nil) during the year ended 30 September 2007, after accruing a Gift Aid donation of £6,502,048 (2006: £1,298,302) to the Wellcome Trust, a charity registered in England under the UK Charities Act 1993 (registered charity number 210183). The Directors do not propose the payment of a dividend (2006: £nil).

Political and charitable donations

The Company made no political contributions during the period (2006: £nil). The Company made charitable contributions of £6,502,048 (2006: £1,298,302) to the Wellcome Trust under Gift Aid.

Financial risk management

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

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

Key performance indicators

Due to the nature of the Company's operations the key performance measure is that the Company meets all its legal obligations to the Bondholders. During the year the Company met all its legal obligations to the Bondholders.

Employees

There are no employees of the Company.

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

Corporate governance

The Company is limited by shares. Its governing document is its Memorandum of Association and its Articles of Association. The Shareholders of the Company are: The Wellcome Trust Limited, as trustee of the Wellcome Trust, and Wellcome Trust Nominees Limited.

The Company is considered to be a wholly owned subsidiary of The Wellcome Trust Limited, as trustee of the Wellcome Trust. The Company is not subject to the requirements of the Combined Code because it does not have any equity shares listed on the London Stock Exchange. A statement on corporate governance policies of the Group and the report of the audit, nominations and remuneration committees of the Wellcome Trust are included in the Wellcome Trust's *Annual Report and Financial Statements* for the year ended 30 September 2007.

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

Creditor payment terms

The Company pays suppliers when payments fall due or within 30 days.

Directors and their interests

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

David Phillipps
 Danny Truell
 Suzy Jacques
 Genny Kiff
 Joanna Peart

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

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

DIRECTORS' REPORT

for the year ended 30 September 2007 (continued)

Statement of Directors' responsibilities in respect of the Financial Statements

Directors' responsibilities

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

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

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

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent;
- (3) state whether applicable UK Accounting Standards have been followed; and
- (4) prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue its activities.

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

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

The Directors of The Wellcome Trust Limited, as trustee of the Wellcome Trust, are responsible for the maintenance and integrity of the Wellcome Trust's website, upon which the Company's *Annual Report and Financial Statements* are made publicly available. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

As far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution was passed by the Board of Directors on 19 December 2006 appointing PricewaterhouseCoopers LLP as auditor until such time as the Company decides otherwise.

This Report was approved by the Board of Directors on 19 December 2007 and signed on its behalf by

Danny Truell
Director

INDEPENDENT AUDITORS' REPORT

for the year ended 30 September 2007

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

We have audited the Financial Statements of Wellcome Trust Finance plc for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

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

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2007 and of its profit and cash flows for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

19 December 2007

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2007

	Note	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Turnover			
Interest receivable and similar income	2	32,160,189	6,080,931
Administrative expenses	3	(62,990)	(14,475)
		32,097,199	6,066,456
Interest payable and similar charges		(25,595,151)	(4,768,154)
Gift Aid donation		(6,502,048)	(1,298,302)
Profit on ordinary activities before taxation		-	-
Taxation on ordinary activities	6	-	-
Profit on ordinary activities after taxation		-	-

All income is derived from continuing activities.

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

The notes on pages 9 to 13 form part of these Financial Statements.

BALANCE SHEET

as at 30 September 2007

	Note	As at 30 September 2007 £	As at 30 September 2006 £
Current assets			
Loans to Group undertaking	7	680,867,123	681,982,137
Prepayments		15,422	–
Cash at bank and in hand		663,496	468,971
Creditors: amounts falling due within one year	8	(4,986,374)	(6,049,093)
Net current liabilities		676,559,667	676,402,015
Creditors: amounts falling due after more than one year	8	(539,059,667)	(538,902,015)
Net assets		137,500,000	137,500,000
Capital reserves			
Called up share capital	10	137,500,000	137,500,000
Profit and loss account		–	–
Total shareholders' funds		137,500,000	137,500,000

The Financial Statements on pages 6 to 13 were approved by the Board of Directors on 19 December 2007 and signed on its behalf by

Danny Truell
Director

CASH FLOW STATEMENT

for the year ended 30 September 2007

	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Net cash outflow from operating activities		
Payments to suppliers	(44,877)	(2,725)
Returns on investments and servicing of finance		
Interest received	33,275,203	98,794
Interest paid	(25,437,500)	–
	7,837,703	98,794
Financial investments		
Loans to Group undertaking paid	–	(676,000,000)
Financing		
Issue of share capital	–	137,500,000
Issue of corporate bonds	–	538,872,902
	–	676,372,902
Gift Aid donations paid	(7,598,301)	–
Net increase in cash	194,525	468,971
Cash at beginning of year	468,971	–
Cash at end of year	663,496	468,971

Reconciliation of operating profit to net cash outflow from operating activities

	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Operating profit		
Administrative expenses	(62,990)	(14,475)
Increase in prepayments and accrued income	(15,422)	–
Increase in trade creditors	33,215	11,750
Increase in amounts owed to Group undertaking	320	–
Net cash outflow from operating activities	(44,877)	(2,725)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007

1. ACCOUNTING POLICIES

(a) Basis of preparation of the Financial Statements

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

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

(b) Accounting policies

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

(c) Interest receivable

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

(d) Interest payable

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

(e) Loans to Group undertakings

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

(f) Bond liability

The Bond liability relates to the 30-year corporate bonds issued by the Company in July 2006, listed on the London Stock Exchange (the "Bonds"). The initial measurement of the liability is equal to the proceeds of issue less all transaction costs directly attributable to the issue. After initial recognition the liability is measured at amortised cost using the effective interest method. The fair value of the Bond liability disclosed within the notes to the Financial Statements is the market value of the Bonds at the year end date. The Company is not required to, and therefore does not, recognise any adjustment to fair value in the Balance Sheet and Profit and Loss Account.

(g) Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007 (continued)

2. INTEREST RECEIVABLE

	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Interest receivable on loans to Group undertaking	32,110,000	5,982,137
Interest receivable on cash deposits	50,189	98,794
	32,160,189	6,080,931

Interest receivable on "Loans to Group undertaking" (see note 7) is the effective interest on Loans A and B and is at a fixed rate of 4.75%.

3. ADMINISTRATIVE EXPENSES

	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Legal fees	40,432	–
Audit fees	7,050	11,750
UK Listing Authority fees	–	2,725
Rating agency fees	13,134	–
Other	2,374	–
	62,990	14,475

4. EMPLOYEE INFORMATION

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

5. REMUNERATION OF DIRECTORS

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

6. TAXATION

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

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

7. LOANS TO GROUP UNDERTAKING

	Principal amount £	Interest rate per annum %	Loan anniversary date	Amortised cost year ended 30 September 2007 £	Amortised cost period ended 30 September 2006 £
Loan A	550,000,000	4.75	25 July	554,867,123	554,867,123
Loan B	126,000,000	4.75	30 September	126,000,000	127,115,014
				680,867,123	681,982,137

Loans to Group undertaking are loans (the "Loans") to Wellcome Trust Investment Limited Partnership (the "Limited Partnership"). The principal under each Loan is repayable by the Limited Partnership on demand by the Company, but the Loans are expected to be outstanding for 30 years. The Loans have fixed redemption value of the principal amount and fixed interest rates. Interest accrued up to the Loan anniversary date is paid five days prior to the Loan anniversary date.

8. CREDITORS

	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Falling due within one year		
Accruals and deferred income	44,965	11,750
Amounts due to Group undertaking	320	–
Gift Aid due to the Wellcome Trust	202,048	1,298,302
Bond liability	4,739,041	4,739,041
Total falling due within one year	4,986,374	6,049,093
Falling due between one and five years		
	–	–
Falling due after five years		
Bond liability	539,059,667	538,902,015
	539,059,667	538,902,015
Total falling due after one year	539,059,667	538,902,015

The Bond liability is the amortised cost using the effective interest method of the £550 million 4.625% Guaranteed Bonds due July 2036, issued by the Company on 25 July 2006. The Bond liability falling due within one year is the unpaid coupon interest accrued for the period to 30 September 2007. The interest payment to the Bondholders is at a fixed rate of 4.625% per annum and is paid in arrears on 25 July each year until repayment of the Bond principal. No amounts fall due between one and five years because the remainder of the Bond liability at the balance sheet date is the amortised cost of the amount due to be repaid upon expiry of the 30-year term on 25 July 2036 and therefore falling due after five years.

The fair value of the liability as at 30 September 2007 with reference to the market value of the Bonds was £491.5 million (2006: £555.9 million).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2007 (continued)

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 30 September 2007 £	Period ended 30 September 2006 £
At 1 October 2007	137,500,000	–
Issue of share capital	–	137,500,000
At 30 September 2007	137,500,000	137,500,000

10. SHARE CAPITAL

	Number	Year ended 30 September 2007 £	Period ended 30 September 2006 £
Authorised ordinary shares of £1 each	137,500,000	137,500,000	137,500,000
Issued and fully paid ordinary shares of £1 each	137,500,000	137,500,000	137,500,000

11. RELATED PARTY TRANSACTIONS

The Company, a wholly owned subsidiary undertaking of the Wellcome Trust, has taken the exemption available from related party disclosure requirements of FRS 8 – “Related Party Disclosures”, because the Financial Statements of the parent company are available to the public (note 13).

12. FINANCIAL INSTRUMENTS

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

The key risks relating to the financial instruments held by the Company are the credit risk and liquidity risk of the counterparty – Wellcome Trust Investment Limited Partnership (the “Limited Partnership”) under the Loans to Group undertaking. These risks are in respect of the Limited Partnership's ability to meet the interest and principal payments as they fall due. The total value exposed to credit risk as at 30 September 2007 is £681.5 million (2006: £682.5 million), the value of the Loans to Group undertaking and cash at bank and in hand.

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

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

Fair value of financial assets and financial liabilities

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

	Fair value period ended 30 September 2007 £	Book value period ended 30 September 2006 £
Financial assets		
Loans to Group undertaking	604,127,680	680,867,123
Cash at bank and in hand	663,496	663,496
Financial liabilities		
Bond liability	(491,524,000)	(543,798,708)

The fair value of the Bond liability as at 30 September 2007 was £491.5 million (2006: £555.9 million) and is based on the market value of the Bonds at that date. The fair value of the Loans to Group undertaking as at 30 September 2007 was £604.1 million (2006: £683.2 million); this is based on the market value of the Bonds, an instrument that is substantially the same as the Loans in term, interest rate and magnitude. The book value of cash at bank and in hand is a reasonable approximation of fair value.

13. CONTROLLING ENTITY

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

Copies of the Wellcome Trust *Annual Report and Financial Statements 2007* are available from the Trust's website (www.wellcome.ac.uk) or, without charge, from:

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

ADMINISTRATIVE DETAILS

Directors

David Phillipps
Danny Truell
Suzy Jacques
Genny Kiff
Joanna Peart

Company Secretary

John Stewart

Registered company number

5857955

Registered office

215 Euston Road
London
NW1 2BE

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hays Lane
London
SE1 2RD

Bankers

HSBC Bank plc
31 Holborn Circus
Holborn
London
EC1N 2HR

