Annual Report and Financial Statements 2013

wellcome trust

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The best research for better health

Summary of Chairman's Statement

- We committed £726 million in grant funding and direct charitable activities this year, mostly in grants to scientists working in medical research, and most of them in the UK.
- The UK's scientific infrastructure, to which Stevenage Bioscience Catalyst is an innovative addition, is an excellent foundation for achieving better health.
- We launched a new scheme this year, Sustaining Health, to encourage and support research in areas such as the health impacts of climate change, connections between ecology and public health, global nutrition and behaviour change
- Over 10 and 20 years, returns have averaged 10% a year, enabling us to increase progressively our commitments to medical research.

The Wellcome Trust is at its best when catalysing interactions between researchers and other people, be they researchers in different fields, people in business or politics, or members of the public. We believe that science should be at the heart of life, but for it to play its part in society people must feel able to engage and partner with scientists to discover and create new opportunities. The Trust brings people together, enabling collaboration, excellent research and, ultimately, better health. We committed £726 million in grant funding and direct charitable activities this year, mostly in grants to scientists working in medical research, and most of them in the UK.

In last year's *Annual Report*, I mentioned that the first tenants had moved in at Stevenage Bioscience Catalyst, a biotechnology 'incubator' where life science companies can explore new ways of working and bring convergent technologies together. Reflecting its vision of openness and collaboration across companies and sectors, Stevenage Bioscience Catalyst is a joint venture between the Wellcome Trust, the UK government and GlaxoSmithKline. There are now 26 tenants on the site, more than 70 per cent of capacity. It is hugely exciting that there is such demand from British businesses to use the site and I am sure some impressive outcomes will follow.

The UK's scientific infrastructure, to which Stevenage Bioscience Catalyst is an innovative addition, is an excellent foundation for achieving better health. For example, a new vaccine was created this year to protect cattle and other livestock against the virus that causes foot and mouth disease. The team included academic scientists from the Universities of Oxford and Reading and researchers at the Pirbright Institute, which is funded by the Biotechnology and Biological Sciences Research Council. Part of the work was done at Diamond Light Source, the UK's national synchrotron facility, which is funded by the Science and Technology Facilities Council and the Wellcome Trust. Diamond generates high-energy beams of electrons to investigate the physical properties of molecules and materials, and underpins much of the UK's strength in structural biology.

Diamond's role in developing the foot and mouth disease vaccine was to show the physical effects of modifications to the vaccine's structure. A similar approach could be used to make better human vaccines as well. The foot and mouth disease virus is related to the virus that causes polio, which remains a threat despite the success of a long-established global vaccination programme, as we have seen by the re-emergence of the disease in Syria this year. A new vaccine could help to redouble efforts towards finally eradicating polio.

Investments

Long-term investors are able both to be counter-cyclical and patient. Having significantly increased our exposure to public and private equity holdings in the period between 2008 and 2011 when many investors had become risk-averse, we have reaped the rewards in the last two years as they have again embraced risk assets. In 2012/13, we enjoyed returns of over £2.6 billion (18%) as our public equities, private equity holdings, venture capital funds, hedge funds and residential property interests all recorded gains of 15-20%. Returns in the five years since September 2008 have exceeded £7 billion (57%). Over 10 and 20 years, returns have averaged 10% a year, enabling us to increase progressively our commitments to medical research.

Danny Truell and his investment team continue to evolve our portfolio in order to ensure that we have greater control of our destiny and that our long-term returns are driven more by

the evolution of businesses than by short-term market fluctuations.

For example, our directly managed Mega Cap Basket of 31 holdings in large companies, valued at £3.4 billion, is the cornerstone of our equity holdings. Initiated in late 2008, it has returned 55% on cost: last year, we neither added new holdings nor sold any shares in existing holdings.

Over 80% of our portfolio is now concentrated in 42 directly-held public or private assets and in 51 external partnerships, each with a value exceeding $100 million: of these partnerships, half are at least a decade old. Our cash flows have become increasingly positive and reinvestment risk has risen: hence, we shall need to be disciplined in focusing new investments on assets which will genuinely add long-term value irrespective of geography or industry.

A world of knowledge

The big health challenges of the future will be global: every country will be affected by the changing climate, increasing population and more people living in cities. How we respond to the pressure these factors put on our health will depend on national and international policies which, in turn, draw on whatever scientific evidence is available. At the Trust, we want to ensure that the evidence base is as robust as possible.

We launched a new scheme this year, Sustaining Health, to encourage and support research in areas such as the health impacts of climate change, connections between ecology and public health, global nutrition and behaviour change. These are relatively new fields of research and bridge previously unconnected disciplines, so once again the Trust is looking to catalyse new initiatives, approaches and collaborations that could help map out routes to a sustainable future.

A global outlook comes naturally to our Director, Dr Jeremy Farrar, who started the role in October 2013. Jeremy trained as a medical doctor and clinical researcher in the UK, and has spent the last 20 years leading the Trust's Major Overseas Programme in Vietnam. His experience of building international partnerships and respect, especially in South-East Asia, will be of great value, as will his global vision and experience. With a new Director, the Trust continues to evolve: Jeremy will use his distinctive perspective to build on the work and wisdom of our former Directors, as did his immediate predecessor, Sir Mark Walport.

I extend my heartfelt thanks to Mark for ten years of distinguished leadership of the Trust, which came to an end in March 2013 when he left to become the Chief Scientific Advisor to the UK Government. As Director, Mark enhanced the professionalism of the Trust and bestowed a clear sense of purpose underpinned by a well-articulated strategy. Achievements in progressing scientific understanding were complemented by a programme of scholarship to support and develop researchers and scientific leaders for the future.

I would also like to thank Dr Ted Bianco, our Director of Technology Transfer, for standing in as Acting Director for six months, as well as the entire staff: it is the people in the Trust and those we work with, including application reviewers and our funding committee members, who make our vision into a real success. From our Investments Committee, I would particularly like to acknowledge the contribution of Stewart Newton, chairman of Veritas Investment Management, who stood down this year.

Great thanks and recognition also to Professor Peter Rigby for the breadth of his scientific support and constructive challenge as Deputy Chairman of the Trust for the last three years. Professor Kay Davies has now taken up the position of Deputy Chair: Kay has been on the Board of Governors for the past six years and I am looking forward to working with her in this role as well.

Another of our Governors, Professor Anne Johnson, was made a Dame in the Queen's Birthday Honours – congratulations to Dame Anne, and also to Professor Steve O'Rahilly, co-Director of the Medical Research Council-Wellcome Trust Institute of Metabolic Science, and Professor Mike Stratton, Director of the Wellcome Trust Sanger Institute, who both received knighthoods this year.

Sir William Castell
Chairman of the Wellcome Trust

17 December 2013

Our vision and objects

We are dedicated to achieving extraordinary improvements in human and animal health

The objects of the Wellcome Trust as set out in its Constitution are as follows:

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

- 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; and

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 mission

We support the brightest minds in biomedical research and medical humanities

Our three key focus areas for funding:

Outstanding researchers

We believe passionately that breakthroughs emerge when the most talented researchers are given the resources and freedom they need to pursue their goals.

Application of research

We are committed to maximising the application of research to improve health by focusing on new product development and the uptake of patient-oriented research advances into clinical practice.

Medicine in culture

We strive to embed biomedical science in the historical and cultural landscape, so that it is valued and there is mutual trust between researchers and the wider public.

Our challenges

Our healthy investment portfolio enables us to fund a wide variety of charitable initiatives

Maximising the health benefits of genetics and genomics

We will maximise the power of genetics and genomics research to enhance global health.

Understanding the brain

We will support research to improve understanding of how the brain functions and to find improved approaches for treating brain and mental health disorders.

Combating infectious disease

We will promote an integrated approach to the study of infectious disease in humans and animals.

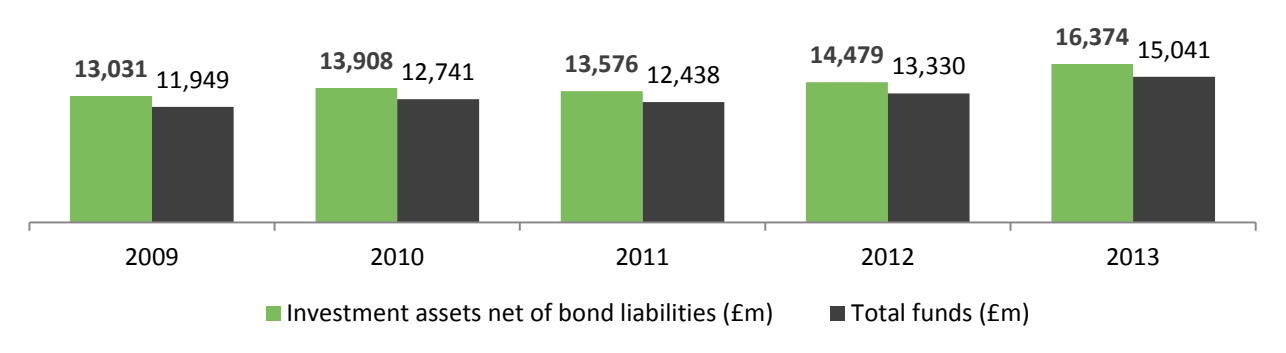
Investigating development, ageing and chronic disease

We will aim to develop an integrated understanding of how the body develops, functions and ages, and of the factors that contribute to the onset and development of chronic diseases.

Connecting environment, nutrition and health

Global health is under serious threat from the interlinked issues of access to nutrition, food security and climate change. We will foster multidisciplinary research to address these problems and to inform the global response.

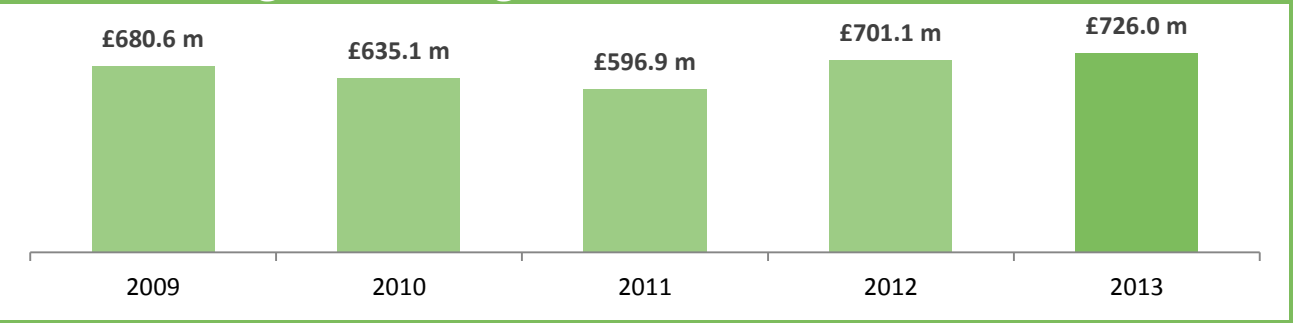
£16,374m net investment assets and £15,041m total funds in 2013



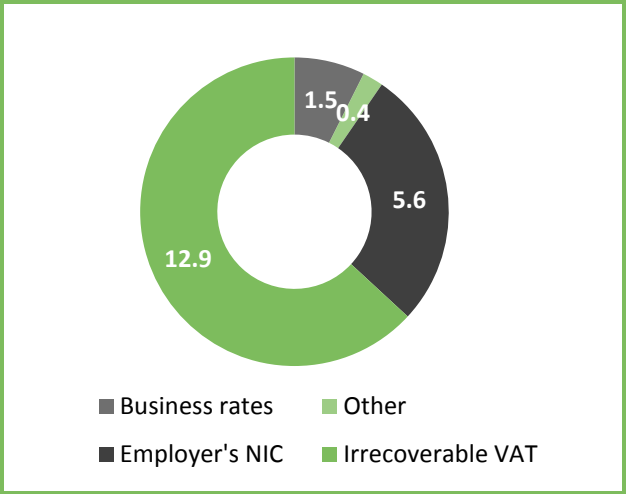
Top five grant funding in 2013

	£m
The Francis Crick Institute Limited	70.0
University of Oxford	69.0
University of Cambridge	67.7
University College London	47.0
Imperial College London	30.1

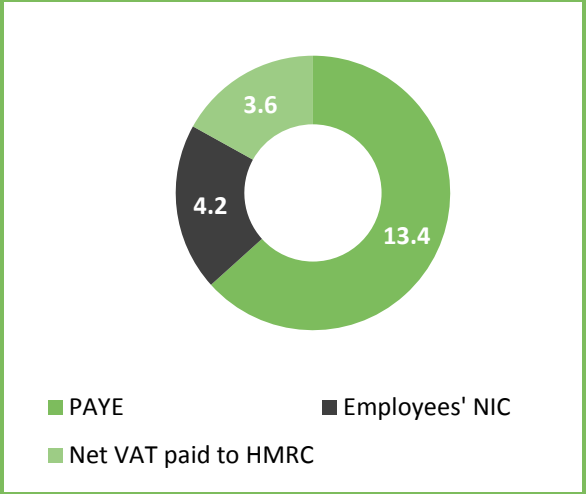
£726m total grant funding and direct charitable activities



£20.4m taxes borne in 2013



£21.2m taxes collected in 2013



Our focus is on:

Ensuring

Ensuring our long-term financial position is secure and our spending levels are sustainable

Responding

Responding rapidly and with agility to new opportunities

Preserving

Preserving, at least, the real purchasing power of the investment base

Planning

Planning to sustain funding to deliver our mission

Reserves policy

Our reserves policy is directly linked to our expenditure policy and is 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.

Investment policy

Our assets are invested in accordance with the wide investment powers set out in the Trust Constitution and within its Investment policy. The investment policy is reviewed regularly 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 have reviewed the FRC UK Stewardship Code and our response statement together with further details of our investment policy are available on the Trust's website (www.wellcome.ac.uk).

Expenditure policy

Our objective when setting the annual grant commitment budget is to preserve the value of the Trust'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 achieve this by setting our annual budget based on three-year weighted average investment values. When required, adjustments can be made to this budget in a controlled manner to manage situations that were not anticipated at the time of the budget calculations such as unexpected adverse economic or market events. This flexibility enabled us to reduce the impact of the recent global economic downturn on our charitable funding.

The Board of Governors regularly monitors the market and economic conditions that impact this budget and has currently set a policy of budgeting to commit 4.7% of the three year weighted average of investment asset values.

Financial position

The Trust's reserves policy, investment policy and expenditure policy are set out within this Review. With this in mind, and after considering the 2013/14 budget and longer-term plans, the cash flows and the highly liquid nature of a substantial portion of the Trust'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 Trust and the Group.

Charitable activities

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

Grant applications are peer-reviewed and funding decisions typically made by expert committees although where initiatives fall outside of established review processes, decisions are made by the Strategic Awards Committee.

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.

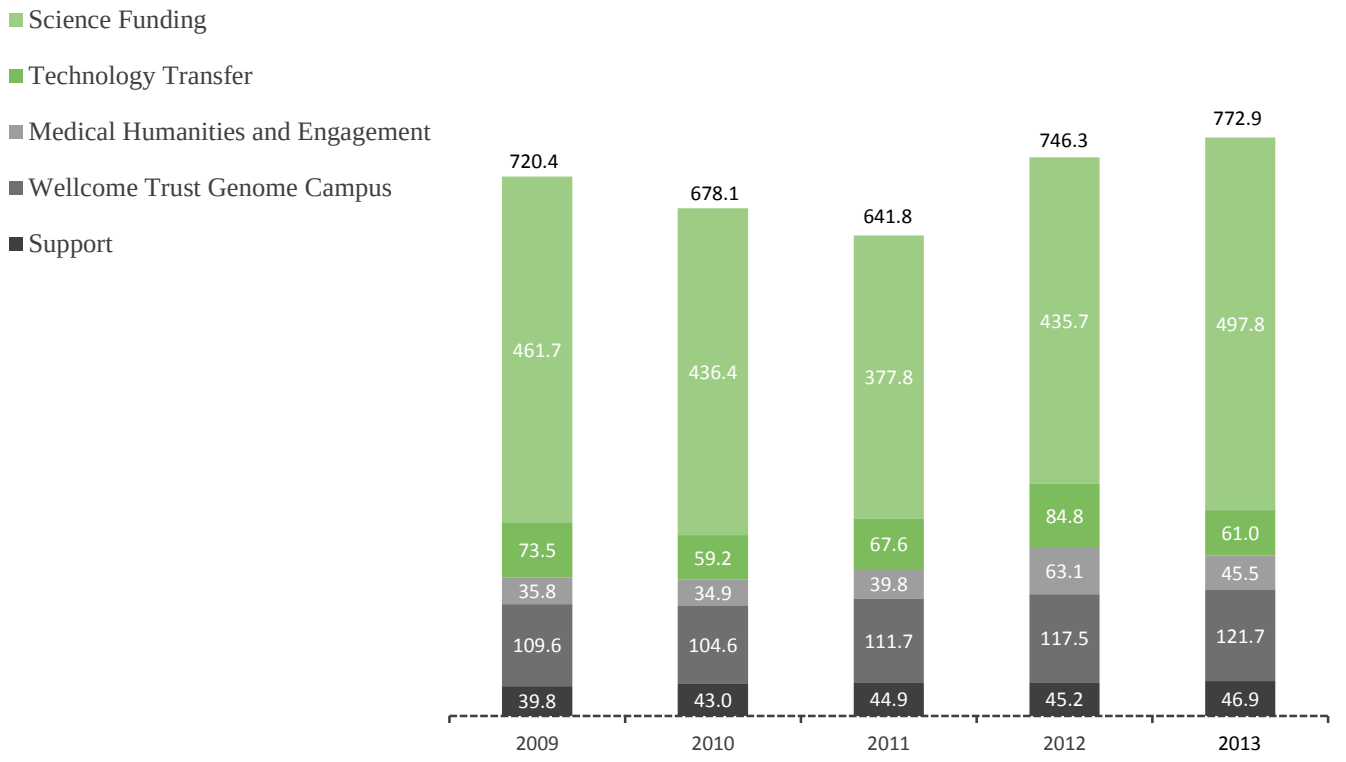
We also fund work on the Wellcome Trust Genome Campus where our own research centre, the Wellcome Trust Sanger Institute is based, channelling support through a wholly-owned subsidiary, Genome Research Limited. Researchers use genome sequences to advance understanding of the biology of humans and pathogens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

The total expenditure in the chart below includes commitments each year from our special dividend fund set aside in 2007 for initiatives of global importance, with exceptional vision and scale, and where there is the prospect of high impact outcomes.

Charitable expenditure increased by £27 million in 2013 and included awards to the Francis Crick Institute for strategic and operational costs, renewal of the Strategic Award to the Malawi Overseas Programme, additional funding of the Sainsbury Wellcome Centre and the Innovative Engineering for Health initiative.

Over the next five years we will aim to commit funding in excess of £3.7 billion to charitable activities. The actual amount will depend on our future investment performance.

Charitable activities by type (£m)



Charitable cash payments

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. Consequently, our annual cash payments lag commitments and with our investment base growing represent on average 4.3% of investment asset values.

The chart below analyses the increasing level of payments made between 2009 and 2013.

Incoming resources and matching of cash receipts with cash payments

The Board of Governors is kept informed, by the Trust's investment team, on current and future cash flows, ensuring that there are always sufficient cash reserves to meet charitable expenditure requirements.

Incoming resources in the Statement of Financial Activities include dividends, interest, rental earned and turnover from trading subsidiaries. The Trust also receives cash from the disposal of investments. Cash payments are funded by a combination of existing cash balances, incoming resources and sales of investment assets.

Charitable cash payments by Wellcome Trust (£m)

This review provides examples of our funding, activities and accomplishments during the year ended 30 September 2013 as well as looking forward to some of our future activities.

Charitable activities at a glance:

1

Science Funding: £515.4m

We support research into all aspects of biomedical science: from molecules and cells vital to life, through the spread of diseases or the vectors of disease across the globe, to clinical and public health research to improve the quality of healthcare.

2

Technology Transfer: £68.7m

We help to bridge the gap between fundamental research and commercial application by funding applied research and development projects to a stage where they are attractive to a follow-on funder, such as venture capital firms, industry and public-private partnerships.

3

Medical Humanities and Engagement: £64.5m

We promote the exploration of medicine in its historical, ethical, social and cultural contexts. We achieve this by funding medical humanities research and operating Wellcome Collection and the Wellcome Library; by funding projects to engage the public with science and supporting our researchers to do so; by helping to inspire and educate young people; and by communicating the Trust's work.

4

Wellcome Trust Genome Campus: £124.3m

We provide funding to investigate the role of genes in health and disease, run an advanced courses programme, which provides practical training in the latest biomedical research techniques and bioinformatics tools, and promote public engagement in these activities.

This review provides examples of our funding, activities and accomplishments during the year ended 30 September 2013 as well as looking forward to some of our future activities. Achievements reported here often reflect the results of many years of research from previous funding. The Wellcome Trust Annual Review for the year 1 October 2012 to 30 September 2013, which is published alongside this Report, is available on the Trust's website (www.wellcome.ac.uk) and covers more of the year's scientific achievements.

The examples here are presented in terms of our Strategic Plan for 2010–20, also available on the Trust's website. Implemented in 2009/10, the Strategic Plan sets out how we work with others to achieve extraordinary improvements in human and animal health. In it we highlight the three focus areas of our funding, which, to a large extent, overlap with the work of our three funding divisions: Science Funding, Technology Transfer, and Medical Humanities and Engagement. Our focus areas help to ensure we provide the best environment and support for researchers to tackle important questions posed by the five major research challenges that we have identified for this decade.

The best research is collaborative – in the modern scientific world, it is rare that a single person or organisation has all the skills necessary to answer a meaningful research question or develop a new product that will improve or prolong health. We look for the best ideas among the biomedical research community and provide the support to bring them to fruition. However, we do much more than that. We have a broad perspective on research, both geographically and across the biomedical and medical humanities disciplines that we fund. As a result, we have the capacity to bring people together and enable them to realise more of their potential by working as a team. As health challenges associated with climate change and population growth continue to develop, we will all need to work together to ensure that the best research can lead to better health.

Focus area 1: Supporting outstanding researchers

The support that we offer researchers extends beyond funding. As part of our commitment to developing outstanding people in science, we began a new programme this year to help enhance research leadership skills. Run with the help of Monitor Deloitte, our Research Leadership Development Programme aims to enhance the leadership style, impact and resilience of researchers. The goal is to build the capabilities of people within research teams, challenge and stimulate those already in positions of institutional leadership, and broaden the talent pool from which to recruit future research leaders.

The value of good leadership is evident across our work. For example, in May 2013 the Trust and the Medical Research Council announced new commitments totalling £24 million to the Wellcome Trust–MRC Institute of Metabolic Science in Cambridge. The Institute's Co-Directors have overseen its development as a centre of excellence for research, education, prevention and clinical care in the areas of obesity, diabetes and related diseases. Today, it incorporates a MRC centre and a MRC unit, the University of Cambridge Metabolic Research Laboratories and purpose-built clinics that provide outpatient care for children and adults with metabolic and endocrine diseases. Of the new funding, £10 million from the Trust has been earmarked for new clinical research facilities, enhancing the infrastructure supporting basic science, and supporting collaboration with the Wellcome Trust Sanger Institute.

Collaboration is just as crucial at an international level. We work with the US National Institutes of Health to support genomics research in Africa, and our joint scheme – the Human Heredity and Health in Africa consortium, or H3Africa – funded its first projects in October 2012. They include genetic studies of rheumatic heart disease and type 2 diabetes. However, while each project is expected to help reveal the local genetic and environmental causes of illness, the research teams will also be working closely together to develop expertise among African scientists, enhance the infrastructure for genomics research in Africa and contribute to training the next generation of African researchers.

The construction of the Francis Crick Institute in London passed a significant point in June 2013 when the building reached its full height. A traditional topping-out ceremony was held alongside the unveiling of the Institute's strategy. The new building is scheduled to open in 2015, when it will welcome 1,500 leading researchers and support staff. It will bring to fruition a landmark partnership between the MRC, Cancer Research UK, the Trust and three of London's leading universities.

Focus area 2: Accelerating the application of research

Turning scientific discoveries into practical tools for treating or preventing ill health is not a simple process and often requires skills and expertise beyond the capacity of any single individual or organisation. As important as technological innovation in medical research and development is innovation in the way scientists, academic research centres and biotechnology companies can work together.

At Stevenage Bioscience Catalyst, small and growing life science companies can take advantage of office space and laboratories that suit their needs. On top of that, they can benefit from the site's ethos of open innovation: a community atmosphere across the site, allowing companies to explore new ways of working together and with more established organisations.

Stevenage Bioscience Catalyst, which opened in February 2012, is a joint venture between the Wellcome Trust, the UK government and GlaxoSmithKline, but other companies and organisations have been keen to be part of the project. GE Healthcare Life Sciences opened a technology laboratory there in October 2013, and MRC Technology also announced it would be relocating its drug discovery activities to the site by 2015. The University of Cambridge is an important partner, but tenants are working with other UK universities as well, while the connections between Stevenage Bioscience Catalyst and academia, charities, businesses and the pharmaceutical industry continue to grow.

This collaborative approach is a strong model for the development of new drugs and other therapies to treat and prevent disease, and it is delivering success around the world. At KU Leuven in Belgium, Trust funding led to the identification of compounds that stop several types of the virus that causes dengue fever, which can have life-threatening complications and has become endemic in many parts of the world. In August 2013, Janssen Pharmaceuticals entered into a research collaboration with the Trust and KU Leuven to develop these compounds, accelerating work that could lead to the first drug to treat dengue fever.

Three awards made this year through the Health Innovation Challenge Fund, which is supported equally by the Trust and the Department of Health, could transform the way we diagnose, monitor and control infectious diseases in the UK. Teams at the University of Oxford, the University of Cambridge and University College London are undertaking complementary research to apply whole-genome sequencing in analysing the spread of disease-causing bacteria and viruses. All three initiatives involve collaborations between academic institutions, the private sector, Public Health England and the NHS. The data from the projects will be standardised and placed in a single online repository linked to national epidemiology databases, laying the foundations for a single, integrated national strategy for detecting and preventing these diseases.

Focus area 3: Exploring medicine in historical and cultural contexts

The Wellcome Library has been a mainstay of research into the history of medicine since its early days as the private collection of Sir Henry Wellcome. Today, the Library is open to everyone, and while many researchers come and use it in person, it is becoming more common for people to seek information online. As a result, the Library has a long-term commitment to digitise a substantial proportion of its holdings and make the content freely available on the web. Ahead of the 60th anniversary of the discovery of the structure of DNA, the Library launched Codebreakers in March 2013. This £3.8 million project digitised over a million pages from the history of genetics: notes, letters, sketches, photographs and essays from pioneers of modern genetics. The next phase of digitisation will focus on material relating to neurology and mental health.

In May 2013, we published the results of the second Wellcome Trust Monitor. Conducted every three years, this survey is designed to elicit reliable information about the UK's attitudes to health, biomedical research and science education. In general, this year's survey found that the public had a high level of interest in science, but understanding of how research is conducted was not strong and levels of understanding were lower than in 2009.

Engaging the public with scientific research therefore remains a vital part of the Trust's work. We seek to spread the delight and interest many derive from science and its intrinsic spirit of curiosity, but we also believe people need to be able to engage with science to understand how new discoveries and technologies might affect their lives. And we believe you can never start to engage people too young – in March 2013, a new gallery opened at Eureka!, an interactive museum in Yorkshire for children aged up to 11. Developed with support from the Trust, All About Me harnesses the latest understanding in playful learning to captivate, stimulate and challenge young children on science, health and wellbeing. It links to the National Curriculum while engaging and entertaining families.

From the Wellcome Trust Monitor and the public engagement projects we fund, we know that people are enthusiastic about learning, questioning and debating scientific ideas. Nowhere has this been more apparent, however, than in Wellcome Collection, our venue for exhibitions and events. After six years of successful, popular exhibitions, Wellcome Collection is transforming to meet demand. New areas are being brought into use, opening up more gallery space, a new restaurant and a studio for live events and activities. Work on Wellcome Collection is due to be completed in summer 2014 and

will reinvigorate its characteristic blend of art and medicine.

Challenge 1: Maximising the health benefits of genetics and genomics

Identifying every genetic mutation in thousands of individual tumours has enabled researchers to understand the causes of cancer better than ever before. An international collaboration led by the Wellcome Trust Sanger Institute studied genetic material in more than 7,000 samples taken from people with the most common forms of cancer. The frequency of particular mutations varied greatly according to the type of cancer. The team identified more than 20 'signatures', or patterns of mutations, that are helping to reveal the underlying biological processes responsible for cancers. The knowledge from such studies could become a vital component of genetic testing to understand a person's cancer and the best way to treat it.

Research in the field of epigenetics has identified various ways in which DNA is modified to switch on or off specific genes in response to particular conditions. Most of these modifications are erased during the production of sperm and egg cells so that genes can be passed on afresh to the next generation. However, Trust-funded research at the University of Cambridge showed this year that some of these modifications do get passed on, suggesting that epigenetic inheritance can occur. If this plays a significant role in particular diseases, identifying and erasing epigenetic modifications could help to reduce the risk of disease.

There are limits to the genetic studies that can be carried out in humans, so researchers use a range of organisms to model human genetics. One such model organism is the zebrafish, and in April 2013, researchers finished sequencing the entire zebrafish genome, complete with relevant biological information about the function of its genes. This level of analysis had only previously been done for humans and mice. The work, which was led by researchers at the Wellcome Trust Sanger Institute, revealed that 84 per cent of genes known to be associated with human disease have a counterpart in the zebrafish genome. This confirms the relevance of zebrafish research to human genetics and could help scientists to uncover more of the biological processes behind diseases.

Challenge 2: Understanding the brain

Over three days in April 2013, the Barbican Centre in London came alive with an interactive 'street fair' of experiments and demonstrations about the brain held alongside a British Neuroscience Association conference. Almost 2,000 delegates attended the conference and another 5,000 people came to the street fair to play videogames with their brainwaves, knit a neuron or go on a brain treasure hunt. The event was the culmination of a month-long season of activities organised by the Barbican and the Wellcome Trust: 'Wonder: Art and science on the brain' brought scientists, artists and the public together to explore the wonders of our brains.

Mental health can be complex and controversial. For example, attention deficit hyperactivity disorder (ADHD) raises a number of ethical and social issues, particularly the question of whether to use drugs to treat children diagnosed with the condition. Trust-funded research has been examining the children's own attitudes to ADHD, behaviour, medication and identity. More than 150 children aged 9–14 in the UK and USA were interviewed about their perspectives and experiences. In contrast to the common concern that drugs like Ritalin turn children into 'robots', the researchers found that children with ADHD tend to feel they benefit from medication by regaining control over their decisions. The project's website (www.adhvoices.com) now has a series of animations and advice for families, doctors, teachers and children affected by ADHD.

One of the most immediate applications of modern brain-imaging techniques is in surgery. For example, around 40 per cent of people with epilepsy in the UK have seizures that do not respond to antiepileptic drugs. For these people, an operation to remove the parts of the brain where their seizures start is the only option that offers a possible cure. However, brain surgery obviously carries a risk of damage to the brain, which can have serious and lasting effects. With funding through the Health Innovation Challenge Fund, scientists at University College London are collaborating with Medtronic – the world's largest medical technology company – to make epilepsy surgery safer. Information from an array of imaging techniques is integrated in a visualisation of the patient's brain to allow the surgeons to plan their approach. The system was successfully used in planning surgery for around 30 patients this year, and continues to be developed and refined.

Challenge 3: Combating infectious diseases

Wellcome Trust-funded scientists were at the forefront of research efforts this year after a new infectious disease emerged. Middle East respiratory syndrome (MERS) coronavirus was first identified after the death of a Saudi Arabian man in June 2012. By studying an outbreak in a Saudi hospital in spring 2013, an international team of scientists helped to shed light on the origin and characteristics of the new virus. Trust-funded researchers developed a 'deep sequencing' technique to rapidly analyse virus genomes. They showed that the virus was being transmitted from person to person and that there were three distinct varieties of MERS virus among 21 patients. This type of

information helps clinicians minimise the spread of MERS and prevent new infections.

Researchers from the Pirbright Institute and the Universities of Oxford and Reading made a new vaccine against foot and mouth disease this year. Outbreaks of the virus in livestock can disrupt agriculture on a national scale, but existing vaccines to control it all have limitations. The new vaccine is more stable, easier to transport and suitable for manufacture without requiring high-security facilities. Work at the Diamond Light Source synchrotron, which is co-funded by the Trust, helped show the effects of modifying the structure of the virus with its infectious genetic contents removed, which enabled a stable vaccine to be developed. When injected into cows, this activated the animals' immune responses, protecting them against several common strains of the virus without at any stage involving live viruses. Similar techniques could be applied to related human viruses, such as polio.

Central to the fight against infectious diseases over the last century have been a range of powerful and effective antibiotics. However, the rise of antibiotic resistant bacteria presents a serious challenge and new antibiotics are urgently needed. In September 2013, a US biopharmaceutical company called Achaogen, Inc agreed with the US Food and Drug Administration the design and planned analyses of the phase III trial of a new antibiotic called plazomicin. Plazomicin, which has been designed to treat infections of a group of bacteria called carbapenem-resistant Enterobacteriaceae, is the result of a programme of work that the Trust supported five years ago through our Seeding Drug Discovery initiative. We are delighted that the work has reached the final stage of clinical testing.

Challenge 4: Investigating development, ageing and chronic disease

Chronic conditions such as diabetes are on the rise around the world, but despite the fact that hundreds of thousands of people in the UK alone live with diabetes, treatments are far from ideal. While the intention is to control blood sugar levels, daily insulin injections or the continuous infusion of insulin through a pump can inadvertently produce prolonged episodes of high or low blood sugar. These occur because the treatment cannot account for fluctuations in blood sugar during ordinary activities such as eating and exercising. With funding from the Wellcome Trust, a team at Imperial College London is developing a device that will continuously manage a person's blood sugar levels. So far, 20 people with diabetes have tested the device with positive results, and the team secured further Trust funding this year to undertake clinical evaluation with the aim of getting regulatory approval.

In December 2012, researchers from the University of Cambridge described an efficient and convenient way to make induced pluripotent stem cells from a blood sample. Pluripotent stem cells can change into any other type of cell in the body, offering huge potential for medicine, but are difficult to obtain from adults. However, it is possible to induce normal adult cells to become pluripotent stem cells, by 'turning back the clock' to give them the right properties. The work, co-funded by the Trust, suggests that induced pluripotent stem cells could be made routinely from patients' own blood cells and then used to treat conditions such as heart disease.

Most of what we do at the Wellcome Trust focuses on extending life and improving its quality. However, at Wellcome Collection in the winter of 2012/13, an engrossing and thought-provoking exhibition turned our attention to death. Taboos about mortality are embedded in culture but the subject has long been a source of fascination to artists. Death: A self-portrait investigated the value of art in developing ideas about the body and the end of life. The exhibition attracted 136,000 visitors, inviting them to challenge their own attitudes to mortality.

Challenge 5: Connecting environment, nutrition and health

In March 2013, the first Access to Nutrition Index was published. Funded by the Global Alliance for Improved Nutrition, the Bill & Melinda Gates Foundation and the Wellcome Trust, it assessed the commitments, performance and disclosure practices of the world's 25 largest food and beverage manufacturers as measured against accepted best practice. There is growing recognition that international businesses can play a significant role in tackling the dual challenges of malnutrition among poorer people and rising obesity among the emerging middle classes. Improved monitoring of food and drink manufacturers should be good for public health, therefore, but also for the companies and the long-term sustainability of their industry. The index will be recalculated and published every three years.

Food of a different nature took the spotlight during 'Who's the Pest?', a season of events at Wellcome Collection in spring 2013 examining insects as friends, enemies and, potentially, dinner.

A series of debates, interactive exhibits and cooking demonstrations encouraged discussion between designers, chefs, entomologists, environmentalists and the public about insects and the influence they have on our environment, affecting agriculture, nutrition and human health.

With the world's population predicted to reach 9 billion by 2050, people's health and wellbeing will become increasingly threatened by lack of access to clean water, nutritious food and sanitation, and by environmental factors such as poor air quality and climate change. These interlinked global challenges are already growing as more of us live in towns and cities and our changing lifestyle choices contribute to the rise of obesity and chronic diseases.

To promote new research in this area, the Trust launched a funding scheme called Sustaining Health in July 2013. A fund of £5 million will support pilot projects that seek to define and investigate these issues and the impact of our behaviour as individuals and societies. It is hoped that the projects will build capacity for interdisciplinary research and go on to attract more substantial funding from the Trust's other biomedical and translational funding programmes.

Figure 1a

Total portfolio net returns (£)
Period to 30 September 2013

	Annualised return in £ (%)		
	Nominal	UK CPI	Real
Trailing one year	18.4	2.7	15.7
Trailing three years	10.4	3.4	7.0
Trailing five years	9.4	3.1	6.3
Trailing ten years	9.7	2.7	7.0
Trailing twenty years	9.8	2.2	7.6
Since Oct 1985	13.9	3.0	10.9

	Cumulative return in £ (%)		
	Nominal	UK CPI	Real
Trailing one year	18	3	16
Trailing three years	35	11	24
Trailing five years	57	17	40
Trailing ten years	153	30	123
Trailing twenty years	551	54	497
Since Oct 1985	3,727	128	3,599

Figure 1b

Total portfolio net returns (blended £/$)
Period to 30 September 2013

	Annualised return in blended currency (%)		
	Nominal	UK/US CPI	Real
Trailing one year	18.6	2.1	16.5
Trailing four years	10.9	2.6	8.3

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

Over the past decade, we have (as shown in figures 1a, 2 and 8) consistently managed to secure better returns than equity markets; (153% cumulative (10% p.a.) versus 130% cumulative (9% p.a.) for global equities over 10 years, while recording much lower levels of volatility (figure 3).

Market timing is an important tool for us (figure 4). Having reduced our exposure to public and private equity from 80% of our portfolio in 2005 to 58% in 2008, we used the period between 2008 and 2011, when most investors were highly risk averse, to restore it to 69%. It has since risen to 74% and, in the past two years, investors have returned to risk assets. We have been rewarded for this initially counter-cyclical action as returns have exceeded £7 billion (57%) since the beginning of the Global Financial Crisis in September 2008, with five consecutive years of positive performance.

It is always challenging in a diversified portfolio to keep up with global equities when they deliver returns like the 18% in 2012/13. We started the year with public equity exposure of only 42%. We handicapped ourselves by having a hefty 25% of our equity exposure in faster growing markets, where there are short-term challenges, and over 40% in our Mega Cap Basket, the cornerstone of our long-term equity exposure (we sold no shares in any of the 31 holdings in the year). This strategy, as expected, lagged the strong market rally.

We were, therefore, delighted, but somewhat surprised that our equity investments overall outperformed global equities over the year and that our overall portfolio return of £2.6 billion (18%) kept up with equity markets.

Not owning bonds or commodities, which generally delivered negative or lacklustre returns, removed a potential drag on performance. Both nominal and real bond yields remain, in our opinion, too low as a consequence of financial repression and we are unlikely to change our stance on bonds. Investment opportunities may, however, be more interesting in commodities.

At the margin, we shifted within equities from Faster Growing markets (FGMs) into Japan, where we fully hedged our positions against Yen depreciation to enhance our returns. However, the largest contribution to our equity performance came from the outperformance of strategies against their benchmarks. The £612 million internally-managed Optionality Basket (which consists of companies whose operating performance and valuation appear to offer considerable upside potential given the underlying strength of their franchises) led the way, returning 47% and beating markets by 29%. Four of our fourteen external equity managers managed to outperform by at least 10% and only three of sixteen strategies underperformed.

Figure 2
Total portfolio cumulative net returns since 1986 (%)

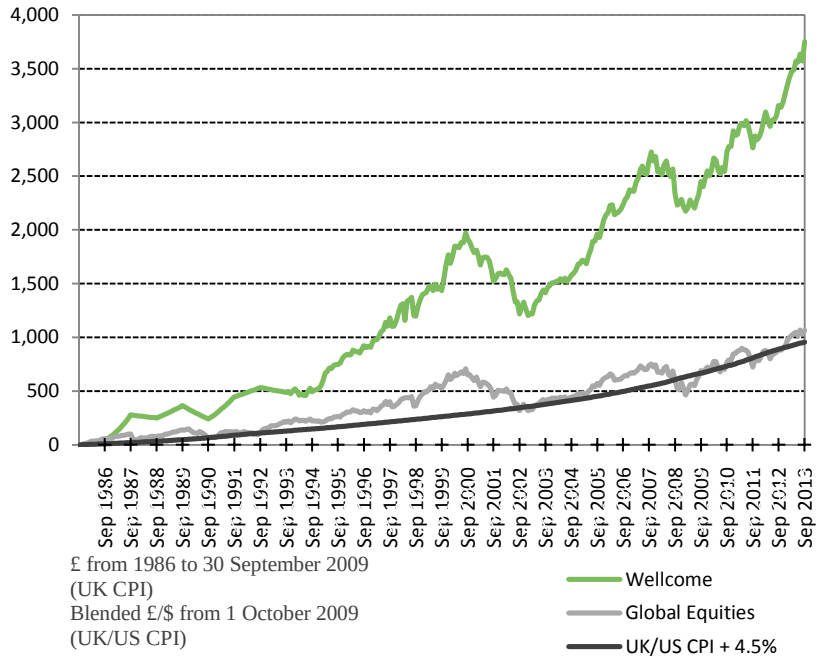
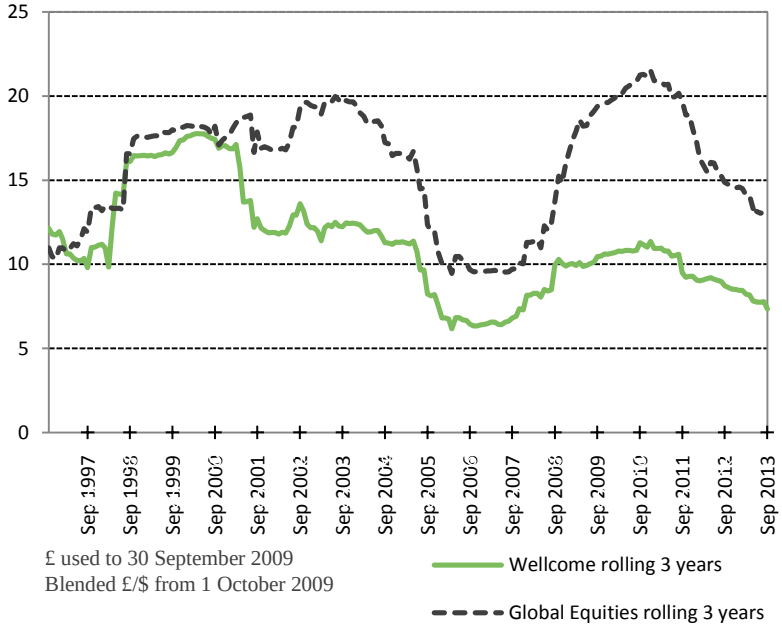


Figure 3
Volatility (standard deviation) of returns (%)



Illiquid investments also contributed fully to performance. Our hedge funds returned 15% (in US$, their base currency). All 20 of our hedge fund partners delivered positive returns with 14 achieving double digit returns. We were helped by our bias towards equity long/short funds. Large buyout funds, taking advantage of the opportunities for refinancing debt cheaply, returned 17%, only pipped by the 18% return from venture funds, which made good use of the strong IPO markets, especially in the US.

In our directly-held private company portfolio, we recognised a gain in excess of $100 million from the acquisition of our stake in drug company Amplimmune by AstraZeneca. Accounting rules also required us to recognise the post-year end IPO of Twitter, where our stake of more than 1% was marked up by more than $100 million.

Our £515 million composite of multi-asset partnerships (MAPs) in selected regions (Africa, Arab World, Brazil, East Asia) which can invest freely in public or private equity or debt, returned 20% in the first six months of its existence against a 10% decline in FGM equity markets.

Within our property interests, 90% is represented by residential property which recorded another strong year, boosting our total returns from property to over 150% cumulative (10% p.a.) in the past ten years.

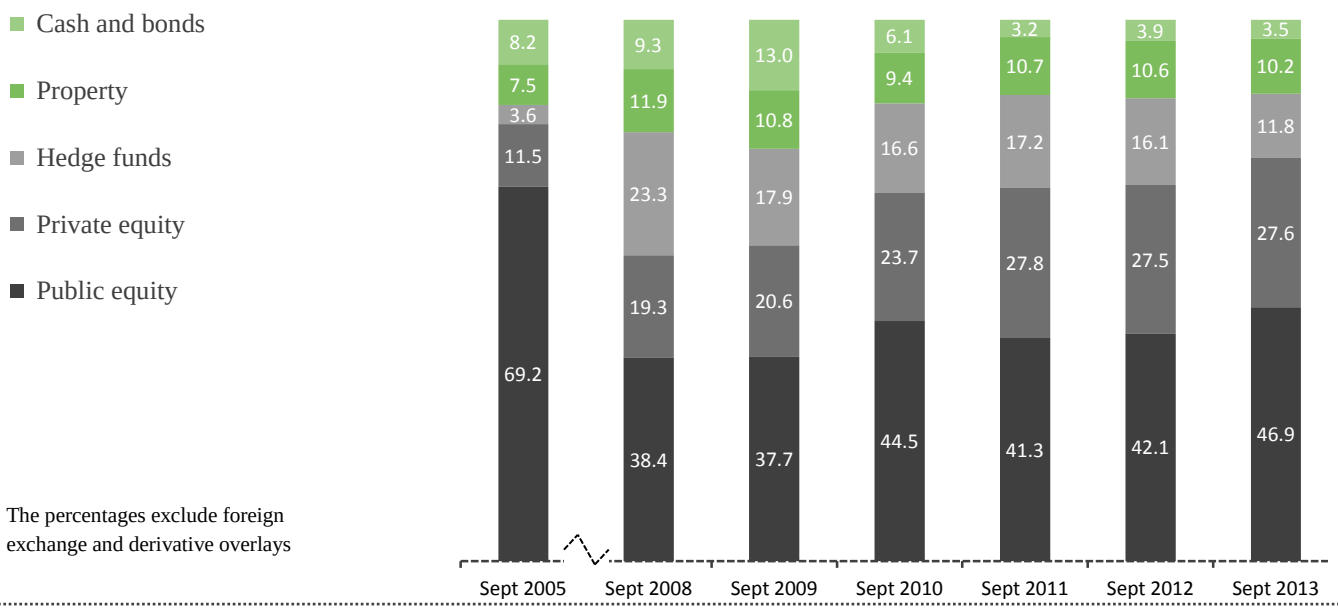
Looking forward, we would expect asset returns to be weaker over the next five years than they have been over the last five or ten years. High single-digit returns from equities might be a reasonable base expectation, in line with the very long term experience. Companies will continue to struggle to grow revenues given the negative impact on the productivity of both labour and capital from continuing zero interest rate policies, which divert capital away from productive investment.

Favourable tailwinds from falling labour and financing costs may abate. Equities, after the 64% rally in the past five years, appear fairly valued: dividend payments and share buybacks would appear to be underpinned by cash flows but further re-rating may be unsustainable.

Our response has been to concentrate our portfolio further in order to seek excess returns, which are driven by the success of individual assets, business models and partnerships over the long-term rather than merely by market price movements. Currently we have just under 100 interests in assets, businesses (public or private) and partnerships (including multiple funds with the same partner), which are valued at least at $100 million. They comprise more than 80% of the total value of the portfolio and are fairly evenly split between direct ownership and external management.

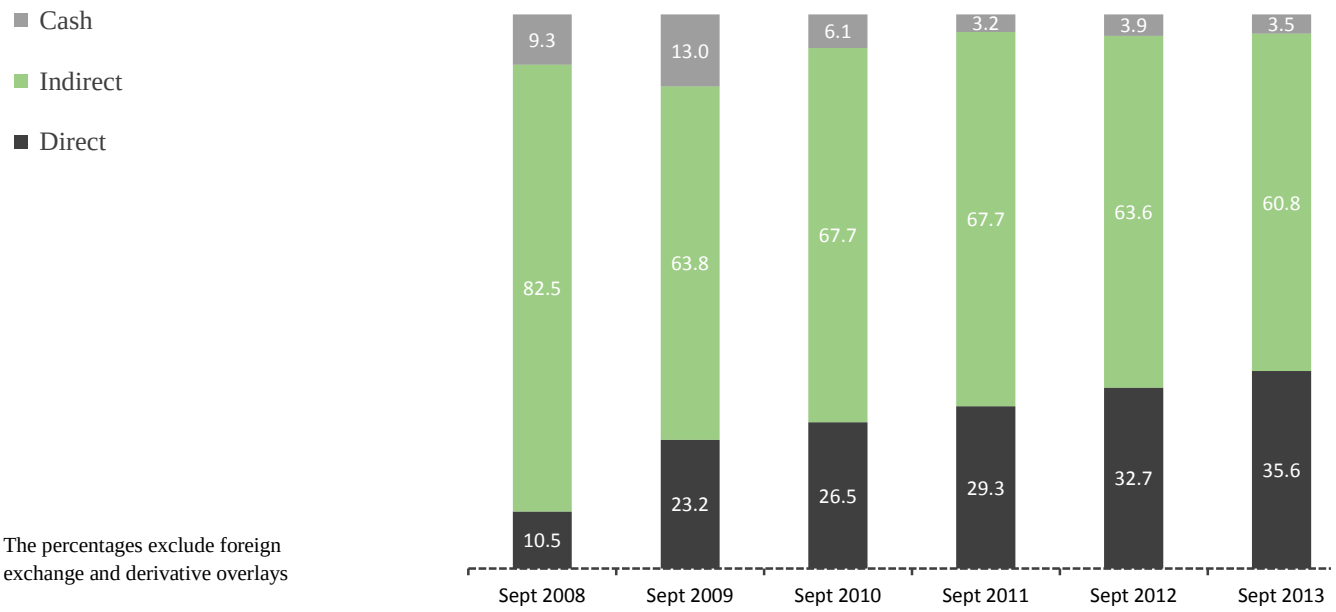
Figure 4

Evolution of asset allocation (%)



The percentages exclude foreign exchange and derivative overlays

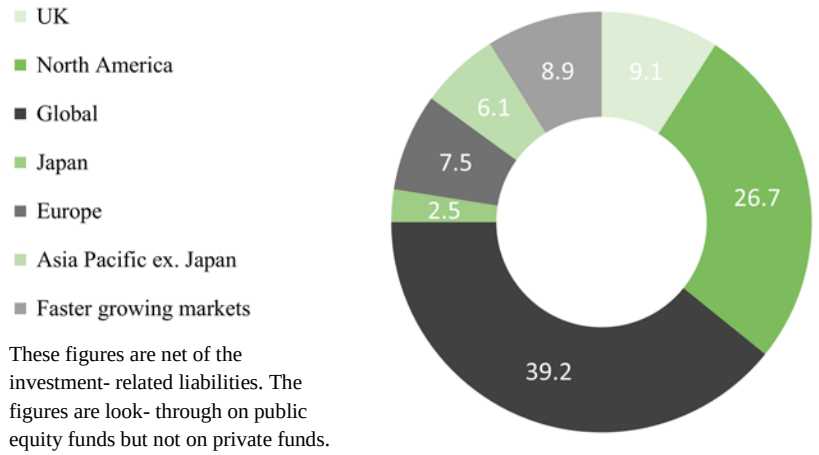
Figure 5
Evolution of asset allocation, directly and indirectly managed (%)



The percentages exclude foreign exchange and derivative overlays

Our long-term focus is reflected by the fact that over 30% of these relationships are more than a decade old and less than 15% have been initiated in the past five years. A small number of business models may fail and need replacing, and we anticipate our net cash flows to be significantly positive over the next five years provided there is no renewed crisis impacting economies and markets. We might therefore expect to add 15-20 new partnerships over the period, while continuing to rationalise the legacy tail. While we have no pre-set notion of asset allocation however, we might expect many of the new investments to be related to our long-term investment themes of ageing demographics, the disruptive knowledge economy, the New New World and scarcity.

Figure 6
Regional asset allocation (%)
As at 30 September 2013



These figures are net of the investment- related liabilities. The figures are look- through on public equity funds but not on private funds.

Figure 7
Investment asset allocation
As at 30 September

	2013 £m	2013 US$m	2013 %	2012 %	Change in allocation %	2010 %	Change in allocation %
Public equity	**8,112**	**13,137**	**46.8**	**42.0**	**4.8**	**44.5**	**2.3**
Global markets	4,495	7,281	25.9	23.0	2.9	-	
Developed World	1,953	3,162	11.3	9.8	1.5	-	
Faster Growing Markets	1,641	2,657	9.5	10.8	(1.3)	-	
Futures and options	23	37	0.1	(1.6)	1.7	-	
Long/short equity hedge funds	**929**	**1,504**	**5.4**	**7.1**	**(1.7)**	**9.6**	**(4.2)**
Cash and bonds	**604**	**978**	**3.5**	**3.9**	**(0.4)**	**5.9**	**(2.4)**
Cash and bonds	627	1,015	3.6	2.3	1.3	-	
Futures and options offset	(23)	(37)	(0.1)	1.6	(1.7)	-	
Absolute return & buy out	**2,538**	**4,111**	**14.7**	**17.6**	**(2.9)**	**16.6**	**(1.9)**
Large MBO funds	863	1,398	4.9	5.6	(0.7)	4.8	0.1
Mid MBO funds	339	549	2.0	2.1	(0.1)	1.9	0.1
Secondary buyout PE funds	23	38	0.1	0.2	(0.1)	0.3	(0.1)
Distressed debt PE funds	202	327	1.2	1.8	(0.7)	2.6	(1.4)
Multistrategy hedge funds	860	1,393	5.0	5.2	(0.2)	4.7	0.3
Distressed debt hedge funds	251	406	1.5	1.7	(0.2)	2.3	(0.8)
Managed futures hedge funds	-	-	-	1.0	-	-	-
Growth & venture	**3,346**	**5,419**	**19.3**	**18.9**	**0.4**	**14.1**	**5.2**
Venture funds	1,351	2,189	7.8	8.0	(0.2)	6.8	1.0
Specialist PE funds	434	703	2.5	2.7	(0.2)	2.0	0.5
Growth PE funds	137	222	0.8	0.8	-	1.0	(0.2)
Faster Growing Markets - PE funds	122	197	0.7	3.6	(2.9)	0.8	(0.1)
Direct - healthcare	231	374	1.3	0.9	0.4	1.3	-
Direct - knowledge	506	819	2.9	2.6	0.3	1.3	1.6
Direct - financials	50	81	0.3	0.3	-	0.9	(0.6)
MAPS Funds	515	834	3.0	-	3.0	-	-
Property & infrastructure	**1,757**	**2,845**	**10.2**	**10.6**	**(0.4)**	**9.4**	**0.8**
Residential property	1,573	2,548	9.1	9.4	(0.3)	8.1	1.0
Commercial property	184	297	1.1	1.2	(0.1)	1.3	(0.2)
Currency hedges	**13**	**22**	**0.1**	**(0.1)**	**0.2**	**(0.1)**	**0.2**
Total assets	**17,299**	**28,016**	**100.0**	**100.0**	**-**	**100.0**	**-**
Bond liability 4.625% 2036	**(609)**	**(987)**	-	-	-	-	-
Bond liability 4.75% 2021	**(316)**	**(512)**	-	-	-	-	-
Total assets inc bond liability	**16,374**	**26,517**	-	-	-	-	-

Public equity

Notwithstanding the 74% return (in £ terms) from our equity investments over the past five years, we have been content to let our exposure rise to 47% of our total portfolio as we have seen financial repression drive investors away from low-yielding bonds into equities. While the dividend yield on equities remains above that of developed Government bonds, it is difficult to see these flows reversing. Our focus is on absolute returns rather than relative performance; we principally use the timing of purchases in the £4.0 billion of stocks that we own directly plus our beta management and derivative overlay hedging strategies (as discussed on pages 26 and 27), in an attempt to achieve this objective.

Of our fourteen external managers, twelve outperformed against their individual benchmarks during the year, a similar number to those who have outperformed since inception of their mandates (in all bar one case, between 5 and 17 years ago). Reflecting our encouragement to external managers to hold concentrated portfolios, four beat their benchmarks by at least 10% with the most spectacular performance from our Japanese manager whose investments returned 82% in Yen (which we had almost fully hedged into £).

We continue to hold the same 31 holdings in our directly-managed Mega Cap Basket (MCB), valued at £3.4 billion, as last year and have sold no shares in any of the holdings. Our total return on cost since inception in 2008 has risen to 55%, representing an annual IRR of 13.2% against a 5 year annual return for markets of 10.4%. The largest MCB holding at £216 million is currently Vodafone, ahead of the buyback by Verizon of its cross-holding. The highest return on cost has been earned by Apple at 308% and only Telefonica has recorded an irritating 1% loss.

Figure 8

Public equity net returns (%)
Period to 30 September 2013

	Annualised return in £ (%)		
	Wellcome	MSCI AC World	Relative
One year	19.7	18.0	1.7
Three years	9.8	9.8	-
Five years	11.7	10.4	1.3
Ten years	9.5	8.7	0.8
Since January 1993	8.5	7.6	0.9

Figure 9

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

	2013 Value £m	2012 Value £m	2011 Value £m	2010 Value £m	2009 Value £m
Indirectly managed	4,125	3,567	3,584	4,211	4,205
Global	531	375	739	815	978
Developed markets	1,953	1,522	1,332	1,603	1,670
Faster growing markets	1,641	1,670	1,513	1,793	1,557
Directly managed	3,964	3,179	2,481	2,354	1,855
Mega cap basket	3,352	2,771	2,262	2,072	1,649
Optionality basket	612	262	219	282	206
Private to public	-	146	-	-	-
Futures, options & others	23	(247)	(89)	5	(817)
Total	8,112	6,499	5,976	6,570	5,243

We have a policy of disclosing publicly our holdings in each company, even where not required to, and engaging actively with company management to promote long-term thinking. As our tenure on shareholder registers lengthens and our holdings grow, we are achieving greater traction. The power of cash flows and monetisation in these companies is reflected in the growth of the prospective 12 month forward dividend yield based on consensus estimates over the past year from 3.3% to 3.5%, notwithstanding share price appreciation. Minimum market capitalisation has risen to at least $70 billion, ensuring a very strong liquidity profile.

The directly managed Optionality Basket was extended from 3 to 7 holdings over the year as we combined it with the private to public basket. Its size grew significantly to £612 million as it returned 47% over the year, increasing total return on cost to 63%, an annual IRR of 18.6%. The largest holding is Marks & Spencer at £255 million, also the highest return at 134%.

Overall, 20 of our 35 direct public equity holdings greater than $100 million have generated at least a 50% return on cost. While prospective annual returns have declined after the market recovery, we are confident that each will continue to reward shareholders given the strength of their business models.

Figure 10

Direct public equity largest holdings

As at 30 September 2013

	Total value £m	Total value US$m	Return on Cost GBP % (Inception dates differ)
Marks & Spencer	255	413	134%
Vodafone	216	350	47%
HSBC	149	241	39%
Toyota	144	233	80%
Apple	136	219	308%
Bank of America	124	200	15%
Microsoft	123	200	45%
Royal Dutch Shell	122	198	27%
Google	122	197	117%
JPMorgan Chase	121	197	50%
Roche	117	189	96%
Siemens	115	187	75%
General Electric	115	186	60%
Facebook	114	185	54%
Anheuser-Busch International	114	184	86%
BP	113	182	10%
Nestle	112	182	72%
GlaxoSmithKline	109	177	43%
Berkshire Hathaway	105	171	40%
Morgan Stanley	100	162	17%
Unilever	98	158	75%
IBM	97	158	82%
Novartis	95	154	65%
Cisco	93	151	24%
Schlumberger	93	150	60%
PepsiCo	88	143	49%
Johnson & Johnson	88	143	57%
Rio Tinto	86	140	59%
BHP Billiton	86	139	52%
Procter & Gamble	79	129	37%
Bank United	77	125	60%
Coca-Cola	75	121	73%
Telefonica	72	117	(1%)
Exxon Mobil	69	112	28%
Banco Santander	64	104	33%

Hedge Funds

For a second successive year, our hedge fund returns improved. Strong equity and credit markets provided a favourable tailwind for our partners, all of whom recorded positive returns; 14 out of 20 recorded double-digit returns, including all seven multi-strategy funds. Over the past five years, the overall volatility of our hedge fund returns has been less than 7% which has helped to reduce overall portfolio volatility.

During the year, we removed exposure to three managed futures and one debt fund, bringing the number of remaining partners to 20 and raising the average exposure to above $160 million. We have been partnered with 15 of these for over five years; although we remain open to new relationships, we need to be able to invest at least $100 million.

Our total exposure in the portfolio to hedge funds has declined to below 12%, the lowest level since 2005. This has been driven in part by strong performance elsewhere and in part by the fact that, as our portfolio overall becomes more cash generative, our need for the medium term liquidity provided by hedge funds reduces.

Private equity

Our overall exposure to private equity continues to grow, up from £2.5 billion in September 2008 to £4.8 billion (including £515 million in multi-asset partnerships). However, the focus of investments continues to change: distressed debt funds make up less than 5% of exposure compared with 10% as recently as 2010. In nominal terms, the exposure to buyout funds is peaking as distributions considerably exceed new commitments and drawdowns.

Figure 11
Hedge fund net returns (%)
Period to 30 September 2013

	Annualised return in US$ (%)			
	1 year	3 years	5 years	10 years
Distressed debt	11.6	7.1	9.0	8.7
Multistrategy	13.5	8.3	7.2	6.8
Equity long/short	15.5	10.0	7.9	7.5
Total hedge funds	15.1	8.9	7.6	7.3

Figure 12
Hedge fund investments by strategy (£)
As at 30 September

	2013 Value £m	2012 Value £m	2011 Value £m	2010 Value £m	2009 Value £m
Distressed debt	251	255	310	339	308
Multistrategy	860	802	725	647	722
Equity long/short	929	1,105	1,073	1,361	1,393
Others	-	319	379	107	57
Total hedge funds	2,040	2,481	2,486	2,454	2,480

Figure 13
Private equity fund net returns (multiples)
Period to 30 September 2013

	Drawn (£m)	Realised (£m)	Net Asset Value (£m)	Total Value to Drawn
Buyout Funds	3,079	2,879	1,450	1.40
Growth Funds	1,464	1,063	983	1.40
Distressed Funds	416	383	202	1.40
Venture Funds	1,067	1,094	804	1.78
Healthcare and Healthcare/Venture Funds	1,045	855	548	1.34
All Funds <=2007	5,453	5,835	2,238	1.48
All Funds >=2008	1,618	439	1,749	1.35
All Funds Total	7,071	6,274	3,987	1.45

In contrast, exposure to growth and specialist funds and to MAPs in Faster Growing Markets has more than doubled since 2010; this reflects, in part, our view that, as financing costs rise, funds which are less dependent on financial leverage should perform more strongly.

Exposure to venture within private equity rose to 30% for the first time and is expected to continue to rise. So too is our direct private equity exposure, which has tripled since 2009 and now comprises almost a fifth of our private equity interests. Stock market listings, such as that of Twitter, may cause some businesses to move to our public portfolio: we are indifferent between public and private companies and have yet to sell any shares in an IPO of a directly held private company.

As shown in Figure 13, our principal performance metric is the total realised plus unrealised value compared with drawn commitments (otherwise described as the Multiple on Invested Capital). Clearly, more recent funds will initially compare less favourably as they go through their investment period, but, now that our interests have a history of almost 20 years, the overall figures have become meaningful. With our investment exposure having grown from £1.4 billion in 2005 to £4.8 billion today, more recent vintages still carry greater weight.
In a statistical quirk, buyout, growth and distressed funds have all delivered a net (after fee) return to us of 1.4 times our invested capital. Our target return is 1.5 times: with £2.6 billion of outstanding unrealised value compared with £5.0 billion of drawn capital, we are confident that we should exceed the target.

We have a higher target return for venture technology funds of 2.0 times. This in part reflects longer holding periods and in part the ability of our excellent partners to obtain outsize returns on a serial basis. With significant unrealised value, we are well on track to meet this target.

Healthcare and mixed venture funds have not delivered similar outsize returns due to the greater capital intensity and regulatory scrutiny in the sector. As a result our new commitments have been significantly scaled back in the past five years. We are optimistic that existing funds will return 1.5 times.

The availability of capital for the private equity industry generally reduced significantly after 2008 at the same time as acquisition valuations

Figure 14
Private equity fund net returns (%)
Period to 30 September 2013

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Large MBOs	16.9	12.1	10.5	14.2
Distressed PE funds	13.9	8.9	10.5	11.8
Venture	18.1	14.1	10.2	5.7
MSCI AC World	18.0	9.8	10.4	8.7

Figure 15
Private equity investment by strategy (£)
As at 30 September

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Buyouts	1,226	1,209	1,185	1,068	970
Growth, sector and faster growing markets	693	935	703	540	470
Distressed	202	283	325	361	310
Venture	1,352	1,237	1,211	1,010	829
Direct	786	585	594	515	260
Total	4,259	4,249	4,018	3,494	2,839

Holdings (valued at £335m, as of Sep 2013) were removed from Growth, Specialist & Faster Growing Markets and designated as Multi-Asset Partnerships (MAPs) during 2013

Figure 16
Multi-Asset Partnerships (MAPs)
As at 30 September 2013

	Return Jan - Sep 2013		2013 value
	£ (%)	US$ (%)	£m
MAPs	19.7	19.3	515

declined. As a consequence of this and our decision both to concentrate the number of partners and to increase the size of individual investments, our post-2007 vintage private funds appear especially well positioned.

In Faster Growing Markets, we do not think that traditional Private Equity fund structures are usually appropriate vehicles given the length of horizon required, while public markets are often swung by fashions among public investors. Hence in Africa, the Arab World, Brazil and East Asia, we have established five MAPs which can freely invest in either public or private debt or equity. Early results are promising: in the six months since the establishment of the composite in March 2013, they outperformed public emerging markets by over 30%. We retain a veto over which other investors can join the partnerships.

In our directly held private company portfolio, we note that good progress is being made in a number of companies which span e-commerce, energy, data centres, financial services and healthcare.

Property

Within our property interests, we have emphasised residential over commercial investments for a number of years and have largely ceased to invest in property funds, preferring direct ownership or joint ventures. 90% of our property interests are now in residential property, predominantly in London where we own over £1 billion of buildings, and in Germany, where we are a significant owner of Deutsche Annington,, a previously private residential company, which floated on the stock market in July. Returns from these investments over the past decade have exceeded those in commercial property funds.

Direct ownership also works especially well for us given that it is aligned with our time horizon. We can plan on a multi-decade view noting our preference for control and our indifference to the timing of cash flows given the strength of our balance sheet and AAA/Aaa(stable) credit rating.

Unfortunately residential property in the UK has increasingly become politicised. In the super-prime market, such as our estate in Kensington, we are concerned about the impact of a more punitive tax regime. In contrast, in the broader market demand is being stimulated at the same time as supply is being constrained. Hence we have been selling down units in our Nautilus portfolio, which holds about 800 units mainly in London and the South-East of England. However, we have not yet been able to acquire suitable sites for residential development in our joint venture with the Berkeley Group, St Katherine.

We did acquire 50% of a London budget hotel joint venture in the year and continue to develop and own student accommodation; both directly and in a 50% owned joint venture. In Germany, with a much more stable regime, we have increased our exposure. As ownership of the market consolidates, benefits should accrue for both owners and residents.

Figure 17

Property net returns (%)
Period to 30 September 2013

	Annualised return in £ (%)			
	1 year	3 years	5 years	10 years
Direct residential	15.5	16.3	12.2	14.1
Residential funds	38.2	10.5	(2.3)	-
Commercial funds	(3.4)	(3.7)	(6.8)	1.0
Direct commercial	32.2	24.8	21.8	15.8
Property & infrastructure	16.6	13.4	7.7	10.3

Figure 18

Property investments by strategy (£)
As at 30 September

	2013 Value £m	2012 Value £m	2011 Value £m	2010 Value £m	2009 Value £m
Residential property	**1,573**	1,449	1,340	1,199	1,101
Commercial property	**184**	185	214	194	399
Total	**1,757**	1,634	1,554	1,393	1,500

Overlay capital management

Our in-house overlay capital management activities are used to manage risk and to seek to enhance returns, largely through the use of derivatives.

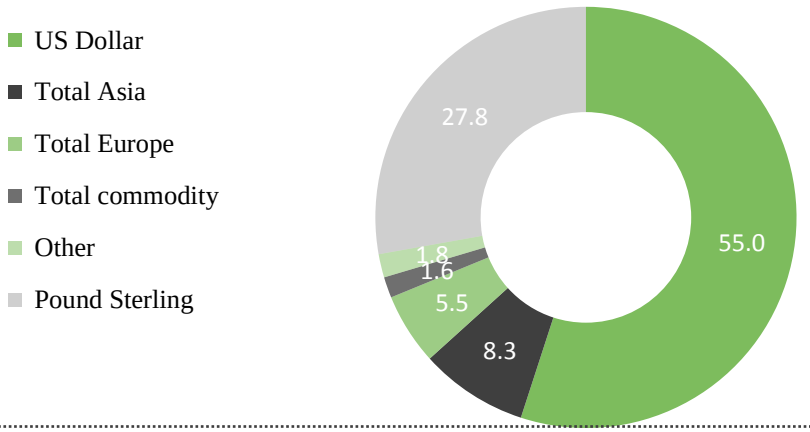
Over the course of the year, we used equity index futures and options to manage the overall equity beta of the portfolio between 0.74-0.78.

We also managed our foreign exchange positions actively to reflect our fundamental view on the economic outlook. Gains on our activities in 2012/13 exceeded £160 million ($265 million), principally because we hedged out most of our exposure to Euro and Yen and benefitted from investment in selected Asian, European and commodity currencies.

We hold long-term positions in a number of stronger currencies to offset the impact of negative real interest rates in our core currencies of British Pounds and US Dollars. Outside these, at the end of the year, net positions exceeding £100 million were held in the Swiss Franc, Euro, Polish Zloty, Korean Won, Singapore Dollar, Taiwanese Dollar and Hong Kong Dollar.

Figure 19

Asset allocation by currency (net of currency forwards)
As at 30 September 2013 (%)



Investment philosophy

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

1. Real assets offer the best long-term growth prospects and provide protection against inflationary pressures. However, sufficient liquidity must be maintained to avoid the forced sale of assets at distressed prices.

2. In order to maximise investment returns from global economic activity, the portfolio should be very broadly diversified with no innate geographical bias.

3. We seek to use the advantages of our long-term investment horizon, our ability to tolerate high levels of short-term volatility, our AAA balance sheet and our proactive governance structure.
4. The best returns will be driven by combining aligned partnership with the strongest external managers and building in-house resource to own selected assets directly.

We are flexible as to the nature of the vehicles in which we invest, whether public companies or private partnerships.

Investment risk management

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

1. Value at Risk (VAR).
   The VAR measures the minimum expected loss under normal market conditions over a specific time interval at a given confidence level.

   The estimated VAR of our portfolio at the end of September 2013 was 17.1% (2012: 16.9%).

2. Equity beta.
   Equity market beta provides an estimation of how returns from the portfolio are expected to move in relation to returns from global equity markets.

   In September 2013, overall estimated equity beta was 0.77 (2012: 0.75), having troughed at 0.5 in December 2008.

3. Base case cash forecasts.
   Our current expectation is that, before accounting for reinvestment, cash levels will increase steadily over the next five years.

4. Base currency exposure.
   Since October 2009, we have measured our returns in a 50/50 blend of Sterling and Dollars in order to recognise the global nature of our portfolio and the need to maintain global purchasing power.

We manage operational risks by having a segregation of duties between an experienced investments team and a supporting investment operations function. Monitoring and reporting are provided by the investment risk team and annual internal and external audits provide assurance to the Board of Governors.

The Wellcome Trust is a charitable trust created in 1936 by the Will of Sir Henry Wellcome and is now governed by its Constitution, which was established in February 2001 by a scheme of the Charity Commission and has been subsequently amended.

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

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

The Trustee and the Board of Governors

The sole trustee of the Wellcome Trust is The Wellcome Trust Limited, a company limited by guarantee (registration number 2711000), whose registered office is Gibbs Building, 215 Euston Road, London NW1 2BE. The Trustee is governed by its memorandum and articles of association. The directors of the Trustee (known as Governors), the Company Secretary of the Trustee, the Executive Board and other administrative details are shown on pages 85 to 86.

The 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 that there are no relationships or circumstances that are likely to affect, or could appear to affect, the Governors' judgement. Governors are appointed for terms of four years, with an extension of three years on mutual agreement, and a further three-year term on mutual agreement in exceptional circumstances.

The Chairman of the Board is Sir William Castell. His distinguished career in industry included positions as Chief Executive of Amersham plc, Vice Chairman of General Electric and President of GE Healthcare. Recent non-executive appointments have included the General Electric Company of the USA and BP plc. He is an Honorary Fellow of the Academy of Medical Sciences and is currently Chairman of Chichester Festival Theatre.

Professor Peter Rigby completed his three year term as Deputy Chairman on 30 September 2013. He has been reappointed to serve as a Governor of the Trust until 2016. Professor Dame Kay Davies, Dr Lee's Professor of Anatomy at the University of Oxford, a Governor since January 2008, took up the role of Deputy Chair on 1 October 2013.

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

During 2012/13, the Board of Governors met seven times, including a two-day residential strategic review meeting and had four private meetings without the Executive Board members (see table 1).

The Executive Board

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

Sir Mark Walport resigned as Director with effect from 14 March 2013 and Dr Jeremy Farrar was appointed as Director with effect from 1 October 2013. Dr Ted Bianco, Director of Technology Transfer and a member of the Executive Board, was appointed as Acting Director in the intervening period.

The Nominations Committee

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

The Trust undertakes a comprehensive induction programme for all new Governors, which includes a detailed induction notebook containing all the key background materials, and meetings with members of the Executive Board and senior management. In addition, training is available to all Governors as required.

Statement of Trustee's responsibilities

The Trustee is responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the Trust and the Group and of the incoming resources and application of resources of the Trust and the Group for that period.

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 SORP;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust 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 the Trust and enable them to ensure that the financial statements comply with the Charities Act 2011 and the Charity (Accounts and Reports) Regulations 2008. It is also responsible for safeguarding the assets and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Trustee 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 Trust's performance and strategy.

Statement of disclosure of information to auditors

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

Committees of the Board of Governors

The Board of Governors is assisted in its duties by a number of committees that report directly to it, on which at least one Governor is a member:

- Strategic Awards Committee: for funding decisions on proposals or initiatives that fall outside of established review, decision-making or funding mechanisms and delegations, and that require strategic, scientific or academic appraisal. In addition, for proposals from Science Funding, the relevant head of department attends the Committee for consideration of that proposal. The Committee brings in external experts to discuss applications.
- Investment Committee: for matters relating to the Trust's investments;
- Remuneration Committee: for remuneration issues; and
- Nominations Committee: for identifying potential candidates to fill Board and committee vacancies.
- Audit Committee: for matters of internal control, compliance with financial reporting requirements and liaison with and evaluation of the internal and external auditors;

Table 1
Committee attendance

Board	Strategic Awards Committee	Investment Committee
Board of Governors	2/2 Sir William Castell	6/6 Sir William Castell
11/11 Sir William Castell	2/2 Mr Alan Brown	5/6 Mr Alan Brown
10/11 Mr Alan Brown	2/2 Mr Damon Buffini	6/6 Mr Damon Buffini
11/11 Mr Damon Buffini	2/2 Professor Dame Kay Davies	4/6 Professor Peter Rigby
10/11 Professor Dame Kay Davies	2/2 Professor Michael Ferguson	3/3 Dr Ted Bianco
10/11 Professor Michael Ferguson	2/2 Professor Richard Hynes	6/6 Mr Tim Church
9/11 Professor Richard Hynes	2/2 Professor Dame Anne Johnson	5/6 Mr Peter Davies
11/11 Professor Dame Anne Johnson	1/2 Baroness Manningham-Buller	6/6 Ms Sarah Fromson
10/11 Baroness Manningham-Buller	2/2 Professor Peter Rigby	6/6 Mr Simon Jeffreys
10/11 Professor Peter Rigby	2/2 Professor Peter Smith	4/6 Mr Naguib Kheraj
11/11 Professor Peter Smith	2/2 Dr Ted Bianco	4/6 Mr David Mayhew
	0/2 Ms Clare Matterson	6/6 Mr Nicholas Moakes
Executive Board	2/2 Dr Kevin Moses	6/6 Mr Stewart Newton
5/5 Sir Mark Walport	1/2 Sir Mark Walport	6/6 Mr Peter Pereira Gray
10/11 Dr Ted Bianco		6/6 Mr Danny Truell
9/11 Mr John Cooper		1/3 Sir Mark Walport
10/11 Mr Simon Jeffreys		
7/11 Dr David Lynn		
10/11 Ms Clare Matterson		
9/11 Dr Kevin Moses		
11/11 Mr Danny Truell		
10/11 Ms Susan Wallcraft		

Audit Committee	Remuneration Committee	Nominations Committee
3/3 Mr Alan Brown	2/2 Sir William Castell	2/2 Sir William Castell
3/3 Mr Tim Clark	2/2 Professor Peter Rigby	1/2 Professor Peter Rigby
3/3 Mr Philip Johnson	0/0 Professor Richard Hynes	2/2 Professor Richard Hynes
	2/2 Baroness Manningham-Buller	2/2 Baroness Manningham-Buller

Details of the membership of these committees are given on page 85.

The Audit Committee met formally three times and in addition it met informally with management three times to receive briefings appropriate to its terms of reference. The Investment Committee met six times, the Remuneration Committee met two times, the Strategic Awards Committee met two times and the Nominations Committee met two times.

Details of the attendance by committee members are shown in Table 1.

In its grant-funding and direct charitable activities, the Board of Governors is also assisted by a number of decision-making or advisory committees, on which some of the Governors also sit. The committees assess, review and decide which grant applications to fund and also advise on policy issues in various fields.

Principles of governance

The UK Corporate Governance Code ("Corporate Code"), revised in September 2012, contains principles of good governance and a code of best practice for companies whose shares are listed on the London Stock Exchange. The "Good Governance" code ("Voluntary Sector Code"), revised in October 2010, contains principles of good governance for the voluntary and community sector and has been endorsed by the Charity Commission as a framework for registered charities.

While there is no statutory or other requirement for the Trust to comply with either Code, the Board of Governors has conducted a review of compliance during 2012/13 with the Corporate Code and the Voluntary Sector Code and has concluded that, except as noted elsewhere in the Trustee's Report, the Trust complied during the year with the main provisions of the Codes relevant to it.

Performance

The performance of the Board, the Remuneration Committee and the Nominations Committee were considered informally during the year. The Audit Committee and the Investment Committee conducted a performance review during the year. Due to the change in the year of the Director and Deputy Chair, a formal review of the Board, the Executive Board and its committees was postponed until 2014.

Wellcome Trust corporate ethics

"Corporate ethics" is the term used to cover all of the Trust's policies and procedures that address ethics and integrity. The Governors and all employees are expected to conduct themselves with integrity, impartiality and honesty at all times, and maintain high standards of propriety and professionalism. This includes avoiding situations where they could be open to suspicion of dishonesty, and not putting themselves in a position of conflict between their official duty and private interest.

Specifically this covers:

- Anti-fraud and corruption: the Trust adopts a zero tolerance policy to fraud and corruption.
- Whistleblowing: the Trust's whistleblowing policy provides a mechanism by which employees can voice their concerns in a responsible and effective manner.
- Gifts and hospitality: the Trust requires employees to consider the acceptance of gifts, benefits and hospitality and to decline any which may create conflicts of interest.
- Conflicts of interest: the Trust's Conflicts of Interest Policy sets out how the Trust expects individuals to deal with any actual or potential conflict of interest.

Internal control

While no system of internal control can provide absolute assurance against material misstatement or loss, the Trust'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 Board reviews key internal operational and financial controls annually and confirms the operating effectiveness of those controls to the Board of Governors, which in turn also reviews key controls.

The key elements of the system of internal control are:

- Delegation: there is a clear organisational structure, with documented lines of authority and responsibility for control and documented procedures for reporting decisions, actions and issues;
- Reporting: the Board of Governors approves and reviews annual budgets and expenditure targets and monitors actual and forecast budgets and investment performance and risk reports on a regular basis;
- Risk management: a risk management policy is in place which states the Trust's approach to risk and documents the process of internal control. The Trust maintains a grants assurance framework to monitor the appropriate use of funds;
- Internal audit: an outsourced internal audit function reviews controls and the risk management process within the Trust; and

- Review: the Audit Committee, which comprises at least one Governor and two external members, oversees the outcomes of external and internal audits, reviews the Trust's processes of internal control and risk management, considers its compliance with relevant statutory and finance regulations, and advises the Board of Governors of any relevant matters.

Conflicts of interest

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

When a Governor has a material interest in any grant, investment or other matter being considered by the Trust, that Governor does not participate in the Trust's decision on that grant or other matter.

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

Professor Dame Kay Davies, who is a Governor, is a shareholder in Summit Corporation plc, in which the Trust has a Programme Related Investment.

Risk management

The Trust's Risk Management Policy sets out the Trust's 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 Board and the Audit Committee.

The Corporate Risk Register contains the key corporate risks owned and managed by the Executive Board and the Board of Governors. It is updated and reviewed on a regular basis. The Corporate Risk Register is prepared in line with the ISO Risk Management Standard - 31000. It includes:

- the Trust's Corporate Risk Matrix, against which the risks are scored; and
- the Trust's Risk Profile, a summary of the risks before and after treatment.

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

- a description of the risk, including the Strategic Plan activity it impacts upon;
- the owner of the risk, as designated by the Executive Board;
- the controls currently in place to manage the risk;
- the current risk assessment score;
- any further actions proposed;
- the owner of each proposed action; and
- the target risk after taking account of further actions.

The current risk ranking estimates the level of risk that is currently faced taking into account the effectiveness of preventative and mitigating actions. The target risk 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:

- governance e.g. inappropriate organisational structure, difficulties recruiting Governors with relevant skills, conflicts of interest;
- operational e.g. service quality and development, contract pricing, employment issues, health and safety issues, fraud and misappropriation;
- financial e.g. accuracy and timeliness of financial information, adequacy of reserves and cash flow, diversity of income sources, investment management;
- external e.g. public perception and adverse publicity, demographic changes, government policy; and
- compliance with law and regulation.

The Risk Committee, which is a committee of the Executive Board, meets quarterly and:

- reviews the quality of the Trust's risk management and reporting;
- carries out effective monitoring on a continuous basis of the Trust's system for risk management and internal control;
- reviews the Trust's internal financial controls, including the Fraud and Corruption policy and "Whistleblowing" policy;
- reviews all insurance arrangements; and
- reviews all business continuity arrangements.

The Risk Committee formally reports to the Audit Committee once a year.

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

	Nature of risk	Management and oversight of risk
Investment risks	Failure to reach real returns of 4.5% p.a. over the long term, with commensurate risks and failure to manage investment risk and liquidity requirements due to internal or external factors over the medium to long term. This would affect the Trust's ability to meet planned level of charity spend in the future.	Details of how this risk is managed are included in the Review of Investment Activities on page 27 There is also oversight by the Audit Committee and the Investment Committee. The internal auditors review the controls and the external auditors review the valuations. Final responsibility rests with the Board of Governors.
UK policy and research environment	The UK research funding and regulatory environment does not remain scientifically or financially attractive. The UK government may react to a difficult economic environment by reducing funding to the scientific community.	Management continues to monitor the environment and has active engagement with UK government departments and opposition parties on science funding and the regulatory framework. The Trust has an on-going dialogue with other relevant charities and universities on these issues. The Executive Board contributes actively to the UK Comprehensive Spending Reviews and the EU Directive consultations. It is also working on joint approaches and policies covering scientific research integrity.
International initiatives	Failure to achieve the strategic research capacity building aims of the initiatives. Risks potentially arise from the local political, economic or physical environment; and from operational issues and/or failure of governance or management.	Management continues to focus on governance at the initiatives. The Trust's appointment of an International Operations Manager underlies this focus. New initiatives include development of a Wellcome Trust leadership training programme for key initiative executives. Regular internal audits are also held, to highlight areas for improvement.
UK Centres and initiatives	Failure to achieve strategic goals for each entity. Risks potentially arise from lack of leadership, operational issues and/or conflicts of interest.	Trust management maintains an active presence on the governing council or board of each initiative and undertakes regular internal audits of operational centres and initiatives.
Health and Safety and extreme events	Failure to ensure safety at all properties owned by the Trust, either in an operational capacity or within the Trust's investment portfolio could lead to injuries or death of staff, public or residents.	The Trust has BS OHSAS 18001 certified health and safety management system. It actively manages the health and safety activities of the managing agents for directly held properties in the investment portfolio.

The Trust is risk averse with respect to liquidity risk, risk of non-compliance with law and regulation and corporate operations risk (including health and safety); risk receptive with respect to investment portfolio risk and external risk (including reputation risk); and is prepared to accept a higher level of risk with respect to externally and internally funded charitable activity.

The Board of Governors appoints the Remuneration Committee, which is chaired by Sir William Castell. The members are all Governors.

Responsibilities of the Remuneration Committee

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

Remuneration policy

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

Salaries are usually reviewed once a year, with any changes taking effect from 1 April. The underlying principles of the annual salary review are performance, market orientation and flexibility. During the year, use was made of independent consultants for advice and decisions on remuneration.

The salary review approach is re-examined each year to ensure it is aligned with and supports the aims and objectives of the Trust recognising contributions and seeking to reward the highest performers effectively.

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

Long-term incentive plans

In order to ensure remuneration of the Investment division staff remains competitive and to encourage a long-term view, certain employees participate in a long-term incentive scheme. Awards to employees are made annually based on investment returns and individual performance over a measurement period, which generally spans three years. Plans are in place covering measurement periods 2009 to 2012, 2010 to 2013, 2011 to 2014, 2012 to 2015 and 2013 to 2016. A portion of each award is deferred for a minimum of two years following the end of the measurement period and the deferred amount is adjusted in line with the performance of the fund.

Staff remuneration

Details of the remuneration of staff and of the Director are set out in note 11 to the Financial Statements.

Governors' remuneration

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

Under the Constitution of the Trust, the Governors are entitled to receive remuneration from the Trustee at the rate of £57,100 per annum from 1 April 2000, adjusted with effect from 1 April each year by an amount equal to the percentage increase recommended by the Review Body on Senior Salaries in respect of the salary pay bands of the Senior Civil Service. The recommended percentage increase for the 12 months beginning 1 April 2013 was 1.82% (2012: 0%). The levels of remuneration of the current Chairman and the current Deputy Chairman were set by Orders of the Charity Commission at 2 times the level of a Governor and 1.5 times the level of a Governor, respectively. Following approval by the Charity Commission of a Scheme in October 2011, the levels of remuneration of future Chairmen and Deputy Chairmen can be set by the Board of Governors up to the levels of 2 times and 1.5 times the level of a Governor respectively.

This remuneration is charged to the Wellcome Trust as in Table 2.

Table 2
Governors' Remuneration
Year to 30 September

	2013 £	2012 £
Sir William Castell (Chairman)	**138,539**	137,290
Professor Peter Rigby (Deputy Chairman)	**103,904**	102,968
Professor Dame Kay Davies	**78,006**	68,645
Mr Alan Brown	**69,270**	28,602
Mr Damon Buffini	**69,270**	5,720
Professor Michael Ferguson	**69,270**	51,484
Professor Richard Hynes	**69,270**	68,645
Professor Anne Johnson	**69,270**	68,645
Baroness Manningham-Buller	**69,270**	68,645
Professor Peter Smith	**69,270**	68,645
Mr Roderick Kent	**-**	22,882
Mr Peter Davies	**-**	17,161
Professor Christopher Fairburn	**-**	17,161
Total remuneration	**805,339**	726,493

Professor Dame Kay Davies replaced Professor Peter Rigby as Deputy Chairman with effect from 1 October 2013 following a handover period commencing on 1 July 2013.

In addition to the above, the Chairman received estimated benefits-in-kind relating to travel costs of £34,527 (2012: £32,766). No other benefits or pension contributions are paid in respect of the other Governors.

During the year, expenses in respect of travel, subsistence, telephone and other expenses in the course of their duties were incurred by the Governors amounting to £138,314 (2012: £139,248), of which £92,691 (2012: £100,481) was paid directly by the Trust and £45,623 (2012: £38,767) was paid by the Governors and directly reimbursed to them. The Governors were included in the Directors' and Officers' liability insurance in the year to 30 September 2013.

Employment and diversity

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

We measure and monitor diversity in many different ways to reflect the communities in which we operate. We produce a detailed Diversity Report annually which is reviewed by the Executive Board and Board of Governors. In addition to providing full diversity statistics, the report also summarises the actions we have taken each year to develop our inclusivity and equality as an employer. For example, over the past year we have developed further our inclusive approach to recruitment. This has included the use of specific media to ensure that advertised vacancies are publicised amongst minority groups, as well as expanding our graduate, internship and apprenticeship schemes.

Female representation currently stands at 22% on our Executive Board and 30% on our Board of Governors. Scientific progress thrives on diversity – of people, ideas and approaches – and the Wellcome Trust has a number of policies and initiatives that enable researchers to access our funding based on talent and potential irrespective of age, race, religion, sexual orientation or gender.

We monitor the demographics of our research community, and make every effort to ensure we provide a fair and flexible funding system that allows excellent applicants to be successful.

We provide excellent facilities in our modern and well-equipped offices, and we regularly review our employment policies and practices to ensure that we are well placed to deliver our objectives and to enhance the overall environment for our people. We are committed to employee wellbeing, offering a high-quality staff restaurant, on-site gym and in-house occupational health service, alongside an attractive benefit package for all our employees.

We continue to be inspired by the curiosity of Henry Wellcome and his voracious appetite to expand his own knowledge and expertise. Today we remain true to his spirit, aiming to create a development culture where people are empowered to perform, with energy and confidence, to the best of their ability, where curiosity and creativity are encouraged and difference is valued.

An integrated approach to the development of individuals, teams and the organisation underpins the type and design of development activities delivered. This year we have continued our focus on developing our leaders, and offering a wide range of opportunities for all our people to take responsibility for developing themselves. To support this, we have developed programmes that are recognised externally through accreditation and ran a season of events on 'My Career' to highlight the wide range of opportunities for career development available. Development initiatives are broad in nature: we have supported over 20 employees on internal and external secondments (some internally and some externally) this year, and over 80 individuals undertook supported volunteering opportunities. In addition many departments have undertaken group volunteering projects to enhance their skills and build their teams whilst at the same time benefitting local charity groups.

We are investing in our support systems, processes and resources to enable employees more actively to manage their personal development. There is an active Trust Staff Forum to foster discussion and enable consultation on a wide range of issues of relevance to staff. We also conduct regular staff surveys in order to elicit feedback directly from our people and help us target areas for improvement, and continue to develop the organisation.

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

Health and safety

In 2013, the Trust endorsed and committed to the following organisational goal:

"The Trust is a global charity committed to realising the full potential of biomedical research to improve health. We want to provide an environment that promotes the health and wellbeing of those who work at and visit the Trust. We will do this by fostering a culture of continual improvement of a safe, secure and healthy environment."

The Trust underwent a health and safety audit conducted by the British Safety Council in November 2012 and retained the 5 star (excellent) rating and British Standard 18001 accreditation.

In October 2013 the Trust was awarded the British Safety Council's Sword of Honour which represents a pinnacle of achievement in health and safety management and is awarded to organisations who demonstrate only the highest standards in this area.

The Trust has developed a health and safety plan and has set new objectives:

- establish a system for the collection of reliable work-related ill health and sickness absence data in order to promote relevant health and wellbeing programmes, and to determine the relevant prevention strategies.
- promote ownership of health and safety amongst key post holders by including specific responsibility within job descriptions and the performance development process and by providing appropriate training and instruction; and
- undertake horizon scanning systematically to anticipate, identify and prepare for new or changing risks to our activities (e.g. from changing legislation or new technologies) and to consider the implications for our vision of maintaining a safe, secure and healthy environment.

The objectives and plan will ensure the Trust achieves its overall goal and maintains excellent health and safety standards.

The reporting arrangements to the Boards of Directors of Genome Research Limited and Hinxton Hall Limited at the Wellcome Trust Genome Campus, and to the Board of Management of the Wellcome Trust Sanger Institute continue. A review of health and safety governance and arrangements will be a major piece of work in 2013 to reflect the demise of the Campus management from the Trust to Genome Research Limited. Audits and inspections are on target. There is liaison between the Campus Health and Safety Service and the Wellcome Trust Health and Safety Manager in London. Campus workers' health is monitored and assured by the resident Occupational Health Service contractor which is led from the Sanger Institute.

Environment

The Trust continues to work towards its overall environmental vision:

"The Trust supports research of the highest quality with the aim of improving human and animal health. Such research increasingly demonstrates that health is inextricably linked to the wider environment in which we live. Therefore, the Trust aims to manage and reduce its impact on the environment, through leading by example, engaging with and involving our people, and fostering a culture of continual improvement."

The Trust has made good progress over the past year and has achieved accreditation to the International Standard ISO 14001.

In 2013, the Trust set seven key objectives that will ultimately improve our impact on the environment:

- reduce greenhouse gas emissions at 183 and 215 Euston Road by 10% by the end of 2014/15 without affecting the Trust's activities;
- measure all six Kyoto greenhouse gas emissions from organisational travel by the end of 2013/14;
- reduce water usage at 183 and 215 Euston Road by 5% by the end of 2014/15;
- reduce waste generation at 183 and 215 Euston Road by 5% by the end of 2014/15;
- increase recycling at 183 and 215 Euston Road by 31% by the end of 2014/15;
- record procurement spend at 183 and 215 Euston Road including metrics such as products with 80% recycled material and electrical and environmental equipment with a rating of A or above and to increase the proportion of spend on environmentally preferable products; and
- determine a method to encourage environmentally responsible behaviour among grant recipients.

The Trust has already made good progress against some of the key targets relating to these objectives, specifically increasing the recycling rate by 6% compared with 2011/12 and reducing greenhouse gas emissions by 5.2% compared with the same period 2011/12. The environment strategy and targets will be reviewed annually and revised to ensure that continual improvement is achieved.

The Wellcome Trust Genome Campus has maintained its ISO 14001 accredited status and continues to improve its targets for green transport and recycling.

Community activity

The Wellcome Trust considers it right both to support other local organisations helping to benefit the area in which it does business and to foster and maintain positive working relationships with others operating locally. To help achieve this, the Trust is committed to activity within the immediate area around its headquarters. This includes a community support fund to aid local organisations and projects, local schools initiatives, Trust staff volunteering in the local community, Wellcome Collection local stakeholder engagement, and participation in the annual Open House London event.

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

Independent Auditors

The Trust's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Board of Governors accepted the recommendation of the Audit Committee and the members of the Trustee passed a resolution confirming their re-appointment on 17 December 2013.

The *Annual Report* was approved by The Wellcome Trust Limited, as Trustee, on 17 December 2013 and signed on its behalf by

Sir William Castell
Chairman
17 December 2013

Audit Committee Report

I am pleased to present our report on the work and operation of the Audit Committee for the year with specific emphasis on matters we have considered.

The Audit Committee is responsible for the review and oversight of matters of internal control, compliance with financial reporting requirements and liaison with, and evaluation of, the internal and external auditors.

The membership of the Audit Committee is set out on page 85 and attendance at meetings is set out on page 30.

Although not members of the Committee, the Chief Operating Officer, the General Counsel, the Head of Financial Accounting, the Head of Risk Management and Performance and the lead audit partners from our external and internal auditors attend each meeting. The external and internal auditors are not present when their respective firm's performance and/or remuneration is discussed.

The Board of Governors considers that the Committee's members have broad commercial knowledge and extensive business leadership experience, having held between them various roles in investments, legal, financial management, treasury and financial function supervision and that this constitutes a broad and suitable mix of business and financial experience. The Board has determined that Alan Brown and Philip Johnson have recent and relevant financial experience as required by the UK Corporate Governance Code.

After each Committee meeting, the Chairman of the Committee reports to the Board on the main issues that the Committee discussed.

External audit

At the December meeting each year, the Committee puts forward recommendations for the appointment or re-appointment of the external auditors. It assesses the effectiveness and performance of the external auditors annually (with the last review being at the April 2013 meeting) and seeks views on their performance from key stakeholders. The external auditors are required to rotate the lead partner every five years. The lead partner currently responsible for the Trust's audit is completing her third year. No contractual obligations exist that restrict the group's choice of external audit firm. At the April meeting each year, the Committee discusses with the auditors the scope of their audits and the proposed audit fee and makes recommendations to the Board before the auditors commence. At both the September and December meetings each year, it reviews the results of the audit work and considers the formal reports of the auditors and reports the results of those reviews to the Board.

Independence of the external auditors

The Audit Committee seeks to ensure the continued independence and objectivity of the Trust's external auditors. PricewaterhouseCoopers LLP were appointed as auditors in 1998. The Committee decided during the year to recommend that a tender process be undertaken in respect of the Group's audit and taxation compliance services when the current engagement partner is rotated in 2015.

In order to meet regulatory or business requirements, the external auditors may be employed for certain non-audit services. In order to safeguard the independence and objectivity of the external auditors, the Committee has determined policies, based on the Financial Reporting Council guidance, as to the approval process related to non-audit services. At the December meeting each year, the Committee reviews the auditors' 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.

Internal audit and risk management

At each meeting, the Committee reviews internal audit activities, including plans and performance, and the relationship with the external auditors. It also reviews the report from the internal auditors on the steps taken by management to follow up the outstanding actions resulting from the audit work. It assesses the effectiveness of the internal audit function regularly. The 2013 internal audit plan covered a range of areas across the Trust based on risk and key functions including the Investment Controls Assurance framework, third party property service providers, contracts management, Payroll, Grants Assurance, some Wellcome Trust UK Centres, two initiatives in Africa and two of the Major Overseas Programmes.

Additionally, 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, including risks relating to IT security, fraud and related matters, are properly identified and managed. The Committee has considered the areas listed on page 32, which are reviewed and monitored by the Risk Committee.

Financial reporting

At the December meeting each year, the Committee reviews the Trust's Annual Report and Financial Statements and related announcements for statutory and regulatory compliance. It reviews any adjusted and unadjusted items identified by the external auditors during the course of their audit and satisfies itself that any adjustments are made as appropriate. The Committee is satisfied that all such items have been appropriately addressed this year. The Committee also reviews the rigour of the analysis supporting the use of the going concern assumption as well as the integrity of the disclosures in the Financial Statements and it considers the minutes of the Valuation Group meetings. It reports its views to the Board to assist in its approval of such documents.

As was the case in previous years, the main area of risk considered at the December 2013 meeting was the valuation of investments in private equity, real estate, hedge funds and derivatives. These involve a level of complexity and judgement and the results of the work of the Valuation Group were considered in detail alongside the work of the external auditors. Key points discussed in 2013 were: the valuation of direct investments using partner valuations as a key input where these are available, with a particular focus where they have shown material changes in valuation during the year; the valuation of warrants where the intrinsic value is considered significant; and the valuation of investment properties using external valuers, cross-checking these with the Trust's asset managers. The Committee agreed with the Valuation Group's determination of fair values. There were no new risks that arose in 2013.

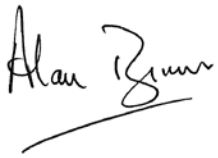
The Committee reviewed the applicability of the going concern assumption taking into account the assumptions and the methodology used to calculate the affordability of the charitable expenditure in the three year Financial Plan and the associated stress testing.

On the basis of the work done, the Audit Committee recommended to the Board of Governors that the Annual Report taken as a whole is fair, balanced and understandable.

The Committee also reviewed any other published information containing financial information prior to its release.

Effectiveness

The performance of the Committee is reviewed annually with input from the Committee members, key executives and the internal and external auditors. The results of the last review in September 2013 showed that the Committee continues to be effective in terms of both behaviours and processes.



Alan Brown
Chairman of the Audit Committee
17 December 2013

Independent Auditors' Report
To the Trustee of Wellcome Trust

Report on the financial statements

Our opinion
In our opinion the financial statements, as defined below:

- give a true and fair view of the state of the Group's and the Trust's affairs as at 30 September 2013, and of the Group's and the Trust's incoming resources and application of resources and the Group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008.

This opinion is to be read in the context of what we say below.

What we have audited
The Group financial statements and Trust financial statements (the "financial statements"), which are prepared by Wellcome Trust, comprise:

- the Consolidated and the Trust Balance Sheets as at 30 September 2013;
- the Consolidated and the Trust Statement of Financial Activities;
- the Consolidated Cash Flow Statement; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
In applying the financial reporting framework, the Trustee has made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, the Trustee has made assumptions and considered future events.

What an audit of financial statements involves
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Trustee; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality
We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £86 million. This has been based on a percentage of the total assets of the Group.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit
The Trust is a charity that is administered by a Trustee and the directors of the Trustee act as Governors of the Trust.

In establishing the overall approach to our audit, we applied professional judgement to determine the extent of testing required over each balance shown in the financial statements. In addition, we assessed the control environment at the Trust, including around the payment and administration of grants as well as the management of investments to help us to tailor our audit to focus on items in the financial statements with a higher risk of being materially misstated.

Areas of particular audit focus
In preparing the financial statements, the Trustee has made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Trustee's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the areas listed in the table alongside to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 40.

Going Concern

As noted in the Trustee's Report, set out on page 7, the Trustee has concluded that it is appropriate to prepare the Group's and Trust's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Trust have adequate resources to remain in operation, and that the Trustee intends them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Trustee's use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Trust's ability to continue as a going concern. We have reviewed the Trustee's statement in relation to going concern. We have no exceptions to report arising from our review.

Area of focus	How the scope of our audit addressed the area of focus
Valuation of investments in private equity, real estate, hedge funds and derivatives We focused on this area because it involves complex and subjective judgments by the Trustee to arrive at the fair value of each investment.	We evaluated the valuation methodology adopted by the Trustee and considered whether it was in accordance with the accounting policies of the Trust and industry practice. We assessed the controls applied by management and tested these where we placed reliance on them. We also challenged the key assumptions and judgements made by the Trustee and tested the key inputs into the valuations.
Recognition of incoming resources Incoming resources comprise investment income, grants received and gift aid donations received. We include gains on investments in our consideration of audit approach on incoming resources as, although these are presented separately in the financial statements, they also result in an increase in resources. The gains on unrealised investments are particularly judgemental as noted above. We therefore focus on this area.	We reviewed the accounting policy concerning the recognition of incoming resources for compliance with accounting standards and confirmed that incoming resources had been accounted for in accordance with this policy. We also tested the reconciliations between the revenue and investment systems used by the Group and its books and records. We tested year-end valuation of investments as well as purchases and sales of investments in order to gain comfort over the unrealised gains recorded.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We tested key reconciliations and manual journal entries. We considered whether there was evidence of bias by the Trustee in the significant accounting estimates and judgments relevant to the financial statements. We also assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management. We reviewed the reports issued by the Group's internal audit function.

Independent Auditors' Report
To the Trustee of Wellcome Trust

Other matters on which we are required to report by exception

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

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

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Trust acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Under the Charities Act 2011 we are required to report to you if, in our opinion, the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements.
We have no exceptions to report arising from this responsibility.

Other matters on which we agreed to report by exception

Corporate Governance Statement
On page 29 of the Annual Report, the Trustee states that it considers the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Trust's performance and strategy. On page 40 the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under the terms of our engagement, we agreed to report to you if, in our opinion:

- the statement given by the Trustee is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Trustee
As explained more fully in the Statement of Trustee's Responsibilities set out on page 29, the Trustee is responsible for the preparation of the Group and Trust financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Trust financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Charity's Trustee as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 30 of the Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 December 2013

PricewaterhouseCoopers LLP is eligible to act as auditors in terms of Section 1212 of the Companies Act 2006.
The maintenance and integrity of the Wellcome Trust website is the responsibility of the Trustee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Financial Activities
for the year ended 30 September 2013

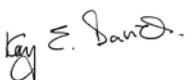
	Note	2013 £m	2012 £m
Incoming resources			
Investment income			
Dividends and interest	2	225.8	192.3
Rental income	3	29.1	25.2
		254.9	217.5
Other incoming resources			
Grants receivable	4(a)	16.9	14.7
Other income	4(b)	9.7	10.2
Total incoming resources		281.5	242.4
Resources expended			
Costs of generating funds			
Management fees and other investment costs	5	58.2	49.6
Interest payable on bond liability		39.0	39.0
Charitable activities	6	772.9	746.3
Governance costs	10	2.2	2.2
Total resources expended		872.3	837.1
Net outgoing resources before net gains on investments		(590.8)	(594.7)
Net realised and unrealised gains on investments	15(e)	2,321.3	1,484.7
Actuarial (losses)/ gains on defined benefit pension schemes	11(d)(i)	(19.0)	1.3
Net movement in fund		1,711.5	891.3
Fund at start of year		13,329.7	12,438.4
Fund at end of year		15,041.2	13,329.7

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

Consolidated Balance Sheet
As at 30 September 2013

	Note	2013 £m	2012 £m
Tangible fixed assets	14(a)	**411.3**	392.7
Investment assets			
Quoted investments	15(a)	**7,836.3**	6,494.6
Unquoted investments	15(a)	**7,419.6**	7,423.6
Investment properties	15(a)	**1,264.8**	922.1
Derivative financial instruments	15(b)	**206.8**	72.7
Investment cash and certificates of deposit	15(c)	**595.5**	412.4
Other investment assets	15(c)	**240.6**	279.1
Programme related investments	15(d)	**0.3**	1.1
		17,563.9	15,605.6
Current assets			
Stock		**2.4**	3.1
Debtors	16	**19.9**	22.6
Cash at bank and in hand		**11.7**	21.9
		34.0	47.6
Creditors falling due within one year	17	**(1,017.0)**	(881.6)
Net current liabilities		**(983.0)**	(834.0)
Total assets less current liabilities		**16,992.2**	15,164.3
Creditors falling due after one year	17	**(1,804.6)**	(1,716.2)
Provision for liabilities and charges	18	**(28.7)**	(20.0)
Net assets representing unrestricted funds excluding pension deficit		**15,158.9**	13,428.1
Defined benefit pension schemes' deficit	11(d)(ii)	**(117.7)**	(98.4)
Net assets representing unrestricted funds including pension deficit		**15,041.2**	13,329.7

The financial statements on pages 44 to 84 were approved by The Wellcome Trust Limited, as Trustee, on 17 December 2013 and signed on its behalf by:



Sir William Castell
Chairman

Professor Dame Kay Davies
Deputy Chair

Statement of Financial Activities of the Trust
for the year ended 30 September 2013

	Note	2013 £m	2012 £m
Incoming resources			
Investment income			
Dividends and interest	2	207.5	172.1
Rental income	3	28.1	22.9
		235.6	195.0
Other incoming resources			
Grants receivable	4(a)	0.2	-
Other income	4(b)	142.9	27.6
Total incoming resources		378.7	222.6
Resources expended			
Costs of generating funds			
Management fees and other investment costs	5	54.0	44.2
Interest payable to group undertakings		25.5	14.0
Charitable activities	6	753.9	721.2
Governance costs	10	1.9	2.0
Total resources expended		835.3	781.4
Net outgoing resources before net gains on investments		(456.6)	(558.8)
Net realised and unrealised gains on investments	15(e)	2,183.7	1,445.4
Actuarial (losses)/gains on defined benefit pension scheme	11(d)(i)	(7.0)	(0.1)
Net movement in fund		1,720.1	886.5
Fund at start of year		13,239.0	12,352.5
Fund at end of year		14,959.1	13,239.0

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 2013

	Note	2013 £m	2012 £m
Tangible fixed assets	14(b)	**253.8**	257.4
Investment assets			
Quoted investments	15(a)	**7,272.1**	5,878.2
Unquoted investments	15(a)	**6,456.5**	6,239.3
Investment properties	15(a)	**1,117.5**	922.1
Derivative financial instruments	15(b)	**206.8**	72.7
Investment cash and certificates of deposit	15(c)	**567.0**	388.8
Other investment assets	15(c)	**219.8**	212.5
Subsidiary and other undertakings	20	**1,851.6**	1,543.0
Programme related investments	15(d)	**0.3**	1.1
		17,691.6	15,257.7
Current assets			
Debtors	16	**22.0**	22.1
Cash at bank and in hand		**2.5**	13.7
		24.5	35.8
Creditors falling due within one year	17	**(1,944.7)**	(1,335.1)
Net current liabilities		**(1,920.2)**	(1,299.3)
Total assets less current liabilities		**16,025.2**	14,215.8
Creditors falling due after one year	17	**(975.8)**	(899.5)
Provision for liabilities and charges	18	**(28.7)**	(20.0)
Net assets representing unrestricted funds excluding pension deficit		**15,020.7**	13,296.3
Defined benefit pension scheme deficit	11(d)(ii)	**(61.6)**	(57.3)
Net assets representing unrestricted funds including pension deficit		**14,959.1**	13,239.0

The financial statements on pages 44 to 84 were approved by The Wellcome Trust Limited, as Trustee, on 17 December 2013 and signed on its behalf by:

Sir William Castell
Chairman

Professor Dame Kay Davies
Deputy Chair

Consolidated Cash Flow Statement
for the year ended 30 September 2013

	Note	2013 £m	2012 £m
Net cash outflow from operating activities	21(a)	**(613.5)**	(627.7)
Returns on investments and servicing of finance			
Investment income received	21(b)	**256.9**	213.5
Cash outflow for servicing of finance	21(c)	**(38.5)**	(38.4)
Net cash inflow from returns on investments and servicing of finance		**218.4**	175.1
Financial investment and capital expenditure			
Proceeds from sales of investment assets	21(d)	**4,385.4**	3,275.3
Purchase of investment assets	21(d)	**(3,597.9)**	(2,930.1)
Net cash (outflow)/inflow upon settlement of derivative financial instruments	21(d)	**(175.1)**	85.1
Sale of tangible fixed assets		**-**	2.6
Purchase of tangible fixed assets		**(43.0)**	(18.7)
Net cash inflow for financial investment and capital expenditure		**569.4**	414.2
Net cash inflow/(outflow) before use of liquid resources and financing		**174.3**	(38.4)
Management of liquid resources			
Increase/(decrease) in investment cash and certificates of deposit		**(183.1)**	33.5
Decrease in term deposits		**1.6**	0.4
Exchange losses		**(3.0)**	(7.7)
Net cash (outflow)/ inflow from management of liquid resources		**(184.5)**	26.2
Financing			
Net cash inflow from financing		**-**	-
Decrease in net cash		**(10.2)**	(12.2)

1. Accounting policies

Basis of preparation and accounting convention

The Financial Statements of the Wellcome Trust (the "Trust") and the consolidated Financial Statements of the Trust and its subsidiary undertakings (the "Group") have been prepared on a going concern basis and in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice). 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 2005 and updated in 2008 (the "SORP") in all material respects.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of investments and on a basis consistent with prior years.

Basis of consolidation

The consolidated financial statements include the financial statements of the Trust and all its subsidiary undertakings. The subsidiaries have been consolidated on a line by line basis in accordance with Financial Reporting Standards ("FRS") 2 "Accounting for subsidiary undertakings". Subsidiary undertakings are entities over which the Trust has control. The financial statements of subsidiaries are included from the date that control commences until the date that it ceases.

The Trust consolidates four types of subsidiary undertakings:

(i) charitable subsidiary undertakings formed to pursue charitable objects closely allied to those of the Trust;

(ii) non-charitable operating subsidiary undertakings to conduct non-primary purpose trading;

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

(iv) a non-charitable financing subsidiary undertaking formed to issue listed debt to finance Group activities.

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

The Trust applies the exemption contained in FRS 9 "Associates, joint ventures and joint undertakings" and where joint ventures and associates are held as part of the investment portfolio, they are included within investment assets.

Accounting policies

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

Incoming resources

Incoming resources do not include proceeds on the sale of investments. Interest income and rental income are recognised on an accruals basis. Dividends including any recoverable tax are recognised from the ex-dividend date when they become receivable. Other incoming resources are recognised in the period in which the Trust and the Group are entitled to receipt, any conditions are met and where the amount can be quantified with reasonable certainty.

Resources expended

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

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

Grants awarded to institutions outside the Group are recognised as expenditure in the year in which the grant is formally approved by the Trust and has been communicated in writing to the recipient, except to the extent that it is subject to conditions that enable the Trust to revoke the award. Grants awarded to Group companies are recognised as and when the expenditure to which they relate is incurred, in accordance with the terms of the grant.

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

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

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

1. Accounting policies (continued)

Fund accounting

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

Tangible fixed assets

Tangible fixed assets, excluding land, held by the Group and the Trust are stated at cost less accumulated depreciation. Land is stated at cost. They are subject to review for impairment when there is an indication of a reduction in their carrying value. Any impairment is recognised in the year in which it occurs.

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

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

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

Heritage assets

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 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. The Trust does not therefore recognise these assets on the Balance Sheet, other than significant acquisitions acquired after 1 October 2005 which are reported at cost where the asset is purchased or at the curator's best estimate of current value where the object is donated.

Leased assets

Where assets are financed by leasing agreements that give rights to the lessee approximating to ownership, the assets are treated as if they had been purchased outright by the lessee. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Interest is charged over the duration of the lease in proportion to the balance outstanding. Depreciation on the relevant assets and interest 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.

Investment assets

Investment valuation policies and procedures are reviewed by the Valuation Group, chaired by the Chief Operating Officer, which is responsible for valuation decisions.

(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. The principal unquoted valuations are performed as follows:

Unquoted hedge funds

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

Private equity funds and property funds

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

1. Accounting policies (continued)

Investment assets (continued)

(ii) Unquoted investments (continued)

Private equity funds and property funds (continued)

The majority of valuations are at the balance sheet date. In a very limited number of cases where information is not available as at 30 September, the most recent valuations from the manager are adjusted for cash flows and foreign exchange movements between the most recent valuation and the balance sheet date. In the unlikely event that a valuation is unavailable the investment will be held at cost less impairment. The total amount of investments held at cost less impairment is disclosed in the Financial Statements (note 15(a)).

Direct investments

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.

Earn-outs

These are valued at fair value by calculating a probability-weighted average of all possible future cash flows taking in to account specific risks and then calculating the present value at an appropriate discount rate. The probability weightings will reflect Trust management's assessment of the implicit/explicit probability weightings put forward by co-invest partners. If no co-invest partners' models are available, the Investment Division will develop a model that will take into account the risk associated with the cash flows in the probability ratings used. The Valuation Group may mandate the use of an external valuer where it considers this to be appropriate. The discount rate applied is a risk-free rate appropriate to the currency and maturity of the expected earn-out plus an adjustment for systematic risk.

(iii) Investment properties

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

(iv) Derivative financial instruments

Derivative financial instruments are used as part of the Trust's portfolio risk management and as part of the Trust's portfolio management and investment return strategy. The Trust's use of derivative financial instruments includes index-linked futures, stock options, warrants and currency forwards.

The Trust'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 transaction with equivalent cash flows.

The Trust's warrants are held at the fair value determined by management. These will generally reflect the valuations used by the Trust'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 material 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.

(v) Programme related investments

Programme related investments are made directly by the charitable divisions in pursuit of the Trust's charitable aims and although they may generate a financial return, the primary motivation is to further the objects of the charity. They are held at cost less any impairment.

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

Investment cash and certificates of deposit, and debtors and creditors arising as part of the investment portfolio are stated at their fair value.

(vii) Investments in subsidiaries

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

1. Accounting policies (continued)

Stock

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

Bond liabilities

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

Securities lending programme

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

Provisions

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

Foreign currencies

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

Retirement benefits

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

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

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

Taxation

The Trust, Genome Research Limited and Hinxton Hall Limited are all charities registered under the Charities Act 1993 (as amended by the Charities Act 2011). Their income and gains are applied for charitable purposes and are mainly exempt from direct UK tax.

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

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

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

2. Dividends and interest

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Dividends from quoted UK equities	**59.2**	56.2	**59.2**	55.0
Dividends from quoted overseas equities	**118.7**	105.5	**107.0**	95.8
Interest from securities	**1.1**	0.7	**1.2**	0.7
Income from unquoted investments	**45.0**	26.6	**38.5**	17.7
Interest on cash and cash deposits	**0.3**	0.2	**0.1**	-
Securities lending income	**1.5**	3.1	**1.5**	2.9
	225.8	192.3	**207.5**	172.1

3. Rental income

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

4. Other incoming resources

(a) Grants receivable

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

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
	16.9	14.7	**0.2**	-

(b) Other income

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
	9.7	10.2	**142.9**	27.6

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 £141.5 million (2012: £23.0 million). The Gift Aid donation from Wellcome Trust Residential 1 Limited includes the impact of a restructure of its underlying investment holding during the year.

	2013	2012
	£m	£m
W.T. Construction Limited	**-**	-
Wellcome Trust Trading Limited	**0.8**	0.9
Wellcome Trust Finance plc	**5.0**	6.4
Wellcome Trust GP Limited	**-**	-
Wellcome Trust Investments 1 Unlimited	**-**	-
Wellcome Trust Investments 2 Unlimited	**21.0**	7.6
Wellcome Trust Investments 3 Unlimited	**4.0**	-
Wellcome Trust Residential 1 Limited	**109.7**	8.0
Wellcome Trust Residential 2 Limited	**1.0**	0.1
	141.5	23.0

5. Management fees and other investment costs

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

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
External investment management fees	**35.3**	24.8	**33.3**	24.3
Internal investment administration costs	**18.3**	20.5	**16.1**	15.6
Investment support cost allocation	**4.6**	4.3	**4.6**	4.3
	58.2	49.6	**54.0**	44.2

6. Charitable activities

Group

	Grant funding £m	Direct £m	Allocated support £m	Total 2013 £m	Total 2012 £m
Science Funding	**463.5**	**34.3**	**17.6**	**515.4**	451.2
Technology Transfer	**52.9**	**8.1**	**7.7**	**68.7**	92.4
Medical Humanities and Engagement	**21.4**	**24.1**	**19.0**	**64.5**	82.3
Wellcome Trust Genome Campus	**-**	**121.7**	**2.6**	**124.3**	120.4
	537.8	**188.2**	**46.9**	**772.9**	746.3

Grant funding and direct charitable activities totalled £726.0 million (2012: £701.1 million)

Trust

	Grant funding £m	Direct £m	Allocated support £m	Total 2013 £m	Total 2012 £m
Science Funding	**463.5**	**34.3**	**17.3**	**515.1**	451.2
Technology Transfer	**52.9**	**8.1**	**7.7**	**68.7**	92.4
Medical Humanities and Engagement	**21.4**	**23.4**	**19.0**	**63.8**	81.6
Wellcome Trust Genome Campus	**102.2**	**3.0**	**1.1**	**106.3**	96.0
	640.0	**68.8**	**45.1**	**753.9**	721.2

Grant funding and direct charitable activities totalled £708.8 million (2012: £676.7 million)

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 included within Grants to other organisations for 2013 totalled less than £3.0 million (2012: £3.0 million) in value for each organisation.

7. Grants awarded (continued)

Group	Science Funding £m	Technology Transfer £m	Medical Humanities and Engagement £m	Total 2013 £m	Total 2012 £m
The Francis Crick Institute Limited	70.0	-	-	70.0	-
University of Oxford	61.5	4.6	2.9	69.0	56.0
University of Cambridge	63.8	2.4	1.5	67.7	52.8
University College London	41.0	5.4	0.6	47.0	47.1
Imperial College London	27.2	2.5	0.4	30.1	30.9
King's College London	11.9	6.8	3.4	22.1	19.4
University of Edinburgh	14.7	2.2	1.5	18.4	15.3
Liverpool School of Tropical Medicine	18.3	-	-	18.3	4.9
University of Dundee	16.0	0.1	-	16.1	34.9
London School of Hygiene & Tropical Medicine	14.6	-	0.9	15.5	16.0
Newcastle University	9.3	5.3	0.2	14.8	12.6
Diamond Light Source Limited	13.9	-	-	13.9	5.2
Cardiff University	13.0	-	0.2	13.2	6.9
Institute of Cancer Research	6.9	2.5	-	9.4	5.4
University of Manchester	7.0	0.4	0.5	7.9	4.4
University of Bristol	7.1	-	-	7.1	5.4
Wellcome Trust / DBT India Alliance, India	6.9	-	-	6.9	7.3
University of Warwick	4.1	-	1.1	5.2	-
Scottish National Blood Transfusion Service	-	5.1	-	5.1	-
University of Sheffield	3.4	0.8	-	4.2	-
University of Leicester	3.8	0.2	0.1	4.1	-
Save the Children	4.0	-	-	4.0	-
University of Glasgow	3.9	-	-	3.9	7.5
Infectious Disease Research Institute	-	3.9	-	3.9	-
University of St Andrews	3.8	-	-	3.8	3.3
University of Liverpool	3.4	-	-	3.4	4.7
MRC National Institute for Medical Research	3.2	-	-	3.2	-
Grants to other organisations	45.4	12.7	10.1	68.2	177.7
Total grants (excluding supplementations and grants no longer required)	478.1	54.9	23.4	556.4	517.7
Grant supplementations	4.2	-	-	4.2	3.9
Less: grants awarded in previous years no longer required	(18.8)	(2.0)	(2.0)	(22.8)	(10.5)
Grants awarded by the Group of which;	463.5	52.9	21.4	537.8	511.1
United Kingdom	445.6	40.6	19.4	505.6	445.2
Directly funded international	17.9	12.3	2.0	32.2	65.9
Grants awarded by the Group	463.5	52.9	21.4	537.8	511.1

7. Grants awarded (continued)

Trust	Science Funding £m	Technology Transfer £m	Medical Humanities and Engagement £m	Wellcome Trust Genome Campus £m	Total 2013 £m	Total 2012 £m
Grants awarded by the Group	**463.5**	**52.9**	**21.4**	**-**	**537.8**	511.1
Plus: grants awarded to subsidiary undertakings	**-**	**-**	**-**	**102.2**	**102.2**	88.4
Grants awarded by the Trust	**463.5**	**52.9**	**21.4**	**102.2**	**640.0**	599.5

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 Dame Kay Davies - University of Oxford
Professor Michael Ferguson - University of Dundee, Medicines for Malaria Venture
Professor Richard Hynes - Massachusetts Institute of Technology
Professor Dame Anne Johnson - University College London
Baroness Manningham-Buller - Imperial College London
Professor Peter Rigby - The Institute of Cancer Research
Professor Peter Smith - London School of Hygiene and Tropical Medicine

8. Grants awarded but not yet paid

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Liability at 1 October	**1,583.1**	1,508.0	**1,581.2**	1,505.0
Grants awarded during the year	**537.8**	511.1	**640.0**	599.5
Grants paid during the year	**(466.8)**	(436.0)	**(569.0)**	(523.3)
Liability as at 30 September	**1,654.1**	1,583.1	**1,652.2**	1,581.2
Of which:				
- falling due within one year (note 17)	**679.4**	683.2	**677.5**	683.2
- falling due after one year (note 17)	**974.7**	899.9	**974.7**	898.0
Liability as at 30 September	**1,654.1**	1,583.1	**1,652.2**	1,581.2

9. Support costs

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

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

9. Support costs (continued)

Group	Costs of generating funds £m	Science Funding £m	Technology Transfer £m	Medical Humanities and Engagement £m	Wellcome Trust Genome Campus £m	**Total 2013 £m**	Total 2012 £m	Allocation method
Funding administration	-	8.0	3.4	3.1	-	**14.5**	14.7	Directly attributed
Support of scientific research	-	-	-	-	1.5	**1.5**	1.1	Directly attributed
Operations	4.3	7.1	3.8	15.7	0.6	**31.5**	29.4	Headcount / building usage
Other	0.3	2.5	0.5	0.2	0.5	**4.0**	4.3	Expenditure
	4.6	17.6	7.7	19.0	2.6	**51.5**	49.5	

Trust	Costs of generating funds £m	Science Funding £m	Technology Transfer £m	Medical Humanities and Engagement £m	Wellcome Trust Genome Campus £m	Total 2013 £m	Total 2012 £m	Allocation method
Funding administration	-	7.8	3.4	3.1	-	**14.3**	14.7	Directly attributed
Operations	4.3	7.0	3.8	15.7	0.6	**31.4**	29.8	Headcount / building usage
Other	0.3	2.5	0.5	0.2	0.5	**4.0**	4.3	Expenditure
	4.6	17.3	7.7	19.0	1.1	**49.7**	48.8	

10. Governance costs

	Group		Trust	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Trustee's fees and expenses	**1.0**	0.8	**0.9**	0.8
Auditors' remuneration				
- parent company and consolidation	**0.2**	0.2	**0.2**	0.2
- audits of subsidiary undertakings	**0.2**	0.1	**-**	-
Internal audit	**0.4**	0.4	**0.4**	0.4
Other costs	**0.4**	0.7	**0.4**	0.6
	2.2	2.2	**1.9**	2.0

In addition to the auditors' remuneration above, in 2013 total fees of £0.3 million (2012: £0.7 million) excluding VAT were payable to the Group's auditors PricewaterhouseCoopers LLP or associated firms (£0.2 million in respect of taxation compliance services and £0.1 million in respect of non-audit services for the operation of the international initiatives). In addition, there were fees payable to PricewaterhouseCoopers LLP in respect of the audit of the Wellcome Trust Pension Plan of £12,650 (2012: £12,300), excluding VAT, which were borne by the Plan and fees payable to PricewaterhouseCoopers LLP in respect of the audit of the Genome Research Limited Pension Plan of £6,450 (2012: £6,250), excluding VAT, which were borne by Genome Research Limited. The internal audit services are provided by Deloitte LLP.

11. Employee information

(a) Staff costs

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Emoluments including benefits in kind	**72.6**	67.4	**38.3**	37.3
Social Security costs	**5.7**	5.3	**2.9**	3.0
Pension costs and other benefits	**16.9**	17.2	**7.6**	9.2
	95.2	89.9	**48.8**	49.5

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

	Average	
	2013	2012
Trust	**550**	543
Subsidiary undertakings	**902**	870
Total for the Group	**1,452**	1,413
Analysed by		
Investments	**33**	32
Direct activities	**995**	998
Support	**423**	382
Governance	**1**	1
Total for the Group	**1,452**	1,413
Analysed by		
Investments	**33**	32
Direct activities	**139**	159
Support	**377**	351
Governance	**1**	1
Total for the Trust	**550**	543

11. Employee information (continued)

(c) Emoluments of employees

The number of employees of the Trust and its subsidiary undertakings whose emoluments (salaries, benefits in kind, bonuses and compensation for loss of office, but excluding pension contributions and amounts awarded under the Long Term Incentive Plans) fell within the following bands were:

	Group	
	2013	2012
£60,000-£69,999	**44**	36
£70,000-£79,999	**22**	21
£80,000-£89,999	**19**	20
£90,000-£99,999	**15**	12
£100,000-£109,999	**11**	6
£110,000-£119,999	**6**	7
£120,000-£129,999	**4**	2
£130,000-£139,999	**5**	8
£140,000-£149,999	**3**	2
£150,000-£159,999	**2**	3
£160,000-£169,999	**1**	-
£170,000-£179,999	**1**	1
£180,000-£189,999	**1**	-
£190,000-£199,999	**2**	-
£200,000-£209,999	**2**	4
£210,000-£219,999	**1**	2
£230,000-£239,999	**1**	1
£240,000-£249,999	**2**	-
£250,000-£259,999	**-**	1
£260,000-£269,999	**1**	1
£300,000-£309,999	**1**	-
£310,000-£319,999	**-**	1
£320,000-£329,999	**-**	1
£360,000-£369,999	**1**	-
£400,000-£409,999	**-**	1
£410,000-£419,999	**1**	-
£420,000-£429,999	**-**	1
£590,000-£599,999	**1**	-
£600,000-£609,999	**-**	1

As noted in the Trustee's Report, the Director resigned on 31 March 2013 and an Interim Director was appointed for the remainder of the year. The remuneration of the Director included in the table above totalled £248,681(2012: £406,755).

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

Further information in respect of employees' and Governors' remuneration is included within the Remuneration Report on pages 34 and 35. The table of Governors' remuneration on page 35 forms part of the audited Financial Statements.

11. Employee information (continued)

(d) Retirement benefits

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

The Trust has committed to pay lump sum contributions of £2.3 million for the Wellcome Trust Pension Plan in each of 2013 and 2014 in order to fund the pension deficits identified at the last actuarial valuations.

The FRS 17 "Retirement benefits" actuarial valuation of the Wellcome Trust and Genome Research Limited Pension Plans at 30 September 2013, showed a combined deficit of £117.7 million (2012: £98.4 million). This deficit represents the difference between an assessment of the liabilities of the pension funds and the current value of their underlying assets. The amount of the deficit is subject to considerable variability because it depends on a valuation of assets at the year-end date and a range of actuarial assumptions including interest and inflation rates, which change annually.

The contributions made by the employer over the financial year into the Wellcome Trust Pension Plan were £7.5 million (2012: £7.4 million). Contributions made by the employer into the Genome Research Limited Pension Plan were £6.0 million (2012: £5.4 million).

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

	2013	2012	2011
	% per annum	% per annum	% per annum
Inflation	**3.50%**	2.80%	3.40%
Salary increases	**4.25%**	3.55%	4.15%
Rate of discount	**4.55%**	4.50%	5.10%
Allowance for pension in payment increase of RPI or 5% p.a. if less	**3.40%**	2.70%	3.30%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.50%**	2.80%	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%

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

	2013	2012
Male retiring at age 60 in 2013	**28.8**	28.7
Female retiring at age 60 in 2013	**29.9**	29.8
Male retiring at age 60 in 2032	**30.8**	30.7
Female retiring at age 60 in 2032	**31.9**	31.8

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 S1PxA_Light together with an allowance for mortality improvement in line with CMI 2009 projections and a 1.25% per annum minimum long-term rate of improvement.

11. Employee information (continued)

(d) Retirement benefits (continued)

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

	Group		Trust	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Current service cost	**15.0**	14.6	**7.5**	8.2
Past service cost	**-**	-	**-**	-
	15.0	14.6	**7.5**	8.2
Other finance income				
Expected return on pension schemes' assets	**(12.0)**	(10.7)	**(7.5)**	(6.9)
Interest on pension schemes' liabilities	**13.1**	13.0	**8.1**	8.2
	1.1	2.3	**0.6**	1.3
Other				
Losses on business combinations	**1.0**	-	**-**	-
Losses/(gains) on settlements	**(1.0)**	-	**(1.0)**	-
	-	-	**(1.0)**	-
Actuarial losses/ (gains)	**19.0**	(1.3)	**7.0**	0.1
Total charge to the Statement of Financial Activities	**35.1**	15.6	**14.1**	9.6

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

	Assets		Liabilities		Deficit	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Wellcome Trust Pension Plan	**133.8**	112.0	**(195.4)**	(169.3)	**(61.6)**	(57.3)
Genome Research Limited Pension Plan	**82.3**	64.0	**(138.4)**	(105.1)	**(56.1)**	(41.1)
Total pension funds	**216.1**	176.0	**(333.8)**	(274.4)	**(117.7)**	(98.4)

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

	Group		Trust	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Schemes' liabilities at start of year	**274.4**	239.4	**169.3**	149.0
Current service cost	**14.2**	13.9	**6.7**	7.5
Interest cost	**12.6**	12.5	**7.6**	7.7
Contributions by schemes' participants	**1.3**	1.0	**0.6**	0.5
Actuarial losses/(gains)	**34.6**	11.2	**16.6**	7.6
Benefits paid and death-in-service insurance premiums	**(3.3)**	(3.6)	**(2.8)**	(3.0)
Liabilities assumed in a business combination	**2.6**	-	**-**	-
Liabilities extinguished on settlements	**(2.6)**	-	**(2.6)**	-
Total pension funds	**333.8**	274.4	**195.4**	169.3

11. Employee information (continued)

(d) Retirement benefits (continued)

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

Analysis of the sensitivity to the principal assumptions of the value of the schemes' liabilities

Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by 15.1%
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by 9.1%
Rate of salary growth	Increase/decrease of 0.5% p.a.	Increase/decrease by 2.2%
Probability of death in any year after retirement	Increase/decrease of 10% p.a.	Increase/decrease by 2.2%
Long-term rate of mortality improvement	Increase/decrease of 0.25% p.a.	Increase/decrease by 1.7%

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

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Fair value of scheme assets at start of year	**176.0**	142.3	**112.0**	92.4
Expected return on scheme assets	**12.0**	10.7	**7.5**	6.9
Actuarial gains	**16.6**	12.8	**10.6**	7.8
Contributions by the Group	**13.5**	12.8	**7.5**	7.4
Contributions by scheme participants	**1.3**	1.0	**0.6**	0.5
Benefits paid and death-in-service insurance premiums	**(3.3)**	(3.6)	**(2.8)**	(3.0)
Assets acquired in a business combination	**1.6**	-	**-**	-
Assets distributed on settlements	**(1.6)**	-	**(1.6)**	-
Total pension funds	**216.1**	176.0	**133.8**	112.0

The actual return on the Group assets for the year ended 30 September 2013 was a gain of £28.6 million (2012: gain of £23.5 million).

During the year under review, as a result of a transfer of employment from the Wellcome Trust to Genome Research Limited effective 1 October 2012, 29 members of the Wellcome Trust Pension Plan were offered an option of exchanging their accrued benefits in the Wellcome Trust Pension Plan for benefits in the Genome Research Limited Pension Plan. Of the 29 members involved, 23 opted to transfer their benefits to the Genome Research Limited Pension Plan. The transfer value of the benefits was £1.6 million as is included in the table above. The corresponding movements on the liabilities is shown in note 11(d)(iii) above.

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

11. Employee information (continued)

(d) Retirement benefits (continued)

(v) Split of assets and expected returns

	2013		2012		2011	
	£m	Expected return (%)	£m	Expected return (%)	£m	Expected return (%)
Wellcome Trust Pension Plan						
Equity	133.5	7.4%	111.5	6.6%	92.0	7.3%
Other	0.3	0.5%	0.5	0.5%	0.4	0.5%
Total assets	133.8	7.4%	112.0	6.6%	92.4	7.3%
Genome Research Limited Pension Plan						
Equity	81.8	7.4%	63.6	6.6%	49.9	7.3%
Other	0.5	0.5%	0.4	0.5%	-	-
Total assets	82.3	7.4%	64.0	6.6%	49.9	7.3%

The long-term expected rate of return on other assets is determined by reference to bank base rates at the balance sheet dates. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for the equity risk premium.

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.

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

Group	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of schemes' assets	216.1	176.0	142.3	144.3	120.8
Present value of schemes' liabilities	(333.8)	(274.4)	(239.4)	(257.1)	(216.0)
Deficit in schemes	(117.7)	(98.4)	(97.1)	(112.8)	(95.2)
Experience adjustment on schemes' assets	16.6	12.8	(24.2)	4.8	5.6
Experience adjustment on schemes' liabilities	(0.1)	(1.0)	4.6	11.4	0.9
Effects of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(34.5)	(10.2)	38.0	(30.6)	(29.7)

Trust	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme's assets	133.8	112.0	92.4	94.1	79.1
Present value of scheme's liabilities	(195.4)	(169.3)	(149.0)	(160.7)	(134.1)
Deficit in scheme	(61.6)	(57.3)	(56.6)	(66.6)	(55.0)
Experience adjustment on scheme's assets	10.6	7.8	(14.4)	3.5	5.4
Experience adjustment on scheme's liabilities	(0.1)	(0.5)	4.9	2.1	0.1
Effects of changes in the demographic and financial assumptions underlying the present value of the schemes' liabilities	(16.5)	(7.1)	19.9	(17.5)	(17.7)

(vii) Estimate of contributions to be paid to scheme

The best estimate of contributions to be paid by the employer to the Wellcome Trust scheme for the period beginning after 30 September 2013 is £7.5 million. This includes the additional contributions required to make good the shortfall in funding identified in the valuations of 1 January 2011. The best estimate of contributions to be paid by the employer to the Genome Research Limited scheme for the period beginning after 30 September 2013 is £6.0 million.

12. Remuneration of Governors and related party transactions

Information on Governors' remuneration is included in the Remuneration Report on pages 34 to 35. In addition, Professor Dame Kay Davies, who is a Governor, is a shareholder in Summit Corporation plc. The Trust has made payments to Summit Corporation plc in respect of programme related investments amounting to £2.0 million (2012: £0.1 million) and grants amounting to nil (2012: £4.1 million).

Details of the Governors who had appointments during the year with organisations which were in receipt of grants are disclosed in note 7.

Other related party transactions

The Francis Crick Institute Limited

The programme related investment loans are unsecured, interest free and have no repayment date. They have been provided to finance The Francis Crick Institute Limited's activities (note 15(d)). Grants awarded during the year are shown in Note 7.

The Group incurred costs of £nil (2012: £0.3 million) on behalf of The Francis Crick Institute Limited, which it has recharged, including the cost of secondment staff. No amounts were outstanding from The Francis Crick Institute Limited at 30 September 2013 (2012: £nil).

UKCMRI Construction Limited

The Francis Crick Institute Limited is the controlling party and immediate parent of UKCMRI Construction Limited. The Group incurred costs of £0.4 million (2012: £1.1 million) on behalf of UKCMRI Construction Limited, which it has recharged including the cost of secondment staff and rental charges. An area of the Wellcome Trust premises at 215 Euston Road is currently made available to UKCMRI Construction Limited at below market rent. The amount due from UKCMRI Construction Limited at the year end was £0.5 million (2012: £0.1 million).

13. Taxation

The estimated cost of irrecoverable Value Added Tax suffered by the Group in the year was £12.9 million (2012: £11.8 million). The Trust claims exemption from income and capital gains taxes.

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 2012	351.0	1.5	20.8	64.0	161.8	8.9	608.0
Additions	2.6	-	-	-	16.1	24.3	43.0
Transfers	2.9	-	-	-	0.2	(3.1)	-
Disposals	-	-	-	-	(5.4)	-	(5.4)
Cost as at 30 September 2013	**356.5**	**1.5**	**20.8**	**64.0**	**172.7**	**30.1**	**645.6**
Accumulated depreciation as at 1 October 2012	71.0	1.5	3.2	24.2	115.4	-	215.3
Charge for the year	5.9	-	0.4	3.0	15.1	-	24.4
Disposals	-	-	-	-	(5.4)	-	(5.4)
Accumulated depreciation as at 30 September 2013	**76.9**	**1.5**	**3.6**	**27.2**	**125.1**	**-**	**234.3**
Net Book Value as at 30 September 2013	**279.6**	**-**	**17.2**	**36.8**	**47.6**	**30.1**	**411.3**
Net Book Value as at 30 September 2012	280.0	-	17.6	39.8	46.4	8.9	392.7

(b) Trust

	Freehold land and buildings £m	Long leasehold land and buildings £m	Finance leased buildings £m	Finance leased plant and equipment £m	Other plant, equipment, fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost as at 1 October 2012	212.9	1.5	20.8	64.0	50.2	-	349.4
Additions	-	-	-	-	4.8	1.5	6.3
Disposals	-	-	-	-	(2.4)	-	(2.4)
Cost as at 30 September 2013	**212.9**	**1.5**	**20.8**	**64.0**	**52.6**	**1.5**	**353.3**
Accumulated depreciation as at 1 October 2012	37.6	1.5	3.2	24.2	25.5	-	92.0
Charge for the year	3.3	-	0.4	3.0	3.2	-	9.9
Disposals	-	-	-	-	(2.4)	-	(2.4)
Accumulated depreciation as at 30 September 2013	**40.9**	**1.5**	**3.6**	**27.2**	**26.3**	**-**	**99.5**
Net Book Value as at 30 September 2013	**172.0**	**-**	**17.2**	**36.8**	**26.3**	**1.5**	**253.8**
Net Book Value as at 30 September 2012	175.3	-	17.6	39.8	24.7	-	257.4

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.

(a) Nature of the assets

The Trust has several collections of heritage assets comprising substantial collections of books, 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 vast 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.

(b) Policy for acquisition

Materials selected for acquisition must be representative of the history of medicine or closely allied subjects; 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.

(c) Preservation and conservation

The Trust adheres to the principles for the preservation and conservation of the library materials of the National Preservation Office (NPO) and International Federation of Library Associations (IFLA). 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.

(d) 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.

(e) 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 full Premium Membership contract with Document SOS 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. Investments

(a) Investment assets

Group	Fair value 1 October 2012 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	Fair value 30 September 2013 £m
UK	**1,246.2**	271.4	(132.2)	188.2	**1,573.6**
Overseas	**5,248.4**	2,165.6	(2,080.9)	929.6	**6,262.7**
Total quoted	**6,494.6**	2,437.0	(2,213.1)	1,117.8	**7,836.3**
UK	**198.1**	103.8	(15.1)	34.0	**320.8**
Overseas	**7,225.5**	767.6	(1,986.2)	1,091.9	**7,098.8**
Total unquoted	**7,423.6**	871.4	(2,001.3)	1,125.9	**7,419.6**
UK	**922.1**	275.1	(74.0)	141.6	**1,264.8**
Total property	**922.1**	275.1	(74.0)	141.6	**1,264.8**
Total	**14,840.3**	3,583.5	(4,288.4)	2,385.3	**16,520.7**

Trust	Fair value 1 October 2012 £m	Purchases £m	Sales proceeds £m	Total gains/ (losses) £m	Fair value 30 September 2013 £m
UK	**1,246.2**	271.4	(132.2)	188.2	**1,573.6**
Overseas	**4,632.0**	1,782.7	(1,499.2)	783.0	**5,698.5**
Total quoted	**5,878.2**	2,054.1	(1,631.4)	971.2	**7,272.1**
UK	**198.0**	103.8	(15.1)	34.0	**320.7**
Overseas	**6,041.3**	650.8	(1,552.2)	995.9	**6,135.8**
Total unquoted	**6,239.3**	754.6	(1,567.3)	1,029.9	**6,456.5**
UK	**922.1**	133.0	(74.0)	136.4	**1,117.5**
Total property	**922.1**	133.0	(74.0)	136.4	**1,117.5**
Total	**13,039.6**	2,941.7	(3,272.7)	2,137.5	**14,846.1**

The investment assets at fair value in the Group and the Trust include securities on loan at year end with fair value of £43.8 million (2012: £41.1 million); the Group and the Trust held cash collateral of £46.3 million (2012: £43.7 million) in respect of these securities. The Trust recognises the cash collateral held asset and a liability to return the cash collateral to the borrowers as disclosed in note 15(c) and note 17. During the year, the maximum aggregate fair value of securities on loan was £163.7 million (2012: £246.6 million) and the Trust held £172.6 million (2012: £262.5 million) as collateral in respect of these securities. The income receivable due to securities lending activities is disclosed in note 2. No loaned securities were recalled but not obtained during the year and therefore no collateral was retained.

The unquoted valuation in the Group and the Trust above includes indirectly held investments of £60.0 million (2012: £59.2 million) for which the valuation used is equal to cost less any impairment. For these investments, the fair value cannot be reliably measured and therefore they are held at cost less any impairment.

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

15. Investments (continued)

(b) Derivative financial instruments

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Derivative financial instrument asset positions	**206.8**	72.7	**206.8**	72.7

Derivative financial instrument liabilities for the Group and Trust are included within creditors, disclosed in note 17.

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 Sterling and as part of the investment strategy to have a globally diversified currency exposure. As at 30 September 2013, the notional value of open forward contracts amounted to £3,137.8 million (2012: £2,786.9 million). As at 30 September 2013, the Group and Trust held cash collateral relating to its forward currency contracts of £119.8 million (2012: £41.3 million).

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.

As at 30 September 2013, there were no long equity index futures positions (2012: nil) and the notional value of open sold futures positions amounted to nil (2012: £249.0 million). Sold futures are covered by quoted equity positions as reflected in note 15(a).

As at 30 September 2013, the notional value of long options positions amounted to £53.7 million (2012: £9.0 million) and the notional value of short options positions amounted to £31.8 million (2012: £5.8 million). Sold call options are covered by quoted equities positions as reflected in note 15(a). Sold put options are covered by cash as reflected in note 15(c).

As at 30 September 2013, the Group held long warrants positions relating to unquoted equity holdings which allow the Group to purchase additional equities at an agreed strike price. The notional value of these warrants amounted to £8.1 million (2012: £8.2 million).

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

	Group		Trust	
	2013	2012	**2013**	2012
	£m	£m	**£m**	£m
Investment cash and certificates of deposit	**595.5**	412.4	**567.0**	388.8
Cash collateral held	**166.1**	85.0	**152.6**	68.0
Accrued income from investments	**12.0**	13.0	**10.1**	11.4
Income receivable	**10.6**	11.2	**10.6**	11.2
Proceeds receivable on sale of investments	**47.2**	144.2	**44.3**	115.4
Prepayment of investment purchases	**-**	18.6	**-**	-
Other investment debtors	**4.7**	7.1	**2.2**	6.5
Other investments assets	**240.6**	279.1	**219.8**	212.5

15. Investments (continued)

(d) Programme related investments

	Fair value 1 October 2012 £m	Purchases £m	Disposals £m	Write-downs £m	Fair value 30 September 2013 £m
Loans – other	0.1	6.2	-	(6.2)	**0.1**
Loans	0.1	6.2	-	(6.2)	**0.1**
Equity Funding – The Francis Crick Institute	-	31.1	-	(31.1)	-
Equities – Diamond	-	1.1	-	(1.1)	-
Equities – Hilleman Laboratories	-	1.3	-	(1.3)	-
Equities - Other	1.0	-	(1.0)	0.2	**0.2**
Equities and Equity Funding	1.0	33.5	(1.0)	(33.3)	**0.2**
Total	1.1	39.7	(1.0)	(39.5)	**0.3**

The Francis Crick Institute Limited

The Trust continued to work with the Medical Research Council, Cancer Research UK and University College London (the "Original Founders"), and two academic funders, Imperial College London and King's College London, to develop The Francis Crick Institute Limited (formerly known as the UK Centre for Medical Research and Innovation (UKCMRI Limited)), a world class multidisciplinary biomedical research institute to be based in London. The academic funders became Founders in October 2011.

The programme related equity funding is the Trust's share of the funding of this project for programme management costs and the construction costs of the Crick building. In return for the funding, The Francis Crick Institute Limited, the legal name for the institute, issues shares to the Trust. At the balance sheet date, £2.4 million had yet to be issued to the Trust in shares. 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 these programme related investments and they have been fully written down and included within Science Funding 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 Funding 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 Technology Transfer direct expenditure.

Other equity and loans

As part of its Technology Transfer activities, the Trust has provided funding to 53 (2012: 45) 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 £6.0 million (2012: £17.1 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 2013 the impairment reversed was £0.2 million (2012: £1.1 million). Any income received or gains realised are included in other income and amounted to £0.6 million (2012: £2.3 million).

15. Investments (continued)

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

		Group		Trust	
		2013	2012	**2013**	2012
	Note	**£m**	£m	**£m**	£m
Quoted investments	15(a)	**1,117.8**	850.4	**971.2**	849.2
Unquoted investments	15(a)	**1,125.9**	355.7	**1,029.9**	305.7
Investment properties	15(a)	**141.6**	134.9	**136.4**	134.9
Derivative financial instruments					
Currency overlay		**(12.1)**	164.5	**(12.1)**	164.5
Other derivative financial instruments		**(48.7)**	(13.4)	**(48.6)**	(13.1)
Shares in subsidiary undertakings		**-**	-	**111.0**	13.9
Foreign exchange		**(3.2)**	(7.4)	**(4.1)**	(9.7)
		2,321.3	1,484.7	**2,183.7**	1,445.4

Losses relating to derivative financial instruments include £12.1 million (2012: gains £164.5 million) relating to the currency overlay, which comprises forward currency contracts to hedge the Group and Trust's exposure to foreign currency assets. The remaining losses of £48.7 million (2012: losses of £13.4 million) relate to other forward currency contracts, financial futures, options and warrants. The Trust adopts a policy of hedging a part of its non-base currency exposures using a currency overlay although the actual percentage hedged varies from time to time. The gains and losses relating to the currency overlay are therefore offsetting foreign exchange gains and losses on the foreign currency assets within quoted and unquoted investments.

(f) Reconciliation to Trustee's Report

The presentation of investment balances in notes 15 and 17 is in accordance with the statutory asset and liability classifications. However, the investment portfolio is reported by investment strategy for management purposes and for the Trustee's Report. The distinct classes of assets used and reported on within the Trustee's Report are: equity; hedge funds; private equity; and property and infrastructure.

This note reconciles the investment asset fair value at the balance sheet date as presented within the Trustee's Report to the presentation within the Financial Statements. The market value of each asset class presented in the Trustee's Report 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:

		2013	2012
	Note	**£m**	£m
Quoted and unquoted investments and investment property	15(a)	**16,520.7**	14,840.3
Derivative financial instrument asset positions	15(b)	**206.8**	72.7
Investment cash and certificates of deposit	15(c)	**595.5**	412.4
Other investment assets	15(c)	**240.6**	279.1
Derivative financial instrument liabilities	17	**(46.3)**	(26.5)
Other investment liabilities	17	**(215.1)**	(126.1)
Bond liabilities at amortised cost	17	**(821.3)**	(820.7)
Adjusted for			
Restatement of bond liabilities to fair value		**(104.6)**	(151.3)
Syncona assets not in investment asset allocation		**(2.7)**	(0.5)
Total assets net of Bond liabilities per figure 7		**16,373.6**	14,479.4

15. Investments (continued)

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

	Note	2013 £m	2012 £m
Total assets net of Bond liabilities per figure 7		**16,373.6**	14,479.4
Add back investment liabilities			
Derivative financial instrument liabilities	17	**46.3**	26.5
Other investment liabilities	17	**215.1**	126.1
Bond liabilities at amortised cost	17	**821.3**	820.7
Programme related investments	15(d)	**0.3**	1.1
Adjusted for			
Restatement of bond liabilities to fair value		**104.6**	151.3
Syncona assets not in investment asset allocation		**2.7**	0.5
Investment assets as presented in the Consolidated Balance Sheet		**17,563.9**	15,605.6

Syncona is an investment subsidiary company set up specifically to invest in the health and biotechnology sectors with a focus on investing in exciting opportunities in the translation of research into new treatments and patient care technologies. It is managed separately to the rest of the investment portfolio and therefore does not form part of the investment activities considered in the Trustee's Report.

16. Debtors

	Group		Trust	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts owed by subsidiary undertakings	**-**	-	**13.5**	10.1
Other debtors	**12.8**	15.5	**5.6**	9.3
Prepayments	**7.1**	7.1	**2.9**	2.7
	19.9	22.6	**22.0**	22.1

Other debtors in the Group included £3.5 million (2012: £4.8 million) due under third-party grant awards.

17. Creditors

	Note	Group 2013 £m	Group 2012 £m	Trust 2013 £m	Trust 2012 £m
Falling due within one year					
Amounts owed to subsidiary undertakings		-	-	988.0	502.0
Grant liabilities	8	679.4	683.2	677.5	683.2
Bond liabilities		9.2	9.2	-	-
Finance lease creditor		-	0.1	-	0.1
Amount payable on acquisition of investments		21.9	17.8	10.1	14.3
Cash collateral creditor		166.1	85.0	152.6	68.0
Deferred income from investments		4.6	4.2	4.6	4.2
Derivative financial instrument liabilities		46.3	26.5	46.3	26.5
Other investment liabilities		22.5	19.0	21.4	18.4
Lease premium creditor		0.3	-	-	-
Trade creditors		14.2	7.8	7.8	3.8
Other creditors		34.0	14.2	29.0	9.7
Accruals and deferred income		18.5	14.6	7.4	4.9
Total falling due within one year		1,017.0	881.6	1,944.7	1,335.1
Falling due between one and five years					
Grant liabilities	8	909.1	855.3	909.1	853.4
Lease premium creditor		1.7	3.4	-	-
Other creditors		1.0	1.4	1.1	1.5
		911.8	860.1	910.2	854.9
Falling due after five years					
Grant liabilities	8	65.6	44.6	65.6	44.6
Bond liabilities		812.1	811.5	-	-
Lease premium creditor		15.1	-	-	-
		892.8	856.1	65.6	44.6
Total falling due after one year		1,804.6	1,716.2	975.8	899.5

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

18. Provisions for liabilities and charges

	Employment related provisions £m	Other provisions £m	Total £m
Group and Trust			
As at 1 October 2012	18.1	1.9	20.0
Charge for the year	9.9	(0.9)	9.0
Utilised in year	(0.3)	-	(0.3)
As at 30 September 2013	27.7	1.0	28.7

The employment-related provisions relate primarily to the incentive schemes discussed on page 34. Other provisions relate to decommissioning costs in 2045 for Diamond Light Source Limited (note 15(d)) which were recalculated in 2013.

19. Commitments and contingent liabilities

(a) Investments

The Trust has entered into commitments to invest in private equity and property funds. At the balance sheet date, outstanding commitments amounted to £1,630.4 million (2012: £1,711.2 million). The Trust models its expected cash flows based on the year of the original commitment and historic trends. The Trust expects to invest £413.6 million (25%) of its outstanding commitments in one year, £659.9 million (41%) in between one and five years and £556.9 million (34%) after five years.

(b) Programme related investments

At 30 September 2013, the Trust's outstanding commitment to The Francis Crick Institute Limited was £56.4 million (2012: £79.6 million).

Programme related convertible loans have been made over a series of years, of which £19.5 million (2012: £5.5 million) remains yet to be drawn down and is contingent upon specific milestones being achieved.

During the previous year, the Trust committed to fund 14% of the third construction phase of the Diamond Light Source Limited synchrotron project. The outstanding commitment as at 30 September 2013 was £9.6 million (2012: £11.0 million). The Trust has no outstanding commitment on the second construction phase (2012: £0.4 million).

During the year, the Trust incurred £1.5 million (2012: £1.8 million) in expenditure relating to an entity in India, MSD-Wellcome Trust Hilleman Laboratories. The Trust will contribute up to £36.5 million over the next five years.

(c) Grant funding activities

During the current and prior years, the Technology Transfer division has made Seeding Drug Discovery awards of £150.3 million, of which £116.0 million has been included in expenditure in current and prior financial years. The remaining £34.3 million is contingent upon specific funding-related milestones being met and has therefore not been included within grant liabilities.

During the year, the Trust incurred £6.9 million in expenditure relating to Wellcome Trust-DBT India Alliance. Subject to Trustee approval, the Trust will contribute up to £49.5 million over the next six years.

During the year, the Trust incurred £4.0 million in expenditure relating to a partnership between the Trust, the UK Medical Research Council and the UK Department for International Development to fund clinical trials in low and middle-income countries. Subject to review and approval of appropriate applications, the Trust will contribute up to £4.0 million a year for the next three years.

During the current and prior years, the Trust has incurred £35.0 million in expenditure relating to the Health Innovation Challenge Fund, a partnership with the UK Department of Health. Subject to review and approval of appropriate applications, the Trust will contribute up to £15.0 million over the next two years.

During the current and prior years, the Trust has incurred £2.8 million in expenditure relating to eLife Sciences Publications Limited. Subject to further review of activities, the Trust will contribute up to £4.7 million over the next four years.

During the year, the Trust incurred £32.4 million in expenditure relating to PhD programmes. Subject to review and approval of appropriate applications, the Trust will contribute up to £144.1 million over the next seven years.

(d) Capital commitments

At 30 September 2013, Genome Research Limited had capital commitments contracted for but not provided of £0.6 million (2012: £1.3 million) relating to purchases of scientific equipment. Hinxton Hall Limited had capital commitments contracted for but not provided of £10.3 million (2012: £8.0 million) relating to capital projects at the Wellcome Trust Genome Campus. W.T. Construction Limited had capital commitments contracted for but not provided of £12.2 million (2012: £20.1 million) relating to building projects.

20. Group undertakings

(a) Summary of activities of significant subsidiary undertakings

Company	Country of incorporation	Activities	Legal relationship
Genome Research Limited	England	Medical research, primarily in the field of genomics	The Wellcome Trust Limited and Wellcome Trust Nominees Limited are equal members
Wellcome Trust Finance plc	England	To issue and invest in financial instruments	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investments 2 Unlimited	England	Investment holding company (US Dollar investments)	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investments 3 Unlimited	England	Investment holding company (Euro investments)	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Residential 1 Limited	England	Investment holding company	The Wellcome Trust Limited is the sole shareholder
Wellcome Trust Investment Limited Partnership	England	Investment holding partnership	The Wellcome Trust Limited is the limited partner and Wellcome Trust GP Limited is the general partner

In 2013, the Trust has taken advantage of the exemption from audit available under 479A to 479C of the Companies Act 2006 for the following subsidiaries:

Wellcome Trust Investments 1 Unlimited
Wellcome Trust Investments 2 Unlimited
Wellcome Trust Investments 3 Unlimited

20. Group undertakings (continued)

(b) Summary financial information

(i) Non-charitable investment subsidiary undertaking

	Wellcome Trust Investment Limited Partnership		Wellcome Trust Investments 2 Unlimited		Wellcome Trust Investments 3 Unlimited		Wellcome Trust Residential 1 Unlimited	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Turnover	**11.8**	12.8	**-**	-	**0.6**	-	**6.6**	7.8
Expenditure	**(20.4)**	(32.0)	**(13.5)**	(5.1)	**(4.2)**	-	**(109.9)**	(8.1)
Gains/(losses) on investments	**155.3**	22.0	**36.4**	2.2	**5.9**	11.6	**18.9**	17.1
	146.7	2.8	**22.9**	(2.9)	**2.3**	11.6	**(84.4)**	16.8
Investment assets	**529.8**	715.5	**857.3**	667.8	**133.0**	106.8	**113.1**	307.3
Current assets	**46.3**	46.5	**132.1**	144.4	**6.4**	1.6	**238.2**	22.3
Total assets	**576.1**	762.0	**989.4**	812.2	**139.4**	108.4	**351.3**	329.6
Liabilities	**(280.3)**	(613.0)	**(21.0)**	(15.0)	**(3.8)**	-	**(110.1)**	(8.3)
Net assets	**295.8**	149.0	**968.4**	797.2	**135.6**	108.4	**241.2**	321.3

(ii) Non-charitable financing subsidiary undertaking

	Wellcome Trust Finance plc	
	2013 £m	2012 £m
Turnover	**44.1**	45.6
Expenditure	**(44.1)**	(45.6)
	-	-
Assets	**963.8**	958.7
Liabilities	**(826.3)**	(821.2)
Net assets	**137.5**	137.5

(iii) Charitable subsidiary undertaking

	Genome Research Limited	
	2013 £m	2012 £m
Incoming resources	**114.0**	101.5
Resources expended	**(115.4)**	(107.6)
Actuarial (losses) / gains on defined benefit pension scheme	**(12.0)**	1.4
Net movements in funds	**(13.4)**	(4.7)
Assets	**143.8**	127.6
Liabilities	**(36.5)**	(21.8)
Defined benefit pension scheme deficit	**(56.1)**	(41.1)
Net assets	**51.2**	64.7

21. Consolidated cash flow

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

	2013 £m	2012 £m
Incoming resources	281.5	242.4
Less: Dividends and interest	(225.8)	(192.3)
Less: Rental income	(29.1)	(25.2)
Increase in debtors	3.0	-
Income received	29.6	24.9
Grants awarded	(537.8)	(511.1)
Increase in commitments	71.0	75.1
Increase in partnership recoverables	(0.3)	(1.1)
Grants paid	(467.1)	(437.1)
Other resources expended	(314.5)	(285.7)
Increase in creditors and provisions	72.2	9.7
Decrease/(increase) in other investment debtors	2.4	(3.1)
Increase in provision for Programme related investments	39.5	39.3
Gain on disposal of fixed assets	-	(0.7)
Depreciation	24.4	25.0
Other operating costs	(176.0)	(215.5)
Net cash outflow from operating activities	(613.5)	(627.7)

(b) Investment income received

	2013 £m	2012 £m
Dividends and interest	225.8	192.3
Rental income	29.1	25.2
Increase/(decrease) in income receivable from investments	0.6	(2.5)
Decrease/(increase) in accrued income from investments	1.0	(1.9)
Increase in deferred income from investments	0.4	0.4
Investment income received	256.9	213.5

(c) Servicing of finance

	2013 £m	2012 £m
Interest payable	(39.0)	(39.0)
(Decrease) /increase in interest creditors	0.5	0.6
Cash outflow for servicing of finance	(38.5)	(38.4)

21. Consolidated cash flow (continued)

(d) Reconciliation of investment sales and purchases

	2013 £m	2012 £m
Proceeds on sale of quoted investments	2,213.1	2,296.2
Proceeds on sale of unquoted investments	2,001.3	1,041.3
Proceeds on sale of investment property	74.0	54.1
Increase/(decrease) in proceeds receivable on sale of investments	97.0	(116.3)
Proceeds from sales of investments	4,385.4	3,275.3
Purchases of quoted investments	2,437.0	2,046.1
Purchases of unquoted investments	871.4	826.2
Purchases of investment property	275.1	6.3
(Increase)/decrease in amounts payable on acquisition of investments	(4.1)	0.8
(Decrease)/increase in prepayment for investment purchases	(18.6)	18.6
Purchase of programme related investments	37.1	32.1
Purchases of investments	3,597.9	2,930.1
(Loss)/gain on derivative financial instruments	(60.8)	151.1
Increase in derivative financial asset positions	(134.1)	(6.8)
Increase/(decrease) in derivative financial liabilities	19.8	(59.2)
Net cash inflow upon settlement of derivative financial instruments	(175.1)	85.1

(e) Issue of corporate bonds

In July 2006, Wellcome Trust Finance plc issued £550 million 4.625%, Guaranteed Bonds due 2036 and in May 2009 Wellcome Trust Finance plc issued £275 million 4.75%, Guaranteed Bonds due 2021.

(f) Reconciliation of cash flow to movement in net debt

	At 1 October 2012 £m	Cash flow £m	Non-cash changes: effective interest £m	At 30 September 2013 £m
Cash in hand and at bank	21.9	(10.2)	-	11.7
Debt due after one year				
- bond liabilities	(811.5)	-	(0.6)	(812.1)
Debt due within one year				
- bond liabilities	(9.2)	38.5	(38.5)	(9.2)
Finance leases due after one year	(0.1)	-	0.1	-
Liquid resources:				
- investment cash and certificates of deposit	412.4	183.1	-	595.5
Net debt	(386.5)	211.4	(39.0)	(214.1)

22. Major non-cash transactions

There were no major non-cash transactions during the current or prior year.

23. Financial risk management

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

(a) Credit risk

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

Credit risk exposure

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

	2013 £m	2012 £m
Interest-bearing securities	**-**	-
Derivative financial instruments assets positions	**158.2**	51.1
Investment cash balances and certificates of deposit	**595.5**	412.4
Cash collateral held	**166.1**	85.0
Accrued income from investments	**12.0**	13.0
Proceeds receivable on sale of investments	**47.2**	144.2
Other investment debtor balances	**15.3**	36.9
Programme related investment loans	**0.1**	0.1
Other debtors	**12.8**	15.5
Term deposits and cash	**11.7**	21.9
	1,018.9	780.1

None of the Group's financial assets subject to credit risk (other than the Programme related investments which are discussed in note 15(d)) are past their due date or were impaired during the year.

Risk management policies and procedures

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

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

- for interest-bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Group of default. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk;
- transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk. Derivative financial instrument asset positions exposed to credit risk comprise the Group's forward currency contracts;
- direct cash management mandate is limited to the use of deposits with selected banks (the credit ratings of which are taken into account to minimise credit risk), the purchase of short-dated UK Government securities and the controlled use of AAA rated money market funds; 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.

These policies and procedures were applied and reviewed during the year. At the balance sheet date, in addition to the securities on loan discussed in note 15(a), forward currency contract assets of value £158.2 million (2012: £41.3 million) were secured by cash collateral. There were no other credit enhancements.

(b) Liquidity risk

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

Liquidity risk exposure

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

23. Financial risk management (continued)

(b) Liquidity risk (continued)

Risk management policies and procedures

The Group monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The Group holds very liquid assets amounting to £479.9 million as at 30 September 2013 (2012: £305.1 million), which comprises cash and cash equivalent assets. The level of very liquid assets held is regularly reviewed by senior management. Liquidity and cash forecasts are reviewed by the Investment Committee and Board of Governors on a quarterly basis. Short term operational cash flow forecasts are produced weekly.

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

	2013				2012			
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	-	38.5		38.5	-	38.5		38.5
Finance lease creditor	-	-		-	-	-		-
Derivative financial instruments liabilities	46.3	-		46.3	26.5	-		26.5
Collateral liability	166.1	-		166.1	85.0	-		85.0
Amount payable on acquisition of investments	21.9	-		21.9	17.8	-		17.8
Other investment liabilities	22.5	-		22.5	19.0	-		19.0
Trade creditors	14.2	-		14.2	7.8	-		7.8
Other creditors	34.0	-		34.0	14.2	-		14.2
Accruals and deferred income	18.5	-		18.5	14.6	-		14.6
Contractual payments	323.5	38.5		362.0	184.9	38.6		223.5
Grant liability	254.7	424.7		679.4	266.8	416.4		683.2
	578.2	463.2		1,041.4	**451.7**	**455.0**		**906.7**
Payments falling due between one and five years								
Bond liabilities			154.0	154.0			154.0	154.0
Finance lease creditor			-	-			-	-
Other creditors			1.0	1.0			1.4	1.4
Contractual payments			155.0	155.0			155.4	155.4
Grant liability			909.1	909.1			855.3	855.3
			1,064.1	1,064.1			**1,010.7**	**1,010.7**
Payments falling due after five years								
Bond liabilities			1,322.1	1,322.1			1,360.6	1,360.6
Derivative financial instruments liabilities			-	-			-	-
Other creditors			-	-			-	-
Contractual payments			1,322.1	1,322.1			1,360.6	1,360.6
Grant liability			65.6	65.6			44.6	44.6
			1,387.7	1,387.7			**1,405.2**	**1,405.2**

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

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

The Group uses a number of risk metrics to monitor exposure to market risk. These include forecast value at risk (VAR), equity market beta and Sterling and US Dollar currency exposure. VAR is a probabilistic measure which utilises the historic risks, returns and correlations of assets and holdings to provide a forward looking measure of the level of risk with respect to investment portfolio value over a specific time frame and with a stated degree of confidence. Equity beta is a measure of the volatility of a security or a portfolio in comparison to the global equity market. A beta of 1 indicates that the security's price is expected to move with the market. A beta of less than 1 means that the security is expected to be less volatile than the market. A beta of greater than 1 indicates that the security's price is expected to be more volatile than the market. Given the expectation that risk and returns are positively correlated, an equity beta exceeding 1 suggests that the security will go up more than pro-rata when the equity market is rising and retrace more than the equity market, when it is falling. The performance of most investments contains an element of equity beta. The one year 95% VAR was 17.1% as at 30 September 2013 (2012: 16.9%). Overall equity beta was 0.77(2012:0.75). Monitoring Sterling and US Dollar currency exposure, after the inclusion of the impact of currency hedges, provides an understanding of the degree to which the portfolio is exposed to currencies other than the benchmark of 50/50 blend of Sterling and US Dollar.
VAR levels above a desired threshold and/or equity market betas outside a desired range and/or Sterling and US Dollarcurrency exposure below a desired minimum are highlighted for discussion and review to the Investment Committee and the Board of Governors on a timely basis.

(i) Price risk

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

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:

	2013 £m	2012 £m
Quoted investments	**7,836.3**	6,494.6
Unquoted investments	**7,419.6**	7,423.6
Investments properties	**1,264.8**	922.1
Derivative financial instruments assets positions	**109.4**	31.9
Assets exposed to risk	**16,630.1**	14,872.2
Derivative financial instruments liability positions	**18.2**	3.7
Liabilities exposed to risk	**18.2**	3.7

Concentration of exposure to other price risk

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

The Investment Committee monitors the price risk inherent in the investment portfolios by ensuring full and timely access to relevant information from the investment managers. The Board of Governors reviews the price risk quarterly. The Board and

23. Financial risk management (continued)

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

the Investment Committee meet regularly and at each meeting review investment performance. The Board takes overall responsibility for investment strategy and asset allocation, particularly across regions and asset classes.

(ii) Currency risk

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

The Group has no significant financial liabilities denominated in currencies other than Sterling. However, the Group has outstanding commitments for private equity funds and property funds of $2,096.7 million and €250.0 million as at 30 September 2013 (2012: $2,134.1 million and €457.0 million).

Currency risk exposure

As at 30 September 2013, 72.2% (2012: 73.7%) of the Group's investment assets were non-Sterling denominated, after including the impact of the currency overlay.

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

Currency	Value as at 30 September 2013 (currency, m)	Value as at 30 September 2013 £m	Value as at 30 September 2012 (currency, m)	Value as at 30 September 2012 £m
Traded investments assets				
US Dollar	**$15,055.9**	**9,297.2**	$13,723.7	8,498.7
Euro	**€3,718.4**	**2,083.2**	€1,812.5	1,444.0
Other		**1,690.4**		2,148.9
Other investment debtors balances				
US Dollar	**$549.1**	**339.1**	$573.5	355.2
Euro	**€51.7**	**41.5**	€31.8	25.3
Other		**150.8**		144.3
Other investment creditors balances				
US Dollar	**($10.3)**	**(6.3)**	($16.7)	(10.4)
Euro	**(€1.5)**	**(1.3)**	(€1.2)	(0.9)
Other		**(13.0)**		(46.9)
Forward currency contracts				
US Dollar	**($1,022.6)**	**(631.5)**	($1,499.6)	(928.7)
Euro	**(€1,508.3)**	**(1,261.5)**	(€1,546.7)	(1,233.1)
Other		**127.2**		265.6
Total exposed to currency risk		**11,815.8**		10,662.0

	Impact on gain/(loss) for the financial year 2013 £m	Impact on gain/(loss) for the financial year 2012 £m
10% US Dollar appreciation	**899.8**	791.5
10% Euro appreciation	**86.2**	23.5

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

23. Financial risk management (continued)

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

(ii) Currency risk (continued)

Risk management policies and procedures

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

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

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. The Board of Governors have agreed that a currency hedging overlay can be used for the Group's exposure to assets in any currency in which forwards and futures contracts are available for use, given an assessment of costs and liquidity.

(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 of £595.5 million (2012: £412.4 million) and overnight term deposits and cash of £11.7 million (2012: £21.9 million). These are floating rate interest bearing assets, at an estimated average interest rate of 0.2% during the year (2012: 0.2%). 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 and held at amortised cost. The Bond liabilities value detailed in the table below is the book value; the fair value of this liability is detailed in note 24.

	2013		2012	
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 after five years				
Fixed rate	**4.667%**	**(821.3)**	4.667%	(820.7)
Floating rate	**n/a**	**-**	n/a	(0.1)
Total interest-bearing liabilities		**(821.3)**		(820.8)

23. Financial risk management (continued)

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

(iii) Interest rate risk (continued)

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.

24. Fair value of financial assets and liabilities

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

The value of the Bond liabilities presented in the Trustee's Report Figure 7 on page 20 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 using inputs that are not based on observable market data.

Fair value measurements using the FRS 29 fair value hierarchies

Assets at fair value as at 30 September 2013

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Quoted investments	**7,836.3**	**-**	**-**	**7,836.3**
Unquoted investments	**-**	**2,694.6**	**4,725.0**	**7,419.6**
Derivative financial instruments assets positions	**41.0**	**158.3**	**7.5**	**206.8**
Programme related investments	**-**	**-**	**0.3**	**0.3**
	7,877.3	**2,852.9**	**4,732.8**	**15,463.0**

Assets at fair value as at 30 September 2012

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Quoted investments	6,494.6	-	-	6,494.6
Unquoted investments	-	2,575.8	4,847.8	7,423.6
Derivative financial instruments assets positions	5.7	51.2	15.8	72.7
Programme related investments	-	-	1.1	1.1
	6,500.3	2,627.0	4,864.7	13,992.0

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

Liabilities at fair value as at 30 September 2013

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Derivative financial instruments liabilities	**18.2**	**28.1**	**-**	**46.3**
	18.2	**28.1**	**-**	**46.3**

Liabilities at fair value as at 30 September 2012

	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Derivative financial instruments liabilities	3.7	22.8	-	26.5
	3.7	22.8	-	26.5

A reconciliation of the opening and closing balances for level 3 assets measured at fair value is detailed in the table below:

	Fair value 1 October 2012 £m	Purchases/ (sales proceeds) £m	Total gains/ (losses) £m	Transfers into Level 3 £m	Transfers out of Level 3 £m	Fair value 30 September 2013 £m
Level 3 assets	4,864.7	**(594.1)**	**706.9**	**130.1**	**(374.8)**	**4,732.8**

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

Derivative financial instruments comprise:

- equity 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.
- 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.

Reference and Administrative Details
for the year ended 30 September 2013

Board of Governors
Sir William Castell, LVO, FCA (Chairman)
Professor Peter Rigby, PhD, FRS, FMedSci (Deputy Chairman to 30 September 2013)
Professor Dame Kay Davies, CBE, FRS, FMedSci (Deputy Chair from 1 October 2013)
Mr Alan Brown, FSIP
Mr Damon Buffini, MBA
Professor Michael Ferguson, CBE, FRS, FRSE, FMedSci
Professor Richard Hynes, PhD, FRS
Professor Dame Anne Johnson, MD, FRCP, FFPH, FRCGP, FMedSci
Baroness Manningham-Buller, DCB
Professor Peter Smith, CBE, DSc, FMedSci

Company Secretary
Ms Susan Wallcraft

Executive Board
Dr Jeremy Farrar, DPhil, FRCP, FMedSci (Director from 1 October 2013)
Sir Mark Walport, PhD, FRCP,FRS, FMedSci (Director to 14 March 2013)
Dr Ted Bianco, PhD (Acting Director from 15 March 2013 to 30 September 2013) (Director of Technology Transfer)
Mr John Cooper (Chief Operating Officer, The Francis Crick Institute)
Mr Simon Jeffreys (Chief Operating Officer)
Dr David Lynn, PhD (Director of Strategic Planning and Policy)
Ms Clare Matterson (Director of Medical Humanities and Engagement)
Dr Kevin Moses, MA, PhD (Director of Science Funding)
Mr Danny Truell (Chief Investment Officer)
Ms Susan Wallcraft (General Counsel)

Audit Committee
Mr Alan Brown (Chairman)
Mr Tim Clark
Mr Philip Johnson
Baroness Manningham-Buller (until 19 September 2012)

Remuneration Committee
Sir William Castell (Chairman)
Professor Dame Kay Davies (from 1 October 2013)
Professor Richard Hynes (remuneration of the Chairman and the Deputy Chair only)
Baroness Manningham-Buller
Professor Peter Rigby (to 30 September 2013)

Nominations Committee
Sir William Castell (Chairman)
Professor Dame Kay Davies (from 1 October 2013)
Professor Richard Hynes
Baroness Manningham-Buller
Professor Peter Rigby (to 30 September 2013)

Investment Committee
Sir William Castell (Chairman)
Mr Alan Brown
Mr Damon Buffini
Mr Tim Church
Professor Dame Kay Davies (from 1 October 2013)
Dr Ted Bianco (to 30 September 2013)
Mr Peter Davies
Dr Jeremy Farrar (from 1 October 2013)
Mrs Sarah Fromson
Mr Simon Jeffreys
Mr Naguib Kheraj
Mr David Mayhew
Mr Nicholas Moakes
Mr Stewart Newton (to 30 September 2013)
Mr Peter Pereira Gray
Professor Peter Rigby (to 30 September 2013)
Mr Danny Truell
Sir Mark Walport (to 14 March 2013)

Strategic Awards Committee
Professor Dame Kay Davies (Chair from 1 October 2013)
Professor Peter Rigby (Chairman to 30 September 2013)
Mr Alan Brown
Mr Damon Buffini
Sir William Castell
Professor Michael Ferguson
Professor Richard Hynes
Professor Dame Anne Johnson
Baroness Manningham-Buller
Professor Peter Smith
Sir Mark Walport (to 14 March 2013)
Dr Jeremy Farrar (from 1 October 2013)
Dr Ted Bianco
Ms Clare Matterson
Dr Kevin Moses

Reference and Administrative Details
for the year ended 30 September 2013

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We are a global charitable foundation dedicated to achieving extraordinary improvements in human and animal health. We support the brightest minds in biomedical research and the medical humanities. Our breadth of support includes public engagement, education and the application of research to improve health.

We are independent of both political and commercial interests.

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