



BDO Stoy Hayward
Chartered Accountants

Babraham Institute
(A Company Limited by Guarantee)

301737

Report and Financial Statements

Year Ended

31 March 2001



BABRAHAM INSTITUTE

Annual report and financial statements for the year ended 31 March 2001

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Governors

| | |
|--------------------------------|------------------------|
| Dr KW Humphreys CBE - Chairman | Dr AJ Munro |
| Dr RG Dyer - Deputy Chairman | Prof. TW Robbins |
| Dr NE Cross | Prof. Sir Tom Blundell |
| Dr GMR Samuels | Dr DJW Roach |
| Mr S Henderson | Dr H Hale |
| Dr R Henderson FRS | Dr R Hill |

Secretary and registered office

Dr DJ Hardman, Babraham Institute, Babraham Hall, Babraham, Cambridge, CB2 4AT

Company number

3011737

Charity registration number

1053902

Auditors

BDO Stoy Hayward, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

Bankers

Lloyds TSB Bank Plc, Third Floor, Black Horse House, Castle Park, Cambridge, CB3 0AR

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2001

The governors, who are trustees of the charity and directors of the charitable company, present their report together with the audited financial statements for the year ended 31 March 2001.

Results

The statement of financial activities is set out on page 5 and shows the result for the year.

Principal activity

The principal activity of the group and the charitable company, as set out in the Memorandum and Articles of Association, is the undertaking of research, the dissemination of the results of such research for the public benefit and the training of research scientists. The charitable company aims to be the UK's premier research institute for work on cell genetics, which is relevant to the biomedical, biopharmaceutical and biotechnological user communities.

The Institute Director who is appointed by the BBSRC (Biotechnology and Biological Sciences Research Council) runs the charitable company. In the furtherance of the objectives listed above, the charitable company has adopted the following policies:

- To pursue world class programmes of research to advance understanding about genetic and molecular mechanisms controlling function in animal cells.
- To undertake fundamental and strategic research, which will provide the underpinning science for biologically based industries (health-care, biotechnological, biomedical, food, pharmaceutical and agricultural) and provide the training and basic knowledge necessary for advancement in relevant areas of biology.
- To provide the infrastructure to support multidisciplinary research programmes and link these as appropriate with those in universities and other research centres in the UK, EU and worldwide.
- To publish research findings in prominent scientific journals.
- To protect intellectual property for exploitation and wealth creation.
- To transfer technology and skills to biologically based industries.
- To engage in activities that contribute to the public understanding of science.

Business review

The progress reported for the year to March 2000 has continued during the year to March 2001. The consolidation of important changes in science policy reported last year, and associated increased success with the research programmes, was an essential strategy for the Institute to undertake in the year preceding the four yearly Institute Assessment Exercise. The 2001 assessment of the Institute's performance will determine the size of the Institute's grant from the BBSRC for the next four years.

The BBSRC grant is essential for the charity to continue delivering its objectives (which are set out above). The BBSRC is a Non-Departmental Public Body sponsored by the Office of Science and Technology (OST) and provides Babraham with about 50% of its recurrent income.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2001 (*Continued*)

Business review (*continued*)

The wholly owned trading subsidiary, Babraham Bioscience Technologies Limited (BBT), exists to conduct the commercial activities of the group and will covenant all profits back to the Charity. BBT is responsible for exploiting the outline planning permission for 26,000 square metres of new building on the Babraham campus. These new buildings will house "start up" and growing biotechnology companies whose work is synergistic with the Institute's own research programme. During 2001 the development partner for this ambitious project was selected.

Both Babraham Institute and BBT exceeded income predictions for the year and maintained a high positive national and international profile. Institute scientists were frequently invited to give plenary lectures at major international meetings and international delegations visited BBT to learn about the Babraham approach to incubation of "start up" biotechnology companies. Both Babraham and BBT featured in positive supportive articles in the media.

On 12 June 2001 BBT entered into a 50:50 joint venture in a company named Discerna Limited. This was in partnership with KS Biomedix Group plc. The joint venture is based upon technology developed at the Institute.

Land and buildings, as shown in note 11, are recorded in these financial statements based on valuation by the Governors which is based on a twenty year lease agreed between the charity and the BBSRC.

During the year the major refurbishment of the Greville building was completed at a cost of £997k.

There is substantial and continuing input to the Institute's research programme by visiting scientists. The salary value of this, based on UK levels of pay, is some £575k.

The Governors confirm that, on a fund by fund basis, the assets of the Charity are sufficient to fulfil the Charity's obligations.

The governing council

The governing council consists of up to twelve members who act as trustees and directors and are all guarantors of the charitable company, of an amount not exceeding £1, during the period of their appointment as member and for a year after resignation. The members of the company are appointed following nomination to the governing council by the BBSRC. Members are appointed for a period of up to four years from the date of appointment and are eligible for re-appointment at the end of their term.

None of the governing council holds any interest in the shares of any of the subsidiary companies.

The following were members of the governing council:

| | |
|------------------------|-------------------------------|
| Dr KW Humphreys CBE | - Chairman |
| Dr RG Dyer # | - Deputy Chairman |
| Dr A Colman # | (Term ended 10 December 2001) |
| Dr NE Cross # | |
| Prof. W Dawson | (Term ended 10 December 2001) |
| Dr AJ Munro | |
| Prof. TW Robbins | |
| Prof. Sir Tom Blundell | |
| Dr FF Hefti | (Resigned 18 July 2001) |
| Dr H Hale | |
| Dr DJW Roach | (Appointed 14 December 2000) |
| Dr GMR Samuels | (Appointed 14 December 2000) |
| Dr R Henderson FRS | (Appointed 10 December 2001) |
| Mr S Henderson | (Appointed 10 December 2001) |
| Dr R Hill | (Appointed 10 December 2001) |

Denotes members of the Financial and General Purposes Committee as at 31 March 2001.

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Report of the governors for the year ended 31 March 2001 (*Continued*)

Governors' responsibilities

Law applicable to incorporated charities in England and Wales requires the governors who are also directors of the company to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the group at the end of the year and of its financial activities for the year then ended. In preparing those financial statements, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Employees

During the year the company has continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's position and any significant organisational changes.

The company is aware of its statutory duty to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

The company is an equal opportunities employer.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Governing Council

Dr RG Dyer
Deputy Chairman

30 January 2002

BABRAHAM INSTITUTE**Independent auditors' report to the shareholders of Babraham Institute**

We have audited the financial statements of Babraham Institute for the year ended 31 March 2001 on pages 5 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of governors and auditors

The governors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Governors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Governors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and transactions with the company is not disclosed.

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

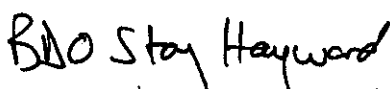
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 31 March 2001 and of its incoming resources and application of resources including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Bury St Edmunds

30 January 2002

BABRAHAM INSTITUTE

Consolidated statement of financial activities for the year ended 31 March 2001

| | Note | Restricted revenue funds £'000 | Restricted capital funds £'000 | Unrestricted funds £'000 | 2001 Total funds £'000 | 2000 Total funds (as restated – see note 2) £'000 |
|--|------|---|---|--------------------------------|------------------------------|---|
| Incoming resources | | | | | | |
| Grants receivable | | 3,972 | 1,100 | 8,449 | 13,521 | 13,649 |
| Other income | | - | - | 2,324 | 2,324 | 1,771 |
| Total incoming resources | 3 | <u>3,972</u> | <u>1,100</u> | <u>10,773</u> | <u>15,845</u> | <u>15,420</u> |
| Resources expended | | | | | | |
| Direct charitable expenditure | | (3,666) | (2,589) | (8,787) | (15,042) | (13,488) |
| Corporate relations | | - | (3) | (45) | (48) | (45) |
| Management and administration | | (306) | (297) | (1,059) | (1,662) | (1,285) |
| Net loss of trading subsidiary | 12 | - | - | (110) | (110) | (206) |
| Total resources expended | 4 | <u>(3,972)</u> | <u>(2,889)</u> | <u>(10,001)</u> | <u>(16,862)</u> | <u>(15,024)</u> |
| Net movements in funds and balances transferred to reserves | | - | (1,789) | 772 | (1,017) | 396 |
| Balances brought forward at 31 March 2000 | | - | 22,496 | 3,599 | 26,095 | 25,699 |
| Balances carried forward at 31 March 2001 | 17 | <u>-</u> | <u>20,707</u> | <u>4,371</u> | <u>25,078</u> | <u>26,095</u> |

All amounts relate to continuing activities.

All recognised gains and losses are included in the statement of financial activities.

The notes on pages 9 to 24 form part of these financial statements.

BABRAHAM INSTITUTE

Consolidated summary income and expenditure account for the year ended 31 March 2001

| | Note | 2001 Total funds £'000 | 2000 Total funds £'000 |
|--|------|------------------------------|------------------------------|
| Incoming resources | | | |
| Recurrent/general income | | 14,413 | 14,086 |
| BBSRC capital grants | | 1,432 | 1,334 |
| Total incoming resources | 3 | 15,845 | 15,420 |
| BBSRC capital grants | | (1,432) | (1,334) |
| Total recurrent income | | 14,413 | 14,086 |
| Expenditure | | | |
| Salaries | 4 | 8,154 | 7,856 |
| Other recurrent costs | 4 | 5,075 | 4,250 |
| Depreciation | 4 | 3,301 | 2,682 |
| Total resources expended | | 16,530 | 14,788 |
| Deficit before transfer from reserves | | (2,117) | (702) |
| Release of capital fund | | 2,889 | 2,682 |
| Net surplus after transfer from specific reserves | | 772 | 1,980 |
| General (income and expenditure) reserve brought forward | 17 | 3,599 | 1,619 |
| General (income and expenditure) reserve carried forward | 17 | 4,371 | 3,599 |
| Note of historical cost income and expenditure | | | |
| Reported deficit before transfer from reserves | | (2,117) | (702) |
| Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | | 1,241 | 677 |
| Historical cost deficit before transfer from reserves | | (876) | (25) |

The notes on pages 9 to 24 form part of these financial statements.

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Balance sheet at 31 March 2001

| | Note | Group | | Company | |
|--|------|----------------|--------------------------|----------------|--------------------------|
| | | 2001 | 2000 | 2001 | 2000 |
| | | (£'000) | (as restated) (£'000) | (£'000) | (as restated) (£'000) |
| Fixed assets | | | | | |
| Intangible assets | 10 | 37 | 55 | - | - |
| Tangible assets | 11 | 24,582 | 26,533 | 23,530 | 25,702 |
| Investments in subsidiary | 12 | - | - | 1 | 1 |
| | | <u>24,619</u> | <u>26,588</u> | <u>23,531</u> | <u>25,703</u> |
| Current assets | | | | | |
| Stocks | 13 | 73 | 82 | 73 | 82 |
| Debtors - | 14 | | | | |
| due within one year | | 2,857 | 1,966 | 2,782 | 2,013 |
| due after more than one year | | - | - | 579 | 372 |
| Cash at bank and in hand | | 1,818 | 1,480 | 1,491 | 1,344 |
| | | <u>4,748</u> | <u>3,528</u> | <u>4,925</u> | <u>3,811</u> |
| Creditors: amounts falling due within one year | 15 | <u>(3,848)</u> | <u>(3,502)</u> | <u>(3,228)</u> | <u>(3,219)</u> |
| Net current assets | | <u>900</u> | <u>26</u> | <u>1,697</u> | <u>592</u> |
| Total assets less current liabilities | | <u>25,519</u> | <u>26,614</u> | <u>25,228</u> | <u>26,295</u> |
| Creditors: amounts falling due after more than one year | 16 | <u>(441)</u> | <u>(519)</u> | <u>(150)</u> | <u>(200)</u> |
| Net assets | | <u>25,078</u> | <u>26,095</u> | <u>25,078</u> | <u>26,095</u> |
| Funds | | | | | |
| Restricted revenue fund | 17 | - | - | - | - |
| Restricted capital fund | 17 | 20,707 | 22,496 | 20,707 | 22,496 |
| Unrestricted funds | 17 | 4,371 | 3,599 | 4,371 | 3,599 |
| | | <u>25,078</u> | <u>26,095</u> | <u>25,078</u> | <u>26,095</u> |

These financial statements were approved by the Governing Council on 30 January 2002.

Dr RG Dyer
Deputy Chairman

The notes on pages 9 to 24 form part of these financial statements.

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Cash flow statement for the year ended 31 March 2001

| | Note | 2001 £'000 | 2000 £'000 |
|---|------|---------------|---------------|
| Net cash inflow from operating activities | 20 | 1,174 | 1,654 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 140 | 91 |
| Net cash inflow from returns on investments and servicing of finance | | 140 | 91 |
| Capital expenditure | | | |
| Payments to acquire intangible fixed assets | | (6) | (8) |
| Payments to acquire tangible fixed assets | | (2,214) | (2,056) |
| Receipts from sales of fixed assets | | 144 | 41 |
| Grants received | | 1,100 | 1,098 |
| Net cash outflow from capital expenditure | | (976) | (925) |
| Increase in cash in the year | 21 | 338 | 820 |

The notes on pages 9 to 24 form part of these financial statements.

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Notes forming part of the financial statements for the year ended 31 March 2001

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Charities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of a subsidiary company, Babraham Bioscience Technologies Limited, as set out in note 12. This company has a coterminous accounting year end.

Babraham Bioscience Technologies Limited has a 40% holding in a joint venture company, Bioscience Partnership Limited. This has not been treated as an associate for consolidation purposes on the grounds that it is immaterial in the context of group operations.

A separate income and expenditure account dealing with the results of the charitable company has not been presented as permitted under section 230 of the Companies Act 1985.

Incoming resources

Incoming resources represent grants receivable in the year from outside granting bodies and other miscellaneous income.

Restricted funds

Research at the Institute is funded by grants on a project by project basis. All grants relating to specific projects have therefore been shown as restricted funds.

Resources expended

Direct charitable expenditure represents the full cost of research performed. It includes the cost of direct staff, consumable stock and indirect costs apportioned on the basis of use.

Corporate relations expenditure represents the cost of obtaining funds for research and promoting the work of the Institute.

Management and administration expenditure represents the necessary costs of compliance with statutory and constitutional requirements, and any other costs which are not direct charitable expenditure.

Depreciation

Depreciation is provided by the group to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

| | | |
|------------------------------------|---|------------------------------|
| Computer equipment | - | 3 years |
| Non-computer equipment | - | 2-5 years |
| Short leasehold land and buildings | - | over the period of the lease |

A change in the useful economic lives of certain short leasehold land and buildings has resulted in additional depreciation of £571,000 for the year.

Impairment of fixed assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

1 Accounting policies (*Continued*)

Fixed asset revaluation

Land and buildings have been valued using depreciated replacement cost. The transitional rules in relation to Financial Reporting Standard 15 have been adopted as no regular revaluation of land and buildings will be made. The revalued amount at 1 April 1999 has therefore been adopted as the base value for future years.

Intellectual property

The cost of acquired intellectual property is capitalised and written off over its useful economic life. A change in options granted in relation to certain intellectual property has resulted in a revision of the useful economic life and an additional amortisation charge of £19,341 in the year.

Research and development costs

Research and development costs are written off to the income and expenditure account as they are incurred.

Grants

BBSRC capital grants within the charity are included within the restricted capital funds in the statement of financial activities and are released to the restricted revenue fund over the estimated useful economic lives of the assets.

Capital based grants within the trading subsidiary are included within creditors in the balance sheet and are released to the statement of financial activities over the estimated useful economic lives of the assets to which they relate.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the statement of financial activities.

Pension costs

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives.

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the statement of financial activities on a straight-line basis over the term of the lease.

Taxation

The charitable company is not liable for assessment to taxation on its results and recoverable income tax is accrued within the accounts.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 *(Continued)*

2 Prior year adjustment

(i) Incoming resources

The incoming resources balances as detailed on page 5 have been amended as follows:

| | As previously stated £'000 | Adjustment £'000 | As restated £'000 |
|----------------------------|----------------------------------|---------------------|----------------------|
| Grants receivable | 14,739 | (1,090) | 13,649 |
| Other income | 91 | 1,680 | 1,771 |
| Release of deferred income | 590 | (590) | - |
| | <u>15,420</u> | <u>-</u> | <u>15,420</u> |

The comparatives have been adjusted as in the opinion of the governors this gives a more accurate breakdown of the Institute's income.

(ii) Fund balances

The Institute has revised its accounting policy for certain incoming resources this year. In previous years all income was treated as restricted in nature. A review of restrictions placed on the various categories of income has demonstrated that certain amounts are in fact unrestricted, as shown in note 3. The opening fund balances have therefore been restated to correct the cumulative allocation of amounts in previous years. The effects of this are as follows:

| | As previously stated £'000 | Adjustment £'000 | As restated £'000 |
|----------------------------|----------------------------------|---------------------|----------------------|
| Restricted revenue funds | 3,599 | (3,599) | - |
| Restricted capital funds | 22,496 | - | 22,496 |
| Unrestricted funds | - | 3,599 | 3,599 |
| Total fund balances | <u>26,095</u> | <u>-</u> | <u>26,095</u> |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 *(Continued)*

3 Analysis of incoming resources

| | Restricted revenue funds £'000 | Restricted capital funds £'000 | Unrestricted funds £'000 | 2001 Total £'000 | 2000 Total £'000 |
|--|---|---|--------------------------------|------------------------|------------------------|
| BBSRC - Competitive Strategic Grant | - | - | 8,449 | 8,449 | 8,361 |
| - Competitive Project Grant | 1,002 | - | - | 1,002 | 678 |
| - Minor works | 332 | - | - | 332 | 236 |
| - Other grants | - | 1,100 | - | 1,100 | 1,098 |
| Total BBSRC | 1,334 | 1,100 | 8,449 | 10,883 | 10,373 |
| DEFRA 'Umbrella' contract Projects | 353 | - | - | 353 | 425 |
| Medical Research Council | 894 | - | - | 894 | 943 |
| Ministry of Defence | 31 | - | - | 31 | 22 |
| University Links | 41 | - | - | 41 | 84 |
| European Union | 52 | - | - | 52 | 175 |
| Industry, levy boards | 417 | - | - | 417 | 885 |
| Trusts, foundations, charities | 850 | - | - | 850 | 742 |
| Interest receivable | - | - | 140 | 140 | 91 |
| Royalty/licence income | - | - | 2 | 2 | 19 |
| Goods and services | - | - | 1,654 | 1,654 | 1,106 |
| Rent | - | - | 456 | 456 | 481 |
| Student fees | - | - | 72 | 72 | 74 |
| Total incoming resources | 3,972 | 1,100 | 10,773 | 15,845 | 15,420 |
| Geographical analysis | | | | | |
| UK | | | | 15,346 | 14,993 |
| USA | | | | 175 | 218 |
| Rest of Europe | | | | 307 | 204 |
| Rest of World | | | | 17 | 5 |
| | | | | 15,845 | 15,420 |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 *(Continued)*

4 Analysis of resources expended

| | Staff costs £'000 | Other recurrent costs £'000 | Depreciation £'000 | 2001 Total £'000 | 2000 Total £'000 |
|--------------------------------------|----------------------|--------------------------------------|-----------------------|------------------------|------------------------|
| Direct charitable expenditure | | | | | |
| Research | 4,547 | 2,108 | 1,834 | 8,489 | 8,398 |
| Support services | 2,824 | 2,604 | 1,125 | 6,553 | 5,090 |
| | <u>7,371</u> | <u>4,712</u> | <u>2,959</u> | <u>15,042</u> | <u>13,488</u> |
| Corporate relations | | | | | |
| Other | 30 | 15 | 3 | 48 | 45 |
| Management and administration | | | | | |
| Finance | 290 | 23 | 117 | 430 | 303 |
| Personnel | 105 | 109 | 42 | 256 | 144 |
| Management | 358 | 438 | 180 | 976 | 838 |
| | <u>753</u> | <u>570</u> | <u>339</u> | <u>1,662</u> | <u>1,285</u> |
| Net loss from subsidiary | - | 110 | - | 110 | 206 |
| | <u>8,154</u> | <u>5,407</u> | <u>3,301</u> | <u>16,862</u> | <u>15,024</u> |
| Minor works | - | (332) | - | (332) | (236) |
| Total | <u>8,154</u> | <u>5,075</u> | <u>3,301</u> | <u>16,530</u> | <u>14,788</u> |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (Continued)

5 Analysis of expenditure

| | Group | |
|---|---------|---------|
| | 2001 | 2000 |
| | £'000 | £'000 |
| Staff costs | 8,154 | 7,856 |
| Laboratory supplies | 1,530 | 1,502 |
| Travel and subsistence | 160 | 159 |
| Repairs and maintenance | 568 | 603 |
| Assets under construction expensed | 366 | - |
| Amounts written off fixed assets | 139 | - |
| Rent and rates | 130 | 47 |
| Fuel and water charges | 490 | 369 |
| Equipment and hire charges | 39 | 3 |
| Depreciation | 3,301 | 2,682 |
| Minor works | 332 | 236 |
| Farm supplies | 179 | 163 |
| Livestock | 19 | 16 |
| Computing costs | 289 | 318 |
| Legal and professional charges | 61 | 86 |
| Knowledge transfer and patent costs | 2 | 59 |
| Recruitment | 75 | 87 |
| Training | 131 | 69 |
| Library | 64 | 119 |
| Other costs | 723 | 444 |
| Net loss from the subsidiary | 110 | 206 |
| Total expenditure | 16,862 | 15,024 |
| Less: | | |
| Transfer from deferred capital reserves | (2,889) | (2,682) |
| Minor works | (332) | (236) |
| | 13,641 | 12,106 |

6 Operating costs

| | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | £'000 | £'000 | £'000 | £'000 |
| Operating costs are stated after charging/(crediting): | | | | |
| Auditors' remuneration | | | | |
| - audit services | 22 | 18 | 18 | 16 |
| - non audit services | 34 | 15 | 34 | 6 |
| Depreciation | 3,532 | 2,852 | 3,301 | 2,682 |
| Amortisation of intangible fixed assets | 23 | 4 | - | - |
| (Profit)/loss on disposal of fixed assets | (16) | 54 | (2) | 54 |
| Amounts written off fixed assets | 139 | - | 139 | - |
| Transfer from deferred capital reserve | (2,889) | (2,682) | (2,889) | (2,682) |
| Amount released from Capital grant | (119) | (119) | - | - |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 *(Continued)*

7 Changes in resources available for charity use

Company

| | Restricted revenue funds £'000 | Restricted capital funds £'000 | Unrestricted funds £'000 | 2001 Total £'000 | 2000 Total £'000 |
|---|---|--------------------------------------|--------------------------------|------------------------|------------------------|
| Net movement in funds for the year | - | (1,789) | 772 | (1,017) | 396 |
| Net decrease in tangible fixed assets held for direct charitable purposes | - | 2,172 | - | 2,172 | 827 |
| Net movement in funds available for future activities | - | 383 | 772 | 1,155 | 1,223 |

8 Employees

Staff costs for all employees (excluding non-executive members of the Governing Council), were as follows:-

| | Group | | Company | |
|-----------------------|---------------|---------------|---------------|---------------|
| | 2001 £'000 | 2000 £'000 | 2001 £'000 | 2000 £'000 |
| Wages and salaries | 6,958 | 6,814 | 6,830 | 6,670 |
| Social security costs | 517 | 465 | 504 | 451 |
| Other pension costs | 655 | 632 | 655 | 632 |
| | 8,130 | 7,911 | 7,989 | 7,753 |
| Temporary staff costs | 165 | 103 | 165 | 103 |
| | 8,295 | 8,014 | 8,154 | 7,856 |

The average number of employees during the year were as follows:

| | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2001 No | 2000 No | 2001 No | 2000 No |
| Direct charitable research | 320 | 329 | 320 | 329 |
| Corporate relations | 1 | 1 | 1 | 1 |
| Management and administration | 32 | 31 | 30 | 28 |
| Technical staff in subsidiary | 4 | 4 | - | - |
| | 357 | 365 | 351 | 358 |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 *(Continued)*

8 Employees *(Continued)*

The number of staff with emoluments greater than £40,000 was:

| | Group | | Company | |
|-------------------|------------|------------|------------|------------|
| | 2001 No | 2000 No | 2001 No | 2000 No |
| £40,000 - £49,999 | 21 | 17 | 21 | 17 |
| £50,000 - £59,999 | 5 | 2 | 5 | 2 |
| £60,000 - £69,999 | - | - | - | - |
| £70,000 - £79,999 | 2 | 2 | 2 | 2 |

9 Remuneration of the members of the Governing Council

The Deputy Chairman of the Governing Council received a salary of £74,454 (2000: £70,387) in his capacity as Institute Director. None of the other members of the Governing Council received any remuneration from the company during the year. Aggregate expenses incurred by Governors in respect of travelling costs totalled £ 2,709.

10 Intangible assets

Intangible assets relate to intellectual property, purchased by the subsidiary company Babraham Bioscience Technologies Limited.

| | Group £'000 |
|-------------------------|----------------|
| <i>Cost</i> | |
| At 1 April 2000 | 158 |
| Additions | 6 |
| Disposals | (100) |
| At 31 March 2001 | 64 |
| <i>Amortisation</i> | |
| At 1 April 2000 | 103 |
| Charge for the year | 23 |
| Disposals | (99) |
| At 31 March 2001 | 27 |
| <i>Net book value</i> | |
| 31 March 2001 | 37 |
| 31 March 2000 | 55 |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

11 Tangible assets

| Group | Short leasehold land and buildings £'000 | Fixtures and equipment £'000 | Assets in course of construction £'000 | Total £'000 |
|---|---|------------------------------------|---|----------------|
| <i>Cost or valuation</i> | | | | |
| At 1 April 2000 | 24,231 | 6,885 | 942 | 32,058 |
| Adjustment | 4,604 | - | - | 4,604 |
| As restated | 28,835 | 6,885 | 942 | 36,662 |
| Additions | - | 1,194 | 1,020 | 2,214 |
| Commissioned during the year | 1,374 | - | (1,374) | - |
| Disposals | - | (610) | - | (610) |
| Expensed in year | - | - | (366) | (366) |
| At 31 March 2001 | 30,209 | 7,469 | 222 | 37,900 |
| <i>Depreciation</i> | | | | |
| At 1 April 2000 | 1,476 | 4,049 | - | 5,525 |
| Adjustment | 4,604 | - | - | 4,604 |
| As restated | 6,080 | 4,049 | - | 10,129 |
| Provided for the year | 2,260 | 1,272 | - | 3,532 |
| Disposals | - | (343) | - | (343) |
| At 31 March 2001 | 8,340 | 4,978 | - | 13,318 |
| <i>Net book value</i> | | | | |
| At 31 March 2001 | 21,869 | 2,491 | 222 | 24,582 |
| At 31 March 2000 | 22,755 | 2,836 | 942 | 26,533 |
| <i>Group assets held by non charitable subsidiary</i> | | | | |
| Net book value at 31 March 2001 | 441 | 389 | 222 | 1,052 |
| Net book value at 31 March 2000 | 212 | 598 | 21 | 831 |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (Continued)

11 Tangible assets (Continued)

| Company | Short leasehold land and buildings £'000 | Fixtures and equipment £'000 | Assets in course of construction £'000 | Total £'000 |
|------------------------------|---|------------------------------------|---|----------------|
| <i>Cost or valuation</i> | | | | |
| At 1 April 2000 | 24,007 | 6,079 | 921 | 31,007 |
| Adjustment | 4,604 | - | - | 4,604 |
| As restated | 28,611 | 6,079 | 921 | 35,611 |
| Additions | - | 1,106 | 528 | 1,634 |
| Commissioned during the year | 1,083 | - | (1,083) | - |
| Disposals | - | (416) | - | (416) |
| Expensed in year | - | - | (366) | (366) |
| At 31 March 2001 | 29,694 | 6,769 | - | 36,463 |
| <i>Depreciation</i> | | | | |
| At 1 April 2000 | 1,464 | 3,841 | - | 5,305 |
| Adjustment | 4,604 | - | - | 4,604 |
| As restated | 6,068 | 3,841 | - | 9,909 |
| Charge for year | 2,198 | 1,103 | - | 3,301 |
| Disposals | - | (277) | - | (277) |
| At 31 March 2001 | 8,266 | 4,667 | - | 12,933 |
| <i>Net book value</i> | | | | |
| At 31 March 2001 | 21,428 | 2,102 | - | 23,530 |
| At 31 March 2000 | 22,543 | 2,238 | 921 | 25,702 |

The company's leasehold land and buildings were restated by the Governors as at 31 March 1999. This restatement was a revision to the previous professional valuation at 1 April 1995 to reflect the change in lease term from 12 to 20 years. This followed the signing of a revised lease agreement between the Institute and BBSRC.

The opening cost and depreciation balances have been adjusted to reflect the accumulated depreciation at the time of restatement at 31 March 1999. This was incorrectly removed in the accounts for the year ended 31 March 2000. There is no adjustment required to the opening net book value of these assets.

The historical cost net book value of land and buildings is stated at:-

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2001 £'000 | 2000 £'000 | 2001 £'000 | 2000 £'000 |
| Historical cost | 15,769 | 14,395 | 15,254 | 14,171 |
| Accumulated depreciation based on historical cost | (2,820) | (1,801) | (2,746) | (1,789) |
| Historical cost net book value | 12,949 | 12,594 | 12,508 | 12,382 |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

12 Investments

The Institute owns 100% of the ordinary share capital of Babraham Bioscience Technologies Limited, a company incorporated in England.

The net loss of the trading subsidiary is set out as follows:

| | 2001 £'000 | 2000 £'000 |
|--------------------------------------|---------------|---------------|
| Sales and other operating income | 1,453 | 691 |
| Operating costs and interest payable | (1,563) | (921) |
| Tax on ordinary activities | - | 24 |
| | <u>(110)</u> | <u>(206)</u> |

Babraham Bioscience Technologies Limited owns 100% of the ordinary share capital of Translocus Therapeutics Limited, Babraham Bioscience Developments Limited and Babraham Technix Limited. All companies were dormant throughout the year and are incorporated in England.

Babraham Bioscience Technologies Limited owns 40% of the ordinary share capital of Bioscience Partnership Limited, an associated company incorporated in England.

13 Stocks

| <i>Group and company</i> | 2001 £'000 | 2000 £'000 |
|-------------------------------|---------------|---------------|
| Livestock | 5 | 11 |
| Raw materials and consumables | 68 | 71 |
| | <u>73</u> | <u>82</u> |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (*Continued*)

14 Debtors

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 1,302 | 530 | 860 | 398 |
| Amounts owed by subsidiary undertaking | - | - | 1,186 | 743 |
| Amount owed by associated undertaking (see note 22) | 4 | - | - | - |
| Grants receivable | 1,077 | 947 | 1,077 | 947 |
| Other debtors | 232 | 335 | 105 | 270 |
| Prepayments and accrued income | 242 | 154 | 133 | 27 |
| | <u>2,857</u> | <u>1,966</u> | <u>3,361</u> | <u>2,385</u> |
| <i>Amounts owed by subsidiary undertaking</i> | | | | |
| Loan including interest | - | - | 579 | 572 |
| Trade debtors | - | - | 1,265 | 410 |
| Other debtors | - | - | 77 | 386 |
| Provision for losses of the subsidiary undertaking | - | - | (735) | (625) |
| | <u>-</u> | <u>-</u> | <u>1,186</u> | <u>743</u> |

The Institute provides a loan to the trading subsidiary, which amounted to £579k (2000: £572k) at the year end. Interest has been charged on the loan at 1.5% over Base Rate which amounted to £50k (2000: £38k) for the year. The Institute has made full provision against the net liabilities in the trading subsidiary amounting to £735k (2000: £625k). The amount of the loan which falls due within 2-5 years is £579k (2000: £372k).

15 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £'000 | £'000 | £'000 | £'000 |
| Loans for capital projects (see note 16) | 50 | 60 | 50 | 60 |
| Trade creditors | 1,213 | 1,149 | 994 | 1,086 |
| Amount owed to associated undertaking (see note 22) | - | 3 | - | - |
| Grant monies received in advance | 448 | 326 | 448 | 326 |
| Receipts in advance for capital projects | - | 120 | - | 120 |
| Other creditors | 635 | 595 | 580 | 530 |
| Capital grant | 119 | 119 | - | - |
| Deferred income | 1,066 | 601 | 883 | 581 |
| EU co-ordinated programme partners | 38 | 50 | 38 | 50 |
| Accruals | 279 | 479 | 235 | 466 |
| | <u>3,848</u> | <u>3,502</u> | <u>3,228</u> | <u>3,219</u> |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (Continued)

16 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £'000 | £'000 | £'000 | £'000 |
| Deferred income | 92 | - | - | - |
| Capital grant | 199 | 319 | - | - |
| Loans | 150 | 200 | 150 | 200 |
| <i>Total creditors falling due in more than one year</i> | <u>441</u> | <u>519</u> | <u>150</u> | <u>200</u> |
| <i>Capital grant received within non charitable subsidiary</i> | | | | |
| Release in more than one year but less than two years | 119 | 119 | - | - |
| Release in more than two years but less than five years | 80 | 200 | - | - |
| | <u>199</u> | <u>319</u> | <u>-</u> | <u>-</u> |
| <i>Loans for capital projects amounts falling due:</i> | | | | |
| In more than one year but less than two years | 50 | 50 | 50 | 50 |
| In more than two years but less than five years | 100 | 150 | 100 | 150 |
| | <u>150</u> | <u>200</u> | <u>150</u> | <u>200</u> |
| <i>Deferred Income amounts falling due:</i> | | | | |
| In more than one year but less than two years | 92 | - | - | - |

The loans have been provided by the main funding body BBSRC in respect of the following projects:-

The Nursery loan of £Nil (2000: £10k) was repayable in equal annual instalments which were top sliced from Competitive Strategic Grant.

The Telephone System loan of £100k (2000: £150k) is repayable in equal annual instalments over 3 years starting in the year ended 31 March 2001.

The Babraham Research Initiative loan of £100k (2000: £100k) is repayable when the first income is received from the new development. It is anticipated that this will be within five years.

All of these loans are provided interest free and are unsecured.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (Continued)

17 Funds

The incoming funds for the Institute include restricted funds comprising the following unexpended balances of donations and grants to be applied for specific purposes.

| | 1 April 2000 £'000 | Incoming resources £'000 | Expenditure gains, losses and transfers £'000 | Balance at 31 March 2001 £'000 |
|--------------------------|-----------------------|--------------------------------|--|---|
| <i>Group</i> | | | | |
| Restricted revenue funds | - | 3,972 | (3,972) | - |
| Restricted capital funds | 22,496 | 1,100 | (2,889) | 20,707 |
| Unrestricted funds | 3,599 | 10,773 | (10,001) | 4,371 |
| | <u>26,095</u> | <u>15,845</u> | <u>(16,862)</u> | <u>25,078</u> |
| <i>Company</i> | | | | |
| Restricted revenue funds | - | 3,972 | (3,972) | - |
| Restricted capital funds | 22,496 | 1,100 | (2,889) | 20,707 |
| Unrestricted fund | 3,599 | 10,773 | (10,001) | 4,371 |
| | <u>26,095</u> | <u>15,845</u> | <u>(16,862)</u> | <u>25,078</u> |

Analysis of net assets between funds

Fund balances at 31 March 2001 are represented by:

| | Restricted revenue funds £'000 | Restricted capital funds £'000 | Unrestricted fund £'000 | 2001 Total £'000 | 2000 Total £'000 |
|---|---|---|-------------------------------|------------------------|------------------------|
| <i>Group</i> | | | | | |
| Tangible fixed assets | - | 20,707 | 3,875 | 24,582 | 26,533 |
| Intangible fixed assets | - | - | 37 | 37 | 55 |
| Current assets | 448 | - | 4,300 | 4,748 | 3,528 |
| Total liabilities | (448) | - | (3,841) | (4,289) | (4,021) |
| Total net assets | <u>-</u> | <u>20,707</u> | <u>4,371</u> | <u>25,078</u> | <u>26,095</u> |
| <i>Company</i> | | | | | |
| Tangible fixed assets | - | 20,707 | 2,823 | 23,530 | 25,702 |
| Investments in subsidiary | - | - | 1 | 1 | 1 |
| Current assets | 448 | - | 4,477 | 4,925 | 3,811 |
| Total liabilities | (448) | - | (2,930) | (3,378) | (3,419) |
| Total net assets | <u>-</u> | <u>20,707</u> | <u>4,371</u> | <u>25,078</u> | <u>26,095</u> |
| <i>Group and company</i> | | | | | |
| Unrealised gains on revaluation included above | <u>-</u> | <u>7,807</u> | <u>1,113</u> | <u>8,920</u> | <u>10,161</u> |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 *(Continued)*

18 Commitments

Capital commitments at the end of the financial year for which no provision has been made:

| | 2001 £'000 | 2000 £'000 |
|------------|---------------|---------------|
| Contracted | 137 | 317 |

Capital commitments in 2000 related to the campus development programme to which the BBSRC has agreed to contribute. £0.5m of this contribution remains to be drawn.

The company has entered into a number of operating leases for plant and machinery which commit the company to pay the following annual rentals and which expire in the periods:-

| | 2001 £'000 | 2000 £'000 |
|--------------------------|---------------|---------------|
| Within one year | 3 | 3 |
| Within two to five years | 1 | 4 |
| | 4 | 7 |

19 Pensions

The company participates in the Research Council's Pension Scheme. This is a defined benefit final salary scheme and is unfunded. The pension cost represents contributions payable by the company to the scheme and amounted to £655k (2000 - £632k).

20 Reconciliation of net incoming resources to net cash inflow from operating activities

| | 2001 £'000 | 2000 £'000 |
|--|---------------|---------------|
| Changes in resources | (1,017) | 396 |
| Changes in capital funds | 1,789 | 1,584 |
| Interest receivable | (140) | (91) |
| Operating result | 632 | 1,889 |
| Depreciation charge | 3,532 | 2,852 |
| Amortisation of intangible assets | 23 | 4 |
| Deferred capital grant release | (2,889) | (2,682) |
| (Profit)/loss on sale of fixed assets | (16) | 54 |
| Assets under construction expensed in year | 366 | - |
| Amounts written off fixed assets | 139 | - |
| Decrease in stocks | 9 | 63 |
| (Increase)/decrease in debtors | (891) | 162 |
| Increase/(decrease) in creditors | 269 | (688) |
| | 1,174 | 1,654 |

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2001 (Continued)

21 Analysis of funds

| | At 31 March 2000 £'000 | Cash flow 2001 £'000 | At 31 March 2001 £'000 |
|--------------------------|------------------------------|----------------------------|------------------------------|
| Cash at bank and in hand | 1,480 | 338 | 1,818 |

22 Related party transactions

Contracts of employment are between the member of staff and the BBSRC, a public body within the Office of Science and Technology. Grants from the BBSRC to fund these staff costs and the research projects of the Institute are disclosed in note 3.

Other related parties and their transactions are as follows:-

| Related party | Description of transaction | Value of transactions £'000 | Balance at 31 March 2001 £'000 | Balance at 31 March 2000 £'000 |
|--------------------------------|--|--------------------------------|---|--------------------------------------|
| <i>Debtor balances</i> | | | | |
| Other BBSRC funded institutes | Provision of payroll services by the Institute | 11 | 3 | 2 |
| Bioscience Partnership Limited | Operating costs | 21 | 4 | - |
| <i>Creditor balances</i> | | | | |
| Bioscience Partnership Limited | Operating costs | - | - | 3 |

The company was a significant shareholder of the Bioscience Partnership Limited during the year.

23 Insurance

In line with government policy no insurance against property losses is effected by the Institute except that required by Statute and that provided for the bioincubator buildings.