

The Babraham Institute (Limited by Guarantee)

Governors' report and financial statements

31 March 1996

Company registered number 3011737

Charity registered number 1053902



The Babraham Institute

Governors' report and financial statements

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The Babraham Institute

Governors' report and financial statements

Governors

Dr KW Humphreys CBE
Dr RG Dyer
Professor DC Burke CBE DL
Dr A Colman
Dr NE Cross
Professor W Dawson
Dr AJ Munro
Dr TW Robbins
Dr JE Sulston FRS

- Chairman
- Deputy Chairman

Secretary

Mr P Shaw MBE

Registered office

The Babraham Institute
Babraham Hall
Cambridge
CB2 4AT

Auditors

KPMG
Chartered Accountants
Holland Court
The Close
Norwich
Norfolk
NR1 4DY

Bankers

Barclays Bank PLC
City Corporate Group
PO Box No 544
54 Lombard Street
London
EC3V 9EX

The Babraham Institute

Governors' report

The governors present their annual report and the audited financial statements for the period 19 January 1995 (being the date of incorporation) to 31 March 1996.

Principal activity

The principal activity of the company, as set out in the Memorandum and Articles of Association, is the undertaking of research and disseminating for the public benefit the results of such research and the training of research scientists.

The charity is run by the Institute Director who is appointed by the Board of Governors. In the furtherance of the objectives listed above the company has adopted the following policies:

- To carry out a programme of research to advance understanding of the functional development of the genome.
- 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 of technology and skills to biologically-based industries.

Business review

On 1 April 1995 the company was gifted the scientific activities and equipment of the Babraham Institute by the Biotechnological and Biological Sciences Research Council (BBSRC).

The company was formed on 19 January 1995, a company limited by guarantee and governed by a Memorandum and Articles of Association. On 3 May 1995 the company changed its name from Aspectright Limited to The Babraham Institute Limited and on 3 November 1995 to The Babraham Institute.

The charity holds its assets for the furtherance of its objectives as set out above. The principal source of funding of the charity is the Biotechnological and Biological Sciences Research Council (BBSRC), a government agency, which has agreed to renew funding for the year to March 1997. The Institute's portfolio of research projects could not continue in its present form without the continued support of central government funding; this source of funding is expected to continue for the foreseeable future under the Government's Prior Options Review. The BBSRC is funding £14.7m of a £18m campus redevelopment project which includes a state-of-the-art research facility. Future capital commitments are set out in note 18.

The Babraham Institute

Governors' report *(continued)*

Business review *(continued)*

Land and buildings, as shown in note 11, are recorded in these financial statements based on a valuation supplied by Powis Hughes and Associates as at 1 April 1995 which assumes a twelve year lease which has been offered by the BBSRC. This lease is still the subject of negotiations and the eventual lease agreement is not expected to be less than this period.

In this account period, two major buildings projects were completed and the facilities made available to the Institute. A computer and central meeting centre, named The Forum, and a new energy centre which provides a combined heat and power supply.

There is substantial and continuing input to the Institute research programme by visiting scientists. The salary value of this, based on UK levels of pay, is some £1.2m.

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

Results for the year

The result for the year is detailed on pages 7 and 8 of the financial statements. The excess of income over expenditure taken to reserves is £505,000.

The Governing Council

The members of the Governing Council who act as trustees and directors are all guarantors of the company, of an amount not exceeding £1, during the period of their appointment as governor and for a year after resignation.

The following were members of the Governing Council and were appointed on 1 April 1995, except where stated differently:

Dr KW Humphreys CBE #	- Chairman
Dr RG Dyer #	- Deputy Chairman
Professor DC Burke CBE DL	
Dr A Colman #	
Dr NE Cross #	
Professor W Dawson	
Dr AJ Munro	
Dr TW Robbins	
Dr JE Sulston FRS	
Mr DE Mair	(appointed 19 October 1995)
Mr SM Lawrie	(appointed 16 March 1995)
Mr JC Prout	(appointed 19 October 1995)

Messrs Mair, Lawrie and Prout resigned their directorships on 14 September 1996.

Denotes members of the Finance and General Purposes Committee.

The Babraham Institute

Governors' report *(continued)*

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.

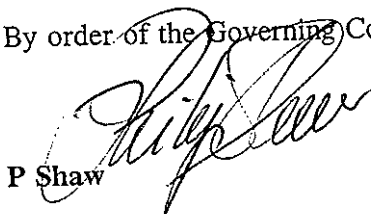
The company is an equal opportunities employer.

Auditors

KPMG were appointed as auditors to the company on 6 February 1996. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Governing Council

P Shaw



Babraham Hall
Cambridge
CB2 4AT

Date

18th November 1996

The Babraham Institute

Statement of governors' responsibilities

Company law requires the governors 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 its income and expenditure for that period. 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 and statement of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue its activities.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Holland Court
The Close
Norwich
NR1 4DY

Auditors' report to the members of Babraham Institute

We have audited the financial statements on pages 7 to 22.

Respective responsibilities of governors and auditors

As described on page 5 the company's governors, who are also the directors for the purposes of company law, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 the governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of the Institute's leasehold land and buildings. Leasehold land and buildings gifted by the BBSRC on 1 April 1995 are included in the financial statements at that date at £10,408,000, based on a lease term of twelve years. This value is dependent upon the length of the lease which is granted, and this matter is still subject to negotiation. While the valuation is not expected to decrease, it might increase if a longer lease term were granted and accordingly, appropriate adjustments would have to be made to both the carrying value of leasehold land and buildings and the corresponding balance on deferred capital grant, as well as to the annual charge for depreciation and the corresponding annual release within reserves from deferred capital grant. Details of the circumstances relating to this fundamental uncertainty are given in note 11. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 1996 and of the excess of income over expenditure for the period from 19 January 1995 (date of incorporation) to 31 March 1996 and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

18.11.96

The Babraham Institute

Statement of financial activities for the year ended 31 March 1996

	Note	Restricted revenue funds £000	Restricted capital funds £000	1996 Total funds £000
Incoming resources				
Assets gifted from the BBSRC on 1 April 1995	12	326	13,709	14,035
Grants receivable	2	12,688	2,710	15,398
Other income	2	1,196	-	1,196
		<u>14,210</u>	<u>16,419</u>	<u>30,629</u>
Resources expended				
Direct charitable expenditure		(14,197)	-	(14,197)
External relations		(154)	-	(154)
Management and administration		(766)	-	(766)
		<u>(15,117)</u>	<u>-</u>	<u>(15,117)</u>
Total resources expended	4	<u>(15,117)</u>	<u>-</u>	<u>(15,117)</u>
Net incoming/(outgoing) resources before transfers		(907)	16,419	15,512
Transfer between funds				
Capital funds transfer		(225)	225	-
Minor works transfer		162	(162)	-
Capital fund release		1,576	(1,576)	-
		<u>1,576</u>	<u>(1,576)</u>	<u>-</u>
Net movement in funds and balances carried forward at 31 March 1996	17	<u>606</u>	<u>14,906</u>	<u>15,512</u>

The notes on pages 11 to 22 form part of these accounts.

The Babraham Institute

Summary income and expenditure account for the year ended 31 March 1996

	<i>Note</i>	1996 £000
Income - acquired operations	3	13,862
Operating costs	5	(13,379)
		<hr/>
Operating result of acquired operation		483
Interest receivable and similar income	10	22
		<hr/>
Surplus of income over expenditure on ordinary activities transferred to reserves		505
		<hr/>

There were no other gains or losses other than those dealt with in the income and expenditure account above.

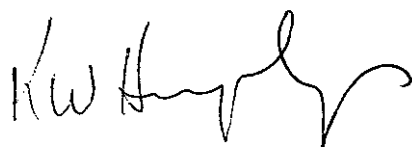
The notes on pages 11 to 22 form part of these accounts.

The Babraham Institute

Balance sheet at 31 March 1996

	Note	1996 £000	£000
Fixed assets			
Tangible fixed assets	11		15,030
Current assets			
Stocks	13	205	
Debtors	14	1,481	
Cash at bank and in hand		1,541	
		<u>3,227</u>	
Creditors: amounts falling due within one year	15	<u>(1,379)</u>	
Net current assets			<u>1,848</u>
Total assets less current liabilities			16,878
Accruals and deferred income			
Amounts falling due within one year	16		<u>(1,366)</u>
Net assets			<u>15,512</u>
Funds			
Restricted revenue fund	17		606
Restricted capital fund	17		14,906
			<u>15,512</u>

These financial statements were approved by the Governing Council on *18th November 1996* and were signed on its behalf by:



The notes on pages 11 to 22 form part of these accounts.

The Babraham Institute

Cash flow statement for the year ended 31 March 1996

	Note	1996 £000	£000
Net cash inflow from operating activities	20		1,081
Return on investments and servicing of finance		22	
Interest received		—	
Net cash inflow from returns on investment and servicing of finance			22
Investing activities		(2,773)	
Purchase of tangible fixed assets		2,773	
Grants received in respect of above expenditure		438	
Cash acquired from acquired activities		—	
Net cash inflow/(outflow) from investing activities			438
Increase in cash and cash equivalents	21		1,541

The notes on pages 11 to 22 form part of these financial statements.

The Babraham Institute

Notes

(forming part of the accounts)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention except for gifted assets, which have been brought into the accounts at a valuation. The company was formed on 19 January 1995 and commenced trading on 1 April 1995 when it was gifted the scientific activities of The Babraham Institute of the Biotechnology and Biological Sciences Research Council (BBSRC). Assets and liabilities gifted from the BBSRC have been included at their fair value as set out in note 12. The land and buildings fair value has been assessed by external valuers as shown in note 11. The accounts have been prepared in accordance with the Statement of Recommended Practice: Accounting by Charities.

Income

Income represents grants receivable in the year from outside granting bodies and other miscellaneous income.

Restricted funds

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

Resources expended

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

Fundraising and publicity expenditure represents the cost of obtain 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.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	-	3 years
Non-computer equipment	-	5 - 10 years
Short leasehold land and buildings	-	Over the period of the lease

The Babraham Institute

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed asset revaluation

Land and buildings have been valued using depreciated replacement cost.

Research costs

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

Grants

Capital based grants are included within deferred income in the balance sheet and credited to income and expenditure accounts over the estimated useful economic lives of the assets to which they relate.

Foreign currency transaction

All foreign currency gains and losses are taken to the income and expenditure account as incurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

VAT

Income is stated net of VAT and expenditure includes VAT where applicable.

Leases

All leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

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

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Notes (continued)

2 Analysis of incoming resources

	Grants receivable £000	Other income £000	Deferred capital grants £000	1996 Total £000
BBSRC central allocation	8,125	-	2,710	10,835
BBSRC other funding	946	1	-	947
Funding of minor works	308	-	-	308
MAFF commissioned projects	381	-	-	381
MAFF non commissioned projects	76	-	-	76
Other government departments	1,103	214	-	1,317
European union	343	1	-	344
Foundations/trusts	499	5	-	504
Industry	605	141	-	746
Other	150	834	-	984
Transfer from external grant deferred income	152	-	-	152
	<u>12,688</u>	<u>1,196</u>	<u>2,710</u>	<u>16,594</u>

3 Reconciliation of funds received

	1996 £000
Total funds per statement of financial activities	30,629
Less: Capital funds received (page 7)	(16,419)
Restricted funds gifted by BBSRC	(326)
Interest receivable	(22)
	<u>13,862</u>
Total income per income and expenditure account	<u>13,862</u>

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Notes (continued)

4 Analysis of resources expended

	Staff costs £000	Other cost £000	Depreciation and amounts written off fixed assets £000	1996 Total £000
<i>Direct charitable expenditure</i>				
Research	5,609	2,020	1,048	8,677
Support services	2,219	2,868	428	5,515
Loss on disposal of fixed assets	-	-	5	5
	<u>7,828</u>	<u>4,888</u>	<u>1,481</u>	<u>14,197</u>
<i>External relations</i>				
Other	75	64	15	154
	<u>75</u>	<u>64</u>	<u>15</u>	<u>154</u>
<i>Management and administration</i>				
Finance	191	74	36	301
Personnel	70	69	13	152
Management	169	112	32	313
	<u>430</u>	<u>255</u>	<u>81</u>	<u>766</u>
Total	<u>8,333</u>	<u>5,207</u>	<u>1,577</u>	<u>15,117</u>

5 Reconciliation of resources expended

	1996 £000
Total resources expended per statement of financial activities (page 7)	15,117
Less: Capital grant release	(1,576)
Add: Minor works transfer	(162)
	<u>13,379</u>
Total expenditure per income and expenditure account	<u>13,379</u>

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Notes (continued)

6 Operating costs

Operating costs are stated after charging/(crediting):

	1996 £000
Auditors remuneration	
- audit services	11
- non audit services	26
Depreciation	1,572
Loss on disposal of fixed assets	5
Capital grant release	<u>(1,576)</u>

7 Changes in resources available for charity use

	Restricted funds £000	Capital fund £000	1996 Total £000
Net movement in funds for the year	606	14,906	15,512
Net increase in tangible fixed assets for:			
Direct charitable purposes	<u>-</u>	<u>(15,030)</u>	<u>(15,030)</u>
Net movement in funds available for future activities	<u>606</u>	<u>(124)</u>	<u>482</u>

8 Remuneration of the members of the Governing Council

The Deputy Chairman of the Governing Council received a salary of £58,181 in his capacity as Institute Director. None of the other members of the Governing Council received any remuneration from the company during the year.

9 Staff numbers and costs

The average number of persons employed by the group (including members of the Governing Council) during the year, analysed by category, was as follows:

	Number of employees 1996
Scientific (including support)	314
Management and administration	<u>79</u>
	<u>393</u>

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Notes *(continued)*

9 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	1996 £000
Wages and salaries	7,045
Social security costs	482
Other pension costs (note 18)	806
	<hr/>
	8,333
	<hr/>

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

	1996
£40,000 - £49,999	6
£50,000 - £59,999	1

10 Other interest receivable and similar income

	1996 £000
Other interest receivable	22
	<hr/>

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Notes (continued)

11 Tangible fixed assets

	Land and buildings £000	Fixtures and equipment £000	Assets in course of construction £000	Total £000
<i>Cost or valuation</i>				
Gifted from BBSRC	10,408	1,721	1,580	13,709
Additions	-	230	2,668	2,898
Transfers between items	3,353	102	(3,455)	-
Disposals	-	(16)	-	(16)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	13,761	2,037	793	16,591
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
Charge for year	1,006	566	-	1,572
Disposals	-	(11)	-	(11)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,006	555	-	1,561
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 1996	<u>12,755</u>	<u>1,482</u>	<u>793</u>	<u>15,030</u>

The historical cost to the company of all assets is nil.

The company's leasehold land and buildings were valued as at 1 April 1995, and the valuation has been included in these financial statements. The amount included is based upon a professional valuation carried out by Powis Hughes and Associates who are external Chartered Surveyors. The valuation has been made in accordance with the guidance contained within the RICS manual, and has been made aggregating the existing use, the depreciated replacement cost bases and land values.

The valuation is based on a twelve year lease term, which is the term which has been offered to the Institute by the BBSRC. However, the lease is still subject to negotiation. The Governors are of the opinion that when the lease term is finally agreed, it will be no less than twelve years, but it could be longer. Accordingly, while the value of the lease might increase, it would not fall below its current valuation.

The Babraham Institute

Notes (continued)

12 Fair values

1 April 1995
Fair value of
assets acquired
£000

<i>Fixed assets</i>	13,709
<i>Current assets</i>	
Stocks	225
Debtors	1,814
Cash at bank and in hand	438
Net book value of assets acquired	2,477
Creditors: amounts falling due within one year	(2,151)
Net current assets	326
Net book value acquired	14,035
Allocated : restricted income	326
: capital fund	13,709
	14,035

13 Stocks

	1996 £000
Livestock	80
Raw materials and consumables	125
	205

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Notes *(continued)*

14 Debtors

	1996
	£000
Grants receivable	1,050
Trade debtors	236
Other debtors	107
Prepayments and accrued income	88
	<hr/>
	1,481
	<hr/>

15 Creditors: amounts falling due within one year

	1996
	£000
Grants monies received in advance	307
Receipts in advance for capital projects	100
Trade creditors	236
Other creditors	209
Accruals and deferred income	129
EU Coordinated Programme Partners	398
	<hr/>
	1,379
	<hr/>

16 Accruals and deferred income

	1996
	£000
Deferred income	1,366
	<hr/>

The Babraham Institute

Notes (continued)

17 Funds

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

	Fair value as at 1 April 1995 £000	Incoming resources £000	Expenditure, gains, losses and transfers £000	Balance at 31 March 1996 £000
Restricted reserve fund	326	13,884	(13,604)	606
Restricted capital fund	13,709	2,710	(1,513)	14,906
	<u>14,035</u>	<u>16,594</u>	<u>(15,117)</u>	<u>15,512</u>
Total at 31 March 1996	14,035	16,594	(15,117)	15,512

Analysis of net assets between funds

Fund balances at 31 March 1996 are represented by:

	Restricted funds £000	Capital fund £000	1996 Total £000
Tangible fixed assets	124	14,906	15,030
Current assets	3,227	-	3,227
Total liabilities	(2,745)	-	(2,745)
	<u>606</u>	<u>14,906</u>	<u>15,512</u>
Total net assets	606	14,906	15,512
<i>Unrealised gains included above</i>			
On tangible fixed assets	-	9,541	9,541
	<u>-</u>	<u>9,541</u>	<u>9,541</u>

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Notes (continued)

18 Commitments

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

1996
£000

Contracted

-

Authorised but not contracted

1,160

- (ii) Other commitments at the end of the financial year for which no provision has been made:

1996
£000

Authorised but not contracted for

-

The BBSRC has agreed to fund the capital commitments that have been authorised and contracted for, with the exception of a £2m contribution from Babraham Institute towards the current development plan programme.

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

1996
£000

Within one year

34

Within two to five years

56

19 Pension scheme

The company participates in the Research Council's Pension Scheme (formerly the AFRC 1975 Superannuation Scheme). This is a defined benefit scheme and is unfunded. The pension cost represents contributions payable by the company to the scheme and amounted to £806K.

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Notes (continued)

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

	1996 £000
Changes in resources	15,512
Changes in capital funds	(14,906)
Interest receivable	(22)
	<hr/>
Operating result	584
	<hr/>
Depreciation charge	1,572
Deferred capital grant released	(1,576)
Loss on sale of fixed assets	5
Decrease in stocks	20
Decrease in debtors	333
Increase in creditors	469
Fair value of assets acquired	(326)
	<hr/>
Net cash inflow from operating activities	<u>1,081</u>

21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Change in period £000
Cash at bank and in hand	<u>1,541</u>