

**Babraham Institute
(A Charitable Company Limited
by Guarantee)**

Report and Financial Statements

Year Ended

31 March 2007

Company Number 3011737

Charity Number 1053902



BABRAHAM INSTITUTE

Annual report and financial statements for the year ended 31 March 2007

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Governors

Dr D Bloxham	- Chairman	
Prof M Wakelam		
Prof R Hill		Dr D Bailey
Prof J Smith FRS		Mr R Norden
Prof B Keverne FRS		Dr C Caulcott
Prof W Cushley		Dr H Pelham FRS
Prof M Leptin		Mr R Swain

Secretary and registered office

Dr C Edmonds, Babraham Institute, Babraham Hall, Babraham, Cambridge, CB22 3AT

Registered Company number

3011737

Charity registration number

1053902

Auditors

Peters Elworthy & Moore, Salisbury House, Station Road, Cambridge, CB1 2LA

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 2007

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS

Legal status

The governors, who are the trustees of the charity and directors of the charitable company the "Babraham Institute" (registered charity in England and Wales number 1053902, a company limited by guarantee, registered in England and Wales number 3011737), present their report together with the audited financial statements for the year ended 31 March 2007. The charity is governed by a Memorandum and Articles of Association. The charity has a wholly-owned trading subsidiary, Babraham Bioscience Technologies Ltd. Registered in England and Wales number 3241492.

Principal activity

The principal activity of the group and the charitable company, as set out in the Memorandum and Articles of Association, is education, through undertaking 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 function, which is relevant to the biomedical, biopharmaceutical and biotechnological user communities.

Office

The principal office of the charity (and registered company address) was

Babraham Institute
Babraham Research Campus
Cambridge CB22 3AT

Bankers

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

Solicitors

Eversheds
Kent House, Station Road
Cambridge CB1 2JY

External Auditors

Peters Elworthy and Moore
Salisbury House, Station Road
Cambridge CB1 2LA

Internal Auditors

Research Councils Internal Audit Service
Polaris House
Swindon SN2 1UH

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS (CONTINUED)

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. Vacant trustee positions are now advertised nationally, in appropriate newspapers or technical journals. A shortlist is compiled after review of submitted applications and shortlisted candidates are interviewed by the Chairman and Company Secretary. Following interviews, new trustees are appointed by the governors following consultation with the BBSRC (for example to check any possible conflict of interest). Members are appointed for a period of up to four years from the date of appointment (usually three) 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.

Trustees are provided with an induction pack containing key information about the Institute, and are offered training in trustee-ship by one of the recognized training providers in this area. Most trustees also take the opportunity to visit the Institute and meet with its staff, outside of a formal Governing Council meeting.

The following were members of the governing council during the year

Dr D Bloxham	- Chairman
Prof M Wakelam	- Deputy Chairman (appointed January 2007)
Prof R Hill #	
Prof J Smith FRS #	
Prof Sir M Evans FRS	- (resigned May 2006)
Prof B Keverne FRS	
Prof W Cushley #	
Mr D Flint#	- (resigned May 2006)
Prof M Leptin	
Dr C Caulcott	- (appointed May 2006)
Mr R Norden	- (appointed June 2006)
Dr D Bailey	- (appointed June 2006)
Dr H Pelham FRS	- (appointed January 2007)
Mr R Swain #	- (appointed January 2007)

Denotes members of the Audit Committee (formerly the Financial and General Purposes Committee) as at 31 March 2007

Professor Michael Wakelam became the new Chief Executive and Director of the Institute taking up the position from 1st January 2007, Dr John Bicknell (Associate Director, Research Management) has been Acting Director until this time. The Company Secretary is Dr Caroline Edmonds, the CEO of BBT Ltd Dr David Hardman, and Group Finance Director Mr Bob Williams.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

STRUCTURE, GOVERNANCE AND MANAGEMENT

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 the group's 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. The governors' responsibilities, compared with those of the executive, are formally delineated in a document entitled "Matters reserved for the Board". In practice, the Chief Executive and the senior executive team have considerable delegated authority to take decisions on financial, personnel, public relations, commercialisation and scientific matters.

Risk management

The governors have carried out a review of the risks to which the group may be exposed. This process resulted in the introduction of a risk management strategy that comprises

- formalisation of the Quality, Risk and Crisis management committee,
- annual review of the risks which the group may face,
- the establishment of systems and procedures to mitigate those risks identified, and
- the implementation of procedures designed to minimise any potential impact on the group should any of those risks materialise

At each of their meetings, the Governors receive a report on perceived risks, an analysis of level of gross and net risk, and the person responsible for that element of the risk management strategy. Risk management is also assessed by the internal auditors.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

OBJECTIVES AND ACTIVITIES

In the furtherance of the charitable objectives listed in the Memorandum and Articles of Association, the charitable company has adopted a comprehensive portfolio of integrated policies too extensive to document in this report. Further details of the charitable company's policies, plans and objectives can be found in the Babraham Group Corporate Plan 2005-2010 (ISBN 0-9544486-2-6) available on application to the Corporate Affairs office or downloadable from www.babraham.ac.uk

Research at the Babraham Institute is directed towards the BBSRC strategic aim 'Biomedicine related to human well being'. The major research focus aims to integrate studies into cell signalling pathways with epigenetic change. To this end Institute scientists adopt a molecular cell biological approach using mammalian cells in culture and genetically modified mice as model systems with which to study early development and key physiological functions in the immune system, the placenta, the heart and skeletal muscle. Research at the Babraham Institute is grouped into six laboratories: Developmental Genetics and Imprinting, Chromatin and Gene Expression, Lymphocyte Signalling and Development, Cognitive and Behavioural Neuroscience, Molecular Signalling and Inositol, each of which contains a number of research group leaders who adopt complimentary approaches to address a common set of biological questions. The groups are structured so they can share resources, techniques and skills. Each group leader runs their own group and is expected to create, lead, maintain and develop an internationally excellent programme of innovative research, whilst each Head of Laboratory is responsible for leading and co-ordinating a cohesive programme of research that contributes to the mission of the Institute. The overall science direction of the Babraham Institute is determined by the Babraham Executive Committee, however, the Science Policy Committee provides scientific leadership and vision and also monitors and assesses the science in all laboratories.

Current research in the Institute is particularly directed towards epigenetic regulation and reprogramming, imprinting, transcription factories, chromatin remodelling, signalling in B and T cells and in innate immunity, the role of calcium in cellular regulation, and in neuronal degradation, MAP kinase signalling, myogenesis, PI-3-kinase signalling and its importance in inflammatory responses, autophagy, G-protein coupled receptors, small GTPases, phospholipase signalling and visual recognition memory (see e.g. Nature 447, 425, Nature Genetics 38, 350, Nature 447, 413, J Biol Chem 279, 8837, J Cell Sci 119, 4828, Nat Cell Biol 9, 86, Current Biology 14, 1380, J Cell Sci 119, 3363, Science 316, 608). Additional support for much of this work is provided through core-funded communal resources: mass spectrometry (proteins, lipids and nucleic acids), protein production and monoclonal antibody facilities, imaging, cell sorting, gene targeting and small animal facilities, bioinformatics.

Institute Mission Statement

- To be one of the world's pre-eminent life science innovative research institutions through internationally competitive science in basic cell and molecular biology
- To serve society through science by directing discoveries to the improvement of the quality of life and through communicating the significance of our findings to the public
- To enjoy a reputation for successfully translating good science into good business opportunities through partnerships for wealth creation
- To provide a unique and highly successful environment at Babraham as the leading campus in the Cambridge Cluster for bioscience start-up and developing companies

Institute Remit

- The Babraham Institute is an independent charitable life sciences Institute, sponsored by the BBSRC, carrying out world-leading innovative research and advanced training with relevance to the biomedical, biotechnological, pharmaceutical and healthcare research and user communities
- The Institute's research focuses on the mechanisms of cell signalling and gene regulation which underlie normal cellular processes and functions, and on how their failure or abnormality may lead to disease

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

OBJECTIVES AND ACTIVITIES (CONTINUED)

- The knowledge we gain is made publicly available and the Institute actively seeks partnership with relevant companies and with clinical researchers to ensure effective application of its research Babraham runs a Bioincubator providing full business, scientific and technical mentoring to help biotechnology start-up companies be successful
- As part of the UK Science Base, the Institute contributes to the wealth creation, quality of life and public understanding of science objectives of Government

Key business objectives for the Babraham Group*

To achieve:

- **Excellent international standard science, within the Institute's remit.**
 - International leadership
 - Synergistic research
 - Collaborative partnerships
 - Graduate and postdoctoral training programme
- **Excellent and fit-for-purpose infrastructure for science.**
 - Technical
 - Corporate
- **A high standard of Corporate Social Responsibility and public reputation.**
 - Values and impact of our research
 - Community partnerships
 - Environmental impact of the Campus
 - Science and Society programme
- **An internationally recognised contribution to the Eastern Region and UK's economic competitiveness.**
 - Inward investment to the Babraham Research Campus
 - Commercialisation and wealth creation
 - Partnerships and knowledge flow
- **Robust sustainability**
 - Financial planning
 - Estate strategy
- **Efficient and effective management**
 - Operations
 - People
- **A high standard of Corporate Governance**
 - Risk control and contingency planning
 - Regulatory
 - Boards and subcommittees, executive decision-making structure and authorities

* The Babraham Institute and its wholly owned trading subsidiary Babraham Bioscience Technologies Ltd are together known as Babraham Group

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

ACHIEVEMENTS AND PERFORMANCE

A full report of recent achievements can be found in the published Corporate Report 2001-2005 ISBN 0-9544486-3-4 and downloadable from www.babraham.ac.uk and the Scientific Review 2005 ISBN 0-9544486-1-8 or downloadable from www.babraham.ac.uk

In 2006 the Institute published 97 papers in refereed journals, with an average impact factor for the journal of 6.575

Two recent scientific highlights from 2006 work include

Len Stephens/Phill Hawkins (*Inositide*)

The Stephens/Hawkins laboratory has discovered that the proto-oncogene product Ras has a surprisingly important role in the mechanisms which couple receptors for inflammatory stimuli to the activation of the PI3K signalling pathway in neutrophils (Suire *et al*, (2006) *Nat Cell Biol* **11** 1303-9). This study significantly advances our molecular understanding of how signalling pathways are controlled during inflammation.

The Stephens/Hawkins laboratory has defined the critical importance of one of the components of the leucocyte NADPH oxidase complex (p40^{phox}) in the innate immune response to bacterial infection (Ellson *et al*, (2006), *J Exp Med* **203** 1927-37 and *EMBO J* **25** 4468-78). This work advances our molecular understanding of how certain white cells perform their functions during infection and inflammation.

Gavin Kelsey (*Developmental Genetics and Imprinting*)

Further analysis of our XLas knock-out model reveals that this imprinted gene controls activity of the sympathetic nervous system to regulate metabolic rate and body fat. It is an important finding that imprinted genes, which are under epigenetic control and therefore potentially programmable by nutritional or environmental cues, are key regulators of metabolism. Xie, T, *et al* (2006) The alternative stimulatory G protein α -subunit XLas is a critical regulator of energy and glucose metabolism and sympathetic nerve activity in adult mice *J Biol Chem* **281**, 18989-18999.

The 2005 Visiting Group Report demonstrated that the quality of research at the Babraham Institute had improved significantly on the 5 star (5*) rating received in the previous assessment in 2001. From 2007, all of the Institute's research programmes will be those rated as high international or international standard, following closure of any work below that standard.

Training

The Graduate Programme at Babraham was assessed in 2004 as "a model of best practice for postgraduate student training from which other institutes and the HE sector could learn". The Programme continues to evolve to meet student needs.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Estates

Babraham has continued to invest substantially in the infrastructure needed to undertake research of the highest quality that is relevant for the Institute's strategic objectives. During 2006 the Institute continued investment in the estate infrastructure with new car parking and Stores building projects underway. BBT initiated the Meditrina building project.

The Institute underwent an audit by environmental impact consultants and was praised for both its regulatory compliance and schemes to decrease any negative environmental impact of its activities.

Knowledge Transfer

The policy of the Institute is to be proactive in the field of knowledge transfer and most of this policy is effected through BBT Ltd, a wholly owned subsidiary of Babraham Institute.

Employees

During the year the charitable 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 and supports diversity in the workplace. A new Equality Action Plan was adopted towards the end of the reporting year.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

FINANCIAL REVIEW

The group has recorded a surplus for the year of £25k (2006 – deficit £1,317k)

This surplus is after the deduction of exceptional items totalling £796k, which comprises adjustments to fixed assets of £186k and Hedge break fee charges of £610k

This Hedge break fee of £610k does represent a cash loss during the current year. However the Group has experienced an increase in its cash reserves which at the year end totalled £9,805k (2006 - £3,957k)

Funding is now in place to cover the major development projects the Group expects to undertake in the medium term, for both infrastructure and buildings. It is therefore with confidence that we look forward to both our continuing scientific success and development of the Campus.

Reserves policy

The governors have an approved reserves policy. Factors taken into account included the need to cover fluctuations in income (principally short term reduction in industry and charity grants or reduction in Competitive Strategic Grant), future capital projects, current liabilities and unplanned expenditure. The group faces changes in employment law, such as the ending of fixed term contracts, which will have significant financial impacts within the next three years. The level of free reserves is considered to be the unrestricted reserves less the tangible assets, which the group would not wish to realise.

The governors believe that the minimum level of free reserves should be 10% of incoming resources and that this level should be reviewed annually. The free reserves should be built up to the desired level in stages consistent with the overall financial position and its need to maintain and develop its charitable activities.

Of total reserves of the charitable group at 31 March 2007 of £52,552k,

£47,573k	represents restricted fund balances
£1,879k	are held to finance charitable fixed assets
£811k	represents investments in intangible fixed assets and joint ventures, and
£2,289k	represent the free reserves

The target level of free reserves based on the incoming resources for the year to that date was £2,643k

Principal funding sources and review of expenditure

The Babraham Institute is one of seven Institutes sponsored by the Biotechnology and Biological Sciences Research Council (BBSRC). Funding is derived from our principal sponsor, the BBSRC, together with external grants or fellowships competitively gained from research councils, charities and industry.

Expenditure incurred as analysed in the Statement of Finance Activities relates to Charitable Activities, including support costs. Governance costs, together with commercial trading activities are shown separately.

Material investments

The charitable group has no material investments at the year end.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2007 (*Continued*)

FINANCIAL REVIEW (CONTINUED)

Creditor Payment Policy

The Charitable group makes every effort to ensure compliance with the agreed terms of the payment of creditors' invoices, with payments being made within 30 days of receipt of invoice

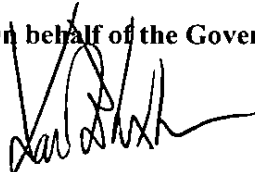
The Late Payment of Commercial Debts Regulation 2002 came into force on 7th August 2002 providing all businesses, irrespective of size, the right to claim statutory interest for late payment of commercial debts. No such claims were received during the reporting year

KEY PLANS FOR FUTURE PERIODS

In 2007, the Science Policy Committee (SPOC) will undertake a mid-term review of all the Institute's research output

In December 2007, the new, safer, entrance to the Institute (which is of great importance to the local Parish Council) will be completed. Substantial infrastructural work will also be undertaken on the Campus including repairs to Church Lane as a goodwill gesture to the local community, a refurbished Energy Centre for increased efficiency of Heat and Power production, and landscaping works (tree planting). Plans will be further advanced for a new biological support building

On behalf of the Governing Council



Dr D Bloxham
Chairman

Date: 08 October 2007

BABRAHAM INSTITUTE

Report of the independent auditors to the members

We have audited the financial statements of Babraham Institute for the year ended 31 March 2007 on pages 12 to 40. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 International Standards on Auditing (UK and Ireland).

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 charity 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 charity is not disclosed.

We are not required to consider whether the statement in the Governors' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We report to you whether in our opinion the information given in the Governors' Report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by 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.

BABRAHAM INSTITUTE

Report of the independent auditors to the members (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's and group's affairs as at 31 March 2007 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended ,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Governors' report is consistent with the financial statements


PETERS ELWORTHY & MOORE

Salisbury House
Station Road
Cambridge
CB1 2LA

Chartered Accountants
& Registered Auditors

15 October 2007

BABRAHAM INSTITUTE

Consolidated statement of financial activities for the year ended 31 March 2007

	Note	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2007 Total funds £'000	2006 Total funds £'000
Incoming resources						
Incoming Resources from Generated Funds		1,767	2,740	14,205	18,712	14,445
Incoming Resources from Charitable Activities		6,106	-	1,621	7,727	7,360
Total incoming resources	2	<u>7,873</u>	<u>2,740</u>	<u>15,826</u>	<u>26,439</u>	<u>21,805</u>
Resources expended						
Commercial Trading Operations		(869)	(96)	(946)	(1,911)	(2,446)
Charitable Activities	3	(7,004)	(2,282)	(13,749)	(23,035)	(21,305)
Governance Costs	3	-	-	(163)	(163)	(181)
Total resources expended		<u>(7,873)</u>	<u>(2,378)</u>	<u>(14,858)</u>	<u>(25,109)</u>	<u>(24,668)</u>
Share of Operating Loss in Joint Venture				(147)	(147)	-
Exceptional items			-	(796)	(796)	(736)
		<u>(7,873)</u>	<u>(2,378)</u>	<u>(15,801)</u>	<u>(26,052)</u>	<u>(24,668)</u>
Net incoming/(outgoing) resources before transfers						
		-	362	25	387	(2,863)
Revaluation		-	2,461	-	2,461	6,568
Net Movement in funds		-	2,823	25	2,848	3,705
Balances brought forward at 31 March 2006	15	-	44,750	4,954	49,704	45,999
Balances carried forward at 31 March 2007	15	<u>-</u>	<u>47,573</u>	<u>4,979</u>	<u>52,522</u>	<u>49,704</u>

All amounts relate to continuing activities

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

The notes on pages 16 to 40 form part of these financial statements

BABRAHAM INSTITUTE

Consolidated summary income and expenditure account for the year ended 31 March 2007

	Note	2007 Total funds £'000	2006 Total funds £'000
Total incoming resources	2	26,439	21,805
BBSRC and other Government departments capital grants		(2,740)	(639)
Total recurrent income		23,699	21,166
Expenditure			
Commercial Trading Operations		1,911	2,446
Charitable Activities	3	23,035	21,305
Governance Costs	3	163	181
Total resources expended		25,109	23,932
Share of Operating Loss in Joint Venture		147	-
Exceptional Items			
Loss on Disposal of Fixed Assets		186	736
Interest Hedge Break Fee		610	-
Deficit before transfer from reserves		(2,353)	(3,502)
Release of capital fund		2,378	2,185
Net surplus/(deficit) after transfer from specific reserves		25	(1,317)
General (income and expenditure) reserve brought forward		4,954	6,271
General (income and expenditure) reserve carried forward	15	4,979	4,954
Note of historical cost income and expenditure			
Reported deficit before transfer from reserves		(2,353)	(3,502)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		829	554
Difference between an historical cost loss on Property Disposals and the actual realised Loss for the Year calculated on the revalued amount		44	516
Historical cost deficit before transfer from reserves		(1,480)	(2,432)

The notes on pages 16 to 40 form part of these financial statements

BABRAHAM INSTITUTE

Balance sheets at 31 March 2007

	Note	Group		Institute	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Fixed assets					
Intangible assets	8	205	174	-	-
Tangible assets	9	67,979	59,157	46,489	44,366
Investments	10	70	112	2,500	2,500
Investment in Joint Venture	10	536	5	-	-
		<u>68,790</u>	<u>59,448</u>	<u>48,989</u>	<u>46,866</u>
Current assets					
Stocks	11	80	76	80	76
Debtors -	12				
due within one year		3,827	3,282	3,184	2,685
due after more than one year		-	46	558	604
Cash at bank and in hand		9,805	3,957	6,335	3,475
		<u>13,712</u>	<u>7,361</u>	<u>10,157</u>	<u>6,840</u>
Creditors: amounts falling due within one year	13	<u>(9,975)</u>	<u>(5,433)</u>	<u>(6,615)</u>	<u>(4,110)</u>
Net current assets		<u>3,737</u>	<u>1,928</u>	<u>3,542</u>	<u>2,730</u>
Total assets less current liabilities		<u>72,527</u>	<u>61,376</u>	<u>52,531</u>	<u>49,596</u>
Creditors: amounts falling due After more than one year	14	<u>(19,975)</u>	<u>(11,672)</u>	<u>-</u>	<u>(72)</u>
Net assets		<u>52,552</u>	<u>49,704</u>	<u>52,531</u>	<u>49,524</u>
Funds					
Restricted revenue fund	15	-	-	-	-
Restricted capital fund	15	47,573	44,750	45,122	42,203
Unrestricted funds	15	4,979	4,954	7,409	7,321
		<u>52,552</u>	<u>49,704</u>	<u>52,531</u>	<u>49,524</u>

These financial statements were approved by the Governing Council on


Dr D Bloxham
Chairman

Date 08 October 2007

The notes on pages 16 to 40 form part of these financial statements

BABRAHAM INSTITUTE

Consolidated cash flow statement for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	19	8,727	1,119
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(12)	(17)
Interest Paid		(26)	(69)
Interest received		232	154
Net cash inflow from returns on investments and servicing of finance		194	68
Capital Expenditure and Financial Investment			
Payments to acquire intangible fixed assets		(83)	(56)
Payments to acquire tangible fixed assets		(9,656)	(2,702)
Purchase of Investments		(586)	(62)
Receipts from sales of fixed assets		25	71
Grants received		2,740	639
Net cash outflow from capital expenditure		(7,560)	(2,110)
Financing			
Capital element of finance lease rental payments		(95)	(87)
New Loans		4,582	1,534
Net cash inflow from financing		4,487	1,447
Increase in cash in the year	21	5,848	524

The notes on pages 16 to 40 form part of these financial statements

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007

1 Accounting policies

The financial statements have been prepared under the historical cost convention, with the exception of certain leasehold properties which are held at valuation, and are in accordance with applicable accounting standards. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities, published in March 2005.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of a subsidiary company, Babraham Bioscience Technologies Limited, as set out in note 18 together with the Group's share of the results of joint ventures. A joint venture is an entity in which the Group holds a long-term interest and which is jointly controlled by the Group and one or more other venturers under a contractual arrangement. This company and joint venture both have a coterminous accounting year end.

The results of the subsidiary are incorporated on a line by line basis as required under the SORP. The results of the joint venture are included in the accounts under the equity method.

Babraham Bioscience Technologies Limited has a 40% holding in a joint venture company, Bioscience Partnership Limited, and a 50% holding in a joint venture company, Discerna Limited, both of which have a coterminous accounting year end. Neither has been included for consolidation purposes on the grounds that they are 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. Grants received in respect of capital are also treated as restricted funds.

Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Resources expended are classified according to the nature of the cost as follows:

Commercial trading operations relate to income and expenditure incurred by the trading subsidiary Babraham Bioscience Technologies.

Charitable Expenditure – comprises those costs incurred by the charity in the delivery of its activities and services. It includes both costs that can be directly allocated to such activities and those costs of an indirect nature necessary to support the charity's activities.

Governance Costs – include those costs associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

1 Accounting policies (*Continued*)

Resources expended (continued)

Support Costs include all other costs that whilst not relating directly the charities activities are needed to support the work undertaken in the charity's pursuit of its objectives. These have been allocated to the charities activities on a basis consistent with the use of the resource, eg floor area, staff numbers

Tangible fixed assets

In order to provide users of these accounts with a full value of the assets used by the Institute to carry out its research, the Institute includes in its financial statements all third party owned land and buildings which it occupies and enjoys through extended or peppercorn leases at their full value. This treatment is not in accordance with the Statement of Recommended Practice (SORP) which governs the accounting treatment of charities. However, in the provision of this information, the Institute considers it gives a true and fair view of the nature of the assets which underpin its research and recognises, together with its landlord(s), its continuing occupancy of these assets for the foreseeable future

Fixed asset revaluation

Land and buildings are included at open market value where this can be established or depreciated replacement cost in the case of specialised scientific buildings. Quinquennial professional valuations are uprated annually to the Balance Sheet date by using appropriate land and buildings indices. The valuations are depreciated in accordance with the above policy

Depreciation

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

Computer equipment	-	3 years
Non-computer equipment	-	3-5 years
Leasehold land and buildings	-	over the shorter of the period of the lease, plus any notified intended extension thereto and the estimated useful remaining life

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

Intellectual property

The cost of acquired intellectual property is capitalised and written off over its useful economic life

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

1 Accounting policies (*Continued*)

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 Institute 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

The Institute participates in the Research Council's Pension Scheme This is an unfunded multi-employer defined benefit scheme Since any assets and liabilities of the scheme cannot be split between participating employers, the Institute's pension costs are accounted as for a defined contribution scheme, with costs charged to the income and expenditure account as incurred

Contributions to the Subsidiary undertakings defined contribution pension scheme are charged to the income and expenditure account as incurred

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright The amount capitalised is the present value of the minimum lease payments payable over the term of the lease The corresponding leasing commitments are shown as amounts payable to the lessor Depreciation on the relevant assets is charged to the profit and loss account

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

1 Accounting policies (*Continued*)

Leased assets (continued)

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other 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 Institute is not liable for assessment to taxation on its results and recoverable income tax is accrued within the accounts.

The trading subsidiary company is liable for assessment to taxation but will gift aid all taxable profits back to the Institute so that no corporation tax is payable.

Fixed Assets Investments

Fixed asset investments are stated at cost. To the extent that the carrying value exceeds the recoverable amount, an impairment loss is recognised.

Goodwill

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses and tested annually for impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This estimate of recoverable amount is performed at each balance sheet date. Remaining goodwill is written off evenly over expected useful life of 10 years, being the estimated lifetime of the investments involved.

Negative goodwill arises where the Group's share of net assets exceeds the consideration paid. This is written back to the Statement of Financial Activities in the period to which it relates.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

2 Analysis of incoming resources

Turnover	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2007 Total £'000	2006 Total £'000
Incoming Resources from Generated Funds					
Voluntary Income					
Grants and Donations BBSRC					
- Competitive Strategic Grant	-	-	11,404	11,404	10,502
- Minor Works	1,767	-	-	1,767	875
- Other Grants	-	2,740	-	2,740	860
Activities for Generating Funds :					
Commercial Trading Operations					
- Goods and services	-	-	1,036	1,036	1,077
- Rent	-	-	1,465	1,465	929
Investment Income					
- Bank interest receivable	-	-	232	232	154
- Royalty/licence income	-	-	68	68	48
	<u>1,767</u>	<u>2,740</u>	<u>14,205</u>	<u>18,712</u>	<u>14,445</u>
Incoming Resources from Charitable Activities					
Competitive Project grants	2,983	-	-	2,983	2,900
DEFRA	-	-	-	-	6
Medical Research Council	1,287	-	-	1,287	1,222
Other Government Departments	296	-	-	296	212
University Links	46	-	-	46	39
European Union	122	-	-	122	185
Industry, levy boards	700	-	-	700	530
Trusts, foundations, charities	672	-	-	672	781
Goods and services	-	-	1,340	1,340	1,176
Rent	-	-	235	235	247
Student fees	-	-	46	46	62
	<u>6,106</u>	<u>-</u>	<u>1,621</u>	<u>7,727</u>	<u>7,360</u>
Total incoming resources	<u>7,873</u>	<u>2,740</u>	<u>15,826</u>	<u>26,439</u>	<u>21,805</u>

BABRAHAM INSTITUTENotes forming part of the financial statements for the year ended 31 March 2007 *(Continued)***2 Analysis of incoming resources *(Continued)***

Included in the above are the following amounts relating to the trading subsidiary

	2007	2006
	£'000	£'000
East of England Development Agency	255	190
Industry, levy boards and other grants	531	250
Royalty/licence income	63	44
Goods and services	1,697	1,272
Rent	1,465	929
	<hr/>	<hr/>
Turnover	4,011	2,685
Interest receivable	47	11
Amount released from capital grant	83	42
	<hr/>	<hr/>
Total income	4,141	2,738
	<hr/>	<hr/>

Incoming Resources can be geographically analysed as

	2007	2006
	£'000	£'000
UK	26,153	21,401
USA	157	122
Rest of Europe	128	252
Rest of World	1	30
	<hr/>	<hr/>
	26,439	21,805
	<hr/>	<hr/>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 *(Continued)*

3 Analysis of Charitable resources expended

	Allocation basis	Scientific Research £'000	Governance £'000	Grand Total £'000	2006 £ 000
Staff costs	Direct	5,647	117	5,764	6,019
Laboratory supplies	Direct	1,786	-	1,786	1,594
Travel & Subsistence	Direct	113	11	124	94
Repairs and Maintenance	Direct	5	-	5	56
Rent and Rates	Direct	2	-	2	-
Equipment and Hire Charges	Direct	71	-	71	39
Depreciation	Direct	480	-	480	567
Legal & Professional charges	Direct	-	32	32	45
Profit on Sale of Fixed Assets	Direct	(19)	-	(19)	-
Other Costs	Direct	75	3	78	65
Scientific Services and Administrative Support Costs		14,875	-	14,875	13,007
Grand Total		23,035	163	23,198	21,486

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

3 Analysis of Scientific Services and Administrative Support Costs for Charitable activities

	Administration	Estates	Technical Services	Total	2006
	£'000	£'000	£'000	£'000	£'000
Staff costs	2,541	819	2,727	6,087	5,704
Laboratory supplies	9	-	50	59	56
Travel & Subsistence	46	3	13	62	114
Repairs and Maintenance	138	583	257	978	968
Rent & Rates	197	5	-	202	239
Fuel and Water Charges	20	826	-	846	561
Equipment and Hire Charges	24	-	25	49	29
Depreciation	1,303	554	299	2,156	1,835
Minor Works	1,872	-	-	1,872	1,286
Waste Disposal	10	161	32	203	138
Livestock	-	-	20	20	15
Computing Costs	-	-	184	184	180
Legal & Professional Charges	117	109	57	283	256
Recruitment	106	-	-	106	82
Training	146	-	-	146	140
Library	1	-	191	192	191
Interest Payable	18	-	-	18	27
Food purchases	137	-	-	137	115
Bad Debts	(4)	-	-	(4)	(34)
Loss on Sale of Fixed Assets	104	-	-	104	(18)
Other Costs	414	487	274	1,175	1,123
	<u>7,199</u>	<u>3,547</u>	<u>4,129</u>	<u>14,875</u>	<u>13,007</u>

Support costs are allocated to the charities activities on a method consistent with the use of the resource

Governance Expenditure

Governance costs during the year can be analysed as

	2007 £'000	2006 £'000
Staff Costs	117	124
Travel and Subsistence	11	7
Legal and Professional Charges	32	44
Other Costs	3	6
	<u>163</u>	<u>181</u>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

4 Incoming resources and resources expended

	Group		Institute	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Incoming resources and resources expended are stated after charging/(crediting)				
Amounts payable to auditors' in respect of audit services	25	26	20	21
Amounts payable to auditors' in respect of non audit services	17	20	10	18
Net losses on foreign currency translations	1	51	1	51
Interest Payable	44	492	18	23
Depreciation	2,999	2,725	2,636	2,402
Amortisation of intangible fixed assets	42	31	-	-
Write Back of Negative Goodwill	(147)	-	-	-
Loss/(Profit) on disposal of fixed assets	(6)	774	85	718
Allocation to restricted capital funds	(2,282)	(2,185)	(2,282)	(2,185)
Amount released from capital grant	(96)	-	-	-

Interest payable relates to hire purchase interest of £12k (2006 - £20k) and loan interest of £32k (2006 - £472k)

Depreciation includes £75k (2006 - £77k) charged on assets held under finance leases

5 Changes in resources available for charity use

Institute	Restricted revenue funds	Restricted capital funds	Unrestricted funds	2007 Total	2006 Total
	£'000	£'000	£'000	£'000	£'000
Net movement in funds for the year	-	2,919	88	3,007	3,705
Net (increase) in tangible fixed assets held for direct charitable purposes	-	(915)	157	(758)	(618)
Net movement in funds available for future Activities	-	2,004	245	2,249	3,087

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

6 Employees

Staff costs for all employees were as follows

	Group		Institute	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Wages and salaries	9,439	9,261	8,945	8,801
Fees for management services	37	29	-	-
Social security costs	731	725	665	668
Other pension costs	1,683	1,737	1,664	1,720
	<u>11,890</u>	<u>11,752</u>	<u>11,274</u>	<u>11,189</u>
Temporary staff costs	705	611	683	555
	<u>12,595</u>	<u>12,363</u>	<u>11,957</u>	<u>11,744</u>

The average number of employees during the year was as follows

	2007	2006
	No	No
Charitable Activities	127	147
Support Activities	191	189
Commercial Operations	24	23
	<u>342</u>	<u>359</u>

The number of staff with emoluments greater than £60,000 was

	Group		Institute	
	2007	2006	2007	2006
	No	No	No	No
£60,000 - £69,999	4	5	4	5
£70,000 - £79,999	1	1	1	1
£80,000 - £89,999	1	1	-	-
£90,000 - £99,999	1	-	1	-
	<u>7</u>	<u>7</u>	<u>6</u>	<u>6</u>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

7 Remuneration of the members of the Governing Council

The Deputy Chairman of the Governing Council received a salary of £17,852 (2006 - £78,077) in his capacity as Institute Director from 1st January 2007. A further salary of £55,475 was paid to the Acting Institute Director for the period 1 April 2006 to 31 December 2006. As detailed in note 17, these contracts of employment are with the BBSRC, who fund this cost.

None of the other members of the Governing Council received any remuneration from the Institute during the year.

Aggregate expenses incurred by seven (2006 – seven) Governors in respect of travelling costs totalled £4,605 (2006 - £7,124).

Payments made to Non Executive Directors during the year are disclosed in Babraham Bioscience Technologies Limited financial statements and not included here.

8 Intangible assets

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

Negative goodwill arises from the investment made by Babraham Bioscience Technologies Limited in Aitua Limited, a 50/50 joint venture.

Under UK GAAP the financial statements include the group's share in the results of Aitua Limited. Given that the Group's share of the net assets at 31 March 2007 is in excess of the investment value, for the reasons outlined in Note 10 to the financial statements, the investment value has been restated to its original cost. This is reflected as Negative Goodwill in the financial statements. This will be written off in the period to which it relates.

BABRAHAM INSTITUTENotes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)**8 Intangible assets (*Continued*)**

	Intellectual Property £'000	Goodwill £'000	Total £'000
<i>Cost</i>			
At 1 April 2006	233	-	233
Additions	83	(147)	(64)
Disposals	(11)	-	(11)
At 31 March 2007	305	(147)	158
<i>Amortisation</i>			
At 1 April 2006	59	-	59
Provided for the year	42	-	42
Written Back to Profit and Loss Account	-	(147)	(147)
Disposals	(1)	-	(1)
At 31 March 2007	100	-	(47)
<i>Net book value</i>			
31 March 2007	205	-	205
31 March 2006	174	-	174

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

9 Tangible assets

Group	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 2006	57,079	11,832	833	69,744
Reclassification of Assets	342	-	(342)	-
	57,421	11,832	491	69,744
Additions	438	769	8,449	9,656
Revaluation	2,461	-	-	2,461
Disposals	(104)	(233)	-	(337)
At 31 March 2007	60,216	12,368	8,940	81,524
<i>Depreciation</i>				
At 1 April 2006	1,046	9,541	-	10,587
Provided for the year	2,011	988	-	2,999
Disposals	(1)	(40)	-	(41)
At 31 March 2007	3,056	10,489	-	13,545
<i>Net book value</i>				
At 31 March 2007	57,160	1,879	8,940	67,979
At 31 March 2006	56,033	2,291	833	59,157
<i>Group assets held by non charitable subsidiary</i>				
Net book value at 31 March 2007	14,338	59	7,094	21,491
Net book value at 31 March 2006	13,872	94	824	14,790

The reclassification of Assets in course of construction relates to the completion of infrastructure for part of the Babraham Research Campus developments

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

9 Tangible Assets (Continued)

Institute	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 2006	42,551	11,366	10	53,927
Additions	-	758	1,836	2,594
Revaluations	2,461	-	-	2,461
Disposals	(104)	(233)	-	(337)
At 31 March 2007	44,908	11,891	1,846	58,645
<i>Depreciation</i>				
At 1 April 2006	391	9,170	-	9,561
Provided for the year	1,696	940	-	2,636
Disposals	(1)	(40)	-	(41)
At 31 March 2007	2,086	10,070	-	12,156
<i>Net book value</i>				
At 31 March 2007	42,822	1,821	1,846	46,489
At 31 March 2006	42,160	2,196	10	44,366

The Institute includes in its financial statements all third party owned land and buildings which it occupies and enjoys through extended or peppercorn leases at their full value. This treatment is not in accordance with the Statement of Recommended Practice (SORP) which governs the accounting treatment of charities. However, in the provision of this information, the Institute considers it gives a true and fair view of the nature of the assets which underpin its research and recognises, together with its landlord(s), its continuing occupancy of these assets for the foreseeable future.

The basis for the valuation of the above land and buildings was a professional valuation carried out by Powis Hughes, chartered surveyors, at 3 January 2006. These valuations are up rated annually using appropriate property indices provided by the valuers.

The subsidiary undertaking's leasehold land and related infrastructure was formally valued as at 31 March 2004 at open market value. The amount included is based upon a professional valuation carried out by Bidwells Property Consultants who are external Chartered Surveyors. The valuation has been made in accordance with the guidance contained within the RICS appraisal and valuation standards.

In addition to this, an interim revaluation was carried out during 2006, the results of which are included above.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

9 Tangible Assets (Continued)

The valuation is based on a 130 year lease dated 14th November 2003, which is the term offered to the company by the BBSRC. The lease has a break clause at eight years such that plans for any undeveloped land would be reviewed in terms of the development timescale. This review could lead to a decision that the lease on part or all of the undeveloped land should cease. The Directors are of the opinion that the land will be developed within or close to the eight year period. Therefore, the break clause has been ignored for the valuation purposes.

The net book value of tangible fixed assets for the group and company includes an amount of £151k (2006 - £226k) in respect of assets held under finance leases.

The historical cost net book value of land and buildings including land in assets under construction is as follows:

	Group		Institute	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Historical cost	44,504	37,544	24,534	24,644
Accumulated depreciation based on historical cost	(13,899)	(12,814)	(12,928)	(12,158)
Historical cost net book value	<u>30,605</u>	<u>24,730</u>	<u>11,606</u>	<u>12,486</u>

10 Investments

Group	Associated undertaking	Joint venture	Trade investments
	£'000	£'000	£'000
<i>Cost</i>			
At 1 April 2006	-	5	112
Additions	-	553	33
Disposals	-	(22)	(75)
At 31 March 2007	-	536	70
<i>Share of Loss</i>			
Share of Loss at 31 March 2007	-	(147)	-
Share of net assets in excess of consideration	-	147	-
	-	-	-
<i>Net book value</i>			
At 31 March 2007	-	536	70
At 31 March 2006	-	5	112

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

10 Investments (Continued)

During the year, Babraham Bioscience Technologies Limited owned 1,000 £1 ordinary shares in Babraham Technix Limited. This represents 100% of the issued share capital. The Company was dormant throughout the year and is incorporated in England.

Babraham Bioscience Technologies Limited also holds 45,000 10p ordinary shares in Discerna Limited, representing 50% of the issued share capital. Discerna Limited is incorporated in England and its principal activity is the commercialisation of Ribosome Display technology, the company was dormant throughout the year.

During the year Babraham Bioscience Technologies Limited transferred four of its trade investments to Aitua Limited (formerly Babraham BioConcepts Limited) converting the wholly owned subsidiary into a 50/50 Joint Venture. During December 2006, Rainbow Seed Fund invested £250,000 acquiring 10% share of Aitua.

Babraham Bioscience Technologies Limited also owns 400 £1 ordinary shares representing 40% of the issued share capital of Bioscience Partnership Limited, a company incorporated in England, during the year. This is now dormant therefore there is no movement during the year.

The results of Bioscience Partnership Limited and Discerna Limited are not consolidated on the grounds that they are immaterial in the context of group operations.

The company's share of the results and assets of its joint venture shown for the period ended 31 March 2007 was

	Discerna Limited £'000	Bioscience Partnership Limited* £'000	Aitua Limited £'000	Total £'000
Turnover	-	-	-	-
Loss for the period before and after taxation	-	-	(147)	(147)
Fixed assets	-	-	684	684
Current Assets	4	-	421	425
Current Liabilities	-	-	(50)	(50)
Net current assets	4	-	371	375
Net assets	4	-	1,055	1,059

* Investment in Bioscience Partnership Limited is £33

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

10 Investments (Continued)

Company

The Institute owns 100% of the ordinary share capital of Babraham Bioscience Technologies Limited, a company incorporated in England (see note 18)

The Group's share of the net assets in Aitua Limited shown above is not fully reflected in the financial statements. The Group's investment was originally in the form of trade investments and the Babraham Research Pipeline Agreement whereas the other parties investment was in the form of cash. As the Research Pipeline Agreement is an internally generated asset it is excluded from the financial statements in accordance with UK GAAP. This results in a different accounting treatment between the Group accounts, which are prepared under UK GAAP and the Joint Venture accounts which are prepared under IFRS.

11 Stocks

	2007 £'000	2006 £'000
Group and company		
Raw materials, consumables and other stocks	80	76

12 Debtors

	Group		Institute	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	644	582	125	125
Amounts owed by subsidiary undertaking	-	-	997	766
Grants receivable	1,472	1,314	1,472	1,314
Other debtors	1,328	560	969	480
Prepayments and accrued income	383	872	179	604
	<u>3,827</u>	<u>3,328</u>	<u>3,742</u>	<u>3,289</u>
<i>Amounts owed by subsidiary undertaking</i>				
Loan including interest	-	-	558	558
Trade debtors	-	-	75	156
Other debtors	-	-	364	52
	<u>-</u>	<u>-</u>	<u>997</u>	<u>766</u>

The Institute has provided a loan to the trading subsidiary, which amounted to £558k (2006 - £558k) at the year end. Interest has been charged on the loan at 1.5% above Base Rate which amounted to £36k (2006 - £35k) for the year. The amount of the loan which falls due within 2-5 years is £558k (2006 - £558k).

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

13 Creditors: amounts falling due within one year

	Group		Institute	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade creditors	4,044	1,218	1,736	1,062
Amounts owed to subsidiary undertaking	2	3	-	-
Grant monies received in advance	432	315	432	315
Other creditors	1,810	1,729	1,742	1,651
Obligations under finance lease agreements (secured)	72	95	72	95
Capital grant	155	666	-	-
Deferred income	2,361	798	1,955	619
EU co-ordinated programme partners	117	92	117	92
Accruals	982	517	561	276
	<u>9,975</u>	<u>5,433</u>	<u>6,615</u>	<u>4,110</u>

Obligations under finance lease agreements are secured on the underlying assets

Included within Other Creditors is a Babraham Research Initiative loan of £50k (2006 - £50k) This has been provided to the Institute by the main funding body, the BBSRC The loan is interest free and unsecured

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

14 Creditors' amounts falling due after more than one year

	Group		Institute	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Obligations under finance lease agreements	-	72	-	72
Capital grants	6,350	2,557	-	-
Loans and overdrafts	13,625	9,043	-	-
	<u>19,975</u>	<u>11,672</u>	<u>-</u>	<u>72</u>

	Group		Institute	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000

The amounts above can be further analysed as follows

Finance Lease obligations

Amounts falling due

In more than one year but less than two years	-	72	-	72
In more than two years but less than five years	-	-	-	-
	<u>-</u>	<u>72</u>	<u>-</u>	<u>72</u>

Capital grants received within non charitable subsidiary

Release in more than one year but less than two years	131	70	-	-
Release in more than two years but less than five years	243	121	-	-
Release in more than five years	5,976	2,366	-	-
	<u>6,350</u>	<u>2,557</u>	<u>-</u>	<u>-</u>

Loans and overdrafts for capital projects

Amounts falling due

In more than one year but less than two years	3,323	63	-	-
In more than two years but less than five years	-	324	-	-
In more than five years	10,302	8,656	-	-
	<u>13,625</u>	<u>9,043</u>	<u>-</u>	<u>-</u>

Loans and Overdrafts include £10,302k (2006 - £9,043) relating to BioDevelopment building, Minerva A further £3,323k relates to BioDevelopment building Meditrrina, which is currently under construction

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

15 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

	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000
<i>Group</i>			
At 1 April 2006	-	44,750	4,954
Incoming resources	7,873	2,740	15,826
Transfers (to/from) Reserves	-	(2,378)	2,378
Expenditure, gains and losses	(7,873)	-	(17,383)
Exceptional Items	-	-	(796)
Revaluation surplus	-	2,461	-
At 31 March 2007	-	47,573	4,979
<i>Institute</i>			
At 1 April 2006	-	42,203	7,321
Incoming resources	6,926	2,740	14,371
Transfers (to/from) Reserves	-	(2,282)	2,282
Expenditure, gains and losses	(6,926)	-	(16,379)
Exceptional Items - Fixed Asset Disposal	-	-	(186)
Revaluation surplus	-	2,461	-
At 31 March 2007	-	45,122	7,409

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

15 Funds (*Continued*)

Analysis of net assets between funds

Fund balances at 31 March 2007 are represented by

<i>Group</i>	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2007 Total £'000	2006 Total £'000
Tangible fixed assets	-	66,100	1,879	67,979	59,157
Intangible fixed assets	-	-	205	205	174
Investments	-	-	70	70	117
Investment in Joint Venture	-	-	536	536	-
Current assets	1,767	2,000	9,945	13,712	7,361
Total liabilities	(1,767)	(20,527)	(7,656)	(29,950)	(17,105)
Total net assets	-	47,573	4,979	52,552	49,704
<i>Institute</i>					
Tangible fixed assets	-	44,668	1,821	46,489	44,366
Investments in subsidiary	-	-	2,500	2,500	2,500
Current assets	1,767	454	7,936	10,157	6,840
Total liabilities	(1,767)	-	(4,848)	(6,615)	(4,182)
Total net assets	-	45,122	7,409	52,531	49,524
<i>Group and company</i>					
Unrealised gains on revaluation included above	-	15,712	-	15,712	31,303

The restricted revenue funds consist of a number of individual grants from various funders as shown in note 2. No one individual grant is material to the funds and so no further analysis of the movements in the year has been provided.

The restricted capital funds comprise the assets gifted/let to the Institute from/by the BBSRC and the revaluation of those assets, the revaluation of the subsidiary undertaking's leasehold land and related infrastructure and capital grants receivable. The expenditure movement is the depreciation on these assets.

16 Commitments

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

	Group		Institute	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Contracted	191	77	191	77

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

16 Commitments (Continued)

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

	2007 £'000	2006 £'000
Within one to two years	24	14
Within two to five years	2	19
	<u>26</u>	<u>33</u>

17 Pensions

The Institute participates in the Research Councils' Pension Scheme. This is a multi-employer defined benefit scheme and is unfunded. The pension cost represents contributions payable by the Institute to the scheme and amounted to £1,664k (2006 - £1,720k). It is not possible to identify the group's share of the underlying asset and liabilities of the scheme and therefore, in accordance with the FRS 17 rules applicable to multi-employer schemes, contributions to the scheme are accounted for as if it were a defined contribution scheme.

A defined contribution pension scheme is operated on behalf of the employees of the subsidiary undertaking. The assets are held separately from those of the Institute in an independently administered fund. The pension charge represents contributions payable by the subsidiary undertaking to the fund and amounted to £19k (2006 - £17k).

18 Subsidiary company

As detailed in note 10, the charitable company owns 100% of the issued ordinary share capital of Babraham Bioscience Technologies Limited, a company incorporated in England.

The company is used for the management of the Institute's trading and non-charitable business. A summary of the results of the subsidiary is shown below.

	2007 £'000	2006 £'000
Turnover	4,011	2,633
Other operating income	83	96
Operating costs	<u>(4,515)</u>	<u>(2,865)</u>
Operating loss	(421)	(136)
Interest receivable	47	11
Interest payable	(62)	(499)
Loss on sale of fixed assets	(10)	(29)
Profit on sale of Investments	<u>287</u>	<u>-</u>
Loss for the year	<u>(159)</u>	<u>(653)</u>
The aggregate of assets, liabilities and funds was		
Assets	26,852	16,365
Liabilities	<u>(24,331)</u>	<u>(13,689)</u>
Shareholder's funds	<u>2,521</u>	<u>2,676</u>

BABRAHAM INSTITUTENotes forming part of the financial statements for the year ended 31 March 2007 *(Continued)***19 Reconciliation of net movements in funds to net cash inflow/(outflow) from operating activities**

	2007 £'000	2006 £'000
Net movements in funds	2,848	3,705
Movements in capital funds	(2,823)	(5,022)
Interest Paid	38	86
Interest receivable	(232)	(154)
Operating result	(169)	(1,385)
Depreciation charge	2,999	2,725
Amortisation of intangible assets	42	31
Deferred capital grant release	(2,378)	(2,185)
(Profit) / Loss on sale of fixed assets	(192)	38
Loss on sale of fixed assets – Exceptional Item	186	736
Increase in stocks	(4)	(11)
Increase in debtors	(499)	(343)
Increase in creditors	8,742	1,513
Net cash inflow from operating activities	8,727	1,119

20 Reconciliation of net cashflow to movement in net debt

	2007 £'000	2006 £'000
Increase in cash for the year	5,848	524
Cash outflow from lease financing	107	104
Cash inflow from increase in debt	(4,582)	(1,534)
	1,373	(906)
Reclassification of Loans to Creditors	-	2,049
Arrangement Fees and Interest	(12)	(403)
Movement in net funds in the year	1,361	740
Net debt at 1 April 2006	(5,253)	(5,993)
Net debt at 31 March 2007	(3,892)	(5,253)

BABRAHAM INSTITUTE**Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)****21 Analysis of net debt**

	At 1 April 2006 £'000	Cashflow £'000	Non cash movements £'000	At 31 March 2007 £'000
Cash at bank and in hand	3,957	5,848	-	9,805
Debt due after 1 year	(9,043)	(4,582)	-	(13,625)
Finance leases	(167)	107	(12)	(72)
	(9,210)	(4,475)	(12)	(13,697)
	(5,253)	1,373	(12)	(3,892)

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2007 (*Continued*)

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 2.

Other related parties and their transactions are as follows

	2007 £'000	2006 £'000
<i>Other BBSRC funded institutes</i>		
Debtors due within one year		
Balance at 31 March	<u>8</u>	<u>2</u>

Transactions

- Provision of payroll services of £24k (2006 - £13k) to other BBSRC funded institutes
- Costs of £nil (2006 - £nil) recharged to Discerna Limited

Relationships

The subsidiary company was a significant beneficial shareholder of the Bioscience Partnership Limited and Discerna Limited during the year, as detailed in note 10.

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 biocubator building.