

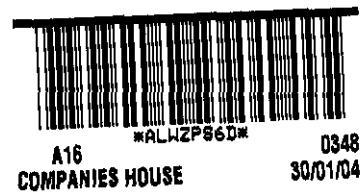
3011737

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

Report and Financial Statements

Year Ended

31 March 2003



BABRAHAM INSTITUTE

Annual report and financial statements for the year ended 31 March 2003

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Governors

Dr H Hale	- Chairman	
Dr RG Dyer	- Deputy Chairman	
Dr GMR Samuels CBE		Dr DJW Roach
Mr SJB Henderson		Dr R Hill
Dr R Henderson FRS		Dr J Hunter
Prof. J Smith		Prof. M Evans
Dr D Bloxham		

Secretary and registered office

Dr C Edmonds, Babraham Institute, Babraham Hall, Babraham, Cambridge, CB2 4AT

Company number

3011737

Charity registration number

1053902

Auditors

Baker Tilly, 87 Guildhall Street, Bury St Edmunds, Suffolk, IP33 1PU

Bankers

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

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2003

The governors, who are trustees of the charity and directors of the charitable company, present their report together with the audited financial statements for the year ended 31 March 2003.

Results

The statement of financial activities is set out on page 7 and shows the result for the year.

Principal activity

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

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

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

Business review

Institute staff were invited as lead symposia speakers at International Conferences held throughout the world. This demand is a reflection of the high quality research that the Institute regularly publishes in top International Scientific Journals. These include Nature, Cell, Science and EMBO Journal. In addition, staff received recognition for their achievements through election to prestigious organisations and positions. These include the New York Academy of Science, the Gresham Professor of Physic, membership of the European Molecular Biology Organisation and Fellowship of the Academy of Medical Sciences. The high professional standing of the Institute facilitates recruitment of new science leaders and top quality graduate students. The Institute has ensured that there continues to be strong investment in the infrastructure for research – both capital and people – and thereby provide the underpinning fabric for internationally competitive research.

The Competitive Strategic Grant from the BBSRC continues to provide the bedrock of funding essential for the charity to deliver its objectives. The BBSRC is a Non-Departmental Public Body, sponsored by the Office of Science and Technology within the Department of Trade and Industry, and contributes about 60% of the Institute's recurrent income. Other major sources of income are obtained from the Medical Research Council, UK Medical Charities and the Commercial sector.

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2003 (*Continued*)

Business review (*continued*)

The deferral of one month's Competitive Strategic Grant of £736k to the next financial year has had a detrimental effect of the results for the current financial year.

The wholly owned trading subsidiary, Babraham Bioscience Technologies Limited (BBT), exists to conduct the commercial activities of the group and will gift aid all profits back to the charity. BBT is responsible for exploiting the outline planning permission for 26,000 square metres of new building on the Babraham campus. These new buildings will house "start up" and growing biotechnology companies whose work is synergistic with the Institute's own research programme. The Institute fully supports this BBT priority and considers that further development of the Babraham Bioincubator is essential to strengthen the Babraham campus. This activity continues to have a high profile both within the local biotechnology community and more widely.

Land and buildings, as shown in note 10, are recorded in these financial statements based on valuation by the governors which is based on a twenty year lease agreed between the charity and the BBSRC. As set out in note 1, the revalued amount at 1 April 1999 has been adopted as the base value for future years.

There is substantial and continuing input to the Institute's research programme by visiting scientists. The salary value of this, based on UK levels of pay, is some £679k.

Post balance sheet events

On 14 November 2003 two 130 year leases, for land on the Babraham Research Campus, were signed. The leases between BBT and the BBSRC provide the land for development of commercial buildings for biomedical ventures on the campus and provide the company with an asset currently valued at £4.4 million. At the same time BBT entered into an £11.5 million facility with the Bank of Scotland, guaranteed by the BBSRC to fund the first building and associated infrastructure. Draft contracts for the build have been agreed with SDC Builders and Heads of Terms signed with the first tenant that will occupy the ground floor of the first building.

The governing council

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

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

BABRAHAM INSTITUTE

Report of the governors for the year ended 31 March 2003 (*Continued*)

The governing council (*continued*)

The following were members of the governing council:

Dr H Hale	- Chairman
Dr RG Dyer #	- Deputy Chairman
Dr NE Cross	(Term ended 17 December 2002)
Dr AJ Munro	(Term ended 17 December 2002)
Prof. TW Robbins	(Term ended 17 December 2002)
Prof. Sir Tom Blundell	(Term ended 17 December 2002)
Dr DJW Roach	
Dr GMR Samuels CBE	
Dr R Henderson FRS	
Mr SJB Henderson #	
Dr R Hill #	
Dr J Hunter	(Appointed 26 September 2002)
Prof. J Smith #	(Appointed 17 December 2002)
Prof M Evans	(Appointed 17 December 2002)
Dr D Bloxham	(Appointed 17 December 2002)

Denotes members of the Audit Committee (formerly the Financial and General Purposes Committee) as at 31 March 2003.

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 by 2003/04 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.

The level of free reserves at 31 March 2003 was £489k. The target level based on the incoming resources for the year to that date was £1,680k. With anticipated net increases in fund balances in the next two years this should be achieved.

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Report of the governors for the year ended 31 March 2003 (*Continued*)

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.

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.

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Report of the governors for the year ended 31 March 2003 (*Continued*)

Employees

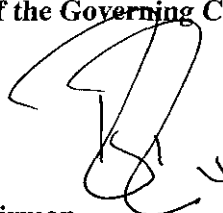
During the year the charitable company has continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting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

On behalf of the Governing Council

Dr RG Dyer
Deputy Chairman



16 December 2003

BABRAHAM INSTITUTE

Report of the independent auditors

We have audited the financial statements of Babraham Institute for the year ended 31 March 2003 on pages 7 to 27. 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 United Kingdom Auditing Standards.

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

We read the Governors' Report and consider the implications for our report if we become aware of any apparent misstatements or any inconsistencies with the financial statements. Our responsibilities do not extend to any other information.


Basis of audit opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 31 March 2003 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY
Chartered Accountants
and Registered Auditors
87 Guildhall Street
Bury St Edmunds
Suffolk
IP33 1PU

28 January 2004

BABRAHAM INSTITUTE

Consolidated statement of financial activities for the year ended 31 March 2003

	Note	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2003 Total funds £'000	2002 Total funds £'000
Incoming resources						
Grants receivable		4,255	873	8,140	13,268	13,434
Other income		-	-	3,534	3,534	3,349
Total incoming resources	2	<u>4,255</u>	<u>873</u>	<u>11,674</u>	<u>16,802</u>	<u>16,783</u>
Resources expended						
Direct charitable expenditure		(3,640)	(2,409)	(8,733)	(14,782)	(14,221)
Corporate relations		-	(8)	(64)	(72)	(80)
Trading activities		-	-	(1,456)	(1,456)	(1,279)
Management and administration		(615)	(129)	(1,301)	(2,045)	(2,377)
Total resources expended	3	<u>(4,255)</u>	<u>(2,546)</u>	<u>(11,554)</u>	<u>(18,355)</u>	<u>(17,957)</u>
Net movements in funds and balances transferred (from)/to reserves						
	16	-	(1,673)	120	(1,553)	(1,174)
Balances brought forward at 31 March 2002	16	<u>-</u>	<u>18,842</u>	<u>5,062</u>	<u>23,904</u>	<u>25,078</u>
Balances carried forward at 31 March 2003	16	<u>-</u>	<u>17,169</u>	<u>5,182</u>	<u>22,351</u>	<u>23,904</u>

All amounts relate to continuing activities.

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

The notes on pages 11 to 27 form part of these financial statements.

BABRAHAM INSTITUTE

Consolidated summary income and expenditure account for the year ended 31 March 2003

	Note	2003 Total funds £'000	2002 Total funds £'000
Total incoming resources	2	16,802	16,783
BBSRC and other Government departments capital grants		(1,039)	(857)
Total recurrent income		15,763	15,926
Expenditure			
Salaries	3	9,458	8,948
Other recurrent costs	3	5,558	5,651
Depreciation and amortisation	3	3,173	3,168
Total resources expended		18,189	17,767
Deficit before transfer from reserves		(2,426)	(1,841)
Release of capital fund		2,546	2,532
Net surplus after transfer from specific reserves		120	691
General (income and expenditure) reserve brought forward	16	5,062	4,371
General (income and expenditure) reserve carried forward	16	5,182	5,062
Note of historical cost income and expenditure			
Reported deficit before transfer from reserves		(2,426)	(1,841)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		649	478
Historical cost deficit before transfer from reserves		(1,777)	(1,363)

The notes on pages 11 to 27 form part of these financial statements.

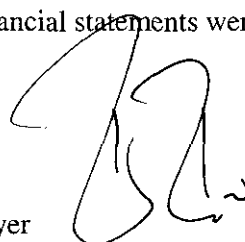
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Balance sheets at 31 March 2003

	Note	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets	9	49	27	-	-
Tangible assets	10	21,862	22,728	20,019	21,697
Investments	11	5	5	1	1
		<u>21,916</u>	<u>22,760</u>	<u>20,020</u>	<u>21,698</u>
Current assets					
Stocks	12	77	73	77	73
Debtors -	13				
due within one year		2,702	2,451	2,845	2,172
due after more than one year		-	-	557	567
Cash at bank and in hand		2,938	2,287	2,395	2,057
		<u>5,717</u>	<u>4,811</u>	<u>5,874</u>	<u>4,869</u>
Creditors: amounts falling due within one year	14	<u>(4,295)</u>	<u>(3,095)</u>	<u>(3,443)</u>	<u>(2,545)</u>
Net current assets		<u>1,422</u>	<u>1,716</u>	<u>2,431</u>	<u>2,324</u>
Total assets less current liabilities		<u>23,338</u>	<u>24,476</u>	<u>22,451</u>	<u>24,022</u>
Creditors: amounts falling due after more than one year	15	<u>(987)</u>	<u>(572)</u>	<u>(100)</u>	<u>(118)</u>
Net assets		<u>22,351</u>	<u>23,904</u>	<u>22,351</u>	<u>23,904</u>
Funds					
Restricted revenue fund	16	-	-	-	-
Restricted capital fund	16	17,169	18,842	17,169	18,842
Unrestricted funds	16	5,182	5,062	5,182	5,062
		<u>22,351</u>	<u>23,904</u>	<u>22,351</u>	<u>23,904</u>

These financial statements were approved by the Governing Council on

Dr RG Dyer
Deputy Chairman

 16 December 2003

The notes on pages 11 to 27 form part of these financial statements.

BABRAHAM INSTITUTE

Consolidated cash flow statement for the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	20	2,011	1,469
Returns on investments and servicing of finance			
Interest received		<u>106</u>	<u>83</u>
Net cash inflow from returns on investments and servicing of finance		106	83
Capital expenditure			
Payments to acquire intangible fixed assets		(40)	(22)
Payments to acquire tangible fixed assets		(2,358)	(1,711)
Receipts from sales of fixed assets		74	-
Grants received		<u>873</u>	<u>667</u>
Net cash outflow from capital expenditure		(1,451)	(1,066)
Financing			
Capital element of finance lease rental payments		<u>(15)</u>	<u>(17)</u>
Increase in cash in the year	22	<u>651</u>	<u>469</u>

The notes on pages 11 to 27 form part of these financial statements.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003

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 by Charities, published in October 2000.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of a subsidiary company, Babraham Bioscience Technologies Limited, as set out in note 11. This company has a coterminous accounting year end.

The results of the subsidiary are incorporated on a line by line basis this year, as required under the SORP.

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.

Resources expended

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

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

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

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Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

1 Accounting policies (*Continued*)

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	-	2-5 years
Short leasehold land and buildings	-	over the period of the lease

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.

Fixed asset revaluation

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

Intellectual property

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

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 charitable company 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.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

1 Accounting policies (*Continued*)

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 company 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 company's pension costs are accounted as for a defined contribution scheme, with costs charged to the profit and loss 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.

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 charitable company 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 charitable company so that no corporation tax is payable.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

2 Analysis of incoming resources

	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2003 Total £'000	2002 Total £'000
BBSRC - Competitive Strategic Grant	-	-	8,115	8,115	8,555
- Competitive Project Grant	1,530	94	-	1,624	1,246
- Minor works	166	-	-	166	190
- Other grants	-	543	-	543	667
Total BBSRC	1,696	637	8,115	10,448	10,658
DEFRA 'Umbrella' contract projects	39	-	-	39	43
Medical Research Council	762	-	-	762	829
Other Government Departments	45	236	-	281	43
University Links	53	-	-	53	38
European Union	166	-	-	166	104
Industry, levy boards	398	-	96	494	818
Trusts, foundations, charities	1,096	-	-	1,096	901
Bank interest receivable	-	-	106	106	83
Royalty/licence income	-	-	140	140	178
Goods and services	-	-	1,976	1,976	1,939
Rent	-	-	1,060	1,060	964
Student fees	-	-	61	61	66
Other operating income	-	-	120	120	119
Total incoming resources	4,255	873	11,674	16,802	16,783

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

	2003 £'000	2002 £'000
Department of Trade and Industry	-	43
Industry, levy boards	96	84
Interest receivable	15	11
Royalty/licence income	137	176
Goods and services	900	674
Rent	792	699
Amount released from capital grant	120	119
	2,060	1,806

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

2 Analysis of incoming resources (*Continued*)

Geographical analysis	2003 £'000	2002 £'000
UK	16,353	16,315
USA	176	149
Rest of Europe	255	291
Rest of World	18	28
	<u>16,802</u>	<u>16,783</u>

3 Analysis of resources expended

	Staff costs £'000	Other recurrent costs £'000	Depreciation and amortisation £'000	2003 Total £'000	2002 Total £'000
Direct charitable expenditure					
Research	5,041	2,036	1,718	8,795	8,340
Support services	3,232	1,703	1,052	5,987	5,881
	<u>8,273</u>	<u>3,739</u>	<u>2,770</u>	<u>14,782</u>	<u>14,221</u>
Subsidiary expenditure in relation to trading activities					
Bioincubator	92	713	102	907	708
Intellectual property	99	110	12	221	227
Technix services	51	149	128	328	344
	<u>242</u>	<u>972</u>	<u>242</u>	<u>1,456</u>	<u>1,279</u>
Corporate relations					
Other	50	13	9	72	80
Management and administration					
Finance	268	170	55	493	435
Personnel	120	108	25	253	267
Management	505	722	72	1,299	1,675
	<u>893</u>	<u>1,000</u>	<u>152</u>	<u>2,045</u>	<u>2,377</u>
	<u>9,458</u>	<u>5,724</u>	<u>3,173</u>	<u>18,355</u>	<u>17,957</u>
Minor works	-	(166)	-	(166)	(190)
Total	<u>9,458</u>	<u>5,558</u>	<u>3,173</u>	<u>18,189</u>	<u>17,767</u>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

4 Analysis of expenditure

	Group	
	2003	2002
	£'000	£'000
Staff costs (note 7)	9,458	8,948
Laboratory supplies	1,675	1,503
Scientific and technical services	964	695
Travel and subsistence	161	176
Repairs and maintenance	719	644
Assets under construction expensed	-	475
Rent and rates	180	150
Fuel and water charges	236	267
Equipment and hire charges	9	12
Depreciation	3,161	3,143
Amortisation of intangible fixed assets	12	25
Minor works	200	483
Farm supplies	109	153
Livestock	42	21
Computing costs	338	310
Legal and professional charges	190	131
Knowledge transfer and patent costs	50	61
Recruitment	90	96
Training	119	102
Library	217	177
Other costs	425	385
Total expenditure	18,355	17,957
Less:		
Allocation to restricted capital funds	(2,546)	(2,532)
Minor works	(166)	(190)
	15,643	15,235

5 Operating costs

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Operating costs are stated after charging/(crediting):				
Auditors' remuneration				
- audit services	25	23	19	19
- non audit services	42	35	18	9
Depreciation	3,161	3,143	2,927	2,876
Amortisation of intangible fixed assets	12	25	-	-
(Profit)/loss on disposal of fixed assets	(18)	2	(24)	-
Allocation to restricted capital funds	(2,546)	(2,532)	(2,546)	(2,532)
Amount released from capital grant	(120)	(119)	-	-
Assets under construction expensed	-	475	-	-

Depreciation includes £18k (2002: £3k) charged on assets held under finance leases.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (Continued)

6 Changes in resources available for charity use

Company	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2003 Total £'000	2002 Total £'000
Net movement in funds for the year	-	(1,673)	120	(1,553)	(1,174)
Net decrease in tangible fixed assets held for direct charitable purposes	-	1,678	-	1,678	1,833
Net movement in funds available for future activities	-	5	120	125	659

7 Employees

Staff costs for all employees were as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Wages and salaries	7,857	7,503	7,585	7,302
Fees for management services	46	26	-	-
Social security costs	543	529	511	511
Other pension costs	732	686	724	685
	9,178	8,744	8,820	8,498
Temporary staff costs	280	204	272	204
	9,458	8,948	9,092	8,702

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

	Group		Company	
	2003 No	2002 No	2003 No	2002 No
Direct charitable research	321	327	321	327
Corporate relations	2	2	2	2
Management and administration	31	31	28	29
Technical staff in subsidiary	12	8	-	-
	366	368	351	358

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

7 Employees (*Continued*)

The number of staff with emoluments greater than £50,000 was:

	Group		Company	
	2003 No	2002 No	2003 No	2002 No
£50,000 - £59,999	5	4	5	4
£60,000 - £69,999	1	1	1	1
£70,000 - £79,999	-	1	-	1
£80,000 - £89,999	1	-	1	-

8 Remuneration of the members of the Governing Council

The Deputy Chairman of the Governing Council received a salary of £80,949 (2002 - £76,735) in his capacity as *Institute Director*. As detailed in note 23, his contract of employment is with the BBSRC, who fund this cost.

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

Aggregate expenses incurred by one (2002 – four) Governor in respect of travelling costs totalled £153 (2002 - £1,910).

9 Intangible assets

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

	Group £'000
<i>Cost</i>	
At 1 April 2002	28
Additions	40
Disposals	(6)
At 31 March 2003	62
<i>Amortisation</i>	
At 1 April 2002	1
Charge for the year	12
Disposals	-
At 31 March 2003	13
<i>Net book value</i>	
31 March 2003	49
31 March 2002	27

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

10 Tangible assets

Group	Short leasehold land and buildings £'000	Fixtures and equipment £'000	Assets in course of construction £'000	Total £'000
<i>Cost or valuation</i>				
At 1 April 2002	30,277	8,573	335	39,185
Additions	-	1,303	1,042	2,345
Disposals	-	(155)	(11)	(166)
At 31 March 2003	30,277	9,721	1,366	41,364
<i>Depreciation</i>				
At 1 April 2002	10,268	6,189	-	16,457
Provided for the year	1,939	1,222	-	3,161
Disposals	-	(116)	-	(116)
At 31 March 2003	12,207	7,295	-	19,502
<i>Net book value</i>				
At 31 March 2003	18,070	2,426	1,366	21,862
At 31 March 2002	20,009	2,384	335	22,728
<i>Group assets held by non charitable subsidiary</i>				
Net book value at 31 March 2003	308	169	1,366	1,843
Net book value at 31 March 2002	379	328	324	1,031

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

10 Tangible assets (*Continued*)

Company	Short leasehold land and buildings £'000	Fixtures and equipment £'000	Assets in course of construction £'000	Total £'000
<i>Cost or valuation</i>				
At 1 April 2002	29,705	7,790	11	37,506
Additions	-	1,299	-	1,299
Disposals	-	(155)	(11)	(166)
At 31 March 2003	29,705	8,934	-	38,639
<i>Depreciation</i>				
At 1 April 2002	10,075	5,734	-	15,809
Charge for year	1,868	1,059	-	2,927
Disposals	-	(116)	-	(116)
At 31 March 2003	11,943	6,677	-	18,620
<i>Net book value</i>				
At 31 March 2003	17,762	2,257	-	20,019
At 31 March 2002	19,630	2,056	11	21,697

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

The net book value of tangible fixed assets for the group and company includes an amount of £19k (2002 - £50k) in respect of assets held under finance leases.

The historical cost net book value of land and buildings is as follows:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Historical cost	15,837	15,837	15,265	15,265
Accumulated depreciation based on historical cost	(5,560)	(4,270)	(5,296)	(4,077)
Historical cost net book value	<u>10,277</u>	<u>11,567</u>	<u>9,969</u>	<u>11,188</u>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

11 Investments

Group	Joint venture £'000	Associated undertaking £'000	Total £'000
<i>Cost</i>			
At 1 April 2002 and 31 March 2003	<u>5</u>	<u>-</u>	<u>5</u>

Babraham Bioscience Technologies Limited, a wholly owned subsidiary, has a 50% holding in Discerna Limited, a joint venture company incorporated in England for which the principal activity is the commercialisation of Ribosome Display technology.

The company's share of the results and assets of its joint venture shown in the draft financial statements of Discerna Limited for the period ended 31 March 2003 was:

	31 March 2003 £'000	31 May 2002 £'000
Turnover	<u>22</u>	<u>-</u>
Loss for the period	<u>133</u>	<u>99</u>
Fixed assets	<u>26</u>	<u>18</u>
Net current assets	<u>152</u>	<u>76</u>
Net assets	<u>178</u>	<u>94</u>

Babraham Bioscience Technologies Limited also owned 400 £1 ordinary shares representing 40% of the issued share capital of Bioscience Partnership Limited, a company incorporated in England, during the year. The draft accounts for this company show a loss for the year of £143,085 (2002 - £120,069) and net liabilities of £517,820 (2002 - £374,735).

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.

During the year, Babraham Bioscience Technologies Limited owned 1,000 £1 ordinary shares in each of its subsidiary companies, being, Babraham Bioscience Developments Limited and Babraham Technix Limited. This represented 100% of the issued share capital in each case. These companies were dormant throughout the year and are incorporated in England.

Company

The Institute owns 100% of the ordinary share capital of Babraham Bioscience Technologies Limited, a company incorporated in England (see note 19).

12 Stocks

	2003 £'000	2002 £'000
<i>Group and company</i>		
Livestock	<u>7</u>	<u>4</u>
Raw materials and consumables	<u>70</u>	<u>69</u>
	<u>77</u>	<u>73</u>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (Continued)

13 Debtors

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade debtors	1,074	1,220	816	709
Amounts owed by subsidiary undertaking	-	-	1,245	1,014
Amounts owed by joint venture (note 23)	60	8	7	-
Amount owed by associated undertaking (note 23)	4	5	-	-
Grants receivable	1,049	727	1,049	727
Other debtors	286	218	101	88
Prepayments and accrued income	229	273	184	201
	<u>2,702</u>	<u>2,451</u>	<u>3,402</u>	<u>2,739</u>
<i>Amounts owed by subsidiary undertaking</i>				
Loan including interest	-	-	557	567
Trade debtors	-	-	2,455	1,839
Other debtors	-	-	(62)	(25)
Provision for losses of the subsidiary undertaking	-	-	(1,705)	(1,367)
	<u>-</u>	<u>-</u>	<u>1,245</u>	<u>1,014</u>

The Institute provides a loan to the trading subsidiary, which amounted to £557k (2002 - £567k) at the year end. Interest has been charged on the loan at 1.5% above Base Rate which amounted to £29k (2002 - £40k) for the year. The Institute has made full provision against the net liabilities in the trading subsidiary amounting to £1,705k (2002 - £1,367k). The amount of the loan which falls due within 2-5 years is £557k (2002 - £567k).

14 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Loans for capital projects	-	50	-	50
Trade creditors	1,036	511	745	425
Grant monies received in advance	373	442	373	442
Other creditors	870	571	811	515
Obligations under finance lease agreements (secured)	14	18	14	18
Capital grant	80	119	-	-
Deferred income	1,221	975	1,061	827
EU co-ordinated programme partners	59	36	59	36
Accruals	642	373	380	232
	<u>4,295</u>	<u>3,095</u>	<u>3,443</u>	<u>2,545</u>

Obligations under finance lease agreements are secured on the underlying assets.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Obligations under finance lease agreements	-	18	-	18
Deferred income	278	-	-	-
Capital grant	609	454	-	-
Loan	100	100	100	100
	<u>987</u>	<u>572</u>	<u>100</u>	<u>118</u>

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	<u>-</u>	<u>18</u>	<u>-</u>	<u>18</u>
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Deferred Income

Amounts falling due:

In more than one year but less than two years	13	-	-	-
In more than two years but less than five years	26	-	-	-
In more than five years	239	-	-	-
	<u>278</u>	<u>-</u>	<u>-</u>	<u>-</u>

Capital grants received within non charitable subsidiary

Release in more than one year but less than two years	<u>609</u>	<u>454</u>	<u>-</u>	<u>-</u>
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Loans for capital projects

Amounts falling due:

In more than one year but less than two years	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
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The Babraham Research Initiative loan of £100k (2002: £100k) has been provided by the main funding body, the BBSRC, and is repayable from the date when the first income is received from the new development. It is now anticipated that repayments will commence in the year ended 31 March 2005. The loan is interest free and unsecured.

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (Continued)

16 Funds

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

	1 April 2002 £'000	Incoming resources £'000	Expenditure gains, losses and transfers £'000	Balance at 31 March 2003 £'000
<i>Group</i>				
Restricted revenue funds	-	4,255	(4,255)	-
Restricted capital funds	18,842	873	(2,546)	17,169
Unrestricted funds	5,062	11,674	(11,554)	5,182
	<u>23,904</u>	<u>16,802</u>	<u>(18,355)</u>	<u>22,351</u>
<i>Company</i>				
Restricted revenue funds	-	4,255	(4,255)	-
Restricted capital funds	18,842	873	(2,546)	17,169
Unrestricted fund	5,062	10,963	(10,843)	5,182
	<u>23,904</u>	<u>16,091</u>	<u>(17,644)</u>	<u>22,351</u>

Analysis of net assets between funds

Fund balances at 31 March 2003 are represented by:

	Restricted revenue funds £'000	Restricted capital funds £'000	Unrestricted funds £'000	2003 Total £'000	2002 Total £'000
<i>Group</i>					
Tangible fixed assets	-	17,169	4,693	21,862	22,728
Intangible fixed assets	-	-	49	49	27
Investment in joint venture	-	-	5	5	5
Current assets	373	-	5,344	5,717	4,811
Total liabilities	(373)	-	(4,909)	(5,282)	(3,667)
	<u>-</u>	<u>17,169</u>	<u>5,182</u>	<u>22,351</u>	<u>23,904</u>
<i>Company</i>					
Tangible fixed assets	-	17,169	2,850	20,019	21,697
Investments in subsidiary	-	-	1	1	1
Current assets	373	-	5,501	5,874	4,869
Total liabilities	(373)	-	(3,170)	(3,543)	(2,663)
	<u>-</u>	<u>17,169</u>	<u>5,182</u>	<u>22,351</u>	<u>23,904</u>
<i>Group and company</i>					
Unrealised gains on revaluation included above	-	6,780	1,013	7,793	8,442

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

16 Funds (*Continued*)

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 to the Institute from the BBSRC and capital grants receivable. The expenditure movement is the depreciation on these assets.

17 Commitments

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

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Contracted	<u>312</u>	<u>373</u>	<u>128</u>	<u>134</u>

18 Pensions

The company 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 company to the scheme and amounted to £732k (2002 - £686k). 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.

19 Subsidiary company

As detailed in note 11, 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:

	2003	2002
	£'000	£'000
Turnover and other operating income	2,045	1,795
Operating costs	(1,942)	(1,564)
Other expenses	-	(475)
Operating loss	<u>103</u>	<u>(244)</u>
Interest receivable	15	11
Interest payable	(29)	(39)
Donation to The Babraham Institute	<u>(427)</u>	<u>(360)</u>
Loss for the year	<u>(338)</u>	<u>(632)</u>
The aggregate of assets, liabilities and funds was:		
Assets	2,986	2,020
Liabilities	<u>(4,691)</u>	<u>(3,387)</u>
Shareholder's funds	<u>(1,705)</u>	<u>(1,367)</u>

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (Continued)

20 Reconciliation of net movements in funds to net cash inflow from operating activities

	2003 £'000	2002 £'000
Net movements in funds	(1,553)	(1,174)
Movements in capital funds	1,673	1,865
Interest receivable	(106)	(83)
Operating result	14	608
Depreciation charge	3,161	3,143
Amortisation of intangible assets	12	25
Deferred capital grant release	(2,546)	(2,532)
(Profit)/loss on sale of fixed assets	(18)	2
Assets under construction expensed in year	-	475
Increase in stocks	(4)	-
(Increase)/decrease in debtors	(251)	406
Increase/(decrease) in creditors	1,643	(658)
Net cash inflow from operating activities	2,011	1,469

21 Reconciliation of net cashflow to movement in net funds

	2003 £'000	2002 £'000
Increase in cash for the year	651	469
Cash outflow from lease financing	15	17
New finance leases	7	(53)
Movement in net funds in the year	673	433
Net funds at 1 April 2002	2,251	1,818
Net funds at 31 March 2003	2,924	2,251

22 Analysis of net funds

	At 31 March 2002 £'000	Cash flow £'000	Non cash movements £'000	At 31 March 2003 £'000
Cash at bank and in hand	2,287	651	-	2,938
Finance leases	(36)	15	7	(14)
	2,251	666	7	2,924

BABRAHAM INSTITUTE

Notes forming part of the financial statements for the year ended 31 March 2003 (*Continued*)

23 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:

	2003 £'000	2002 £'000
Balances		
<i>Other BBSRC funded institutes</i>		
Debtors due within one year:		
Balance at 31 March 2003	<u>3</u>	<u>3</u>
<i>Bioscience Partnership Limited</i>		
Debtors due within one year:		
Balance at 31 March 2003	<u>146</u>	<u>138</u>
Provision at 31 March 2003	<u>(142)</u>	<u>(133)</u>
	<u>4</u>	<u>5</u>
<i>Discerna Limited</i>		
Debtors due within one year:		
Balance at 31 March 2003	<u>60</u>	<u>8</u>

Transactions

- Provision of payroll services of £13k (2002 - £11k) to other BBSRC funded institutes.
- Operating costs of £9k (2002 - £22k) charged to the Bioscience Partnership Limited.
- Intellectual property with a book value of £nil (2002 - £5k) transferred to Discerna Limited.
- Costs of £43k (2002 - £67k) recharged to Discerna Limited.
- Sales of £15k (2002 - £1k) to Discerna Limited.

Relationships

The company was a significant beneficial shareholder of the Bioscience Partnership Limited and Discerna Limited during the year, as detailed in note 11.

24 Insurance

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

25 Post balance sheet event

On 14 November 2003 two 130 year leases, for land on the Babraham Research Campus, were signed. The leases between the subsidiary company and the BBSRC (Biotechnology and Biological Science Research Council) provide the land for development of commercial buildings for biomedical ventures on the campus and provide the subsidiary company with an asset currently valued at £4.4 million. At the same time the company entered into an £11.5 million facility with the Bank of Scotland, guaranteed by the BBSRC to fund the first building and associated infrastructure. Draft contracts for the build have been agreed with SDC Builders and Heads of Terms signed with the first tenant that will occupy the ground floor of the first building.

