

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2015

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

LEGAL STATUS

The Trustees, who are the trustees of the charity and directors of the charitable company the “Babraham Institute” (“BI”) (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 2015. The charity is governed by a Memorandum and Articles of Association adopted 24 June 2011, and its Institute Grant Agreement with the Biotechnology and Biological Sciences Research Council (BBSRC) by whom it is strategically funded.

The charity has two trading subsidiaries: Babraham Bioscience Technologies Limited (BBT) (Registered in England and Wales number 3241492) and Babraham Institute Enterprise Limited (BIE) (Registered in England and Wales number 6331858).

BIE holds 90% of the share capital of Aitua Limited (Registered in England and Wales number 4548076) and 50% of Discerna Limited (Registered in England and Wales number 4144764). Aitua Limited in turn owns the remaining 50% of Discerna Limited, giving the group an overall holding of 95%.

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 (understanding cellular and genomic networks associated with mammalian ageing from the point of conception) applicable to life-long health and wellbeing.

THE GOVERNING COUNCIL / BOARD OF TRUSTEES

Up to and including the year ended 31 March 2015, the Board of Trustees consisted of up to twelve individuals who acted as trustees and directors and are all guarantors of the charitable company, of an amount not exceeding £1, during the period of their appointment and for a year after resignation. Membership of the charity consists of two Trustee Members (ex officio the Chair of the Board of Trustees and the Chair of the Audit Committee) and one Corporate Member, the Biotechnology and Biological Sciences Research Council (BBSRC). Vacant trustee positions are advertised nationally, in appropriate newspapers or technical journals. A shortlist is compiled after review of submitted applications and shortlisted candidates are interviewed by at least the Chairman and Company Secretary. Following interviews, new trustees are appointed by the interviewing trustees with delegated authority from the Board. Trustees 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 Board of Trustees 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 trusteeship by one of the recognised training providers in this area. Most trustees also take the opportunity to visit the Institute and meet with its staff, outside of a formal Board of Trustees meeting.

The following were members of the Board of Trustees during the year:

Professor P Rigby	
Professor D Cantrell	- appointed 31 March 2015
Mr A Clare #	
Professor A Ferguson-Smith	- appointed 31 March 2015
Mr G Hope-Terry #	
Dr P Johnson	
Professor D Kipling	
Professor L Lian #	
Professor C Page	
Sir H Pelham FRS	- resigned 31 March 2015
Mr R Swain	- resigned 31 December 2014
Dr A Watt	

Denotes members of the Audit Committee as at 31 March 2015.

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THE GOVERNING COUNCIL / BOARD OF TRUSTEES (CONTINUED)

Separate Audit Committees operated during the year for the Institute and BBT; however a joint audit committee is convened annually to ensure proper scrutiny of Group (Institute plus BBT) finances and operations and as such incorporates some of the functions of a Finance and General Purposes Committee, although most of such functions are carried out by the Board itself.

The Board delegates the day to day running of the Institute to the Chief Executive, Michael Wakelam. The Company Secretary is Mr Simon Jones. The Finance Officer is Mr Andy Hunt. The CEO of BBT Ltd, one of the Institute's trading subsidiaries, Mr Derek Jones, is employed on a BBT contract. The Institute has a wholly owned subsidiary, Babraham Institute Enterprise Limited (BIE) which is used to manage the intellectual property of the Institute. In practical terms, BIE is managed as part of the Institute by the senior management team.

TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of The Babraham Institute for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that:

- so far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

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 detail in this report. Further details of the charitable company's policies, plans and objectives can be found on www.babraham.ac.uk. The chief funder of the Institute is the BBSRC.

The Institute's science programmes will determine the significance of biological changes for the ageing process from conception to the onset of frailty through:

- Defining the interplay between signaling pathways and epigenetic change in regulating gene expression in cell fate choices.
- Determining how mammals handle infection and environmental alterations during development and ageing, thereby integrating signaling and genomic research.
- Defining the genetic and epigenetic networks underpinning growth and survival, proliferation and differentiation of stem cells including the embryo, placenta, and the immune system.
- Evaluating the effects on cellular and epigenetic function brought about by environmental factors such as food intake and pathogens.
- Leveraging the capital investment in Institute infrastructure and equipment, in particular the animal facilities, mass spectrometry, next generation sequencing and FACS facilities, to attract investment and interaction from both the public and private sectors.

During 2014/15 research at the Babraham Institute was grouped into four Laboratories: Epigenetics; Nuclear Dynamics; Lymphocyte Signalling and Development; and, Signalling. Each Laboratory contains a number of research Group Leaders who adopt complementary approaches to address a common set of biological questions. Funding from the BBSRC (other than project grants and Fellowships) is awarded in the form of Institute Strategic Programme Grant (ISPG) Awards to each of the four Laboratories. Complementing this funding there is a Campus Capability Grant supporting core biological research facilities. Each ISPG (as is also the case for all project grants and Fellowships whether funded by BBSRC or other funding bodies) contains a list of objectives for the term of the grant, together with the time plans and resource requirements. These are far too detailed to be reproduced here, but a good description of the aims of each of the Groups can be found on our website at www.babraham.ac.uk under each Laboratory and/or Group Leader name. In addition, the BBSRC also provides a Knowledge Exchange and Commercialisation (KEC) grant which is used to enable all Institute Strategic Programmes to disseminate knowledge and where appropriate do work which facilitates partnerships to ensure that findings are translated to practical benefit, for example new therapeutic agents.

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 competitive 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. In addition the Head of each ISPG coordinates the work of several Laboratories and reports annually to BBSRC. Each Group Leader is expected to raise additional funds for their research over and above the BBSRC core ISPG funding, not just to support the critical mass of researchers needed, but also to form strong strategic partnerships with other funders (often from the medical charity sector or the biotech/pharma industry) that are interested in the translation of Babraham science into technologies and discoveries with high impact for the benefit of life-long health and wellbeing. The overall science direction of the Babraham Institute is determined by the Babraham Executive Committee (BEC) (the senior executive committee responsible for the running of the Institute); additionally, the Science Policy Committee (a subcommittee of BEC with additional membership from amongst the science staff) provides scientific leadership and vision and also monitors and assesses the science in all Laboratories.

The impact of this research, for the public benefit, is primarily in enabling new medicines and treatments to be found for diseases and conditions relevant to human health. Through understanding normal physiology, our scientists are able to apply that knowledge to disease conditions, often partnering with medical research charities devoted to alleviating the effects of those particular diseases. The translation of Babraham's research may take some years to come to fruition. For example, in 2008 Babraham began to receive royalties from an immunological medicine, licensed for the treatment of colorectal cancer, which has developed directly from Babraham's research more than a decade earlier.

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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, strategically funded 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 determining the mechanisms whereby cell signalling and gene regulation control normal cellular processes and functions underpinning ageing, development and the maintenance of health and wellbeing.
- The advances in education we make are publicly available and the Institute actively seeks partnership and knowledge exchange with relevant companies and with clinical and other researchers to ensure effective application of its research. Babraham supports 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 economic growth, quality of life and public engagement objectives of Government.

Key business objectives for the Babraham Group*

- **Delivery of World Class science, within the Institute's remit.**
 - International leadership
 - Synergistic research
 - Collaborative partnerships
 - Graduate and postdoctoral training programme
- **Excellent fit-for-purpose infrastructure for science.**
 - Technical
 - Corporate
- **The highest standards of Corporate Social Responsibility.**
 - Values and impact of our research
 - Community partnerships
 - Environmental impact of the Campus
 - Science and Society programme
- **An internationally recognised contribution to the UK's economic competitiveness.**
 - Inward investment to the Babraham Research Campus
 - Commercialisation and wealth creation
 - Partnerships and knowledge flow

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Key business objectives for the Babraham Group* (continued)

- **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 trading subsidiaries BBT and BIE are together known as Babraham Group.

Within BBT specifically, the key business objectives are :

- to support jobs and growth in the bio-sciences especially supporting early-stage ventures and generating benefits to society
- to provide flexible access to facilities, resources, services and capabilities to the campus and the wider community
- to maximise the value and impact of the campus, and to attract early-stage companies or mature organisations that provide synergy to the campus community to locate their operations on the site

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 charitable company's position and any significant organisational changes. A "team brief" protocol introduced in 2013 with a bi-monthly short briefing for all staff led by a senior manager, has helped address the timeliness of information flow and to provide a forum for upwards questioning.

The charitable 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 charity, as well as generally through training and career development. The charity is an equal opportunities employer and supports diversity in the workplace. The Institute has a "two ticks" status.

SUMMARY PUBLIC BENEFIT STATEMENT

The charitable purpose of the Institute is to advance education, specifically to increase public learning and knowledge in the field of biological and biomedical sciences and also to provide training leading to a higher degree (PhD) in research techniques and significant contribution to collective knowledge and understanding of specific areas of study and expertise. The trustees are mindful of their collective responsibility to ensure that the charity complies with public benefit guidance issued by the Charities Commission.

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

Key performance indicators focussing on non-financial performance during the reporting year are detailed below. The choice of performance indicators is based on readily available information which provides a useful comparison of achievements this financial year to last year.

Number of publications

The research the Institute undertakes continues to have a biological/biomedical relevance and impact. Potentially a very wide cross-section of the public will benefit, after our findings are translated into new medicines or treatments that can be delivered via the NHS and other healthcare providers worldwide, but especially those suffering from diseases such as cancer, immune disorders, heart disease or neurodegeneration.

In 2014 (calendar year) the Institute's scientists published over 103 (2013: 92) full and refereed research and review articles in journals.

Bibliographic lists of all scientific publications are listed on our website (<http://www.babraham.ac.uk/research/publications.html>) under each Group Leader's name. These publications are the main immediate tangible output of the Institute's activities.

New Grants

The Institute, during the year continued to seeking additional external funding from various sources both within the United Kingdom and European Union. The number of new grants by funding source and the total awarded are below:

	2014-15 Number	2014-15 £'000	2013-14 Number	2013-14 £'000
Competitive project grants	1	150	3	650
Medical Research Council	2	1,088	4	2,540
European Union	4	2,754	-	-
Industry, levy boards	1	83	-	-
Trusts, foundations, charities	5	1,884	2	313

With the BBSRC Institute Strategic Programme Grant remaining flat lined - identifying, applying and securing new external funding sources remains a high priority of the Institute.

Public Engagement

The Institute continues to increase its presence and promote the science undertaken by various public engagement events. The figures below highlight the Institute's commitment to explaining its science to various public groups ranging from schools and colleges to communities and charities.

	2014-15	2013-14
Visitors to site	563	521
Outreach Event	29	42
Website visits	145,000	136,000

ESTATES

In March 2011, the Chancellor of the Exchequer announced the availability of up to £44m to the BBSRC for the purposes of capital development of the Babraham Research Campus, with the aim of stimulating the economy by providing accommodation and facilities for early-stage and developing biotech and biomedical companies. This project funding was not to support the charity's science directly, focussing instead on the creation of a vibrant Campus which will enhance the scientific environment for the Institute as well as the commercial tenants, and promote opportunities for creating public benefit through partnerships to stimulate scientific impact.

During the year to 31 March 2015, the last of the buildings and infrastructure projects funded through this £44million capital development grant from the BBSRC were completed. The Bennet Building was completed on time and to budget and was 100% occupied on completion. In addition, the campus central science services building, occupied primarily by the Babraham Institute was completed. All the facilities constructed under the £44m project are now being fully utilised.

In April 2014, an additional £17m capital development project was initiated, catalysed by a further £6m grant announced by the Chancellor of the Exchequer, again to further develop the Babraham Research Campus. Under this project an additional laboratory and office building is under construction, due for completion in December 2015 (early indication being that it will be fully occupied on opening in January 2016), and a new social infrastructure building. This latter building will provide a new 200 seater conference facility, catering, meeting rooms and social and networking space. This reflects the needs of a growing campus, and the key role of providing space for networking for the campus tenants. This project is being financed through a mixture of grants, investors' funding, use of retained profits and a commercial loan.

KNOWLEDGE EXCHANGE AND COMMERCIALISATION (KEC)

The Babraham Institute KEC programme aims to maximise the dissemination, impact and exploitation of knowledge held within the Institute, recognising that it is the product of public investment. We do this by promoting relationships with key partners and stakeholders to enhance research outcomes for social and economic benefit.

Our KE objectives are to a): Promote Scientific Exchange to enhance research outcomes; b) Maximise the use of our explicit scientific knowledge; c) Exchange know-how to foster innovation; d) Develop mechanisms to inform future policy and practice; e) Develop mechanisms to inform future policy and practice; and f) Create openness around the Institute's Research on animals.

With regards to Commercialisation we seek to a) Commercialise BI science; b) Enhance the commercial potential of The Institute's science; and c) Build new links with Industry.

KEY ACHIEVEMENTS

We have established a number of key initiatives and mechanisms to deliver these objectives including; running seminar series, networking meetings plus an Annual scientific conference. Some BI Group Leaders hold joint positions or provide expertise to other organisations including the Brain Repair Centre, EBI, Stem Cell Institute and WT Sanger Institute. BI also feed into policy and practice through involvement with the Centre for Science and Policy and Campaign for Science and Engineering as well as through ad-hoc policy consultations.

BI scientists and facility staff share knowledge and expertise through consultancy or training. Several formal training programmes are now well established; Bioinformatics has run 60 courses this year, training some 577 scientists in their techniques and are involved in creating a new training resource. The Biological Support Unit (BSU) and Imaging facilities provide on-the-job training to Industry and consultancy on an ad-hoc basis.

KEY ACHIEVEMENTS (CONTINUED)

Babraham Institute signed the Concordat on Openness in Animal Research in the UK in May 2014 and since then has increased its public engagement activities on its animal research, developed its website pages and increased media work on the topic.

Babraham Institute Enterprise Ltd (BIE) was established to commercialise Babraham Institute science. BIE is supported by a small but experienced Board, which held its first formal meetings during 2013/14. The restructuring of BBT (BRC management) was also completed during the prior year.

As a result, BIE now also manages a portfolio of investments including the BI spin-out Crescendo Biologics, which attracted a £19.5M Series A financing in 2013.

We have also established a new series of industry symposia, with each event focussing on one ISP. These include talks from BI group leaders and industry speakers, networking and 1:1 meetings. Industry seminar series continue, with speakers from campus companies and beyond. BI is a founder member of the Cambridge New Therapeutics Forum, a series of events promoting academic/industry collaborations

In 2014-15, Babraham Institute Enterprise, generated in excess of £1M in revenues from the commercialisation of its assets and activities. Most of the revenues arise from rents for space in the commercial laboratories, but there is a portfolio of complementary collaborative work.

PUBLIC ENGAGEMENT

Babraham has a strong history in Public Engagement and Science Communication. Public Engagement activities include exhibits at science festivals, an annual schools day in addition to outreach to schools and hosting on-site visits.

Our exhibits are created by cross sectional teams to portray our research and engage a variety of audiences from young to older. Achievements this year include our Molecular Explorer's Exhibit launched at the Cambridge Science Festival, starting up the Cambridge PE professionals network and activities for the University of the Third Age, the University Technical College and involvement in Pint of Science initiative.

FUTURE DEVELOPMENTS

The Company will continue to be principally engaged in the field of basic bioscience with a strong emphasis on research into healthy ageing. The Institute's science programmes will determine the significance of biological changes for the ageing process from conception to the onset of frailty.

The priority will be to ensure that all our BBSRC funded research is internationally competitive with the best academic groups in our area of endeavour. We continue to prioritise the need to control costs in all categories including pay costs, but note the need to invest strategically to reach new collaborators and expand the reach of the Institute wherever possible.

The Institute has a 75% shareholding in BBT who are the company responsible for developing the wider campus. In 2014-15 the campus has over 50 tenant companies undertaking research across a wide range of bioscience, often resulting in direct collaborations with Institute scientists. The BBSRC retains the existing 25% of shares in BBT.

Both shareholders have seen the value of their investment increase in 2014-15. BBT raised additional share capital from BBSRC and BI which will help to finance a new social infrastructure project including a new refectory for all campus staff, and a 200 seat lecture theatre. BI invested £2.3m in exchange for additional share capital but retains 75% of the overall shareholding. This project which attracted £6m new HM Government investment will further enhance the offer to all campus tenants and will be operational in December 2016.

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FUTURE DEVELOPMENTS (CONTINUED)

There will be many other challenges for the Charity. The importance of obtaining increased income from industrial and European Union sources will continue, but other options will need to be pursued in the area of BRIC developing countries research, and resources will be allocated towards achieving this ambition.

Ensuring the Institute attracts the most gifted staff remains a strategic priority. In particular Succession planning remains an important issue. This will continue to be achieved through new recruitment to priority areas as well as through advancing the careers of younger scientists and ensuring that they are fully equipped to take leading roles in the future development of the organisation.

RISK MANAGEMENT

The Institute Board is responsible for ensuring there are effective and adequate risk management and internal control systems in place to manage the major risks to which the Charity is exposed.

The Audit Committee agrees an annual risk-based internal audit plan which covers major risks identified by management and Trustees. It receives reports from internal auditors on the effectiveness of internal controls, progress against the internal audit plan and progress on recommendations made in reports.

The Board reviews a full risk report annually tracking major risks. The Science and Impact Advisory Committee (SIAC) also assess the science quality and vision covered in various sections of the risk register. The table below summarises how the Institute manages its key risks.

Risk Area	Description of Risk	Risk Management
Future BBSRC research funding	BBSRC strategic funding is reduced as a result of poor performance or public sector spending pressures.	Regular monitoring of scientific performance, including consideration from the Science and Impact Advisory Council (SIAC). Regular communication with BBSRC to report performance and ensure strategic alignment of research programmes. Monitoring of performance of competitive grant submissions. Strong contract management processes in place, with assurance received from sponsors and the Research Council's UK internal auditors.
Staff retention and recruitment	BI is unable to retain or attract suitably skilled staff to enable it to sustain its scientific performance.	Strategy and action plans in place, monitored by Strategic Human Resources Group. Career development programmes in place to support staff. Performance Management processes in place. Recruitment strategy and processes in place.

RISK MANAGEMENT (CONTINUED)

Risk Area	Description of Risk	Risk Management
Estates	<p>Estate facilities do not adequately support the delivery of its scientific objectives.</p> <p>Funding is inadequate to sustain and improve facilities necessary to support scientific objectives.</p>	<p>5-year Business Plan being developed for 2017-22 which includes significant investment in Estates to support Estates Strategy.</p> <p>Regular communication with BBSRC on Estates</p> <p>Facilities management systems are being enhanced.</p> <p>Energy usage data is being developed and energy plan being implemented.</p>
Technology investment	<p>BI is unable to keep pace with developments in technology underpinning its science.</p> <p>Funding is inadequate to sustain and improve technology facilities necessary to support scientific objectives.</p>	<p>Funding opportunities identified and pursued for technology investments.</p> <p>Regular communication with BBSRC to ensure alignment of technological capacity with research programmes</p>
Business Continuity	<p>A major incident disrupts scientific research programmes and/or administrative systems.</p>	<p>Disaster recovery and Business Continuity plans in place and tested periodically.</p> <p>Review of compliance with health & safety and relevant regulations from government agencies and internal auditors.</p> <p>Appropriate insurance arrangements in place.</p>

Within BBT, the Directors carry out regular reviews of the risks to which the company may be exposed both at regular Board Meetings and through the company’s Audit Committee. Where necessary the company can call upon the Research Council’s Audit and Assurance Services Group (AASG) to act as an independent internal audit service.

The principal risks considered by the board include:

- Significant drop in demand for the facilities on site:
- BBSRC as freeholder enforcing breaks on leases the company holds in the campus:
- Change in Government support of BBSRC or changes to BBSRC governance or significant decrease in science funding.
- Reduction in Investment into the life-science sector.

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FINANCIAL REVIEW

The group has recorded a surplus for the year of £1,911k (2014 £4,728k) increasing unrestricted reserves, and a positive net capital movement for the year of £6,354k (2014 £17,837k) increasing capital reserves.

The operating results achieved for the year (£1,911k) are significantly lower than the previous year (£4,728k), a decrease of £2,817k, this mainly relates to an expected reduction in Royalty and Licence income (page 25) of £2,620k through Babraham Institute Enterprise Limited. Other increases in income streams have been off-set by an increase in expenditure within the group.

The individual results within the group were that the Babraham Institute achieved a surplus in unrestricted fund of £1,279k (2014 £4,618k as restated from £4,608k) and BBT a surplus of £1,805k (2014 £1,180k) – the fluctuation in results for the Institute reflecting loss of gift aid from the subsidiary company (2014 £1,497k) and increased expenditure during 2014/15 of £1,865k (the majority of this within Utility costs). The results for BBT are significantly higher in 2014/15 as two new buildings were completed and rental income increased.

Babraham Institute Enterprise Ltd results were £1,478k deficit (2014: £259k deficit) the loss for 2014-15 being attributable to impairment of investments held. Due to this loss, no gift aid was paid to The Babraham Institute.

Capital funding of £4,761k within the Institute and £4,485k within BBT was received in the year. This funding from BBSRC is restricted capital funding and supported the continued enhancement and expansion to the Babraham Research Campus during the year, with the completion of two new buildings - B580 and The Bennett Building (in BBT) and an extension to the Biological Support Unit (in Babraham Institute). Significant revaluations within the Institute (£3m) and BBT (£7m), both to land and buildings have further increased capital reserves in the year (page 15). Releases of capital funds from capital reserves had reduced the capital fund balance, and accounts for the remainder of the movement within capital reserves.

Assets under construction at the year-end totalled £1,858k, comprising an additional bio-incubator building B920 and a campus 'social infrastructure' project within BBT following demolition of the existing campus conference centre and catering facilities.

The Institute's largest funding stream, the Institute Strategic Programme Grant (ISPG) from BBSRC has continued to be flat-lined in the reporting year at £12,451k. No inflationary increase has been received since the start of the five year ISPG cycle in 2012. The Institute has continued to actively monitor its cost base and strive for efficiency savings where possible to ensure the Institute continues to achieve a surplus each year. With flat-lined ISPG income, the Institute has sought to maximise its returns on funds held by moving from holding larger cash balances to holding investments managed by Royal Bank of Canada. This allowed the Institute to benefit from investment income of £484k in the year (2014 £402k ten months from June 2013).

Overall, the results for the group continue to reflect the proactive approach the Institute and its subsidiary companies take to maximise income and to actively monitor and minimise cost, in order to increase both unrestricted and restricted reserves for another successive year.

Looking to the future the Institute continues to remain on a tight financial budget, the significant staff restructuring which occurred in 2012-13 has helped the Institute mitigate these financial pressures in the short term but longer term a greater focus will need be placed upon continuing to seeking and securing fresh income streams.

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RESERVES POLICY

The Group's reserves are held to support financial solvency, manage uncertainty and fund future activities. The level of reserves required by the Group is therefore determined by reference to:

- Future operational and capital expenditure requirements in the 5-year Operational Budget (2012-17);
- Potential financial risks identified in the Risk Register;
- Funding required for strategic investments not included in the operating budget;
- Working capital / liquidity requirements;

During the year, the charity received £3.2m from the BBSRC in respect of a grant for the long term maintenance and sustainability of the institute's facilities, equipment and IT infrastructure. As agreed with the BBSRC, this is held in restricted capital reserves and will be used for agreed building works in future years.

PRINCIPAL FUNDING SOURCES AND REVIEW OF EXPENDITURE

The Babraham Institute is one of eight Institutes sponsored by the BBSRC. Funding is derived from our principal sponsor, the BBSRC, together with external grants or fellowships competitively gained from other 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.

On behalf of the Board of Trustees

Mr G Hope-Terry
Chairman of the Audit Committee, Trustee and Member

Date:

