

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

The trustees are pleased to present their annual trustees' report together with the consolidated financial statements of the charity and its subsidiaries for the year ending 31 March 2019 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 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 03011737), present their report together with the audited financial statements for the year ended 31 March 2019. 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 (UKRI-BBSRC) by whom it is strategically funded. UKRI-BBSRC is part of UK Research and Innovation (UKRI), a new body working in partnership with universities, research organisations, businesses, charities and government.

The charity has two trading subsidiaries: Babraham Bioscience Technologies Limited (BBT) (Registered in England and Wales number 03241492) and Babraham Institute Enterprise Limited (BIE) (Registered in England and Wales number 06331858).

BIE holds 90% of the share capital of Aitua Limited (Registered in England and Wales number 04548076) and 50% of Discerna Limited (Registered in England and Wales number 04144764). 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 lifelong health and healthy ageing through frontier research into molecular and cell biology and development.

The principal activities of BBT focus on supporting early stage companies and growing biomedical enterprises. This is delivered through the provision of specialised office and laboratory accommodation, access to scientific expertise and equipment, and to support a research-centric community helping translate early stage science into products and services.

BBT operates from within the Babraham Research Campus, for which it also has management and development responsibilities to ensure the Campus provides both the buildings and communal environment to benefit all the organisations on Campus.

BIE holds share capital in Aitua and Discerna but its primary role is to support the commercialisation of the Institute's science, and has responsibility for managing and commercialising the Institute's intellectual property portfolio through partnerships with industry, licencing activities, and the formation of spin-out companies. BIE also works closely with BBT to facilitate access to the Institute's cutting-edge scientific facilities for early stage companies both on and off the Babraham Research Campus, thereby supporting the local economy.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

STRUCTURE, MANAGEMENT AND GOVERNANCE

BOARD OF TRUSTEES

Up to and including the year ended 31 March 2019, 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 UK Research & Innovation (UKRI). 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:

Prof P Rigby FRS
Mr G Allen
Mr G Braham #
Prof D Cantrell FRS
Mr A Clare #
Prof A Ferguson-Smith FRS #
Dr L Gailey #
Prof N Jones
Prof D Kipling
Prof C Page

Denotes members of the Audit Committee as at 31 March 2019.

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 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 senior management team led by Professor Michael Wakelam. The Company Secretary is Mr Simon Jones. The CEO of BBT, 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 charity trustees (who are also directors of The Babraham Institute for the purposes of company law) are responsible for preparing a trustees' annual report and 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 law), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

TRUSTEES' RESPONSIBILITIES STATEMENT (CONTINUED)

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 (FRS 102);
- make judgements and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the trustees are aware at the time of approving our trustees' annual report:

- 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 UKRI. Operating across the whole of the UK with a combined budget of more than £6 billion, UK Research and Innovation (UKRI) became operational on 1 April 2018 and has brought together the seven Research Councils (including UKRI-BBSRC), Innovate UK and a new organisation, Research England.

The Institute's research operates across three science programmes (epigenetics, signalling and lymphocyte signalling & development) supported by UKRI-BBSRC strategic funding. The programmes work towards our overarching goal of understanding the fundamental biological mechanisms and changes underlying development and healthy ageing. Key strategic objectives include:

- Understanding the interaction between the immune system and other tissues, the role of signalling pathways in the immune system as well as the effects of ageing on the immune response and vaccination.
- Investigating the role of signalling pathways and the autophagy process in ageing, health and disease.
- Using the epigenetic clock to investigate how life events influence biological ageing. And examining mechanisms of epigenetic inheritance, stem cell differentiation and the impact of subtle epigenetic differences on cell diversity.
- Studying the impacts of diet and other lifestyle and environmental factors on epigenetics, signalling, metabolism, health and ageing.
- Leveraging the capital investment in Institute infrastructure and equipment, in particular the animal, mass spectrometry, next generation sequencing and flow cytometry facilities, to attract investment and interaction from both the public and private sectors.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

OBJECTIVES AND ACTIVITIES (CONTINUED)

During 2018-19 research at the Babraham Institute was grouped into three Laboratories: Epigenetics; 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.

These three laboratories received funding from the UKRI-BBSRC (other than project grants and Fellowships) in the form of Institute Strategic Programme Grant (ISPG) Awards to each Laboratory.

Each ISPG (as is also the case for all project grants and Fellowships whether funded by UKRI 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 summarised in the list of objectives above and a more detailed insight into the aims of each ISPG and research group can be found in our Annual Research Report and on our website at www.babraham.ac.uk.

Complementing ISPG funding there is a Campus Capability Grant (CCG) supporting the Institute and its core biological research facilities. The UKRI-BBSRC also provides a Knowledge Exchange and Commercialisation (KEC) grant which is used to enable the Institute to effectively 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 grant also supports the Institute to employ a team of skilled KEC specialists to support and facilitate this work.

The Institute's Research 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. Each Head of Laboratory is responsible for leading and co-ordinating a cohesive programme of research that contributes to the Institute's mission of understanding and helping to improve lifelong health. This involves coordinating and uniting the goals of several Groups and ensuring appropriate annual reporting to the UKRI-BBSRC.

Each Group Leader is also expected to raise additional funds for their research over and above the UKRI 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 Institute science into technologies and discoveries with high impact for the benefit of lifelong 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 (SPoC; a subcommittee of BEC with additional membership from amongst the senior science staff and Grants Office) provides scientific leadership and vision and also monitors and assesses the science across all Groups.

The impact of this research, for the public benefit, is a deeper understanding of the mechanisms of health and disease throughout life. The insights we gain may lead to changes to public advice on healthy living, wellbeing and ageing; could influence public health policies and may underpin medical research into new therapies and treatments.

Through understanding normal physiology in both humans and animals, our scientists are able to apply that knowledge to disease conditions, often partnering with medical research charities and organisations devoted to alleviating the effects of those particular diseases. As a fundamental research organisation, it is acknowledged that our research can be far removed from these final outcomes and there is an expectation that the translation of Babraham Institute research may take some years to come to fruition. Yet we have repeatedly demonstrated our ability to deliver high-impact research advances.

For example, in 2008 the Institute began to receive royalties from an immunological medicine, licensed for the treatment of colorectal cancer, which was developed directly from our research more than a decade earlier. In 2017, we published findings from an ongoing collaboration involving both GSK and AstraZeneca that could lead to new cancer screening approaches. While a new collaboration supported by Innovate UK could result in the identification of new anti-cancer drugs.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

OBJECTIVES AND ACTIVITIES (CONTINUED)

MISSION STATEMENT

- To be a world-leading life science and innovation research institution producing internationally recognised and respected science with a view to creating significant social and economic impacts through understanding and improving lifelong health.
- To maximise awareness, relevance and impact of our work through a diverse and creative programme of knowledge exchange, commercialisation, public engagement and communication. Particularly by building a reputation for collaboration, transparency and high quality science and business acumen.
- To provide a unique and highly successful environment, establishing Babraham Research Campus as the leading campus for bioscience start-up and developing biomedical companies and for supporting the development and growth of those organisations.

REMIT

- The Babraham Institute is an independent charitable life sciences Institute, strategically funded by the UKRI-BBSRC, carrying out world-leading innovative research and advanced training with relevance to the biological, biotechnological, biomedical, pharmaceutical and health 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 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. We support a Biocubator 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. Our work supports the UKRI-BBSRC's Bioscience for Health strategic priority and works towards addressing the Ageing Population Grand Challenge as outlined in the UK Government's Industrial Strategy.
- Through BBT, the group provides specialised office and laboratory space, access to scientific expertise and equipment, and a research-centric community helping translate science into products and services.

KEY BUSINESS OBJECTIVES FOR THE GROUP

- **Delivery of World Class science, within the Institute's remit**
 - International leadership
 - Synergistic & nationally strategic research
 - Collaborative partnerships
 - Graduate and postdoctoral training programme
- **Excellent fit-for-purpose infrastructure for science**
 - Technical
 - Corporate
 - Educational
- **The highest standards of Corporate Social Responsibility**
 - Values and impact of our research
 - Community partnerships
 - Environmental impact of the Campus
 - Science and Society programme
 - Openness and transparency

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

OBJECTIVES AND ACTIVITIES (CONTINUED)

Key business objectives for the Babraham Group (continued)

- **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
- **Robust sustainability**
 - Financial planning and estate strategy
- **Efficient and effective management**
 - Operations and People
- **A high standard of Corporate Governance**
 - Risk control and contingency planning
 - Regulatory
 - Boards and subcommittees; executive decision-making structure and authorities

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.
- to be a central component of the Cambridge life-science cluster.

EMPLOYEES

During the year the Babraham Group 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 group's position and any significant organisational changes. Within the Institute, a monthly 'Babraham Executive Committee (BEC)' summary report is available to all staff, together with a quarterly staff newsletter, and periodic short briefings 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 group 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.

The Babraham Institute received a silver Athena SWAN award in April 2015, at the time only the second Research Institute to achieve Silver status, and is one of 164 Member organisations that currently hold Athena SWAN awards in the UK. The Athena SWAN Charter was launched in 2005 to recognise commitment to advancing women's careers in science, technology, engineering, mathematics and medicine (STEMM) employment in higher education. The awards recognise good practice in recruiting, retaining and promoting women in STEMM. The Charter believes that an organisation must have institutional support and underpinning institutional good practice, policies and procedures in place in order to achieve and sustain an award.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

OBJECTIVES AND ACTIVITIES (CONTINUED)

EMPLOYEES (CONTINUED)

The Charter's remit was significantly expanded in 2015 to include support roles, other academic fields and equality for all genders. Therefore the receipt of a Silver award in December 2018 under this expanded Charter indicates the significant work that the Institute has carried out to support all staff - and is a recognition of the Institute's ongoing good practices. The Institute plans to build on these to further progress equal opportunities. Athena SWAN status must be renewed every four years.

Remuneration of key management personnel is set annually by the senior remuneration committee which comprises the Institute Chair and Deputy Chair along with at least one other trustee.

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.

ACHIEVEMENTS AND PERFORMANCE

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 biological/biomedical relevance and impact. Potentially a very wide cross-section of the public will benefit from our understanding of the ageing process and as a result of the translation of our findings into new medicines or treatments. Given the broad scope of our work, its relevance to everyone through their lifecourse and our commitment to maximising research impacts through knowledge sharing with politicians, health and care services we believe the Institute is making vital contributions to the future wellbeing and economy of the UK and beyond. In 2018 (calendar year) the Institute's scientists published a total 108 (2017: 96; 2016 : 98) full and refereed research and review articles in journals.

A full bibliographic list of all scientific publications is available on our website (<http://www.babraham.ac.uk/publications>) and under each Group's webpage. As with all scientific research organisations, these publications are the main immediate tangible output of the Institute's activities.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

SUMMARY PUBLIC BENEFIT STATEMENT (CONTINUED)

New Grants

The Institute, during the year, continued to seek additional external funding from various sources both within the United Kingdom, European Union and further afield. The number of new grants with a start date in 2018-19, by funding source and the total awarded, are below:

	2018-19 Number	2018-19 £'000	2017-18 Number	2017-18 £'000	2016-17 Number	2016-17 £'000
UKRI-BBSRC	2	413	4	1,602	5	1,627
Medical Research Council	2	2,727	2	893	3	445
Innovate UK	-	-	1	183	-	-
European Union	5	612	2	593	-	-
Industry, levy boards	3	552	1	642	-	-
Trusts, foundations, charities, foreign governments	3	2,683	9	2,263	4	1,888

With the UKRI-BBSRC Institute Strategic Programme Grant (ISPG) reducing – identifying, applying and securing new external funding sources remains a high priority of the Institute.

Public Engagement

The Institute's engagement programme continues to go from strength to strength. Our vision is of an open, transparent and accountable organisation that is leading in its contribution of science to culture, society, economic development and growth. Public engagement and science communication at the Institute is embedded within our research and supports interactions between researchers and a variety of public groups. The Institute has a core Public Engagement Team, supporting a varied and dynamic programme. Through our activities we engage students, teachers, community groups, family and adult audiences. The figures below highlight the Institute's commitment to these activities.

	2018-19	2017-18	2016-17
Visitors to site	458	437	419
Outreach Events*	42	39	40
Total Public Audience Engaged	17,468	6,175	10,466
Website visits	130,230	131,167	131,477

*Visits to schools, science festival exhibits, public lectures, panel sessions, public dialogue workshops, hosting community tours on campus, library talks etc.

This year saw a substantial increase in the total public audience engaged, this was predominantly as a result of the successful Royal Society exhibit. This event reached an audience of 9,000 people over the course of the week in which it ran.

The Institute's public engagement programme continues to engage at local, national and international level and there have been a number of achievements in 2018-2019. A particular highlight has been the design and delivery of our Cell Signalling Escape Room, this was piloted at the Cambridge Science Festival, where tickets sold out within hours of release. The intention is to take the escape to a festival in the summer, an excellent opportunity to widen the audience we interact with.

The Institute's participation in the EU funded Horizon 2020 project 'ORION' has had a solid second year, Ipsos Mori have been recruited to deliver the public dialogues on genome editing, a key deliverable for our work package in this project. Preparation is well underway for these dialogues to begin in September 2019.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Key Achievements for Public Engagement (continued)

The Institute's researchers have developed and participated in a number of school visits and welcomed many students to the Institute. The biggest highlight being our 25th Annual School's Day, during which, we hosted 160 students and teachers from 23 schools, including students from Cardiff, Jersey and London. We were also pleased to engage with new local schools, six of the school's from Cambridgeshire that attended this year have not participated in public engagement activities with us before. We have also continued projects with both the Cambridge Academy of Science and Technology (formerly the University Technical College) and the Sophianum School in the Netherlands.

ESTATES

There are over 60 organisations operating within the Babraham Research Campus which is managed by BBT. Tenants are located in a number of purpose built buildings with both laboratory and office space. In total, occupied space is in excess of 9,000 square meters. This development is part of an on-going programme of expanding the campus following the initial £44m investment by HM Government in 2011. The investment programme is designed to deliver innovation from the research base, generate economic growth, and create and support new companies based on world-leading UK bioscience.

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 has been constructed and a new social infrastructure building has been completed and opened to campus tenants in January 2017. This latter building named The Cambridge Building now provides 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.

KNOWLEDGE EXCHANGE AND COMMERCIALISATION (KEC)

Our KEC programme aims to maximise the dissemination, impact and, where appropriate, the exploitation of knowledge generated by and held within the Institute. Implicit in this is the recognition that this knowledge is the product of public investment and we have a duty to maximise outcomes from this investment for societal and economic benefit.

This includes training of fellow scientists in our new emerging techniques, through continued professional development (CPD), engagement with the Biotech/Pharma sector and other research organisations. In addition, we aim to use our expertise to inform policy, direction and understanding of science by policy makers and industrialists at home and abroad. We view this as a two-way dialogue in which we engage with industry and stakeholders to listen to their concerns and try to respond to their needs. Where appropriate we seek to maximise the impact of our research through commercialisation – this is managed by the Institute's wholly-owned trading arm Babraham Institute Enterprise Limited.

Within the last year, KEC at the Institute has gone from strength to strength, receiving a further 'green light' status from the UKRI-BBSRC for its new KEC Strategy for 2017-22. Internally, we have received a number of excellent nominations for our 2018-19 KEC Prize, with the winner being the Flow Cytometry Facility, a team that have improved systems and made more efficient use of resource to increase the amount of training offered, training over 50 external scientists in this reporting period.

We have also hosted a number of seminars covering Ageing, EU-LIFE alliance research, Industry and Athena SWAN themes and KEC Travel grants have been awarded supporting researchers (at all levels) in the promotion of BI research and exchange of expertise in the UK and internationally.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

KEY ACHIEVEMENTS IN KNOWLEDGE EXCHANGE AND COMMERCIALISATION

Our scientific facility heads have arranged training courses to share best practice with both internal and external scientists; for example, AstraZeneca send their staff to Institute-run Flow Cytometry training courses. The Institute has arranged successful symposia and meetings aimed at building further links with industry. These have already led to significant new collaborations with biotech and pharmaceutical companies. This is evidenced by new and ongoing collaborations with AstraZeneca, Artios, Celgene, Cancer Research UK TDL, Phoremest, the latter through an award from Innovate UK. Our existing spinout company, Crescendo Biologics, has licensed (ahead of schedule) its first oncology targeted Humabody to Takeda Pharmaceutical Company Limited and has just reached a fourth milestone in their collaboration with Takeda. In addition, through proof-of-concept funding, awarded by our Translation Advisory Group (TAG, populated by Biotech/Pharma professionals) we continue to support the development of new intellectual property.

In 2018-19, Babraham Institute Enterprise Limited generated £1.5m in revenues from the commercialisation of its assets and activities. Most of the revenues arise from collaborations with industry and commercialisation of the Institute's scientific facilities.

Several formal training programmes are now well established. The Bioinformatics facility continue to run courses for internal and external scientists, both at the Institute and outside venues (including the Institute of Cancer Research, London, and universities in Spain and Jordan). They are developing their material to provide packages of courses targeted to distinct cohorts of scientists both in academia and industry.

FUTURE DEVELOPMENTS – BABRAHAM INSTITUTE

The Institute 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 UKRI-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.

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 Brazil, Russia, India and China (BRIC) developing countries research, and resources will be allocated towards achieving this ambition.

The impact of the Referendum on EU membership continues to be monitored closely by the Institute with the aim of securing alternative sources of funding and collaboration to mitigate against the possible loss of EU grant income. The Institute will work closely with UKRI-BBSRC to effectively manage any subsequent changes in funding arrangements, also seeking to develop future collaborations with the University of Cambridge to maximise opportunities to deliver world class science.

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.

FUTURE DEVELOPMENTS - BABRAHAM BIOSCIENCE TECHNOLOGIES

As reported last year in April 2017 UKRI-BBSRC, Babraham Bioscience Technologies Limited (BBT) and BioMed Realty (Blackstone portfolio company), announced a partnership for a long-term lease of approximately eight acres of UKRI-BBSRC owned land at the Babraham Research Campus, Cambridge, UK. Construction of the 108,000 ft² shell and core build is now complete. A full fit out programme has started, with the expectation for the first tenants to occupy in early 2020.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

FUTURE DEVELOPMENTS - BABRAHAM BIOSCIENCE TECHNOLOGIES (CONTIUED)

To further enhance the involvement of the business in supporting early-stage life science companies, BBT invested in a new investment fund in April 2019 and accelerator programme company 'Start Codon'. Start Codon will

- identify and recruit high potential life science and healthcare companies from across the UK and beyond
- provide seed-funding
- and leverage the world-class resources of the Cambridge cluster reducing risk and preparing them for a successful Series A fundraise.

The Start Codon initiative is complementary to the ongoing Accelerate@Babraham programme with the campus being a location for companies graduating from the programme to locate to.

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 UKRI-BBSRC research funding	UKRI-BBSRC current and future funding is reduced as a result of poor performance or public sector spending pressures.	<p>Regular monitoring of scientific performance, including consideration from the Science and Impact Advisory Council (SIAC).</p> <p>The Institute will seek to secure alternative sources of funding and collaboration to mitigate against the possible loss of EU grant income.</p> <p>Regular communication with UKRI-BBSRC to report performance and ensure strategic alignment of research programmes.</p> <p>Monitoring of performance of competitive grant submissions with emphasis on widening the pool of grant funders.</p>

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

RISK MANAGEMENT (CONTINUED)

Risk Area	Description of Risk	Risk Management
The impact of the UK Referendum result on EU membership	The impact of the UK Referendum result on EU membership leads to a reduction in both future EU funding and ability to enter into international research collaborations. The Referendum result may promote the loss of key research staff from the UK.	<p>The Institute will work closely with funders and international research partners to evaluate the potential impact on existing EU funded collaborations, and look to find alternative funding sources to bridge any shortfall.</p> <p>The Institute has undertaken a risk assessment of its needs in the event of future disruption to supply chains - and stockpiled accordingly.</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 UKRI-BBSRC to ensure alignment of technological capacity with research programmes.</p>
Staff retention and recruitment	BI is unable to retain or attract suitably skilled staff to enable it to sustain its scientific performance.	<p>Career development programmes in place to support staff.</p> <p>Performance Management processes in place. Recruitment strategy and processes in place.</p> <p>The board of Trustees recently instigated a review of staff pay and rewards to ensure pay remains competitive, benchmarking against a range of comparable scientific organisations.</p>
Estates	Estate facilities do not adequately support the delivery of its scientific objectives. Funding is inadequate to sustain and improve facilities necessary to support scientific objectives	<p>A 5-year Business Plan developed for 2017-22 includes significant UKRI-BBSRC investment in BI facilities to support Estates Strategy.</p> <p>Facilities management systems are being enhanced.</p> <p>Energy usage data is being developed and energy plan being implemented.</p>

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

RISK MANAGEMENT (CONTINUED)

Risk Area	Description of Risk	Risk Management
Business Continuity	A major incident disrupts scientific research programmes and/or administrative systems.	Disaster recovery and Business Continuity plans in place and tested periodically. Review of compliance with health & safety and relevant regulations from government agencies and internal auditors. Appropriate commercial insurance arrangements in place.

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 Group's internal auditors RSM to act as an independent internal audit service. The principal risks considered by the BBT board include:

- Significant drop in demand for the facilities on site;
- Change in Government support of UKRI-BBSRC;
- Reduction in investment in the life-science sector.

FINANCIAL REVIEW

During the year, the group total reserves have increased from £166m at 31 March 2018 to £170m at 31 March 2019. This is mainly due to revaluation of land and buildings £1,599k and Group profits of £1,938k as shown in the Consolidated Statement of Financial Activities (pages 22 and 23). The Group has restated its opening reserves by way of prior year adjustments, releasing £792k of deferred income to unrestricted revenue reserves. In addition it has restated the valuation of certain of its tangible fixed assets which increased the valuation from £84,330k to £85,293k as at 31 March 2018 and decreased the valuation from £83,783k to £82,097k at 31 March 2017. It has also reanalysed the allocation of the group funds between unrestricted reserves and capital and revaluation reserves; this has no impact on total group funds or funds of the Institute. Details of the prior year adjustment are set out in note 24.

The individual results within the group shown below.

Babraham Institute

Overall results for The Babraham Institute shows an decrease in total funds from £139m to £136m. The upward revaluation of land and buildings of £1.6m less the operating deficit of £4.7m accounts for this overall decrease.

The Institute reported a deficit on unrestricted funds for the year of £429k compared to a deficit of £2,480k last year. The movement in results is primarily due to returns from investments being higher in 2018-19 than in the previous year by £775k, combined with a fair value adjustment of £1,658k to investment properties. The deficit before these items was £3,343k for the year end 31 March 2019 compared to a deficit of £3,108k for the previous year.

	2019 £'000	2018 £'000
Deficit before Investment gains/losses – unrestricted funds	(3,343)	(3,108)
Fair Value adjustment to investment properties	1,658	-
Investment Income (dividends and interest)	669	816
Investment gains/(losses) - realised and unrealised	587	(188)
Deficit for year – unrestricted funds	(429)	(2,480)

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL REVIEW (CONTINUED)

Babraham Institute continued

Strategic funding from UKRI-BBSRC remained consistent for both years at £9.6m. Other income and total expenditure remained comparable to the previous year.

Restricted revenue last year included UKRI-BBSRC funding of £4.5m in addition to the UKRI-BBSRC strategic funding. This restricted revenue is held in restricted reserves as shown in note 18.

Annual revaluations within the Institute (£1.6m) to land and buildings have further increased capital reserves in the year (note 9). Capital funds within the Institute continue to be released from capital reserves against depreciation charges in the year. During the year there was no additional capital funding (2018 : £4,445k).

The Institute has continued to actively monitor its cost base and strive for efficiency savings where possible to ensure the Institute continues to maximise its operations based on the funding received.

The Institute continues to maximise its returns on funds by holding investments managed by Royal Bank of Canada. This allowed the Institute to benefit from investment income of £669k in the year (2018 : £816k).

Looking to the future the Institute continues to remain on a tight financial budget and a longer term focus will need to be placed upon continuing to seek and secure fresh income streams.

Babraham Bioscience Technologies Limited (BBT)

UKRI are the freeholder of the Babraham Research Campus. BBT has a number of 25 year leases that allow us to develop and manage the campus; these leases are operating leases and are not included within our balance sheet. There are a number of clauses contained in these leases which provides UKRI with specific landlord rights, for example, to initiate and review rents or to give notice on the leases. The leases which have the presence of a rent review clause represents 50% of our rental income. The rent review clause is able to be triggered from January 2020, it is expected these leases will no longer remain on peppercorn rental terms from this point forwards. We are working with UKRI to restructure our leases and are aiming to have this complete by January 2020.

The pre-tax profits for BBT for the year were £8,298k, compared to a loss of £4,561k in March 2018. The reported profit for the year of £7,093k is a result of a revaluation adjustment for Investment Property of £5,426k. An adjustment charge in deferred taxation of £676k is in relation to the adjustment in investment property valuation. Tax and interest are the further items that reconcile between the trading profit and profit for the year.

The reduction in profits for the year is a reflection of the investment the company continues to make into the campus, and the services provided, for example BBT's investment in an early stage mentoring and start up programme, Accelerate@Babraham which provides access to the campus communal laboratories. The company's cash generation and over all cash position remains buoyant. This is demonstrated by the early repayment of a loan with Handelsbanken during the reporting year.

Babraham Institute Enterprise Limited (BIE)

Babraham Institute Enterprise Limited made a loss of £349k (2018: profit £1,365k). During 2017-18 Aitua Limited repaid its loan to BIE which had previously been written off. This 'bad debt' reversal of £1,358k accounts for the higher profit in BIE in 2017-18. The majority of the loss for 2018-19 relates to the adjustment to investment values. Gift aid of £87k (2018: £49k) was paid to The Babraham Institute relating to the year 2017-18.

Aitua Limited

Results for the year for Aitua Limited report a loss of £393k (2018: profit £1,868k). This profit for 2017-18 relates to profit made on the sale of the Innova investment. The loss for 2018-19 relates to the change in investment values. The company continues to operate albeit with minimal activity.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL REVIEW (CONTINUED)

Discerna Limited

The results for Discerna Limited show a loss for the year £1k (2018: profit £10k). The income generating licence agreement held by Discerna expired during 2018-19 and accounts for the fall in income and profits. The company continues to operate albeit with minimal activity.

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;
- Potential financial risks identified in the Risk Register;
- Funding required for strategic investments not included in the operating budget;
- Working capital / liquidity requirements;

The Trustees have reviewed the reserves of the Group. The review encompasses the nature of the income and expenditure streams, the need to match variable income with fixed commitments, and the nature of the reserves. The trustees concluded that to facilitate long term planning they aim to achieve a general reserve of at least three months' unrestricted fund expenditure (in the region of £7m). Currently free reserves are around £30m and the trustees are satisfied that these reserves are sufficient to finance both the general reserve and provide the necessary funds to mitigate financial risks associated with operational and capital expenditure identified in the Risk Register.

PRINCIPAL FUNDING SOURCES AND REVIEW OF EXPENDITURE

The Babraham Institute is one of eight Institutes receiving strategic funding from the UKRI-BBSRC. Funding is derived from our principal sponsor, the UKRI-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. Commercial trading activities are shown separately.

Staff costs form the largest single component of group expenditure £15.2m (2017-18 £15.7m), followed by consumables (laboratory and general) £4.5m (2017-18 £4.1m), repairs and maintenance costs £3.0m (2017-18 £2.4m) and rent and rates £1.3m (2017-18 £1.3m)

Total expenditure for the year of £38.3m compares to £33.3m for the previous year, an increase of £5m. During 2017-18 particular non-recurring items reduced costs – namely a decrease in the deferred tax liability in BBT's accounts of £2.4m and reversal of bad debts of £1.2m in BIE. Excluding these items the cost base for the group would be £38.3m 2018-19 compared to £37.3m in 2017-18.

GOING CONCERN

The Babraham Institute is dependent on funding from the UKRI-BBSRC to meet its liabilities as they fall due within future years. As part of the Comprehensive Spending Review in 2016, Research Councils (of which the UKRI-BBSRC is one) received financial allocations for revenue and capital funding for the period ending in March 2022. Although allocations for administration and capital were only fixed for the first three of those years (2017-18 to 2019-20) and were indicative for the years beyond, funding for the year to 31 March 2020 has now been confirmed.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

GOING CONCERN (CONTINUED)

Given that ;

- the Institute receives a five year funding letter from UKRI-BBSRC with the first three years funding confirmed and the last two funding indicative;
- the Institute does not envisage any issues with funding in this quinquennium;
- the Institute in 2018 was commended on its financial management following the annual Financial Assurance audit from UKRI-BBSRC;
- The recent 2019 Annual Financial Assurance audit from UKRI-BBSRC (carried out in August 2019) focussing on the UKRI-BBSRC funded expenditure – to ensure the Institute aligns its funding with research outcomes, whilst we await the final report - all indications are highly favourable;
- the annual research returns submitted by the Institute have all been favourable – this is used by UKRI-BBSRC to evidence why they provide on-going grant funding to institutes such as Babraham Institute;

the Trustees have no reason to believe that future funding from the UKRI-BBSRC will not be forthcoming at a level which, together with the sufficient reserves held by the Group, is sufficient for the group to continue in operational existence for the foreseeable future.

Within BBT, the company's latest budgets and business plan show that the company is well placed to continue to manage its business risks and resources. Negotiations are ongoing with UKRI regarding the lease structure. As such it is expected the peppercorn lease terms on the 25 year leases (from which we derive 50% of our rental income) will not continue, and a rental charge will be payable to UKRI. The directors/trustees believe that the company has adequate resources and funding to continue in operational existence for the foreseeable future, as a result they continue to adopt the going concern basis in preparing the financial statements.

The Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, these financial statements have been prepared on a going-concern basis.

The Trustees' Report incorporating the Strategic Report was approved on behalf of the Board

Mr G Braham
Chairman of the Audit Committee, Trustee and Member
Date: