

# MRC Financial Statements

Year ended 31 March 2015

## **Statement of the Council and Chief Executive's responsibilities**

The financial statements presented are the accounts of the Medical Research Council.

Under paragraph 3 of Schedule 1 of the Science and Technology Act 1965 the Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Business, Innovation and Skills, with approval of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year-end of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts direction issued by the Secretary of State for Business, Innovation and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis.

The Department for Business, Innovation and Skills has appointed the Chief Executive as Accounting Officer of the MRC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the MRC's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money (The Stationery Office).

## **MRC GOVERNANCE STATEMENT for 2014/15**

### **1 Scope of responsibility**

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control that supports the achievement of MRC's policies, aims and objectives whilst safeguarding the public funds in accordance with the responsibilities assigned to me and disclosed in 'Managing Public Money'.

The MRC is an independent non-departmental public body of the Department for Business Innovation and Skills (BIS). MRC's lines of accountability with BIS are defined through a Management Statement, code of practice and financial memorandum. These documents were reviewed through a cross-Research Council group; following revision and updating, new versions were approved by MRC Council in December 2014.

### **2 The purpose of the Governance Statement**

This Governance Statement for 2014/15 gives a clear understanding of the dynamics of the MRC and its control structure. It explains the way in which the MRC governance framework operates and details results from the review processes which enable me to have confidence in the effectiveness of the controls. This statement explains how the MRC has complied with the principles of good governance, reviews the effectiveness of these arrangements, and complies fully with the Corporate Governance Code.

### **3 The governance framework/structure**

The MRC governance framework includes Council, the Council Audit and Risk Assurance Committee (CARAC), Management Board, Strategy Board, Operations Board and other fora, senior management, officials and staff. The MRC's decision-making and advisory bodies are described below.

**3.1 The MRC's Council** meets five times a year. Council is the MRC's top level decision-making body directing and overseeing corporate policy and science strategy, decides all issues of major importance including issues of corporate strategy, sets key strategic objectives and targets, makes major decisions involving the use of financial and other resources, and ensures the organisation is effectively managed. Council members have a corporate responsibility for ensuring that the Council's decisions are well-founded and comply with any statutory or administrative requirements for the use of public funds.

- 3.2 **Council appointments:** Council is led by the Chairman, with the MRC Chief Executive as Deputy Chairman and 13 other members, at least half of whom are appointed on account of their scientific qualifications. Council members are appointed by and accountable to the Secretary of State for Business, Innovation and Skills in accordance with the Code of Practice for Ministerial Appointments to Public Bodies.

#### **Main activities for 2014/15<sup>1</sup>:**

- Reviewing delivery of the commitments in the MRC strategic plan, and other items of strategic importance;
- Advising on priorities for the 2015 spending review;
- Reviewing and advising on the implications of legislation including the EU Data Protection Regulations;
- Reviewing and approving decisions on MRC intramural investments including progress and future plans for the university unit programme and the tracking of benefits from the programme;
- Reviewing and approving the MRC Estates and Asset and Project Management Strategy and monitoring progress with major initiatives including the Francis Crick Institute;
- Approving updated versions of the MRC Management Statement, Financial Memorandum and Code of Conduct for council members;
- Reviewing and approving financial plans and performance;
- Reviewing and approving operational activities;
- Receiving reports from subcommittees including the Council Audit and Risk Assurance Committee, the Ethics, Regulation and Public Involvement Committee, the Remuneration Committee and the Nominations Committee.

#### **Review of effectiveness**

During 2014/15, the Council Chairman held 1:1 meetings with Council members to review performance.

- 3.3 Council is supported in its role by a number of boards and subcommittees<sup>2</sup>. There are four subcommittees made up of Council members and supplemented, where appropriate, with other members bringing specialised expertise and knowledge. Subcommittees have responsibility for specific areas of Council's remit; in some cases authority is delegated to them to act on behalf of Council, and in other cases they are acting in an advisory capacity either to Council (Ethics, Regulation and Public Involvement Committee (ERPIC)) or to the Chairman (Nominations Committee). Council is also advised by an Employee Representation Forum.
- 3.4 The **Council Audit and Risk Assurance Committee (CARAC)** met five times in 2014/15. It supports and advises Council and the Chief Executive on matters of governance, risk and control. Meetings are attended by representatives from the National Audit Office (NAO) and the Research Council's Audit and Assurance Service Group (AASG).
- 3.5 **Changes to CARAC.** Following to the resignation of the Committee Chair, Tony Caplin, Professor Michael Arthur took over as Chair from April to September 2014.

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<sup>1</sup> Agenda and redacted minutes are available on the MRC website.

<sup>2</sup> The terms of reference and membership of the committees are available on the MRC website [www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm](http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm)

Dame Janet Finch was appointed Deputy Chair in October 2014 and Chair in January 2014. All other changes are noted in the table below.

### **CARAC main activities for 2014/15:**

- Reviewing audit reports and tracking implementation of recommendations;
- Detailed scrutiny of annual accounts;
- Oversight of risk management with particular emphasis on the management of corporate and fraud risks;
- Review of information assurance and information security;
- Review of assurance process and findings;
- Monitoring of major programmes.

### **Review of effectiveness**

CARAC carried out a review of effectiveness in April 2014.

- 3.6 The **Remuneration Committee (RemCom)** reports to Council and met in May and October 2014. It is chaired by the MRC Chairman and there are four additional members, who are all Council members. The MRC Chief Executive, the Chief Operating Officer and the HR Director are also invited to attend and advise RemCom. RemCom reviews the HR Strategy, in particular the pay, grading and bonus arrangements for the most senior staff.
- 3.7 The **Ethics, Regulation and Public Involvement Committee (ERPIC)** is chaired by Baroness O'Neill of Bengarve and currently has nine other members. It is an advisory committee which meets twice a year and reports to Council.
- 3.8 The **Nominations Committee (NomCom)** reports to Council. It is chaired by the MRC Chairman and there are four additional members. NomCom advises the Chairman on senior key appointments and meets as and when required. NomCom met twice in 2014/15 to advise the Chairman on the succession planning and Council member recruitment. NomCom also advised the Chairman via email on applications for Council membership.
- 3.9 **Strategy Board** meets eight times a year, is chaired by the CEO and is responsible for developing, coordinating, and overseeing the implementation of and evaluating the MRC's strategic plan. Membership includes the Chair of each of the Research Boards and Strategic Overview Groups (see 3.10) plus an MRC institute or unit director and a representative of the extramural programme. Strategy Board reports to Council and has a budget delegated by Council for strategic awards.
- 3.10 The four **Research Boards** each meet three times a year and are responsible for one of the four major areas of medical science that together make up the MRC portfolio. They, together with expert funding committees with more focused remits (e.g. Fellowship awards, translational research), are responsible for assessing applications for research funding and have delegated budgets for new awards. There are four strategic overview groups (Training and Careers, Global Health, Translational Research and Population Health Sciences Group) which are responsible for ensuring that the MRC's activities in these key areas are well coordinated and strategically positioned.

## Council and Committee attendance, 1 April 2014 – 31 March 2015

Name of Member	Attendance				
	Council	RemCom	CARAC	ERPIC	NomCom
Prof Jeffrey Almond <sup>3</sup>	2/2				1/1
Prof Michael Arthur <sup>4</sup>	2/2	0/1	2/2		
Dr John Brown <sup>5</sup>	3/3				
Mr Donald Brydon <sup>6</sup>	5/5	2/2	5/5		2/2
Prof Doreen Cantrell <sup>7</sup>	2/3				
Prof Dame Sally Davies	3/5				
Prof Chris Day	5/5	2/2			2/2
Prof Dame Janet Finch <sup>8</sup>	2/3		3/3		
Dr Richard Henderson <sup>9</sup>	2/2	1/1	0/2		
Prof Patrick Honston	2/3				
Prof Dame Sally Macintyre	3/5				2/2
Professor Paul Morgan <sup>10</sup>	5/5	2/2			
Baroness Onora O'Neill	5/5			2/2	
Dr Menelas Pangalos <sup>11</sup>	4/5				
Mrs Vivienne Parry	3/5			1/2	
Dr Ruth McKernan	4/5				
Prof Sir John Savill <sup>12</sup>	5/5				
Prof Michael Schneider <sup>13</sup>	4/5		1/1		
Ms Anna Anderson			4/5		
Mr Alastair Hewgill			5/5		
Mr John Jeans <sup>14</sup>			0/3		
Mr Roger Dunshea			5/5		
Mr Andrew Murphy			3/5		

### Key

Council Member	
Independent members	CARAC
Management	

<sup>3</sup> Professor Almond stepped down in September 2014

<sup>4</sup> Professor Arthur stepped down in September 2014

<sup>5</sup> Dr Brown was appointed in October of 2014 and became a member of RemCom

<sup>6</sup> Mr Brydon also chairs RemCom and NomCom

<sup>7</sup> Prof Cantrell was appointed in October 2014 became a member of NomCom in January 2015

<sup>8</sup> Dame Janet was appointed to Council and Deputy Chair of CARAC in October 2014. She was appointed Chair of CARAC in January 2015.

<sup>9</sup> Dr Henderson stepped down in September 2014

<sup>10</sup> Professor Morgan stepped down in March 2015

<sup>11</sup> Dr Pangalos joined RemCom in January 2015

<sup>12</sup> Prof Sir John Savill is the Chief Executive and Deputy Chair of Council

<sup>13</sup> Professor Schneider was appointed Deputy Chair of CARAC in February 2015

<sup>14</sup> Mr John Jeans resigned in September 2015

## Management Board

- 3.11 **Management Board** is the MRC's principal executive decision-making body. It meets eleven times a year and is accountable to Council through the Chief Executive.
- 3.12 **Operations Board** is the MRC's principal body for operational decisions. It meets monthly and is chaired by the Chief Operating Officer and includes representatives from each corporate directorate and Senior Unit Administrators representing the Units.

## Partner organisations

- 3.13 The MRC is a key funder in a variety of partnerships. The MRC's interests in each of these partnerships are governed via a Joint Venture Agreement or by contracts. In some instances separate companies have been established and the MRC has a nominated Director on each board. Whilst the detail for each partnership differs, the MRC has appropriate agreements in place and actively engages through representation at senior level. The partnerships are:
- UK BioBank
  - Imanova
  - The Francis Crick Institute (The Crick)
- 3.14 Our risk and assurance frameworks ensure that matters emanating from these partnerships activities are reported and that issues are responded to in an appropriate manner. The governance arrangements for these partnerships are subject to audit by AASG on a rolling programme.
- 3.15 MRC University Units - The university units are governed by strategic alliance agreements and have specific assurance arrangements. These arrangements are subject to audit by AASG.

## **4 The risk and internal control framework**

The MRC believes that identifying and managing risks and opportunities plays a critical part in the effective and efficient delivery of the MRC's long-term organisational objectives, creating confidence and trust within the scientific community and the general public and enables better planning for the future.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives.

The MRC has a robust risk management system designed to identify and priorities the risks to the achievement of MRC's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and effectively. The system of control has been in place in MRC for the year ended 31 March 2015 and up to the date of approval of the annual report and

accounts and accords with HM Treasury guidance.

The task of overseeing the risk management strategy is delegated to the Head of Risk Management and Assurance. The Risk and Assurance team provide challenge and support. The team co-ordinates the corporate and fraud risks, which are reviewed regularly by Management Board and then reported to CARAC and Council.

All MRC directors and managers share the responsibility to ensure the effective implementation of risk management and internal controls.

There is a system for escalating all risks that exceed the MRC risk appetite to Operations Board and/or Management Board for discussion.

The risk management framework includes:

- setting out a risk management policy and strategy and defining the risk appetite for the MRC;
- signing up to overall assurances statement by directors; (DASIC see 14.3)
- updating and reviewing the corporate and fraud risk registers at least quarterly by senior management and reviewing at CARAC;
- underpinning the corporate risk register with Directorate, Unit and Project level risk registers;
- requiring all risks to have a senior manager/director as " risk owner";
- a formal project management approach with embedded risk management for major activities, including the business critical programmes;
- All decision papers to Council, Management Board and Strategy Board require a statement on the risks relevant to the decision.
- The uses of risk management software "EasyRisk" to record and track all risks and audit recommendations.

## **5 Fraud and error risk management**

- 5.1 The MRC is committed to standards of regularity and propriety and does not tolerate any form of fraud, bribery and/or corruption.
- 5.2 The MRC has a detailed fraud and error risk register that is reviewed regularly by Management Board, CARAC and Council.
- 5.3 There is a mandatory e-learning programme on fraud and bribery for all senior staff and those working in high risk areas.
- 5.4 All fraud reports are reviewed by CARAC.
- 5.5 One fraud was identified at our Uganda unit and dealt with appropriately. Although unwelcome it did not represent a material loss of financial control.

## **6 Information assurance and information security**



- 6.1 The management of information risks is fully integrated within the risk management process, the Director of Information and Systems is the MRC's Senior Information Risk Owner.
- 6.2 Every MRC unit and institute undergoes an annual review of information security management systems. This process evaluates compliance with the mandatory requirements in the Cabinet Office Security Policy Framework and with the MRC standards in twelve areas. The results of the annual review together with any actions are reported to Operations Board and CARAC.
- 6.3 The MRC submits an annual Security Health Check return to BIS. The Security Health Check confirms compliance with the mandatory security outcomes described in the HMG Security Policy Framework. . The return reflects an assessment of specific Information Assurance risk areas that are consistent with the risks recorded in the Council's risk register together with any areas of concern.
- 6.4 The MRC has adopted the Cabinet Office policy on Government Security Classifications. The MRC has produced its own guidance to support the policy and has ensured that all relevant staff have received appropriate training.

#### Information Security Incidents

- 6.5 For the year ending 31<sup>st</sup> March 2015, the MRC IT Security team logged 18 security incidents, none of which required reporting to BIS or the Information Commissioner. Eight related to equipment that was encrypted to an appropriate standard. The remainder were all due to human error rather than system failure or loss of data due to deliberate attack. One incident was reported to CARAC.

## **7 Transparency**

In line with Government's commitment to greater transparency of public information, the MRC publishes information on how we spend the public funding we receive. Information on senior staff pay, management and staffing structures, spending over £25,000 and transactions on Government Procurement Cards over £500 is routinely published on our website and is also accessible on [www.data.gov.uk](http://www.data.gov.uk). All new contractor and consultancy appointments are vetted to ensure that they are not deliberately avoiding paying appropriate tax and NI. All contract renewals have to provide the MRC with the same assurances. Data are presented for the MRC's intramural research units and institutes, head office, regional administrative centres and research facilities.

The MRC, jointly with the other research councils, has participated in the Gateway to Research project. This project provides a website with information about the research that the councils have funded, together with the associated outputs and outcomes.

## **8 Austerity measures**

The MRC has robust control processes, checks and reporting arrangements in place to review and manage expenditure in keeping with the austerity measures introduced in May 2010.

## **9 Tax assurance**

The Alexander Review was published in May 2012 making a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I can confirm that MRC's senior staff are all paid through the payroll and that arrangements are in place through retained HR to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report.

In 2014/15 MRC identified 13 contractors who fell within the Alexander Review criteria. The MRC has sought and gained assurance that the appropriate tax arrangements are in place for the contractors identified.

Council members are 'office holders' as defined within HMRC guidance, and their remuneration is subject to income tax and National Insurance contributions under PAYE where applicable and managed through the payroll.

As such, the MRC is in compliance with the recommendations in the HM Treasury 'Review of the tax arrangements of public sector appointees' published in May 2012.

## **10 Macpherson Review**

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their Arm's Length Bodies.

Following this Review, the MRC reviewed its use of analytical modelling and did not identify any that were considered to be business critical. This was communicated to BIS and I can confirm that MRC complies with the requirements set out in Howard Orme's letter dated 15th May 2013.

## **11 Efficiency**

As set out as part of the 2010 spending review settlement, the research councils have been implementing an efficiency programme to drive down the costs and overheads associated with research. The efficiency savings derived from this programme are being re-invested in research.

In the spring of 2011, RCUK published *Efficiency 2011-15: Ensuring Excellence with Impact* describing how the Research Councils would implement the recommendations in Sir William Wakeham's report *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institution*. The efficiency savings are being applied to research grants and fellowships awarded via competitive routes to research organisations, and also to research council institutes. The combined savings for the first three years of the programme (2011/12, 2012/13 and 2013/14) have exceeded the planned £251.2m target with details provided in the programme's annual report at [http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK\\_Efficiency\\_Savings\\_Report\\_2013-14.pdf](http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK_Efficiency_Savings_Report_2013-14.pdf)

The programme continues to be on target to meet the overall cross-Council four year target of £427.8m. Additionally, the efficiency programme will be extended by an extra year to include 2015/16.

Alongside these measures the research councils also introduced changes to the requests for equipment on grants, including asking applicants to demonstrate how the usage of the equipment will be maximised. RCUK has worked with university partners to develop options to promote and assist equipment sharing, including exploring the issues around asset registers. There is good anecdotal evidence of significant progress by universities to promote sharing, and of very efficient usage of large pieces of experimental equipment.

## **12 Regularity and propriety**

I can confirm that for 2014-15 neither I nor my staff authorised a course of action, the financial impact of which would have been that transactions would have infringed the requirements of regularity as set out in *Managing Public Money*; and that Treasury approval has been obtained for all novel, contentious or repercussive transactions relating to 2014-15.

## **13 Research integrity**

MRC Council receives an annual report on research integrity, including information on any cases of misconduct relevant to MRC-funded work. A summary report for 2014 has been published on the MRC web site in line with responsibilities agreed under the UUK Concordat to support research integrity.

The MRC aims to be a leading body in evaluation and in capturing of outcomes of funding research through comprehensive use of Researchfish, and funding independent and external research into outcomes and impacts.

## **14 Review of effectiveness**

- 14.1 As the MRC Accounting Officer I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. My review is informed by the work of the executive managers within the MRC who have responsibility for the development and maintenance of the internal control framework, as well as by internal auditors and comments made by the external auditors in their management letter and other reports.
- 14.2 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Management Board and CARAC and have developed plans to address weaknesses and ensure that continuous improvement of the system is in place. This Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

#### Directors' Annual Statement of Internal Control (DASIC)

- 14.3 All MRC Directors (intramural institutes/units, overseas offices and head office) provide an annual assurance statement (DASIC) on their areas of responsibility. These returns provide an overall positive assessment on the compliance with policies and systems of internal control.
- 14.4 All units now embedded in universities have provided a University Unit Assurance Statement, similar to the DASIC statement.
- 14.5 All returns are reviewed and validated by corporate leads for each area of responsibility before being considered by Operations Board and CARAC. Any weaknesses in controls are risk-assessed and appropriate action plans put in place.

### **15 Current Significant Risks**

The most significant risks to MRC are:

- UK SBS Ltd services

There is a risk that the MRC does not receive services to the agreed standard affecting performance or requiring 'work around', such as Scientific Recruitment. The MRC has limited ability to influence delivery. The MRC has on-going dialogue with UKSBS about performance. In addition issues are raised at the customer forum and through BIS, for example, the BIS 20/20 review.

- Establishment and operation of The Crick

There is a risk that the MRC will not be able to maximise the value of its investment in the Crick. A high risk example is the potential construction and operation of the Cross Rail 2 railway in tunnels close to the basement of the new Crick building, which may have an impact on highly sensitive equipment due to vibration and electro-magnetic interference. The equipment is used extensively for research funded by the MRC, and interference could cause inaccurate data or research interruption over protracted durations. The MRC and BIS have raised these concerns with the

Department for Transport.

- Access to personal data for research

There is a risk that access to personal data for research will be increasingly difficult due to changes in legislation (e.g. EU Data Protection) and problems with inconsistent or slow processes for authorising access. The MRC submitted evidence to the UK Government and to the EU on the proposed changes and continue to monitor the progress of the legislation.

- Pressure on the administration budget

There is pressure on the administration budget, due to cuts in central funding and costs of changes, which could lead to reduction in effectiveness of services to support science. All new administrative posts are being offered as fixed term to allow for flexibility. The MRC is working with other research councils to identify opportunities for improved efficiency and reduce costs.

- Biomedical Catalyst

This highly successful partnership between the MRC and Innovate UK, is supported from MRC baseline funding and a special allocation to Innovate UK. If the Innovate UK funding is not renewed in 2015, or if decisions are delayed, this translational initiative will stall. The MRC is working with Innovate UK to help ensure that the strongest possible evidence (including independent work by IPSOS/MORI) is available for the spending review, and ensuring that MRC and community support is visible throughout the spending review.

- Procurement

The procurement service is subject to a procurement improvement plan following the identification of weak controls at UK SBS. If the level of service were not to improve there is a risk business activities will be adversely impacted.

## **16 Assurance**

### Audit and Assurance Service Group (AASG)

- 16.1 In 2014/15 the Head of Internal Audit provided the MRC with an overall moderate level of assurance on the adequacy and effectiveness of MRC's controls framework.
- 16.2 The internal audit programme is developed annually in consultation with CARAC, Management Board and the Head of Risk Management. In 2014/15 the audit programme included 27 audits, 12 (44.4 per cent), substantial 14 (51.9 per cent) moderate assurance giving the MRC a realised assurance of (96.3 per cent) which

has increased from previous year. Whilst one cross-council report received limited assurance it is believed that no issues are serious enough to be specifically mentioned in this statement.

16.3 The outcomes of all audits are discussed at CARAC.

16.4 The MRC has a comprehensive system for tracking implementation of audit recommendations. Progress on implementation is reviewed at Operations Board and CARAC at least quarterly.

#### Funding assurance activities

16.5 Funding assurance activities are now encompassed within the overall remit of AASG. These activities focus on substantive testing of the control environment [within individual research organisations] and its effectiveness in ensuring compliance with the Research Councils' terms and conditions which accompany grant funding. A further strand of work focuses on the scrutiny of the costing methodology used in Research Organisations, which for universities is the Transparent Approach to Costing (TRAC).

16.6 In 2014-15, 28 assurance assignments were undertaken, comprising of seven visits and three enhanced desk-based reviews and 17 desk-based reviews. This programme is an important element of the risk management framework for the MRC, and findings for the year indicate that a satisfactory level of assurance can be reported based on the work undertaken.

#### **UK Shared Business Services Ltd (SBS) Assurance**

16.7 The UK SBS Ltd provides processing services in human resources, procurement, payroll, finance, grants and IT to all seven Research Councils. Last year our Annual Governance Statement (AGS) noted that ownership and control of UK SBS Ltd had passed from the research councils to BIS.

16.8 In 2014-15 there have been significant changes in the assurance provision. Since 1<sup>st</sup> April 2014 the Government Internal Audit Agency (GIAA) now has the responsibility for the UK SBS Ltd audit programme. The GIAA reports provide input to the UK SBS CEO's quarterly assurance letters which provide the cornerstone of the assurance I receive regarding UK SBS Ltd.

16.9 At the time of writing this AGS, I have received three assurance letters covering the period up until 31 December 2014. The latest letter concludes that, based on the internal audit work to date, the UK SBS CEO anticipates receiving a limited assurance opinion for the effectiveness of internal controls within the company as a whole. The Head of Internal Audit (GIAA) has indicated that he anticipates providing a moderate assurance opinion for the effectiveness of internal controls relating to customer processes. I note the positive content of the UK SBS Ltd letter and note it as a source of assurance for this year and in future years.

16.10 As a result of the assurance provided by the UK SBS CEO and a wider review with cross-council governance groups, I highlight the following:

- It is pleasing to note that UK SBS has continued to deliver in a number of areas and many improvements have been noted in their performance.
- UK SBS continues to operate in a challenging environment with often

changing and sometimes conflicting priorities. During the year this has included:

- uncertainty relating to staff reductions,
  - the planned transfer of some transactional services to Shared Services Connected Limited (SSCL), although a decision has now been made to discontinue on this path,
  - the upgrade of the Oracle 12.0.6 Platform,
  - the transfer of the peer review process back to the research councils,
  - the BIS 2020 Review.
- Whilst some progress has been made to improving the control framework in UK SBS over the last 12 months, the controls have yet to become sufficiently embedded in the organisation. The scope and scale of improvements required across parts of the framework for the company are significant.
  - Through the assurance letter and GIAA reviews UK SBS have highlighted the following areas that require improvement:
    - IT governance and management
    - Procurement
    - Payroll

16.11 In relation to a wider review with cross-council customer governance groups and other cross-council groups, I highlight:

- A number of improvements in performance and control but also reflected is a challenging and changing business environment and the loss of experienced staff. This is coupled with a decline in the pace at which change and improvements are being delivered.
- The need to revisit the continued relevance of the Master Service Agreement (MSA) and Critical Performance Indicators (CPIs) across all services. Action is in hand to review CPIs relating to HR/payroll, procurement and ISS system bandwidth.
- Shortfalls on a significant number of existing CPIs across all services, with a caveat, that performance within Finance Service Delivery has, overall, been fairly steady with some exceptions.
- Across service areas councils continue to work with UK SBS and seek improvements in relation to:
  - Procurement
  - Recruitment
  - IT governance and controls
  - The fixed asset module
  - Service requests
  - Business continuity and disaster recovery

16.12 I accept the general picture provided by the UK SBS Ltd Chief Executive in that the organisation has undergone significant change and reorganisation in 2014-15, I am pleased to note that UK SBS Ltd have clearly recognised that problems and issues exist and have been transparent and open in reporting these in the most recent assurance letter. Even so, the current assurance picture clearly highlights the need for continued improvement and I consider the business continuity of UK SBS operations to be a risk to MRC business. This may be indicative of resources issues, the impact of which we have yet to fully feel as personnel continue to leave.

16.13 There is no room for complacency and I will expect a significant improvement in

the assurance levels and the level of service through 2015-16. The MRC, in concert with the other RCs, will support UK SBS going forward and continue to monitor on-going performance both by UK SBS and within research council operations.

16.14 I rely on the Accounting Officer of UK SBS to provide me with an assurance on these areas.

## **17 Conclusion**

17.1 This Governance Statement represents the results of the review of effectiveness of the governance framework, risk management and internal control. I have considered the evidence provided and the advice of AASG and the CARAC. The conclusion of the review is sufficient to satisfy me that the operation of systems of governance, risk management, and control are appropriate for the MRC and its risk profile.

Sir John Savill

Accounting Officer/Chief Executive



**The certificate of the Comptroller and Auditor General  
to the Houses of Parliament**





**Statement of Comprehensive Net Expenditure  
for the year ended 31 March 2015**

	Note	2014/15 £000	2013/14 £000
<b>Expenditure</b>			
Staff Costs	8a	138,774	143,097
Other Expenditure	10	101,764	116,234
Research Grants	11	305,144	272,501
Other Research	12	145,743	164,236
Postgraduate/training awards	13	71,107	69,910
International Subscriptions	14	16,646	17,678
Commercial Activities	15	51,311	41,684
Amortisation of intangible assets	16	22,571	24,844
Depreciation	17	27,160	21,993
Reversal of prior year downward revaluation of property, plant and equipment	17	(2,026)	0
Impairment of property, plant and equipment	17	3,807	7,768
Reversal of prior year impairment of property, plant and equipment	17	0	(14,338)
Notional service charge	1p	6,113	6,113
<b>Total expenditure</b>		<b>888,114</b>	<b>871,720</b>
<b>Income</b>			
Contributions from other government departments	4	(23,610)	(20,182)
Contributions and grants from other bodies	5	(58,262)	(63,379)
Commercial activities	15	(94,899)	(85,416)
Other Income	6	(3,548)	(3,482)
<b>Total income</b>		<b>(180,319)</b>	<b>(172,459)</b>
<b>Net Operating Expenditure</b>		<b>707,795</b>	<b>699,261</b>
Interest Receivable	7	(26)	(38)
Other finance expenditure/(income)	9f	(3,163)	1,381
Unwinding of discount on provisions	24	60	98
Loss on disposal of property, plant and equipment		476	247
Share of losses of joint venture	18	805	0
<b>Net expenditure for the year</b>		<b>705,947</b>	<b>700,949</b>
<b>Other Comprehensive Expenditure</b>			
Net (gain) on revaluation of property, plant and equipment	17	(51,116)	(24,016)
Net (gain)/loss on revaluation of intangible assets	16	(31,394)	5,674
Net loss/(gain) on revaluation of investments	19	197	(667)
Actuarial (gain)loss on defined benefit pension plan	9b	74,254	(99,050)
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2015</b>		<b>697,888</b>	<b>582,890</b>

The notes on pages 23 to 61 form part of these accounts.

**MRC Statement of Financial Position  
as at 31 March 2015**

		<b>2015</b>	<b>2014</b>
		<b>£000</b>	<b>£000</b>
	<b>Note</b>		
<b>Non-Current Assets</b>			
Intangible assets	16	59,445	50,536
Property, plant and equipment	17	539,903	492,099
Investment in Joint Ventures	18	268,286	231,047
Investments	19	3,149	3,346
<b>Total</b>		<b>870,783</b>	<b>777,028</b>
<b>Non- Current Assets held for sale</b>	<b>20</b>	<b>1,411</b>	<b>28,500</b>
<b>Current assets</b>			
Trade and other receivables	21	75,135	71,685
Cash and cash equivalents	22	5,862	10,566
<b>Total current assets</b>		<b>80,997</b>	<b>82,251</b>
<b>Total assets</b>		<b>953,191</b>	<b>887,779</b>
Trade and other payables	23	(250,068)	(244,198)
Provisions falling due within 1 year	24	(3,468)	(10,541)
<b>Total current liabilities</b>		<b>(253,536)</b>	<b>(254,739)</b>
<b>Total assets less current liabilities</b>		<b>699,655</b>	<b>633,040</b>
<b>Non current liabilities</b>			
Trade and other payables	23	(10,913)	(21,358)
Provisions for liabilities and charges	24	(3,507)	(5,007)
Pension (liability)/asset	9d	22,894	73,737
<b>Total non current liabilities</b>		<b>8,474</b>	<b>47,372</b>
<b>Assets less liabilities</b>		<b>708,129</b>	<b>680,412</b>
<b>Equity</b>			
Revaluation reserve		83,357	39,163
Intellectual property reserve		59,401	50,523
Pension Reserve		22,894	73,737
General reserve		542,477	516,989
<b>Total government funds</b>		<b>708,129</b>	<b>680,412</b>

The notes on pages 24 to 61 form part of these accounts.

**MRC Statement of Cash Flows  
for the year ended 31 March 2015**

	Notes	<b>2015 £000</b>	<b>2014 £000</b>
<b>Cash flow from operating activities</b>			
Net expenditure for the year	SoCNE	(705,947)	(700,949)
Depreciation charge	17	27,160	21,993
Amortisation charge	16	22,571	24,844
Capital grant of assets		372	29,170
Reversal of prior year downward revaluation of property, plant and equipment	17	(2,026)	0
Impairment of property, plant and equipment	17	3,807	7,768
Reversal of prior year impairments	17	0	(14,338)
(Gain)/Loss on disposal of property, plant and equipment		476	247
Impairment of investments	18	805	0
Other non-cash items – IAS 19 pension costs		(7,437)	(4,487)
Notional service charge	1p	6,113	6,113
(Decrease) in provision for liabilities and charges	24	(8,573)	(705)
(Increase)/Decrease in trade and other receivables	21	(3,450)	9,866
(Decrease) in trade and other payables	23	(4,575)	(13,606)
<b>Net cash outflow from operating activities</b>		<b>(670,704)</b>	<b>(634,084)</b>
<b>Cash flow from investing activities</b>			
Receipts from sale of Property, Plant and Equipment		225	2,765
Receipts from sale of Non-Current Assets held for sale		28,500	0
Payments to acquire Property, Plant and Equipment	17	(28,199)	(27,088)
Payments to acquire investments in joint ventures	18	(38,044)	(114,504)
Payments to acquire intangibles	16	0	(312)
<b>Net cash outflow from investing activities</b>		<b>(37,518)</b>	<b>(139,139)</b>
<b>Net cash outflow before financing</b>		<b>(708,222)</b>	<b>(773,223)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid received	3	703,518	725,800
<b>Net cash inflow from financing activities</b>		<b>703,518</b>	<b>725,800</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>22</b>	<b>(4,704)</b>	<b>(47,423)</b>
Cash and cash equivalents at the beginning of the period	22	10,566	57,989
Cash and cash equivalents at the end of the period	22	5,862	10,566

The notes on pages 24 to 61 form part of these accounts.

**MRC Statement of Changes in Taxpayers' Equity  
for the year ended 31 March 2015**

	<b>Revaluation reserve</b>	<b>Intellectual Property reserve</b>	<b>Pension reserve</b>	<b>General reserve</b>	<b>Total Government funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2013	42,110	81,005	(34,027)	438,074	527,162
Grants from Parent (note 3)				725,800	725,800
Net loss on revaluation of intangible assets		(5,674)			(5,674)
Net gain on revaluation of property, plant and equipment	24,016				24,016
Revaluation of investments	667				667
Actuarial gain(loss) in the pension scheme (note 9b)			99,050		99,050
Transfers between reserves	(27,630)	(24,808)	4,487	47,951	0
Contributions from other employers within the pension scheme			4,227		4,227
Notional service costs				6,113	6,113
Net expenditure for the year				(700,949)	(700,949)
<b>At 31 March 2014</b>	<b>39,163</b>	<b>50,523</b>	<b>73,737</b>	<b>516,989</b>	<b>680,412</b>

Balance at 1 April 2014	39,163	50,523	73,737	516,989	680,412
Grants from Parent (note 3)				703,518	703,518
Net gain on revaluation of intangible assets		31,394			31,394
Net gain on revaluation of property, plant and equipment	51,116				51,116
Revaluation of investments	(197)				(197)
Actuarial (loss) in the pension scheme (note 9b)			(74,254)		(74,254)
Transfers between reserves	(6,725)	(22,516)	7,437	21,804	0
Contributions from other employers within the pension scheme			15,974		15,974
Notional service costs				6,113	6,113
Net expenditure for the year				(705,947)	(705,947)
<b>At 31 March 2015</b>	<b>83,357</b>	<b>59,401</b>	<b>22,894</b>	<b>542,477</b>	<b>708,129</b>

The notes on pages 24 to 61 form part of these accounts.



## **1. Statement of Accounting Policies**

### **a. Basis of accounting**

These financial statements have been prepared in accordance with a Direction issued by the Secretary of State for Business, Innovation and Skills (BIS) in pursuance of Section 2(2) of the Science and Technology Act 1965.

These financial statements have been prepared in accordance with the 2014-5 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the MRC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the MRC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### **Adoption of New or Revised Standards Effective and Major FReM Changes for 2014/15**

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2015, have been adopted in these financial statements, taking account the specific interpretations and adaptations included in the FReM.

IFRS 10 (Consolidated Financial Statements), 11 (Joint Arrangements), 12 (Disclosure of Interests in Other Entities), IAS 27 (Separate Financial Statements), IAS 28 (Investments in Associates and Joint Ventures) - (effective for periods beginning on or after 1 January 2014 per FReM) - IASB have issued new and amended standards that affect the consolidation and reporting of subsidiaries, associates and joint ventures.

IAS 19 – Employee Benefits – Amends the standard to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

IAS 32 – Financial Instruments: Presentation – Amendments to the offsetting of assets and liabilities focussed on four main areas:

- The meaning of 'currently has a legally enforceable right of set-off'
- The application of simultaneous realisation and settlement
- The offsetting of collateral amounts
- The unit of account for applying offsetting requirements

These disclosures have been adopted in full but have no impact within these financial statements due to the nature of the MRC's business.

### **Effective for Future Financial Years**

The IASB and IFRIC issued certain standards and interpretations with an effective date after these financial statements. Where these changes are relevant to MRC's circumstances they are listed below and will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on MRC's reported income or net assets in the period of adoption.

IFRS 13 – Fair Value Measurement – (effective for periods beginning on or after 1 January 2015 per FReM – early adoption not permissible) - IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). Final details are currently under consultation and further impact of how this will affect the MRC will be addressed when these details are announced.

IFRS 9 Financial Instruments: Classification and Measurement (at its November 2014 meeting the IASB decided that the mandatory effective date for IFRS 9 will be no earlier than for periods beginning on or after 1 January 2018) – IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets, together with the elimination of two categories. MRC will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

IFRS 15 – Revenue from Contracts with Customers – (effective for periods beginning on or after January 2017) – IFRS15 provides for a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which the revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures around revenue are also introduced.

#### **b. Accounting convention**

These financial statements are prepared under the historical cost convention, modified by the revaluation of non-current assets, and, where material, current asset investments to fair value as determined by the relevant accounting standard. This is in accordance with the 2014-15 FReM issued by Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

These financial statements are presented in Sterling, the MRC’s functional currency and all amounts have been rounded to the nearest thousand.

#### **c. Changes in accounting policy**

There are no changes in accounting policy in the 2014/15 financial year.

#### **d. Consolidation**

UK Biobank Limited has not been consolidated within these financial statements as it is not considered to be subsidiary of MRC. As MRC is one of nine trustees that manage Biobank, the MRC is not able to exert any control and so the company is not consolidated in the MRC Account.

#### **e. Investment in Joint Ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The MRC has two joint venture investments: the Francis Crick Institute (CRICK); and Imanova Limited (Imanova).

Investments in Joint Venture are accounted for using the equity method, unless they are not yet fully operational, in which case they are valued at the cost to MRC of the development (as represented by assets under construction or the purchase of shares). This is deemed equivalent to fair value of the investment in the development phase. Impairment is considered at each year end, taking into account the ongoing service potential of the assets held.

CRICK is accounted for at cost to MRC. Imanova is accounted for using the equity method.

#### **f. Investments**

Listed investments are shown at market value. Unrealised gains or losses arising as a result are included in the Statement of Change in Taxpayers Equity in revaluation reserve. Realised gains or losses are included in the Statement of Comprehensive Net Expenditure. Any investments the Directors intend to dispose within 12 months are included in current assets.

Unlisted investments are shown at cost. Any surplus or temporary deficit on revaluation is taken to

the revaluation reserve. Any permanent impairment in value is charged to the Statement of Comprehensive Net Expenditure in the year in which it arises.

### **g. Property, Plant and Equipment and depreciation**

Expenditure on property, plant and equipment includes the purchase of land, buildings and equipment costing £10,000 or more. Property, plant and equipment are included at valuation, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses if any. Equipment, excluding computers and software, is revalued annually using appropriate indices. Land and buildings are professionally revalued every five years and in the intervening period relevant indices are used. The basis of valuation for land and buildings is open market value for existing use where this can be established. However, because of the specialised nature of the MRC's properties, most valuations are on a depreciated replacement cost basis. Any surplus on revaluation is taken to a revaluation reserve. Impairments in value are charged to the Statement of Consolidated Net Expenditure in the year in which they arise.

Assets under construction are valued at cost, including directly attributable in-house costs required to bring the asset into working condition for its intended use.

Increased depreciation charges arising from revaluations are matched by transfers from the revaluation reserve to the general reserve.

On disposal of a revalued asset, the resulting element of the revaluation reserve that is realised is transferred directly to the general reserve.

Provision is made for depreciation on all property, plant and equipment at rates calculated to write off each asset evenly to its residual value over its expected useful life, as follows:

Freehold land	Not depreciated
Leasehold land	Up to 60 years (subject to length of lease)
Freehold buildings	Up to 60 years
Leasehold buildings	Up to 60 years (subject to length of lease)
Major facilities (items costing over £50,000)	11 years
Other scientific equipment	5 to 15 years
Computers	3 years
Engineering, office and catering equipment	8 years
Motor vehicles	5 years
Assets under construction	Not depreciated until brought into use

Depreciation is charged from the date the property, plant and equipment are available for use.

### **h. Intangible assets and amortisation**

The values of patents, licences and royalties held by the MRC are capitalised as intangible assets based on their expected income streams. Income from these patents, licences and royalties is generated from agreements between the MRC and companies engaged in the commercial exploitation of MRC inventions and research. The values of these intangible assets are amortised over the period these agreements are in force, including a full year's amortisation charge in the year of valuation. For most cases this is between seven and fifteen years, and such assets are not capitalised until the income stream is reasonably certain. Income streams are reviewed each year. Any surplus or deficit on valuations following such reviews is taken to the intellectual property reserve.

Software costing £10,000 or more are included in intangibles and are stated at fair value and amortised from the date they are available for use over their useful lives estimated at three years.

#### **i. Impairment**

The carrying amounts of the MRC's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment: a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure.

#### **j. Non-current assets held for resale**

Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, Management are committed to the sale and completion is expected within one year from the date of the classification.

#### **k. Ownership of equipment purchased with MRC research grants**

Equipment purchased by an institution with research grant funds supplied by the MRC belongs to the institution and is not included in MRC's property, plant and equipment. Through the Conditions of Grant applied to funded institutions, the MRC reserves the right to determine the disposal of such equipment and of the proceeds of any sale. Once the research has been completed the institution is free to use the equipment without reference to the Council.

#### **l. Decommissioning costs**

Decommissioning costs are recognised in full as soon as the obligation exists. When the obligation incurred gives access to future benefits a corresponding asset is set up in the Statement of Financial Position at the same time with depreciation being charged to the Statement of Comprehensive Net Expenditure over its useful economic life.

#### **m. Grant-in-aid**

Grant-in-aid is treated as financing, rather than income and is credited to general reserve in the year in which it is received.

#### **n. Income**

MRC derives its income from a number of sources. These include income from Commercial Activities, contributions from other government bodies and contributions and grants from other bodies and other income. Commercial activities include royalties from licence agreements relating to intellectual property. It also receives income from government departments and other bodies which help co-fund research both of a collaborative and non-collaborative nature. Other income is derived from the sale of laboratory and library services, as well as proceeds from the sales of radio isotopes and other items. All income is shown net of trade discount, Value Added Tax and other taxes. Income is recognised in accordance with IAS 18. See note ab for details of deferred income.

#### **o. Research and development**

As a research organisation, all of the MRC's research and development expenditure is charged to the Statement of Comprehensive Net Expenditure when it is incurred.

#### **p. Notional service charge**

The MRC receive support services from UK SBS Ltd, which is owned by Department for Business, Innovation and Skills. Rather than transact directly with UKSBS, the department has implemented a recharging solution whereby MRC administration grant levels are reduced, and the Department pays UK SBS on behalf of the council. For 2014-15 this charge was £6,113k (2013-14 £6,113k).

#### **q. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and deposits which are repayable on demand.

#### **r. Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Statement of Comprehensive Net Expenditure.

#### **s. Value Added Tax (VAT)**

As the MRC is partially exempt for VAT purposes, all expenditure and non-current asset purchases are shown inclusive of VAT where applicable. Residual input tax reclaimable by the application of the partial exemption formula is taken to the Statement of Comprehensive Net Expenditure as a reduction of expenditure.

#### **t. Pension costs**

Employer superannuation costs are based on an actuarially derived calculation under IAS 19. See note 9. The defined benefit plan requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised in full as income or expense in the Comprehensive Statement of Net Expenditure.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

#### **u. Early retirement costs**

Compensation payments are provided for in the Statement of Comprehensive Net Expenditure. Obligations relating to those former members of staff aged 50 or over are provided for until their

normal date of retirement.

Unwinding of discount: the provision for early retirement costs is discounted at 1.30 per cent (2013/14 1.80 per cent). The unwinding of the discount has been charged to the Statement of Comprehensive Net Expenditure.

#### **v. Operating leases**

Operating lease charges are recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

#### **w. Provisions**

Provisions have been made in accordance with IAS 37 for early retirement and decommissioning costs. Provisions are recognised when it is probable that MRC will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the amount that MRC would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time.

This may require estimating the future cash flows in current-year prices (i.e. at the price level prevailing in and, where the time value of money is material, discounting them at the standard public sector real rate set by HM Treasury).

#### **x. Derivatives and other financial instruments**

Due to the non-trading nature of its activities and the way in which the MRC is financed, the MRC is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, 39 and IFRS 7 mainly apply. The MRC has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the MRC in undertaking its activities.

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollective amounts. Provision is made when there is objective evidence that the MRC will not be able to collect certain debts.

Bad debts are written off when identified. The amount of provision is the difference between the carrying amount and the recoverable amount and is recognised in the Statement of Comprehensive Net Expenditure.

Trade and other payables are recognised in the period in which related money, goods, or services are received or when a legally enforceable claim against the MRC is established or when the corresponding assets or expenses are recognised. Receivables and payables which mature or become payable within 12 months from the statement of financial position date have been omitted from the currency profile.

#### **y. Grants payable**

Research grants and fellowships are recognised in line with a schedule of pre-agreed payment profiles, which include matching considerations, over the period of the grant duration and to the period which they relate.

Where the terms and conditions do not specify a pre-agreed payment profile or other matching considerations, obligations are recognised in full.

#### **z. Employee benefits**

Short term employee benefits are recognised by MRC when an employee has rendered service in exchange for those benefits. Included in the financial statements is an accrual for the outstanding paid holiday entitlement at 31 March 2015 on a non-discounted basis.

#### **aa. Operating segments**

An operating segment is a component of an entity that:

- engages in activities from which it may earn revenues or incur expenses (including revenues and expenses incurred internally),
- whose operating results are regularly reviewed by the entities' 'chief operating decision maker' to make decisions about resource allocation to the segment and to assess its performance, and
- for which discrete financial information is available. Segments are reported if they exceed 10% of the thresholds of revenue, net expenditure level or assets.

#### **ab. Significant estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts. Estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

#### **Deferred Income**

The MRC receives funding for mainly collaborative projects to support the MRC's research. The majority of such funding is received from the UK public sector, medical charities, and from overseas via the European Commission (EC). Some of the funding may involve payment for the collaboration a number of years in advance of the accounting period to which it relates; such as is common with the EC. Where there is a variance between work done in the accounting period and received funding, income will be deferred. When there is both a) a condition which makes the grant repayable or returnable and b) a variance between the work done in the accounting period and received funding.

#### **Pension Costs**

The determination of the pension cost and defined benefit obligation (liabilities) of the employer's pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality rates and expected rate of return. See Note 9 for further details.

#### **Property, Plant and Equipment**

Property, plant and equipment lives have been estimated by management. Much of the asset stock is of a specialised nature, scientific equipment and buildings; lives have been based on management's experience of productive use and these are sometimes at odds with the actual useful lives with the assets. Where there are material differences in the estimated lives of the assets, the assets are re-lived and accounted for accordingly.

#### **ac. Judgements made in the process of applying accounting policies**

The MRC's significant accounting policies are stated above. Not all of these policies require management to make difficult subjective or complex judgements. Those that follow are intended to provide an understanding of the policies that management consider critical because of the level of complexity and judgement involved in their application and their impact on the financial

statements.

### Intangible assets

Based on future discounted royalty income streams, estimates are subject to business uncertainty in terms of sales and the fluctuation of exchange rates, the most significant being sales in US dollars. Significant judgement has been required in assessing the impact of these variables. The policy has been judged to be compliant with IAS 38.

### Provisions for liabilities and charges

Estimates are subject to uncertainty regarding timing or amounts of obligations (legal or constructive) due by the MRC. Significant judgements are made regarding probability and measurement of obligations. These include early retirement, disposal of (sealed) radioactive sources requiring the removal of radioactive substances by specialist suppliers, and dilapidations.

### Impairment of assets

Property, plant and equipment are included at recoverable amounts. Management assess whether assets retain their recoverable amount or whether the asset is impaired, suffering a permanent diminution in value. Judgements are made on obsolescence, damage and loss resulting from normal business operations, and changes in value as part of the annual review of property, plant and equipment. This includes assets of significant value brought into use for the first time. Further details are given in Note 17.

Where those assets concern investments in joint ventures, consideration has also been given to the impact on service potential as a means of determining valuation detailed in Note 18.

### ad. Going concern

On 20 December 2010 David Willetts, Minister for Universities and Science, announced the MRC's financial allocations for 2011-12 through to 2014-15 as part of the Comprehensive Spending Review (CSR). On the basis of this statement, and subsequent discussions with BIS, MRC has no reason to believe that future funding will not be forthcoming. Therefore the accounts are produced on a going concern basis.

## 2. Segmental information

### Analysis of MRC Net Expenditure by Business Segments

	Intramural	Extramural	Corporate	Technology Transfer	Total
	2014/15	2014/15	2014/15	2014/15	2014/15
	£000	£000	£000	£000	£000
<b>Expenditure</b>					
Staff costs	109,834	6,312	22,628	0	138,774
Other operating costs	86,660	3,049	12,055	0	101,764
Research grants	0	305,144	0	0	305,144
Other research	0	145,743	0	0	145,743
Postgraduate/training awards	7,160	63,947	0	0	71,107
International subscriptions	0	16,646	0	0	16,646
Commercial activities	0	0	0	51,311	51,311
Amortisation of intangible assets	55	0	0	22,516	22,571



Depreciation of property, plant and equipment	27,160	0	0	0	27160
Reversal of prior year downward revaluation of property, plant and equipment	(2,026)	0	0	0	(2,026)
Impairment of property, plant and equipment	3,807	0	0	0	3,807
Notional service charge	0	0	6,113	0	6,113
<b>Total operating expenditure</b>	<b>232,650</b>	<b>540,841</b>	<b>40,796</b>	<b>73,827</b>	<b>888,114</b>

#### Income

Contributions from other government departments	(3,328)	(20,132)	(150)	(0)	(23,610)
Contributions from other bodies	(32,432)	(25,830)	(0)	(0)	(58,262)
Commercial activities	(0)	(0)	(0)	(94,899)	(94,899)
Other income	(3,016)	(13)	(519)	(0)	(3,548)
<b>Total operating income</b>	<b>(38,776)</b>	<b>(45,975)</b>	<b>(669)</b>	<b>(94,899)</b>	<b>(180,319)</b>
<b>Net operating expenditure</b>	<b>193,874</b>	<b>494,866</b>	<b>40,127</b>	<b>(21,072)</b>	<b>707,795</b>

	Intramural	Extramural	Corporate	Technology Transfer	Total
	2013/14	2013/14	2013/14	2013/14	2013/14
	£000	£000	£000	£000	£000
<b>Expenditure</b>					
Staff costs	117,535	5,484	20,078	0	143,097
Other operating costs	93,719	3,775	18,740	0	116,234
Research grants	0	272,501	0	0	272,501
Other research	0	164,236	0	0	164,236
Postgraduate/training awards	7,029	62,881	0	0	69,910
International subscriptions	0	17,678	0	0	17,678
Commercial activities	0	0	0	41,684	41,684
Amortisation of intangible assets	34	0	0	24,810	24,844
Depreciation of property, plant and equipment	21,993	0	0	0	21,993
Impairment of property, plant and equipment	7,768	0	0	0	7,768
Reversal of prior year impairment	(14,338)	0	0	0	(14,338)
Notional service charge	0	0	6,113	0	6,113
<b>Total operating expenditure</b>	<b>233,740</b>	<b>526,555</b>	<b>44,931</b>	<b>66,494</b>	<b>871,720</b>
<b>Income</b>					
Contributions from other government departments	(3,853)	(16,329)	0	0	(20,182)
Contributions from other bodies	(39,829)	(23,550)	0	0	(63,379)
Commercial activities	0	0	0	(85,416)	(85,416)
Other income	(3,221)	(2)	(259)	0	(3,482)
<b>Total operating income</b>	<b>(46,903)</b>	<b>(39,881)</b>	<b>(259)</b>	<b>(85,416)</b>	<b>(172,459)</b>
<b>Net operating expenditure</b>	<b>186,837</b>	<b>486,674</b>	<b>44,672</b>	<b>(18,922)</b>	<b>699,261</b>

### 3. Parliamentary grant-in-aid and contribution to licence fees

The grant-in-aid is provided by BIS for the financial year 2014/15. Grant-in-aid received is treated as financing and credited directly to reserves.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Grant allocation received and credited to general reserve	703,518	725,800

#### **4. Contributions from other government departments**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Department of Health & NHS Executive	6,208	4,918
Department for International Development	14,466	12,672
Scottish Government Health Directorates	1,451	1,337
Other	1,485	1,255
<b>Total</b>	<b>23,610</b>	<b>20,182</b>

#### **5. Contributions and grants from other bodies**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Other research councils	16,619	15,062
Charities	24,481	26,308
Collaboration with industry	1,690	1,848
European Commission	6,034	10,307
Health Authorities and NHS Trusts	355	323
Universities	7,403	8,110
Other	1,680	1,421
<b>Total</b>	<b>58,262</b>	<b>63,379</b>

## 6. Other income

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Sales and other income	3,548	3,482

The council's sales income is derived from laboratory and library services, as well as proceeds from sales of radioisotopes and other items.

## 7. Interest receivable

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Interest earned on the foreign currency accounts	0	13
Interest earned on the Sterling bank balances	26	25
<b>Total</b>	<b>26</b>	<b>38</b>

## 8. Staff numbers and related costs

### a. Staff costs

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Salaries and wages	113,594	116,453
Social security costs	9,023	8,344
Other pension costs (note 9e)	20,821	21,868
Non-permanent staff	1,659	1,712
Council and committee honoraria	369	375
Early retirement costs	75	764
<b>Gross staff costs</b>	<b>145,540</b>	<b>149,516</b>
Less commercial activities (note 15)	(6,766)	(6,419)
<b>Staff costs for general activities</b>	<b>138,774</b>	<b>143,097</b>

### b. Staff numbers

The average number of full time equivalent employees during the year was made up as follows

	<b>2014/15</b>	<b>2013/14</b>
Science	1,049	1,177
Research project support	569	653
Infrastructure and Administration	307	374
Technical services	518	554
Locally employed staff (overseas)	1,441	1,343
<b>Total</b>	<b>3,884</b>	<b>4,101</b>

### c. Reporting of Civil Service and other comprehensive schemes - exit packages

Exit packages cost band	Number of compulsory redundancies	Number of departures agreed	Total number of exit packages by cost band
	2014/15(2013/14)	2014/15(2013/14)	2014/15(2013/14)
<£10k	3(6)	45(1)	48(7)
£10k-£25k	11(9)	39(8)	50(17)
£25k-£50k	5(10)	8(4)	13(14)
£50k-£100k	2(5)	4(11)	6(16)
£100k-£150k	0(0)	1(2)	1(2)
£150k-£200k	0(0)	0(0)	0(0)
>£200k	0(0)	0(0)	0(0)
<b>Total number of exit packages</b>	<b>21(30)</b>	<b>97(26)</b>	<b>118(56)</b>
<b>Total resource cost (£000)</b>	<b>£491(£921)</b>	<b>£1,539(£1,192)</b>	<b>£2,030(£2,112)</b>

## 9. MRC Pension Scheme

### MRC Pension Scheme

The MRC operates a funded pension scheme (MRCPS) providing benefits based on service and final pensionable pay at the normal retirement age of 65. The scheme is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 6.0% and 6.5% pensionable earnings to the Scheme.

During the year obligations of £9m of were recognised under Section 75 (S.75) of the 1995 pensions Act in respect of liabilities of transferred employees; a separate section, the University section, has been set up within MRCPS to manage S.75 liabilities. These costs are reflected in the valuation of the pension Scheme.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2013 at which showed a surplus of £160.1m (2010 valuation £82.1m) and the market value of the assets of the MRCPS was £1,054m (2010 = £884m). an ongoing funding level of 118 per cent (2010 valuation 110 per cent). The actuarial value of the assets was sufficient to cover 118 per cent of the benefits that had accrued to members after allowing for expected future increases in earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The present MRCPS employers' contribution rate remained at 13% in 2014/15 (2013/14 – 13%) but will rise to 14% in 2015/16

The contributions due to the scheme are set out in the schedule of contributions for each section. The most recent schedules of contributions were signed on 10 December 2014 and are due to be reviewed following the next actuarial valuation of the scheme which is due to be carried out as at 31 December 2016.

The following payments are due in 2015/16:

#### MRC Section

By the members:	6.5% of pensionable pay
By MRC:	14.0% of pensionable pay
By other employers:	14.9% of pensionable pay

The total contribution expected to be paid into the MRC section in 2015/16 is £17m.

## University Section

By the members:	6.5% of pensionable pay
By the universities:	14.9% of pensionable pay
By MRC:	21.4% of pensionable pay

The total contribution expected to be paid into the university section in 2015/16 is £10m.

As at 30 September 2014 the average maturity of the scheme as a whole was around 20 years.

The valuation used for IAS 19 disclosures has been based on the data for the most recent actuarial valuations as at 31 December 2013, and updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2015. The mortality assumptions included within the figures are that male (female) members who retire at typical ages will live to approximately age 88 (90).

### a. Financial assumptions used to calculate scheme liabilities

	2014/15	2013/14
	%	%
Rate of increase on pensionable salaries	2.85	3.25
Rate of increase on pension payments	1.85	2.25
Discount rate	3.10	4.29
Inflation rate	1.85	2.25
Expected return on equities	3.10	4.29
Expected return on bonds	3.10	4.29
Expected return on overall fund	3.10	4.29

The results of any actuarial calculation are inherently uncertain because if the assumptions which must be made. The table below indicates the approximate effects on the actuarial liability as at 31 March 2015 of changes to the main actuarial assumptions.

Change in assumption		Approximate effect on total liability	
Discount rate	-1/2% a year	+10.5%	+£127m
Rate of increase in earnings	-1/2% a year	-1.5%	-£18m
Rate of increase in pensions	-1/2% a year	-7.0%	-£84m
Removing age rate for pensioner mortality		+2.5%	+£30m

### b. Analysis of actuarial (loss)/gain

	2014/15	2013/14
	£000	£000
Actual return less expected return on pension scheme assets	93,422	38,050
Experience gain arising on the scheme liabilities	1,481	12,998
Changes in demographic assumptions	(2,027)	974
Changes in financial assumptions	(167,130)	47,028
<b>Actuarial (loss)/gain</b>	<b>(74,254)</b>	<b>99,050</b>

**c. Analysis of actuarial gain expressed as a percentage of the scheme's assets and liabilities at the statement of financial position date**

	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Actual return less expected return on pension scheme assets	7.60	3.51	6.06	-4.12	1.02
Experience gain/(loss) arising on the scheme liabilities	0.12	-1.29	1.65	0.33	-3.98
Actuarial (loss)/gain	(6.17)	9.81	-5.94	-6.81	-7.24

**d. The assets and liabilities in the scheme**

	<b>2014/15</b>	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>					
- Equities and property	985,883	925,159	877,449	787,429	778,855
- Bonds and cash	241,873	158,261	128,944	112,708	121,669
	<b>1,227,755</b>	<b>1,083,420</b>	<b>1,006,393</b>	<b>900,137</b>	<b>900,524</b>
<b>Actuarial value of liability</b>	(1,204,861)	(1,009,683)	(1,040,420)	(887,192)	(832,945)
Surplus/(Deficit) in scheme	<b>22,894</b>	<b>73,737</b>	<b>(34,027)</b>	<b>12,945</b>	<b>67,579</b>

**e. The movements in the scheme surplus**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Surplus at the start of the year</b>	<b>73,737</b>	<b>(34,027)</b>
Current service costs net of employee contributions (note 8a)	(20,821)	(21,868)
Employer contributions	41,069	31,963
Other finance income (note 9f)	3,163	(1,381)
Actuarial (loss)/gain (note 9b)	(74,254)	99,050
<b>Surplus at end of year</b>	<b>22,894</b>	<b>73,737</b>

**f. Other finance income**

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Expected return on pension scheme assets	46,479	40,860
Interest on pension scheme liabilities	(43,316)	(42,241)
<b>Net return – other finance income (note 9e)</b>	<b>3,163</b>	<b>(1,381)</b>

## 10. Other expenditure

	<b>2014/15</b> <b>£000</b>	<b>2013/14</b> <b>£000</b> <b>Restated</b>
Rent and rates	4,165	4,973
Utilities	8,760	8,489
Maintenance and cleaning	13,393	13,047
Office supplies, printing and stationery	1,538	1,730
Laboratory supplies	30,016	28,922
Management consultancy and other professional fees	10,000	10,353
Postage and telephone	2,340	2,213
Audit fee	145	175
Travel, subsistence and hospitality	5,293	6,835
Computing	4,285	5,244
Equipment servicing	6,024	4,991
Minor equipment	4,984	5,858
Miscellaneous	11,817	12,457
Transport costs	305	1,189
Exchange rate losses/(gains)	(2,203)	1,655
Field work – Clinical services	588	4,116
Biomedical services and licence fees	2,328	2,088
Decommissioning costs	(2,014)	1,899
<b>Total</b>	<b>101,764</b>	<b>116,234</b>

## 11. Research grants

	<b>2014/15</b> <b>£000</b>	<b>2013/14</b> <b>£000</b> <b>Restated</b>
Research Grants	218,036	193,633
Programme Grants	46,229	41,098
Centre Grants	15,743	15,212
Trial Grant	14,838	15,518
New Investigator Research Grant	10,298	7,040
<b>Total</b>	<b>305,144</b>	<b>272,501</b>

## 12. Other research

	<b>2014/15</b> <b>£000</b>	<b>2013/14</b> <b>£000</b> <b>restated</b>
International Health Research Resource	3,986	9,288
University Units	84,237	104,437
The Francis Crick Institute	9,170	0
UK Infrastructure for large scale Clinical Genomics Research	5,997	0
Science and Innovation Capacity Building in Developing Countries - Newton Fund	4,794	0
Translational Imaging capacity	0	7,200
Cryo Electron microscopy facility	4,050	750
Translational Research	15,133	14,634
Transfer of Biomedical Science Programmes to University Partners	0	7,152
High Throughput Omic Science and Imaging	81	6,420
Open Access Block Grants	3,970	3,374
Stem Cell - Human Pluripotent	2,500	0
Neurodegenerative Diseases Initiative	962	1,053
Other	10,863	9,928
<b>Total</b>	<b>145,743</b>	<b>164,236</b>

In 2013/14 £750k was restated from other research to Cryo Electron microscopy facility

## 13. Postgraduate/training awards

	<b>2014/15</b> <b>£000</b>	<b>2013/14</b> <b>£000</b>
Research studentships/advanced course studentships	28,512	29,814
Post-doctoral fellowships	42,595	40,096
<b>Total</b>	<b>71,107</b>	<b>69,910</b>

## 14. International subscriptions

	<b>2014/15</b> <b>£000</b>	<b>2013/14</b> <b>£000</b>
International Agency for Research on Cancer	886	902
European Molecular Biology Conference	2,142	2,126
European Molecular Biology Laboratory	12,301	13,341
Human Frontier Science Program	1,106	1,070
European Science Foundation	60	89
Sciences Europe	17	113
EMBO	134	37
<b>Total</b>	<b>16,646</b>	<b>17,678</b>



## 15. Commercial activities

	<b>2014/15</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Income during the year</b>	<b>94,899</b>	<b>85,416</b>
Expenditure during the year:		
Staff costs (note 8a)	(6,766)	(6,419)
Other expenditure	(44,545)	(35,265)
<b>Total expenditure</b>	<b>(51,311)</b>	<b>(41,684)</b>
<b>Net income for the year</b>	<b>43,588</b>	<b>43,732</b>

The council requires a financial return from successful commercial exploitation of original MRC research. Such income arises from royalties, equity stakes and other forms of receipts agreements as a result of licencing council inventions and know-how.

Income and expenditure relating to commercial activities is credited and charged to the Statement of Comprehensive Net Expenditure, with its cumulative balance represented within the general reserve on the balance sheet.

## 16 Intangible assets

<b>MRC</b>	Patents & Licences <b>£000</b>	Software Licences <b>£000</b>	Total <b>£000</b>
At cost or valuation			
At 1 April 2014	<b>216,029</b>	<b>1,804</b>	<b>217,833</b>
Additions	0	0	0
Disposals	0	(392)	(392)
Transfer	0	86	86
Revaluation	31,394	0	31,394
<b>At 31 March 2015</b>	<b>247,423</b>	<b>1,498</b>	<b>248,921</b>
<b>Amortisation</b>			
At 1 April 2014	<b>(165,507)</b>	<b>(1,790)</b>	<b>(167,297)</b>
Charge for the year	(22,516)	(55)	(22,571)
Disposals	0	392	392
<b>At 31 March 2015</b>	<b>(188,023)</b>	<b>(1,453)</b>	<b>(189,476)</b>
<b>Net Book Value</b>			
<b>At 31 March 2015</b>	<b>59,400</b>	<b>45</b>	<b>59,445</b>
At 1 April 2014	50,522	14	50,536

<b>MRC</b>	Patents & Licences <b>£000</b>	Software Licences <b>£000</b>	Total <b>£000</b>
At cost or valuation			
At 1 April 2013	<b>221,703</b>	<b>2,220</b>	<b>223,923</b>
Additions	0	312	312
Disposals	0	(441)	(441)
Transfer	0	(287)	(287)
Revaluation	(5,674)	0	(5,674)
<b>At 31 March 2014</b>	<b>216,029</b>	<b>1,804</b>	<b>217,833</b>
<b>Amortisation</b>			
At 1 April 2013	<b>(140,698)</b>	<b>(2,182)</b>	<b>(142,880)</b>
Charge for the year	(24,809)	(35)	(24,844)
Disposals	0	427	427
<b>At 31 March 2014</b>	<b>(165,507)</b>	<b>(1,790)</b>	<b>(167,297)</b>
<b>Net Book Value</b>			
<b>At 31 March 2014</b>	<b>50,522</b>	<b>14</b>	<b>50,536</b>
At 1 April 2013	81,005	38	81,043

## 17. Property plant & equipment

<b>MRC</b>	Land and Buildings <sup>(1)</sup> <b>£000</b>	Assets under Construction <b>£000</b>	Equipment and Vehicles <b>£000</b>	Total <b>£000</b>
<b>Cost or valuation</b>				
<b>At 1 April 2014</b>	<b>555,320</b>	<b>19,902</b>	<b>199,360</b>	<b>774,582</b>
Additions	5,034	0	23,165	28,199
Disposals	(436)	(0)	(21,452)	(21,888)
Transfers	1,531	(16,869)	13,641	(1,697)
Revaluation	68,450	0	4,091	72,541
Reversal of prior year downward revaluation	2,028	0	(2)	2,026
Impairment	(3,807)	0	0	(3,807)
<b>At 31 March 2015</b>	<b>628,120</b>	<b>3,033</b>	<b>218,803</b>	<b>849,956</b>
<b>Depreciation</b>				
<b>At 1 April 2014</b>	<b>(151,786)</b>	<b>0</b>	<b>(130,697)</b>	<b>(282,483)</b>
Provided during the year	(10,751)	0	(16,409)	(27,160)
Disposals	273	0	20,542	20,815
Transfers	200	0	0	200
Revaluation	(19,081)	0	(2,344)	(21,425)
Impairment	0	0	0	0
<b>At 31 March 2015</b>	<b>(181,145)</b>	<b>0</b>	<b>(128,908)</b>	<b>(310,053)</b>
<b>Net book value</b>				
<b>At 31 March 2015</b>	<b>446,975</b>	<b>3,033</b>	<b>89,895</b>	<b>539,903</b>
At 1 April 2014	403,534	19,902	68,663	492,099

The net book value of land and buildings comprises:

	<b>2015</b> <b>£000</b>	<b>2014</b> <b>£000</b>
Freehold	116,848	80,543
Long leasehold	321,808	316,945
Short leasehold	8,319	6,046

<sup>(1)</sup> Property, plant and equipment include £103,163,866 (2014 - £58,645,070) in respect of freehold land which is not depreciated.

In 2014/15 Oakdale Lodge had been actively marketed by MRC and a sale was expected within the next twelve months and so had been classified as an Asset held for sale (see Note 20). This was marketed for £1,411k and was excluded via the transfers line.

The professional revaluation for the research unit in Uganda planned for 2014/15 was not completed in the year. The last valuation that the MRC have for Uganda building assets was dated November 2011. This valuation gives a calculated impairment of £165k, which is not considered to be material to the MRC. Accordingly, no adjustment has been made for this valuation.

<b>MRC</b>	Land and Buildings	Assets under Construction	Equipment and Vehicles	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
<b>At 1 April 2013</b>	<b>624,758</b>	<b>15,985</b>	<b>230,411</b>	<b>871,154</b>
Additions	7,966	5,219	13,903	27,088
Disposals	(88,476)	0	(49,408)	(137,884)
Transfers	(27,852)	(1,302)	941	(28,213)
Revaluation	32,354	0	3,513	35,867
Impairment	(7,768)	0	0	(7,768)
Reversal of prior year impairment	14,338	0	0	14,338
<b>At 31 March 2014</b>	<b>555,320</b>	<b>19,902</b>	<b>199,360</b>	<b>774,582</b>
<b>Depreciation</b>				
<b>At 1 April 2013</b>	<b>(203,041)</b>	<b>0</b>	<b>(151,314)</b>	<b>(354,355)</b>
Provided during the year	(7,176)	0	(14,817)	(21,993)
Disposals	68,200	0	37,519	105,719
Revaluation	(9,769)	0	(2,085)	(11,854)
<b>At 31 March 2014</b>	<b>(151,786)</b>	<b>0</b>	<b>(130,697)</b>	<b>(282,483)</b>
<b>Net book value</b>				
<b>At 31 March 2014</b>	<b>403,534</b>	<b>19,902</b>	<b>68,663</b>	<b>492,099</b>
At 1 April 2013	421,717	15,985	79,097	516,799

The net book value of land and buildings comprises:

	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Freehold	80,543	99,796
Long leasehold	316,945	316,506
Short leasehold	6,046	5,365

## 18. Investments in Joint Ventures

	Joint venture Francis Crick Institute Ltd	Joint venture Imanova Ltd	Total of Joint ventures
	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April 2014	229,797	1,250	231,047
Additions	38,044	0	38,044
Share of losses during the year	0	(805)	(805)
Revaluation	0	0	0
<b>As at 31 March 2015</b>	<b>267,841</b>	<b>445</b>	<b>268,286</b>

	Joint venture Francis Crick Institute Ltd	Joint venture Imanova Ltd	Total of Joint ventures
	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April 2013	115,418	1,125	116,543
Additions	114,379	125	114,504
Share of losses during the year	0	0	0
Revaluation	0	0	0
<b>As at 31 March 2014</b>	<b>229,797</b>	<b>1,250</b>	<b>231,047</b>

### The Francis Crick Institute Limited and UKCMRI Construction Limited

The Francis Crick Institute is a UK registered charity and limited company formed to deliver the proposed UK Centre for Medical Research and Innovation. The MRC, in partnership with Cancer Research UK, University College London, Kings College London, Imperial College of Science Technology and Medicine and the Wellcome Trust, own the Francis Crick Institute Ltd. The entity is designed to allow the delivery of the scientific aims of the joint venture. The original Joint Venture Agreement was signed on 9th November 2010 which established the Francis Crick Institute as a charity limited by shares, following agreement of the Charity Commission. A Deed of accession varying the original Joint Venture Agreement was signed by all venturers in 11 October 2011.

Until such time as the Institute becomes operational the Council believe that their investment is best represented by the cost of the shares and therefore we have not consolidated the results of the Francis Crick Institute Ltd.

Shares in UKCMRI Construction Limited the construction company owned by the original partners, of which each partner held one £1 share, were transferred to The Francis Crick Institute Ltd upon as part of the JVA and became a wholly owned subsidiary of the Francis Crick Institute Ltd. The funding of the project has been by capital contributions leading to shares. The MRC investment in the Francis Crick Institute Ltd is represented by issued shares.

Shares are issued in respect of payments and these are accounted for as investments in return for providing the Francis Crick Institute with in year funding under the joint venture agreement of £38.0m, the Francis Crick Institute agreed to issue the Council ordinary shares in the Francis Crick Institute to the same value. In addition at the year end the Francis Crick Institute owed the Council £148,577 (2013-14 £116,349) and the Council owed the Francis Crick Institute £0 (2013-14 £1,510,111).

A lease was made between the original founders and the Francis Crick Institute Ltd on 7th June 2012 granting lease of land at Brill Place, Camden, London (site of the Francis Crick Institute) to the Francis Crick Institute Ltd. The lease term is for a period of 55 years at peppercorn rent. The land had already been revalued by Powis Hughes, Chartered Surveyors on 14th April 2011. The valuation was carried out in accordance with RICS Valuation Manual, as amended April 2010,

known as the revised "Red Book", at Market Value. The MRC's interest in the land was valued at £51,163,866 and reflected in the financial statements accordingly, (2013-14 - £49,500,000).

## Imanova Limited

The Molecular and Translational Imaging centre (to be known as Imanova) is an innovative alliance (joint venture) between the MRC, Imperial College of Science Technology, Kings College London and University College. Established in April 2011, Imanova and its partners bring together a breadth and depth of knowledge and expertise that will drive research and innovation in imaging sciences. The company will create, manage and operate a new centre of excellence in the field of translational imaging research. The company is a not for profit entity, of which the MRC owns 25% shareholding.

During the year, an award of £0m was made to Imanova (2013-14 £7.2m) in conjunction with JVA initial funding obligations. Additionally, separate from the JVA, an award for £0 (2012/13 - £845,000) was made in respect of work to be undertaken by Imperial College through Imanova.

MRC has accounted for its investment in Imanova as a joint venture, in accordance with IFRS11. It holds 25% of the ordinary shares of the company whose provisional results for financial year 2014/15 record a deficit of £1.135m (2013/14 £0.95m) before tax and net assets of £1.78m (2013/14 £2.47m). MRC's share of the net assets of Imanova is therefore £445k and it has accounted for the losses incurred by Imanova on this basis.

During the year MRC had transactions totalling £3.78m (2013/14 £4.7m) with Imanova. There were no outstanding balances owed from Imanova Limited to MRC and MRC to Imanova Limited at the end of the year.

## 19. Investments

### a. Quoted investments

	2015	2014
	£000	£000
As at 1 April	3,346	2,679
Additions	0	0
Disposals	0	0
Revaluation	(197)	667
<b>As at 31 March</b>	<b>3,149</b>	<b>3,346</b>

	Number of shares held	Holding %	Market value at 31 March 2015
			£000
<b>Quoted</b>			
Galapagos NV (Belgium)	59,919	0.47	701
Vectura (formerly Innovata plc)	58,357	0.04	85
Natus Medical Inc (USA)	7,066	0.04	188
Sangamo Biosciences Inc (USA)	165,255	0.54	1,747
Onxeo SA	8,438		33
Vernalis plc	15,519	0.14	7
Avacta Group plc	44,601,073	0.46	388
<b>Total</b>			

At the close of business on 31 March 2015 the price per share of council's shareholdings listed on the London stock exchange, the AIM, and the Nasdaq were as follows:

Galapagos NV	€15.99
Vectura (formerly Innovata plc)	147.75p
Natus Medical Inc	\$39.47
Sangamo Biosciences Inc	\$15.68
Onxeo SA	€5.31
Vernalis plc	46.25p
Avacta Group plc	0.87p

## b. Unquoted investments

Private unquoted	Number of shares held
Anaptys Biosciences Inc.	120,000
CMP Therapeutics Ltd	93,600
Bicycle Therapeutics Ltd	72,059
D-Gen Ltd	21,412
Iclectus Ltd	6,400
Oxxon Therapeutics Ltd	10,332
Rain Dance Technologies Inc	200,000
Senexis Ltd	10
Phosphate Therapeutics Ltd	245,871
Inflectis Bioscience SA	12,592
UK SBS Ltd A Shares (note 18)	1
Francis Crick Limited (note 18)	267,841,639

These companies with the exception of SBS and Crick represent the council's interest in enterprises engaged in the commercial development of council inventions and know how. These equity positions were received in return for company access to the council's intellectual property.

During the year Heptares Therapeutics Limited were acquired in a business combination with a third party. MRC's shares were acquired as part of the business arrangement, the MRC receiving £1,775,000. The results are reflected in Note 15.

## c. Companies Limited by Guarantee

### UK Biobank Limited

UK Biobank Limited is a company limited by guarantee and a registered charity. It is a major UK medical research initiative, with the aim of improving the prevention, diagnosis and treatment of a wide range of serious and life-threatening illnesses – including cancer, heart diseases, diabetes, arthritis and forms of dementia.

The MRC is one of the two members of the company, along with the Wellcome Trust and is one of the prime funders of the organisation. UK Biobank Limited is a related party of the council. As the council is one of nine trustees that manage Biobank and it is a charity, the council is not able to exert any control and so the company is not consolidated in these accounts and its transactions

with UK Biobank are expensed as grant payments. Grants payment by the council to UK Biobank Limited during 2014/15 were £3,777,560 (2013/14 = £4,240,030). Additional investments were made during the year totalling £0.0m (2013/14 £5.0m). There were no outstanding balances to / from UK Biobank Limited at the end of the year, or the prior year

### **Medical Research Council Technology Limited**

Medical Research Council Technology Limited (MRCT) is a company limited by guarantee and a registered charity. Its principal activity is the management, development and exploitation of the Council's intellectual property assets, including its valuable patent rights associated with the production of monoclonal antibodies.

Following reorganisation of MRCT's governance arrangements, MRC has the right to appoint only one Board member (Director) out of a total of no less than five and normally not more than ten Directors. These changes ensure that the Chairman of the Board of Trustees and a majority of the Trustees will no longer be MRC employees and are independent of the MRC. MRCT is a related party of the council.

MRCT is associated with the Medical Research Council and received funding during the year for the management of the MRC patent portfolio and for research purposes as follows: Management fees of £4,620,000 (2013/14 - £4,620,000). At the year end, £1,032,220 (2014 - £8,000,000) was due from the MRC to MRCT and £25,364 (2014 - £33,229) was due to the MRC from MRCT.

## **20. Non-Current assets held for sale**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Assets held for resale	1,411	28,500

Oakdale Lodge was categorised as held for sale in 2014/15. These were flats that were held as part of the NIMR holding of land and building assets but they were marketed for sale as they were surplus to requirements as at 31 March 2015.

The site of the former National Temperance Hospital was categorised as held for sale in 2013/14 as it was expected to be sold to the Department for Transport. This transaction occurred in September 2014.

The asset was sold for the valuation it is held at in the Statement of Financial Position at the year-end of £28.5m. Therefore there was no gain or loss on disposal of this asset.

## **21. Trade and other receivables**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	15,662	18,577
Less provisions for bad debts	(16)	(16)
	15,646	18,561
Other receivables	1,907	1,763
Accrued income	43,334	37,962
Prepayments	14,248	13,399
<b>Total</b>	<b>75,135</b>	<b>71,685</b>



### Intra-government balances

At the end of the year, the council had receivable balances with other government bodies totalling £345k (2013/14 = £8,061k) comprising the following: Government Agencies £116k (2013/14 = £8,009k), NHS Trusts and Hospitals £229k (2013/14 = £52k)

### 22. Cash and cash equivalents

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	10,566	57,989
Net change in cash and cash equivalent balances	(4,704)	(47,423)
<b>Balance at 31 March</b>	<b>5,862</b>	<b>10,566</b>
The following balances were held at commercial banks and cash in hand	4,157	2,678
The following balances were held with the Government Banking Service	1,705	7,888
<b>Balance at 31 March</b>	<b>5,862</b>	<b>10,566</b>

### 23. Trade and other payables

	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Due within 1 year		
Trade payables	(94,973)	(82,708)
Accruals	(133,184)	(140,358)
Taxation and social security	(2,261)	(2,261)
Deferred income	(17,517)	(17,215)
Other payables	(2,133)	(1,656)
<b>Total</b>	<b>(250,068)</b>	<b>(244,198)</b>
Due after more than 1 year		
<b>Accruals</b>	<b>(10,913)</b>	<b>(21,358)</b>

### Intra-government balances

At the end of the period, the MRC had payable balances with other government bodies totalling £815k (2013/14 = £3,302k) comprising the following: Government Agencies £668k (2013/14 = £3,034k) NHS Trusts and Hospitals £147k (2013/14 = £268k).

### 24. Provisions for liabilities and charges

	Early retirements compensation scheme <sup>(1)</sup> <b>£'000</b>	Decommissioning costs <b>£'000</b>	Other costs <b>£'000</b>	Total provisions <b>£'000</b>
At 1 April 2014	<b>4,098</b>	<b>9,723</b>	<b>1,727</b>	<b>15,548</b>
Amount provided in year	74	0	178	252
Write back of provision	0	(2,014)	0	(2,014)
Unwinding of the discount	60	0	0	60
Amount expended in year	(751)	(6,120)	0	(6,871)
<b>At 31 March 2015</b>	<b>3,481</b>	<b>1,589</b>	<b>1,905</b>	<b>6,975</b>
Provisions due within 1 year	585	978	1,905	3,468
Provisions due between 1 and 5 years	1,477	611	0	2,088

Provisions due between 6 and 10 years	855	0	0	855
Provisions due over 10 years	564	0	0	564
Sub-total of provisions over one year	2,896	611	0	3,507
<b>At 31 March 2015</b>	<b>3,481</b>	<b>1,589</b>	<b>1,905</b>	<b>6,975</b>
At 1 April 2013	<b>4,149</b>	<b>10,377</b>	<b>1,727</b>	<b>16,253</b>
Amount provided in year	764	1,305	0	2,069
Unwinding of the discount	98	0	0	98
Amount expended in year	(913)	(1,959)	0	(2,872)
<b>At 31 March 2014</b>	<b>4,098</b>	<b>9,723</b>	<b>1,727</b>	<b>15,548</b>
Provisions due within 1 year	765	8,049	1,727	10,541
Provisions due between 1 and 5 years	1,761	1,674	0	3,435
Provisions due between 6 and 10 years	930	0	0	930
Provisions due over 10 years	642	0	0	642
Sub-total of provisions over one year	3,333	1,674	0	5,007
<b>At 31 March 2014</b>	<b>4,098</b>	<b>9,723</b>	<b>1,727</b>	<b>15,548</b>

### Early retirement compensation scheme

These are legacy Council early retirement obligations. Changes in the tax regime for pensions in 2006 meant it was necessary for early retirement benefits to be paid entirely from the pension scheme. As well as those early retirees, provision is made for where there is a difference (increase) between the maximum value of retirement benefits allowed by the employer at that time and the maximum value of benefits allowed by the pension scheme.

### Decommissioning

These include provisions for the disposal of the site at Mill Hill, NIMR, £1,151,000, Cyclotron at CSC Hammersmith £0 and High Activity Sealed Sources being used in some units, £438,000.

### Other

These relate to the dilapidation costs for the old LMB buildings that were vacated as part of the switch to the new LMB facility.

## 25. Commitments under leases

### Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	<b>2014/5</b>	<b>2013/4</b>
	<b>£000</b>	<b>£000</b>
Obligations under operating leases for the following periods comprise:		
Other:		
Not later than one year	4,599	15,864
Later than one year but not later than five years	4,523	16,906
Later than five years	0	0
	<b>9,122</b>	<b>32,590</b>

## 26. Contingent liabilities

Contingent liabilities of £1.7m have been identified in relation to dilapidation works, which may be required at the end of the property leases expected to end within the next ten years. These are sites located at Head Office London and Human Nutritional Research Unit Cambridge.

## 27. Commitments

### Capital

The council had estimated future commitments to capital expenditure, which had been contracted but not provided for at the balance sheet date of £1,912,168 (2013/14 =£42,972,857) comprising the following: Crick £1,278,605, EM Microscope £528,563 and 950 Mhz Spectrometer £105,000.

Research awards

<b>Forward commitments on research awards:</b>	<b>£'000</b>
Within 1 year	502,321
Between 2 & 5 years	506,157
More than 5 years	2,386

## 28. Related party transactions

The MRC is a non-departmental public body sponsored by BIS. For the purposes of International Accounting Standard 24, BIS is regarded as a related party. During the year, the council has had various material transactions with BIS and other bodies for which BIS is regarded as the parent department; namely the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council, Innovate UK and the UK SBS Ltd.

The council provides administrative services to the Trustees of two registered charities, The Medical Research Foundation and The Fleming Memorial Fund for Medical Research, which are therefore regarded as related party transactions. Two of the Trustees who manage the charities are nominated by the Council.

During the year, the following material transactions with the council, board and committee members took place in respect of awards funded by the council.

### Table 1

The table below lists council, board or committee members who are classified as either a Principal Investigator or a Co-Investigator against an award made in the 2014/15 financial year. The value shown is the whole life commitment of the award, if an award is made to more than one related party the value is counted more than once.

Full Name	Number of Awards	Value (£)
Professor Ibrahim Abubakar	1	£47,122
Professor Robin Ali	3	£4,913,894
Professor Martin Birchall	1	£495,166
Professor Christopher Brightling	2	£7,305,181
Professor James Carpenter	1	£392,299
Professor Siddharthan Chandran	1	£6,825,000
Professor Patrick Chinnery	2	£4,802,481
Professor Yanick Crow	2	£4,415,476
Professor Helen Curran	1	£477,509
Professor John Danesh	1	£2,066,224
Professor David Dockrell	1	£251,576
Professor Christopher Dowson	2	£3,438,689
Professor Mark Field	1	£21,170
Professor Peter Fischer	1	£743,499
Professor Stuart Forbes	1	£3,065,647
Professor Robin Franklin	1	£318,875
Dr Paramjit Gill	1	£136,103
Professor Kim Graham	2	£8,583,911
Professor Timothy David Griffiths	1	£305,969
Professor Ian Hall	1	£7,712,000
Professor Sian Harding	1	£343,557
Professor Karl Herholz	1	£6,091,000
Professor Peter Holmans	1	£1,062,530
Professor Malcolm Jackson	1	£648,125
Professor Paul Kaye	1	£47,885
Professor Frank Kee	1	£147,723
Professor Cay Kielty	1	£4,916,149
Professor Matthew Lambon Ralph	1	£6,091,000
Professor Susan Lea	1	£796,049
Professor Thomas MacDonald	1	£1,245,035
Professor Sheila MacNeil	1	£905,921
Dr Adrian Mander	1	£3,334,710
Professor Patrick Maxwell	2	£18,099,136
Professor Mark McCarthy	1	£1,826,316
Professor Rory McCrimmon	1	£536,302
Professor Stephen McMahan	1	£347,204
Professor Iain McNeish	1	£3,530,449
Professor Paul Moss	1	£7,181,445
Professor Declan Murphy	1	£882,877
Professor Valerie O'Donnell	1	£822,272
Professor Michael O'Donovan	2	£1,300,470
Professor Tracy Palmer	1	£596,617
Professor Sharon Peacock	3	£2,787,425

Professor Neil Pearce	1	£502,813
Professor Stuart Pickering-Brown	1	£2,650,723
Professor Deenan Pillay	1	£2,125,277
Professor Lucilla Poston	1	£45,589
Professor David Ray	1	£4,916,149
Professor Adriano Rossi	1	£465,278
Dr James Rowe	3	£13,803,283
Professor Caroline Sabin	1	£2,125,277
Professor Ian Sabroe	1	£4,786,444
Professor Patricia Salinas	2	£1,853,851
Professor Nilesh Samani	2	£4,584,961
Professor Pamela Shaw	1	£376,445
Professor Kenneth Smith	2	£4,627,249
Professor Ian Tomlinson	1	£5,029,624
Professor Rhian Touyz	1	£3,530,449
Professor Richard Trembath	1	£1,800,000
Professor Jonathan Weber	1	£939,055
Professor Michael White	1	£4,916,149
Professor Paul Williams	1	£358,887
Professor Paula Williamson	1	£293,685
Professor Matthew Wood	1	£1,008,107

**Table 2**

The table below lists council, board or committee members who are registered at an Organisation that has received funding in the 2014/15 financial year.

Research Organisation	Number of Awards	Amount Awarded
<b>Babraham Institute</b>	<b>1</b>	<b>£568,547</b>
Dr Martin Turner		
<b>Cardiff University</b>	<b>10</b>	<b>£13,248,047</b>
Professor Kim Graham		
Professor Peter Holmans		
Professor Valerie O'Donnell		
Professor Michael O'Donovan		
Professor Gavin Wilkinson		
<b>Imperial College London</b>	<b>32</b>	<b>£22,541,147</b>
Professor Charles Bangham		
Professor Robert Brown		
Professor Gad Frankel		
Professor Paul Freemont		
Professor Azra Ghani		
Professor Nicholas Grassly		
Professor Sian Harding		
Professor Dorian Haskard		
Professor Guy Rutter		
Professor Jonathan Weber		
Professor Martin Wilkins		
Professor William Wisden		
<b>King's College London</b>	<b>25</b>	<b>£21,973,218</b>
Professor Martin Gulliford		
Professor Joseph Hajnal		
Professor Stephen McMahon		
Professor Declan Murphy		
Professor Lucilla Poston		
Professor Arnie Purushotham		
Professor Anne Ridley		
Professor Jane Sandall		
Professor Tariq Sethi		
Professor Paul Sharpe		
<b>Lancaster University</b>	<b>4</b>	<b>£1,134,700</b>
Professor Peter Diggle		
Professor Bruce Hollingsworth		
<b>Liverpool School of Tropical Medicine</b>	<b>7</b>	<b>£4,625,804</b>
Professor Hilary Ranson		

<b>London Sch of Hygiene and Trop Medicine</b>	<b>20</b>	<b>£9,358,429</b>
Professor Neil Pearce		
Professor Steven Cummins		
Professor Richard John Hayes		
Professor Michael Kenward		
Professor John Whittaker		
<b>Newcastle University</b>	<b>11</b>	<b>£10,881,860</b>
Professor John Isaacs		
Professor Caroline Austin		
Professor Patrick Chinnery		
Professor Timothy David Griffiths		
Professor John Lunec		
Professor Fiona Matthews		
Dr Hamish McAllister-Williams		
Professor Herbie Newell		
Professor Alexander Thiele		
<b>Queen Mary, University of London</b>	<b>16</b>	<b>£25,127,890</b>
Professor Frances Balkwill		
Professor Kairbaan Hodivala-Dilke		
Professor Thomas MacDonald		
Professor Richard Trembath		
<b>Queen's University of Belfast</b>	<b>4</b>	<b>£6,450,071</b>
Professor Frank Kee		
<b>St George's University of London</b>	<b>1</b>	<b>£510,304</b>
Professor Thomas Harrison		
<b>The University of Manchester</b>	<b>20</b>	<b>£38,754,788</b>
Professor Enrique Amaya		
Professor Yanick Crow		
Professor Wael El-Deredy		
Professor Stuart Farrow		
Professor David French		
Professor Richard Grecis		
Professor Neil Hanley		
Professor Karl Herholz		
Professor Cay Kielty		
Professor Henry Kitchener		
Professor Matthew Lambon Ralph		
Professor Rayaz Malik		

Professor Stuart Pickering-Brown		
Professor David Ray		
Professor Michael White		
<b>University College London</b>	<b>57</b>	<b>£53,366,401</b>
Professor Helen Curran		
Professor Deenan Pillay		
Professor Ibrahim Abubakar		
Professor Robin Ali		
Professor Martin Birchall		
Professor Peter Brocklehurst		
Professor James Carpenter		
Professor Mary Collins		
Professor Andrew Copp		
Professor Eileen Joyce		
Professor David Lomas		
Professor Rumana Omar		
Professor Massimo Pinzani		
Professor Jugnoo Rahi		
Professor Caroline Sabin		
Professor Patricia Salinas		
<b>University of Aberdeen</b>	<b>1</b>	<b>£147,243</b>
Professor Gordon Brown		
Dr Sara Maclennan		
Professor Mandy Ryan		
<b>University of Birmingham</b>	<b>9</b>	<b>£10,039,365</b>
Professor Wiebke Arlt		
Dr Paramjit Gill		
Professor Jane McKeating		
Professor Jayne Parry		
Dr David Simmons		
Professor Paul Moss		
<b>University of Bristol</b>	<b>12</b>	<b>£5,478,468</b>
Professor Paolo Madeddu		
Professor Timothy James Peters		
Professor Alastair Poole		
<b>University of Cambridge</b>	<b>35</b>	<b>£48,911,833</b>
Professor John Danesh		
Professor Sadaf Farooqi		
Professor Robin Franklin		



Dr Phil Jones		
Dr Helen Lee		
Professor Nicholas Morrell		
Professor Pradeep Nathan		
Professor Sharon Peacock		
Dr James Rowe		
Professor Kenneth Smith		
Professor Stephen Sutton		
Professor Colin Taylor		
Professor Patrick Maxwell		
<b>University of Dundee</b>	<b>5</b>	<b>£3,318,202</b>
Professor Mark Field		
Dr David Gray		
Professor Rory McCrimmon		
Professor Tracy Palmer		
Professor Kate Storey		
Professor Roland Wolf		
<b>University of Edinburgh</b>	<b>21</b>	<b>£24,978,925</b>
Professor Harry Campbell		
Professor Siddharthan Chandran		
Professor Sarah Cunningham-Burley		
Professor Stuart Forbes		
Professor Giles Hardingham		
Professor Adriano Rossi		
Professor Philippa Saunders		
<b>University of Exeter</b>	<b>6</b>	<b>£3,551,764</b>
Professor John Terry		
<b>University of Glasgow</b>	<b>13</b>	<b>£28,005,259</b>
Professor S. Faisal Ahmed		
Professor Andrew Baker		
Professor Margaret MacLean		
Professor Iain McNeish		
Professor Rhian Touyz		
<b>University of Leeds</b>	<b>7</b>	<b>£11,813,695</b>
Professor Mark Harris		
Professor Sheena Radford		
Professor David Westhead		
<b>University of Leicester</b>	<b>7</b>	<b>£8,454,848</b>

Professor Christopher Brightling		
Professor Anthony Gershlick		
Professor Nilesh Samani		
<b>University of Liverpool</b>	<b>7</b>	<b>£6,698,299</b>
Dr Trevor Cox		
Professor Malcolm Jackson		
Professor Paula Williamson		
<b>University of Nottingham</b>	<b>15</b>	<b>£15,749,586</b>
Professor Ian Hall		
Professor John Atherton		
Professor Peter Fischer		
Professor Paul Williams		
<b>University of Oxford</b>	<b>34</b>	<b>£43,390,291</b>
Dr Paul Brennan		
Professor Philip Cowen		
Professor David Jackson		
Professor Susan Lea		
Professor Mark McCarthy		
Professor Ian Tomlinson		
Professor Tonia Vincent		
Professor Paresh Vyas		
Professor Matthew Wood		
<b>University of Sheffield</b>	<b>11</b>	<b>£14,820,888</b>
Professor Mimoun Azzouz		
Professor David Dockrell		
Professor Sheila MacNeil		
Professor Ian Sabroe		
Professor Pamela Shaw		
Professor Stephen Walters		
<b>University of Southampton</b>	<b>5</b>	<b>£1,302,441</b>
Professor Nyovani Madise		
Professor Diana Eccles		
Professor Hazel Inskip		
Professor V Hugh Perry		
<b>University of Sussex</b>	<b>3</b>	<b>£1,818,976</b>
Professor John Atack		
Professor Keith Caldecott		
Professor Simon Ward		

<b>University of Warwick</b>	<b>5</b>	<b>£4,070,572</b>
Professor Christopher Dowson		
Professor Simon Gates		
Professor Frances Griffiths		
Professor Nigel Stallard		
<b>University of York</b>	<b>3</b>	<b>£715,175</b>
Professor Martin Chalkley		
Professor Paul Kaye		
Professor Mark Sculpher		

## 29. Financial Instruments and Derivatives

IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the council faces in undertaking its activities. Specifically: (a) the significance of financial instruments affecting financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which it is exposed. Because of the largely non-trading nature of its activities and the way it is financed, the MRC is not exposed to the degree of financial risk faced by businesses. Moreover, financial instruments play a limited role in creating or changing risk on its operational activities.

### Liquidity risk

The council's net revenue resource requirements are largely funded by the grant-in-aid from its sponsor department. The capital expenditure is also financed through the grant-in-aid. The council is therefore not exposed to significant liquidity risks.

### Interest rate risk

The council has a low level of exposure to interest rate fluctuations; it does not actively seek to invest cash in money markets. Any excess funds held outside of the Government Banking Systems banking framework, which could attract interest, are maintained in low level current accounting arrangements, as part of its banking arrangements with Lloyds Banking Group.

### Foreign currency risk

The council maintains US dollar and Euro bank accounts in order to deal with day-to-day transactions. There is a risk attached to holding foreign currency denominations but this is not considered to be material.

The council also holds certain balances in overseas bank accounts to help manage day-to-day business transactions of its overseas operations. During the year end, the average monthly float levels were £1,049,858 (2013/14 = £1,135,000).

## Foreign Currency Balances

Amount

	<b>As at 31 March 2015</b>	<b>As at 31 March 2014</b>
USD	£1,449,310	£533,471
Euro	£1,312,680	£2,143,491

A 5 per cent (10 per cent)  $\pm$  movement in exchange rates would equate to £138,100, (£276,200), such events would have minimal impact on council's resources. In 2013/14 the corresponding amounts were £133,848 (£267,696).

### **Receivables and creditor risk**

Financial assets and liabilities are held at fair value and changes in values are recognised in the Statement of Comprehensive Net Expenditure. The fair value of the council's financial assets and liabilities are equivalent to the carrying amount unless stated above. The council has limited powers to borrow or invest funds; financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the council in undertaking its activities. Of current outstanding trade debt 12 per cent is greater than 30 days old (2013/14: 22 per cent).

### **30. Events after the reporting period**

IAS 10 Events after the reporting period requires the disclosure on the date on which the financial statements were authorised for issue and who gave that authorisation. The accounts were authorised for issue by the Accounting officer on the xx June 2015. The financial statements do not reflect events after this date.

The MRC's National Institute for Medical Research with 541 employees and 82 postgraduate students transferred to the Francis Crick Institute on 1 April 2015; assets with a net book value of £12,525,876 transferred at the same time. Staff and equipment will remain at their existing locations until they move into the new Institute at St Pancras in early 2016.