



TRUSTEES' ANNUAL REPORT AND ACCOUNTS

2015

The members of the Board, who are the trustees of Medical Research Council Technology (the Charity) and the directors of Medical Research Council Technology (the charitable Company), present their report for the year ended 31 March 2015. In presenting this report, the trustees have complied with the Statement of Recommended Practice, Accounting and Reporting by Charities (the Charities' SORP).

Chairman's statement

I am delighted to have been appointed as Chairman of Trustees in November 2014. On behalf of the whole charity I would like to thank our previous Chairman John Jeans, whose vision, leadership and international healthcare business experience made an invaluable contribution to the growth and success of Medical Research Council Technology (MRCT) over the past six years.

I am pleased to report that 2014-15 has been a significant year for MRCT. Most notably, through the FDA approval and launch of Keytruda and the ensuing royalty stream which will provide the financial security for MRCT for the medium term. Keytruda is one of a new class of cancer immunotherapy products. It is already having a significant positive impact on cancer patients with advanced melanoma where existing treatments have failed. Scientists at MRCT conducted the critical humanisation and optimisation of the monoclonal antibody pembrolizumab, the therapeutically active component of Keytruda, as part of a collaboration with Organon in 2008. This exciting development has prompted us to review our present company strategy, where we have completed the fifth year of our ten year strategic plan. We expect to issue a revised strategy towards the end of 2015. Creating patient benefit by enabling effective life science translation will continue to be at the heart of our strategy.

We continue to pursue our charitable objectives successfully, through the management of intellectual property (IP) for the MRC and a growing number of healthcare charities, and by investing £9m directly in early stage drug discovery and the development of healthcare diagnostics.

During the year we signed a licence with Pfizer for an early stage programme on novel molecules that target Melancortin 3 and 4 receptors which included up front and milestone payments. We have several other potential drug candidates where commercial partners are now being sought, arising from the work of our Centre for Therapeutics Discovery team.

We are making very good progress with our Centre for Diagnostics Development in Edinburgh which commenced in January 2014. We have developed our diagnostic laboratories, building both technical infrastructure and human resources with professional expertise and experience in diagnostics development. We view our growing diagnostics capability to be strongly complimentary to our drug discovery team and expect to complete the outward partnering of our first diagnostic project during the next six months.

Support of the Medical Research Council is a pivotal component of our charitable impact on the effective translation and exploitation of leading UK academic research. We continue to assist in the evaluation, definition, generation and exploitation of their intellectual property and we are pleased to announce that our service level agreement with MRC will extend until the end of March 2017. We are also looking at new ways of expanding the services that we offer and to develop a broader partnership with them in the early translational environment for academic biomedical innovations.

We continue to expand our work with leading charities which is exemplified by the launch in November 2014 of the Medicines Acceleration Programme. The first example of this is the Neurodegeneration Medicines Acceleration Programme (Neuro-MAP), which has a core funding panel of seven UK and US charities. Neuro-MAP will use funding from the charity partners to identify therapeutic projects in industry that are de-prioritised for non-scientific reasons and advance them to be closer to the patient.

Turning to our strategic plan to place MRCT on a strong and sustainable foundation for its charity work with a competitive cost base I can report that we exited the MRC Pension Scheme in September 2014, removing the uncertain liability for the company in providing a defined benefit pension scheme. The introduction in May 2014 of a new defined contribution pension and flexible benefits scheme has progressed smoothly.

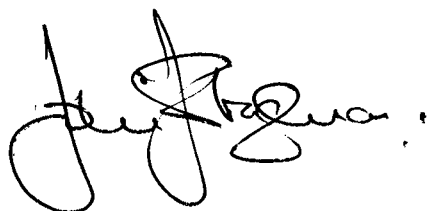
We have made good progress on the major project to relocate our Mill Hill drug discovery laboratory and some teams from Lynton House to a new state of the art research facility at Stevenage Bioscience Catalyst. The move is expected to be completed at the start of 2016 and will coincide with a reduction in our London footprint when some functions relocate to the Stevenage site.

The majority of our income is from a revenue share on the royalties generated by several successfully commercialised products. This has enabled us to build up substantial reserves to fund our revised strategic plan for several years. We forecast and closely monitor expected income streams from future royalties. The majority of our current royalties will expire in December 2015. Our forecasts suggest that from 2017-18 our current stream will be surpassed by the royalty income from Keytruda, giving MRCT a substantial opportunity to extend and enhance its charitable impact.

Chairman's statement (cont/d)

During the year the Board of Trustees has continued to strengthen the charity's governance framework in line with best practice and develop the Board's resilience and capability. We appointed Dr Paul Mussenden as Trustee who brings relevant expertise from his role as General Counsel and Company Secretary at BTG plc. We also welcomed two new professionals to our executive team, Andrew Mercieca as Finance Director and Ed Bliss as General Counsel and Company Secretary. Both bring significant additional expertise and life sciences experience to MRCT.

Taking a national perspective it is vital for the UK to optimise the translation and exploitation of its world leading biomedical research both for the benefit of patients and to enhance its economic impact in terms of new jobs, new investment and new or growing companies. I believe that MRCT has a vital role to play in this endeavour and by working closely with our various public and third sector partners and with innovation driven companies, we can make a real difference. I'm honoured to have been given this role and I look forward with enthusiasm and optimism to the coming years!

A handwritten signature in black ink, appearing to read 'John Stageman', with a flourish at the end.

Dr John Stageman OBE
Chairman, Medical Research Council Technology

18 September 2015

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About us

Medical Research Council Technology (MRCT, www.mrctechnology.org) is an independent life science charity committed to improving the odds of positive patient outcomes everywhere.

As a champion for human health, MRCT partners with academic, biotechnology, pharmaceutical, and charity organisations to move promising medical research forward into viable and accessible diagnostics and treatments.

Our skill set includes scouting, assessment and execution of early stage drug discovery and diagnostics research, IP management and partnering with industry.

MRCT projects have led to the approved drugs Tysabri®, Actemera®, Entyvio® and Keytruda®, changing the lives of countless patients by harnessing the potential of science.

Corporate management team

EXECUTIVE MANAGEMENT

Ed Bliss

General Counsel & Director, Licensing
(Erika Wilkinson resigned January 2015)

Justin Bryans

Director, Drug Discovery

Michael Dalrymple

Director, Business Development

Mike Johnson

Director, Corporate Partnerships

Andrew Mercieca

Director, Finance

Pauline Stasiak

Acting Director, Technology Transfer and Licensing

Dave Tapolczay

CEO

Structure of key divisions

MRCT is split into six key divisions:

Centre for Therapeutics Discovery (CTD)

Promotes the public benefit by driving the development of early stage molecular targets emerging from academic research to deliver lead compounds or antibodies for clinical development by third parties.

Centre for Diagnostic Development (CDD)

Promotes the public benefit by facilitating and improving the commercial readiness of early stage diagnostics that emerge from academic research.

Technology Transfer and Licensing (TTL)

(Previously Intellectual Property and Licensing) Promotes the public benefit by focusing on the identification, protection, development and exploitation of MRC intellectual property and providing technology transfer services to UK charities.

Business Development (BD)

Supports charitable and fundraising activities through the identification and acquisition of potential projects for MRCT to work on and the marketing and sales of assets which have passed through CTD or CLT, seeking commercial partners.

Corporate Partnerships (CP)

Supports the delivery of MRCT charitable objects by delivering translation of third party research through collaboration with new clients.

Corporate Resources (CR)

Provides support for charitable, governance and fundraising activities through the provision of ICT, Finance, Human Resources, legal and general management functions.

Objects

The objects of MRCT, as set out in its Articles of Association, are:

- To promote the public benefit by improving human health and medical research, in particular by assisting the progress of the scientific discoveries and new technologies arising from research into therapeutic treatments, drugs, diagnostics, other technologies or information resources.
- To work with industry, charities, universities, the health service and other relevant bodies as well as conducting its own research and development as needed to accelerate the progress of these discoveries and technologies to the stage at which they are (i) capable of being made generally available to the medical profession and the public for practical application for the improvement of health and/or (ii) are transferred or licensed to a third party to progress development of such discoveries or technologies towards such goals.

Vision

A strong public benefit company based on the identification and development of intellectual property from basic research linked to a highly professional licensing and project management capability.

The development of global centres of excellence for:

- The humanisation of monoclonal antibodies;
- Early stage drug discovery; and
- The design and development of prototype life science tools in medicine and diagnostics.

Mission

To translate basic science into clinical applications for the benefit of the public. To support this, global networks and linkages will be created to facilitate the acquisition of novel intellectual property (IP).

Medical Research Council Technology:

- Adds value by furthering the development of promising products and bringing them closer to the clinic;
- Identifies and pursues opportunities in licensing, platform technologies and start-up companies by leveraging our strengths in patent management and business development; and
- Will continue to develop the Centre for Therapeutics Discovery (CTD), to provide a drug discovery resource, and the Centre for Diagnostic Development (CDD), to focus on science tools and diagnostics.

Public benefit

As stated in our objects, vision and mission statement, the beneficiary of our activities is the general public. We fulfil our objects through two main activities:

- The management of intellectual property and licensing of products that arise from scientific discoveries and the furtherance of their progression towards novel healthcare products to aid human health; and
- Funding research within our facilities to assist the transfer of technology from the academic to the commercial sector.

We do this by working closely with the MRC and a wide range of universities, charities, pharmaceutical/biotech companies and other organisations across the world. Key contacts are being built throughout the UK charity sector and globally with major academic institutions to share knowledge and help these organisations to improve their technology transfer activities. This is expected to lead to the identification of a larger number of targets with the potential to treat human disease. We undertake our activities for the public benefit, with the fundamental aim of improving human health.

The main activities undertaken are:

- Management and progression of scientific research discoveries mainly in the areas of:
 - therapeutics; and
 - diagnostics and life science tools.
- Partnering with key stakeholders to accelerate progress towards new treatments by:
 - commercialising discoveries for use in healthcare; and
 - negotiating third party commercialisation to develop products for use in healthcare.

In developing our strategy and implementing governance changes the trustees have sought advice on the guidance on public benefit published by the Charity Commission.

Strategic report

Summary of achievements

During 2014-15 we completed the fifth year of our ten year strategic plan to develop new healthcare targets and treatments for the public benefit. During the year we invested £9m (2014 – £8.6m) directly in early stage drug discovery and the development of healthcare devices and diagnostics. We evaluated 116 (2014 – 59) new projects during the year progressing 7 (2014 – 6) to full drug discovery projects within our Centre for Therapeutics Discovery (CTD), focusing on areas of high unmet patient need. We have licensed one prospective treatment for fibrosis and have three other potential drug candidates where commercial partners are now being sought.

To increase the health benefits arising from MRC research we continue to ensure any intellectual property arising from the MRC is appropriately exploited to maximise the potential patient benefit, and where financial value is attached to the exploitation, that the MRC receives a share of the value to fund further research. The MRC is a significant component of our charitable impact, through intellectual property generation, patent management, licensing and evaluation agreements and the generation of potential projects for our drug discovery programme. During the year we undertook the following on behalf of the MRC:

- Assessed 52 (2014 – 105) potential inventions from scientists across a range of MRC units and institutes.
- Filed 9 (2014 – 17) patents and had 45 (2014 – 27) patents granted.
- Executed 41 (2014 – 16) licences and 8 (2014 – 7) evaluation agreements.
- Managed the collection of royalty income of £94.8m (2014 - £83.4m) and revenue share and inventor award payments of £44.7m (2014 - £34.1m) for the MRC whilst monitoring their portfolio of active assets.

Assisting medical research charities

Charity partnerships

Corporate Partnerships' work with UK charities has increased significantly over the last year with us now being asked by other charities to help them translate their grant funded research output to the patient. We have seen an increase in both the number of clients (now standing at 14) and the breadth of the services we offer to medical research charities in the UK but with a focus on those activities that create the most value:

Portfolio review:

- Prioritisation of output from client's research portfolio and identification of projects most likely to be translated into patient benefit.

Call for Targets:

- Management of campaigns for charities with significant grant funding to support further research into the key areas they consider important.

The volume of work with existing clients has increased over the period. For example, MRCT's management of Worldwide Cancer Research's portfolio has increased from 15 projects to 50 and we have triaged projects for Parkinson's UK and Diabetes UK. This work serves to enhance MRCT's reputation to accelerate and promote new life science discoveries to patients and, along with our strong relationship with the Association of Medical Research Charities, we continue to attract new clients in both the UK and the US.

Our work to date has enabled MRCT to build strong and trusted relationships with research charities which has led to a potential broadening of the services we offer:

Reporting and negotiating:

- We have provided Parkinson's UK with an independent review of the output from its last Monument Award and assisted them in negotiating an equitable revenue share agreement as part of the next £5m award application.

Selecting optimum projects:

- We have built directly on the knowledge gained as part of our clients' Portfolio Review and Call for Targets services and are now assisting them in refining their processes to select projects for upcoming grant funding. In this manner there should be more projects with translatable potential in the future and our clients will be more able to demonstrate impact at the patient level.

Delivering technologies:

- We are working with Cambridge University Health Partners to bring discoveries from the NHS to patients more quickly. MRCT helps by identifying funding options, advising on IP and business and participating in their Innovation Hub Expert Panel.

Creating collaborations:

- From our experience in creating large and complex consortia, charities are now asking MRCT to advise them in setting up and managing their own collaborations. For example, CF Trust has requested MRCT's assistance in establishing the SmartCareCF consortium that brings together patients, academia and industry to help monitor disease state in the home environment and so avoid the risks patients face in attending clinic.

Having created a high level of trust with our charity partners and them recognising the value created for patients from our help in making translation happen, MRCT created an innovative new model to unblock stalled research and move it to the patient.

Medicines Acceleration Programme

- In November 2014 MRCT launched the Medicines Acceleration Programme¹ with the purpose of uniting research foundations and charities against patient needs that are common to all parties. The first example of this type of collaboration (Neuro-MAP) brings together a core funding panel of seven UK and US charities² under a venture philanthropy umbrella. Neuro-MAP uses funding from the charity partners to identify therapeutic projects in industry that are de-prioritised for non-scientific reasons and advance them to be closer to the patient. Whilst the industrial partner retains ownership of IP and rights at all times, there is an ongoing obligation for them to deliver the research outcomes to the patient. In this manner, therapeutics that would have otherwise remained undeveloped will be more likely to reach patients and create impact.

This work is fundamentally aligned to deliver our strategic goal of making translations happen for the benefit of the patient.

¹ See: <http://www.medicinesaccelerationprogram.org/>

² UK: Parkinson's UK, Alzheimer's Society, MND Association, Alzheimer's Research UK. US: ALS Association, Alzheimer's Association and Michael J Fox Foundation for Parkinson's Research.

Accelerating the translation of medical science

Scouting for targets

The Business Development team is continuously seeking out potential new targets, chemistry and antibody projects for our drug discovery pipeline. It focuses on areas of high unmet patient need and sources targets and projects via roadshows, partnering events, peer-reviewed literature, advertised calls via journals/social media and scientific conferences.

This year our efforts have again been within the UK, mainland Europe (with a particular focus in Germany and Scandinavia), the USA and China. A broad range of indications have been reviewed with a high proportion, nearly one third, being cancer. During the year 116 potential projects were evaluated with 7 progressing for further development. This larger number of 116 compared to last year's 59 can be attributed in part to 33 projects being evaluated as part of the Dementia Consortium.

Source of projects for evaluation

INDICATION	UK (MRC)	Europe	USA	China	Other	TOTAL
Cancer	20 (3)	4	8	–	2	34
Inflammation	4 (–)	2	2	–	1	9
Infectious/viral	5 (2)	1	1	–	1	8
Other	24 (1)	14	16	2	9	65
Total 2015	53 (6)	21	27	2	13	116
Total 2014	19 (3)	19	19	2	–	59

Call for Respiratory Targets

- In February 2015 we launched our Call for Respiratory Targets. This coincides with our ongoing discussion and MOU with Boehringer Ingelheim over antibody projects in this field and it fits neatly alongside our existing collaboration with Astra Zeneca and their interests in respiratory small molecule targets.

Global partnerships

We continued to expand our global network of collaborations:

China

- Under the formal Memorandum of Understanding (MOU) with the Chinese Academy of Sciences (CAS) Shanghai Institute of Biochemistry and Cell Biology, we have received two potential chemistry projects to review.
- We have signed two separate Research Collaboration Agreements in China. The first, with Yabao Pharmaceutical Company Ltd. (Beijing), is a project to develop additional chemistry to the LRRK2 target for Parkinson's Disease. The second, with Luye Pharma (Yantai), is to develop additional chemistry to MARK, a target for Alzheimer's Disease.

Japan

- In March 2015 we signed three separate agreements with three Japanese companies, Sanwa Kagaku Kenkyusho, Shionogi and Kyowa Hakko Kirin. These are 'second tier' collaboration agreements where these companies get access to targets and projects that fall outside our existing collaborations with Daiichi Sankyo and Astra Zeneca.
- Signed an MOU with University of Tokyo in January 2015 and have already received two targets to review.

Diagnostics

MRCT's Centre for Diagnostics Development was 15 months old at the end of March 2015. During the last year we have established a technical focus, purchased equipment, restructured the laboratories, expanded the scientific team and trained employees in new methodologies.

We built a system to bring in additional projects and continue to use our relationship with Renishaw Diagnostics Ltd (RDL) to identify projects with direct commercial potential. The first project is being transferred into RDL for commercial development, and we are engaging in a significant way with NHS Lothian. We are also part of the new Edinburgh Molecular Pathology Node.

Capacity building

- Re-organised the laboratories, building capacity and resources
- Expanded the scientific team
- Created a focus on nucleic acid based tests
- Initiated and approaching completion of our first diagnostic project

Partnership building

- Formalised our partnership with RDL in a Research Collaboration Agreement
- Engaged with NHS Lothian Laboratory Services and the NHS more widely

Creating a presence

- Generated marketing collateral including a web presence, brochure and slide deck
- Partnered at BIO 2014 and BIO Europe 2014
- Held launch event in conjunction with NHS Lothian

Finding new projects

- Created a system for the recruitment of project opportunities and their assessment
- Built the system into Salesforce CRM and website to record and track opportunities
- Held our first Call for Diagnostics and assessed 15 potential new projects
- Initiated discussion with selected Principal Investigators (PIs) and Universities

Drug discovery

We are working on a number of exciting projects and have made excellent progress in a range of disease areas including cancer, pain and fibrosis. In total we are working on 10 antibody and 10 small molecule projects covering over 16 separate primary and alternative indications. We have forged collaborations with a significant number of universities both in the UK and around the world on cutting edge science in the expectation of moving this closer to clinical benefit. To this end we are continuing to develop relevant technologies to expedite discoveries and enable more rapid progress.

Number of projects by primary indication

Project status	Oncology	Autoimmune/ inflammation	Central nervous system	Other
Reagent generation	1	-	1	1
Assay development	-	1	-	-
Hit generation	3	1	1	-
Profiling	3	-	3	1
Lead generation	1	-	2	1
Total 2015	8	2	7	3
Total 2014	10	2	5	6

We continue to consolidate and develop our in-house and collaborative capability, for example:

- We are developing our capacity for target validation – in other words being able to demonstrate linkage between target and disease.
- We are continuing to develop a fragment driven approach to small molecule drug discovery.
- We are developing the capability to deliver antibody drug conjugates in non-oncology indications.
- We are developing a platform technology using antibodies to inform small molecule design.
- We are creating a focus on dementia via our Dementia Consortium collaboration.

This year our research team has contributed to the exchange of scientific knowledge through the publication of papers in peer reviewed journals in addition to presenting at a number of high level meetings.

Intellectual property protection and translation funding

Technology transfer

Our Technology Transfer and Licensing team protects promising research, ensuring a return on investment for our clients if projects are commercialised. We also advise on routes to further funding and accelerated development opportunities.

MRC patent management

We monitor the research carried out by MRC units, institutes and centres to ensure that any intellectual property arising from the research is promptly identified and evaluated for potential patient benefit. During the year, our Business Managers evaluated 52 (2014 - 105) potential new technologies for the MRC, resulting in the filing of 9 (2014 - 17) new patents with 45 (2014 - 27) patents granted on behalf of the MRC. We also administered patent costs totalling £0.9m (2014 - £1.0m) on behalf of the MRC.

We continue to provide intellectual property and contractual expertise to those MRC units transferring to university control, as part of the restructuring of MRC activities. We are providing MRC with significant support to achieve their aims with the programme of unit migrations and to develop consistency and best practice in the transfer process.

MRC Development Gap Fund

We have a successful record of managing funding schemes for early stage research with commercial potential and continue to manage the MRC Development Gap Fund (DGF). The DGF is 'pre-seed' money, operating at the earliest possible stage of technology transfer. It is intended to strengthen new patent filings or to support patent applications from good, commercially interesting ideas.

Licensing and licence performance management

MRCT

In relation to MRCT's asset portfolio in May 2014 we signed a licence agreement with Pfizer for an early stage chemistry programme targeted towards the melanocortin 3 and 4 receptors. The deal included an initial upfront payment and an early milestone payment which have already been met and paid.

We successfully signed four antibody humanisation contracts with three different companies this year. These were: PharmaEssentia (two cancer programmes), Nottingham University Therapeutic Antibody Centre (NUTAC), Nottingham University (cancer) and Bioarctic (neurodegeneration).

In October 2014 we in-licensed a small molecule programme from the UK based biotech Proximagen in exchange for a share of revenue back to them should the project be successful and partnered.

We are progressing the partnering of a number of assets generated by our drug discovery programme:

- Potential partners are being sought for a humanised antibody to the IL17B receptor, a potential target in fibrosis and IBD.
- Potential partners are being sought for a humanised antibody to EV71, a potential treatment for severe neurological complications in children associated with Hand Foot and Mouth disease.

We continue to track eight active MRCT licences arising from our drug discovery programme with indications in Alzheimer's, cancer, Crohn's disease and macular degeneration. One of these, the Merck & Co (known as MSD in Canada and Europe) antibody pembrolizumab, received FDA approval on 4 September 2014 for patients with advanced or unresectable melanoma who are no longer responding to other drugs. This antibody was humanised by MRCT scientists in 2007/8. The product, now called Keytruda®, is in clinical trials for multiple cancer indications in the promising new area of cancer immunotherapy and is also the first drug to be approved through the Early Access to Medicine Scheme (EAMS) in the United Kingdom.

MRC

The protection, commercialisation and return on the investment in medical research by the MRC remain a core focus. We executed 29 (2014 – 41) licences and 5 (2014 – 8) evaluation agreements on their behalf during the year. We continue to monitor active licences arising from the commercialisation of MRC research, with a wide range of indications.

Management of IPR derived income

We managed the collection of £94.8m (2014 - £83.4m) of royalty income and milestone payments on behalf of the MRC together with related revenue share and inventor awards arrangements totalling £44.7m (2014 – £34.1m). The MRC reinvests this income in medical research.

Legal structure

Medical Research Council Technology (MRCT) is a company limited by guarantee (No 2698321) having been incorporated under the Companies Act 1985 on 18 March 1992. We do not have any share capital, but our members, in the event of a winding up, undertake to contribute to the assets of MRCT a sum not exceeding £1 per member.

MRCT is also a registered charity (1015243) with the Charity Commission for England and Wales and a charity registered in Scotland (SC037861) with the Office of the Scottish Charity Regulator. Our governing instruments are our Memorandum and Articles of Association, subject to the provisions of the Companies Act 2006, the Charities Acts 2011 and the Charities and Trustee Investment (Scotland) Act 2005.

The Board, which is appointed from the members, acts in the capacity of Directors of MRCT for the purposes of the Companies Act 2006 and in the capacity of Trustees in respect of its charitable objectives under the Charities Acts. There are more members than Directors, therefore not all members act in the capacity of Director.

In general, the members decide on any changes to the constitution of MRCT and on the powers of directors but all the functions of MRCT within its constitution and the achievement of its charitable objects are governed and carried out by the Board of Directors acting as trustees of MRCT. The Board meets not less than four times a year to review and direct activities and to deal with the detailed financial and administrative affairs of MRCT. The Chief Executive Officer (CEO) and Executive Directors (who are not themselves members of the Board) comprise the Executive Team, which manages the day to day business of MRCT.

The members of the Board of MRCT are listed on page 11 together with the principal places of business and professional advisers of MRCT on page 13. The day to day management of MRCT is delegated by the Board to the CEO, Dr Dave Tapolczay.

We manage the intellectual property rights of MRC under the terms of a Service Level Agreement.

A Handbook of Governance Policies, which includes our Memorandum and Articles and Charity Commission advice and guidance, is regularly revised and updated. Arrangements are also in place for a charity law adviser to attend meetings of the Board, when required, for the purposes of keeping the Trustees abreast of charity law and related governance issues. Dr Edward Bliss joined MRCT in March 2015 as General Counsel and will assume responsibility for managing governance aspects of the company.

Statement of trustees' responsibilities

The members of the Board are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and regulations.

Charity and Company Law require the members of the Board to prepare financial statements for each financial year. Under Company Law the members of the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charitable Company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements the members of the Board are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities' SORP: Accounting and Reporting by Charities;
- make judgements and estimates that are reasonable and prudent;
- are responsible for the maintenance and integrity of the corporate and financial information included on the incorporated Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that MRC Technology will continue in operation.

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

The Board of Trustees

Throughout the year the Board consisted of 12 trustees with varied backgrounds across the fields of biomedical sciences (academic and pharmaceutical), finance, investment fund management, law and medicine.

The Board of Trustees met four times (June, September and November 2014 and April 2015, this last post period meeting having been postponed from March 2015 due to scheduling difficulties). In January 2015, the Board met to review the strategy of MRCT.

The Board reserves all major strategic and policy decisions to itself but delegates oversight and assurance for key business functions to dedicated committees. (See right).

Members of The Board of Trustees

The following table shows board and subcommittee attendance:

Committee Attendance	Board	ARMC	IMC	RC	NC	SC
John Stageman (Chairman) <i>Appointed November 2014</i>	2/2	-	-	2/2	1/1	-
D. John Jeans (Chairman) <i>Resigned November 2014</i>	2/2	-	-	-	-	-
Michael Brooks	4/4	4/4	2/2	2/2	1/1	-
Sally Burtles	3/4	-	-	2/2	-	1/2
Prof Sir Philip Cohen	3/4	-	-	-	-	2/2
Dr Annette Doherty	3/4	-	-	-	-	2/2
Mark Edwards	3/4	-	-	-	-	2/2
Peter Keen	4/4	4/4	2/2	-	-	-
Diane Mellett <i>Resigned June 2014</i>	1/1	1/1	0/1	-	-	-
Declan Mulkeen	3/4	-	-	-	-	-
Paul Mussenden <i>Appointed June 2014</i>	3/3	2/2	-	-	-	-
Ian Skidmore	4/4	-	-	-	-	2/2

Committees of the Board

The Board of Trustees is responsible for setting strategies and policies for MRCT and ensuring that these are implemented.

Five committees report to the Board which, during the year, were:

RC Remuneration Committee

Chair: John Stageman

Deals with matters relating to remuneration policy and the annual review of remuneration, in particular with regard to senior executives. The RC met twice during the year, inter alia to review the reward strategy and to agree bonus payments for the previous year.

ARMC Audit and Risk Management Committee

Chair: Michael Brooks

Provides assurance to the Board of Trustees on key issues around financial planning, capacity and reporting; internal control; risk and other related matters. The Committee approves the appointment of the internal and external auditors, reviews the management accounts, provides oversight of the budget process, and scrutinises the annual accounts and internal audit programme. The key focus for ARMC for the next financial year will be to continue to improve risk management across the organisation. The Committee met four times during the year. Sub committees of the Board are able to co-opt non members. Co-option is purely to advise the Committee, and no voting or other rights are attached to the position.

IMC Investment Management Committee

Chair: Peter Keen

Separate delegated Committee of the ARMC which provides assurance to ARMC and the Board of Trustees on the management of MRCT's invested funds and Investment Policy. The Committee supervises the appointment and performance management of MRCT's investment fund managers. The Committee met twice during the year. The IMC receives regular updates from the investment managers, and members of their charity investment teams attend and present at two IMC meetings each year, as part of the on-going monitoring of the performance of our investment portfolios.

NC Nominations Committee

Chair: John Stageman

The main functions of the Committee are to develop and maintain an active succession plan for the organisation. During the year the NC carried out an in-depth trustee recruitment exercise to identify replacements for two trustees and successfully recruited two new trustees to replace two retiring trustees; one in June 2014 and the other in November 2014.

SC Scientific Committee

Chair: Ian Skidmore

The purpose of the Committee is to provide assurance to the Board of Trustees on the management of MRCT's investment in drug discovery and diagnostic research through CTD and CDD. The committee met twice during the year.

Principles of governance

The Board always seeks to adopt best practice in its corporate governance arrangements and makes full use of the Charity Commission Guidance and the FRC Corporate Governance Code and takes professional guidance as required to fulfil its duties.

General meetings

One general meeting was held during 2014/15 to appoint new trustees and members to MRCT.

Annual General Meeting

We are obliged under our revised Articles of Association to hold an Annual General Meeting (AGM) every calendar year. The AGM was held on 13 November 2014 for the purpose of retiring trustees and electing new trustees, to receive the annual report and accounts and to appoint the auditors.

Trustee induction

All trustees are offered a tailored induction programme, meeting with the executive management team to discuss all areas of the business. A trustee induction pack is also given to all trustees to familiarise them with the charity's objects, their duties, key guidance from the Charity Commission and statutory declarations. Trustees can at any time request meetings with the executive team or any MRCT employee.

In addition, trustees' training is provided through updates to charity law and key governance requirements by the company secretary or external advisors.

Performance

The chairman held individual reviews with each trustee to discuss their roles. These meetings also included a review of the function and remit of the Board subcommittees.

Internal control

- Delegation: There is a clear organisation structure with documented lines of responsibility for control.
- Reporting: The Board reviews and approves the annual budgets and monitors actual expenditure and forecasts on a regular basis.
- Risk management: There are processes in place for the identification, evaluation and management of significant risks faced by MRCT. This information is embodied in a risk register which is reviewed at divisional directors meetings, Audit and Risk Management Committee meetings and meetings of the Board of Trustees.
- Internal Audit: Moore Stephens were internal auditors up to March 2015, when BDO LLP was then appointed to provide internal audit services to MRCT.
- Governance: The Board is regularly advised by the Company Secretary, and seeks specialist advice on charity law as required. The handbook of Board governance policies is regularly updated.

Conflicts of interest

We have a policy on conflicts of interest which applies to Board members and employees. An annual disclosure form is completed by Board members and all MRCT employees. These are reviewed by the company secretary and chairman and any areas of concern are discussed.

Where a trustee has a material interest in a potential transaction, the Board agrees whether they should receive the meeting paper and whether they should be excluded from the discussion and the Board's decision making for that matter. Redacted minutes may also be sent to the trustee. The same principles apply to all decision making committees.

Health and safety

As a laboratory and office based organisation, we regard health and safety as a top priority. Each of our three sites has a director responsible for health and safety. Control of Substance Hazardous to Health (COSHH) and other protocols are rigorously observed and monitored. Employees at the main laboratory site in Mill Hill work closely with the health and safety section at MRC's adjacent National Institute for Medical Research (these arrangements include access to occupational health facilities). Employees at our laboratory facility in Edinburgh have access to MRC's health and safety advisers locally.

The Health and Safety Committee, comprising executive officers, develops and monitors health and safety plans and policies for the Corporate head office at Lynton House and co-ordinates health and safety policies across the organisation.

A rolling list of reported accidents is reviewed by the Board of Trustees at each Board meeting.

Employment

MRCT offers a challenging and innovative environment where employees have the opportunity to play a key role in supporting and progressing translational research. We provide an environment where continuous development can take place and where employees are supported and enabled to meet the changing demands and priorities of MRCT.

We strive to attract and recruit the best candidates for our roles from within MRCT and the wider external market. We offer a flexible, friendly and diverse working environment with dynamic, innovative and technically skilled people.

Employees are encouraged to participate in processes that affect them and are well represented by their Staff Consultative Group.

We are committed to a policy of equal opportunities in all aspects of our activities.

Principal places of business

MRC Technology
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

MRC Technology
1-3 Burtonhole Lane
Mill Hill
London
NW7 1AD

MRC Technology
Crewe Road South
(Hospital Main Drive)
Edinburgh
EH4 2SP

Professional advisors

Auditors

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

Internal Auditors

From March 2015
BDO LLP
55 Baker Street
London
W1U 1EU

To March 2015
Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

Solicitors

Wragge Lawrence Graham & Co
3 Waterhouse Square
142 Holborn
London
EC1N 2SW

Charity Law Advisers

Russell-Cooke Solicitors LLP
2 Putney Hill
London
SW15 6AB

Bankers

Lloyds TSB Bank Plc
Lloyds Banking Group
3rd Floor
25 Gresham Street
London
EC2V 7HN

Investment Managers and Advisers

HSBC Global Asset Investment Management (UK) Limited
78 St James's Street
London
SW1A 1HL

Schroder and Co. Limited
3rd Floor
100 Wood Street
London
EC2V 7ER

Royal London
Asset Management
55 Gracechurch Street
London
EC3V 0UF

Overview

KEY NUMBERS (£'000's)	2014-15	2013-14
Total incoming resources	25,196	25,196
Total resources expended	22,152	29,934
Net movement in funds belonging to MRCT	5,621	(4,439)
Funds balance carried forward	59,801	54,180

The overall surplus delivered of £5,621k (2014 – deficit £4,439k) includes the following significant items:

- £800k exceptional write back of expenditure relating to an over accrual in 2014 for exiting the defined benefit pension arrangements for staff and replacing them with a defined contribution plan.
- £3,800k Canadian royalty provision.

Excluding the exceptional items we have generated a surplus of £8,621k and continue to maintain our free reserves in line with the policy set out on the following page.

Total incoming resources for the year were £25,196k (2014 - £25,196k) including £3,850k (2014 - £3,850k) received from for IP management and technology transfer services and £19,858k (2014 - £16,815k) of contract and royalty income. The latter income derives principally from our share of royalties arising from the development of successful treatments for multiple sclerosis (Tysabri®) and rheumatoid arthritis (Actemra®) both of which were based on MRC research. During the year FDA approval and the launch of Keytruda® also generated royalty income.

Total resources expended, including the £800k exceptional write back against expenditure, and the £3,800k Canadian royalty provision amounted to £22,152k (2014 - £29,934k). The costs comprise the research costs and expenses related to technology transfer activities, both activities being directly related to our public benefit objective, the cost of generating funds, governance costs and general support costs that are not directly attributable to charitable activities. The underlying expenditure relating to delivering our public benefit objectives is in line with last year.

Change in staff pension arrangements

In 2014 MRCT provided pensions for our employees through participation in the MRC Pension Scheme (MRCPS), a defined benefit scheme administered by Trustees and maintained independently of MRCT. Following consultation with employees, the Board of MRCT decided on 14 February 2014 to withdraw from the MRCPS, closing the MRCPS to new joiners from 1 May 2014 and to the future accrual of pension entitlements for existing employees from 31 March 2015. A defined contribution personal pension plan has been made available from 1 May 2014 to all existing employees and new joiners through Legal & General Assurance Limited. The new arrangements are fully compliant with the auto enrolment requirements of the Pensions Act.

We decided to withdraw from the MRCPS to remove the uncertainty of the future cost of providing a defined benefit pension scheme, replacing it with the known cost of a defined contribution arrangement, and to crystallise and settle the cost of benefits already accrued in accordance with section 75 (s75) of the Pensions Act. In 2014 we took the advice of actuarial specialists and estimated the cost of funding MRCT's liabilities in respect of the MRCPS to the section 75 funding level to be £13,500k. After leaving the scheme the final valuation of the liability by the scheme actuary was £12,700k which was settled on 10 March 2015.

Investment policy and performance

Investments are held for the purpose of generating funds for charitable activities and as a reserve against any future shortfall in income. The Investment Management Committee (IMC) monitors investment activities on behalf of MRCT. The performance of the investment portfolio for the year ended 31 March 2015 was in line with expectations in the prevailing investment environment.

As permitted by our Articles of Association, the members of the Board have given the Investment Managers discretion to manage those parts of the portfolio for which they are responsible within an agreed risk profile:

- Schroders provides short term cash management services, investing in the money market for terms up to twelve months;
- HSBC manages a long term investment portfolio focused on equities and fixed interest securities; and
- Royal London Asset Management (RLAM) manages a long term investment portfolio focused on corporate bonds.

Net £2,300k cash was released in the year which included funding the settlement of the s75 pension liability. £2,000k was invested with RLAM and £4,300k was drawn down from HSBC in line with our Investment Policy.

Reserves policy

We hold reserves to ensure that, so far as is reasonably possible, our future expenditure objectives can be met, given certain assumptions about future income streams. All of our reserves are held in pursuance of our charitable objects as stated above.

The level of free reserves that we held at 31 March 2015, defined as being those funds that are freely available for general purposes and excluding permanent and expendable endowment funds and tangible fixed assets, was £57,071k (2014 - £51,713k).

The trustees have decided, given the long term nature of drug discovery, that currently a balance equivalent to between 2 and 3 years' (£39m) of operating costs is desirable to provide a buffer against any substantial and unanticipated interruption to the income stream and to provide us with sufficient flexibility to manage our affairs in this event. Loss of royalty income would have the greatest impact on us since it forms a high proportion of the overall income of MRCT.

The level of reserves is monitored and reviewed on a regular basis.

Commercial subsidiary companies

AERES Biomedical Limited

AERES Biomedical Limited was established to undertake research, development and commercial exploitation in therapeutic antibody research. Although the company is not a charity, its activities were entirely within the objects of MRCT. The company was free to undertake non-charitable activities but none were undertaken. While the company kept its own internal accounting records, its financial activity is subject to the internal controls of MRC Technology, and MRCT continued to monitor and administer income from its projects.

In January 2015 the process for dissolution was completed following the assignment of the remaining assets of the company to MRCT.

Disclosure of information to auditors

So far as each member of the Board is aware at the time of the approval of this board report:

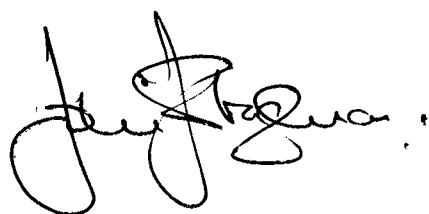
- There is no relevant audit information of which MRCT's auditors are unaware; and
- the members of the Board have taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

Report and accounts approval

This annual report was approved by the MRCT Board of Trustees on 24 June 2015 and signed on its behalf by



Dr John Stageman OBE
Chairman
MRC Technology

INDEPENDENT AUDITOR'S REPORT AND ACCOUNTS

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Independent Auditor's report to the members of Medical Research Council Technology

We have audited the Group and parent charitable Company financial statements of Medical Research Council Technology for the year ended 31 March 2015 which comprise the Consolidated Statement of Financial Activities, incorporating an Income and Expenditure Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable Company and the charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, set out on page 10, the trustees (who are also the directors of the charitable Company for the purposes of company law) are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations under those Acts.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent charitable Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify

any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent charitable Company's affairs as at 31 March 2015, and of the Group's and the parent charitable company's incoming resources and application of resources, including the Group's and the parent income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report and strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report if, in our opinion:

- the parent charitable Company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable Company's financial statements are not in agreement with the accounting records or returns;
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alastair Duke (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP Statutory Auditor
1 Westferry Circus, Canary Wharf, London E14 4HD

Date: 28 September 2015

PKF Littlejohn LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

		Unrestricted funds	Restricted funds	Total funds	Total funds
	Notes	Accumulated funds		2015	2014
		£000's	£000's	£000's	£000's
INCOMING RESOURCES					
Incoming resources from generated funds					
Activities for generating funds	1	3,850	–	3,850	3,850
Investment income	2	1,387	–	1,387	1,135
Other income	3	4	–	4	3,055
Profit on disposal of fixed asset	4	–	–	–	67
Total incoming resources from generated funds		5,241	–	5,241	8,107
Incoming resources from charitable activities					
Research contracts and royalty income	5	19,858	–	19,858	16,815
Grants	6	–	97	97	274
Total incoming resources		25,099	97	25,196	25,196
OUTGOING RESOURCES					
Costs of generating funds	7	156	–	156	172
Governance costs	9	548	–	548	620
Charitable activities		18,351	97	18,448	14,926
Exceptional costs	10	3,000	–	3,000	14,216
Total resources expended		22,055	97	22,152	29,934
Net incoming /(outgoing) resources	12	3,044	–	3,044	(4,738)
STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES					
Realised investment (losses) / gains	16				
- Listed		387	–	387	2
- Other		–	–	–	–
Unrealised investment gains	16	2,190	–	2,190	297
Net movement in funds belonging to MRCT		5,621	-	5,621	(4,439)
Balance brought forward at 1 April		54,180	–	54,180	58,619
Balance carried forward at 31 March	21	59,801	–	59,801	54,180

Medical Research Council Technology (MRCT) has no recognised gains or losses other than as stated above.

All of the activities represented continuing activities of MRCT.

The accounting policies and notes on pages 22 to 31 form part of the financial statements.

BALANCE SHEET

Company number: 2698321

Balance Sheet	Notes	GROUP		COMPANY	
		2015	2014	2015	2014
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Tangible fixed assets	15	2,730	2,471	2,730	2,471
Investments	16	35,245	33,905	35,245	33,905
		37,975	36,376	37,975	36,376
CURRENT ASSETS					
Investments	17	14,414	21,945	14,414	21,957
Debtors	18	7,610	12,130	7,610	12,130
Cash at bank and in hand		9,312	1,489	9,312	1,481
		31,336	35,564	31,336	35,568
Creditors: amounts falling due within one year	19	(5,310)	(3,860)	(5,310)	(3,860)
NET CURRENT ASSETS		26,026	31,704	26,026	31,708
Provision for liabilities and charges	20	(4,200)	(13,900)	(4,200)	(13,900)
NET ASSETS		59,801	54,180	59,801	54,184
FUNDS					
	21				
Unrestricted funds					
- Accumulated funds		59,801	54,168	59,801	54,184
- Trading company funds		-	12	-	-
TOTAL FUNDS		59,801	54,180	59,801	54,184

Approved by the MRCT Board of Trustees on 24 June 2015 and signed on its behalf by:



Dr John Stageman OBE, Chairman

The Accounting Policies and Notes on pages 22 to 31 form part of these financial statements

CONSOLIDATED CASHFLOW STATEMENT

Consolidated Cashflow Statement	2015	2014
	£000's	£000's
Net cash inflow from operating activities	6,270	5,460
Returns on investments and servicing of finance	1,387	1,135
Capital expenditure and financial investment	166	(6,188)
Increase in cash in the year	7,823	407
RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES		
Net incoming / (outgoing) resources before other recognised gains and losses	3,044	(4,738)
Depreciation	810	1,020
Investment income	(1,387)	(1,135)
Decrease / (Increase) in debtors	4,520	(6,367)
Increase / (Decrease) in creditors	1,450	(1,123)
(Decrease) / Increase in long term creditors	(9,700)	13,499
Decrease in current asset investments	7,531	4,523
Loss / (Profit) on disposal of fixed assets	2	(67)
Minority interest purchase of Aeres	–	(152)
Net cash inflow from operating activities	6,270	5,460
ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT		
Returns on investments and servicing of finance		
Investments listed on a recognised stock exchange	1,184	878
Investments other	199	254
Bank interest	4	3
Net cash inflow from returns on investments and services of finance	1,387	1,135
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,071)	(1,097)
Proceeds on disposal of tangible fixed assets	–	4,950
Proceeds on disposal of investments	13,571	10,942
Decrease / (increase) in cash held for investment	1,549	(1,311)
Payments to acquired fixed assets investments	(13,883)	(19,672)
Net cash outflow of capital expenditure and financial investment	166	(6,188)
Analysis of net funds		
Cash at bank at end of year	9,312	1,489
Cash at bank at start of year	1,489	1,082
Net movement in cash	7,823	407

ACCOUNTING POLICIES

Basis of preparation of financial statements

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed and current assets and in accordance with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended) and applicable United Kingdom Financial Reporting and Accounting Standards. In particular, the accounts have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities and Scottish Charity Legislation, subject to the departures referred to below relating to pension costs.

Basis of consolidation

The consolidated accounts incorporate the accounts of MRCT and its subsidiary undertaking, AERES Biomedical Ltd which has been accounted for under the acquisition method. No separate Statement of Financial Activities (SOFA) is presented for the parent company as permitted by section 408 of the Companies Act 2006. The consolidated accounts are prepared in accordance with the provisions of the Charities' SORP.

Going concern

The directors consider that the use of the going concern basis is appropriate because there are no material uncertainties relating to events or conditions that may cast significant doubt about the ability of the charity to continue as a going concern, and there is reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future.

Incoming resources

Incoming resources from generated funds comprise the following:

- Technology transfer services fees receivable from the Medical Research Council (MRC) which are invoiced in line with the service level agreement;
- MRC's contribution to the transition costs to cover the relocation from the Mill Hill site;
- rental income from researchers occupying MRCT facilities. Income recognised represents amounts invoiced in the year; and
- investment income together with recoverable tax, recognised on an accruals basis.

Incoming resources from charitable activities comprise the following:

- research contract and development income recognised according to the terms of the contract upon completion of agreed milestones; royalty income recognised on an accruals basis; and

- grant income recognised when MRCT has the right to receive the money. Grants received which are restricted by the donor to work to be carried out in future accounting periods are deferred.

All income is recognised exclusive of any applicable VAT

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

- Costs of generating funds are the costs of managing investments for both income generation and capital maintenance and include investment manager fees relating to the costs of the external management of investments of MRCT;
- governance costs include audit, legal and professional fees and are the costs incurred in safeguarding the MRCT's assets and meeting constitutional and statutory requirements, including associated salary costs; and
- charitable activities comprise expenditure on the direct charitable activities of MRCT.

Fund accounting

The accumulated fund is a general unrestricted fund which is available for use at the discretion of the trustees in furtherance of the general objectives of MRCT and which has not been designated for other purposes.

The restricted funds are grants received in the year which are subject to specific restrictions imposed by the donor.

Accounting for tangible fixed assets

Fixed assets (with the exception of long leasehold land and buildings) with a cost in excess of £5,000 are recognised at cost and depreciated according to the disclosed policy.

In the opinion of the trustees there is no impairment to the valuation of the leasehold land and buildings.

Accounting for intangible fixed assets

Internally generated intangible fixed assets are capitalised if there is a readily ascertainable market value.

Depreciation of tangible fixed assets

Depreciation is provided on a straight line basis so as to write off the cost or valuation of tangible fixed assets less estimated residual

ACCOUNTING POLICIES

value over their estimated useful economic lives which are as follows:

- long leasehold land and buildings – over the period of the lease or useful economic life, whichever is the shorter;
- plant and machinery – 10 years;
- laboratory equipment – 5 years;
- furniture, fixtures and fittings and office equipment – 5 years;
- computers – 3 years;
- leasehold improvements – 10 years; and
- IT infrastructure – 10 years.

Fixed asset investments

Investments are stated at market value at the balance sheet date. The unrealised gains and losses arising as a result are included in the SOFA together with any realised gains and losses on any investments disposed of in the year.

Current asset investments

Investments are stated at market value at the balance sheet date. The unrealised gains and losses arising as a result are included in the SOFA together with any realised gains and losses on any disposals in the year.

Investments in subsidiary undertakings are stated at net asset value.

Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the terms of the lease.

The lease for the Corporate Head Office (Lynton House) was signed in September 2009 for ten years, and includes a rent free period of 26 months. The total cost of the lease is recognised over the term on a straight line basis.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Transactions which have been concluded prior to the balance sheet date are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange gains and losses arising in the normal course of operations are included in the SOFA.

Pension costs

The charitable Company operates a defined contributions pension scheme which is open to all employees. The funds of the scheme are administered by a third party and are separate from the charitable Company. The pension charge represents contributions payable by the charitable Company for the year. The charitable Company's liability is limited to the amount of the contributions.

Impairment reviews

A review of the impairment of fixed asset investments is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the group and which individually need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. The separate reporting of exceptional items helps to provide a better indication of the group's underlying business performance.

Taxation

MRCT is a registered charity and is generally exempt from Corporation Tax but not from Value Added Tax (VAT). Irrecoverable VAT is included with the cost of those items to which it relates. MRCT's subsidiary undertaking AERES Biomedical Ltd was liable for Corporation Tax on taxable profits.

Provisions

A provision is made for a liability in the financial statements where MRCT has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the liability and a reliable estimate can be made of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

1 Activities for generating funds

	Unrestricted funds £000's	Restricted funds £000's	Totals	
			2015 £000's	2014 £000's
IP management and technology transfer services	3,850	–	3,850	3,850
	3,850	–	3,850	3,850

2 Investment income

	2015	2014
	£000's	£000's
Investments listed on a recognised stock exchange	1,184	878
Bank term deposit interest	199	254
Other bank interest	4	3
	1,387	1,135

3 Other income

	2015	2014
	£000's	£000's
Miscellaneous income	4	5
MRC contribution to transition costs	–	3,050
The contribution to transition costs is funding from the MRC to cover the relocation costs arising from the surrender of the leasehold interest in the Mill Hill site (note 4).	4	3,055

4 Profit on disposal of long term leasehold interest

	2015	2014
	£000's	£000's
Profit on disposal of fixed asset	–	67
	–	67

MRCT held the Mill Hill laboratory premises and site under a 60 year lease dated 30 March 1994 from the landlord, the MRC, who is the freeholder and also an adjoining occupier through the National Institute for Medical Research (NIMR). MRC is relocating the NIMR to a new purpose built facility, the Crick Institute, in the next year and wishes to dispose of their entire free holding. Having obtained Charity Commission consent, MRCT surrendered the lease to the MRC on the 28 March 2014 for a total of £8,000,000 compensation, £4,950,000 for the surrender of our leasehold interest, generating a £67,000 profit on disposal based on the net book value of £4,883,000, and £3,050,000 contribution towards our future relocation costs (note 3).

5 Incoming resources from charitable activities

	Grants £000's	Other Income £000's	Totals	
			2015 £000's	2014 £000's
Research contracts and development income	–	1,268	1,268	1,044
Grants (see note 6)	97	–	97	274
Royalty income	–	18,590	18,590	15,771
	97	19,858	19,955	17,089

Turnover – research contracts

The geographical analysis of research contracts and development income in respect of principal activities of the group is as follows:

	2015	2014
	£000's	£000's
United Kingdom	–	500
Rest of the World	1,268	544
	1,268	1,044

NOTES TO THE FINANCIAL STATEMENTS

6 Grants receivable	2015	2014
	£000's	£000's
Technology Strategy Board (TSB)	97	238
Other	–	36
	97	274

7 Resources expended	Totals					
	Staff	Depreciation	Direct	Support	2015	2014
	£000's	£000's	£000's	£000's	£000's	£000's
Costs of generating funds	–	–	156	–	156	172
Governance costs - Note 9	191	1	222	134	548	620
Charitable activities	8,226	590	6,269	3,363	18,448	14,926
Exceptional costs	–	–	–	3,000	3,000	14,216
Support costs allocation - described in note 8.	8,417	591	6,647	6,497	22,152	29,934

8 Support costs	2015	2014
	£000's	£000's
Staff	1,398	1,152
Depreciation	219	241
Other support costs	1,880	1,305
Exceptional costs	3,000	14,216
	6,497	16,914

Support costs are costs necessarily incurred but which cannot be directly attributed to costs of generating funds, governance costs and charitable activities. These support costs principally comprise HR, ICT, Finance, Facilities and general management costs. Light, heat and other establishment costs have been allocated based on space occupied and insurance has been allocated based on staff numbers. All other support costs have been allocated on a basis appropriate to the nature of the cost.

9 Governance costs	2015	2014
	£000's	£000's
Staff costs	191	233
Depreciation	1	–
Direct costs		
other legal and professional charges	111	74
Audit fees	24	25
Other fees	9	13
Bank charges	9	9
Insurance	59	35
Security and business continuity	–	8
Other governance costs	10	53
Support costs	134	170
	548	620

Staff costs included within governance costs comprise a proportion of the salaries and associated costs of the Company Secretary and the CEO.

NOTES TO THE FINANCIAL STATEMENTS

10 Exceptional costs

Canadian royalty provision

A provision of £3.8m has been created at the year end, see note 20, in respect of payments to be made relating to sales of certain products in Canada. The provision has been calculated on the basis of estimated applicable sales in the period to 25 January 2017, after which no further liability arises.

Pension cost

At 31 March 2014 the cost of leaving the MRCPS was £13.5m. The s75 debt was settled on 10 March 2015 for £12.7m, on terms agreed with the Trustees of the MRCPS resulting in £0.8m write back. (See note 11).

11 Pension

Previous pension arrangements

MRCT provided pensions for its employees through participation in the MRC Pension Scheme (MRCPS) (an 80ths Scheme which is administered by Trustees and maintained independently of MRCT). The Scheme is a defined benefit scheme which was established to enable a number of autonomous but related employers to operate a pension scheme through the sharing of risk within a wider membership base. As such it is not possible for individual employers to identify their share of the underlying assets and liabilities. In such cases, paragraph 9(b) of FRS 17 allows MRCT to account for the Scheme as if it is a defined contribution scheme and for pension costs on the basis of contributions actually payable to the Scheme in the year. MRCT withdrew from the MRCPS on 30 September 2014.

The total pension contribution charge for the year was £76,057 (2014 - £818,880) and £Nil (2014 - £68,885) was outstanding as contributions at the year end.

The contribution rate for MRCT during the year was 14.9% (2014 - 14.9%). The contribution rates of the employees range from 6.25% to 6.5% depending upon length of service with the weighted average normal contribution rate for members being 6.45%.

Decision to withdraw from the MRCPS

MRCT decided on 14 February 2014 to withdraw from the MRCPS, closing the MRCPS to new joiners from 1 May 2014 and to the future accrual of pension entitlements for existing employees from 31 March 2015.

A defined contribution personal pension plan was made available from 1 May 2014 to all existing and new employees, and 98% of members of MRCPS joined the new plan in May 2014. At 31 March 2015 all employees were members of the defined contribution personal pension plan.

The MRCPS is funded to 110% of liabilities on the actuary's normal valuation basis, the statutory basis set out by s75 requires a far more prudent funding level. This amount was recognised as an exceptional cost in the SOFA at 31 March 2014. In addition to the section 75 estimated cost, all costs directly attributable to reaching the decision to withdraw from the MRCPS was included within the exceptional costs including but not limited to the cost of the consultation process and professional advice and support.

NOTES TO THE FINANCIAL STATEMENTS

12 Net incoming resources

This is stated after charging:

	2015	2014
	£000's	£000's
Depreciation	810	1,020
Operating leases - property	426	262
Operating leases - equipment	206	196
Auditors' remuneration	24	25
Fees payable to internal auditors	7	7

13 Staff

	2015	2014
	£000's	£000's
Salaries	7,763	7,017
Social security costs	868	691
Pensions	1,184	819
Agency / Contract staff	253	28
	10,068	8,555

14 Trustees and employees

The average number of employees, analysed by function, was:

	2015	2014
Management	5	6
Research	64	61
Technology Transfer	30	29
Administration	40	39
Agency / Contract staff	4	4
	143	139

No remuneration or other benefits have been paid or are payable to any charity trustee or connected persons. Expenses reclaimed are disclosed in note 23.

The number of employees whose emoluments, excluding employer's pension contribution, exceeded £60,000 was:

	2015	2014
£60,000 – £70,000	14	11
£70,000 – £80,000	8	7
£80,000 – £90,000	4	4
£90,000 – £100,000	3	1
£100,000 – £110,000	1	–
£110,000 – £120,000	–	2
£120,000 – £130,000	1	1
£130,000 – £140,000	1	1
£210,000 – £220,000	–	1
£230,000 – £240,000	1	–

All (2014 – 28) of these members of staff were accruing benefits under the MRCPS until the scheme closed in the year (see note 11). The pension contributions to the defined contribution scheme payable on behalf of 33 (2014 – None) members of staff amounted to £500,084 (2014 £Nil).

NOTES TO THE FINANCIAL STATEMENTS

15 Tangible fixed assets

Group and Company	Assets under construction	Leasehold improvements	Lab' equipment and plant	Fixtures, fittings and computers	Total
	£000's	£000's	£000's	£000's	£000's
COST OR VALUATION					
At 1 April 2014	–	855	3,988	1,572	6,415
Additions	296	–	702	73	1,071
Disposals	–	–	(50)	(169)	(219)
At 31 March 2015	296	855	4,640	1,476	7,267
ACCUMULATED DEPRECIATION					
At 1 April 2014	–	330	2,887	727	3,944
Charge for year	–	87	508	215	810
Disposals	–	–	(48)	(169)	(217)
At 31 March 2015	–	417	3,347	773	4,537
NET BOOK VALUE					
At 31 March 2015	296	438	1,293	703	2,730
At 31 March 2014	–	525	1,101	845	2,471

MRCT had no capital commitments at 31 March 2015 or 2014.

16 Fixed asset investments

Company	2015	2014
	£000's	£000's
Investments at market value	35,245	33,905
	35,245	33,905
Listed Investments		
Market value at 1 April	31,677	22,648
Acquisitions	13,883	19,672
Sale proceeds	(13,571)	(10,942)
Unrealised gain	2,190	297
Realised gain	387	2
Market value at 31 March	34,566	31,677
Historical cost at 31 March	30,996	29,891
Portfolio analysis		
Equities – within the UK	7,950	6,965
Equities – overseas	4,138	4,397
Fixed interest securities – within the UK	18,153	13,791
Fixed interest securities – overseas	1,732	1,863
Alternative investment	2,593	4,661
	34,566	31,677
Cash	679	2,228
	35,245	33,905

NOTES TO THE FINANCIAL STATEMENTS

17 Current asset investments

	2015	2014
	£000's	£000's
Term bank deposits at 1 April	21,945	26,468
Capital withdrawn	(7,700)	(4,750)
Interest received	198	253
Management fees	(29)	(26)
Market value at 31 March	14,414	21,945
Current asset investments - group	14,414	21,945
SUBSIDIARY UNDERTAKING		
AERES Biomedical Limited	–	12
Current asset investments - company	14,414	21,957

MRCT held 100% of the shares in AERES Biomedical Limited. The company was incorporated in the United Kingdom. The principal activity of AERES Biomedical Limited was that of commercial exploitation of intellectual property rights and products in the area of therapeutic antibodies. In January 2015 the dissolution of AERES Biomedical Limited was finalised.

A summary of the results of this subsidiary company for the year ended 31 March 2015 is shown below

	2015	2014
	£000's	£000's
AERES Biomedical Limited		
Capital and reserves	–	9
Administrative expenses	–	(2)
Interest	–	1
Loss for the year	–	(1)

18 Debtors

	Group		Company	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Trade debtors	71	92	71	92
Amounts due from Medical Research Council	1,032	8,001	1,032	8,001
Prepayments and accrued income	6,329	3,857	6,329	3,857
Other debtors	60	36	60	36
Deferred dilapidations provision	118	144	118	144
	7,610	12,130	7,610	12,130

The amount due from the MRC in the prior year arose from the agreement that Medical Research Council Technology surrender their long term lease of the property in Mill Hill in exchange for compensation totalling £8,000,000 (notes 3 and 4). A remaining amount of £1,000,000 is receivable within one year.

NOTES TO THE FINANCIAL STATEMENTS

19 Creditors

Amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£000's	£000's	£000's	£000's
Trade creditors	549	544	549	544
Amounts due to Medical Research Council	1,196	167	1,196	167
Accruals	2,197	1,871	2,197	1,871
Tax creditor - VAT	1,053	995	1,053	995
PAYE & NI creditor	315	283	315	283
	5,310	3,860	5,310	3,860

20 Provision for liabilities and charges

Group & Company

	2015	2014
	£000's	£000's
Provision for exceptional cost of pension scheme settlement	-	13,500
Provision for contractual payments	400	400
Canadian royalty provision	3,800	-
	4,200	13,900

Provisions consist of the dilapidations provisions for the Edinburgh site and Lynton House and the exceptional cost of the Canadian royalty provision.

Group & Company

	2015
	£000's
Provision brought forward	13,900
Amount used during period	(12,700)
Amount unused and reversed	(800)
Provision in year	3,800
	4,200

21 Analysis of total funds as at 31 March 2015

	Tangible fixed assets	Investments	Net current assets	Creditors due in more than one year	Due to minority interest	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Unrestricted funds						
Accumulated funds	2,730	35,245	26,026	(4,200)	-	59,801
	2,730	35,245	26,026	(4,200)	-	59,801

22 Financial commitments

The minimum annual lease payments to which MRCT is committed under non-cancellable operating leases are - on leases expiring:

	2015		2014	
	Equipment	Property	Equipment	Property
	£000's	£000's	£000's	£000's
Within one year	36	-	38	-
Between two and five years	119	599	192	30
Over five years	-	-	-	448
	155	599	230	478

NOTES TO THE FINANCIAL STATEMENTS

23 Related party transactions

i) The members of the Board received no remuneration from MRCT for their services as trustees during the year. However, reimbursements for travel expenses with an aggregate value of £4,169 (2014 - £2,832) were made to five members (2014 - five members). These transactions were carried out on normal commercial terms.

ii) Trustee Indemnity Insurance was purchased in the year at a cost of £4,930 including insurance premium tax (2014 - £2,092).

iii) MRCT is associated with the MRC and received fees of £3,849,996 (2014 - £3,849,996) during the year for the management of the MRC patent portfolio.

At the year end, £1,032,285 (2014 - £8,000,700) was due from the MRC to MRCT (See note 18) and £4,996,505 (2014 - £166,904) was due to the MRC from MRCT (see note 19).

24 Limited liability

MRCT is a company limited by guarantee and thus has no share capital.

In the event of MRCT being wound up, every member of MRCT undertakes to contribute no more than £1 to the assets of MRCT while they are a member, or within one year after they cease to be a member, for the debts and liabilities of MRCT contracted before they cease to be a member. The number of members at 31 March 2015 was 10 (2014 - 10).

25 Charitable status

MRCT is a charity registered with the Charity Commissioners for England and Wales, number 1015243 and a Charity registered in Scotland (number SC037861) with the Office of the Scottish Charity Regulator.

26 Contingent liabilities

MRCT has contingent liabilities with respect to the Awards to Inventors Scheme. Under the terms of this scheme a share of royalties is payable contingent on the sales of certain drugs and funded by the receipt by MRCT of future royalties on those sales.

27 Ultimate controlling party

The charitable Company is controlled by its members.



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COMPANY NUMBER

Medical Research Council
Technology is a company
limited by guarantee no.
2698321 incorporated in
England and Wales.

CHARITY NUMBERS

Medical Research Council
Technology is a charity
registered with the Charity
Commission for England
and Wales no. 1015243
and a charity registered in
Scotland with the Office
of the Scottish Charity
Regulator no. SC037861.