



Trustees' annual report and accounts 2016

MRCT's vision:
to be a catalyst for
life changing science

Chairman's statement

I am pleased to report that 2015-16 has been a very successful year for Medical Research Council Technology (MRCT) scientifically, financially and in growing our partnership base. As a translational medical charity we exist to improve patients' lives by progressing innovative medical science in any disease area to reach its full potential. To achieve this, we offer professional technology transfer services and early stage drug discovery and healthcare diagnostics development capabilities. Our strong track record of negotiating practical and effective licensing deals around the world helps advance the most promising innovations into clinical testing, enabling us to fulfil our mission to find treatments where there is unmet patient need.

We continue to deliver professional services to the Medical Research Council (MRC) in the identification, protection and exploitation of their innovations and intellectual property rights. The nature of our work with the MRC is evolving along with the UK government-funded research sector. I am however confident that this relationship will continue to be an important one for both parties. It helps both MRCT's charitable objects of assisting the effective translation of scientific discoveries for patients and the MRC's mission to improve human health. The robust income flow from our royalties has buffered MRCT against changes in annual income from our service contract with the MRC and enabled us to maintain our wider scientific and technology transfer portfolio.

We have invested significantly in the creation of new state-of-the-art research facilities for the Centre for Therapeutics Discovery on the Stevenage Bioscience Catalyst campus. Careful planning allowed us to complete the move of employees, equipment and projects with minimum disruption to our service delivery. We have also taken the opportunity to streamline our London office on Tavistock Square with further employee transfers creating a stronger and larger multidisciplinary MRCT community at Stevenage.

By helping to activate a patient's own immune system, antibody therapeutic Keytruda™ (pembrolizumab), humanised by scientists at our Centre for Therapeutics Discovery, is making considerable impact on cancer treatment across the world. Following US Food and Drug Administration (FDA) approval last year for treatment of advanced melanoma, it has now also been approved by the European Commission and The National Institute for Health and Care Excellence (NICE) and made available to patients in the EU and UK. The FDA has also approved Keytruda™ to treat patients with advanced (metastatic) non-small cell lung cancer (NSCLC) whose disease has progressed after treatment with other therapies. Trials in a number of other cancers are also showing promising results.

Our Centre for Diagnostics Development's first project has delivered a clinically valuable assay for rapidly detecting bacterial resistance to the antibiotic Carbapenem. We've also expanded our charity work and are now helping 16 charities increase the value and translational potential of their research funding. We announced our first partnership with a US charity, the Alzheimer's Association, aiming to progress treatments for Alzheimer's disease.

INTRODUCTION

Chairman's statement (cont)

The Dementia Consortium welcomed two new pharmaceutical partners, Abbvie and MSD - Merck Sharp & Dohme - (joining Astex, Eisai and Lilly) and funded three research projects. The Consortium seeks to speed up discovery of new dementia treatments by closing the gap between fundamental academic research and the pharmaceutical industry's drug discovery programmes.

For MRCT to prosper, be well governed and deliver its charitable objects, it must attract and retain the highest quality board of trustees, senior executive team and professional and motivated employees. I am very pleased to welcome two new trustees – Les Hughes and Mike Romanos. Their business and R&D leadership capabilities and wide-ranging experience in life science companies will strengthen the board at this exciting time. I would also like to thank our retiring trustees, Ian Skidmore and Sir Philip Cohen for their guidance and contribution to the growth and development of MRCT. We also welcomed Andrew Farquharson to the senior executive team as Director, Technology Transfer. Andrew is a European patent attorney with extensive experience in the pharma industry.

2015-2016 has been a successful year and one in which MRCT successfully sustained a considerable pace of change. This would not have been possible without the dedication, hard work and professional capabilities of all our employees. The trustees and I would like to take this opportunity to thank them most sincerely.

The remarkable success of Keytruda™ is potentially transformational for the charity. This royalty stream has created a unique opportunity to secure the financial support for MRCT in the medium term to deliver increased charitable impact, and the board is considering a revision to its current strategy in light of these improved circumstances.



Dr John Stageman OBE
Chairman, Medical Research Council Technology

30 June 2016

Objectives and activities	2	Structure, governance, management	9
Introduction	2	Legal status	9
Charitable objects	2	Governing document	9
Public benefit statement	2	Organisation	9
Delivering patient benefit	3	The board of trustees	9
Future focus	4	Members of the board of trustees	9
		Committees of the board	10
Strategic report - achievements & performance	5	Executive management	11
Maintain a dynamic portfolio of translatable medical science with potential to impact patients	5	Structure of key divisions	11
▶ MRC support	5	Statement of trustees' responsibilities	12
▶ Charity partnerships	5	Internal control	12
Maximise charitable impact of collaborators' medical science discoveries through robust science collaborations	6	Principles of governance	13
▶ Call for targets	6	Performance	13
▶ Academic collaboration	6	Risk management	13
▶ Drug discovery	7	Trustee appointment	13
▶ Pharmaceutical partnerships	7	Trustee training	13
▶ Call for diagnostics	7	Conflicts of interest	13
▶ Diagnostic NHS partnerships	7	Remuneration	14
▶ Diagnostic industry partnerships	7	Health and safety	14
Champion new ways to facilitate and accelerate translation of medical research to address unmet patient need	8	Employment	15
▶ Dementia Consortium	8		
▶ Neurodegeneration Medicines Acceleration Programme	8	Administrative details	15
		Locations	15
		Advisers	15
		Financial review	16
		Independent auditor's report	18
		Financial statements	21

Introduction

Medical Research Council Technology (MRCT) is an independent life science medical research charity committed to improving 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 patient treatments.

As a self-funded charity, income is reinvested to support translating research from the bench to patient. MRCT offers commercialisation and IP management skills and diagnostic and drug discovery expertise, specialising in small molecules and therapeutic antibodies.

MRCT projects have led to several approved drugs, changing the lives of countless patients by harnessing the potential of science.

mrctechnology.org

Charitable 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.

Public benefit statement

The trustees confirm that they have complied with the public benefit requirement in the Charities Act 2011, which stipulates that they must have regard to the Charity Commission's public benefit guidance in exercising powers or duties related to the guidance.

Delivering patient benefit

MRCT has three core strategic aims:

Identify and protect translatable medical science research with the potential to deliver patient benefit.

Develop and progress new medical science discoveries to be closer to patients.

Explore and create operational models that enhance MRCT's charitable impact on medical science translation.

MRCT's three main objectives during the year:

To maintain a dynamic portfolio of translatable medical science with potential to impact patients.

To maximise the charitable impact of collaborators' medical science discoveries by delivering robust science, strong collaborations and excellence in project execution.

To champion new ways to facilitate and accelerate translation of medical research that addresses unmet patient needs now and in the future.

Activities:

Accessing new projects to progress through drug discovery, diagnostics and intellectual property (IP) management via roadshows, networking, conferences, charity calls, literature scanning, partnership building, crowd sourcing, advertising and social media

IP protection, management and commercialisation services provided to the Medical Research Council (MRC) and charities

Assisting institutional and charity partners to refine criteria for future grant funding to increase the frequency and success of translatable and promising research.

Working with the most appropriate industrial partners to ensure innovations are tested properly and deliver new therapies

Remaining disease agnostic, ensuring MRCT's portfolio reflects the needs of patients

Closer collaboration with instrument companies and NHS laboratories to understand how MRCT's diagnostic technologies can create the highest charitable impact.

Managing the Dementia Consortium and Neurodegeneration Medicines Acceleration Programme collaborations with charity and industry partners to progress treatments for neurodegenerative diseases

Exploring with industry, charities funders and governments new methods, consortia and collaborations to address challenging healthcare problems.

Future focus

Continuing our 2015-2020 strategic plan, MRCT's plans for the next financial year include:

- Identify new drug discovery and diagnostics projects which have maximum potential to improve patients' lives via MRCT's extensive scouting and thorough due diligence process, focussing on areas of high unmet medical need. Proven channels will be used, including university roadshows, journal advertising, direct marketing, partnering meetings, technology transfer meetings and scientific conferences
- Maintain a first class translational and IP service to established partners and seek to identify and expand this service to new partners. New partners will be identified via analysis of innovation translation gaps in the publicly funded life sciences sector and through exploration of mutually advantageous collaborations with established technology transfer organisations. These new partnerships will seek to solve presently unmet translational needs or deliver greater translational efficiency, improving the chances that significant innovations will move further down the path towards delivering patient benefits
- Broaden the range of diagnostic modalities MRCT works on as its diagnostic capabilities mature to include qPCR, digital PCR, NextGen sequencing and antibody based ELISA tests
- Explore with industry, charities, funders and governments new methods, consortia and collaborations to address challenging healthcare problems by building networks of stakeholders who are united by the common purpose of making a difference to patients
- Explore new funding and collaborative models for translation of early stage medical science and the possibility of co-funding clinical development with other partners. MRCT will explore alliances with industry and other parties in specific areas of high unmet need, using the combined strengths and capabilities of MRCT and its partners to progress high quality projects. Where relevant funding bodies exist, opportunities will be explored to create funds to encourage academics to propose new targets for collaborations within the alliances.

Objective:

Maintain a dynamic portfolio of translatable medical science with potential to impact patients.

MRC support

MRCT supports the MRC in increasing the health benefits arising from their research by ensuring intellectual property is appropriately exploited to maximise the potential patient benefit, ensuring MRC receives a share of the value, if financial value is attached, to fund further research.

MRC projects contribute to MRCT's charitable impact through intellectual property generation, patent management, licensing and evaluation agreements and the generation of potential projects for MRCT's drug discovery programme.

During the year MRCT, on behalf of the MRC:

- Assessed 59 (2015 – 52) potential inventions from scientists across a range of MRC units and institutes

- Managed the Development Gap Fund, a pre-seed translational fund available to MRC scientists, which funded 6 (2015 - 4) projects at a total cost of £493,514 (2015 - £301,590)

- Filed 8 (2015 – 9) patent applications on individual new inventions and had 50 (2015 - 45) national patents granted across 33 individual patent families

- Executed 46 (2015 – 41) licenses generating royalty income / fees and 6 (2015 – 8) industrial collaborations

- Managed the collection of royalty income of £95.1m (2015 - £94.8m) and revenue share and inventor award payments of £42.7m (2015 - £44.7m) for the MRC whilst monitoring their portfolio of active assets.

Charity partnerships

Work for UK and global medical research charities has increased significantly over the year with the number of clients growing to 16 (2015 - 14), completion of 10 projects and 14 new ones started, resulting in 30 service agreements under negotiation or signed. Whilst MRCT continues to offer ad hoc advice (such as Grant Terms and Conditions Review) and Call for Targets services, the largest growth

area is reviewing clients' portfolios of grant-funded research. At the beginning of 2015, Parkinson's UK and Diabetes UK were added to the client list, and it was subsequently expanded to DEBRA Austria and most notably, Alzheimer's Association, one of the largest funders of medical research in the US and MRCT's first charity partner in the United States.

Objective:

Maximise charitable impact of collaborators' medical science discoveries through robust science collaborations.

Call for targets

The Business Development team is continuously seeking out potential new targets, chemistry and antibody projects for the drug discovery pipeline, focussing on areas of high unmet patient need.

A broad range of indications have been reviewed with a high proportion, nearly 40 percent, being cancer.

During the year 94 potential projects were evaluated with seven progressing for further development.

Source of projects for evaluation:

Indication	UK (MRC)	Europe	USA	China	Other	TOTAL
Cancer	13 (1)	13	3	2	5	36
Inflammation	5 (0)	1	1	0	0	7
Infectious/viral	2 (0)	1	1	1	2	7
Neurodegeneration	10 (0)	5	4	0	5	24
Other	9 (0)	4	5	1	1	20
Total 2016	39 (1)	24	14	4	13	94
Total 2015	53 (6)	21	27	2	13	116

Academic collaboration

Collaborations with 40 universities both in the UK and around the world move cutting edge science closer to clinical benefit. To this end, MRCT continues to develop relevant technologies to expedite discoveries and enable more rapid progress.

New collaborations during the year include:

- The University of Tokyo (progressing antibody preparations and small molecule drug products)

- University of Lausanne (new drug treatments for diffuse large B cell lymphoma, the most common type of non-Hodgkin lymphoma)

- Georg-August-University Göttingen (finding a new antibody therapy for Alzheimer's disease)

- New York School of Medicine (antibody development for the prevention of inflammatory osteolysis (bone breakdown)).

Drug discovery

Progress has been made in a number of disease areas, including cancer, pain, hand foot and mouth disease and fibrosis.

MRCT's Centre for Therapeutics Discovery (CTD) is currently working on eight antibody and 14 small molecule projects, covering over 15 separate primary and alternative indications.

Number of projects by indication:

Project status primary indication	Oncology	Autoimmune/Inflammation	Central Nervous System	Other
Gene to target	0	1	3	1
Target to hit	2	0	1	2
Hit to lead	4	2	2	2
Marketing	0	0	0	2
Total 2016	6	3	6	7
Total 2015	10	2	5	6

Call for diagnostics

MRCT's Centre for Diagnostics Development (CDD) has conducted two targeted 'calls' for diagnostic projects resulting in 37 first stage applications. Six projects from the first call were shortlisted for further follow up, but only one progressed to a feasibility study. This project, prostate biomarkers for the detection of cancer, prediction of progression and to distinguish aggressive and non-aggressive disease, commenced September 2015. Due diligence and

follow-up are currently underway for six projects from the second call for projects.

Pharma partnerships

MRCT currently has agreements with five pharmaceutical companies to share its early stage target assessments and offer early stage drug discovery collaborations. These include AstraZeneca and Daiichi Sankyo.

Diagnostic NHS partnerships

Discussions continue with various contacts in the NHS, and in particular NHS Lothian, aiming to create an MRCT/NHS partnership to identify and streamline diagnostic development in areas of direct interest to clinicians.

Diagnostic industry partnerships

Working with Renishaw Diagnostics Ltd (RDL), CDD identifies projects with direct commercial potential. The first project, a carbapenemase resistance test ported on to the RDL platform, has been completed. The test has won Innovate UK funding to accelerate final product development.

Objective:

Champion new ways to facilitate and accelerate translation of medical research to address unmet patient need.

High levels of trust with charity, academic and industry partners, combined with charities' recognition of the value MRCT creates through enabling translation, has allowed MRCT to create innovative new models to progress research.

Dementia Consortium

The Dementia Consortium was established to expedite drug development for neurodegenerative diseases. During this financial year, three projects received funding, with the aim of finding treatments for Amyotrophic Lateral Sclerosis (ALS) and Frontotemporal Lobar degeneration (FTLD), reducing brain inflammation, and exploring the role of immune system regulator, fractalkine.

The Consortium also signed three new pharmaceutical partners, AbbVie, Astex and MSD (bringing the total to five pharmaceutical partners with Eisai and Lilly), increasing the knowledge and resources available to the project.

Neuro-MAP

The Neurodegeneration Medicines Acceleration Programme (Neuro-MAP), set-up to unblock promising research projects that have stalled for strategic reasons, is now established with a Memorandum of Understanding being put in place between MRCT and eight medical research charities drawn from the UK and US. MRCT has focused on engagement with industrial partners and one project proposal was received but eventually not progressed because, as a result of the Neuro-MAP assessment process, it was returned to the partner's active portfolio. As the objective of this programme is to progress stalled projects that wouldn't otherwise reach the patient, MRCT considers this to be a positive outcome. Further projects are expected to be proposed to the programme throughout 2016.

Legal status

Medical Research Council Technology is a company limited by guarantee (No 2698321) having been incorporated under the Companies Act 1985 on 18 March 1992. MRCT does not have any share capital, but its 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 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.

Governing document

MRCT's governing document is the Articles of Association, subject to the provisions of the Companies Act 2006, the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005.

Organisation

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 objects under the Charities Act. There are more members than directors, therefore not all members act in the capacity of director.

The members decide on any changes to the constitution of MRCT and on the powers of directors. All the functions of MRCT within its constitution and achievement of its charitable objects are governed and carried out by the board of directors acting as trustees of MRCT. The board of trustees meets at least 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 board of trustees

Members of the board have varied backgrounds across the fields of biomedical sciences (academic and pharmaceutical), finance, investment fund management, law and medicine. The board is responsible for setting strategies and policies for MRCT and ensuring that these are implemented. It delegates oversight and assurance for key business functions to five dedicated committees.

Members of the board of trustees

Dr John Stageman OBE, Chairman

Michael Brooks

Sally Burtles

Professor Sir Phillip Cohen
(Retired April 2016)

Dr Annette Doherty

Dr Mark Edwards

Peter Keen

Declan Mulkeen

Dr Paul Mussenden

Ian Skidmore
(retired November 2015)

Dr Les Hughes
(appointed 1 March 2016)

Dr Mike Romanos
(appointed 1 March 2016)

Committees of the board

Board
of trustees

Board Meetings 5	Attendance
John Stageman (Chair)	■ ■ ■ ■ ■
Mike Brooks	■ ■ ■ ■ ■
Mark Edwards	□ ■ ■ ■ ■
Paul Mussenden	■ ■ ■ ■ ■
Declan Mulkeen	■ ■ ■ ■ ■
Philip Cohen <i>Retired April 2016</i>	□ □ ■ ■ ■
Sally Burtles	■ ■ ■ ■ ■
Peter Keen	■ ■ ■ ■ ■
Annette Doherty	□ □ □ ■ ■
Ian Skidmore <i>Retired Nov 2015</i>	□ □ ■ ■ ■

Audit and risk management
committee (ARMC)

Meetings 4	Attendance
Mike Brooks (Chair)	■ ■ ■ ■
Paul Mussenden	■ ■ ■ ■
Peter Keen	■ ■ ■ ■
<p><i>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.</i></p>	

Scientific
committee (SC)

Meetings 2	Attendance
Ian Skidmore (Chair) <i>Retired November 2015</i>	■ ■
Mark Edwards	□ ■
Philip Cohen <i>Retired April 2016</i>	■ ■
Sally Burtles	■ ■
Annette Doherty	■ □
<p><i>Provides assurance to the board of trustees on the management of MRCT's investment in drug discovery and diagnostic research through CTD and CDD.</i></p>	

Nominations
committee (NC)

Meetings 2	Attendance
John Stageman (Chair)	■ ■
Mike Brooks	■ ■
<p><i>The main function of the committee is to develop and maintain an active succession plan for the board.</i></p>	

Investment management
committee (IMC)

Meetings 2	Attendance
Peter Keen (Chair)	■ ■
Mike Brooks	■ ■
Paul Mussenden	■ ■
<p><i>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.</i></p>	

Remuneration
committee (RC)

Meetings 2	Attendance
John Stageman (Chair)	■ ■
Mike Brooks	■ □
Sally Burtles	□ ■
<p><i>Deals with matters relating to remuneration policy and the annual review of remuneration, in particular with regard to senior executives.</i></p>	

Executive management

Dave Tapolczay
CEO

Edward Bliss
General Counsel & Company Secretary

Justin Bryans
Director, Drug Discovery

Michael Dalrymple
Director, Business Development

Andrew Farquharson
Director, Technology Transfer

Mike Johnson
Director, Corporate Partnerships

Andrew Mercieca
Director, Finance

Structure of key divisions

MRCT has six divisions with ICT, finance, human resources, marketing and general management functions providing support for the charity.

■ Centre for Therapeutics Discovery (CTD)

Responsible for moving early stage molecular targets emerging from academic research for indications where there is a clear unmet need towards clinical benefit.

■ Centre for Diagnostics Development (CDD)

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

■ Technology Transfer (TT)

Provides intellectual property (IP) management and commercialisation services to the MRC and technology transfer services to UK charities.

Provides general advisory support to MRCT on issues relating to intellectual property that impact the business.

■ Licensing (L)

Negotiate and conclude all commercialisation agreements relating to MRC IP, drafts and concludes agreements with charity clients and provides general advisory support to MRCT on a broad range of legal issues that impact the business and its administrative activities.

■ 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 CDD, seeking commercial partners.

■ Corporate Partnerships (CP)

Works to create new routes to deliver MRCT's charitable objects through exploring, defining and implementing collaborative approaches that create patient impact.

Statement of trustees' responsibilities

The trustees (who are the directors for the purpose of Company Law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure for that period. In preparing these financial statements the trustees are required to:

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

The members of the board are responsible for keeping proper 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 trustees 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 met five times during the year (April, June, September, November and January).

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
- **Policies:** Standard operating procedures are in place for all activities and risk areas
- **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 executive management meetings, audit and risk management committee meetings and meetings of the board of trustees
- **Internal audit:** Internal audit services are provided by BDO LLP
- **Governance:** The board is regularly advised by the Company Secretary, and seeks specialist advice on charity law as required. A handbook of board governance policies is regularly reviewed and updated.

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 takes professional advice as required to fulfil its duties.

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 committees.

Risk management

The trustees have a risk management strategy which comprises:

- Regular review of the principal risks and uncertainties that the charity faces
- Establishment of policies, systems and procedures to mitigate those risks identified in the review
- Implementation of procedures to minimise or manage any potential impact on the charity should those risks materialise.

Trustee appointment

The MRCT nominations committee meets at least twice a year to review the structure, size and composition of the board. Consideration is given to recruitment, re-elections and succession planning for the board and executive management team to ensure the organisation is best able to meet its strategic aims and charitable objects.

With each vacancy, it is their responsibility to evaluate the balance of skills, knowledge, experience and diversity of the board before any recruitment takes place. Candidates will then be identified and considered on merit by the nominations committee before a candidate is nominated for approval by the board.

Trustee training

All trustees are offered an 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 advisers.

Conflicts of interest

MRCT's policy on conflicts of interest 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 decides whether that trustee 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.

Remuneration

The objective of MRCT's remuneration is to facilitate the achievement of its strategy in the context of the charitable objects. Central to this is the need to ensure that MRCT can attract, retain and motivate the necessary calibre of talent required to do so.

MRCT is working towards the guiding principles:

- Offer a total reward package (salary, bonus, pension and benefits) that is competitive in the relevant talent market, but also reflective of MRCT's charitable status
- To reward performance that delivers on the charity's goals
- To encourage employees to build upon their capabilities and share their knowledge with others
- To ensure benefits are flexible and fit for the employee population
- To be fair, non-discriminatory, consistent and transparent in the remuneration award process.

Senior Leaders

The MRCT remuneration framework and award practice is overseen by the remuneration committee which deals with matters relating to remuneration policy and the annual review of remuneration, with particular regard to senior leaders.

Reward for the CEO and senior leaders is awarded using the same criteria and methodology as all other employees in MRCT. This process follows the annual performance review and includes an assessment of salaries in the relevant talent market.

Health and safety

As a laboratory and office based organisation, MRCT regards health and safety as a top priority. Each of the 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. At the main laboratory site in Stevenage, MRCT also makes use of and is represented on Stevenage Bioscience Catalyst (SBC)'s health and safety committees. Employees at the Edinburgh laboratories 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 Lynton House office 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. The charity provides an environment where continuous development can take place and where employees are supported and enabled to meet the changing demands and priorities of MRCT.

MRCT strives to attract and recruit the best candidates from within MRCT and the wider external market. The working environment is flexible, friendly and diverse 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.

MRCT is committed to a policy of equal opportunities in all aspects of our activities.

Locations

MRCT
Lynton House
7-12 Tavistock Square
London
WC1H 9LT

MRCT (until April 2016)
1-3 Burtonhole Lane
Mill Hill
London
NW7 1AD

MRCT (from April 2016)
Accelerator Building
Open Innovation Campus
Stevenage
SG1 2FX

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

Advisers

Auditors

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

Bankers

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

Charity law advisers

Bates Wells Braithwaite
10 Queen Street Place
London EC4R 1BE

Internal auditors

BDO LLP
55 Baker Street
London W1U 1EU

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	2015-16 £000s	2014-15 £000s
Total incoming resources	29,708	25,196
Total resources expended	23,038	22,092
Net movement in funds	5,506	5,681
Funds balance carried forward	65,135	59,629

The overall surplus delivered was £5,506k (2015 – surplus £5,681k).

Total incoming resources for the year were £29,708k (2015 - £25,196k) including £2,788k (2015 - £3,850k) received for IP management and technology transfer services and £25,137k (2015 - £19,858k) of contract and royalty income. The latter income derives principally from MRCT's share of royalties arising from the development of successful treatments for multiple sclerosis (Tysabri™) and rheumatoid arthritis (Actemra™). Royalty income also includes royalties from Keytruda™ which received FDA approval in the previous year for the treatment of advanced melanoma, and has also now been approved by the European Commission and The National Institute for Health and Care Excellence (NICE) and available to patients in the EU and UK. The FDA also approved Keytruda to treat patients with advanced (metastatic) non-small cell lung cancer.

Total resources expended amounted to £23,038k (2015 - £22,092k). The costs comprise the research costs and expenses related to technology transfer activities, both activities being directly related to MRCT's 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 MRCT's public benefit objectives is in line with last year.

Investment policy

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 2016 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
- Royal London Asset Management manages a long term investment portfolio focused on corporate bonds.

During the year the HSBC Wealth & Opportunities fund was closed releasing £2,417k, leaving the HSBC Growth & Income Fund as the sole HSBC fund in line with MRCT's investment policy.

Reserves policy

MRCT holds reserves to ensure that, as far as is reasonably possible, its future expenditure objectives can be met, given certain assumptions about future income streams. All of MRCT's reserves are held in pursuance of its charitable objects as stated above.

The level of free reserves held at 31 March 2016, defined as being those funds that are freely available for general purposes and excluding tangible fixed assets, was £56,216k (2015 - £56,781k).

The trustees have decided, given the long term nature of drug discovery, that currently a balance equivalent of between two and three years' (£46m - £69m) of operating costs is desirable to provide a buffer against any substantial and unanticipated interruption to the income stream and to provide the charity with sufficient flexibility to manage its affairs in this event. Loss of royalty income would have the greatest impact on the charity since it forms a high proportion of the overall income of MRCT.

Auditors

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

Disclosure of information to auditors

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

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

This annual report was approved by the MRCT board on 30 June 2016 and signed on its behalf by



Dr John Stageman OBE
Chairman

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

We have audited the financial statements of Medical Research Council Technology for the year ended 31 March 2016 which comprise the statement of financial activities, incorporating an income and expenditure account, the balance sheet, 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) including FRS 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland.

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 charitable company's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulators 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members and its trustees 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 auditor

As explained more fully in the trustees' responsibilities statement, set out on page 12, 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 charity'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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including income and expenditure

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 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 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
- the 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
- we have not received all the information and explanations we require for our audit.



4 July 2016

Alastair Duke
(Senior statutory auditor)

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

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

Financial statements	24	Notes to the financial statements	30
Statement of financial activities	24	Income from charitable activities	30
Balance sheet	25	Income from investments	30
Statement of cash flows	26	Other income	30
Accounting policies	27	Investment management costs	30
		Analysis of expenditure on charitable activities	31
		Allocation of support costs	31
		Governance costs	31
		Net income for the year	32
		Auditor's remuneration	32
		Trustees' expenses and key management personnel remuneration	32
		Staff costs and employee benefits	33
		Tangible fixed assets	34
		Fixed asset investments	35
		Current asset investments	35
		Debtors	36
		Creditors	36
		Leases	36
		Provisions for liabilities and charges	36
		Fund reconciliation	37
		Analysis of net assets between funds	37
		Reconciliation of net income	37
		Pensions and other post-retirement benefits	38
		Related party transactions	38
		First time adoption of SORP (FRS102)	38
		Limited liability	39
		Charitable status	39
		Contingent liabilities	39
		Ultimate controlling party	39

Statement of financial activities

For the year ended 31 March 2016

	Notes	Unrestricted funds Accumulated funds £000s	Restricted funds £000s	Total funds 2016 £000s	Total funds 2015 £000s
INCOMING RESOURCES					
Charitable activities	1	27,925	215	28,140	23,805
Investments	2	1,447	-	1,447	1,387
Other income	3	121	-	121	4
Total income		29,493	215	29,708	25,196
Expenditure on:					
Raising funds	4	143	-	143	169
Charitable activities	5	22,785	215	23,000	18,923
Provisions	18	(105)	-	(105)	3,000
Total expenditure		22,823	215	23,038	22,092
Net (losses) / gains on investments		(1,164)	-	(1,164)	2,577
Net income		5,506	-	5,506	5,681
Net movement in funds	19	5,506	-	5,506	5,681
Reconciliation of funds:					
Total funds brought forward	19	59,629	-	59,629	53,948
Total funds carried forward	19	65,135	-	65,135	59,629

All income and expenditure derives from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year.

The accounting policies and notes on page 27-39 form part of these financial statements.

Balance sheet

As at 31 March 2016 Company number: 2698321

	Notes	2016 £000s	Restated 2015 £000s
FIXED ASSETS			
Tangible fixed assets	12	8,919	2,848
Investments	13	32,995	35,245
		41,914	38,093
CURRENT ASSETS			
Investments	14	13,214	14,414
Debtors	15	10,155	7,492
Cash at bank and in hand		10,669	9,312
		34,038	31,218
Creditors: amounts falling due within one year	16	(7,815)	(5,482)
Net current assets		26,223	25,736
Total assets less current liabilities		68,137	63,829
Provision for liabilities	18	(3,002)	(4,200)
Net assets		65,135	59,629
CHARITY FUNDS			
Unrestricted funds	20	65,135	59,629
Total charity funds		65,135	59,629

The financial statements were approved and authorised for issue by the board on 30 June 2016.

Signed on behalf of the board of trustees.



Dr John Stageman OBE, Chairman

The accounting policies and notes on page 27-39 form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2016

	Notes	2016 £000s	Restated 2015 £000s
Cash flow from operating activities	21	4,830	(1,090)
Net cash flow provided by / (used in) operating activities		4,830	(1,090)
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(7,209)	(1,242)
Receipts from sale of fixed assets		3	-
Payments to acquire investments		(6,517)	(13,883)
Receipts from sale of investments		7,348	13,571
Dividends, interest and rents received from investments		1,447	1,387
(Increase) / Decrease in current asset investments		1,200	7,531
(Decrease) / Increase in cash held for investment		255	1,549
Net cash flow provided by / (used in) investing activities		(3,473)	8,913
Change in cash and cash equivalents in the year		1,357	7,823
Cash and cash equivalents at 1 April		9,312	1,489
Cash and cash equivalents at 31 March		10,669	9,312
Cash and cash equivalents consist of:			
Cash at bank and in hand		10,669	9,312
Short term deposits		-	-
Cash and cash equivalents at 31 March		10,669	9,312

The accounting policies and notes on page 27-39 form part of these financial statements.

Basis of preparation of financial statements

General information and basis of preparation

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the financial reporting standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK generally accepted practice as it applies from 1 January 2015.

The financial statements are prepared on a going concern basis under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £000.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The charity adopted SORP (FRS 102) in the current year and an explanation of how transition to SORP (FRS 102) has affected the reported financial position and performance is given in note 24.

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 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
- Technology transfer services fees receivable from the Medical Research Council (MRC) which are invoiced in line with the service level agreement
- Grant income recognised when MRCT has the right to receive the money. Grants received which are restricted by the donor for performance in future accounting periods are deferred
- Rental income from researchers occupying MRCT facilities. Income recognised on an accruals basis.

Incoming resources from Investments comprise the following:

- Investment income together with recoverable tax, recognised on an accruals basis.

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 raising 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
- charitable activities comprise expenditure on the direct charitable activities of MRCT
- provisions comprise estimated movement in obligations as at the balance sheet date as a result of a past event.

Fund accounting

The unrestricted 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.

Support cost allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and constitute corporate resource and governance costs. They are incurred directly in support of expenditure on the activities of the charity. Corporate resource and governance costs have been allocated to activities based on employee headcount.

Accounting for tangible fixed assets

Fixed assets 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.

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 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 – 5-10 years;
- furniture, fixtures and fittings, office equipment – 5 years;
- computers – 3 years;
- leasehold improvements – 10 years; and
- IT infrastructure – 10 years.

Fixed asset investments

Investments are recorded at cost and are stated at market value at the balance sheet date. The unrealised gains and losses arising as a result are included in the statement of financial activities (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.

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 London office 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.

Employee benefits

MRCT offers a flexible benefits solution that allows employees to choose benefits on an annual basis that are right for them. Benefits offered support employees' health and wellbeing, financial protection in case of illness or death in service, are family friendly as well as offering savings on what matters to employees. Such benefits are recognised at the undiscounted amount expected to be paid.

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.

Foreign currencies

Monetary 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 monthly 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.

Material items

Material items are items which derive from events or transactions that fall within the ordinary activities of the charity 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 material items helps to provide a better indication of the charity'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.

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.

30 Notes to the financial statements

	2016 £000s	2015 £000s
1 Income from charitable activities		
Research contracts and royalty income	25,137	19,858
IP management and technology transfer services	2,788	3,850
Grants	215	97
	28,140	23,805

Income from charitable activities was £28,140k (2015 - £23,805k) of which £215k (2015 - £97k) was attributable to restricted funds and £27,925k (2015 - £23,708k) was attributable to unrestricted funds.

	2016 £000s	2015 £000s
2 Income from investments		
Dividends - equities	402	411
Interest - fixed interest securities	930	773
Interest – deposits	115	203
	1,447	1,387

Income from investments was £1,447k (2015 - £1,387k) of which £ Nil (2015 - £Nil) was attributable to restricted funds and £1,447k (2014 - £1,387k) was attributable to unrestricted funds.

	2016 £000s	2015 £000s
3 Other income		
Loss on disposal of tangible fixed assets	(26)	-
Miscellaneous	147	4
	121	4

Other income was £121k (2015 - £4k) of which £ Nil (2015 - £Nil) was attributable to restricted funds and £121k (2015 - £4k) was attributable to unrestricted funds.

	2016 £000s	2015 £000s
4 Investment management costs		
Investment manager fees	143	169
	143	169

£Nil (2015 - £Nil) of the above costs were attributable to restricted funds.

£143k (2015 - £169k) of the above costs were attributable to unrestricted funds.

5 Analysis of expenditure on charitable activities	Activities undertaken directly £000s	Support costs £000s	Total 2016 £000s	Restated total 2015 £000s
Early stage drug discovery	9,318	2,615	11,933	11,755
Diagnostics discovery	846	318	1,164	990
IP, Licensing, Business Development and Corporate Partnerships	8,490	1,413	9,903	6,178
	18,654	4,346	23,000	18,923

£215k (2015 - £97k) of the above costs were attributable to restricted funds.

£22,785k (2015 - £18,826k) of the above costs were attributable to unrestricted funds.

5 Allocation of support costs	Governance £000s	Corporate resources £000s	Total 2016 £000s	Restated total 2015 £000s
Early stage drug discovery	207	2,408	2,615	2,355
Diagnostics discovery	25	293	318	286
IP, Licensing, Business Development, and Corporate Partnerships	177	1,236	1,413	1,210
	409	3,937	4,346	3,851

7 Governance costs	2016 £000s	2015 £000s
Staff costs	157	191
Depreciation	-	1
Direct costs		
Other legal and professional charges	10	112
Audit fees	27	24
Other fees	49	9
Bank charges	5	9
Insurance	99	59
Other governance costs	62	10
	409	415

32 Notes to the financial statements

	2016 £000s	2015 £000s
8 Net income for the year - stated after charging / (crediting)		
Depreciation of tangible fixed assets	894	836
Operating leases - property	627	426
Operating leases - equipment	117	206
Auditor's remuneration	30	26
Fees payable to internal auditor	45	7
Net losses / (gains) on foreign exchange	199	(80)
	1,912	1,421

	2016 £000s	2015 £000s
9 Auditor's remuneration		
Fees payable to the charity's auditor for the audit of the charity's annual accounts	27	24
Fees payable to the charity's auditor for other services	3	2
	30	26

10 Trustees' expenses and key management personnel remuneration

The trustees neither received nor waived any remuneration during the year (2015: £Nil).

The total amount of employee benefits received by key management personnel during the year was £1,047k (2015 - £890k).

The charitable company considers its key management personnel to comprise the Chief Executive Officer and executive management team.

Trustees' expenses - reimbursed or paid directly on their behalf during the year:	Number of Trustees	Number of Trustees	2016 £000s	2015 £000s
Travel and subsistence	5	5	3	4
	5	5	3	4

Included in above are £Nil (2015 - £Nil) which have been paid directly to third parties.

11 Staff costs and employee benefits

Average number of employees, analysed by function	2016	2015
Management	7	5
Research	66	64
Technology transfer	30	30
Administration	41	40
Agency / contract staff	2	4
	<u>146</u>	<u>143</u>

Total staff costs and employees benefits	2016 £000s	2015 £000s
Wages and salaries	7,767	7,763
Social security	838	868
Defined contribution pension costs	1,079	1,108
Defined benefit pension operating costs	-	76
Agency/contract staff	60	253
	<u>9,744</u>	<u>10,068</u>

Number of employees who received total employee benefits excluding employer pension costs of more than £60,000	2016	2015
£60,001 - £70,000	17	14
£70,001 - £80,000	5	8
£80,001 - £90,000	7	4
£90,001 - £100,000	5	3
£100,001 - £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,000	-	1
£130,001 - £140,000	1	1
£140,001 - £150,000	1	-
£150,001 - £160,000	1	-
£160,001 - £170,000	1	-
£230,001 - £240,000	1	1
	<u>40</u>	<u>33</u>

The pension contributions to the defined contribution scheme payable on behalf of 40 (2015 – 33) members of staff amounted to £532,697 (2015 £500,084).

34 Notes to the financial statements

12 Tangible fixed assets	Assets under construction £000s	Leasehold improvements £000s	Laboratory equipment and plant £000s	Fixture fittings and computers £000s	Total £000s
COST					
At 1 April 2015	296	1,026	4,640	1,476	7,438
Additions	491	5,441	600	677	7,209
Disposals	-	(342)	(45)	(444)	(831)
Reclassification	(267)	261	-	6	-
At 31 March 2016	520	6,386	5,195	1,715	13,816
ACCUMULATED DEPRECIATION					
At 1 April 2015	-	470	3,347	773	4,590
Charge for year	-	147	534	213	894
Disposals	-	(175)	(45)	(367)	(587)
Reclassification	-	(3)	-	3	-
At 31 March 2016	-	439	3,836	622	4,897
NET BOOK VALUE					
At 31 March 2016	520	5,947	1,359	1,093	8,919
At 31 March 2015	296	556	1,293	703	2,848

MRCT had no capital commitments at 31 March 2016 or 2015.

	2016 £000s	2015 £000s
13 Fixed asset investments		
Investment in Targetome	136	-
Investments at market value	32,859	35,245
	<u>32,995</u>	<u>35,245</u>
	2016	2015
	£000s	£000s
Listed investments		
Market value at 1 April	34,566	31,677
Acquisitions	6,381	13,883
Sale proceeds	(7,348)	(13,571)
Unrealised (loss) / gain	(948)	2,190
Realised (loss) / gain	(216)	387
Market value at 31 March	<u>32,435</u>	<u>34,566</u>
Historical cost at 31 March	<u>30,858</u>	<u>30,996</u>
	2016	2015
	£000s	£000s
Portfolio analysis		
Equities		
within the UK	6,388	7,950
overseas	4,524	4,138
Fixed interest securities		
within the UK	17,073	18,153
overseas	2,911	1,732
Alternative investment	1,539	2,593
	<u>32,435</u>	<u>34,566</u>
Cash	424	679
	<u>32,859</u>	<u>35,245</u>
	2016	2015
	£000s	£000s
14 Current asset investments		
Term bank deposits at 1 April	14,414	21,945
Net (withdrawal) / investment	(1,275)	(7,700)
Interest received	109	198
Management Fees	(34)	(29)
Market value at 31 March	<u>13,214</u>	<u>14,414</u>
Total current asset investments	<u>13,214</u>	<u>14,414</u>

The fair value of listed investments is determined by reference to the quoted price for identical assets in an active market at the balance sheet date.

Short term deposits have an original maturity of 0 – 32 days, an average maturity at the balance sheet date of 17 days (2015 – 54 days) and an average interest rate of 0.62% (2015 – 0.79%).

36 Notes to the financial statements

	2016 £000s	2015 £000s
15 Debtors		
Trade debtors	5,193	71
Prepayments and accrued income	3,829	6,329
Other debtors	1,133	1,092
	10,155	7,492

	2016 £000s	2015 £000s
16 Creditors: amounts falling due within one year		
Trade creditors	882	574
Accruals	5,581	3,540
Tax creditor - VAT	1,015	1,053
PAYE & NI creditor	337	315
	7,815	5,482

	2016 £000s	2015 £000s
17 Leases		
Operating leases		
Total future minimum lease payments under non-cancellable operating leases:		
Not later than one year	1,127	730
Later than one and not later than five years	3,155	2,187
Later than five years	1,780	-
	6,062	2,917

	Loyalty bonus £000s	Royalty provision £000s	Contractual payments £000s	Total £000s
18 Provisions for liabilities and charges				
At 1 April 2015	-	3,800	400	4,200
Additions during the year	217	-	-	217
Amounts charged against the provision	-	(1,357)	-	(1,357)
Unused amounts reversed	-	(105)	-	(105)
Foreign exchange loss during the year	-	47	-	47
At 31 March 2016	217	2,385	400	3,002

The royalty provision has given rise to a resulting payment of £2,385k.

The contractual payments provision relates to dilapidations for the Edinburgh and Lynton House sites respectively.

Charges to the SOFA resulting from provisions during the year amount to £105k credit to the royalty provision and £217k charge to salaries and wages (2015 - £3,800k charged to the royalty provision and £800k credit to the pension settlement provision) of which £Nil (2015 - £Nil) was attributable to restricted funds and £105k (2015 - £3,000k) was attributable to unrestricted funds.

	Restated balance at 1 April 2015	Income	Expenditure	Transfers	Gains / (Losses)	Balance at 31 March 2016
19 Fund reconciliation	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted	59,629	29,493	(22,823)	-	(1,164)	65,135
Restricted	-	215	(215)	-	-	-
	59,629	29,708	(23,038)	-	(1,164)	65,135

Fund descriptions

a) Unrestricted funds

The unrestricted 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.

b) Restricted funds

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

Grant income includes £213k from Alzheimer's Research UK (ARUK).

	Unrestricted funds	Restricted funds	Total 2016	Total 2015
20 Analysis of net assets between funds	£000s	£000s	£000s	£000s
Fixed assets	41,914	-	41,914	38,093
Cash and current investments	23,883	-	23,883	23,726
Other current assets / liabilities	2,340	-	2,340	2,010
Provisions	(3,002)	-	(3,002)	(4,200)
Total	65,135	-	65,135	59,629

21 Reconciliation of net income to net cash flow from operating activities	2016 £000s	2015 £000s
Net income for year	5,506	5,681
Dividends, interest and rents from investments	(1,447)	(1,387)
Interest payable	-	-
Depreciation and impairment of tangible fixed assets	894	836
(Gains) / losses on investments	1,164	(2,577)
(Profit) / loss on disposal of tangible fixed assets	26	-
(Profit) / loss on write off of tangible fixed assets	215	-
(Increase) / decrease in debtors	(2,663)	4,667
Increase / (decrease) in creditors	1,135	(8,310)
Net cash flow from operating activities	4,830	(1,090)

22 Pensions and other post-retirement benefits

Defined contribution pension plans

The charity operates a defined contribution pension plan for its employees. The amount of contributions recognised as an expense during the year was £1,079k (2015 - £1,184k). 2015 includes £76k relating to the defined benefit scheme which is now closed.

23 Related party transactions	Income £000s	Expenditure £000s	Debtor £000s	Creditor £000s	Commitments £000s
Medical Research Council (MRC)					
At end date 2016	2,788	4,277	1,000	5,926	-
At end date 2015	3,850	5,128	1,032	4,996	-

- 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 £3,403 (2015 - £4,169) were made to five members (2015 - five members). These transactions were carried out on normal commercial terms.
- Trustee indemnity insurance was purchased in the year at a cost of £5,226 including insurance premium tax (2015 - £4,930).

24 First time adoption of SORP (FRS102)

The charity has adopted the SORP (FRS 102) for the first time in the year ended 31 March 2016. The effect of transition from SORP (2005) to SORP (FRS 102) is outlined below.

a) Changes in accounting policies.

Consequential changes in accounting policies resulting from adoption of SORP (FRS 102) were as follows:

- Untaken holiday allowance is accrued in accordance with SORP (FRS 102).
- Dilapidation provision recognised as tangible fixed asset in accordance with SORP (FRS 102).

b) Reconciliation of total charity funds

Adjustment to previously reported total charity funds	2015 £000s	2014 £000s
Total charity funds at 31 March under SORP (2005)	59,801	54,180
Untaken annual leave accrual	(172)	(232)
Total charity funds under SORP (FRS 102)	<u>59,629</u>	<u>53,948</u>

c) Reconciliation of comparative period net income

Adjustments to previously reported net income in the comparative period	2015 £000s
Net income for the period ended 31 March 2015 under SORP (2005)	3,044
Net gains on investments	2,577
Untaken annual leave accrual	60
Net income for the period ended 31 March 2015 under SORP (FRS 102)	<u>5,681</u>

25 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 2016 was 11 (2015 – 10).

26 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.

27 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.

28 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.