

**Wellcome Trust Investments 2 Unlimited
Annual Report and Financial Statements
For the year ended 30 September 2019**

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Company number 6576220

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Wellcome Trust Investments 2 Unlimited Strategic Report For the year ended 30 September 2019

The directors of Wellcome Trust Investments 2 Unlimited (the "Company" and the "Directors") present their strategic report for the year ended 30 September 2019 (the "Strategic Report").

Strategy and objectives

The principal activity of the Company is acquiring and holding investments denominated in US dollars.

Review of the business and future developments

In the current year the Company made further investments. The Company expects to continue to make new and further investments and/or dispose of such investments for the foreseeable future. In the prior year the Company issued additional share capital to fund its activities.

Results for the year

The Company made a profit of \$55,470,473 during the year ended 30 September 2019 (2018: a profit of \$32,269,440).

The Directors selected the US dollar as the functional and presentation currency of the Company because most of the Company's transactions are denominated in US dollars.

Key performance indicators

The Company's key performance indicator is that the Company achieves sufficient returns on its investments over time to be profitable such that donations can be made to its ultimate parent undertaking, the Wellcome Trust, through its corporate trustee The Wellcome Trust Limited.

Principal risks and uncertainties

The major risks to which the Company is exposed have been identified and reviewed by the Directors and are market price risk in relation to the investment assets held and credit risk in relation to amounts owed by group undertakings. The market price risk is reduced by careful selection of the investments and the credit risk exposure is mitigated by the counterparty being a group undertaking and the fact that the group is adequately funded. The Company's internal control and risk management is undertaken as part of the Wellcome Trust's processes which are detailed in the Wellcome Trust Annual Report and Financial Statements which are available at www.wellcome.ac.uk.

The risks associated with Brexit are considered at a group level and documented within the Risk Management section of the Wellcome Trust Annual Report and Financial Statements 2019 which are available from Wellcome's website (www.wellcome.ac.uk/about-us)

Corporate governance

The Company is a subsidiary undertaking of the Wellcome Trust through its corporate trustee The Wellcome Trust Limited. The Company's governing documents are its Memorandum of Association and its Articles of Association.

This report was approved by the Board of Directors on 2 December 2019 and signed on its behalf by.



Karen Chadwick
Director
16 December 2019

Wellcome Trust Investments 2 Unlimited Directors' Report For the year ended 30 September 2019

The Directors present their annual report and financial statements of the Company for the year ended 30 September 2019 (the "Financial Statements"). The Directors are taking advantage of the exemption for audit available under s479A-479C of the Companies Act 2006.

Future developments

These are discussed in the Strategic Report on page 1.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and to meet any commitments as they fall due for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Employees

There are no employees of the Company (2018: none). The administration of the Company is undertaken by staff of The Wellcome Trust Limited (acting as trustee of the Wellcome Trust). The Wellcome Trust has not incurred any incremental costs due to the administration of the Company.

Dividends

The Directors do not propose the payment of a dividend (2018: nil).

Financial risk management objectives and policies

These are discussed in the Strategic Report on page 1.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the Financial Statements were:

Karen Chadwick (appointed on 21 June 2019)
Elaina Elzinga
Timothy Livett (resigned on 31 December 2018)
Nicholas Moakes
Lisha Patel
Peter Pereira Gray

None of the Directors held any beneficial interest in the shares of the Company or any interest in its parent undertaking, the Wellcome Trust through its corporate trustee The Wellcome Trust Limited. Each of the Directors is an employee of The Wellcome Trust and receives remuneration from The Wellcome Trust as an employee. No remuneration is paid to any Director for their services as a Director.

Directors' indemnity policy

The Company is party to a group-wide directors' and officers' liability insurance policy which includes all of the current directors within the Wellcome Trust group. There are no qualifying indemnity provisions (as defined in the Companies Act 2006) that benefit the Directors of the Company.

Wellcome Trust Investments 2 Unlimited
Directors' Report (continued)
For the year ended 30 September 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

This report was approved by the Board of Directors on 2 December 2019 and signed on its behalf by:



Karen Chadwick
Director
16 December 2019

Wellcome Trust Investments 2 Unlimited
Profit and Loss Account
For the year ended 30 September 2019

	Note	2019	2018
		\$	\$
Investment income			
Quoted investments		13,219,985	-
Interest income		1,484,287	743,828
Operating income		14,704,272	743,828
Administrative expenses		(80,779)	146,816
Operating profit		14,623,493	890,644
(Loss) / gain on investment assets			
Quoted investments	6 (i)	245,661	-
Unquoted investments	6 (i)	39,757,933	36,337,239
Foreign exchange on monetary assets		(10,556)	-
Profit before taxation		54,616,531	37,227,883
Tax on profit	5	853,962	(4,958,443)
Profit for the year		55,470,493	32,269,440

All results are derived from continuing activities. There are no gains and losses other than as shown above. Consequently, no separate Statement of comprehensive income has been prepared.

The notes on pages 7 to 12 form part of these Financial Statements.

Wellcome Trust Investments 2 Unlimited
Balance Sheet
As at 30 September 2019

	Note	2019	2018
		\$	\$
Investment assets			
Unquoted investments	6	473,796,233	417,140,386
Quoted investments	5	664,288,612	-
Investment cash		7,461,180	-
		1,145,546,025	417,140,386
Current assets			
Accrued Income		5,748,248	-
Amounts owed by group undertakings	7	122,549,002	58,330,441
Creditors: amounts falling due within one year	8	(43,918)	(98,849)
Net current assets		128,253,332	58,231,592
Total assets less current liabilities		1,273,799,357	475,371,978
Creditors: amounts falling due after more than one year			
Deferred tax liability	9	(29,875,762)	(30,729,724)
Net assets		1,243,923,595	444,642,254
Capital and reserves			
Called up share capital	11	1,036,263,334	277,313,244
Profit and loss account		207,660,261	167,329,010
Total shareholders' funds		1,243,923,595	444,642,254

For the financial year ended 30 September 2019 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. No members of the Company have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The Board of Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts

The Financial Statements on pages 4 to 12 were approved by the Board of Directors and authorised for issue on 2 December 2019 and signed on its behalf by:

K. Chadwick

Karen Chadwick
Director
16 December 2019

Wellcome Trust Investments 2 Unlimited
Statement of Changes in Equity
As at 30 September 2019

	Called-up share capital	Profit and loss account	Total
	\$	\$	\$
At 1 October 2017	281,943,690	135,059,570	417,003,260
Gain for the financial year		32,269,440	32,269,440
Total comprehensive loss		(894,103)	(894,103)
Share Capital issued during the year	21,931,005	-	21,931,005
Reduction of capital	(26,561,451)	-	(26,561,451)
At 30 September 2018	277,313,244	167,329,010	444,642,254
At 1 October 2018	277,313,244	167,329,010	444,642,254
Gain for the financial year		55,470,493	55,470,493
Total loss		55,470,493	55,470,493
Share Capital issued during the year	758,950,090	-	758,950,090
Gift Aid	-	(15,139,242)	(15,139,242)
At 30 September 2019	1,036,263,334	207,660,261	1,243,923,595

The notes on pages 7 to 12 form part of these Financial Statements.

Wellcome Trust Investments 2 Unlimited
Notes to the Financial Statements
For the year ended 30 September 2019

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with applicable United Kingdom law and United Kingdom accounting standards. The accounting policies which have been adopted consistently in the current and prior year are described below.

(a) Statement of compliance

The Company, a private company, is incorporated in England and Wales, under the Companies Act. The address of the registered office is given on page 13. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 1.

The Company is a wholly owned subsidiary of The Wellcome Trust Limited, as trustee of the Wellcome Trust, and its results are included in the consolidated financial statements of the Wellcome Trust, which are publicly available.

The Financial Statements have been prepared on a going concern basis as well as in accordance with applicable UK accounting standards (UK Generally Accepted Accounting Practice), including FRS 102.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it. Exemptions have been taken in relation to financial instruments and presentation of a statement of cash flows. The equivalent disclosures relating to the exemptions have been included in the consolidated financial statements of the Wellcome Trust.

(b) Summary of significant accounting policies

The principal 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.

Basis of preparation

The Financial Statements have been prepared under the historical cost convention except for certain financial assets measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain significant accounting estimates. *It also requires management to exercise its judgement in the process of applying the Company's accounting policies.* The areas involving more judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 2.

(i) Income

Dividend income including any recoverable tax is recognised from the ex-dividend date when it becomes receivable. Interest income is recognised on an accruals basis using the effective rate of interest.

(ii) Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Company to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All resources expended are recognised on an accruals basis.

(iii) Gift Aid

Distribution of Gift Aid is equal to estimated taxable profits of the Company at the time of the approval of the financial statements. The Gift Aid paid within nine months of the balance sheet date is equal to the estimated taxable profits of the Company at the time of payment. Any difference between the Gift Aid accrued and the Gift Aid paid is recognised at the time of payment.

(iv) Financial assets and liabilities

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual arrangement which gives rise to the relevant asset or liability.

Wellcome Trust Investments 2 Unlimited
Notes to the Financial Statements (continued)
For the year ended 30 September 2019

(iv) Financial assets and liabilities (continued)

All financial assets which qualify as basic financial instruments as laid out in FRS 102 paragraph 11.8, are initially measured at fair value (normally the transaction price excluding transaction costs) and subsequently measured at amortised cost and assessed for impairment at the end of each reporting period.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. All financial assets and liabilities are initially measured at transaction price (including transaction costs),

Investment assets including unquoted investments, are initially measured at fair value (normally the transaction price excluding transaction costs), and subsequently re-measured at fair value through profit or loss. Investment valuation policies and procedures are reviewed by the Valuation Group which is responsible for reviewing valuation decisions. Investments assets are valued at the Director's best estimate of fair value.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(v) Functional and presentation currency

The Directors selected the US dollar as the functional and presentation currency of the Company because the majority of the Company's transactions are denominated in US dollars. All transactions which are not denominated in US dollars are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate ruling at the balance sheet date. All gains and losses on exchange are recognised in the profit and loss account.

(vi) Amounts owed by group undertakings

The intercompany loans are repayable on demand. Interest is charged at average ruling money market rates quoted by HSBC Bank plc.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Significant judgements in applying the accounting policies

There is one significant judgement that has been made in the process of applying the Company's accounting policies and that has the most significant effect on the amounts recognised in financial statements.

Investment assets are measured at fair value for financial reporting purposes. The Company applies judgement in selecting the appropriate valuation techniques for calculating the fair value for reporting purposes.

(ii) Significant accounting estimates and assumptions

The Company has made no significant accounting estimates or assumptions in the application of the Company's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. EMPLOYEE INFORMATION

The Company has no employees (2018: nil). Employees of The Wellcome Trust Limited (acting as trustee of the Wellcome Trust) undertake the administration of the Company at no incremental cost to the Wellcome Trust.

Wellcome Trust Investments 2 Unlimited
Notes to the Financial Statements (continued)
For the year ended 30 September 2019

4. REMUNERATION OF DIRECTORS

The Directors of the Company received no remuneration from the Company for their services. There were no Directors for whom retirement benefits provided by the Company are accruing under a money purchase or defined benefit scheme. The Company does not issue share options or offer any long-term incentive schemes, so there were no Directors who exercised share options during the year or became entitled to shares under a long-term incentive scheme.

5. TAX ON LOSS

Analysis of charge in the year:

	Year ended 30 September 2019	Year ended 30 September 2018
	\$	\$
(i) Current Tax:		
UK Corporation Tax on profits for the year	-	-
Effect of Gift Aid distribution	-	-
Reversal of prior year charge		
Total current tax	-	-
(ii) Deferred Tax		
Origination and reversal of timing differences	771,065	5,619,245
Adjustments in respect of prior periods	1,799,054	-
Re-measurement of deferred tax - change in UK rate	(3,424,082)	(660,802)
Total deferred tax	(853,963)	4,958,443
Tax on (loss) / profit on ordinary activities	(853,963)	4,958,443
(iii) Reconciliation of tax charge		
Profit on ordinary activities before tax	54,616,531	37,227,883
Profit on ordinary activities before tax		
multiplied by average standard rate of corporation tax of 19% (2018 19%)	10,377,141	7,073,298
Reversal of prior year tax charge		
Effects of		
Expenses not deductible for tax purposes	-	1,641,636
Income not taxable for tax purposes	(10,112,480)	(8,544,307)
Adjustments to brought forward values	(689,000)	-
Chargeable gains/(losses)	2,660,833	5,619,245
Adjustments to tax charge in respect of previous periods - deferred tax	1,799,054	-
Adjust closing deferred tax to average rate of 19%	(3,406,225)	
Adjust opening deferred tax to average rate of 19%	-	(612,234)
Deferred tax not recognised	(1,483,285)	511,970
Allocations from underlying transparent investments	-	(731,165)
Tax charge for the year	(853,962)	4,958,443

The Company has entered into a deed of covenant with the Wellcome Trust under which the Company makes annual charitable donations to the Wellcome Trust of amounts equivalent to the value of its taxable profits and therefore no tax liability arises. Under FRS102 the Company must provide for deferred tax on temporary timing differences as it is not able to assume the deed of covenant will be effective when these reverse.

Wellcome Trust Investments 2 Unlimited
Notes to the Financial Statements (continued)
For the year ended 30 September 2019

6. INVESTMENT ASSETS

i) Fair value

	Fair Value 30 September 2018 \$	Purchases \$	Sales proceeds \$	Total gains / (loss) \$	Fair Value 30 September 2019 \$
Direct equity	156,442,518	100,460,387	(76,748,128)	(4,126,064)	176,028,713
Hedge funds	260,697,868	-	(6,814,345)	43,883,997	297,767,520
Total Unquoted	417,140,386	100,460,387	(83,562,473)	39,757,933	473,796,233
Public equity	-	664,042,951	-	245,661	664,288,612
Total Quoted	-	664,042,951	-	245,661	664,288,612
Total	417,140,386	764,503,338	(83,562,473)	40,003,594	1,138,084,845

Direct equity

Unquoted direct investments are held at the valuation determined by management, with valuations, when provided by a third-party investment manager, as a key input subject to appropriate review by management. The cost of direct equity held is \$163,358,516 (2018: \$120,361,678).

Unquoted hedge funds

Unquoted hedge funds are valued by reference to the fair value of their underlying securities. These valuations are provided by the third-party hedge fund administrators. The cost of unquoted hedge funds held is \$134,943,601 (2018: \$135,522,538).

Public equity

Public equities are held at fair value. The cost of public equities is \$664,042,951 (2018: \$nil).

ii) Fair value of financial assets

The following table categorises the fair values of financial assets that fall within the scope of Section 11 of FRS102 based on the inputs to the fair value.

2019

	Level 1 \$	Level 2 \$	Level 3 \$	Total 30 September 2019 \$
Direct equity	-	-	176,028,713	176,028,713
Hedge funds	-	297,767,520	-	297,767,520
Total Unquoted	-	297,767,520	176,028,713	473,796,233
Quoted equity	664,288,612	-	-	664,288,612
Total Quoted	664,288,612	-	-	664,288,612
Total	664,288,612	297,767,520	176,028,713	1,138,084,845

2018

	Level 1 \$	Level 2 \$	Level 3 \$	Total 30 September 2018 \$
Direct equity	-	-	156,442,518	156,442,518
Hedge funds	-	260,697,868	-	260,697,868
Total	-	260,697,868	156,442,518	417,140,386

Wellcome Trust Investments 2 Unlimited
Notes to the Financial Statements (continued)
For the year ended 30 September 2019

i) Fair value (continued)

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 - valued using quoted prices in active markets for identical assets.
- Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within level 1.
- Level 3 - valued by reference to valuation techniques (to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations) using inputs that are not based on observable market data.

There have been no transfers between levels of fair value measurement of the assets during the year.

7. CURRENT ASSETS

	2019 \$	2018 \$
Amounts owed by group undertakings	122,549,002	58,330,441
	122,549,002	58,330,441

The intercompany loans are repayable on demand. The loan to Group is unsecured and interest bearing at a rate of 0.7% (2018: 0.7%). The loan is repayable on request by the Company.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 \$	2018 \$
Accruals and deferred income	43,918	98,849
	43,918	98,849

Accruals and deferred income are due within three months following the financial year end. The Gift Aid payable to the Wellcome Trust is due for payment within nine months following the financial year end.

9. PROVISION FOR DEFERRED TAX

	2019 \$	2018 \$
Arising on fair value adjustments for unquoted investments	29,875,762	30,729,724
	29,875,762	30,729,724

Deferred tax is provided for at 17.0% (2018: 19.0%). The movement in the liability is detailed in Note 5.

10. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption contained in Section 33 paragraph 33.1A3 Related Party Disclosures of FRS 102, which exempts it from disclosing details of transactions with the Wellcome Trust and its subsidiary and related undertakings. There are no other related party transactions requiring disclosure.

11. CALLED UP SHARE CAPITAL

	2019 Number	2018 Number	2019 \$	2018 \$
Authorised ordinary shares of \$1 each	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000
Ordinary \$1 shares called up, allotted and fully paid	1,036,263,334	277,313,244	1,036,263,334	277,313,244

Wellcome Trust Investments 2 Unlimited
Notes to the Financial Statements (continued)
For the year ended 30 September 2019

12. COMMITMENTS

The Company has entered into commitments to invest in private equity and direct investments in private companies. At the balance sheet date, the outstanding commitments amounted to \$125,228,563 (2018: \$80,925,838). These will be funded by further issues of share capital to the Wellcome Trust. The Company had no other off-balance sheet arrangements.

13. ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY

The company is an unlimited company and a subsidiary of the Wellcome Trust through its corporate trustee The Wellcome Trust Limited, whose place of business is Gibbs Building, 215 Euston Road, London, United Kingdom, for accounting purposes and its assets and liabilities have been consolidated with those of the Wellcome Trust as required by section 9 of FRS 102.

The ultimate parent undertaking and controlling party is the Wellcome Trust, which is the parent undertaking of the smallest and largest group to consolidate these *Financial Statements*.

Copies of the Wellcome Trust Annual Report and Financial Statements 2019 are available from Wellcome's website (www.wellcome.ac.uk/about-us) or from the Company Secretary.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no subsequent events requiring disclosure.

Wellcome Trust Investments 2 Unlimited Administrative Details

Directors

Karen Chadwick (appointed on 21 June 2019)
Elaina Elzinga
Timothy Livett (resigned on 31 December 2018)
Nicholas Moakes
Lisha Patel
Peter Pereira Gray

Company Secretary

Carolyn Kloet (appointed on 1 January 2019)
Julia Drisdell (resigned on 1 January 2019)

Registered Company Number

6576220

Registered Office

Gibbs Building
215 Euston Road
London
NW1 2BE

Banker

HSBC Bank plc
31 Holborn
Holborn Circus
London
EC1N 2HR