



Medical Research Scotland

60th Annual Report and Financial Statements

2013-14

*Medical Research Scotland is the operational name
of the Scottish Hospital Endowments Research Trust (SHERT)
Recognised in Scotland as a charity with Scottish Charity No. SC014959*

Medical Research Scotland

As Scotland's largest independent comprehensive charity funder of medical research, Medical Research Scotland is committed to:

- supporting people in the early stages of their careers in biomedical research in Scotland
- supporting only the highest-quality clinical and laboratory-based research, which is aimed at improving understanding of the basic mechanisms of disease processes; or the diagnosis, treatment or prevention of disease; or the advancement of medical technology.

PATRON

HRH The Princess Royal

MEMBERS

The following served as Members during the year:

Professor David J Harrison, BSc,, MD, DSc, FRCPath, FRCPE, FRCSEd

Professor Catherine Abbott, BSc, PhD (*resigned 1st May 2013*)

Professor Andrew H Baker, BSc, PhD, FAHA, FESC, FRSE

Dr Marie Boyd, BSc, PhD

Professor John R Brown, CBE, BSc, PhD, MBA, FRSE

Professor Bernard A Conway, BSc, PhD

*Mr Brian Duffin, MA, FFA, CCMI

Mr Scott Johnstone, BEng(Hons), MBA, CEng, MIET, AMIMECHE

*Mr John Naylor, OBE, MA, CCMI (retired 3rd February 2014)

*Ms Fiona Nicolson, MA, LLB, DipLP (retired 20th February 2014)

*Professor Walter Nimmo, BSc, MD, FRCP, FRCA, FANZCA, FRSE

*Mr Graham Paterson, MBA, FCCA

*Dr David Stretton (from 25th October 2013)

** Denotes membership of the Audit & Investment Sub-Committee*

PRINCIPAL ADDRESS

Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE

SECRETARIES

Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE

SCIENTIFIC ADVISER

Dr Alex M Graham, PhD

AUDITORS

Scott-Moncrieff, Exchange Place 3, Semple Street, Edinburgh EH3 8BL

INVESTMENT MANAGER

Martin Currie Investment Management Ltd, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES

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Foreword



BUCKINGHAM PALACE

As Patron, I am pleased to see Medical Research Scotland consolidating its focus on introducing young people to careers in biomedical research and supporting academics working with industry. The continued success of the Summer Vacation Scholarships, affording the chance for up to 45 undergraduates to work in state of the art research laboratories in Scottish Universities, is most encouraging, as it is to learn of the commitment of laboratory staff and academic supervisors to make this programme effective and worthwhile.

The continued work with Daphne Jackson Trust to support researchers who wish to return to active research careers is also good news. Even though numbers are small the charity's focus on enabling career development is very positive and Medical Research Scotland should be congratulated for that.

The increasing numbers of companies and academics coming together in partnership to support new PhD studentships is testament to the vision of the Trustees to seek to address perennial problems in training new generations of scientists for the future health and wellbeing of our country, and I wish Medical Research Scotland every success in its continued efforts to make a lasting difference and encourage early stage careers in science.

HRH The Princess Royal

Chairman's Report

It has been a good year for the charity, consolidating our plans to present a series of stepping stones towards established careers in the biomedical sciences in Scotland, from showcases for schools, to vacation scholarships for undergraduates, to PhD awards in conjunction with company research, and now for returners to research. The last component was agreed at the meeting in March 2013, when the Trustees partnered with the Daphne Jackson Trust to support a small number of fellowships for those wishing to return to research after a career break

The Trustees awarded 7 PhD Studentships from 14 applications received in the summer. A very well-received Commercial Training day, for the PhD Students in their first and second years of their four year Studentships took place in March 2014. Sincere thanks go to Hugh Griffith, CEO of NuCana Biomed and Scott Johnstone of the Scottish Lifesciences Association who spoke. The event incorporated short presentations from the first year students about their research projects and the opportunity to view and ask questions about the second year students' research posters.

Thirty undergraduate students will undertake short research projects in Scottish universities during the 2014 summer vacation. The scheme continues to be very well received with positive feedback from both the students and host supervisors.

Our online donation facility continues to provide us with a small, but welcome, stream of voluntary income from a surprising variety of sources. These donations have this year been augmented by many others, including a generous legacy of £550,000 from the estate of the late Dr Bryan Ashworth, a former consultant neurologist, for research into multiple sclerosis. All donations are acknowledged individually and are included in the relevant pages of our website. During the year we have also received over £100,000 in royalty payments.

Both Mrs Fiona Nicolson, Vice Chair, and Mr John Naylor retired as Trustees in February. Both brought great energy and support to the work of the charity. We had the pleasure of welcoming Dr David Stretton, who was formally appointed as a Trustee at our October 2013 meeting.

We also said farewell to Mrs Fiona Selkirk, who retired after many years as the charity's PR Adviser but who, in addition, undertook many tasks that allowed efficient implementation of the charity's evolving strategy. Her contributions over the years have been most appreciated.

As always, I am grateful to my fellow Trustees for the time and support they give to the work of the Trust on a voluntary basis. Their help is essential to ensure that it continues to be governed and administered appropriately and that it remains able to adapt strategically in difficult times.

Professor David J. Harrison
Chairman

Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2014. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 to the Financial Statements and comply with the Trust's constitutive legislation and also with the Statement of Recommended Practice: Accounting and Reporting by Charities 2005.

Objectives and Activities

The objectives of the Trust are to:

- Receive and hold endowments, donations and bequests;
- Make grants from these to promote medical research in Scotland;
- Engage in fundraising activities for the purposes of the Trust;
- Develop and exploit ideas and exploit intellectual property.

The Trust aims to improve health standards by funding research of the highest quality into the cause, diagnosis, treatment and prevention of all forms of illness and genetic disorders, and into the advancement of medical technology.

The Trust fulfils its objects by providing a range of opportunities to support and encourage research-minded individuals to pursue high-calibre research in biomedicine, independently or in collaboration with colleagues in their own or other universities, major hospitals and research units in Scotland, or with trading companies operating in healthcare-related fields. Through its short Undergraduate Vacation Scholarships, commercially-linked PhD Studentships and its planned future support of part-time Daphne Jackson Fellowships, the Trust offers provision for biomedical researchers. The awards help to prepare the recipient researchers for a career, or return to a career, in academia or the health-related commercial sector.

Grant-making Policy

The Trust aims to support research of the highest quality. It has a rigorous system of assessment of funding applications before they reach Trustees.

Funding decisions for the PhD Studentship awards are taken in a two-stage process. Applications, detailing a defined research project, are subject to expert peer review by members of the specially-appointed PhD Studentship Panel, who are first provided (by the Scientific Adviser) with sufficient information about each to enable them to declare any possible conflict of interest in any application. The Panel members then review the applications independently and their reports are subsequently considered by all the Panel members meeting in committee. Recommendations for funding are then made to the Trustees, who take the final decisions. Those accepting the offer of funding then select appropriately highly-motivated and qualified students following advertisement and interview by a group comprising the academic institution and representatives from both the company and the Trust. Following appointment of suitable students, recipients of PhD awards must submit annual reports providing information about progress on both the academic and company aspects of the award. These are scored by the scientific Trustees to ensure that the work is progressing satisfactorily before payment of subsequent years' fees is made.

Vacation Scholarship applications are reviewed separately and independently by the scientific and medical Trustees, who make recommendations to the Trustees. The final funding decisions are taken by all the Trustees in light of those recommendations and available funds. After completion of the Vacation Scholarship, a short report is required from the grantholder and the student. These reports are reviewed by all the Trustees.

All continuing project grantholders are required to submit progress and final reports and also a post-completion report. Progress and final reports are scored by the scientific trustees and any found to be unsatisfactory are followed up. The purpose of the post-completion check is to assess the grantholder's subsequent progress and what publications and possible intellectual property exploitation may flow from a project which

the Trust has supported. An annual report is also received from the Intellectual Property Manager of each administering institution in respect of each project grant.

Grant Awards

During the 2013-14 Financial Year the Trustees awarded a total of seven PhD Studentships and 30 Undergraduate Vacation Research Scholarships. The topics of the PhD Studentships cover a wide range including diabetes, spinal cord injury and aneurysm many having drug development or improved diagnosis as their primary focus. Vacation Scholarships will be held at the following universities Aberdeen, Dundee, Edinburgh, Glasgow, Queen Margaret University and St Andrews. Further information about all the awards formally accepted can be found on the Trust's website: www.medicalresearchscotland.org.uk. The total value of the grants awarded amounted to £736,486.

Achievements and Performance

The Trust's **Annual Plan** for 2013-14 and performance against it are summarised as follows:

1. To continue to raise awareness of the Trust and particularly its new funding strategy within the academic and business communities in Scotland, seeking to ensure appropriately high-quality applications.

The availability of the PhD Studentships and Vacation Scholarships was widely circulated among the academic and commercial biomedical sectors. The number and quality of the applications received suggest these continue to be increasingly popular and competitive.

2. To make up to 10 PhD Studentship Awards for suitably high-quality, relevant projects submitted by university/industry collaborations, to make funds available for up to 20 Undergraduate Vacation Research Scholarships and also to seek to appoint up to three Daphne Jackson Fellowships for those seeking to return to biomedical research following a career break.

Seven PhD Studentships and 30 Undergraduate Vacation Research Scholarships were awarded. The Trustees agreed to support one Daphne Jackson Fellowship award but that award has been deferred at the application stage.

3. To hold a Researcher Showcase for senior school pupils in Aberdeen or Edinburgh during 2014, to which the Patron, HRH The Princess Royal will be invited to attend.

A Meet the Researcher Showcase is to be organised in Aberdeen in late August 2014. The Patron, HRH The Princess Royal will not be asked to attend but will instead be invited to an alternative event in early 2015.

4. To keep under review the membership of the Trust in light of retirements and resignations and the need to ensure that there is the appropriate breadth of expertise needed for the continued good governance of the Trust.

Two Trustees retired, having served two full terms and one new Trustee was appointed. Work is ongoing in connection with Trustee and Chair succession with another new Trustee having been identified and discussions continuing in connection with Chair and Vice Chair succession.

5. To continue to implement agreed aspects arising from the strategic review, in particular those seeking to maximise efficient use of the Trust's resources with appropriate streamlining of procedures.

Implementation of the changes to the Trust's funding streams has already reduced grant-giving procedures, but work on this continues, aiming for further streamlining.

6. To complete the review process for the Trust's Secretarial Services and review others of the Trust's services in line with the agreed timetable.

The review of the Trust's administrative support activities continued during the year, including the review of Secretarial Services. Turcan Connell were reappointed as Secretaries with effect from 1st April 2014. Investment management services were also reviewed in the period and Martin Currie were reappointed as Investment Managers from October 2013.

7. To continue to keep under close review the Trust's investment portfolio and, in particular, its income.

The asset allocation of the portfolio was reviewed in detail by the Trust's Audit & Investment Committee in consultation with the Trust's Investment Managers.

8. To have the Trust's *Annual Report & Financial Statements* printed and both it and the *Annual Review* available from its website before 31st October 2013.

The Annual Report & Financial Statements was printed on 27th October 2013 and both it and the Annual Review were available from the website on 27th October 2013.

Plans for the Future

The Trustees have carried out a comprehensive strategic review of the Trust's activities in light of the current and likely future direction of the biomedical research and health care environments in Scotland. A longer-term plan is in preparation taking account of this review.

The Trust's **Annual Plan 2014-15** is as follows:

1. To continue to raise awareness of the Trust and particularly its new funding strategy within the academic and business communities in Scotland, seeking to ensure appropriately high-quality applications.
2. To make up to 10 PhD Studentship Awards for suitably high-quality, relevant projects submitted by university/industry collaborations, to make funds available for up to 50 Undergraduate Vacation Research Scholarships and also to seek to appoint up to three Daphne Jackson Fellowships for those seeking to return to biomedical research following a career break.
3. To hold a Researcher Showcase for senior school pupils in Aberdeen.

4. To keep under review the membership of the Trust in light of retirements and resignations and the need to ensure that there is the appropriate breadth of expertise needed for the continued good governance of the Trust. In particular, a successor to the current Chairman will need to be found in 2014.
5. To continue to implement agreed aspects arising from the strategic review, in particular those seeking to maximise efficient use of the Trust's resources with appropriate streamlining of procedures.
6. To review Trust's services in line with the agreed timetable.
7. To continue to keep under close review the Trust's investment portfolio and, in particular, its income.
8. To have the Trust's *Annual Report & Financial Statements* printed and both it and the *Annual Review* available from its website before 31st October 2014.

Financial Review

The Trust can only spend income and it is therefore reliant on the income from its investments, and also on legacies, donations and royalties. The annual investment income is supplemented by an Income Investment Fund which was created at a time when there was a surplus of income. Income generated on the investment portfolio and related cash deposits was £1,168,780 during the year, compared with £1,074,103 in 2012-13 and royalties were £81,499 compared with £106,674.

Investment Policy and Performance

The remit given to the Trust's investment manager, Martin Currie Investment Management Limited, is to manage the fund conservatively with the objective of maintaining the real value of income whilst protecting capital growth. The investment manager may invest in UK and Foreign Equities, Fixed Interest Securities, Regulated Collective Investment Schemes managed by an associate of Martin Currie and Investment Trusts managed within Martin Currie or elsewhere.

The Investment Manager is prohibited from investing directly in the tobacco sector and alcohol-related stocks. The Investment Manager reports to the Members in writing four times a year, provides monthly statements to the members of the Audit & Investment sub-committee and reports in person at meetings on a regular basis. The benchmark selected, against which performance is monitored and reported on in writing and at meetings, comprised 60% FTSE All Share and 20% MSCI Emerging Markets Index and 20% MSCI World High Dividend Yield Index.

In the year under review, the total return on the Trust's portfolio was 5.6% compared with a return on the benchmark of 4.3%. The 12 month out-performance came principally from the core UK equity portfolio, which was particularly strong over the period. Whilst the Martin Currie Global Equity Income Fund was a modest detractor to performance over the year, as higher yielding stocks under-performed the broader market, the holding in the Martin Currie Emerging Markets Fund impacted negatively on performance over the 12-month period, as emerging markets continued to lag their developed market counterparts. As at 31st March 2014, the value of the Trust's investment portfolio (including capital cash) was £32,842,187, compared with £32,144,514 at 31st March 2013 and a value as at 30th October 2014 of **£32,765,029**, increases of £709,691 and **£620,515** respectively.

Reserves Policy

Under the National Health Service (Scotland) Act 1978 it is the duty of the Trust to hold and administer funds on Trust for the purpose of assisting the conduct of research into specified matters. The Trust has power to accept, hold and administer property on Trust. The Trust has a limited power to borrow money or draw upon capital to meet expenditure of a capital nature, but otherwise may only spend its income. The Trust's investments are divided into Restricted and Unrestricted Funds. Restricted Funds support research into specific diseases; the Unrestricted Funds are available for supporting any area of the Trust's work. In addition, the Trust has an Income Investment Fund. This Fund, although invested, is part of the Unrestricted Income Fund and is therefore available to be drawn down in the discretion of the Members from time to time.

The Trust's Income Fund continues to show a (reducing) surplus, as a result of the reduction in the number of project grants awarded as the PhD Scholarship awards have been introduced and the accounting treatment of the PhD awards made. Actual spending on the new PhD awards only started late in the 2012-13 financial year. In addition to the PhD Scholarship Awards, the Trust continues to fund the Vacation Scholarship Awards and the Trustees recently added a further funding stream (Daphne Jackson Fellowships).

The Trust continues to seek to meet expenditure commitments as they fall due for payment out of its predictable flow of income and, if required, the Income Investment Fund and expects to be able to do so.

Structure, Governance and Management

The Trust is a body corporate constituted under the Hospital Endowments (Scotland) Act 1953 (repealed and re-enacted by the National Health Service (Scotland) Act 1978) all as subsequently amended, most recently by the Smoking, Health and Social Care (Scotland) Act 2005, which repealed the Trust's non-departmental public body status. The Trust was established to receive and hold endowments, donations and bequests and to make grants from these funds to promote

medical research in Scotland. It is empowered by the National Health Service and Community Care Act 1990 to engage in fundraising activities for the purposes of the Trust. It is also required by the Health & Medicines Act 1988 where feasible to develop and exploit ideas and to exploit intellectual property.

The Trust funds are administered in terms of this legislation by a body of Trustees who receive no fee or remuneration for their services. Trustees are appointed by the existing Trustees and, in accordance with the Standing Orders of the Trust, the minimum number of Trustees is six and the maximum is fifteen. In accordance with the constitutive legislation, Trustees may not be appointed for a period exceeding four years, and are eligible for re-appointment only once. A 'light-touch' appraisal process is in place for Trustees reaching the end of their first term of appointment.

The Trustees meet at least twice-yearly to agree the broad strategy and areas of activity for the Trust, including considering grant applications, investment, reserves and risk management policies and performance. There is also an Audit & Investment sub-committee which meets normally twice a year to consider accounting and investment issues in more detail. A Scientific sub-committee has been formed to provide general scientific advice to the Board to assist its strategic planning to achieve the objectives of the Trust. The Scientific sub-committee will meet at least annually. The day-to-day administration of grants and processing and handling of applications prior to consideration by the Trust (or the relevant sub-committee) is dealt with by the Trust Secretaries and Scientific Adviser.

In addition to ensuring a breadth of expertise among the scientific Trustees, consideration is also given to ensuring that other skill requirements among the Trustees are met. New Trustees may be sought by open advertisement or through dialogue with the research universities.

The induction process for any newly appointed Trustee comprises a welcome pack including a brief history of the Trust, a copy of the constitutive legislation, guidance on the duties and responsibilities of charity trustees, a copy of the most recent Annual Report & Financial Statements and any other relevant documentation. There is an opportunity to discuss particular issues with either the Chairman or the Trust Secretaries, and there is an explanation of the grant-making process and the organisational structure.

There is also training offered to both new and existing Trustees at Trust meetings and this is at least annually, but more frequently if appropriate.

Risk Management

The Trustees have assessed the major risks to which the Trust is exposed, in particular those relating to the operations and finances of the Trust, have reviewed those risks, both in the Audit & Investment sub-committee and at full Trust meetings, and are satisfied that systems are in place to mitigate exposure to the major risks. The following processes have been established:

- A Risk Register of all the Trust's activities is held and maintained by the Secretaries. This is considered regularly by the Audit & Investment sub-committee and the Scientific sub-committee and any recommendations for change made to the Trustees.
- Regular Trustees' meetings to consider the plans, policies, finances and strategic direction of the Trust.
- Regular meetings of the Audit & Investment sub-committee to consider the Trust's finances.
- Monthly meetings of the relevant staff of the Secretaries to consider the plans, policies, finances and strategic direction of the Trust together with any associated risks.
- The Audit & Investment sub-committee receives monthly reports from the Investment Manager to consider both investment performance and risk.
- Monthly financial reconciliations prepared by the Secretaries.
- Six-monthly checks by the auditors of the monthly financial reconciliations.
- Annual statutory Financial Statements are audited by independent external auditors.

Financial Statements

The Financial Statements for the year to 31st March 2014 form part of this *Report* and are presented on [pages 16-26](#).

Statement of disclosure of information to auditor

To the knowledge and belief of each of the persons who are Members at the time the report is approved:

So far as the Member is aware, there is no relevant information of which the Charity's auditor is unaware, and

He/she has taken all the steps that he/she ought to have taken as a Member in order to make himself/herself aware of any relevant audit information, and to establish that the Charity's auditor is aware of the information

Statement of Members' responsibilities

The Members are responsible for preparing the Members' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period. In preparing these financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable 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 Charity will continue in business.

The Members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the National Health Service (Scotland) Act 1978. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Members and authorised to be signed on their behalf by:

Professor David J Harrison (Chairman)
31st October 2014

Independent Auditor's Report to the Members

We have audited the financial statements Medical Research Scotland for the year ended 31st March 2014 which comprise the Statement of Financial Activities, Balance Sheet and related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's Members, 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) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Charity's Members those matters we are required to state to them in an auditors' 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 Charity and its Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Members and auditor

As explained more fully in the Statement of Members' responsibilities set out on page 11, the Members are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditors under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Smaller Entities (Revised)", in the circumstances set out in Note 20 to the financial statements.

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 Members; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31st March 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Independent Auditor's Report to the Members - continued

Matters on which we are required to report by exception

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

- the information given in the Members' annual report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Scott-Moncrieff

Statutory Auditor

Chartered Accountants

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Exchange Place 3

Seample Street

Edinburgh EH3 8BL

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Statement of Financial Activities

For the year ended 31 March 2014

	Notes	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2014 £	Total 2013 £
Incoming Resources							
<i>Incoming resources from generated funds</i>							
Voluntary income:							
Legacies & donations	5	14,905	-	65,364	-	80,269	519,933
Activities for generating funds:							
Royalties	6	81,499	-	-	-	81,499	106,674
Investment income	7	865,165	-	303,615	-	1,168,780	1,074,103
Miscellaneous income		41,772	-	15,547	-	57,319	39,840
Total incoming resources		1,003,341	-	384,526	-	1,387,867	1,740,550
Resources Expended							
<i>Cost of generating funds</i>							
Cost of generating							
voluntary income	8	3,834	-	1,278	-	5,112	9,397
Investment management cost	9	25,009	46,444	8,336	15,482	95,271	91,637
<i>Charitable activities</i>							
Grant-making activities							
Grants payable	10	88,285	-	550,660	-	638,945	513,581
Support cost of grant-making		68,654	-	22,884	-	91,538	98,096
<i>Governance costs</i>							
	12	35,422	-	11,808	-	47,230	47,979
Total resources expended		221,204	46,444	594,966	15,482	878,096	760,690
Net incoming resources before transfers		782,137	(46,444)	(210,440)	(15,482)	509,771	979,860
Gross transfers between funds	18	(201,204)	-	201,204	-	-	-
Net incoming resources before revaluations and investment asset disposals		580,933	(46,444)	(9,236)	(15,482)	509,771	979,860
Net realised gains/(losses) on sale of investments		-	116,607	-	56,657	173,264	345,009
Net incoming resources after realised gains/(losses) on sale of investments		580,933	70,163	(9,236)	41,175	683,035	1,324,869
Unrealised gain on investments	14	-	148,514	-	64,619	213,133	3,773,459
Net movement in funds		580,933	218,677	(9,236)	105,794	896,168	5,098,328
Fund balances at 1 April 2013		1,786,780	22,412,858	1,945,923	8,204,291	34,349,852	29,251,524
Fund balances at 31 March 2014	19	2,367,713	22,631,535	1,936,687	8,310,085	35,246,020	34,349,852

The Charity has no recognised gains or losses other than those included in the Statement of Financial Activities. All activities relate to continuing operations.

The Notes on [pages 18-26](#) form part of these Financial Statements.

Balance Sheet

As at 31 March 2014

		2014		2013	
Notes	£	£	£	£	£
Fixed assets					
Investments at market value	14		32,042,201		31,678,330
Current assets					
Debtors	15	95,856		607,936	
Cash at bank – at Secretaries		3,051,302		2,726,655	
– at Investment Manager		827,486		493,684	
		3,974,644		3,828,275	
Creditors: Amounts falling due within one year					
Creditors	16	35,105		35,710	
Grants payable	17	735,720		1,068,859	
		770,825		1,104,569	
Net current assets			3,203,819		2,723,706
Total assets less current liabilities			35,246,020		34,402,036
Creditors: Amounts falling due after more than one year					
Grants payable	17		-		(52,184)
Net assets			35,246,020		34,349,852
Funds	19				
Unrestricted					
Unrestricted Capital Fund	2		22,631,535		22,412,858
Unrestricted Income Fund			2,367,713		1,786,780
			24,999,248		24,199,638
Restricted funds					
Restricted Capital Fund	4	8,310,085		8,204,291	
Restricted Income Fund	3	1,936,687		1,945,923	
			10,246,772		10,150,214
			35,246,020		34,349,852

Authorised for issue by the Members and signed on their behalf by:

Professor David J Harrison (Chairman)
 2014

The Notes on pages 18-26 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting policies

The Financial Statements are prepared in accordance with applicable accounting standards, the Statement of Recommended Practice – Accounting and Reporting by Charities 2005 (SORP), and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Going concern

The Members are of the opinion that the Charity can continue to meet its objectives as they fall due for the foreseeable future. As a consequence, the Members have prepared the financial statements under the going concern basis.

Incoming resources

Incoming resources are recognised when the Trust becomes entitled to them, the amount is measurable and there is reasonable certainty of receipt.

Dividend income and interest on Government stocks are credited when they become ex-dividend. Accrued interest on fixed interest stocks received on disposal and acquisition is credited to the Statement of Financial Activities. Deposit interest receivable is accounted for on an accruals basis. Where the Charity has elected to take shares instead of cash dividends under enhanced scrip dividend offers, the cash equivalent is included as income. The income of the Charity includes, where applicable, any recoverable tax deducted at source.

Investment income arising from the capital funds is allocated to the appropriate Unrestricted Income or Restricted Income Fund to which it relates.

Legacies and donations are included in the period in which they are receivable, which is when the Charity becomes entitled to the resource, based on the Members' best estimate given the information available to them. Legacies and donations given for general medical research are included in Unrestricted Funds, and those given for research into specific medical conditions or illnesses at the request of the donor are included within Restricted Funds. Unless the donor has specified that the legacies or donations must be held as capital, the amounts will be included initially within the Income Funds. An appropriation is made to Capital Funds thereafter at the discretion of the Members.

Gifts in kind are recorded at their market value at the date of donation.

Royalties are receivable from the commercial exploitation of the intellectual property resulting from research funded (in whole or in part) by the Charity. Royalty receipts are credited to revenue in the period receivable.

Resources expended

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended. All charitable expenses and costs of generating funds are apportioned between Unrestricted and Restricted Income Funds 75% and 25% respectively. The Members consider this allocation reasonable based on the balance on the Unrestricted and Restricted Funds.

Expenditure is shown inclusive of any irrecoverable VAT.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting policies (*continued*)

Resources expended (*continued*)

Costs of generating funds comprise those costs directly attributable to managing the investment portfolio and raising investment income and fundraising costs for raising donations and legacy income. Grant-making activities comprise grants payable and support costs for processing grants and applications. Governance costs relate to costs incurred in respect of strategic or constitutional matters and also compliance with statutory reporting requirements. Where the Secretaries' fees cannot be directly attributed to these categories, they are estimated 35% (2013: 35%) to Governance activities, and 65% (2013: 65%) to Grant-making activities.

Investment management fees

Investment management fees are allocated 65% to capital funds and 35% to income funds in line with the investment objectives and expected long-term return on the investment portfolio.

Foreign exchange gains and losses

Transactions in foreign currencies are recorded at an average rate over the financial period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Balance Sheet date. All currency differences are taken to the Statement of Financial Activities (SOFA).

Grants

Grants payable are charged to the SOFA when the application is approved and a valid expectation created with the recipient that the grant will be paid. Where the grant offer or an element thereof, is conditional, such grants are not recognised as expenditure until the conditions are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but are not accrued as expenditure.

Investments

Investments are included in the financial statements at market value at the year end, the unrealised gain or loss being applied to Unrestricted or Restricted Capital Funds as appropriate.

Land is included at agricultural value, being the appropriate estimate of market value.

Gains or losses arising on the sale of investments during the year are taken to Unrestricted and Restricted Capital Funds as appropriate. Within the Restricted Capital Funds gains or losses are allocated based on the balance of the funds held at the beginning of the year.

Fund accounting

The nature and purpose of each fund are explained in Notes 2, 3, 4 and 19.

Notes to the Financial Statements
For the year ended 31 March 2014

2. Unrestricted Designated Capital Fund

	2014	2013
	£	£
Balance at 1 April 2013	22,412,858	19,446,492
Resources expended	(46,444)	(44,673)
Net realised gains on sale of investments	116,607	250,694
Unrealised gains on investments	148,514	2,760,345
	<u>22,631,535</u>	<u>22,412,858</u>
Balance at 31 March 2014	<u>22,631,535</u>	<u>22,412,858</u>

The Unrestricted Designated Capital Fund is derived from legacies, bequests and donations which were donated, or allocated by the Members, for the purposes of general medical research and which form the Unrestricted Funds of the Charity.

3. Restricted Income Funds

Movement during the year was as follows:

	As at 1 April 2013	Investment & other income	Legacies & Donations	Grants	Cost of generating funds, support & admin costs	Transfers	As at 31 March 2014
	£	£	£	£	£	£	£
Neurological diseases	-	13,247	-	(189,344)	(1,839)	177,936	-
Cancer	261,699	134,067	777	(149,062)	(18,611)	-	228,870
Arthritis	511,943	63,159	301	(27,600)	(8,768)	-	539,035
Diabetes	-	6,204	-	(28,610)	(862)	23,268	-
Kidney	22,858	12,378	892	-	(1,718)	-	34,410
Cardiac & vascular diseases	258,829	80,192	679	(25,736)	(11,132)	-	302,832
Miscellaneous conditions	316,924	9,915	832	(130,308)	(1,376)	-	195,987
Multiple Sclerosis	503,025	-	61,883	-	-	-	564,908
ME	70,645	-	-	-	-	-	70,645
	<u>1,945,923</u>	<u>319,162</u>	<u>65,364</u>	<u>(550,660)</u>	<u>(44,306)</u>	<u>201,204</u>	<u>1,936,687</u>

The Restricted Income Funds are derived from the Restricted Capital Funds of the Charity.

4. Restricted Capital Funds

Movement during the year was as follows:

	As at 1 April 2013	Cost of generating funds	Realised gain/(loss) on investments	Unrealised gain on investments	As at 31 March 2014
	£	£	£	£	£
Neurological diseases	340,518	(643)	2,352	2,682	344,909
Cancer	3,446,295	(6,503)	23,799	27,144	3,490,735
Arthritis	1,623,549	(3,064)	11,212	12,787	1,644,484
Diabetes	159,480	(301)	1,101	1,257	161,537
Kidney	318,196	(600)	2,197	2,506	322,299
Cardiac & vascular diseases	2,061,388	(3,890)	14,236	16,236	2,087,970
Miscellaneous conditions	254,865	(481)	1,760	2,007	258,151
	<u>8,204,291</u>	<u>(15,482)</u>	<u>56,657</u>	<u>64,619</u>	<u>8,310,085</u>

The Restricted Capital Funds are derived from legacies, bequests and donations which were donated for specific areas of medical research and which form the Restricted Funds of the Charity.

Notes to the Financial Statements
For the year ended 31 March 2014

5. Legacies and Donations

	Unrestricted Income Fund	Restricted Income Funds	Total 2014	Total 2013
	£	£	£	£
Legacies	12,575	61,882	74,457	504,032
Donations	2,330	3,482	5,812	15,901
	<u>14,905</u>	<u>65,364</u>	<u>80,269</u>	<u>519,933</u>

6. Royalties

	Unrestricted Income Fund	Restricted Income Funds	Total 2014	Total 2013
	£	£	£	£
Royalties	81,499	-	81,499	106,674
	<u>81,499</u>	<u>-</u>	<u>81,499</u>	<u>106,674</u>

Royalty income arising from research funded by the Charity varies from year to year depending on the research undertaken and cannot be reliably ascertained until receipt.

7. Investment income

	Unrestricted Income Fund	Restricted Income Funds	Total 2014	Total 2013
	£	£	£	£
UK listed investments	839,736	294,310	1,134,046	1,010,648
Interest on cash deposits	25,429	8,491	33,920	62,663
Rent receivable	-	814	814	792
	<u>865,165</u>	<u>303,615</u>	<u>1,168,780</u>	<u>1,074,103</u>

8. Cost of generating voluntary income

	2014	2013
	£	£
Fundraising and marketing – support costs (Note 11)	<u>5,112</u>	<u>9,397</u>

9. Investment management costs

	2014	2013
	£	£
Investment Manager's fee	<u>95,271</u>	<u>91,637</u>

10. Grant-making activities

	2014	2013
	£	£
Grants payable in respect of medical research (Note 17)	638,945	513,581
Support costs (Note 11)	91,538	98,096
	<u>730,483</u>	<u>611,677</u>

Notes to the Financial Statements
For the year ended 31 March 2014

11. Support costs

Support costs are allocated to activities as detailed below:

	Generating voluntary income	Grants payable	Governance costs	2014	2013
	£	£	£	£	£
Secretaries' fee	-	66,686	35,908	102,594	105,438
Stationery, printing & postage	-	3,692	-	3,692	5,468
Miscellaneous	-	16,535	-	16,535	17,886
Marketing	5,112	4,625	-	9,737	15,604
	<u>5,112</u>	<u>91,538</u>	<u>35,908</u>	<u>132,558</u>	<u>144,396</u>

Bases of allocation

Where costs are directly attributable to an activity, they are allocated to that activity. Where items of expenditure relate to more than one activity, the cost is apportioned on the basis of usage or staff time as appropriate, and allocated to each activity on that basis. Secretaries' fees are allocated on the basis of staff time with the exception of fees for specific work which are allocated to the relevant activity.

The Members did not receive any direct remuneration for their services during the year (2013: £nil).

Meeting expenses amounting to £614 (2013: £814) were reimbursed to 3 (2013: 4) of the Members.

12. Governance costs

	2014	2013
	£	£
Secretaries' fee – support of governance activities (Note 11)	35,908	36,903
Accountancy fees:		
audit services	7,466	7,296
financial statements preparation	3,856	3,780
	<u>47,230</u>	<u>47,979</u>

13. Staff costs

	2014	2013
	£	£
Gross wages	1,625	-
Employer's National Insurance	136	-
	<u>1,761</u>	<u>-</u>

The average number of employees during the year was as follows:

	No	No
Scientific Adviser	1	-

No employees received emoluments above £60,000

Notes to the Financial Statements
For the year ended 31 March 2014

14. Investments

	Investment property £	UK Stock Exchange listed £	Total £
Market value at 1 April 2013	27,500	31,650,830	31,678,330
Additions	-	3,639,090	3,639,090
Disposals	-	(3,488,352)	(3,488,352)
Net unrealised investment gains in the year	-	213,133	213,133
	<u>27,500</u>	<u>32,014,701</u>	<u>32,042,201</u>
Market value at 31 March 2014	<u>27,500</u>	<u>32,014,701</u>	<u>32,042,201</u>
Historical cost	<u>27,500</u>	<u>26,798,003</u>	<u>26,825,503</u>

The Charity is a joint beneficiary of an estate comprising potential development land. The potential development land has not yet been sold and has been included in the financial statements as an investment property. The land included in the balance sheet is at agricultural value as a development value cannot be quantified with reasonable accuracy.

	Market value %
At the balance sheet date the following holdings exceed 5% of the total portfolio:	
Martin Currie Emerging Markets Fund B Shares	17.66%
Martin Currie Global Income Fund	20.71%

15. Debtors

	2014 £	2013 £
Accrued income	<u>95,856</u>	<u>607,936</u>

16. Creditors: amounts falling due within one year

	2014 £	2013 £
Accrued fees	35,105	35,270
Other creditors	-	440
	<u>35,105</u>	<u>35,710</u>

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2014

17. Grants

	2014		2013	
(a) Reconciliation of grants payable	£	£	£	£
At 1 April 2013		1,121,043		1,639,217
Grants awarded and authorised in the year	736,486		559,440	
Grant awards cancelled and recovered	(97,541)		(45,859)	
		638,945		513,581
Grants payable for the year		(1,024,268)		(1,031,755)
Grants paid during the year				
At 31 March 2014		735,720		1,121,403
	Unrestricted Income Fund	Restricted Income Funds	Total 2014	Total 2013
	£	£	£	£
(b) Grants falling due within one year:				
Grants payable	171,864	563,856	735,720	1,068,859
(c) Grants falling due after more than one year:				
Year to 31 March 2014	-	-	-	52,184
Total grants payable	171,864	563,856	735,720	1,121,043

(d) Grants awarded

Grants awarded and authorised during the year were as follows:

Principal Grantholder	Administering Institution		
PhD Studentships awarded 2014			
MacKenzie	University of Aberdeen	27,600	
Barnett	University of Glasgow	27,939	
Waters	University of Glasgow	27,900	
Shu	University of Heriot Watt	28,610	
Reynolds	University of St Andrews	27,988	
Dempster	University of Strathclyde	25,900	
Zagnoni	University of Strathclyde	27,000	
			192,937

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2014

16. Grants (*continued*)

Vacation Scholarships awarded - 2014 (*continued*)

Mutch/Walker	University of Aberdeen	1,840
Pertwee/Cook	University of Aberdeen	1,840
Harvey/Ristoiu	University of Dundee	1,840
Hormuzdi/Plain	University of Dundee	1,840
Irving/Lopes	University of Dundee	1,840
Currie/Makiello	University of Edinburgh	1,380
Henderson/Francis	University of Edinburgh	1,840
Hope/Brewer	University of Edinburgh	1,380
Jarman/Rondelli	University of Edinburgh	1,840
Mowat/Rehman	University of Edinburgh	1,840
Pollard/Lee	University of Edinburgh	1,840
Rossi/Chapman	University of Edinburgh	1,840
Saunders/Relovska	University of Edinburgh	1,380
Spires-Jones/Kim	University of Edinburgh	1,380
Berry/Teng	University of Glasgow	1,840
Culshaw/Pennel	University of Glasgow	1,840
Freel/Hayden	University of Glasgow	1,380
Freeman/To	University of Glasgow	1,840
Goodyear/McGrath	University of Glasgow	1,840
Muir/Korte	University of Glasgow	1,840
Palmer/Whiteley	University of Glasgow	1,840
Pollick/Petric-Gray	University of Glasgow	1,610
Salt/Barkauskaite	University of Glasgow	1,380
Smith/Taylor	University of Glasgow	1,840
Stone/Qasem	University of Glasgow	1,840
Gow/Anonymous	Queen Margaret University	1,380
Andrews/Hu	University of St Andrews	1,840
Lucocq/Filipescu	University of St Andrews	1,840
Paracchini/Hughes	University of St Andrews	1,840
Reynolds/Lau	University of St Andrews	1,840
Milington/Gordon	University of Strathclyde	1,840

53,590

Conditional grants awarded in previous years, now unconditional and authorised

Hawksworth	University of Aberdeen	27,600
Lang	University of Aberdeen	73,430
Meek	University of Dundee	28,087
Woof	University of Dundee	25,600
Bicknell	University of Edinburgh	74,927
Bradley	University of Edinburgh	18,328
Faratian	University of Edinburgh	10,351
Laird	University of Edinburgh	74,037
Langdon	University of Edinburgh	28,328
Mort	University of Edinburgh	73,047
Walkinshaw	University of Edinburgh	28,228
Smith	University of Glasgow	27,996

489,959

736,486

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2014

(e) Commitments

In addition to the amounts committed and accrued noted above, the Members have also authorised certain grants which are subject to the recipient fulfilling certain conditions. The total amount authorised but not accrued as expenditure at 31 March 2014 was £1,508,750 (2013: £1,585,340), of which £520,116 is expected to be payable within one year if certain conditions are satisfied (2013: £447,864).

18. Transfers between funds

There was a transfer during the year of £201,204 from the Unrestricted Income Fund to Restricted Income Funds; this was to eliminate the deficits on the Neurological Diseases and Diabetes Funds.

19. Analysis of net assets between funds

	Investments	Net Current Assets	Creditors falling due after more than one year	Total
	£	£	£	£
Unrestricted Funds				
Unrestricted Capital Fund	22,631,535	-	-	22,631,535
Unrestricted Income Fund	1,100,581	1,267,132	-	2,367,713
	<u>23,732,116</u>	<u>1,267,132</u>	<u>-</u>	<u>24,999,248</u>
Restricted Funds				
Restricted Capital Fund	8,310,085	-	-	8,310,085
Restricted Income Fund	-	1,936,687	-	1,936,687
	<u>8,310,085</u>	<u>1,936,687</u>	<u>-</u>	<u>10,246,772</u>
Total Funds	<u>32,042,201</u>	<u>3,203,819</u>	<u>-</u>	<u>35,246,020</u>

The Unrestricted Funds represent the funds which the Members are free to use in accordance with the charitable objects.

The Restricted Funds are derived from legacies, bequests and donations which were donated for specific areas of medical research and which form the Restricted Funds of the Charity. The Members may only use these Restricted Funds to make grants for medical research into the specific areas noted within the original terms of the legacy, bequest or donation.

20. Non audit services

In common with many other charities of our size and nature, we use our auditors to assist in the preparation of the financial statements