



Medical Research Scotland

61st Annual Report and Financial Statements

2014-15

*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 (*retired 27th November 2014*)

Professor Philip Winn, BA, PhD, FRSB, FAPS, SRPharmS (from 31st October 2014; Chair with effect from 27th November 2014)

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

Dr Marie Boyd, BSc, PhD (*retired 6th December 2014*)

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

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

*Mr Graham Paterson, MBA, FCCA

*Dr David Stretton BSc, PhD, LLM

Dr Jennifer M Woof BSc, PhD, FHEA, FRSB (from 31st October 2014)

Professor Andrea Nolan OBE, FRSE, MRCVS (from 31st October 2014)

** 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, MA, PhD, MSc, MFSSoc

AUDITORS

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

INVESTMENT MANAGER

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

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

Foreword



BUCKINGHAM PALACE

As Patron of Medical Research Scotland, I am pleased that the charity is continuing its mission to enable talented biomedical scientists to develop their careers. The work of these students not only develops their careers, but also serves to strengthen the relationships between Scotland's Universities and industry, to the benefit of both. The research sponsored by Medical Research Scotland will hopefully have a high impact in academia and in Scotland's life science industries, leading to positive outcomes that will benefit the health of those in Scotland and beyond.

The continuing support of the Fellowship programme run by the Daphne Jackson Trust, supporting scientists returning to research after a career break, is also most welcome. The work of Medical Research Scotland enables undergraduate students, through the award of bursaries, to spend time working under expert supervision in academic laboratories, thus supporting the development of careers in biomedical sciences. Support for outreach programmes for secondary school pupils also promotes the importance of Medical Research Scotland's research and the varied career opportunities for young people.

I am pleased that the Board of Medical Research Scotland has been refreshed by the recruitment of new members and hope that it will continue to actively promote the value of collaborative research between academia and industry to deliver benefit in biomedical sciences. I wish Medical Research Scotland every success in its continuing mission to promote excellent research and develop the careers of talented students.

HRH The Princess Royal

Chairman's Report

This has been a year of both change and consolidation for Medical Research Scotland. The consolidation has been around the mission of our organization. We have maintained our progress in enabling the most talented biomedical scientists to develop their careers through studying at Scotland's Universities for the award of doctorates. We continue to do this through working in partnership with colleagues in the commercial sector, strengthening bonds between academia and industry and allowing doctoral students to experience the benefits of working on projects that will hopefully have a high impact for Scotland's life science industries as well as making significant advances in the understanding of basic biological processes.

In support of this mission we continue also to work with the Daphne Jackson Trust, supporting Fellowships to help scientists return to research after a career break. Two Medical Research Scotland sponsored Daphne Jackson Fellows were appointed in the year. We are maintaining our commitment to undergraduate students as well. We do this through the award of bursaries that give students the opportunity to spend time in the summer working under expert supervision in academic laboratories, typically just before starting their final year of undergraduate study. This time in the lab, experiencing something of what it is like to be a graduate student, is a formative experience for many students, helping them determine whether or not a career in science is right for them. In the summer of 2014, 30 students were helped to do this by our bursary scheme. I am delighted to further report that, in 2015, a further 49 students have been awarded scholarships through the bursary scheme. This is a message we also take to secondary school pupils through "Meet the Researcher Showcase" events. These events give senior pupils an opportunity to learn about Medical Research Scotland funded research projects, directly from recipients of the summer vacation bursaries and PhD Studentships. In October 2014 the event was successfully held in Aberdeenshire and was attended by 65 pupils and five teachers, with posters and hands-on demonstrations being presented by 11 undergraduate and postgraduate students.

In contrast to this work consolidating our core mission to develop talented scientists, capable of delivering high impact research for academia and industry, change has come on the Medical Research Scotland Board. Professor David Harrison retired from the Chairmanship after eight highly productive years (including four years as Chairman) that shaped the current approach to biomedical research at Medical Research Scotland. We owe him a significant debt of gratitude. I am delighted to be his successor.

Dr Marie Boyd also retired from the Board at the end of her terms of office, with our thanks and gratitude for the excellent service; as well as myself, Professor Andrea Nolan and Dr Jenny Woof have joined the Board. As always we are

intensely grateful that such busy individuals find the time to contribute to our work.

The resources available for use in supporting Scottish biomedical sciences have again grown. During the year, funds were received through donations from individuals (including online), legacies and trust giving. All donations are acknowledged individually and highlighted on our website. We also received £117,883 in royalty payments during the year.

The Board of Medical Research Scotland will continue actively to promote the value of research that crosses academia and industry to deliver the highest quality research that will be of benefit in biomedical sciences, whether in the development of new drugs, diagnostics or devices, or any other form of benefit. We will continue to progress the work of Medical Research Scotland, seeking always to develop our work to the best advantage.

Professor Philip Winn
Chairman

Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2015. 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 2014-15 Financial Year the Trustees awarded a total of 13 PhD Studentships and 30 Undergraduate Vacation Research Scholarships. The topics of the PhD Studentships cover a wide range including inflammatory diseases, multiple sclerosis and cancer, many having drug development as their primary focus. Vacation Scholarships will be held at the following universities - Aberdeen, Dundee, Edinburgh, Glasgow, Strathclyde 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 £874,825.

Achievements and Performance

The Trust's **Annual Plan** for 2014-15 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 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.

13 PhD Studentships and 30 Undergraduate Vacation Research Scholarships were awarded. The Trustees agreed to support two Daphne Jackson Fellowship awards.

3. To hold a Researcher Showcase for senior school pupils in Aberdeen.

A successful Meet the Researcher Showcase was held at Portlethen Academy in Aberdeen on 2nd October 2014.

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.

During the period, two Trustees retired (including the former Chairman) having served two full terms, and three new Trustees with a breadth of expertise were appointed.

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 review Trust's services in line with the agreed timetable.

The appointment of the Auditors was reviewed in July 2014 and the Trustees agreed to the reappointment of the current Auditors.

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 2014.

The Annual Report & Financial Statements was printed on 31st October 2014 and it was available from the Trust's website from early 2015. Following a decision by the Trustees, an Annual Review will no longer be published.

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 2015-16** 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 review the PhD Studentship Award process and criteria.
3. To make up to 15 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.
4. To develop marketing opportunities in relation to schools events and/or Science Festivals.
5. 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.
6. To review the 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 available from its website during 2015.

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 £1,134,267 during the year, compared with £1,168,780 in 2013-14 and royalties were £117,883 compared with £81,499.

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, 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 overall portfolio was 9.2%, broadly similar to the return on the benchmark of 9.3%. The core UK equity portfolio once again delivered strong returns relative to the FTSE All-share index. The holdings in the Martin Currie Global Equity Income Fund and the Martin Currie Emerging Markets Fund both delivered stronger absolute returns than UK equities, but both funds failed to keep pace with their relevant benchmarks over the period under review.

As at 31st March 2015, the value of the Trust's investment portfolio (including capital cash) was £34,949,955, compared with £32,842,187 at 31st March 2014 and a value as at 30th October 2015 of £32,422,158, an increase of £2,107,768 and decrease of £420,029 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 shows a smaller surplus compared with last year as a result of an increase in grants payable. 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). As these funding streams develop further, so will the level of grants payable.

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. 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 2015 form part of this *Report* and are presented on pages 14 – 24.

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 Philip Winn (Chairman)

30th October 2015

Independent Auditor's Report to the Members

We have audited the financial statements Medical Research Scotland for the year ended 31st March 2015 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 2015 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 2015

	Notes	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2015 £	Total 2014 £
Incoming Resources							
<i>Incoming resources from generated funds</i>							
Voluntary income:							
Legacies & donations	5	107,733	-	1,003	-	108,736	80,269
Activities for generating funds:							
Royalties	6	117,883	-	-	-	117,883	81,499
Investment income	7	837,715	-	296,552	-	1,134,267	1,168,780
Miscellaneous income		88,331	-	13,406	-	101,737	57,319
		<u>1,151,662</u>	<u>-</u>	<u>310,961</u>	<u>-</u>	<u>1,462,623</u>	<u>1,387,867</u>
Resources Expended							
<i>Cost of generating funds</i>							
Cost of generating voluntary income	8	2,690	-	897	-	3,587	5,112
Investment management cost	9	24,777	46,015	8,259	15,338	94,389	95,271
<i>Charitable activities</i>							
Grant-making activities	10						
Grants payable		178,659	-	614,990	-	793,649	638,945
Support cost of grant-making		71,658	-	23,885	-	95,543	91,538
<i>Governance costs</i>	12	34,189	-	11,396	-	45,585	47,230
		<u>311,973</u>	<u>46,015</u>	<u>659,427</u>	<u>15,338</u>	<u>1,032,753</u>	<u>878,096</u>
Net incoming resources before transfers		839,689	(46,015)	(348,466)	(15,338)	429,870	509,771
Gross transfers between funds	18	(220,540)	-	220,540	-	-	-
		<u>619,149</u>	<u>(46,015)</u>	<u>(127,926)</u>	<u>(15,338)</u>	<u>429,870</u>	<u>509,771</u>
Net incoming resources before revaluations and investment asset disposals		619,149	(46,015)	(127,926)	(15,338)	429,870	509,771
Net realised gains/(losses) on sale of investments		-	27,183	-	12,854	40,037	173,264
		<u>619,149</u>	<u>(18,832)</u>	<u>(127,926)</u>	<u>(2,484)</u>	<u>469,907</u>	<u>683,035</u>
Net incoming resources after realised gains/(losses) on sale of investments		619,149	(18,832)	(127,926)	(2,484)	469,907	683,035
Unrealised gain on investments	14	-	1,249,151	-	472,205	1,721,356	213,133
		<u>619,149</u>	<u>1,230,319</u>	<u>(127,926)</u>	<u>469,721</u>	<u>2,191,263</u>	<u>896,168</u>
Net movement in funds							
Fund balances at 1 April 2014		2,367,713	22,631,535	1,936,687	8,310,085	35,246,020	34,349,852
Fund balances at 31 March 2015	19	<u>2,986,862</u>	<u>23,861,854</u>	<u>1,808,761</u>	<u>8,779,806</u>	<u>37,437,283</u>	<u>35,246,020</u>

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 16-24 form part of these Financial Statements.

Balance Sheet

As at 31 March 2015

		2015		2014	
	Notes	£	£	£	£
Fixed assets					
Investments at market value	14		34,306,876		32,042,201
Current assets					
Debtors	15	133,411		95,856	
Cash at bank – at Secretaries		3,136,259		3,051,302	
– at Investment Manager		658,758		827,486	
		3,928,428		3,974,644	
Creditors: Amounts falling due within one year					
Creditors	16	37,683		35,105	
Grants payable	17	737,933		735,720	
		775,616		770,825	
Net current assets			3,152,812		3,203,819
Total assets less current liabilities			37,459,688		35,246,020
Creditors: Amounts falling due after more than one year					
Grants payable	17		22,405		-
Net assets			37,437,283		35,246,020
Funds	19				
Unrestricted					
Unrestricted Capital Fund	2		23,861,854		22,631,535
Unrestricted Income Fund			2,986,862		2,367,713
			26,848,716		24,999,248
Restricted funds					
Restricted Capital Fund	4	8,779,806		8,310,085	
Restricted Income Fund	3	1,808,761		1,936,687	
			10,588,567		10,246,772
			37,437,283		35,246,020

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

Professor Philip Winn (Chairman)
30th October 2015

The Notes on pages 16-24 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2015

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 2015

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% (2014: 35%) to Governance activities, and 65% (2014: 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 2015

2. Unrestricted Designated Capital Fund

	2015 £	2014 £
Balance at 1 April 2014	22,631,535	22,412,858
Resources expended	(46,015)	(46,444)
Net realised gains on sale of investments	27,183	116,607
Unrealised gains on investments	1,249,151	148,514
	23,861,854	22,631,535

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 2014 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of generating funds, support & admin costs £	Transfers £	As at 31 March 2015 £
Neurological diseases	-	12,865	3	(231,563)	(1,844)	220,540	-
Cancer	228,870	130,201	250	(163,355)	(18,666)	-	177,301
Arthritis	539,035	61,338	300	(105,921)	(8,794)	-	485,958
Diabetes	-	6,025	100	(370)	(865)	-	4,890
Kidney	34,410	12,021	100	(28,439)	(1,723)	-	16,369
Cardiac & vascular diseases	302,832	77,879	250	(96)	(11,165)	-	369,700
Miscellaneous conditions	195,987	9,629	-	27,900	(1,380)	-	232,136
Multiple Sclerosis	564,908	-	-	(113,146)	-	-	451,762
ME	70,645	-	-	-	-	-	70,645
	1,936,687	309,958	1,003	(614,990)	(44,437)	220,540	1,808,761

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 2014 £	Cost of generating funds £	Realised gain/(loss) on investments £	Unrealised gain on investments £	As at 31 March 2015 £
Neurological diseases	344,909	(637)	533	19,599	364,404
Cancer	3,490,735	(6,443)	5,399	198,354	3,688,046
Arthritis	1,644,484	(3,035)	2,544	93,445	1,737,437
Diabetes	161,537	(298)	250	9,179	170,668
Kidney	322,299	(595)	499	18,314	340,516
Cardiac & vascular diseases	2,087,970	(3,854)	3,230	118,645	2,205,990
Miscellaneous conditions	258,151	(476)	399	14,669	272,744
	8,310,085	(15,338)	12,854	472,205	8,779,806

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 2015

5. Legacies and Donations

	Unrestricted Income Fund	Restricted Income Funds	Total 2015	Total 2014
	£	£	£	£
Legacies	104,322	-	104,322	74,457
Donations	3,411	1,003	4,414	5,812
	<u>107,733</u>	<u>1,003</u>	<u>108,736</u>	<u>80,269</u>

6. Royalties

	Unrestricted Income Fund	Restricted Income Funds	Total 2015	Total 2014
	£	£	£	£
Royalties	117,883	-	117,883	81,499
	<u>117,883</u>	<u>-</u>	<u>117,883</u>	<u>81,499</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 2015	Total 2014
	£	£	£	£
UK listed investments	832,228	293,867	1,126,095	1,134,046
Interest on cash deposits	5,487	1,829	7,316	33,920
Rent receivable	-	856	856	814
	<u>837,715</u>	<u>296,552</u>	<u>1,134,267</u>	<u>1,168,780</u>

8. Cost of generating voluntary income

	2015	2014
	£	£
Fundraising and marketing – support costs (Note 11)	<u>3,587</u>	<u>5,112</u>

9. Investment management costs

	2015	2014
	£	£
Investment Manager's fee	<u>94,389</u>	<u>95,271</u>

10. Grant-making activities

	2015	2014
	£	£
Grants payable in respect of medical research (Note 17)	793,649	638,945
Support costs (Note 11)	95,543	91,538
	<u>889,192</u>	<u>730,483</u>

Notes to the Financial Statements

For the year ended 31 March 2015

11. Support costs

Support costs are allocated to activities as detailed below:

	Generating voluntary income	Grants payable	Governance costs	2015	2014
	£	£	£	£	£
Secretaries' fee	-	63,375	34,125	97,500	102,594
Stationery, printing & postage	-	1,933	-	1,933	3,692
Miscellaneous	-	27,097	-	27,097	16,535
Marketing	3,587	3,138	-	6,725	9,737
	<u>3,587</u>	<u>95,543</u>	<u>34,125</u>	<u>133,255</u>	<u>132,558</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 (2014: £nil).

Meeting expenses amounting to £1,274 (2014: £614) were reimbursed to 5 (2014: 3) of the Members.

12. Governance costs

	2015 £	2014 £
Secretaries' fee – support of governance activities (Note 11)	34,125	35,908
Accountancy fees:		
audit services	7,547	7,466
financial statements preparation	3,913	3,856
	<u>45,585</u>	<u>47,230</u>

13. Staff costs

	2015 £	2014 £
Gross wages	19,500	1,625
Employer's National Insurance	-	136
	<u>19,500</u>	<u>1,761</u>

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

	No	No
Scientific Adviser	1	1

No employees received emoluments above £60,000

Notes to the Financial Statements

For the year ended 31 March 2015

14. Investments

	Investment property £	UK Stock Exchange listed £	Total £
Market value at 1 April 2014	27,500	32,014,701	32,042,201
Additions	-	2,701,428	2,701,428
Disposals	-	(2,158,109)	(2,158,109)
Net unrealised investment gains in the year	-	1,721,356	1,721,356
	27,500	34,279,376	34,306,876
Market value at 31 March 2015	27,500	34,279,376	34,306,876
Historical cost	27,500	27,838,731	27,866,231

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	19.58%
Martin Currie Global Income Fund	21.63%

15. Debtors

	2015 £	2014 £
Accrued income	133,411	95,856

16. Creditors: amounts falling due within one year

	2015 £	2014 £
Accrued fees	37,683	35,105
	37,683	35,105

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2015

17. Grants

	2015		2014	
(a) Reconciliation of grants payable	£	£	£	£
At 1 April 2014		735,720		1,121,043
Grants awarded and authorised in the year	874,825		736,486	
Grant awards cancelled and recovered	(81,176)		(97,541)	
Grants payable for the year		793,649		638,945
Grants paid during the year		(769,031)		(1,024,268)
At 31 March 2015		760,338		735,720
	Unrestricted Income Fund	Restricted Income Funds	Total 2015	Total 2014
	£	£	£	£
(b) Grants falling due within one year:				
Grants payable	127,513	610,420	737,933	735,720
(c) Grants falling due after more than one year:				
Year to 31 March 2015	-	22,405	22,405	-
Total grants payable	127,513	632,825	760,338	735,720

(d) Grants awarded

Grants awarded and authorised during the year were as follows:

Principal Grantholder

Administering Institution

PhD Studentships awarded 2015

Cohen	University of Dundee	28,250
Collie	University of Edinburgh	28,286
Farquharson	University of Edinburgh	28,246
Hupps	University of Edinburgh	28,306
Brown	University of Edinburgh Napier	28,774
Denby	University of Glasgow	28,439
Goodyear	University of Glasgow	28,286
Graham	University of Glasgow	28,286
Linington	University of Glasgow	28,286
Willison	University of Glasgow	28,296
Brown	University of Heriot Watt	27,790
Grant	University of Strathclyde	27,439
Mullen	University of Strathclyde	28,439

367,123

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2015

17. Grants (*continued*)

Daphne Jackson Memorial Fellowships awarded 2015

Hunter	University of Glasgow	28,406	
Buchanan	University of Glasgow	27,164	
		<u> </u>	55,570
			<u> </u>

Conditional grants awarded in previous years, now unconditional and authorised

Hawksworth	University of Aberdeen	27,844	
Muller	University of Aberdeen	28,100	
Meek	University of Dundee	28,400	
Smith	University of Dundee	27,900	
Bachmann	University of Edinburgh	27,900	
Bradley	University of Edinburgh	24,496	
Jiang	University of Edinburgh	73,313	
Langdon	University of Edinburgh	28,496	
Walkinshaw	University of Edinburgh	28,496	
McInnes	University of Glasgow	27,996	
McKay	University of Glasgow	74,895	
Smith	University of Glasgow	27,900	
Sutherland	University of Glasgow	26,396	
			452,132
			<u> </u>
			874,825
			<u> </u>

(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 2015 was £2,177,417 (2014: £1,508,750), of which £651,380 is expected to be payable within one year if certain conditions are satisfied (2014: £520,116).

18. Transfers between funds

There was a transfer during the year of £192,134 from the Unrestricted Income Fund to Restricted Income Funds; this was to eliminate the deficit on the Neurological Diseases Fund.

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2015

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	23,861,854	-	-	23,861,854
Unrestricted Income Fund	1,258,589	1,728,273	-	2,986,862
	<u>25,120,443</u>	<u>1,728,273</u>	<u>-</u>	<u>26,848,716</u>
Restricted Funds				
Restricted Capital Fund	8,779,806	-	-	8,779,806
Restricted Income Fund	406,627	1,424,539	(22,405)	1,808,761
	<u>9,186,433</u>	<u>1,424,539</u>	<u>(22,405)</u>	<u>10,588,567</u>
Total Funds	<u><u>34,306,876</u></u>	<u><u>3,152,812</u></u>	<u><u>(22,405)</u></u>	<u><u>37,437,283</u></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