



Medical Research Scotland

64th Annual Report and Financial
Statements

2017-18

*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 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 Philip Winn, BA, PhD, FRSB, FAPS, SRPharmS

Professor Andrew H Baker, BSc, PhD, FAHA, FESC, FRSE (retired 12th June 2017)

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

Professor Bernard A Conway, BSc, PhD

*Mr Brian Duffin, MA, FFA, CCMI (retired 27th November 2017)

Mr Scott Johnstone, BEng(Hons), MBA, CEng, FIET FIMechE

*Mr Graham Paterson, MBA, FCCA

Professor Jennifer M Woof BSc, PhD, FHEA, FRSB

Professor Andrea Nolan OBE, FRSE, MRCVS

*Mr Barry Rose, BSc

*Mr Alasdair G K Gill Beng, FIA -(from 9th June 2017)

Professor Heather M Wallace BSc, PhD, FRCPath, FBTS, FRSC, FRSB, FBPhS (appointed 16th March 2018)

** 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

AUDITOR

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

INVESTMENT MANAGER

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

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BUCKINGHAM PALACE

As Patron, I am delighted to see the continued impact of Medical Research Scotland, impact that happens in different ways: firstly on scientists in the early stages of their careers helping them decide on future paths; support for students in secondary education, showing them the variety of career paths that they can take through biomedical sciences; support for undergraduate students, letting them do full time research in their summer vacations; and finally support for postgraduate students working for their doctorates, the critical last step in full time education that will ready them for careers in academia, industry or wherever they choose. On top of all this, I am pleased that Medical Research Scotland continues to work with the excellent Daphne Jackson Trust, supporting scientists returning to the laboratory after a career break.

I am also aware of the influence Medical Research Scotland has by having all its postgraduate students work on projects that involve collaboration between Universities and industry, which helps drive the discovery and development of new drugs, medical devices and diagnostic tools.

I am pleased to note that the Board of Medical Research Scotland remains alert to the need to grow and improve, and to seek better ways of effective working. I am confident that Medical Research Scotland will successfully continue its work to develop the careers of talented scientists and to create research that will improve healthcare around the world.

HRH The Princess Royal

Chair's Report

Medical Research Scotland remains focused on helping scientists early in their career to develop in ways that bring benefit to themselves, their institutions and to Scotland's commercial life science sector.

We support students studying for doctoral degrees, through interactive research between Universities and industry. As well as this, because we know that for many scientists a career break is often necessary – we remain totally supportive of the work of the Daphne Jackson Trust, to help get people back into careers after a break. We help undergraduates too, giving Vacation Scholarships to let them have a go at full time research over the summer, to get a feel for what it's like being a day-in-day-out researcher. To dig even deeper into career paths, we have “Meet the Researcher” showcase events – this year, like last, at Dundee and Glasgow Science Centres – where our students talk face-to face with secondary school students. Our Medical Research Scotland students are outstanding role models, able to show school pupils what they could become in just a few years.

We are Scotland's largest independent medical research charity but our budget is not without limits. It is critically important that we use the money to the best effect and I believe that we do that. Our strategy for developing careers represents excellent value for money: the scale of our support for PhD studentships in particular makes us competitive with any other agency in this field, wherever they are based.

Financially, we remain secure, with strong forward projections. Nevertheless, receiving income is always welcome and during the year, funds were received through donations from individuals, legacies and trust giving. All donations are acknowledged individually and highlighted on our website.

As I approach a second term as Chair it's important to ask what can we do to improve. Our strategy is set and will not change, but we can look for lean efficiencies in our operations. The roll out of our new website and online application management systems will do this, and create a much better platform for analysis of our funding patterns. Constant awareness of our processes and their effectiveness is essential. We must never get into the position of being good enough, of relying on what it is we've always done. And we must get more onto the front foot in advertising ourselves to the academic and industrial communities, as well as the public at large. We do great work and should not be shy in letting people know about it.

Confident in our mission, confident in our ability to do ever better, confident in the scientists we fund and ourselves – confident, but we can still strive to do ever better.

Professor Philip Winn
Chair

Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2018. 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 the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS 102).

Objectives and Activities

The objectives of the Trust are to:

- Receive and hold endowments, donations and bequests;
- Award funding 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 objectives 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 support of part-time Daphne Jackson Trust 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.

Trustees' Report (continued)

Vacation Scholarship applications are reviewed separately and independently by external peer reviewers and 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 award holder and the student. These reports are reviewed by all the Trustees.

All continuing project award holders 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 award holder'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 awarded.

The Trust also sponsors a number of Daphne Jackson Trust Fellowships with Trustees participating in the funding decisions taken by the Daphne Jackson Trust. Progress reports are received by the Trust from recipients of these Fellowships on a six monthly basis.

Funding Awarded

During the 2017-18 Financial Year the Trustees awarded a total of 13 PhD Studentships (11 in 2016-17) and 60 Undergraduate Vacation Research Scholarships (75 in 2016-17). The topics of the PhD Studentships cover a wide range including multiple sclerosis, cancer, rheumatoid arthritis, gastrointestinal disease, heart disease and bone augmentation, many having drug development as their primary focus. Vacation Scholarships were held at the following universities:- Aberdeen, Dundee, Edinburgh, Glasgow, Glasgow Caledonian, Heriot-Watt, St Andrews, Strathclyde and West of Scotland. 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 funding awarded amounted to £1,992,760.

Achievements and Performance – A&I Committee to discuss

The Trust's **Annual Plan** for 2017/18 and performance against it are summarised as follows:

1. 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 100 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 60 Undergraduate Vacation Research Scholarships were awarded and 59 were paid out. The Trustees agreed to support three Daphne Jackson Trust Fellowship awards (three were offered and one was awarded).

2. 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 and bearing in mind the possible impact of the UK leaving the European Union on applications received.

Trustees' Report (continued)

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.

The Trustees have been working towards updating the Trust website in order raise the Trust's online profile.

3. To develop opportunities in relation to outreach events.

Two successful Meet the Researcher Showcase events were held at Glasgow Science Centre and Dundee Science Centre on 13th March and 14th March 2018 respectively.

The number of pupils and teachers attending increased by 40%, since the 2017 events with over two hundred pupils and teachers from 17 schools enthusiastically taking part in the hands-on exhibits; chatting with the participants and poster presenters about their research and career path;, and listening to career talks from those who have established themselves in academic or industry related careers.

The career talks were delivered by Professor Sue Barnett (Professor of Neuroscience, University of Glasgow), Dr Mike Capaldi (Director of Innovation for the College of Medicine and Veterinary Medicine, University of Edinburgh), Professor Nicola Stanley-Wall (Professor of Microbiology, University of Dundee) and Dr Audrey Vardy (Operations Manager and Lead Principal Scientist, Concept Life Sciences Ltd).

As well as an increase in the number of pupils attending the event, double the number of exhibitor stands volunteered their time to engage the pupils with their interactive hands-on exhibits. These covered a wide range of topics, including drug design, viruses, cancer, heart disease, genetic analysis, endoscopes, the immune system and snack portion sizing, with the exhibitors coming from the Universities of Aberdeen, Dundee, Edinburgh, Glasgow and St Andrews; Cancer Research UK Beatson Institute and the Scottish Health Research Register.

Medical Research Scotland awardees were well represented with 6 PhD Students, 6 Vacation Scholars and 1 MRS-sponsored Daphne Jackson Fellow presenting a poster about their work, as well as providing exhibits to further illustrate their research. Amongst other educational activities, the pupils were encouraged to use pipettes in simulated research techniques; build models of viruses, take part in a virtual reality simulation being used in Alzheimer's disease research and build models of drugs.

Feedback from the pupils, teachers, presenters and exhibitors was resoundingly positive; with strong indications being given that they would like to attend future similar events organised by Medical Research Scotland. A number of PhD Students have also expressed interest in taking part in the 2019 event.

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

The Audit & Investment Committee continued to review in detail the portfolio performance and agreed a new asset allocation during the year, aimed at improving the diversification of the portfolio on a global basis.

Trustees' Report (continued)

5. To have the Trust's Annual Report & Financial Statements printed and available from its website during 2017.

The Annual Report & Financial Statements was printed on 27th October 2017 and is available on the Trust's website.

6. To review the Trust's website and work to produce an online application system to streamline applications and capture data.

The Trustees' continued to work with the website and online application system developer.

7. To review work with industrial partners.

It remains fundamental to our strategy that all PhD Studentships must have a commercial trading company as a partner. There has been no active review of this during the year but it is expected that with better data collection through the online application management system and more time available to MRS staff, analytic surveys of our funding patterns will be undertaken.

8. To review the PhD Studentship and Undergraduate Vacation Scholarship Award process and criteria.

The award process for the PhD Studentship application is to be reviewed for the 2018 award call and the Vacation Scholarship award criteria underwent refinement.

9. 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.

During the period, two Trustees retired, one being the Chair of the Audit & Investment Committee. Two new Trustees were appointed, one of which is also to sit on the Audit & Investment Committee.

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

The Trustees undertook to review the timetable of services and appointments dates for all the Trust services.

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 £1,416,991 during the year which includes accumulated income, compared with £1,122,847 in 2016-17 and royalties were £146,114 compared with £133,958.

Trustees' Report (continued)

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 in stocks exposed to the production of alcohol. 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, comprises 50% FTSE All Share Index, 20% MSCI Emerging Markets Index and 30% MSCI AC World Index Net.

This has changed from the previous benchmark of 60% FTSE, 20% MSCI EM, 20% MSCI AC World on 25th July 2017 following a review at the portfolio's benchmark.

The year under review delivered more modest investment returns than the preceding period. The total return on the Trust's overall portfolio was 3.94%, ahead of the return on the benchmark of 3.75%. The core UK equity portfolio delivered a total return of 1.7%, ahead of the total return of the FTSE All Share Index of 1.2%. Exposure to overseas assets, in particular the Martin Currie Global Emerging Markets Fund, once again boosted returns, with that fund delivering a positive return of 19.1%, well ahead of the MSCI Emerging Markets index. As at 31st March 2018, the value of the Trust's investment portfolio (including capital cash) was £40,127,049, compared with £39,605,106 at 31st March 2017 and a value as at 25th October 2018 of £39,088,952, an increase of £7,125,697 and a decrease of £1,038,097 respectively.

Environmental, Social and Corporate Governance

Environmental, Social and Corporate Governance (ESG) refer to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business. The Trustees have given consideration to ESG and the Trust's investment manager is actively engaged in this.

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.

Trustees' Report (continued)

The Trust's expenditure on Charitable activities has increased again during the period and, in turn, the income surplus continues to reduce. The continued and increasing support by the Trust of PhD Scholarship Awards, Vacation Scholarship Awards and Daphne Jackson Trust Fellowships and the development of these funding streams will increase expenditure year on year.

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.

At the end of the reporting period, the total funds held by the charity amounted to £41,142,459 with £10,896,708 of that amount representing Restricted Funds and so unavailable for general purposes.

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 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.

Trustees' Report (continued)

Plans for the Future

The Trustees are carrying 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 2018/19** is as follows:

Mission <ul style="list-style-type: none">○ To make up to 15 PhD Studentship Awards for attractive and innovative , relevant projects submitted by university/industry collaborations.○ To make funds available for up to 100 Undergraduate Vacation Research Scholarships.○ To seek to appoint up to three Daphne Jackson Fellowships for those returning to biomedical research following a career break.	Financial <ul style="list-style-type: none">○ To keep under close review the Trust's investment portfolio and its income.○ To review the strategy and management of the Trust's investment portfolio.○ To have the Trust's Annual Report & Financial Statements available from its website during 2018.
Presence <ul style="list-style-type: none">○ To continue to raise awareness of the Trust within the Scottish academic and global business communities, seeking to ensure appropriately high-quality applications.○ To continue with Meet the Researcher Showcase events.○ To monitor and develop working with a wide secondary education audience.○ To be compliant with GDPR.	Delivery <ul style="list-style-type: none">○ To launch the Trust's new website and finalise the work to implement an online application system to streamline applications and capture data.○ To review work with industrial partners.○ To review the PhD Studentship and Undergraduate Vacation Research Scholarship Award process and criteria.○ To keep under review the membership of the Trust to ensure that there is the appropriate breadth of expertise needed for the continued good governance of the Trust.○ To review the quality and effectiveness of the services provided to the Trust in line with the agreed timetable.

Trustees' Report (continued)

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 award funding 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 applications for funding, investment, reserves and risk management policies and performance. There is also an Audit & Investment sub-committee which normally meets twice a year to consider accounting and investment issues in more detail. The day-to-day administration of awards 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 Chair or the Trust Secretaries, and there is an explanation of the award-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.

There are no key management personnel as Trustees make all decisions and Turcan Connell as secretaries process the transactions.

Financial Statements

The financial statements for the year to 31st March 2018 form part of this Report and are presented on pages 16 - 33.

Trustees' Report (continued)

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 judgements 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 adequate accounting records that are sufficient to show and explain the charity's transactions and 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 (Chair)

26th October 2018

Independent Auditor's Report to the Members of Medical Research Scotland For the year ended 31 March 2018

Opinion

We have audited the financial statements of Medical Research Scotland for the year ended 31 March 2018 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018 and of 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and the provisions applicable for small entities, in the circumstances set out in note 24 to the financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report to the Members of Medical Research Scotland For the year ended 31 March 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the members

As explained more fully in the members' responsibilities statement set out on page 12, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

**Independent Auditor's Report to the Members of Medical Research Scotland
For the year ended 31 March 2018**

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's members, as a body, in accordance with 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, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott Moncrieff

Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 26 October 2018

Statement of Financial Activities

For the year ended 31 March 2018

	Notes	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2018 £	Total 2017 £
Income and endowments from:							
Donations and legacies	8	12,305	-	1,232	-	13,537	456,948
Charitable activities	9	146,114	-	-	-	146,114	133,958
Investments	10	1,046,759	-	370,232	-	1,416,991	1,122,847
Other		66,417	-	-	-	66,417	51,450
Total income		<u>1,271,595</u>	<u>-</u>	<u>371,464</u>	<u>-</u>	<u>1,643,059</u>	<u>1,765,203</u>
Expenditure on:							
Raising funds	11	26,516	48,811	8,839	16,270	100,436	98,878
Charitable activities	12	881,786	-	1,342,047	-	2,223,833	1,810,368
Other expenditure		(16,917)	-	-	-	(16,917)	35,417
Total expenditure		<u>891,385</u>	<u>48,811</u>	<u>1,350,886</u>	<u>16,270</u>	<u>2,307,352</u>	<u>1,944,663</u>
Net gains/(losses) on investments		-	(13,617)	-	12,844	(773)	6,788,305
Net income/(expenditure)		380,210	(62,428)	(979,422)	(3,426)	(665,066)	6,608,845
Transfers between funds	21	(603,497)	-	603,497	-	-	-
Net movement in funds		<u>(223,287)</u>	<u>(62,428)</u>	<u>(375,925)</u>	<u>(3,426)</u>	<u>(665,066)</u>	<u>6,608,845</u>
Total funds brought forward		<u>3,877,147</u>	<u>26,654,319</u>	<u>1,445,431</u>	<u>9,830,628</u>	<u>41,807,525</u>	<u>35,198,680</u>
Total funds carried forward	22	<u>3,653,860</u>	<u>26,591,891</u>	<u>1,069,506</u>	<u>9,827,202</u>	<u>41,142,459</u>	<u>41,807,525</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.

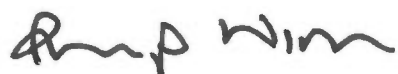
The Notes on pages 19-33 form part of these Financial Statements.

Balance Sheet

As at 31 March 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Investments at fair value	15		38,261,049		38,024,596
Cash at Investment Manager	17		1,866,000		1,580,510
			<u>40,127,049</u>		<u>39,605,106</u>
Current assets					
Debtors	16	289,527		205,898	
Cash at bank – at Secretaries	17	2,390,477		3,281,255	
		<u>2,680,004</u>		<u>3,487,153</u>	
Creditors: Amounts falling due within one year					
Creditors	18	39,447		53,960	
Grants payable	19	1,625,147		1,195,357	
		<u>1,664,594</u>		<u>1,249,317</u>	
Net current assets			<u>1,015,410</u>		<u>2,237,836</u>
Total assets less current liabilities			<u>41,142,459</u>		<u>41,842,942</u>
Provisions			-		35,417
			<u>41,142,459</u>		<u>41,807,525</u>
Funds	22				
Unrestricted					
Unrestricted Capital Fund	5		26,591,891		26,654,319
Unrestricted Income Fund			3,653,860		3,877,147
			<u>30,245,751</u>		<u>30,531,466</u>
Restricted funds					
Restricted Capital Fund	7	9,827,202		9,830,628	
Restricted Income Fund	6	1,069,506		1,445,431	
			<u>10,896,708</u>		<u>11,276,059</u>
			<u>41,142,459</u>		<u>41,807,525</u>

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



Professor Philip Winn (Chair)

26 October 2018

The Notes on pages 19-33 form part of these Financial Statements.

Statement of Cash flows **for the year ended 31 March 2018**

	Notes	2018 Total funds £	2017 Total funds £
Cash flows from operating activities:			
<i>Net cash used in operating activities</i>	23	(1,785,053)	(928,249)
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,416,991	1,122,847
Proceeds from sale of investments		4,176,798	4,209,176
Purchase of investments		(4,414,024)	(4,112,112)
<i>Net cash provided by investing activities</i>		1,179,765	1,219,911
<i>Change in cash and cash equivalents in the reporting period</i>		(605,288)	291,662
<i>Cash and cash equivalents at the beginning of the reporting period</i>		4,861,765	4,570,103
<i>Cash and cash equivalents at the end of the reporting period</i>	17	4,256,477	4,861,765

The Notes on pages 19-33 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2018

1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated. They comprise the financial statements of Medical Research Scotland.

The objective of Medical Research Scotland is 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.

Medical Research Scotland is an unincorporated charity, recognised as a charity for tax purposes by HMRC and registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC014959. Details of the principal address can be found on page 1 of these financial statements.

2. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Medical Research Scotland meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charity's financial statements unless otherwise stated.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2018

2. Accounting policies (*continued*)

Going concern

Due to the strong balance sheet and cash position, 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 the income, the receipt is probable and the amount can be measured reliably.

Where there are terms placed on income that limit the Charity's discretion over how that income can be used, that income is shown as restricted income in the financial statements.

Dividend income and interest on Government stocks are credited when they become ex-dividend and are measured at fair value, generally the transaction value. Accrued interest on fixed interest stocks received on disposal and acquisition is credited to the Statement of Financial Activities. Deposit interest receivable is recognised using the effective interest rate applicable to the asset, generally the transaction value. 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. Entitlement exists when the members have sufficient evidence that a gift has been left, the executor is satisfied that the gift will not be required to satisfy claims on the estate and any conditions are within the control of the Charity or have been met. Legacy income is measured at fair value, generally the cash amount receivable, and is discounted if deferred for more than 12 months. The unwinding of the discount is recognised as interest receivable. 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.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2018

2. Accounting policies (*continued*)

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.

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. Charitable 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% (2017: 35%) to Governance activities, and 65% (2017: 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.

Fund accounting

The nature and purpose of each fund are explained in Notes 5, 6, 7 and 22.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2018

2. Accounting policies (*continued*)

Investments

Quoted investments are included in the financial statements at fair value at the reporting date, the unrealised gain or loss on revaluation being applied to Unrestricted or Restricted Capital Funds in the period in which they arise as appropriate. Fair value is based on quoted market prices in an active market.

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

Debtors

Accrued income relates to legacies and dividend income to which the charity is entitled but which has not been received before the year end.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

Provisions

Provisions are recognised when the Charity has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2018

2. Accounting policies (*continued*)

Financial assets and financial liabilities

Financial instruments are recognised in the statement of financial activities when the Charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and subsequently accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as basic in accordance with Chapter 11 of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. Where the fair value cannot be reliably measured, they are recognised at cost less impairment. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Charity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

3. Critical Judgements and estimates

In preparing the financial statements trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Legacy income is measured at fair value, but where part of a legacy left to the Charity includes property or shares to be sold, judgement is used to estimate the amount receivable.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2018

4. Comparative Statement of Financial Activities

	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2017 £
Income and endowments from:					
Donations and legacies	307,966	-	148,982	-	456,948
Charitable activities	133,958	-	-	-	133,958
Investments	832,038	-	290,809	-	1,122,847
Other	51,450	-	-	-	51,450
Total income	1,325,412	-	439,791	-	1,765,203
Expenditure on:					
Raising funds	26,246	47,912	8,749	15,971	98,878
Charitable activities	749,501	-	1,060,867	-	1,810,368
Other expenditure	35,417	-	-	-	35,417
Total expenditure	811,164	47,912	1,069,616	15,971	1,944,663
Net gains on investments	-	4,950,167	-	1,838,138	6,788,305
Net income/(expenditure)	514,248	4,902,255	(629,825)	1,822,167	6,608,845
Transfers between funds	(389,513)	-	389,513	-	-
Net movement in funds	124,735	4,902,255	(240,312)	1,822,167	6,608,845

5. Unrestricted Designated Capital Fund

	2018 £	2017 £
Balance at 1 April	26,654,319	21,752,064
Resources expended	(48,811)	(47,912)
Net realised gains on sale of investments	107,143	506,999
Unrealised (losses)/gains on investments	(120,760)	4,443,168
Balance at 31 March	26,591,891	26,654,319

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.

Notes to the Financial Statements (continued)
For the year ended 31 March 2018

6. Restricted Income Funds

Movement during the year was as follows:

	As at 1 April 2017 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of raising funds, support & admin costs £	Transfers £	As at 31 March 2018 £
Neurological diseases	-	15,367	362	(201,481)	(3,349)	189,101	-
Cancer	-	155,520	300	(463,196)	(33,894)	341,270	-
Arthritis	393,960	73,264	-	(207,407)	(15,968)	-	243,849
Diabetes	13,660	7,196	-	(92,414)	(1,568)	73,126	-
Kidney	35,596	14,358	-	-	(3,129)	-	46,825
Cardiac & vascular diseases	187,204	93,024	266	(177,625)	(20,274)	-	82,595
Miscellaneous conditions	291,536	11,503	180	-	(2,505)	-	300,714
Multiple Sclerosis	343,270	-	-	(128,076)	-	-	215,194
ME	70,645	-	-	-	-	-	70,645
Respiratory diseases in children	54,636	-	124	-	-	-	54,760
Deafness	27,462	-	-	-	-	-	27,462
Blindness	27,462	-	-	-	-	-	27,462
	<u>1,445,431</u>	<u>370,232</u>	<u>1,232</u>	<u>(1,270,199)</u>	<u>(80,687)</u>	<u>603,497</u>	<u>1,069,506</u>

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

7. Restricted Capital Funds

Movement during the year was as follows:

	As at 1 April 2017 £	Cost of raising funds £	Realised gain on investments £	Unrealised loss on investments £	As at 31 March 2018 £
Neurological diseases	408,018	(675)	1,652	(1,119)	407,876
Cancer	4,129,454	(6,834)	16,724	(11,329)	4,128,015
Arthritis	1,945,384	(3,220)	7,879	(5,337)	1,944,706
Diabetes	191,095	(316)	774	(524)	191,029
Kidney	381,271	(632)	1,544	(1,046)	381,137
Cardiac & vascular diseases	2,470,017	(4,088)	10,003	(6,776)	2,469,156
Miscellaneous conditions	305,389	(505)	1,237	(838)	305,283
	<u>9,830,628</u>	<u>(16,270)</u>	<u>39,813</u>	<u>(26,969)</u>	<u>9,827,202</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 (*continued*)

For the year ended 31 March 2018

8. Donations and Legacies

	Unrestricted Income Fund	Restricted Income Funds	Total 2018	Total 2017
	£	£	£	£
Legacies	12,035	604	12,639	453,713
Donations	270	628	898	3,235
	<u>12,305</u>	<u>1,232</u>	<u>13,537</u>	<u>456,948</u>

9. Charitable Activities

	Unrestricted Income Fund	Restricted Income Funds	Total 2018	Total 2017
	£	£	£	£
Royalties	146,114	-	146,114	133,958
	<u>146,114</u>	<u>-</u>	<u>146,114</u>	<u>133,958</u>

10. Investment income

	Unrestricted Income Fund	Restricted Income Funds	Total 2018	Total 2017
	£	£	£	£
UK listed investments	1,043,981	369,673	1,413,654	1,119,973
Other	2,778	559	3,337	2,874
	<u>1,046,759</u>	<u>370,232</u>	<u>1,416,991</u>	<u>1,122,847</u>

11. Raising funds

	Unrestricted Income Fund	Unrestricted Capital Fund	Restricted Income Funds	Restricted Capital Funds	Total 2018	Total 2017
	£	£	£	£	£	£
Investment management costs	26,283	48,811	8,761	16,270	100,125	98,282
Other	233	-	78	-	311	596
	<u>26,516</u>	<u>48,811</u>	<u>8,839</u>	<u>16,270</u>	<u>100,436</u>	<u>98,878</u>

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2018

12. Analysis of charitable activities

	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2018 £	Total 2017 £
Grant making activity:						
Grants payable (note 19)	666,238	-	1,270,198	-	1,936,436	1,556,569
Support costs (note 13)	155,395	-	51,798	-	207,193	200,839
Governance costs (note 13)	60,153	-	20,051	-	80,204	52,960
	<u>881,786</u>	<u>-</u>	<u>1,342,047</u>	<u>-</u>	<u>2,223,833</u>	<u>1,810,368</u>

13. Analysis of support and governance costs

Support costs and governance are allocated to activities as detailed below:

	Charitable activities £	Governance costs £	Total 2018 £	Total 2017 £
Secretaries' fee	122,086	65,738	187,824	109,176
Miscellaneous	33,032	-	33,032	55,693
Salary costs	40,427	-	40,427	48,798
Commercial training	320	-	4,892	14,788
Showcase	11,328	-	6,756	10,248
Auditors' remuneration – audit	-	9,403	9,403	9,567
Auditors' remuneration – financial statements preparation	-	5,063	5,063	5,181
Other	-	-	-	348
	<u>207,193</u>	<u>80,204</u>	<u>287,397</u>	<u>253,799</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.

Notes to the Financial Statements (continued)
For the year ended 31 March 2018

14. Staff costs

	2018	2017
	£	£
Gross wages	39,000	46,500
Employer's National Insurance	1,256	2,298
Employer's Pension Contribution	171	-
	<u>40,427</u>	<u>48,798</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

The Members did not receive any direct remuneration for their services during the year (2016: £nil).

Meeting expenses amounting to £678 (2016: £1,062) were reimbursed to 3 (2017: 5) of the Members.

There are no key management personnel as Trustees make all decisions and Turcan Connell as secretaries process the transactions.

15. Investments

	Investment property	UK Stock Exchange listed	Total
	£	£	£
Market value at 1 April 2017	27,500	37,997,096	38,024,596
Additions	-	4,414,024	4,414,024
Disposals	-	(4,029,842)	(4,029,842)
Net unrealised investment losses in the year	-	(147,729)	(147,729)
	<u>27,500</u>	<u>38,233,549</u>	<u>38,261,049</u>
Market value at 31 March 2018	27,500	38,233,549	38,261,049
Historical cost	<u>27,500</u>	<u>30,700,243</u>	<u>30,727,743</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.

Notes to the Financial Statements (continued)**For the year ended 31 March 2018**

16. Debtors

	2018 £	2017 £
Accrued income	289,527	205,898

17.Cash at bank

	2018	2017
	£	£
Cash at bank at:		
Secretaries	2,390,477	3,281,255
Investment manager	1,866,000	1,580,510
	<u>4,256,477</u>	<u>4,861,765</u>

18.Creditors: amounts falling due within one year

	2018	2017
	£	£
Accrued fees	38,327	52,645
Tax and social security payments	1,120	1,315
	<u>39,447</u>	<u>53,960</u>

19.Grants

	2018	2017
(a) Reconciliation of grants payable	£	£
At 1 April	1,195,357	854,353
Grants awarded and authorised in the year	1,992,760	1,562,790
Grant awards cancelled and recovered	(56,324)	(6,221)
	<hr/>	<hr/>
Grants payable for the year	1,936,436	1,556,569
Grants paid during the year	(1,506,646)	(1,215,565)
	<hr/>	<hr/>
At 31 March	1,625,147	1,195,357

	Unrestricted Income Fund	Restricted Income Funds	Total 2018	Total 2017
	£	£	£	£
(b) Grants falling due within one year:				
Grants payable	550,365	1,074,782	1,625,147	1,195,357

Notes to the Financial Statements (continued)
For the year ended 31 March 2018

19.Grants (continued)

(c) Grants awarded

Grants awarded and authorised during the year were as follows:

Phd Studentship awarded 2018

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Aberdeen	1	25,504	
University of Edinburgh	4	112,857	
University of Dundee	1	29,571	
University of Glasgow	3	88,518	
Edinburgh Napier University	1	29,961	
University of Strathclyde	3	83,233	
			369,644

Daphne Jackson Memorial Fellowship awarded 2018

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
Cancer Research UK Beatson Institute	1	38,514	
University of Edinburgh	1	47,138	
University of Glasgow	2	(17,926)	
University of St Andrews	1	36,466	
University of Strathclyde	1	5,993	
University of Dundee	1	36,213	
			146,398

Vacational Grants awarded 2018

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
Glasgow Caledonian University	2	3,750	
Heriot-Watt University	2	3,000	
Robert Gordon University	-	-	
NHS Greater Glasgow & Clyde	-	-	
University of Aberdeen	17	33,000	
University of Dundee	9	18,000	
University of Edinburgh	9	16,750	
University of Glasgow	14	26,750	
University of St Andrews	1	2,000	
University of Strathclyde	3	6,000	
University of West of Scotland	3	5,500	
			114,750

Notes to the Financial Statements (*continued*)
For the year ended 31 March 2018

19. Grants (*continued*)

Conditional grants awarded in previous years, now unconditional and authorised

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
Heriot-Watt University	4	150,425	
University of Aberdeen	1	24,800	
University of Dundee	5	95,605	
University of Edinburgh	13	340,810	
University of Glasgow	18	398,336	
University of St Andrews	4	123,458	
University of Strathclyde	6	189,718	
Edinburgh Napier University	1	38,816	
			1,361,968
			1,992,760

(d) 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 2018 was £4,247,181 (2017: £4,168,537) of which £331,773 is expected to be payable within one year if certain conditions are satisfied (2017: £550,851).

20. Financial assets and liabilities

	2018	2017
	£	£
Cash at bank at investment manager	1,866,000	1,580,510
Cash at bank at secretaries	2,390,477	3,281,255
Financial assets at fair value	38,261,049	38,024,596
Financial assets at amortised cost	289,527	205,898
Financial liabilities at amortised cost	(1,663,474)	(1,248,002)
	41,143,579	41,844,257

Financial assets at fair value comprise investments.

Financial assets at amortised cost comprises accrued income due within one year.

Financial liabilities at amortised cost comprises accrued expenses and grants payable.

Notes to the Financial Statements (*continued*)
For the year ended 31 March 2018

21. Transfers between funds

There was a transfer during the year of £603,497 from the Unrestricted Income Fund to Restricted Income Funds; this was to eliminate the deficit on the Neurological Diseases, Diabetes and Cancer funds.

22. Analysis of net assets between funds

	Investments £	Cash at investment manager £	Net Current Assets £	Total £
Unrestricted Funds				
Unrestricted Capital Fund	26,591,891	-	-	26,591,891
Unrestricted Income Fund	1,535,134	1,377,051	741,675	3,653,860
	<u>28,127,025</u>	<u>1,377,051</u>	<u>741,675</u>	<u>30,245,751</u>
Restricted Funds				
Restricted Capital Fund	9,827,202	-	-	9,827,202
Restricted Income Fund	306,822	488,949	273,735	1,069,506
	<u>10,134,024</u>	<u>488,949</u>	<u>273,735</u>	<u>10,896,708</u>
Total Funds	<u><u>38,261,049</u></u>	<u><u>1,866,000</u></u>	<u><u>1,015,410</u></u>	<u><u>41,142,459</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.

Notes to the Financial Statements (*continued*)
For the year ended 31 March 2018

23. Reconciliation of net (expenditure)/income to net cash outflow from operating activities

	2018	2017
	£	£
Net (expenditure)/ income for the reporting period	(665,066)	6,608,845
(as per the statement of financial activities)		
Adjustments for:		
Losses/ (gains) on investments	773	(6,788,305)
Dividends, interest and rents from investments	(1,416,991)	(1,122,847)
(Increase) in debtors	(83,629)	(20,852)
Increase in creditors	415,277	359,493
(Decrease)/ increase in provisions	(35,417)	35,417
	<hr/>	<hr/>
<i>Net cash used in operating activities</i>	(1,785,053)	(928,249)
	<hr/>	<hr/>

24. 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.