



Medical Research Scotland

66th Annual Report and Financial
Statements

2019-20

*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*

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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 medical 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 FRSA FRSA FAPS

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

Professor Bernard A Conway, BSc, PhD

*Graham Paterson, MBA, FCCA (*resigned 3rd September 2019*)

Professor Jennifer M Woof BSc, PhD, FHEA, FRSB

Professor Andrea Nolan OBE, FRSE, MRCVS

*Barry Rose, BSc

*Alasdair G K Gill BEng, FIA

Professor Heather M Wallace BSc, PhD, FRCPath, FBTS, FRSC, FRSB, FBPhS, ERT

Dr Michael L Roberts, BSc (Hons), PhD

*Linda M Duncan, BA, FCPFA (*appointed 25th October 2019*)

** 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

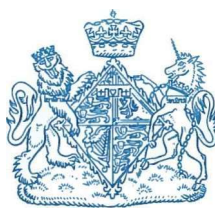
AUDITOR

Azets Audit Services, Exchange Place 3, Semple Street, Edinburgh EH3 8BL

INVESTMENT MANAGER

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

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BUCKINGHAM PALACE

This annual report shows clearly the depth and breadth of the work done to support and encourage medical research and education in Scotland.

The strategy of Medical Research Scotland is to support people starting their careers in scientific research. This year it has made awards to new doctoral students and to scientists returning after a career break — in collaboration with the Daphne Jackson Trust — and it has continued its connection with secondary school students in the very successful "Meet The Researcher" showcase events in Glasgow and Dundee. In addition to all of that, with the end of this year bringing with it a global pandemic, I am pleased to see that Medical Research Scotland was also able to adapt so quickly to create a programme to fund research into Covid-19.

It is also important to me that Medical Research Scotland has continued to develop the collaboration between Universities and other agencies, broadening the definition of its external partners to allow not just commercial trading companies, but other agencies to participate. This will enrich and improve the experience of its postgraduate students.

Although we are undoubtedly facing a challenging year to come, the future plans for the Charity give me confidence that Medical Research Scotland will continue to think on its feet and strive to improve its work, to develop the careers of the best and brightest scientists and to create research that will improve global healthcare.

A handwritten signature in blue ink, appearing to read 'Anne', with a long, sweeping underline.

HRH The Princess Royal

Chair's Report

Despite the exceptional and unprecedented end to the year, through it all Medical Research Scotland has continued to support our normal business. The call for PhD Studentships to start in September 2020 was very successful. We had a higher number of applications than ever before, helped by the first use of an online application management system for PhD applications that was developed for us by Blue2 in Dundee. It was also helped by a successful publicity campaign run by Stripe Communications, reaching further and wider than we have done previously. It was the first time that we had a broader strategy for defining external partners, allowing not just commercial trading companies but other agencies to support our students.

As in previous years we also ran two Meet the Researcher Showcase events in the period, one at Dundee Science Centre and the other at Strathclyde University's Technology and Innovation Centre. Again, Stripe Communications played a key role in the organisation of these events and were successful in increasing the number of schools that came along, as well as the total number of pupils attending. Whether we will be able to build on this in the coming year remains to be seen, depending of course on what the social distancing recommendations will be for the Spring of 2021.

Towards the end of this year, the essential question for any agency that funds medical research was how did you deal with the Covid-19 pandemic? The virus SARS-CoV-2 created, and continues to create, all sorts of problems to do with research activity, with safety and for many charities, fundraising. The Association of Medical Research Charities has been helpfully active, gathering information, informing government and developing strategies to combat the virus and to make sure that charities dedicated to specific diseases, often rare and neglected ones, continue to perform their vital work.

What about us? Medical Research Scotland is the operational name of the Scottish Hospital Endowments Research Trust. It gratefully receives generous legacies and donations but its principal income is from an endowment. Our general strategy is to support scientists early in their career, whether undergraduates experiencing full time research during their summer vacation, PhD students or people returning to work after a career break, co-sponsored by Medical Research Scotland and the Daphne Jackson Trust. But when faced with an unprecedented crisis that hit hard globally, what did we do? As a charity founded on the Scottish Hospitals Endowment Research Trust we had to act.

As the crisis developed it became clear that it would not be possible to have undergraduate students undertake vacation scholarships in the 2020/2021 year. Regrettably the decision was taken to cancel that scheme but the resources saved – with a significant extra amount added – were instead diverted to create a specific Covid-19 Research Grant programme. This stepped away from our normal strategy of support for early career researchers and our usual approach of co-sponsorship with external partners. This was simpler: the opportunity to apply for up to £20,000 to support research into Covid-19. I will be able to provide a more detailed summary of the awards in next year's Report.

We have a sound organization and a strong financial base, though of course with the world entering a recession there is some uncertainty. That strong financial base and

sound organization is what enables us to operate strategically in support of our core business but also to be able to make nimble response to emergencies.

I wrote last year that we are confident in our mission, confident in our ability to do ever better, confident in the scientists we fund and ourselves – confident, but we always strive to do ever better. I believe that this year we met that challenge to do ever better.

Professor Philip Winn

Chair

30 October 2020

Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2020. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 2 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).

Although this report is for the year ended 31st March 2020, it is important to make some reference to the global Covid-19 pandemic and the impact it may have on the Trust in the next financial year and beyond. Virus control measures have had an impact on the ability of the Trust's award recipients to carry out the research funded by the Trust and this may delay the completion of projects. The Trust is liaising with individuals in order to support them in this. Due to the virus control measures, the Trustees took the decision not to award Undergraduate Vacation Scholarships for the year to 31st March 2021 and redirected the financial resources to funding Covid-19 Research Grant Awards.

The financial impact of the pandemic will be seen for years to come but the Trust has no immediate concerns in relation to financial sustainability and the Audit & Investment Committee of the Trust continues to analyse the financial projections on a regular basis in consideration of the Trust as a going concern.

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 medicine, independently or in collaboration with colleagues in their own or other universities, major hospitals and research units in Scotland, or with external organisations operating in healthcare-related fields. Through its short Undergraduate Vacation Scholarships, PhD Studentships and its support of part-time Daphne Jackson Trust Fellowships, the Trust offers provision for medical 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 (on which selected Trustees sit alongside expert external reviewers), who are first provided (by the Scientific Adviser) with sufficient information about each to enable them to declare any possible

Trustees' Report (continued)

conflict of interest in any application. The Panel members then review the applications independently and subsequently the applications are considered by all the non-conflicted 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 the external organisation and also the Trust, if appropriate. Following appointment of suitable students, recipients of PhD awards must submit annual reports providing information about progress on both the academic and external organisation 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 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 2019-20 Financial Year the Trustees awarded a total of 16 PhD Studentships (9 in 2018-19) and 59 Undergraduate Vacation Research Scholarships (71 in 2018-19). The topics of the PhD Studentships cover a wide range including neurodevelopmental and neurological disorders, liver disease, cancer diagnostics and therapeutics, lipoedema and mental health disorders. Vacation Scholarships were held at the following universities:- Aberdeen, Dundee, Edinburgh, Glasgow, Glasgow Caledonian, Heriot-Watt, St Andrews and Robert Gordon University. 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 £1,940,600.

Trustees' Report (continued)

Achievements and Performance

The Trust's **Annual Plan** for 2019-2020 and performance against it are summarised as follows:

1. To make at least 15 PhD Studentship Awards for innovative projects submitted by universities working in collaboration with external organizations, delivering outstanding student experience; to make funds available for up to 100 Undergraduate Vacation Research Scholarships; and to seek to appoint up to three Daphne Jackson Fellowships for those returning to biomedical research following a career break.

16 PhD Studentships and 59 Undergraduate Vacation Research Scholarships were awarded. The Trustees agreed to support two Daphne Jackson Trust Fellowship awards.

2. To continue to raise awareness of the Trust within the Scottish academic and global business communities, seeking to ensure appropriately high-quality applications and, with that in mind, to improve quality and breadth of marketing materials.

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

The Trustees continued their engagement with a public relations and marketing agency in order to develop marketing materials and develop the Trust's strategy further.

3. To develop and build on Meet the Researcher Showcase events, creating new ways of working with a wider secondary education audience.

The Meet the Researcher Showcase programme of events continued in 2020 with well attended and successful events being held at the Technology and Innovation Centre at the University of Strathclyde and Dundee Science Centre on 27th February and 28th February 2020, respectively with an increased number of schools and attendees participating.

4. To monitor the impact of changing from only company partnerships for PhD Studentship Awards to both commercial and non-commercial organizations.

The awards made this year included both commercial and non-commercial external partners. Broadening the range of partnerships appears to have been effective, encouraging applications that otherwise would not have been possible. It will take time to determine whether or not there are specific impacts arising from this diversity and monitoring will continue.

5. To improve monitoring of Awards and outcomes in order to understand their impact and inform strategic decision making

This remains an aim of the Trustees. The delays in delivering full functionality of the online application management system (AMS) have slowed this. The AMS has allowed applicants to submit applications online but the full back office information processing has not yet been completed. Once the AMS is fully functional, better analytics should be available.

Trustees' Report (continued)

6. 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; and to keep under close review any constraints on investment choice the Trustees agree

During the period, due to a strategic review by the Trust's investment manager which resulted in a change to the services being offered by that investment manager, the Trustees were required to arrange appointment of a new investment manager. The Audit & Investment Committee heard proposals from a number of candidates with a view to appointing a new investment manager early in the new financial year. As part of the appointment of a new investment manager, the Audit & Investment Committee reviewed the Trust's investment strategy and restrictions. Baillie Gifford were appointed as the Trust's new investment manager and took control of the portfolio on 13th May 2020.

7. To have the Trust's Annual Report & Financial Statements available through its website during 2019.

The Annual Report & Financial Statements was printed and signed on 25th October 2019 and is available on the Trust's website.

8. To continue implementation of the online application systems for all Awards.

The Trustees continued to work with the online application system developer in connection with the PhD award applications.

9. To keep under review all PhD Studentship Award process and criteria.

A review of the award process for the PhD Studentship awards was completed prior to the launch of the online application management system for those awards. Further analysis of the management of awards once made has been conducted. The hope is that the relationships between University finance offices, studentship holders and the Trust will be clearer, avoiding inadvertent problems with studentship management

10. To keep under review the membership of the Trust to ensure appropriate breadth of expertise and continued good governance of the Trust.

During the period, one Trustee retired and one new Trustee was appointed. The Trustees regular consider upcoming retirement of Trustees in order to plan ahead for that.

11. To review the quality and effectiveness of the services provided to the Trust in line with the agreed timetable.

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

Trustees' Report (continued)

12. To work with Stripe Communications to drive applications, increase awareness of the Trust and improve marketing materials.

The relationship with Stripe Communications has been very effective. The management of the Meet the Researcher Showcase events was excellent: attendance by pupils increased and more schools were represented. The events themselves were also very well managed. Communications about the PhD Studentship competition was excellent, with very favourable feedback from Universities about the proactive approach taken to informing interested parties about the scheme.

13. To be compliant with GDPR and all relevant laws and regulations.

In accordance with applicable data protection laws, the Trustees and Trust Secretaries carried out the annual review of their data protection policy to ensure compliance with GDPR.

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 £1,403,038 during the year, compared with £1,411,944 in 2018-19 and royalties were £181,982 compared with £226,403. The Trust is grateful for legacy and donation awards during the year of £114,067 (2019: £1,401,782).

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 maintaining 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 negative investment returns after big falls in markets at the end of the period. The total return on the overall portfolio was -12.4%, better than the return on the benchmark of -13.9%. The core UK equity portfolio delivered a total return of -22.0%, behind the total return of the FTSE All Share Index of -18.5%. Exposure to overseas assets provided relatively better results, with the Martin Currie Global Equity Income Fund producing a negative return of -5.5%, whilst the Martin Currie Global Emerging Markets Fund delivered a negative return of 7.1%. At 31st March 2020 the total funds held for investment by the charity amounted to £35,539,759 compared to £41,527,705 at 31st March 2019.

Trustees' Report (continued)

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.

The Trust's expenditure on Charitable activities has remained at broadly the same level for this year. 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 and other, new funding streams will increase expenditure year on year and reduce the income surplus.

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 £35,604,549 (2019: £42,733,153) with £10,247,498 (2019: £12,120,531) 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.

Trustees' Report (continued)

- 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.

Plans for the Future

The Trustees continue to carry out a comprehensive strategic review of the Trust's activities in light of the current and likely future direction of the medical research and health care environments in Scotland.

The Trust's **Annual Plan 2020/21** is as follows:

<p>Mission</p> <ul style="list-style-type: none"> ○ To be a nimble and innovative funder of medical research in Scotland with a primary focus on early career development. ○ To make at least 18 PhD Studentship Awards for innovative projects submitted by universities working in collaboration with external organizations, delivering outstanding student experience. ○ To make funds available for up to 100 Undergraduate Vacation Research Scholarships. This is not the number of awards made for the Summer of 2020 due to Covid-19 restrictions but these awards are still a core part of the Trust's funding stream. ○ To appoint up to three Daphne Jackson Fellowships for those returning to biomedical research after a career break. ○ To make funds available for research related to the Covid-19 pandemic through the short-life Covid-19 Research Grant programme. 	<p>Financial</p> <ul style="list-style-type: none"> ○ To keep under close review the Trust's investment portfolio and its income requirements. ○ To review the strategy and management of the Trust's investment portfolio. ○ To implement the transfer of the Trust's investments to a new investment manager. ○ To have the Trust's Annual Report & Financial Statements available through its website during 2020. ○ To keep under close review any constraints on investment choice the Trustees agree. ○ To actively seek legacy receipts.
<p>Presence</p> <ul style="list-style-type: none"> ○ To monitor the practical and academic impact of the short-life Covid-19 Research Grant programme. ○ To raise significantly awareness of the Trust in the Scottish academic and global business communities, seeking to ensure appropriately high-quality applications. ○ To improve quality and breadth of marketing materials. ○ To develop and build on Meet the Researcher Showcase events, creating new ways of working with a wider secondary education audience. ○ To monitor the impact of changing from only company partnerships for PhD Studentship Awards to both commercial and non-commercial organizations. ○ To improve awards and outcomes monitoring in order to show their impact and inform strategic decision making 	<p>Delivery</p> <ul style="list-style-type: none"> ○ To work with Stripe Communications to drive applications, increase awareness of the Trust, improve marketing materials and consider further online formats. ○ To continue implementation of the online application systems for all Awards. ○ To keep under review all Award processes and criteria. ○ To keep under review membership of the Trust to ensure appropriate breadth of expertise and continued good governance. ○ To review the quality and effectiveness of the services provided to the Trust in line with the agreed timetable. ○ To be compliant with GDPR and all relevant laws and regulations.

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 Chairman 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 2020 form part of this Report and are presented on pages 17-19.

Auditor

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit

Trustees' Report (continued)

Services Limited, trading as Azets Audit Services, a company owned by Azets. Azets Audit Services have expressed their willingness to continue in office as auditor and will be proposed for re-appointment at the Annual General Meeting.

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).

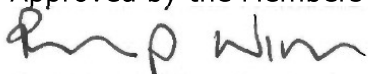
The law applicable to charities in Scotland requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the income and expenditure of the Charity for that period. In preparing these financial statements, the 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)

Date: 30 October 2020

Independent Auditor's Report to the Members of Medical Research Scotland For the year ended 31 March 2020

Opinion

We have audited the financial statements of Medical Research Scotland for the year ended 31 March 2020 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 2020 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 20 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 2020 (continued)

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 13 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 2020 (continued)**

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.

Azets Audit Services .

Azets Audit Services, Statutory Auditor

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

Date: 30 October 2020

Medical Research Scotland
Statement of Financial Activities
For the year ended 31 March 2020

	Notes	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2020 £	Total 2019 £
Income and endowments from:							
Donations and legacies	8	133,858	-	(19,791)	-	114,067	1,401,782
Charitable activities – royalty income		181,982	-	-	-	181,982	226,403
Investments		1,030,033	-	373,005	-	1,403,038	1,411,944
Other		81,949	-	-	-	81,949	75,589
Total income		<u>1,427,822</u>	<u>-</u>	<u>353,214</u>	<u>-</u>	<u>1,781,036</u>	<u>3,115,718</u>
Expenditure on:							
Raising funds – investment management		24,922	46,284	8,307	15,428	94,941	98,290
Charitable activities	9	<u>1,122,524</u>	<u>-</u>	<u>1,117,325</u>	<u>-</u>	<u>2,239,849</u>	<u>2,370,132</u>
Total expenditure		<u>1,147,446</u>	<u>46,284</u>	<u>1,125,632</u>	<u>15,428</u>	<u>2,334,790</u>	<u>2,468,422</u>
Net (losses)/gains on investments		<u>-</u>	<u>(4,797,869)</u>	<u>-</u>	<u>(1,776,981)</u>	<u>(6,574,850)</u>	<u>943,398</u>
Net income/(expenditure)		280,376	(4,844,153)	(772,418)	(1,792,409)	(7,128,604)	1,590,694
Transfers between funds	18	<u>(691,794)</u>	<u>-</u>	<u>691,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net movement in funds		(411,418)	(4,844,153)	(80,624)	(1,792,409)	(7,128,604)	1,590,694
Total funds brought forward		<u>3,382,762</u>	<u>27,229,860</u>	<u>2,051,789</u>	<u>10,068,742</u>	<u>42,733,153</u>	<u>41,142,459</u>
Total funds carried forward	17	<u>2,971,344</u>	<u>22,385,707</u>	<u>1,971,165</u>	<u>8,276,333</u>	<u>35,604,549</u>	<u>42,733,153</u>

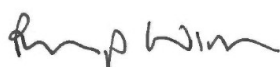
The Charity has no recognised gains or losses other than those included in the Statement of Financial Activities. All activities relate to continuing operations.

The Notes on pages 20-35 form part of these Financial Statements.

Medical Research Scotland
Balance Sheet
As at 31 March 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Investments at fair value	12		33,300,669		39,779,376
Cash at Investment Manager	14		2,239,090		1,748,329
			<u>35,539,759</u>		<u>41,527,705</u>
Current assets					
Debtors	13	95,800		1,432,690	
Cash at bank – at Secretaries	14	2,525,672		1,777,152	
		<u>2,621,472</u>		<u>3,209,842</u>	
Creditors: Amounts falling due within one year					
Creditors	15	35,508		38,343	
Grants payable	16	2,521,174		1,966,051	
		<u>2,556,682</u>		<u>2,004,394</u>	
Net current assets			64,790		1,205,448
Total assets less current liabilities			<u>35,604,549</u>		<u>42,733,153</u>
Net assets	17		<u>35,604,549</u>		<u>42,733,153</u>
Funds	17				
Unrestricted					
Unrestricted Capital Fund	5		22,385,707		27,229,860
Unrestricted Income Fund			2,971,344		3,382,762
			<u>25,357,051</u>		<u>30,612,622</u>
Restricted funds					
Restricted Capital Fund	7	8,276,333		10,068,742	
Restricted Income Fund	6	1,971,165		2,051,789	
		<u>10,247,498</u>		<u>12,120,531</u>	
			<u>35,604,549</u>		<u>42,733,153</u>

Approved and authorised for issue by the Members and signed on their behalf by:



Professor Philip Winn (Chairman)

Date: 30 October 2020

The Notes on pages 20-35 form part of these Financial Statements.

Medical Research Scotland
Statement of Cash Flows
for the year ended 31 March 2020

	Notes	2020 Total funds £	2019 Total funds £
Cash flows from operating activities:			
<i>Net cash used in operating activities</i>	19	(67,614)	(1,568,061)
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,403,038	1,411,994
Proceeds from sale of investments		1,195,302	2,772,373
Purchase of investments		(1,291,445)	(3,347,302)
<i>Net cash provided by investing activities</i>		1,306,895	837,065
<i>Change in cash and cash equivalents in the reporting period</i>		1,239,281	(730,966)
<i>Cash and cash equivalents at the beginning of the reporting period</i>		3,525,481	4,256,477
<i>Cash and cash equivalents at the end of the reporting period</i>	14	4,764,762	3,525,481

The Notes on pages 20-35 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2020

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 2020

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. In making this assessment, the Members have taken into account all available information about the future for at least 12 months from the date of the approval of these accounts, including the expected impact of the Covid-19 pandemic. As a consequence, the Members have prepared the financial statements under the going concern basis.

Income recognition

Incoming is recognised when the Charity 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.

Where the Charity has elected to take accumulation units or shares instead of cash dividends, the cash equivalent is included as income.

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.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2020

2. Accounting policies (*continued*)

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, once the receipt is probable and the amount can be measured reliably.

Recognition and allocation of expenditure

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% (2019: 35%) to Governance activities, and 65% (2019: 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, and 7.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2020

3. Accounting policies (*continued*)

Investments

Listed 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

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 2020

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, other than listed investments which are recognised initially at cost and subsequently at fair value, which is normally mid-market value. Where the fair value cannot be reliably measured, they are recognised at cost less impairment. Gains and losses on listed investments are recorded through net income.

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 2020

4. Comparative Statement of Financial Activities

2019

	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2019 £
Income and endowments from:					
Donations and legacies	96,000	-	1,305,782	-	1,401,782
Charitable activities	226,403	-	-	-	226,403
Investments	1,041,188	-	370,756	-	1,411,944
Other	75,589	-	-	-	75,589
Total income	1,439,180	-	1,676,538	-	3,115,718
Expenditure on:					
Raising funds	25,801	47,917	8,600	15,972	98,290
Charitable activities	954,034	-	1,416,098	-	2,370,132
Other expenditure	-	-	-	-	-
Total expenditure	979,835	47,917	1,424,698	15,972	2,468,422
Net gains/(losses) on investments	-	685,886	-	257,512	943,398
Net income/(expenditure)	459,345	637,969	251,840	241,540	1,590,694
Transfers between funds	(730,443)	-	730,443	-	-
Net movement in funds	(271,098)	637,969	982,283	241,540	1,590,694

5. Unrestricted Designated Capital Fund

	2020 £	2019 £
Balance at 1 April	27,229,860	26,591,891
Cost of raising funds	(46,284)	(47,917)
Net realised gains on sale of investments	29,876	239,144
Unrealised (losses)/gains on investments	(4,827,745)	446,742
Balance at 31 March	22,385,707	27,229,860

The Unrestricted Designated Capital Fund is derived from legacies, bequests and donations which were allocated by the Members as capital funds invested to generate income, for the purposes of general medical research.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

6. Restricted Income Funds

Movement during the year was as follows:

2020

	As at 1 April 2019 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of raising funds, support & admin costs £	Note 17 Transfers £	As at 31 March 2020 £
Neurological diseases	-	15,481	-	(333,484)	(4,076)	322,079	-
Cancer	-	156,684	300	(386,432)	(41,264)	270,712	-
Arthritis	144,579	73,814	-	(128,101)	(19,439)	-	70,853
Diabetes	-	7,251	-	(19,320)	(1,910)	13,979	-
Kidney	58,023	14,467	-	-	(3,810)	-	68,680
Cardiac & vascular diseases	-	93,720	-	(154,062)	(24,682)	85,024	-
Miscellaneous conditions	314,711	11,588	-	-	(3,052)	-	323,247
Multiple Sclerosis	64,147	-	-	(6,000)	-	-	58,147
ME	70,645	-	-	-	-	-	70,645
Respiratory diseases in children	54,760	-	-	-	-	-	54,760
Deafness	27,462	-	-	-	-	-	27,462
Blindness	27,462	-	-	-	-	-	27,462
MacDougall	1,290,000	-	(20,091)	-	-	-	1,269,909
	<u>2,051,789</u>	<u>373,005</u>	<u>(19,791)</u>	<u>(1,027,399)</u>	<u>(98,233)</u>	<u>691,794</u>	<u>1,971,205</u>

The MacDougall fund refers to a legacy award which may be used for the general purposes of the Trust but should not be used for research into or in connection with AIDS.

2019

	As at 1 April 2018 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of raising funds, support & admin costs £	Note 17 Transfers £	As at 31 March 2019 £
Neurological diseases	-	15,388	202	(214,593)	(3,406)	202,409	-
Cancer	-	155,740	5,300	(548,969)	(34,465)	422,394	-
Arthritis	243,849	73,369	5,249	(161,652)	(16,236)	-	144,579
Diabetes	-	7,207	-	(69,373)	(1,595)	63,761	-
Kidney	46,826	14,379	-	-	(3,182)	-	58,023
Cardiac & vascular diseases	82,595	93,155	-	(197,014)	(20,615)	41,879	-
Miscellaneous conditions	300,711	11,518	5,031	-	(2,549)	-	314,711
Multiple Sclerosis	215,196	-	-	(151,049)	-	-	64,147
ME	70,645	-	-	-	-	-	70,645
Respiratory diseases in children	54,760	-	-	-	-	-	54,760
Deafness	27,462	-	-	-	-	-	27,462
Blindness	27,462	-	-	-	-	-	27,462
MacDougall	-	-	1,290,000	-	-	-	1,290,000
	<u>1,069,506</u>	<u>370,756</u>	<u>1,305,782</u>	<u>(1,342,650)</u>	<u>(82,048)</u>	<u>730,443</u>	<u>2,051,789</u>

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

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2020

7. Restricted Capital Funds

Movement during the year was as follows:

2020

	As at 1 April 2019	Cost of raising funds	Realised gain on investments	Unrealised loss on investments	As at 31 March 2020
	£	£	£	£	£
Neurological diseases	417,901	(641)	461	(74,214)	343,507
Cancer	4,229,475	(6,481)	4,666	(751,105)	3,476,555
Arthritis	1,992,503	(3,053)	2,198	(353,845)	1,637,803
Diabetes	195,724	(300)	216	(34,758)	160,882
Kidney	390,506	(598)	431	(69,349)	320,990
Cardiac & vascular diseases	2,529,846	(3,876)	2,791	(449,271)	2,079,490
Miscellaneous conditions	312,787	(479)	345	(55,547)	257,106
	<u>10,068,742</u>	<u>(15,428)</u>	<u>11,108</u>	<u>(1,788,089)</u>	<u>8,276,333</u>

2019

	As at 1 April 2018	Cost of raising funds	Realised gain on investments	Unrealised loss on investments	As at 31 March 2019
	£	£	£	£	£
Neurological diseases	407,876	(665)	3,706	6,984	417,901
Cancer	4,128,015	(6,709)	37,503	70,666	4,229,475
Arthritis	1,944,706	(3,161)	17,667	33,291	1,992,503
Diabetes	191,029	(310)	1,735	3,270	195,724
Kidney	381,137	(619)	3,463	6,525	390,506
Cardiac & vascular disease	2,469,156	(4,012)	22,433	42,269	2,529,846
Miscellaneous conditions	305,283	(496)	2,774	5,226	312,787
	<u>9,827,202</u>	<u>(15,972)</u>	<u>89,281</u>	<u>168,231</u>	<u>10,068,742</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 2020

8. Donations and Legacies

2020

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2020 £
Legacies	133,813	(19,791)	114,022
Donations	45	-	45
	<u>133,858</u>	<u>(19,791)</u>	<u>114,067</u>

2019

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2019 £
Legacies	2,134	1,305,782	1,307,916
Donations	93,866	-	93,866
	<u>96,000</u>	<u>1,305,782</u>	<u>1,401,782</u>

9. Analysis of charitable activities

2020

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2020 £
Grant making activity:			
Grants payable (note 16)	852,746	1,027,399	1,880,14
Support costs (note 10)	217,264	72,422	289,68
Governance costs (note 10)	52,514	17,504	70,01
	<u>1,122,524</u>	<u>1,117,325</u>	<u>2,239,84</u>

2019

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2019 £
Grant making activity:			
Grants payable (note 16)	733,689	1,342,650	2,076,33
Support costs (note 10)	166,461	55,487	221,94
Governance costs (note 10)	53,884	17,961	71,84
	<u>954,034</u>	<u>1,416,098</u>	<u>2,370,13</u>

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2020

10. Analysis of support and governance costs

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

2020

	Charitable activities £	Governance costs £	Total 2020 £
Secretaries' fee	105,575	56,848	162,423
Miscellaneous	111,518	-	111,518
Salary costs	42,727	-	42,727
Commercial training	12,369	-	12,369
Showcase	14,611	-	14,611
Auditor's remuneration – audit	-	8,560	8,560
Auditor's remuneration – non-audit services	-	4,610	4,610
Other	2,886	-	2,886
	<u>289,686</u>	<u>70,018</u>	<u>359,704</u>

2019

	Charitable activities £	Governance costs £	Total 2019 £
Secretaries' fee	109,625	59,029	168,654
Miscellaneous	41,939	-	41,939
Salary costs	44,316	-	44,316
Commercial training	11,808	-	11,808
Showcase	11,230	-	11,230
Auditor's remuneration – audit	-	8,330	8,330
Auditor's remuneration – non-audit services	-	4,486	4,486
Other	3,030	-	3,030
	<u>221,948</u>	<u>71,845</u>	<u>293,793</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 2020

11. Staff costs

	2020 £	2019 £
Gross wages	39,780	41,925
Employer's National Insurance	1,299	1,623
Employer's Pension Contribution	1,682	768
	<u>42,761</u>	<u>44,316</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 (2019: £nil).

Meeting expenses amounting to £1,285 (2019: £1,263) were reimbursed to 4 (2019: 4) of the Members.

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

12. Investments

	Investment property £	UK Stock Exchange listed £	Total £
Market value at 1 April 2019	27,500	39,751,876	39,779,376
Additions	-	1,291,445	1,291,445
Disposals	-	(1,154,318)	(1,154,318)
Net unrealised investment losses in the year	-	(6,615,834)	(6,615,834)
	<u>27,500</u>	<u>33,273,169</u>	<u>33,300,669</u>
Market value at 31 March 2020	<u>27,500</u>	<u>33,273,169</u>	<u>33,300,669</u>
Historical cost	<u>27,500</u>	<u>29,274,802</u>	<u>29,302,302</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.

13. Debtors

	2020 £	2019 £
Accrued income	<u>95,800</u>	<u>1,432,690</u>

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2020

14. Cash at bank

	2019 £	Cash flows £	2020 £
Cash at bank at:			
Secretaries	1,777,152	748,520	2,525,672
Investment manager	1,748,329	490,761	2,239,090
	<u>3,525,481</u>	<u>1,239,281</u>	<u>4,764,762</u>

The Trust has no debt financing.

15. Creditors: amounts falling due within one year

	2020 £	2019 £
Accrued fees	34,370	37,223
Tax and social security payments	1,138	1,120
	<u>35,508</u>	<u>38,343</u>

16. Grants

(a) Reconciliation of grants payable	£	2020 £	£	2019 £
At 1 April		1,966,051		1,625,147
Grants awarded and authorised in the year	1,940,600		2,081,206	
Grant awards cancelled and recovered	(60,455)		(4,867)	
		<u>1,880,145</u>		<u>2,076,339</u>
Grants payable for the year		(1,325,022)		(1,735,435)
		<u>2,521,174</u>		<u>1,966,051</u>
At 31 March				

(b) Grants falling due within one year:

	2020 £	2019 £
Unrestricted income fund	954,395	695,666
Restricted income fund	1,566,779	1,270,385
Total grants payable	<u>2,521,174</u>	<u>1,966,051</u>

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2020

16. Grants (Continued)

(c) Grants awarded

Grants awarded and authorised during the year were as follows:

Phd Studentship awarded 2020

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Aberdeen	1	30,293	
University of Edinburgh	3	74,871	
University of St. Andrews	1	30,207	
University of Glasgow	1	30,077	
Herriot-Watt University	3	79,451	
University of Strathclyde	1	89,424	
Glasgow Caledonian University	1	30,250	
University of Dundee	3	90,840	
University of Stirling	1	30,163	
			485,576

Daphne Jackson Memorial Fellowship awarded 2020

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Edinburgh	1	38,211	
Edinburgh Napier University	1	33,909	
University of Glasgow	2	69,405	
University of Dundee	1	1,692	
			143,217

Vacational Grants awarded 2020

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
Glasgow Caledonian University	1	2,000	
Heriot-Watt University	2	4,000	
University of Aberdeen	14	26,500	
University of Dundee	13	25,500	
University of Edinburgh	8	14,750	
University of Glasgow	17	31,000	
University of St Andrews	3	6,000	
Robert Gordon University	2	4,000	
			113,750

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2020

16. Grants (Continued)

Conditional grants awarded in previous years, now unconditional and authorised

PhD Studentship

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
Heriot-Watt University	2	59,410	
University of Aberdeen	3	68,960	
University of Dundee	3	57,420	
University of Edinburgh	17	406,604	
University of Glasgow	15	323,280	
University of St Andrews	3	56,154	
University of Strathclyde	8	175,739	
Edinburgh Napier University	2	50,490	
		<hr/>	
			1,198,057
			<hr/>
			1,940,600
			<hr/>

(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 2020 was £4,659,965 (2019: £3,775,669) of which £940,157 is expected to be payable within one year if certain conditions are satisfied (2019: £219,385).

Notes to the Financial Statements *(continued)*

For the year ended 31 March 2020

17. Analysis of net assets between funds

2020

	Investments £	Cash at investment manager £	Net Current Assets £	Total £
Unrestricted Funds				
Unrestricted Capital Fund	22,385,707	-	-	22,385,707
Unrestricted Income Fund	2,130,699	1,637,138	(796,493)	2,971,344
	<u>24,516,406</u>	<u>1,637,138</u>	<u>(796,493)</u>	<u>25,357,051</u>
Restricted Funds				
Restricted Capital Fund	8,276,333	-	-	8,276,333
Restricted Income Fund	507,930	601,952	861,283	1,971,165
	<u>8,784,263</u>	<u>601,952</u>	<u>861,283</u>	<u>10,247,498</u>
Total Funds	<u>33,300,669</u>	<u>2,239,090</u>	<u>64,790</u>	<u>35,604,549</u>

2019

	Investments £	Cash at investment manager £	Net Current Assets £	Total £
Unrestricted Funds				
Unrestricted Capital Fund	27,229,860	-	-	27,229,860
Unrestricted Income Fund	2,013,319	1,280,174	89,269	3,382,762
	<u>29,243,179</u>	<u>1,280,174</u>	<u>89,269</u>	<u>30,612,622</u>
Restricted Funds				
Restricted Capital Fund	10,068,742	-	-	10,068,742
Restricted Income Fund	467,455	468,155	1,116,179	2,051,789
	<u>10,536,197</u>	<u>468,155</u>	<u>1,116,179</u>	<u>12,120,531</u>
Total Funds	<u>39,779,376</u>	<u>1,748,329</u>	<u>1,205,448</u>	<u>42,733,153</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 2020

18. Transfers between funds

There was a transfer during the year of £711,885 from the Unrestricted Income Fund to Restricted Income Funds; this was to eliminate the deficit on the Neurological Diseases, Cancer, Diabetes and Cardiac & Vascular Diseases funds.

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

	2020	2019
	£	£
Net (expenditure)/income for the reporting period (as per the statement of financial activities)	(7,128,604)	1,590,694
Adjustments for:		
Losses/(Gains) on investments	6,574,850	(943,398)
Dividends, interest and rents from investments	(1,403,038)	(1,411,994)
Decrease/(Increase) in debtors	1,336,890	(1,143,163)
Increase in creditors	552,288	339,800
	<hr/>	<hr/>
<i>Net cash used in operating activities</i>	(67,614)	(1,568,061)
	<hr/>	<hr/>

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.

21. Financial assets measured at fair value through income and expenditure

Financial assets measured at fair value through income and expenditure comprises:

	2020	2019
	£	£
Listed investments (note 12)	33,273,169	39,751,876
	<hr/>	<hr/>

There were no financial liabilities measured at fair value through income and expenditure.