



Medical Research Scotland

68th Annual Report and Financial
Statements

2021-22

*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

Medical Research Scotland is the largest independent charity funder of medical research in Scotland and its objective is to:

- support people in the early stages of their careers in medical research in Scotland
- support 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 (retired 31st December 2021)

Professor Jennifer M Woof BSc, PhD, FHEA, FRSB (retired 31st October 2022)

Professor Andrea Nolan OBE, FRSE, MRCVS (retired 31st October 2022)

*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

*Fiona Gillespie

Professor Martin Denvir MBChB, BSc, PhD, FRCPE (appointed 11th June 2021)

** 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, BA, PGCert, MSc PhD

AUDITOR

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

INVESTMENT MANAGER

Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN

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BUCKINGHAM PALACE

This annual report highlights the ongoing commitment of Medical Research Scotland to support, encourage and develop medical research and education. A commitment more pertinent than ever after the last two years.

The strategy of Medical Research Scotland is to promote health-based research and to assist individuals wanting to establish a career in scientific research. The charity has supported 18 new PhD students in the last year and has extended its support to its current students whose studies have been most affected by the pandemic. Recognising that early career researchers often find it difficult to find support for small projects and equipment, Medical Research Scotland established an Early Career Award scheme to provide small start-up grants. The outreach programme to schools, the Medical Research Academy, providing a programme of webinars for schools reached a greater number of schools than previously, particularly in the more remote areas of Scotland. The Trustees are to be commended for their foresight and agility in continuing to make the awards relevant and supportive.

As Patron of Medical Research Scotland, I am aware that the past year has not been, and continues not to be, easy in many ways. The thoughtful and prompt way in which the charity adapts gives me confidence that Medical Research Scotland will continue to offer excellent support to developing scientists in the United Kingdom and will encourage and create research that will have a global benefit.

Finally, I would like to acknowledge the huge contribution of Professor Philip Winn who has stepped down after 8 years as Chair. Philip was an excellent Chair and in particular I would highlight as an example his decision to implement a new one-off funding stream with the Covid-19 Research Grants as a reaction to the pandemic.

A handwritten signature in blue ink, appearing to read 'Anne'.

HRH The Princess Royal

Chair's Report

As the incoming Chair my first task is to thank Professor Philip Winn, the retiring Chair, for his excellent leadership of Medical Research Scotland for the last 8 years and to wish him every success in the new opportunities that lie ahead.

Last year continued to be challenging with the ongoing disruption to normal life. The Universities remained affected and a hybrid system, providing a mix of online and face to face teaching, was adopted across the sector. Research laboratories reopened but with some restrictions around space and numbers of researchers in a laboratory at any one time. Schools returned to a more pre-pandemic model. The pandemic does continue to have ongoing effects on our PhD students in particular. Medical Research Scotland responded positively to the challenges of the pandemic and extensions of stipends continue to be offered to our students as needed. We are also delighted that we were able to hold our Researcher Development Event in 2022, the first one since 2019. 49 of our current PhD students attended the event which took place in April, and everyone was given the opportunity to showcase their project. Four plenary speakers provided insights into careers, working in industry and biomedical ethics.

Our mission is to support research into improving health in Scotland and more globally and to provide support for promising individuals in the early stages of their careers. We have offered 18 PhD projects starting in 2022. We are also able to reinstate our vacation scholarships in 2022 with 50 scholarships on offer and one Daphne Jackson Trust award.

The Medical Research Academy, our online offering to schools, was again a great success with more schools than ever signing up to the four events. Working with STRIPE on this event has been highly productive and the post event analysis is very positive. As we return to normal working practices the Trustees plan to reinstate the Meet the Researcher event and to go forward with a combination of this and the Academy.

The Trustees identified that there was a gap in the provision of funding in the area of early career support for newly appointed researchers. This led us to establish a new award, the Early Career Award, which will provide a small amount of support for new researchers who are establishing their career as independent researchers. Six awards were made with an upper limit of £20,000.

Our highly successful COVID grants scheme is now closed with some 21 awards having been made.

In conclusion, Medical Research Scotland has a positive influence on research into health and disease across Scotland providing support for researchers and would be researchers and encouraging school pupils to consider a career in health research. The Trustees will continue to strive to improve and extend our offering to society and I am confident we will continue to help meet the health challenges facing the nation.

Professor Heather M Wallace

Chair

4 November 2022

Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2022. 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).

The global Covid-19 pandemic continued to have an impact on the Trust in the year to 31st March 2022. Virus control measures still in place affected the ability of the Trust's award recipients to carry out the research funded by the Trust and delays to the completion of projects were not uncommon. The Trust supported individuals in this by granting extensions as required. The Trustees once again took the difficult decision not to award Undergraduate Vacation Scholarships for the year to 31st March 2022 but have been pleased to then be able to reopen the call for Vacation Scholarships during the year for awards to be funded in the financial year to 31st March 2023.

Although the financial impact of the pandemic carries on, 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. In addition, in the year to 31st March 2022, the Trust also funded Early Career Researcher Grants, available to help newly established researchers to develop their own independent programme of research. All of the award streams 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.

Early Career Research Grant applications are internally assessed for eligibility prior to external peer review by at least two external expert reviewers whose recommendations are used to allocate awards. A set-up report and final report on the projects are required, which are reviewed by the Scientific Adviser and Trustees.

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 2021-22 Financial Year the Trustees awarded a total of 18 PhD Studentships (19 in 2020-21), six Early Career Researcher grants and one Daphne Jackson Fellowship. The topics of the PhD Studentships cover a wide range, including hearing loss, mental health, lung disease, liver disease, bacterial infections, vaccine development, cancer therapeutics, epilepsy and tissue regeneration. The total value of the funding awarded amounted to £2,296,628.

Trustees' Report (continued)

Achievements and Performance

The Trust's **Annual Plan** for 2021-2022 and performance against it are summarised as follows:

1. To make up to 25 UK fee fully funded 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; to make funds available for Early Career Researcher Grants for newly established researchers to assist them in developing their own independent programme of research; and to seek to appoint up to three Daphne Jackson Fellowships for those returning to biomedical research following a career break.

18 PhD Studentships were awarded. The Trustees agreed to support one additional Daphne Jackson Trust Fellowship award. Six new Early Career Researcher Grants were awarded. The Trustees took the decision not to award Undergraduate Vacation Research Scholarships again this year due to the Covid-19 restrictions.

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 was again widely circulated among the academic and commercial medical sectors. The number and quality of the applications received indicates these continue to be 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, in particular in connection with raising awareness with a view to increasing legacies and donations.

3. To monitor the practical and academic impact of the short-life Covid-19 Research Grant programme.

Covid-19 Research Grant Reports continue to be reviewed on receipt and awardees are required to notify MRS of publications and presentations arising from the MRS-funded research. Publications are noted on the MRS website.

4. To develop and build on Meet the Researcher Showcase and MRS Academy events.

Due to the Covid-19 restrictions, the usual in-person Meet the Researcher Showcase was, again, not possible. The second annual MRS Academy took place during March 2022 with over 400 teachers and students from 33 schools across Scotland participating and a total of 1,402 hours of live and on-demand learning streamed across the webinar sessions with very positive feedback from participants

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

Trustees' Report (continued)

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

6. 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 continued 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.

7. 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.

The Audit & Investment Committee continues to review the Trust's Investment Policy Statement to include strategy and restrictions.

8. To have the Trust's Annual Report & Financial Statements available through its website during 2021.

The Annual Report & Financial Statements was printed and signed on 4th November 2021 and is available on the Trust's website.

9. To actively seek legacy receipts.

Working with Stripe Communications and the Trust Secretaries, the Trustees have produced marketing materials in order to increase awareness of the Trust and seek legacy receipts and donations. The materials will be launched during the 2022/2023 year.

10. 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 all award applications.

11. To keep under review all Award processes 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. The Trustees continue to keep this under review.

Trustees' Report (continued)

12. To keep under review the membership of the Trust to ensure appropriate breadth of expertise and continued good governance of the Trust and to appoint a new Chair of the Board of Trustees in advance of the retirement of the current Chair.

During the period, one Trustee (the former Chair) retired and one new Trustee was appointed. The Trustees regularly consider upcoming retirement of Trustees in order to plan ahead for that. Professor Heather Wallace was appointed as the new Chair of the Board of Trustees after a formal search and review by the Board.

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

The Trustees carried out a light touch review of the services provided by the current Auditors in line with the agreed timetable for review and reappointed them.

14. To work with Stripe Communications to drive applications, increase awareness of the Trust and improve marketing materials as well as to encourage an increase in legacies to the Trust through a dedicated legacies project.

The relationship with Stripe Communications continues to be very effective in connection with the MRS Academy online event, the legacies project and the PhD Studentship communications

15. 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. Income generated on the investment portfolio and related cash deposits was £1,179,952 during the year, compared with £1,020,550 in 2021-2022 and royalties were £283,961 compared with £271,307. The Trust is grateful for legacy and donation awards during the year of £250,974 (2021: £259,024).

Investment Policy and Performance

The Trust has chosen to invest in two Baillie Gifford funds in order to meet its overall investment objective of achieving long term returns which exceed inflation by 4% per annum. The two funds are the Baillie Gifford Responsible Global Equity Income Fund and the Baillie Gifford Multi Asset Income Fund.

The Baillie Gifford Responsible Global Equity Income Fund's objective is to achieve growth in both income and capital over rolling five-year periods, whilst delivering a yield higher than that of the global equity markets. The fund seeks to invest responsibly in companies which can deliver both a dependable income stream and real growth in income and capital. Baillie Gifford invests globally, and focusses on long-term growth and income, rather than short-term yield, in order to deliver better outcomes over time.

Trustees' Report (continued)

Baillie Gifford invests responsibly by emphasising sustainability, by excluding stocks operating in certain industries and by investing only in companies which meet the principles embodied in the United Nations Global Compact. The companies which are excluded are those that derive more than 10% of their annual revenues from the production or sale of alcohol, the production or sale of tobacco, fossil fuel extraction and production, the production or sale of weapons and armaments, adult entertainment or gambling.

The MAI fund's objective is to produce monthly income, whilst seeking to maintain the value of that income and of capital in line with inflation (UK CPI) over five-year periods. Bespoke portfolios in each asset class are constructed specifically to meet the objectives of Multi Asset Income. The fund is broadly diversified across asset classes and investing in it diversifies the Trust's sources of income as well as raising the overall yield of the Trust's investments.

During the year under review the Trust's combined investments returned 12.1%. The manager's emphasis on dependable investments has been helpful in a challenging investment environment which included the world beginning to emerge from the pandemic, rising inflation and interest rates and, towards the end of the period, the invasion of Ukraine. Over the period, the fund's return has exceeded its long term objective of inflation plus 4%, notwithstanding the considerable increase in inflation which had risen to 7% by the end of the period. Baillie Gifford's global approach and emphasis on dependability has also helped the Trust's income to grow and, as an illustration, the income distributed by the Responsible Global Equity Income Fund was 5% higher than it had been in the previous year.

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, in particular during the review of their investment managers that took place during the year before the reporting period, and the Trust's investment manager is actively engaged in all three areas.

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 which includes some historic income accumulated and held through a cash fund as well as an element of reinvested income within the Baillie Gifford funds which can be drawn down on by the Trustees if required. 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.

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 such as the one off Covid-19 related awards and continuing Early Career Researcher Grants will increase expenditure year on year and reduce the income surplus.

Trustees' Report (continued)

The Trust continues to seek to meet expenditure commitments as they fall due for payment out of its predictable flow of income and expects to be able to do so.

At the end of the reporting period, the total funds held by the charity amounted to £46,891,848 (2021: £43,463,727) with £12,543,862 (2021: £11,318,460) 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.

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.

Trustees' Report (continued)

The Trust's **Annual Plan 2022/2023** 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 up to 25 UK fee fully funded PhD Studentship Awards, subject to available income, for innovative projects submitted by universities working in collaboration with external organizations, delivering outstanding student experience. ○ To make funds available for up to 50 Undergraduate Vacation Research Scholarships. Awards could not be made in 2021 due to Covid-19 restrictions but these 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. ○ Subject to available income, to accept FTE increase applications from Daphne Jackson Fellows in their final year. ○ To make funds available for up to 6 Early Career Researcher Grants for newly-established researchers to assist them in developing their own independent programme of research. ○ To reinstate the provision of the Researcher Developer Event for PhD Studentships. 	<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 have the Trust's Annual Report & Financial Statements available through its website during 2022. ○ To keep under close review any constraints on investment choice the Trustees agree. ○ To actively seek legacy receipts through a dedicated project to raise the profile of the Trust.
<p>Presence</p> <ul style="list-style-type: none"> ○ To raise significantly awareness of the Trust in the Scottish academic and global business communities, seeking to ensure appropriately high-quality applications. ○ To monitor the practical and academic impact of the short-life Covid-19 Research Grant programme. ○ To improve quality and breadth of marketing materials. ○ To develop and build on Meet the Researcher Showcase and MRS Academy 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. ○ To monitor and maintain the Trust's website. 	<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 work with Stripe Communications to encourage an increase in legacies to the Trust through a dedicated legacies project. ○ To work with Stripe Communications to provide communication support for applications from different funding streams. ○ To continue implementation of the online application systems for all Awards. ○ To keep under review all Award processes and criteria. ○ To review processes on different funding streams and implement set timelines for opening and closing of award calls. ○ 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 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 2022 form part of this Report and are presented on pages 19-37.

Auditor

The Trustees will undertake a tendering exercise for the external audit service in 2022/23 in line with good corporate governance practice.

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).

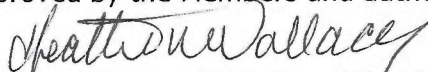
The law applicable to charities in Scotland requires the Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the income and expenditure of the Charity for that period. In preparing these financial statements, the 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 Heather M Wallace (Chair)
Date: 4 November 2022

Independent Auditor's Report to the Members of Medical Research Scotland For the year ended 31 March 2022

Opinion

We have audited the financial statements of Medical Research Scotland for the year ended 31 March 2022 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 2022 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 19 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

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Independent Auditor's Report to the Members of Medical Research Scotland
For the year ended 31 March 2022 (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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves 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 Trustees' Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; 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 2022 (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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the charity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the charity through discussions with the trustees, and from our knowledge and experience of the charity sector;
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charity, including the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and taxation, data protection, anti-bribery, environmental, employment and health and safety legislation;

**Independent Auditor's Report to the Members of Medical Research Scotland
For the year ended 31 March 2022 (continued)**

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of the trustees and inspecting legal correspondence; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

We assessed the susceptibility of the charity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management and the trustees as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

**Independent Auditor's Report to the Members of Medical Research Scotland
For the year ended 31 March 2022 (continued)**

**Extent to which the audit was considered capable of detecting irregularities,
including fraud (continued)**

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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**

Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 4 November 2022

Azets Audit Services is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Medical Research Scotland
Statement of Financial Activities
For the year ended 31 March 2022

	Notes	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2022 £	Total 2021 £
Income and endowments from:							
Donations and legacies	8	302	-	250,672	-	250,974	259,024
Charitable activities – royalty income		283,961	-	-	-	283,961	271,307
Investments		861,182	-	318,770	-	1,179,952	1,020,550
Other		68,885	-	25,576	-	94,461	116,185
Total income		<u>1,214,330</u>	<u>-</u>	<u>595,018</u>	<u>-</u>	<u>1,809,348</u>	<u>1,667,066</u>
Expenditure on:							
Raising funds – investment management		-	-	-	-	-	10,518
Charitable activities	9	1,078,611	-	1,288,113	-	2,366,724	2,673,452
Total expenditure		<u>1,078,611</u>	<u>-</u>	<u>1,288,113</u>	<u>-</u>	<u>2,366,724</u>	<u>2,683,970</u>
Net gains on investments		-	2,906,678	-	1,078,819	3,985,497	8,876,082
Net income/(expenditure)		135,719	2,906,678	(693,095)	1,078,819	3,428,121	7,859,178
Transfers between funds	6	(839,678)	-	839,678	-	-	-
Net movement in funds		<u>(703,959)</u>	<u>2,906,678</u>	<u>146,583</u>	<u>1,078,819</u>	<u>3,428,121</u>	<u>7,859,178</u>
Total funds brought forward		<u>3,294,166</u>	<u>28,851,101</u>	<u>638,276</u>	<u>10,680,184</u>	<u>43,463,727</u>	<u>35,604,549</u>
Total funds carried forward	17	<u>2,590,207</u>	<u>31,757,779</u>	<u>784,859</u>	<u>11,759,003</u>	<u>46,891,848</u>	<u>43,463,727</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 22-37 form part of these Financial Statements.

Medical Research Scotland

Balance Sheet

As at 31 March 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Investments at fair value	12		47,635,367		43,557,214
Cash at Investment Manager	14		2,193,793		2,692,436
			<u>49,829,160</u>		<u>46,249,650</u>
Current assets					
Debtors	13	56,873		55,067	
Cash at bank – at Secretaries	14	533,947		472,925	
		<u>590,820</u>		<u>527,992</u>	
Creditors: Amounts falling due within one year					
Creditors	15	16,436		19,814	
Grants payable	16	3,511,696		3,294,101	
		<u>3,528,132</u>		<u>3,313,915</u>	
Net current liabilities			<u>(2,937,312)</u>		<u>(2,785,923)</u>
Total assets less current liabilities			<u>46,891,848</u>		<u>43,463,727</u>
Net assets	17		<u>46,891,848</u>		<u>43,463,727</u>
Funds	17				
Unrestricted					
Unrestricted Capital Fund	5		31,757,779		28,851,101
Unrestricted Income Fund			2,590,207		3,294,166
			<u>34,347,986</u>		<u>32,145,267</u>
Restricted funds					
Restricted Capital Fund	7	11,759,003		10,680,184	
Restricted Income Fund	6	784,859		638,276	
		<u>12,543,862</u>		<u>11,318,460</u>	
			<u>46,891,848</u>		<u>43,463,727</u>

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



Professor Heather Wallace (Chair)

Date: 4 November 2022

The Notes on pages 22-37 form part of these Financial Statements.

Medical Research Scotland
Statement of Cash Flows
for the year ended 31 March 2022

	Notes	2022 Total funds £	2021 Total funds £
Cash flows from operating activities:			
<i>Net cash used in operating activities</i>	18	(1,524,917)	(1,239,488)
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,179,952	1,020,550
Proceeds from sale of investments		-	35,012,497
Purchase of investments		(92,656)	(36,392,960)
<i>Net cash provided by/(used in) investing activities</i>		1,087,296	(359,913)
<i>Change in cash and cash equivalents in the reporting period</i>		(437,621)	(1,599,401)
<i>Cash and cash equivalents at the beginning of the reporting period</i>		3,165,361	4,764,762
<i>Cash and cash equivalents at the end of the reporting period</i>	14	2,727,740	3,165,361

The Notes on pages 22-37 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2022

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 2022

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

Income 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 2022

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% (2020: 35%) to Governance activities, and 65% (2020: 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 2022

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 2022

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 the estimated amount receivable. Where part of a legacy left to the Charity includes property or shares to be sold, judgement is used to estimate the amount receivable.

Grants payable are recognised as a liability based on the judgement that a valid expectation has been created with the recipient that the grant will be paid. Estimation may be required where there is uncertainty as to the amount that will be claimed by the recipient.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2022

4. Comparative Statement of Financial Activities

2021

	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2021 £
Income and endowments from:					
Donations and legacies	44,437	-	214,587	-	259,024
Charitable activities	271,307	-	-	-	271,307
Investments	750,242	-	270,308	-	1,020,550
Other	80,932	-	35,253	-	116,185
Total income	1,146,918	-	520,148	-	1,667,066
Expenditure on:					
Raising funds	2,761	5,128	920	1,709	10,518
Charitable activities	821,335	-	1,852,117	-	2,673,452
Total expenditure	824,096	5,128	1,853,037	1,709	2,683,970
Net gains on investments	-	6,470,522	-	2,405,560	8,876,082
Net income/(expenditure) and Net movement in funds	322,822	6,465,394	(1,332,889)	2,403,851	7,859,178

5. Unrestricted Designated Capital Fund

	2022 £	2021 £
Balance at 1 April	28,851,101	22,385,707
Cost of raising funds	-	(5,128)
Net realised gains on sale of investments	-	1,101,007
Unrealised gains on investments	2,906,678	5,369,515
Balance at 31 March	31,757,779	28,851,101

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 2022

6. Restricted Income Funds

Movement during the year was as follows:

2022

	As at 1 April 2021 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of raising funds, support & admin costs £	Transfers £	As at 31 March 2022 £
Neurological diseases	-	14,292	-	(393,831)	(3,417)	382,956	-
Cancer	-	144,645	300	(385,920)	(34,584)	275,559	-
Arthritis	28,979	68,143	-	93	(16,293)	-	80,922
Diabetes	-	6,694	-	(80,475)	(1,600)	75,381	-
Kidney	77,506	13,355	-	-	(3,193)	-	87,668
Cardiac & vascular diseases	-	86,519	-	(161,154)	(20,687)	95,322	-
Miscellaneous conditions	330,316	10,698	-	-	(2,558)	-	338,456
Multiple Sclerosis	21,146	-	-	50,397	-	-	71,543
ME	70,645	-	-	-	-	-	70,645
Respiratory diseases in children	54,760	-	-	-	-	-	54,760
Deafness	27,462	-	-	-	-	-	27,462
Blindness	27,462	-	-	-	-	-	27,462
COVID Biomedical Research	-	-	21,000	(31,460)	-	10,460	-
MRC funding	-	-	229,372	(203,431)	-	-	25,941
	<u>638,276</u>	<u>344,346</u>	<u>250,672</u>	<u>(1,205,781)</u>	<u>(82,332)</u>	<u>839,678</u>	<u>784,859</u>

	As at 1 April 2020 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of raising funds, support & admin costs £	Transfers £	As at 31 March 2021 £
Neurological diseases	-	12,683	214,281	(223,727)	(3,237)	-	-
Cancer	-	128,354	300	(95,896)	(32,758)	-	-
Arthritis	70,853	60,467	-	(86,909)	(15,432)	-	28,979
Diabetes	-	5,940	-	(4,424)	(1,516)	-	-
Kidney	68,680	11,851	-	-	(3,025)	-	77,506
Cardiac & vascular diseases	-	76,774	-	(57,180)	(19,594)	-	-
Miscellaneous conditions	323,247	9,492	-	-	(2,423)	-	330,316
Multiple Sclerosis	58,147	-	-	(37,001)	-	-	21,146
ME	70,645	-	-	-	-	-	70,645
Respiratory diseases in children	54,760	-	-	-	-	-	54,760
Deafness	27,462	-	-	-	-	-	27,462
Blindness	27,462	-	-	-	-	-	27,462
MacDougall	1,269,909	-	6	(1,269,915)	-	-	-
	<u>1,971,165</u>	<u>305,561</u>	<u>214,587</u>	<u>(1,775,052)</u>	<u>(77,985)</u>	<u>-</u>	<u>638,276</u>

During the year funding from the Medical Research Council (MRC) was obtained under the UK Government COVID Medical Research Charity Support Fund, supporting specific grants. The other 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 2022

7. Restricted Capital Funds

Movement during the year was as follows:

2022

	As at 1 April 2021 £	Cost of raising funds £	Realised gain on investments £	Unrealised gain on investments £	As at 31 March 2022 £
Neurological diseases	443,279	-	-	44,776	488,055
Cancer	4,486,317	-	-	453,169	4,939,486
Arthritis	2,113,501	-	-	213,487	2,326,988
Diabetes	207,610	-	-	20,971	228,581
Kidney	414,220	-	-	41,841	456,061
Cardiac & vascular diseases	2,683,475	-	-	271,061	2,954,536
Miscellaneous conditions	331,782	-	-	33,514	365,296
	<u>10,680,184</u>	<u>-</u>	<u>-</u>	<u>1,078,819</u>	<u>11,759,003</u>

2021

	As at 1 April 2020 £	Cost of raising funds £	Realised gain on investments £	Unrealised gain on investments £	As at 31 March 2021 £
Neurological diseases	343,507	(70)	17,098	82,744	443,279
Cancer	3,476,555	(717)	173,045	837,434	4,486,317
Arthritis	1,637,803	(339)	81,522	394,515	2,113,501
Diabetes	160,882	(33)	8,008	38,753	207,610
Kidney	320,990	(67)	15,977	77,320	414,220
Cardiac & vascular diseases	2,079,490	(429)	103,506	500,908	2,683,475
Miscellaneous conditions	257,106	(54)	12,798	61,932	331,782
	<u>8,276,333</u>	<u>(1,709)</u>	<u>411,954</u>	<u>1,993,606</u>	<u>10,680,184</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.

Following a change in investment manager during 2021, investments are held in pooled funds with investment management fees and realised gains charged directly into the fund.

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2022

8. Donations and Legacies

2022

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2022 £
Legacies	-	-	-
Donations	302	21,300	21,602
Grant income	-	229,372	229,372
	<u>302</u>	<u>250,672</u>	<u>250,974</u>

2021

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2021 £
Legacies	43,842	214,587	258,429
Donations	595	-	595
	<u>44,437</u>	<u>214,587</u>	<u>259,024</u>

9. Analysis of charitable activities

2022

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2022 £
Grant making activity:			
Grants payable (note 16)	831,615	1,205,781	2,037,396
Support costs (note 10)	191,513	63,838	255,351
Governance costs (note 10)	55,483	18,494	73,977
	<u>1,078,611</u>	<u>1,288,113</u>	<u>2,366,724</u>

2021

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2021 £
Grant making activity:			
Grants payable (note 16)	590,140	1,775,052	2,365,192
Support costs (note 10)	179,593	59,864	239,457
Governance costs (note 10)	51,602	17,201	68,803
	<u>821,335</u>	<u>1,852,117</u>	<u>2,673,452</u>

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2022

10. Analysis of support and governance costs

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

2022

	Charitable activities £	Governance costs £	Total 2022 £
Secretaries' fee	106,610	57,406	164,016
Miscellaneous	88,113	-	88,113
Salary costs	46,185	-	46,185
Commercial training	14,443	-	14,443
Showcase	-	-	-
Auditor's remuneration – audit	-	10,771	10,771
Auditor's remuneration – non-audit services	-	5,800	5,800
	<u>255,351</u>	<u>73,977</u>	<u>329,328</u>

2021

	Charitable activities £	Governance costs £	Total 2021 £
Secretaries' fee	101,812	54,823	156,635
Miscellaneous	94,158	-	94,158
Salary costs	42,580	-	42,580
Commercial training	12	-	12
Showcase	895	-	895
Auditor's remuneration – audit	-	9,087	9,087
Auditor's remuneration – non-audit services	-	4,893	4,893
	<u>239,457</u>	<u>68,803</u>	<u>308,260</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 2022

11. Staff costs

	2022	2021
	£	£
Gross wages	43,533	40,496
Employer's National Insurance	787	376
Employer's Pension Contribution	1,865	1,713
	<u>46,185</u>	<u>42,585</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 (2021: £nil).

Meeting expenses amounting to £544 (2021: £nil) were reimbursed to one (2021: nil) 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 2021	27,500	43,529,714	43,557,214
Additions	-	92,656	92,656
Net unrealised investment gains in the year	-	3,985,497	3,985,497
	<u>27,500</u>	<u>47,607,867</u>	<u>47,635,367</u>
Market value at 31 March 2022	27,500	47,607,867	47,635,367
Historical cost	<u>27,500</u>	<u>36,258,795</u>	<u>36,286,295</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

	2022	2021
	£	£
Accrued income	<u>56,873</u>	<u>55,067</u>

Notes to the Financial Statements (*continued*)

For the year ended 31 March 2022

14. Cash at bank

	2021 £	Cash flows £	2022 £
Cash at bank at:			
Secretaries	472,925	61,022	533,947
Investment manager	2,692,436	(498,643)	2,193,793
	<u>3,165,361</u>	<u>(437,621)</u>	<u>2,727,740</u>

The Trust has no debt financing.

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Accrued fees	15,312	18,662
Tax and social security payments	1,124	1,152
	<u>16,436</u>	<u>19,814</u>

16. Grants

	2022 £	2021 £
(a) Reconciliation of grants payable		
At 1 April	3,294,101	2,521,174
Grants awarded and authorised in the year	2,296,628	2,287,861
Provision balance adjustment		152,957
Grant awards cancelled and recovered	<u>(259,232)</u>	<u>(75,626)</u>
Grants payable for the year	2,037,396	2,365,192
Grants paid during the year	<u>(1,819,801)</u>	<u>(1,592,265)</u>
At 31 March	<u>3,511,696</u>	<u>3,294,101</u>

(b) Grants falling due within one year:

	2022 £	2021 £
Unrestricted income fund	1,409,396	1,960,360
Restricted income fund	2,102,300	1,333,741
Total grants payable	<u>3,511,696</u>	<u>3,294,101</u>

Notes to the Financial Statements (*continued*)
For the year ended 31 March 2022

16. Grants (Continued)

(c) Grants awarded

Grants awarded and authorised during the year were as follows:

Phd Studentship awarded 2022

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Aberdeen	2	62,886	
University of Edinburgh	7	217,650	
University of Glasgow	4	125,201	
University of Strathclyde	3	88,506	
University of Dundee	2	62,740	
			556,983

Daphne Jackson Memorial Fellowship awarded 2022

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Edinburgh	1	36,335	
			36,335

COVID Grants awarded 2022

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Glasgow	1	751	
			751

Early Career Grants awarded 2022

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Aberdeen	1	20,000	
University of Edinburgh	4	79,797	
University of Dundee	1	19,353	
			119,150

Notes to the Financial Statements (*continued*)
For the year ended 31 March 2022

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	3	86,449	
University of Aberdeen	6	141,992	
University of Dundee	5	128,693	
University of Edinburgh	17	338,345	
University of Glasgow	12	232,141	
University of St Andrews	3	90,453	
University of Strathclyde	9	215,492	
Edinburgh Napier University	2	27,590	
Glasgow Caledonian University	1	31,650	
University of Stirling	1	62,651	
			1,355,456

Daphne Jackson Memorial Fellowship

<i>Institution</i>	<i>Number of awards</i>	<i>£</i>	<i>£</i>
University of Napier	1	36,617	
University of Edinburgh	1	60,277	
University of St Andrews	1	13,994	
University of Strathclyde	1	40,357	
University of Glasgow	2	76,708	
			227,953
			2,296,628

(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 2022 was £3,101,050 (2021 £2,875,282) of which £1,540,750 is expected to be payable within one year if certain conditions are satisfied (2021: £1,352,690).

Notes to the Financial Statements (*continued*)
For the year ended 31 March 2022

17. Analysis of net assets between funds

2022

	Investments £	Cash at investment manager £	Net Current (liabilities) £	Total £
Unrestricted Funds				
Unrestricted Capital Fund	31,757,779	-	-	31,757,779
Unrestricted Income Fund	2,960,333	481,883	(852,009)	2,590,207
	<u>34,718,112</u>	<u>481,883</u>	<u>(852,009)</u>	<u>34,347,986</u>
Restricted Funds				
Restricted Capital Fund	11,759,003	-	-	11,759,003
Restricted Income Fund	1,158,252	1,711,910	(2,085,303)	784,859
	<u>12,917,255</u>	<u>1,711,910</u>	<u>(2,085,303)</u>	<u>12,543,862</u>
Total Funds	<u>47,635,367</u>	<u>2,193,793</u>	<u>(2,937,312)</u>	<u>46,891,848</u>

2021

	Investments £	Cash at investment manager £	Net Current (liabilities) £	Total £
Unrestricted Funds				
Unrestricted Capital Fund	28,851,101	-	-	28,851,101
Unrestricted Income Fund	2,892,765	1,268,625	(867,224)	3,294,166
	<u>31,743,866</u>	<u>1,268,625</u>	<u>(867,224)</u>	<u>32,145,267</u>
Restricted Funds				
Restricted Capital Fund	10,680,184	-	-	10,680,184
Restricted Income Fund	1,133,164	1,423,811	(1,918,699)	638,276
	<u>11,813,348</u>	<u>1,423,811</u>	<u>(1,918,699)</u>	<u>11,318,460</u>
Total Funds	<u>43,557,214</u>	<u>2,692,436</u>	<u>(2,785,923)</u>	<u>43,463,727</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 2022

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

	2022	2021
	£	£
Net income for the reporting period	3,428,121	7,859,178
(as per the statement of financial activities)		
Adjustments for:		
Gains on investments	(3,985,497)	(8,876,082)
Dividends, interest and rents from investments	(1,179,952)	(1,020,550)
(Increase)/decrease in debtors	(1,806)	40,733
Increase in creditors	214,217	757,233
	<hr/>	<hr/>
Net cash (used in) operating activities	(1,524,917)	(1,239,488)
	<hr/>	<hr/>

19. 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.

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

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

	2022	2021
	£	£
Listed investments (note 12)	47,607,867	43,529,714
	<hr/>	<hr/>

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