



Medical Research Scotland

59<sup>th</sup> Annual Report and Financial Statements

2012-13

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

## Medical Research Scotland

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

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

### PATRON

HRH The Princess Royal

### MEMBERS

The following served as Members during the year:

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

Professor Catherine Abbott, BSc, PhD (*resigned 1<sup>st</sup> May 2013*)

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

Dr Marie Boyd, BSc, PhD

Professor John R Brown, CBE, BSc, PhD, MBA, FRSE (*from 18<sup>th</sup> March 2013*)

Professor Bernard A Conway, BSc, PhD (*from 18<sup>th</sup> March 2013*)

\*Professor William Cushley, BSc, PhD (*retired 24<sup>th</sup> February 2013*)

\*Mr Brian Duffin, MA, FFA, CCMi

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

\*Mr John Naylor, OBE, MA, CCMi

\*Ms Fiona Nicolson, MA, LLB, DipLP

Professor Walter Nimmo, BSc, MD, FRCP, FRCA, FRCS, FANZCA, FRSE (*from 18<sup>th</sup> March 2013*)

\*Mr Graham Paterson, MBA, FCCA (*from 18<sup>th</sup> March 2013*)

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

### PRINCIPAL ADDRESS

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

### SECRETARIES

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

### SCIENTIFIC ADVISER

Dr Alex M Graham, PhD

### AUDITORS

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

### INVESTMENT MANAGER

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

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# Foreword



## BUCKINGHAM PALACE

As Patron, I was delighted to meet and talk to so many interested and enthusiastic young people at the Meet the Researcher Showcase held at the University of Abertay Dundee in February. Events such as these, where school pupils and their teachers can talk to students and researchers and learn about university study and research careers, are essential to ensuring the future of research. Medical Research Scotland is to be congratulated for reaching out in this important way.

I was also pleased to learn that funds became available to allow so many undergraduates to spend time as Vacation Scholars in summer 2013 and also that the PhD Studentship awards are becoming well established. While encouraging young people to take up research careers is essential, it is also important that barriers are lowered or removed for those wanting to return to research after a career break. In that regard, it is particularly gratifying to learn of the Trust's recent decision to work with the Daphne Jackson Trust and support a small number of short part-time Fellowships for such individuals.

Medical Research Scotland clearly knows what it needs to do in these difficult times. I wish it well in the year ahead and congratulate the charity on its continued progress.



HRH The Princess Royal

## Chairman's Report

I am pleased to report we have now reached the conclusion of the phased implementation of changes to our funding streams. At their meeting in March 2013, the Trustees agreed to enter into agreement with the Daphne Jackson Trust that we would support a small number of fellowships for those wishing to return to research after a career break. In line with our strategy, our activities and funding streams now present a series of 'stepping stones' towards established careers in the biomedical sciences in Scotland from showcases for schools, to vacation scholarships for undergraduates, to PhD awards in conjunction with company research, and now for returners to research.

At that same meeting the Trustees gave formal confirmation to the recommendations of the PhD Panel that six PhD Studentships be awarded from the 20 applications received in the autumn. The Panel's recommendations had earlier been circulated to and accepted by the Trustees and the applicants were informed of the decisions in November 2012. The new Medical Research Scotland PhD students will start their studentships at the start of the 2013-14 academic year. A very well-received Commercial Training day, for those who started their PhD studentships in the autumn of 2012, took place in late March and I must thank Deborah O'Neill of Novabiotics, Tim Morley (then) of Aquapharm Biodiscovery and Fellow Trustee, Scott Johnstone of the Scottish Lifesciences Association, for having made time to provide valuable insights into the commercial side of biomedical research. The students also gave presentations about their research projects and training to date.

As I reported last year, the W.M. Mann Foundation made a very generous donation to the Trust in support of the Vacation Scholarships. As a result, the Trustees decided to award as many as it could from the applications received for these increasingly popular grants. A total of 45 undergraduates will be carrying out short research periods in Scottish universities during the summer vacation 2013.

We were delighted that our Royal Patron, HRH The Princess Royal, included the third 'Meet the Researcher Showcase', in her engagement diary for the morning of 20<sup>th</sup> February. The University of Abertay Dundee generously provided us with the venue and loan of the display boards for the event, which was visited by 35 senior pupils and nine teachers from schools in Dundee, Angus and Fife. Six of the nine posters on display were presented by undergraduates who had held Vacation Scholarships; the remainder by more senior researchers who had held research project grants. Feedback was excellent and made clear that the undergraduates found talking to the teachers and pupils both challenging and rewarding. I am grateful to those Trustees who were also able to attend, not least because their presence was particularly valued by the visiting teachers. By reaching out to those still at school, the Showcase represents the Trust's first stepping stone in the path to careers in biomedical research.

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

Professor Bill Cushley retired as a Trustee in February, having served two full terms on the Trust. His wise counsel, quiet wit and good humour will be sadly missed by all who have had the pleasure of working with him during his time on the Trust. Professor Cathy Abbott's resignation was received with regret, soon after the end of the year under report and we will miss her also. With the formal appointment, at our March 2013 meeting, of four new Trustees of wide-ranging and valuable expertise (Professor Bernard Conway, Professor John R Brown, Professor Walter Nimmo and Mr Graham Paterson) however, the Trust's membership has again been refreshed and strengthened and now stands at 11 in number.

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

Professor David J. Harrison  
Chairman

## Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2013. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 to the Financial Statements and comply with the Trust's constitutive legislation and also with the Statement of Recommended Practice: Accounting and Reporting by Charities 2005.

### Objectives and Activities

The objectives of the Trust are to:

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

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

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

### Grant-making Policy

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

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

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

All continuing project grantees 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 grantee's subsequent progress and what publications and possible intellectual property exploitation may flow from a project which the Trust has supported. An annual report is also received from the Intellectual Property Manager of each administering institution in respect of each project grant.

## Grant Awards

During the 2012-13 Financial Year the Trustees awarded a total of six PhD Studentships and 45 Undergraduate Vacation Research Scholarships. The topics of the PhD Studentships cover a wide range including arthritis, autism, cancer and cardiovascular disease, many having drug development or improved diagnosis as their primary focus. Vacation Scholarships will be held at the following universities: Aberdeen, Dundee, Edinburgh, Glasgow, Glasgow Caledonian, Heriot-Watt, St Andrews and Strathclyde. Further information about all the awards formally accepted can be found in the *Annual Review 2012-13* (available on the website: [www.medicalresearchscotland.org.uk](http://www.medicalresearchscotland.org.uk)). The total value of the grants awarded amounted to £559,440.

## Achievements and Performance

The Trust's **Annual Plan** for 2012-13 and performance against it are summarised as follows:

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

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

2. To make up to 10 PhD Studentship Awards for suitably high-quality, relevant projects submitted by university/industry collaborations and to make funds available for up to 20 Undergraduate Vacation Scholarships.

*Six PhD Studentships and 45 Undergraduate Vacation Research Scholarships were awarded.*

3. To hold a Researcher Showcase for senior school pupils in Aberdeen or Dundee during 2013, to which the Patron, HRH The Princess Royal might be invited to attend.

*HRH The Princess Royal attended the Meet the Researcher Showcase held in the University of Abertay Dundee on the morning of Wednesday, 20<sup>th</sup> February 2013.*

4. To bring the membership of the Trust back to full strength in light of the recent retirements, resignations and the need to ensure that there is the appropriate breadth of expertise needed for the continued good governance of the Trust.

*One Trustee retired, having served two full terms and four new Trustees were appointed. These latter bring a wealth of academic, financial and commercial expertise to the Trust.*

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

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

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

*A detailed review of the Trust's administrative support activities was started during the year, with the aim of completing the review of Secretarial Services by the end of 2013.*

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

*During the year the asset allocation of the portfolio was changed in consultation with the Trust's Investment Managers, to reduce the UK equity element to 60% and increase the overseas element to 40%; split 20% MSCI Emerging Markets Index and 20% MSCI World High Dividend Yield Index. It continues to be reviewed regularly, in particular by the Trust's Audit & Investment Committee.*

8. To have the Trust's *Annual Report & Financial Statements* printed and both it and the *Annual Review* available from its website before 31<sup>st</sup> October 2012.

*The Annual Report & Financial Statements was printed on 29<sup>th</sup> October 2012 and both it and the Annual Review were available from the website on 1<sup>st</sup> November 2012.*

### **Plans for the Future**

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

The Trust's **Annual Plan 2013-14** is as follows:

1. To continue to raise awareness of the Trust and particularly its new funding strategy within the academic and business communities in Scotland, seeking to ensure appropriately high-quality applications.
2. To make up to 10 PhD Studentship Awards for suitably high-quality, relevant projects submitted by university/industry collaborations, to make funds available for up to 20 Undergraduate Vacation Research Scholarships and also to seek to appoint up to three Daphne Jackson Fellowships for those seeking to return to biomedical research following a career break.
3. To hold a Researcher Showcase for senior school pupils in Aberdeen or Edinburgh during 2014, to which the Patron, HRH The Princess Royal will be invited to attend.
4. To keep under review the membership of the Trust in light of retirements and resignations and the need to ensure that there is the appropriate breadth of expertise needed for the continued good governance of the Trust.
5. To continue to implement agreed aspects arising from the strategic review, in particular those seeking to maximise efficient use of the Trust's resources with appropriate streamlining of procedures.
6. To complete the review process for the Trust's Secretarial Services and review others of the Trust's services in line with the agreed timetable.
7. To continue to keep under close review the Trust's investment portfolio and, in particular, its income.
8. To have the Trust's *Annual Report & Financial Statements* printed and both it and the *Annual Review* available from its website before 31<sup>st</sup> October 2013.

## 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 £1,074,103 during the year, compared with £964,024 in 2011-12 and royalties were £106,674 compared with £73,762.

## Investment Policy and Performance

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

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

In the year under review, the total return on the Trust's portfolio was 19.24% compared with a return on the benchmark of 16.24%. The 12-month out-performance came from a combination of the core UK equity portfolio and the holding in the Martin Currie Global Equity Income Fund, which both out-performed their respective benchmarks over the period. The performance of the core UK equity portfolio was particularly strong over the period as holdings in a number of medium-sized stocks generated strong returns. The holding in the Martin Currie Emerging Markets Fund modestly detracted from performance over the 12-month period as emerging markets generally lagged their developed market counterparts. As at 31st March 2013, the value of the Trust's investment portfolio (including capital cash) was £32,144,514, compared with £27,799,499 at 31st March 2012 and a value as at 24<sup>th</sup> October 2013 of £33,504,121; increases of £4,345,015 and £5,704,622 respectively.

## Reserves Policy

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

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

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

## **Structure, Governance and Management**

The Trust is a body corporate constituted under the Hospital Endowments (Scotland) Act 1953 (repealed and re-enacted by the National Health Service (Scotland) Act 1978) all as subsequently amended, most recently by the Smoking, Health and Social Care (Scotland) Act 2005, which repealed the Trust's non-departmental public body status. The Trust was established to receive and hold endowments, donations and bequests and to make grants from these funds to promote medical research in Scotland. It is empowered by the National Health Service and Community Care Act 1990 to engage in fundraising activities for the purposes of the Trust. It is also required by the Health & Medicines Act 1988 where feasible to develop and exploit ideas and to exploit intellectual property.

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

The Trustees meet twice-yearly to agree the broad strategy and areas of activity for the Trust, including considering grant applications, investment, reserves and risk management policies and performance. There is also an Audit & Investment sub-committee which meets normally twice a year to consider accounting and investment issues in more detail. A Scientific sub-committee is being formed. The day-to-day administration of grants and processing and handling of applications prior to consideration by the Trust (or the relevant sub-committee) is dealt with by the Trust Secretaries and Scientific Adviser.

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

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

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

## **Risk Management**

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

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

## Financial Statements

The Financial Statements for the year to 31<sup>st</sup> March 2013 form part of this *Report* and are presented on pages 14-24.

### Statement of disclosure of information to auditor

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

- So far as the Member is aware, there is no relevant information of which the Charity's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a Member in order to make himself/herself aware of any relevant audit information, and to establish that the Charity's auditor is aware of the information

### Statement of Members' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

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

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

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

**Professor David J Harrison** (Chairman)  
**25<sup>th</sup> October 2013**

## Independent Auditor’s Report to the Members

We have audited the financial statements Medical Research Scotland for the year ended 31<sup>st</sup> March 2013 which comprise the Statement of Financial Activities, Balance Sheet and related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity’s Members, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Charity’s Members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and its Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Members and auditor**

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

We have been appointed as auditors under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors, including “APB Ethical Standard – Provisions Available for Smaller Entities (Revised)”, in the circumstances set out in Note 19 to the financial statements.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Members; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Charity’s affairs as at 31<sup>st</sup> March 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

## Independent Auditor's Report to the Members - continued

### **Matters on which we are required to report by exception**

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

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

Scott-Moncrieff

Statutory Auditor

Chartered Accountants

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

Exchange Place 3

Seample Street

Edinburgh EH3 8BL

**25<sup>th</sup> October 2013**

## Statement of Financial Activities

### For the year ended 31 March 2013

	Notes	Unrestricted Income Fund £	Unrestricted Capital Fund £	Restricted Income Funds £	Restricted Capital Funds £	Total 2013 £	Total 2012 £
<b>Incoming Resources</b>							
<i>Incoming resources from generated funds</i>							
Voluntary income:							
Legacies & donations	5	12,175	-	507,758	-	519,933	132,295
Activities for generating funds:							
Royalties	6	106,674	-	-	-	106,674	73,672
Investment income	7	797,498	-	276,605	-	1,074,103	964,024
Miscellaneous income		29,038	-	10,802	-	39,840	123,193
Total incoming resources		<u>945,385</u>	<u>-</u>	<u>795,165</u>	<u>-</u>	<u>1,740,550</u>	<u>1,293,184</u>
<b>Resources Expended</b>							
<i>Cost of generating funds</i>							
Cost of generating							
voluntary income	8	7,048	-	2,349	-	9,397	13,270
Investment management cost	9	24,055	44,673	8,018	14,891	91,637	90,412
<i>Charitable activities</i>							
Grant-making activities							
Grants payable	10	281,121	-	232,460	-	513,581	870,164
Support cost of grant-making		73,572	-	24,524	-	98,096	110,012
<i>Governance costs</i>							
	12	35,984	-	11,995	-	47,979	50,160
Total resources expended		<u>421,780</u>	<u>44,673</u>	<u>279,346</u>	<u>14,891</u>	<u>760,690</u>	<u>1,134,018</u>
Net incoming resources before transfers		523,605	(44,673)	515,819	(14,891)	979,860	159,166
Gross transfers between funds	17	(79,034)	-	79,034	-	-	-
Net incoming resources before revaluations and investment asset disposals		444,571	(44,673)	594,853	(14,891)	979,860	159,166
Net realised gains/(losses) on sale of investments		-	250,694	-	94,315	345,009	(6,837)
Net incoming resources after realised gains/(losses) on sale of investments		444,571	206,021	594,853	79,424	1,324,869	152,329
Unrealised gain on investments	13	-	2,760,345	-	1,013,114	3,773,459	(632,127)
<b>Net movement in funds</b>		444,571	2,966,366	594,853	1,092,538	5,098,328	(479,798)
Fund balances at 1 April 2012		1,342,209	19,446,492	1,351,070	7,111,753	29,251,524	29,731,322
Fund balances at 31 March 2013	18	<u>1,786,780</u>	<u>22,412,858</u>	<u>1,945,923</u>	<u>8,204,291</u>	<u>34,349,852</u>	<u>29,251,524</u>

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

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

## Balance Sheet

### As at 31 March 2013

		2013		2012	
Notes	£	£	£	£	£
<b>Fixed assets</b>					
Investments at market value	13		31,678,330		27,334,802
<b>Current assets</b>					
Debtors	14	607,936		135,153	
Cash at bank – at Secretaries		2,726,655		2,965,874	
– at Investment Manager		493,684		492,197	
		3,828,275		3,593,224	
<b>Creditors:</b> Amounts falling due within one year					
Creditors	15	35,710		37,285	
Grants payable	16	1,068,859		1,439,791	
		1,104,569		1,477,076	
<b>Net current assets</b>			2,723,706		2,116,148
<b>Total assets less current liabilities</b>			34,402,036		29,450,950
<b>Creditors:</b> Amounts falling due after more than one year					
Grants payable	16		(52,184)		(199,426)
<b>Net assets</b>			34,349,852		29,251,524
<b>Funds</b>	18				
<b>Unrestricted</b>					
Unrestricted Capital Fund	2		22,412,858		19,446,492
Unrestricted Income Fund			1,786,780		1,342,209
			24,199,638		20,788,701
<b>Restricted funds</b>					
Restricted Capital Fund	4	8,204,291		7,111,753	
Restricted Income Fund	3	1,945,923		1,351,070	
			10,150,214		8,462,823
			34,349,852		29,251,524

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

**Professor David J Harrison (Chairman)**  
**25<sup>th</sup> October 2013**

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

## **Notes to the Financial Statements**

### **For the year ended 31 March 2013**

#### **1. Accounting policies**

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

#### **Going concern**

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

#### **Incoming resources**

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

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

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

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

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

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

#### **Resources expended**

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

Expenditure is shown inclusive of any irrecoverable VAT.

## **Notes to the Financial Statements (*continued*)**

**For the year ended 31 March 2013**

### **1. Accounting policies (*continued*)**

#### **Resources expended (*continued*)**

Costs of generating funds comprise those costs directly attributable to managing the investment portfolio and raising investment income and fundraising costs for raising donations and legacy income. Grant-making activities comprise grants payable and support costs for processing grants and applications. Governance costs relate to costs incurred in respect of strategic or constitutional matters and also compliance with statutory reporting requirements. Where the Secretaries' fees cannot be directly attributed to these categories, they are estimated 35% (2012: 35%) to Governance activities, and 65% (2012: 65%) to Grant-making activities.

#### **Investment management fees**

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

#### **Foreign exchange gains and losses**

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

#### **Grants**

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

#### **Investments**

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

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

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

#### **Fund accounting**

The nature and purpose of each fund are explained in Notes 2, 3, 4 and 18.

## Notes to the Financial Statements (*continued*)

For the year ended 31 March 2013

### 2. Unrestricted Designated Capital Fund

	2013 £	2012 £
Balance at 1 April 2012	19,446,492	19,956,910
Resources expended	(44,673)	(44,076)
Net realised gains/(losses) on sale of investments	250,694	(7,827)
Unrealised gains/(losses) on investments	2,760,345	(458,515)
	<u>22,412,858</u>	<u>19,446,492</u>
Balance at 31 March 2013	<u>22,412,858</u>	<u>19,446,492</u>

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

### 3. Restricted Income Funds

Movement during the year was as follows:

	As at 1 April 2012 £	Investment & other income £	Legacies & Donations £	Grants £	Cost of generating funds, support & admin costs £	Transfers £	As at 31 March 2013 £
Neurological diseases	-	11,929	-	(25,701)	(1,946)	15,718	-
Cancer	256,970	120,728	1,561	(97,866)	(19,695)	-	261,699
Arthritis	464,346	56,875	-	-	(9,278)	-	511,943
Diabetes	4,413	5,587	500	(72,903)	(912)	63,316	-
Kidney	13,230	11,147	300	-	(1,818)	-	22,858
Cardiac & vascular diseases	220,900	72,213	894	(23,398)	(11,780)	-	258,829
Miscellaneous conditions	320,566	8,928	1,478	(12,592)	(1,457)	-	316,924
Multiple Sclerosis	-	-	503,025	-	-	-	503,025
ME	70,645	-	-	-	-	-	70,645
	<u>1,351,070</u>	<u>287,407</u>	<u>507,758</u>	<u>(232,460)</u>	<u>(46,886)</u>	<u>79,034</u>	<u>1,945,923</u>

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

### 4. Restricted Capital Funds

Movement during the year was as follows:

	As at 1 April 2012 £	Cost of generating funds £	Realised gain/(loss) on investments £	Unrealised gain on investments £	As at 31 March 2013 £
Neurological diseases	295,172	(618)	3,915	42,049	340,518
Cancer	2,987,363	(6,255)	39,618	425,569	3,446,295
Arthritis	1,407,347	(2,947)	18,664	200,485	1,623,549
Diabetes	138,242	(289)	1,833	19,694	159,480
Kidney	275,823	(578)	3,658	39,293	318,196
Cardiac & vascular diseases	1,786,880	(3,741)	23,697	254,552	2,061,388
Miscellaneous conditions	220,926	(463)	2,930	31,472	254,865
	<u>7,111,753</u>	<u>(14,891)</u>	<u>94,315</u>	<u>1,013,114</u>	<u>8,204,291</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 2013**

**5. Legacies and Donations**

	<b>Unrestricted Income Fund</b>	<b>Restricted Income Funds</b>	<b>Total 2013</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Legacies	1,007	503,025	504,032	102,319
Donations	11,168	4,733	15,901	29,976
	<u>12,175</u>	<u>507,758</u>	<u>519,933</u>	<u>132,295</u>

**6. Royalties**

	<b>Unrestricted Income Fund</b>	<b>Restricted Income Funds</b>	<b>Total 2013</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Royalties	106,674	-	106,674	73,672
	<u>106,674</u>	<u>-</u>	<u>106,674</u>	<u>73,672</u>

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

**7. Investment income**

	<b>Unrestricted Income Fund</b>	<b>Restricted Income Funds</b>	<b>Total 2013</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
UK listed investments	750,490	260,158	1,010,648	890,594
Interest on cash deposits	47,008	15,655	62,663	72,530
Rent receivable	-	792	792	900
	<u>797,498</u>	<u>276,605</u>	<u>1,074,103</u>	<u>964,024</u>

**8. Cost of generating voluntary income**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Fundraising and marketing – support costs (Note 11)	<u>9,397</u>	<u>13,270</u>

**9. Investment management costs**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Investment Manager's fee	<u>91,637</u>	<u>90,412</u>

**10. Grant-making activities**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Grants payable in respect of medical research (Note 16)	513,581	870,164
Support costs (Note 11)	98,096	110,012
	<u>611,677</u>	<u>980,176</u>

**Notes to the Financial Statements (*continued*)**  
**For the year ended 31 March 2013**

**11. Support costs**

Support costs are allocated to activities as detailed below:

	<b>Generating voluntary income</b>	<b>Grants payable</b>	<b>Governance costs</b>	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Secretaries' fee	-	68,535	36,903	105,438	112,490
Stationery, printing & postage	-	5,468	-	5,468	4,953
Miscellaneous	-	17,886	-	17,886	20,890
Marketing	9,397	6,207	-	15,604	24,320
	<u>9,397</u>	<u>98,096</u>	<u>36,903</u>	<u>144,396</u>	<u>162,653</u>

**Bases of allocation**

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

The Members did not receive any direct remuneration for their services during the year (2012: £nil).

Meeting expenses amounting to £814 (2012: £655) were reimbursed to four (2012: four) of the Members.

**12. Governance costs**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Secretaries' fee – support of governance activities (Note 11)	36,903	39,371
Accountancy fees:		
audit services	7,296	7,093
financial statements preparation	3,780	3,696
	<u>47,979</u>	<u>50,160</u>

**Notes to the Financial Statements (continued)**

**For the year ended 31 March 2013**

**13. Investments**

	<b>Investment property</b>	<b>UK Stock Exchange listed</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Market value at 1 April 2012	27,500	27,307,302	27,334,802
Additions	-	5,899,360	5,899,360
Disposals	-	(5,329,291)	(5,329,291)
Net unrealised investment gains in the year	-	3,773,459	3,773,459
	<u>27,500</u>	<u>31,650,830</u>	<u>31,678,330</u>
Market value at 31 March 2013	<u>27,500</u>	<u>31,650,830</u>	<u>31,678,330</u>
Historical cost	<u>27,500</u>	<u>26,038,627</u>	<u>26,066,127</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.

	<b>Market value %</b>
At the balance sheet date the following holdings exceed 5% of the total portfolio:	
Martin Currie Emerging Markets Fund B Shares	17.29
Martin Currie Global Income Fund	20.35

**14. Debtors**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Accrued income	<u>607,936</u>	<u>135,153</u>

**15. Creditors: amounts falling due within one year**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Accrued fees	35,270	37,285
Other creditors	440	-
	<u>35,710</u>	<u>37,285</u>

## Notes to the Financial Statements (*continued*)

For the year ended 31 March 2013

### 16. Grants

	2013		2012	
	£	£	£	£
(a) Reconciliation of grants payable				
At 1 April 2012		1,639,217		1,560,711
Grants awarded and authorised in the year	559,440		881,535	
Grant awards cancelled and recovered	(45,859)		(11,371)	
Grants payable for the year		513,581		870,164
Grants paid during the year		(1,031,755)		(791,658)
At 31 March 2013		1,121,043		1,639,217
	<b>Unrestricted Income Fund</b>	<b>Restricted Income Funds</b>	<b>Total 2013</b>	<b>Total 2012</b>
	£	£	£	£
(b) Grants falling due within one year:				
Grants payable	322,057	746,802	1,068,859	1,439,791
(c) Grants falling due after more than one year:				
Year to 31 March 2013	17,864	34,320	52,184	199,426
Total grants payable	339,921	781,122	1,121,043	1,639,217

(d) Grants awarded

Grants awarded and authorised during the year were as follows:

Principal Grantholder	Administering Institution		
<b>PhD Studentships awarded 2013</b>			
Mueller	University of Aberdeen	27,900	
Trucco	University of Dundee	23,398	
Smith	University of Dundee	27,898	
Campbell	University of Edinburgh	26,019	
McInnes	University of Glasgow	27,828	
Sutherland	University of Glasgow	26,228	
			<b>159,271</b>
<b>Vacation Scholarships awarded - 2013</b>			
Wallace/Bartuskaite	University of Aberdeen	1,840	
Aspden/Dimitrova	University of Aberdeen	1,840	
Moura/Gizdov	University of Aberdeen	1,840	
Collinson/Mbogo	University of Aberdeen	1,840	
Crane/Olaifa	University of Aberdeen	1,840	
Delibegovic/Oskooi	University of Aberdeen	1,840	
Helfrich/Seeley	University of Aberdeen	1,840	
Brittenden/Staniszweska	University of Aberdeen	1,840	
Barr/Varzi	University of Aberdeen	1,840	
Ashford/Allsop	University of Dundee	1,840	
Hormuzdi/Hamilton	University of Dundee	1,840	
Irving/Rowan	University of Dundee	1,840	
Henderson/Simpson	University of Edinburgh	1,840	
Price/Brewis	University of Edinburgh	1,840	
Hope/Conway	University of Edinburgh	1,840	
Harlow/Green	University of Edinburgh	1,840	
Valdes-Hernandez/Hoban	University of Edinburgh	1,840	
Spears/Kirkwood	University of Edinburgh	1,840	
Smith/Knowles	University of Edinburgh	1,840	
Brunton/Main	University of Edinburgh	1,840	

## Notes to the Financial Statements (*continued*)

For the year ended 31 March 2013

### 16. Grants (*continued*)

#### Vacation Scholarships awarded – 2013 (*continued*)

Vuvovik/Bias	University of Glasgow	1,840	
Graham/Burns	University of Glasgow	1,840	
Roe/Cassidy	University of Glasgow	1,840	
Lumsden/Chaudhry	University of Glasgow	1,840	
Caslake/Davis	University of Glasgow	1,840	
Bulleid/Docherty	University of Glasgow	1,840	
McPeake/Emerson	University of Glasgow	1,840	
Freel/Ghaus	University of Glasgow	1,840	
Wheadon/Jamal	University of Glasgow	1,840	
Kessler/Karadzhev	University of Glasgow	1,840	
Milling/Kouzeili	University of Glasgow	1,840	
Ord/McDonald	University of Glasgow	1,840	
Goodyear/Molotova	University of Glasgow	1,840	
Denby/Pesic	University of Glasgow	1,840	
Biello/Rooslien	University of Glasgow	1,840	
McSharry/Sidorov	University of Glasgow	1,840	
Rousselet/Wagner	University of Glasgow	1,840	
Gollee/Winstanley	University of Glasgow	1,840	
Combet/Woo	University of Glasgow	1,840	
Shu/Canning	Glasgow Caledonian University	1,840	
Wright/Nugent	Glasgow Caledonian University	1,840	
Schweizer/Gwangwava	Heriot Watt University	1,840	
Reynolds/Mathur	University of St Andrews	1,840	
Harris/Miller	University of St Andrews	1,840	
McCluskey/Wright	University of Strathclyde	1,840	
			<b>82,800</b>

#### Conditional grants awarded in previous years, now unconditional and authorised

McNally	University of Edinburgh	58,659	
Coulthurst	University of Dundee	65,617	
Hoskisson	University of Strathclyde	50,222	
Smith	University of St Andrews	69,968	
MacRae	University of Edinburgh	72,903	
			<b>317,369</b>
			<b>559,440</b>

### (e) Commitments

In addition to the amounts committed and accrued noted above, the Members have also authorised certain grants which are subject to the recipient fulfilling certain conditions. The total amount authorised but not accrued as expenditure at 31 March 2013 was £1,585,340 (2012: £1,455,806), of which £447,864 is expected to be payable within one year if certain conditions are satisfied (2012: £279,843).

### 17. Transfers between funds

There was a transfer during the year of £79,034 from the Unrestricted Income Fund to Restricted Income Funds; this was to eliminate the deficit on the Neurological diseases fund.

## Notes to the Financial Statements (*continued*)

For the year ended 31 March 2013

### 18. Analysis of net assets between funds

	Investments	Net Current Assets	Creditors falling due after more than one year	Total
	£	£	£	£
<b>Unrestricted Funds</b>				
Unrestricted Capital Fund	22,290,998	121,860	-	22,412,858
Unrestricted Income Fund	1,071,423	733,221	(17,864)	1,786,780
	<u>23,362,421</u>	<u>855,081</u>	<u>(17,864)</u>	<u>24,199,638</u>
<b>Restricted Funds</b>				
Restricted Capital Fund	8,315,909	(111,618)	-	8,204,291
Restricted Income Fund	-	1,980,243	(34,320)	1,945,923
	<u>8,315,909</u>	<u>1,868,625</u>	<u>(34,320)</u>	<u>10,150,214</u>
<b>Total Funds</b>	<u><u>31,678,330</u></u>	<u><u>2,723,706</u></u>	<u><u>(52,184)</u></u>	<u><u>34,349,852</u></u>

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

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

### 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.