

Commentary on the model Trustees' Annual Report and accounts: The Almond Grant Trust (accounts prepared using FRS 102)

This example is for an unincorporated grant-making trust constituted by a trust deed. Any charity of any size can follow the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) and the trustees have opted to follow FRS 102 and the Charities SORP (FRS 102). This is based in part on the example developed by the Charity Commission England and Wales – however it has been revised to better suit Scottish charities.

The Almond Grant Trust has unrestricted, restricted and endowment funds. It has an income of £1.3m and total net assets of £27.4m. The expendable endowment has been received through gifts from the Grant family. There are restrictions as to how the income derived from this is spent.

The Trustees' Annual Report

The annual report addresses matters in the same order as the Charities SORP (FRS 102). The report opens with a description of the objectives of the charity and the activities undertaken to fulfil these objectives. The *grant making policy* provides information on the nature of the grants made, the criteria applied and provides additional information about the process by which the grants are approved. The section on *achievements and performance* reviews each activity in turn. Under the heading *monitoring achievement*, it concludes with performance information, in tabular form, which illustrates the actual achievement measured in the year and the preceding year against the plan.

A review of investment performance is included in the *investments section* within the *financial review section* of the report.

The section on *plans for the future* distinguishes between the broader strategic vision and specific plans for the following financial year.

The *structure, governance and management* section includes a reference to related party transactions and discusses how conflicts of interest are managed and discloses how the pay of senior managers is set. The approach to setting key management pay is intended to be solely illustrative and is not to be taken as a pay norm or a pay benchmark set for regulatory purposes by the Scottish Charity Regulator.

A statement of trustees' responsibilities in relation to the financial statements has also been included in accordance with FRC audit standards (ISA 700). This statement (see appendix 4 to Audit Practice Note 11, March 2012) however is not a requirement of the Charities SORP (FRS 102).

The accounts

The Statement of Financial Activities (SoFA) reports the main charitable activities undertaken. FRS 102 and paragraph 4.2 of the Charities SORP (FRS 102) require comparatives to be given for all items in the SoFA. A total funds figure is required for the prior year for each line heading (paragraph 4.8), but the comparatives for other items may be given in the notes (paragraph 4.2). Where an item relates only to one class of fund, in this case endowment funds, the total fund figure for the prior year is itself the comparative figure for that class of funds. For example this is the case for the investment management costs incurred by the charity. The trustees have therefore opted to disclose comparatives for individual classes of funds in the notes to the accounts.

The income note (note 3) and expenditure notes (notes 4 and 6) have been modified to disclose the prior year comparative figures for unrestricted and restricted income funds. Alternatively the charity could have either provided a SoFA for the prior year in the form of a note or have added

extra columns to the current year SoFA to put the comparative figures for each class of funds. Similarly rather than add columns to the balance sheet for comparatives, balance sheet comparatives are also given by way of the notes.

When first reporting under FRS 102, section 35 of FRS 102 requires three reconciliations to be presented, if all are applicable. The charity's date of transition to FRS 102 is the beginning of the earliest period for which the charity presents full comparative information in accordance with FRS 102 in its first financial statements (accounts) that comply with FRS 102 ie 1 October 2014 in this fictional example.

Section 35 requires that:

Paragraph 35.12 An entity shall explain how the transition from its previous financial reporting framework to this FRS affected its reported financial position and financial performance.

Paragraph 35.13 To comply with paragraph 35.12, an entity's first financial statements prepared using FRS 102 shall include:

- a) A description of the nature of each change in accounting policy.
- b) Reconciliations of its equity (in the case of a charity its retained funds) determined in accordance with its previous financial reporting framework to its equity (in the case of a charity its retained funds) determined in accordance with this FRS for both of the following dates:
 - i. the date of transition to FRS 102; and
 - ii. the end of the latest period presented in the entity's most recent annual financial statements determined in accordance with its previous financial reporting framework.
- c) A reconciliation of the profit or loss (in the case of a charity net income or net expenditure) determined in accordance with its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss determined in accordance with this FRS for the same period.

For example, in applying FRS 102, the accounting policies now require the recognition of a liability for paid holiday pay. Since salary costs are not material to the charity it follows that the accrual of paid leave is similarly immaterial and so no restatement of opening balances at the date of transition arises. In applying FRS 102 accounting policies, this has not required any restatement of comparative items for investments in making the transition to FRS 102 because its investments in equities and other securities were previously reported at market value. However the reported net income for the year does differ due to the inclusion of investment gains and losses within the net income figure under FRS 102. The effect is shown as a note 1 (b) within the accounting policies.

In the SoFA, the trustees have therefore taken advantage of the flexibility afforded by paragraph 4.12 to insert an additional sub-total 'net income/(expenditure) before gains and losses on investments' to facilitate comparison with the previous treatment under SORP 2005. The Trust has not needed to take advantage of the concessions on accounting treatments on transition (see section 35 of FRS 102)

In this example the investment portfolio is managed through a broker and the portfolio does not contain any unit trust or common investment fund holdings. Charities with such holdings will need to consider how they reported them under SORP 2005 and whether they used the 'offer' (price paid to acquire units), 'mid' (the average of the bid and offer prices) or 'bid' (price achieved when selling units) prices. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction (FRS 102 glossary). Arguably the potential to exchange the investment for cash is the price that should be used and therefore the 'bid' price should be used. This is commonly referred to as the 'exit price'. For more information refer to section 11 of FRS 102.

The transfer to income from endowment has been shown as a component of other income (paragraph 4.61). Governance costs are now included within support costs (paragraph 8.7).

Investment management costs are charged against the funds invested (paragraphs 2.21 and 22.8); in this case the invested funds are wholly endowment funds. Note the gross transfer between funds, where the power of total return is being exercised, is shown within income (paragraph 4.39) and the required reconciliation is provided (paragraph 20.10).

The charity's policy for the grant awards for research posts requires that they are reviewed annually and are subject to the condition of a progress report with each subsequent grant wholly dependent upon demonstrating satisfactory performance. Since the trustees have the requisite expert knowledge to perform each assessment and determine whether the condition has been met, a liability is only recognised for the grant paid in year (paragraph 7.20). Had there been no condition or the condition was outside of the control of the trustees, a liability would have had to have been accrued for future salary payments in subsequent years using reasonable assumptions, for example average academic tenure. The liabilities for years 2 and 3 of the multi-year PhD students included in the accounts reflect an annual review process routinely determined by factors outside of the trustees' control (paragraph 7.23).

Governance costs are disclosed separately (paragraph 8.13) in note 5. Support costs and the allocation of support costs are analysed in note 5.

On the face of the balance sheet, the types of fund are disclosed (paragraphs 2.29 and 10.9). The provisions for liabilities and charges are separately shown (paragraph 10.80).

A contingent liability is disclosed concerning a planned future grant (note 14) due to a possible obligation which is contingent on the occurrence of one or more uncertain future events not wholly within the charity's control (paragraph 10.86).

FRS 102 requires more extensive disclosures for financial instruments (financial assets and financial liabilities) and these are set out in module 11 of the Charities SORP (FRS 102). Rather than setting out these disclosures in a separate note, the disclosures are made by the charity in the context of the particular items in the accounts:

- The requirements of paragraph 11.35 are met in notes 1(e) re liabilities and note 1(k) re financial assets and notes 3 (income from financial assets), 4 (expenses related to financial assets), 11 (movement of financial assets) and 13 (movement in financial liabilities /creditors).
- The significance of financial instruments (paragraph 11.35) is discussed in the financial review section of the Trustees' Annual Report which is referenced from note 11.
- The discussion of credit risk (paragraph 11.38) in note 11 fulfils the requirements of section 11 of FRS 102 paragraph 11.48A(f).

Notice

The example Trustees' Annual Report and accounts are intended to assist preparers apply the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), also known as the Charities SORP (FRS 102). Whilst every effort has been made to ensure that the example accords with charity law as it applies in Scotland, preparers should refer to the relevant regulations and the Charities SORP (FRS 102) when preparing a charity's accounts.

The author welcomes comments on the technical accuracy of the example and any observations should be submitted by e-mail to: claire.stuart@oscr.org.uk
However if you have any enquiry about FRS 102 or the Charities SORP (FRS 102) please contact your professional advisor or professional body.

The Almond Grant Trust
Report and Financial Statements
Year ended: 30th September 2016
Charity no: SC072165

Report of the trustees for the year ended 30th September 2016

The trustees present their annual report and financial statements of the charity for the year ended 30th September 2016. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's trust deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006(as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014.

Objectives and activities

The purposes of the Trust are the promotion of education and research into the study and cure of Alzheimer's disease and related conditions through making grants to appropriate institutions and individuals.

The Trust furthers its charitable purposes through its grant-making policy which aims at:

- funding research and teaching related to the treatment, cure and nursing of sufferers of Alzheimer's disease and related conditions. The research funded is both pure research and, under the heading of innovation, applied research with the objective of curing this tragic degenerative disease and improving the lives of sufferers and their families. The Trust funds the salaries of professors and lecturers whose specialist area includes research activity that will further the objects of the charity;
- financing scholarships to individuals undertaking postgraduate research, normally at PhD or MD but exceptionally at Masters level, where the student's area of interest furthers the objects of the charity; and
- providing grants to projects that seek to provide innovations in care as a form of applied research.

By focussing on these areas we achieve our strategic priorities of maintaining a stable scholarship programme and continuing to fund research.

The Trust carries out this programme through partnerships with institutions, in particular, the Trust has concentrated on developing the existing partnerships with the Universities of Clyde, Annan and the Almond Institute of Technology.

The CG Scholarships Fund was established from gifts provided by the Grant family. The trustees have the power to spend or retain both capital and income and so the fund is classed as expendable endowment. The fund's objects are to provide institutions with grants to fund scholarships for postgraduate students having a specific research interest in Alzheimer's disease and related conditions. Institutions may use the whole grant in one year (perhaps to fund two students) or may carry all or part of the grant forward to another year. The trustees made three awards of these one-off grants in the year to the University of Annan.

Grant making policy

The Trust has established its grant making policy to achieve its objects for the public benefit. The Trust's aim is to improve the lives of sufferers with Alzheimer's disease and related conditions now, and to seek a permanent cure in the future. Alzheimer's affects men and women of all races, stripping the sufferer of their capacity for independent life and their dignity. Onset can be as early in a person's 50s but the condition normally affects people as they age, often manifesting in those aged 60 or 70 or over. We review the grant making policy annually to ensure that it reflects the charity's objects and thereby advances public benefit.

The beneficiaries of our grant making programme are ultimately Alzheimer's sufferers and those at risk of developing this disease in the future. Currently it is believed that about 24.3 million people world-wide have Alzheimer's disease. Research reported in The Lancet medical journal for Alzheimer's Disease International (ADI) estimates that by 2020 42.3 million people will have dementia and by 2040, 81.1 million people; that is a doubling of today's figures. Developments in the care and treatment of sufferers also has the potential to relieve the huge burden of care often faced by the families of sufferers. Our research and educational programmes fund students, researchers, and research institutions and healthcare bodies who use these funds in their work to improve the lives of sufferers from Alzheimer's disease and related conditions, and their carers by developing therapies, potential medications and improvements in the personal care of sufferers. Any private benefit received by researchers, and research institutions and healthcare bodies is purely incidental to the objects of our work.

The Trust invites applications for research grants and applied research ('innovation') grants from institutions by advertising in the specialist press. Eligibility is restricted to applicants having an expertise in the field in order to ensure high quality results for Alzheimer's sufferers. Institutional applicants submit a summary of their proposals to the trustees in a specific format, together with outline ethics approval. The Trust is a member of the Association of Medical Research Charities and follows best practice in maintaining the independence of research funding and ensuring that sponsored researchers and research institutions abide by best practice in research ethics and animal testing; our aim is to maximise the efficacy of the research programme whilst minimising the likelihood of harm to research volunteers and animals. Applications made in the correct format are reviewed against the scientific research criteria established by the Scientific Sub Committee and our research objectives.

Innovation grants for applied research are intended to bring the fruit of pure research to improve the daily life of sufferers and their carers and through applying new techniques, innovations and applications enrich those lives. In 2016 the trustees decided to continue the innovation grant made to further the social care aspect of applied research. The aim being improving the emotional and physical well-being of sufferers and relatives now, whilst the research effort is on-going for a cure.

Research posts are funded on an annual basis to undertake an agreed programme of research. Continuation of the grants is subject to the annual assessment of the Scientific Sub Committee. Grant recipients file an annual progress report in the summer and they may also be occasionally required to appear before the Scientific Sub Committee to answer questions upon scientific progress or direction. The findings and recommendations of the Scientific Sub Committee are reported to the trustees in late August and a renewal of funding, which is solely at the discretion of the Trust, is notified in early September. Grants are only continued where the applicant remains in post and are automatically terminated in the event that the named applicant leaves the research institution. In all cases, continuation of funding is subject to the research undertaken being in the interests of the Trust and a progress assessment that is satisfactory.

The Trust offers scholarships to fund postgraduate research by individuals from any part of the world who hold an offer of admission for full-time PhD or a master's degree studies programme at a UK university with a research or teaching focus on Alzheimer's disease and related conditions. Applicants must complete a standard form and provide a research proposal agreed with their university. In certain cases candidates are invited to interview by the Scholarship Sub Committee.

Academic ability and research potential are the primary determinants of the awards and other factors such as nationality, ethnicity, gender, age, disability, sexual orientation and religion will not be taken into account. An applicant's financial circumstances will be relevant only in determining the amount of an award which can be made.

Progress towards a PhD is monitored every 6 months and reported by the student's host institution. Although each grant is made for a maximum of 12 months, there is a facility for renewal for a maximum of 4 years, for those in full time study, and 6 years, for those in part-time study. The Scholarship Sub Committee receives the progress reports and makes recommendations each July to the trustees concerning the continuation of student grants. Although the Scholarship Sub Committee has discretion to consider a student's progress independently of the progress report and hear appeals from students for continued funding, the evidence of progress provided by the host institution is normally accepted. An important condition of each student grant is that a copy of the final report on each piece of research is made publicly available by the recipient institution or of the institution making the educational award.

Grants from the CG Scholarship Fund may be made to any institution worldwide undertaking relevant research. A recipient institution must have a proven track record of Alzheimer's research and have suitable application and monitoring procedures for students. The trustees' policy is to make two or three large, single year or multi-year grants a year from this fund rather than many smaller ones. The criteria for awards are agreed with the university which is then responsible for the administration of awards. Academic ability and research potential are again the primary determinants of the awards. The university may take into account the financial circumstances of an applicant where a student meeting the academic and research criteria would otherwise be unable to undertake a course of study or research.

Details of how to apply for grants and scholarships, together with the relevant forms, are available on the Trust's website: www.almond.org

A review of our achievements and performance

The benefits of the Trust's work are the education of future researchers, the dissemination of research findings, the development of new therapies and the funding of on-going research with the goal being to assist sufferers, their carers and families. The trustees are pleased that the achievements and performance of the Trust, as set out below, demonstrate concrete progress.

a) Research posts

The Trust continues to fund two research posts, one at the University of Clyde and one at the Almond Institute of Technology. The funding of posts, which combine educational roles with an explicit interest in Alzheimer's disease research, is a cornerstone of the Trust's long term philosophy of raising awareness and knowledge. The Trust is pleased to continue these important collaborations.

- **University of Clyde** - The Alzheimer's Drug Therapy Initiative is a phased research project to address a gap in clinical knowledge in the use of 'inhibitor' drug therapies for Alzheimer's patients. This research receives no funding from pharmaceutical companies and is in its second phase studying the longer term effectiveness of these medications. This ground breaking research will help clarify who may benefit from treatment and will provide data not otherwise available to clinicians. Initial findings indicate an improvement or stabilisation of cognitive, functional and behavioural abilities of some patients where therapies commenced at mild to moderate stages of the disease. These studies are already providing vital information to clinicians about the ability of drug therapy to slow the progression of this disease.

- **Almond Institute of Technology** - The changes to the brain that cause Alzheimer's disease begin many years before the development of the symptoms that currently lead to diagnosis. The ability to detect the earliest signs that someone may develop Alzheimer would enable treatments to commence at an earlier stage before there has been extensive brain damage. The nature of this research is long term and will involve evaluation of clinical symptoms such as memory and personality changes and genetic factors of a volunteer group. The planning stage for this research has now been completed and the volunteer and control groups are in place. The short term goal will be to determine whether adult children of parents with Alzheimer's display more potential indicators than a control group. The longer term aim is to contribute to the development of tests that clinicians can use to assess the risks of developing Alzheimer's and enable early treatments that may be able to halt the development of the disease.

b) The innovation programme

This programme of applied research established in 2015 focusses on the care of Alzheimer sufferers and the practical support that can be provided to help their carers. The funding of the Almond Institute of Technology's community outreach programme will enable the Institute to evaluate the impact of Alzheimer's disease on family and carers, and to evaluate the pre-admission circumstances of sufferers to a nursing home or hospital in-patient facility. The research aims to identify best practice and to apply it in the community setting to relieve the burden on carers and permit a sufferer to remain longer with their family. The programme is showing that the use of home aids, emergency call alarms, the deployment of occupational health and district nursing services effectively, and the combined use of music and aromatherapy all provide demonstrable benefit to sufferers and their carers.

Following the early success of the grant funded programme at Almond Institute of Technology, the trustees approved the extension of the grant for a further year with up to a further 2 years to be considered.

Our commitment is to publicly disseminate the outcomes of the innovation research. We disseminate the findings of our research via educational bulletins and presentations, and we work closely with NHS Scotland. We aim to ensure that the practical results of the work we fund is available to all to, irrespective of nationality, gender, and personal means, so that the research findings impact on the lives of sufferers and their families.

c) Student grant awards

Our support of research degrees is a key element of our educational strategy of enhancing clinical, care and research expertise. The research undertaken contributes to the understanding of the causes of Alzheimer's disease, effective treatments and ensuring the best possible care for sufferers.

The year proved very successful in terms of the number of grants and amount of funds awarded. The standard of applications was consistently high and the internet based advice and application process has reduced the number of poor quality or inappropriate applications. The trustees were pleased to see a continued high quality of applications, with 19 new PhD and masters scholarships awarded from 30 applications (63%). This approval rate has remained stable at between 60% and 70% since 2006. The trustees are pleased to note that the vast majority of PhD students successfully obtain clinical or research fellow posts and on average obtain their PhD in under 4 years. During the year 15 PhD's and 8 master students funded by the Trust completed their studies. In total over 70 academic papers on Alzheimer's related topics were published around 70% of which resulted in identifiable advances in research or treatment of the condition.

The number of grants cancelled or recovered continues to be a small proportion of the funds awarded with £18,000 of grants cancelled or recovered in 2016 (£10,000 in 2015). Cancellation or

recovery is largely due to students dropping out in the first few months or not taking up their PhD or masters place.

d) CG scholarship awards

Three grants were made from the CG Scholarships Fund to the University of Annan to provide funding for institutional bursaries for students at the university to undertake relevant research. The university demonstrated to the Scientific Sub Committee both a proven track record of Alzheimer's research and the capacity to identify, select and monitor students undertaking Alzheimer's disease research.

A planned grant to the Higher College de Brugges for institutional bursaries for genome research was still unable to proceed and negotiations have been protracted since 2014. The trustees hope that this award will be made in 2017.

It remains the trustees' policy to make two or three large, single year or multi-year grants a year from the CG scholarship fund rather than many smaller ones.

Monitoring achievement

The success of the postgraduate programme is evaluated using the percentage of successful PhD applications, the number and average duration of successful PhD students' studies and the number of academic papers accepted for publication from those supported by the Trust. Any increase in the percentage of PhD students not completing their studies successfully would initially be addressed through dialogue with the university department overseeing the postgraduate studies to understand the situation and then consider the way forward with that institution.

Pure and applied research is assessed by the completion of approved research projects within the planned timescale for the project and the number of research projects for which the findings have been published in reputable peer reviewed journals. The outcome of the research is also assessed by the identification of the changes or improvements to clinical or care practices stemming from the research.

The timescale from the initial research ideas to changes in practice or therapies can be very lengthy and so the trustees look for timely and appropriate reporting tailored to the nature of the research and its likely outcomes. The annual report is an opportunity to take stock of how far each research project has progressed and acts more as snapshot celebrating the journey, or a final outcome, rather than a full synopsis of achievement. For a fuller review of all our research and the full story from the beginning for each of our funded research programmes review our publication - 'Outcomes of research' which can be downloaded at:

www.almond.org/research/outcome/info.html

Our key performance indicators are summarised in the table below.

	Outcome 2016	Target 2016	Outcome 2015	Target 2015
Postgraduate scholarships percentage successful applications	63%	70%	61%	70%
Trust funded postgraduate scholarships completed	23	20	18	20
Postgraduate scholarships Average duration of PhD	3 years 10 months	3 years	4 years 1 month	3 years
Number of academic papers accepted from postgraduate scholarship students	26	20	22	20
Number of research projects published	4	3	2	3
Percentage of research projects publishing within 2 years of completion	100%	100%	66%	100%

The performance of the CG Scholarships Fund grants and the applied research programme are monitored using reports from the institutions concerned. These progress reports provide feedback which influences whether or not further grants will be given to that institution.

Financial review

The Trust's work is entirely reliant on income and investment returns from its share portfolio. Following the broader improvement in the UK and leading economies, the value of the unrestricted investments has increased with a gain before investment costs of £407,000 (see note 15 to the accounts) with income generated of £931,000.

The expendable endowment (CG Scholarships Fund) also benefitted from more favourable investment market conditions with a capital gain before investment costs of £8,000 (see note 15 to the accounts). The fund generated investment income of £383,000 to support the CG scholarship awards.

Of the £1,040,000 paid in grants, £798,000 of grant funding was awarded to fund postgraduate studies. Details of the grants made to institutions can be found in note 7 to the accounts.

Investment policy and performance

Our investment advisors (The Investment Group) are instructed to invest to maximise the total return on permanent endowment funds within the constraints of a medium to low risk investment portfolio. The expendable endowment is managed as a medium risk portfolio with a bias towards higher income yielding stock. The investment brief is broadly defined but the ethical criteria prohibit investment companies that manufacture armaments, alcohol or tobacco.

The high levels of stock market volatility and the continuing uncertainty regarding world economic prospects and the stability of certain banks continues to make the management of investments difficult. The charity is a long term investor and stock markets remain above seen in the mid 1980s and the trustees, on professional advice, continue to hold a mixed portfolio of equities, bonds, cash and other investments designed to provide a level of stable income and the possibility of investment gains. The equity component of the investment portfolio is weighted with medium appetite for investment risk with the main exposure to investments in the leading advanced industrial economies with a history of paying dividends.

The total return on all investments, before fees, for 2016 was 5.0% (5.2% in 2015) against a target return of 8.5% (capital growth with dividends and yield reinvested). This compares with the FTSE All-Share Index benchmark of 7.6%.

Risk management

The principal risks faced by the Trust lie in the performance of investments and operational risks from ineffective grant making and the capacity of the Trust to make effective grants.

The trustees consider variability of investment returns to constitute the charity's major financial risk. This is mitigated by retaining expert investment managers and having a diversified investment portfolio.

The operational risk from ineffective research and student grant awards that are ineffective in advancing knowledge and practice to the benefit of those suffering from Alzheimer's disease and related conditions is managed by firstly retaining trustees of sufficient skill and expertise to Chair our Scientific and Scholarship Sub Committees and secondly through the quality of the institutions and people who we support. The process of reporting and review assists us, and those we support, in keeping track of how research and knowledge is developing. This review process retains our focus on the public benefit derived from our funding of their work.

The risk of a lack of capacity to effectively manage the research grants programme is mitigated by an annual review by the Chair and the Nominations Sub Committee of the current and historical track record of achievement in their expert field of the trustees and members of the various sub committees. By retaining experts active in the field we are assured that their technical knowledge is up to date and that they have the depth of insight to effectively evaluate the grant proposals and requests for assistance or sponsorship.

Reserves policy

The charity has considered the reserves required and have taken into account their current and future liabilities. The trustees aim to maintain free reserves in unrestricted funds at a level which equates to approximately three months of unrestricted charitable expenditure. The trustees consider that this level will provide sufficient funds to respond to applications for grants and ensure that support and governance costs are covered.

The balance held as unrestricted funds at 30 September was £20,797,000 of which £367,000 are regarded as free reserves, after allowing for funds tied up in tangible fixed assets and investments. Actual 3 month cash payments totalled £263,000. The current level of reserves is therefore higher than is needed and the charity will make additional grant awards as appropriate in the next financial year to reflect this.

The trustees consider the reserve requirements of the restricted CG Scholarships Fund separately. The income from the restricted CG Scholarships Fund is generated from the gift of expendable endowment. The trustees consider this fund to be primarily an investment fund held to generate income and aim to ensure the stability of the specific grant making programme funded by it. To ensure stability in the grant making programme a separate restricted reserve equivalent to 12 months expenditure is held. The funds retained at 30 September were £90,000 against an annual spend of £297,000. The trustees intend to maintain the planned level of grants made, including commitments, by spending a portion of the expendable endowment in 2017 if needed.

Plans for the future

The Almond Grant Trust is a lasting testimony to the generosity and charitable concerns of the donors, the Grant Family. The core of the trustees' approach to promoting research interest in the management and eventual remedy for Alzheimer's disease is the PhD and educational and research programmes.

We continue to work with our key partners in the NHS Commissioning Framework with whom we promote our shared interest in medical research and the dissemination of information on symptoms, treatments and support available to sufferers of Alzheimers and their relatives and carers. An area of fresh focus is guidance to GPs on spotting the onset of Alzheimers and advice on the new benefits system and allowances available to carers. Our medium term goal is to influence and shape emerging NHS treatments and commissioning plans in the field of care of the elderly and Alzheimer's disease.

In the next 12 months, the trustees anticipate:

- An increase in PhD awards, subject to a continued favourable investment climate.
- The continuation of the innovation grant project with Wakefield Institute of Technology.
- The potential for a CG Scholarship award in support of the genome project, based at the Higher College de Brugges, and the continuation of the CG Scholarships programme.
- Continuation of the funding for the current research posts and consideration to funding an additional 2 posts, subject to investment returns.

Structure, governance and management

The Trust is a registered charity, number SC072165, and is constituted under a trust deed dated 17 May 1964. The Trust was established by an initial gift from Sir Christopher Grant in 1964 following the death of his beloved wife, Lady Rosanna Grant, from complications associated with Alzheimer's disease. Over the years the Grant family has made substantial gifts to the charity and the legacy of the Almond Grant Trust is a lasting tribute to Sir Christopher and Lady Rosanna. The Trust does not actively fundraise and seeks to continue the charitable work desired by the donor through the careful stewardship of its existing resources.

New trustees are appointed by the existing trustees and serve for five years after which they may put themselves forward for re-appointment. The Trust Deed provides for a minimum of three trustees, to a maximum of nine trustees, with no more than three trustees due for re-appointment in any one year.

At the quarterly trustees' meetings, the trustees agree the broad strategy and areas of activity for the Trust, including consideration of grant making, investment, reserves and risk management policies and performance. The day to day administration of grants and the processing and handling of applications prior to consideration by the relevant sub committee is delegated to the Chief Executive.

Assisting the trustees, the Scientific and Scholarship sub committees meet at least quarterly, prior to the main trustees' meeting, to consider new grant applications fulfilling the relevant criteria and make recommendations for funding. The sub committees also consider the monitoring information concerning the performance of grants to date, and make recommendations to the trustees concerning the extension, cessation or suspension of existing grant approvals. The sub committees have the power to co-opt academic experts as scientific or educational advisers.

The trustees gratefully acknowledge the long service, dedication and support of both Paula Murphy in chairing the Scholarship Sub Committee and Professor Osborne Jones for his role in chairing the Scientific Sub Committee.

The trustees seek to follow the good practice 'Charity Trustees Guide' issued by ICSA. We convene the Nominations Sub Committee on a regular basis to keep the skills and composition of the trustee body and succession planning under review and, where needed, to recruit new trustee(s) for their experience, empathy and knowledge of the charity. The trustees have also developed a code of conduct for trustees including formal statements of role and responsibilities and provision for trustee training.

New trustees may be sought by open advertisement or through a dialogue with major grant recipients and medical research institutions. Respecting the ethos of the Trust to continue the charitable work intended by the donor, the views of the Grant family, who remain generous donors, sponsors and advocates for the charity, are also taken into account when appointing from the shortlist drawn up by the Nominations Sub Committee. The ultimate decision on selection is a matter for the trustees.

On appointment, new trustees sign a model trustee declaration statement committing them to giving of their time and expertise. There is a formal induction programme for any newly appointed trustee, which includes an initial meeting with the Chair and the trustees, followed by a series of short meetings with the Chief Executive on investments, the grant making process, powers and responsibilities of the trustee board and sub committees. The welcome pack includes a brief history of the Trust, copy trustee board and sub committee minutes, a copy of the last three years' of annual reports and accounts, a copy of the governing trust deed and a copy of the Scottish Charity Regulator's Guidance: Guidance for charity trustees.

The Trust is a member of the Association of Charitable Foundations (ACF). The ACF provides helpful information on good practice, changes in the law affecting charities and acts as an authoritative lobby on behalf of the charitable foundations with the government and regulators.

Key management personnel remuneration

The trustees consider the board of trustees and the chief executive as comprising the key management personnel of the charity in charge of directing and controlling the charity and running and operating the charity on a day to day basis. All trustees give of their time freely and no trustee remuneration was paid in the year. Details of trustee expenses and related party transactions are disclosed in note 2 to the accounts.

Trustees are required to disclose all relevant interests and register them with the Chief Executive and in accordance with the Trust's policy withdraw from decisions where a conflict of interest arises. Neither the Trust nor any of the trustees have interests with the pharmaceutical industry but any such interests would be disclosed.

The pay of the charity's chief executive is reviewed annually and normally increased in accordance with average earnings. In view of the nature of the charity, its economy of operations, and the extensive use of professional advisers to the trust board, the trustees consider that a multiple of up to three times the median average salary for UK employees is appropriate for this role. The remuneration is also bench-marked with grant-making charities of a similar size and activity to ensure that the remuneration set is fair and not out of line with that generally paid for similar roles.

Reference and administrative information

Trustees

Mary Hope, Chair of Trustees

Roger Jones, Treasurer

Professor Osborne Jones, Chair of Scientific Sub Committee

Paula Murphy, Chair of Scholarship Sub Committee

Mark Robbins

Adrienne Rothbury (reappointed 1 September 2015)

Samantha Pryce

Chief Executive

Obidiah MacDonnel

Principal Office

One Office, Office Street, Clyde, CW1 3LA

Charity Number: SC072165

Auditors

T Charity Auditor, Glasgow, G2 4BJ

Bankers

ABC Bank, 40 Finsbury Square, Glasgow, G2 4BS

Solicitors

Z Charity Solicitor, Glasgow, G4 4B2

Investment Managers

The Investment Group, 45 Finsbury Square, Glasgow, G2 1BJ

Trustees' responsibilities in relation to the financial statements

The charity trustees are responsible for preparing a trustees' annual report and 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 charity trustees to prepare financial statements for each 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 the financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

The trustees 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 trustees on 12th January 2017 and signed on their behalf by:

M Hope

M HOPE CHAIR of TRUSTEES

The Almond Grant Trust
Statement of Financial Activities
for the year ending 30 September 2016

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
Income and endowments from:						
<i>Donations:</i>						
Gift of expendable endowment		-	-	-	-	461
Investment income	3	931	383	-	1,314	1,360
Total income		931	383	-	1,314	1,821
Expenditure on:						
<i>Raising funds:</i>						
Investment management costs	5	109	-	17	126	120
<i>Charitable activities:</i>						
Research	7	138	-	-	138	127
Education		660	297	-	957	690
Innovation		145	-	-	145	-
Cost of grant making		943	297	-	1,240	817
Total expenditure		1,052	297	17	1,366	937
Net income/(expenditure) and net movement in funds before gains and losses on investments		(121)	86	(17)	(52)	884
Net gains/(losses) on investments	11	407	-	8	415	(103)
Net income/(expenditure)		286	86	(9)	363	781
Transfers between funds		-	(17)	17	-	-
Net movement in funds		286	69	8	363	781
<i>Funds reconciliation</i>						
Total Funds brought forward		20,511	21	6,503	27,035	26,254
Total Funds brought carried forward		20,797	90	6,511	27,398	27,035

The Almond Grant Trust
Balance Sheet as at 30 September 2016

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds 2016 £'000	Prior Year 2015 £'000
Fixed assets:						
Tangible assets	10	19	-	-	19	20
Investments	11	20,392	-	6,511	26,903	26,664
Total Fixed Assets		20,411	-	6,511	26,922	26,684
Current assets:						
Debtors	12	31	-	-	31	42
Cash at bank and in hand		959	90	-	1,049	860
Total Current Assets		990	90	-	1,080	902
Liabilities:						
Creditors falling due within one year	13	394	-	-	394	368
Net Current assets		596	90	-	686	534
Total assets less current liabilities		21,007	90	6,511	27,608	27,218
Creditors: Amounts falling due after more than one year	13	166	-	-	166	183
Provisions for liabilities and charges		44	-	-	44	-
Net assets		20,797	90	6,511	27,398	27,035
The funds of the charity:						
Endowment funds:	15					
Expendable endowment		-	-	6,511	6,511	6,503
Restricted income funds		-	90	-	90	21
Unrestricted income funds		20,797	-	-	20,797	20,511
Total charity funds		20,797	90	6,511	27,398	27,035

The notes at pages 18 to 29 form part of these accounts.

Approved by the trustees on 12th January 2017 and signed on their behalf by:

M Hope

M HOPE CHAIR of TRUSTEES

The Almond Grant Trust
Statement of Cash Flows
For the year ending 30 September 2016

	Note	Total Funds 2016 £'000	Prior Year 2015 £'000
Net cash used in operating activities	16	(1,296)	(916)
<i>Cash flows from investing activities:</i>			
Interest and dividends		1,314	1,360
Purchase of furniture and equipment		(5)	-
Proceeds from sale of investments		176	-
Net cash provided by investing activities		1,485	1,360
<i>Cash flows from financing activities:</i>			
Receipt of expendable endowment		-	461
Net cash provided by financing activities		-	461
Change in cash and cash equivalents in the year		189	905
Cash and cash equivalent brought forward		860	(45)
Cash and cash equivalents carried forward		1,049	860

Notes to the accounts

1. Accounting Policies

(a) Basis of preparation and assessment of going concern

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: 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) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended)

The trust constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern. The most significant areas of adjustment and key assumptions that affect items in the accounts are to do with estimating the liability from multi-year grant commitments (see note 1(e) and notes 13 and 14 for more information). With respect to the next reporting period, 2016-17, the most significant areas of uncertainty that affect the carrying value of assets held by the Trust are the level of investment return and the performance of investment markets (see the investment policy and performance and risk management sections of the trustees' annual report for more information).

(b) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. No restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income/(expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for the presentation of investment gains/(losses) as a component of reported income.

Reconciliation of reported net income	£'000
Net income/(expenditure) as previously stated	884
Adjustment for gains/(losses) on investments now treated as a component of net income	(103)
2015 net income as restated	<u>781</u>

(c) Funds structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds where the trustees, at their discretion, have created a fund for a specific purpose.

The expendable endowment fund is the CG Scholarship Fund, created by a gift from the Grant family. The income of this trust is restricted to providing grants to institutions to allow them to provide scholarships to postgraduate students carrying out research into Alzheimer's disease. The terms of the endowment allow the capital of the fund to be spent if the trustees so determine.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed. There is a single restricted fund, the CG Scholarship Income Fund, restricted to providing grants to institutions to allow them to provide scholarships to postgraduate students carrying out research into Alzheimer's disease.

Further details of each fund are disclosed in note 15.

(d) Income recognition

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donations, are recognised when the Trust has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Legacy gifts are recognised on a case by case basis following the granting of probate when the administrator/executor for the estate has communicated in writing both the amount and settlement date. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title to the asset having been transferred to the charity.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment advisor of the dividend yield of the investment portfolio.

(e) Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings. For more information on this attribution refer to note (g) below.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Trust. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the one-year or multi-year grant. Grants awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attaching to that grant is outside of the control of the Trust.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty as to the timing of the grant or the amount of grant payable.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit the Trust to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant award is made. This discount rate is regarded by the trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust.

(f) Irrecoverable VAT

Irrecoverable VAT is charged against the expenditure heading for which it was incurred.

(g) Allocation of support and governance costs

Support costs have been allocated between governance costs and other support costs. Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs.

Governance costs and support costs relating to charitable activities have been apportioned based on the number of individual grant awards made in recognition that the administrative costs of awarding, monitoring and assessing research grants, salary support grants and postgraduate scholarships are broadly equivalent. The allocation of support and governance costs is analysed in note 5.

(h) Costs of raising funds

The costs of generating funds consist of investment management costs and certain legal fees.

(i) Charitable activities

Costs of charitable activities include grants made, governance costs and an apportionment of support costs as shown in note 6.

(j) Tangible fixed assets and depreciation

All assets costing more than £1000 are capitalised and valued at historical cost. Depreciation is charged on furniture and equipment on a straight-line basis over their estimated useful life of six years from the year of acquisition.

(k) Fixed asset investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

The Trust does not acquire put options, derivatives or other complex financial instruments.

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

(l) Realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

(l) Pensions

Employees of the charity are entitled to join a defined contribution 'money purchase' scheme. The charity contribution is restricted to the contributions disclosed in note 8. There were no outstanding contributions at the year end. The costs of the defined contribution scheme are included within support and governance costs and charged to the unrestricted funds of the charity using the methodology set out in note 5.

The money purchase plan is managed by Reliable Insurances Plc and the plan invests the contributions made by the employee and employer in an investment fund to build up over the term of the plan. The pension fund is then converted into a pension upon the employee's normal retirement age which is defined as when they are eligible for a state pension. The total expense ratio of the plan is 2.5% and this is deducted from the investment fund annually. The Trust has no liability beyond making its contributions and paying across the deductions for the employee's contributions.

(m) Contingent liabilities

A contingent liability is identified and disclosed for those grants resulting from:

- a possible obligation which will only be confirmed by the occurrence of one or more uncertain future events not wholly within the trustees' control; or
- a present obligation following a grant offer where settlement is either not considered probable; or
- the amount has not been communicated in the grant offer and that amount cannot be estimated reliably.

2. Related party transactions and trustees' expenses and remuneration

The trustees all give freely their time and expertise without any form of remuneration or other benefit in cash or kind (2015: £nil). Expenses paid to the trustees in the year totalled £982 (2015: £875). These expenses were made up of 6 trustees reimbursed for their travel expenses of £475 (2015: £455) and seminar and conference related travel expenses for 2 trustees of £507 (2015: £420).

Professor Osborne Jones is also a member of the governing body of the University of Slough and the spouse of the Head of Faculty for Medical and Natural Sciences, University of Slough, which was in receipt of a grant for £58,000 to fund a higher education research and teaching post (note 8). Professor Jones played no part in the application for funding and withdrew from both the Scientific Sub Committee, when the assessment of the application was made, and the trustees' meeting, when the grant approval was given.

In the year, the award of a PhD grant was approved for Grace Murphy, the daughter of Paula Murphy, Chair of the Scholarship Sub Committee. Applications for a PhD are approved purely on merit and Paula Murphy withdrew from both the Scholarship Sub Committee, when the assessment of the grant application was made, and the trustees' meeting at which the grant was approved. The student grant awarded in 2015 was £8,550 relating to the final year of her doctorate studies.

The charity made £2,560 of contributions to the pension plan operated by Reliable Insurances Plc on behalf of the employees (2015: £2,240). For more information about the pension contributions refer to note 1 (l).

3. Investment income

	2016	2015
	£'000	£'000
Dividends - equities	1,019	1,020
Interest - fixed interest securities	286	333
Interest on cash deposits	9	7
	<u>1,314</u>	<u>1,360</u>

In 2016 of the investment income, £383,000 (2015:£21,000) was attributable to restricted income funds with the balance of £931,000 (2015: £1,339,000) adding to unrestricted funds.

4. Investment management costs

	2016	2015
	£'000	£'000
Legal fees	6	5
Investment management fees	120	115
	<u>126</u>	<u>120</u>

In 2016, £109,000 (2015: £107,000) of investment management costs were attributable to unrestricted funds and £17,000 (2015:£13,000) were attributable to endowment funds

5. Allocation of governance and support costs

The breakdown of support costs and how these were allocated between governance and other support costs is shown in the table below:

Cost type	Total allocated £'000	Governance related £'000	Other support costs £000	Basis of apportionment
Staff costs	74	11	63	Staff time
Office rental and costs	29	4	25	Staff time
Computer costs	23	6	17	Software cost and usage
Depreciation	6	1	5	Staff time
Total	<u>132</u>	<u>22</u>	<u>110</u>	

Allocation on staff time is based on a survey of time spent at trustee meetings on each activity. Software usage is based on items posted as recorded in the accounting system's administrative audit record of transactions.

Governance costs:	2016	2015
	£'000	£'000
Trustee expenses	1	1
Consultancy (governance review)	40	-
Auditor's remuneration	10	10
Legal fees	9	4
Costs of meetings	8	6
Support costs (see above)	22	22
	<u>90</u>	<u>43</u>

The total support cost attributable to charitable activities is then apportioned pro rata to the number of grants awarded as shown in the table below. The trustees have decided to meet all governance costs from unrestricted funds and so no allocation or charge is made to restricted funds for any governance related costs.

Allocation of governance and other support costs:	2016	2015
	£'000	£'000
Research	28	22
Education: PhD awards	152	102
CG Postgraduate scholarships	7	-
Innovation	13	-
Total allocated	200	124

6. Analysis of charitable expenditure

The charity undertakes its charitable activities through grant making and awarded grants to a number of individuals and institutions in furtherance of its charitable activities.

	Grant funded activity	Support and governance costs	Total 2016	Total 2015
	£'000	£'000	£'000	£'000
Funded from unrestricted funds:				
Research	110	28	138	127
Education:				
▪ PhD awards	508	152	660	690
Innovation	132	13	145	-
Funded from restricted funds:				
▪ Postgraduate scholarships	290	7	297	-
Total	1,040	200	1,240	817

In 2016 the expenditure on charitable activities was £1,240,000 (2015: £817,000) of which £943,000 (2015: £817,000) was expenditure from unrestricted funds and £297,000 (2015: £nil) was expenditure from restricted funds.

7. Analysis of grants

	Grants to institutions £'000	Grants to individuals £'000
Research posts	110	-
Education:		
▪ PhD awards	-	508
▪ Postgraduate scholarships	290	-
Innovation	132	-
Total	532	508

Recipients of institutional grant(s):	Total £'000
To fund higher education research and teaching post: University of Clyde	58
To fund higher education research teaching post: Almond Institute of Technology	52
Postgraduate Scholarship funds made to University of Annan	290
To fund community social care project: Almond Institute of Technology	132
Total	532

8. Analysis of staff costs and remuneration of key management personnel

	2016 £'000	2015 £'000
Salaries and wages	64	56
Social security costs	7	5
Other pension costs	3	2
Total	74	63

The average number of full time equivalent employees during the year was 2 (2015:- 2) with all employee time involved in providing either support to the governance of the charity or support services to charitable activities.

The Trust considers its key management personnel comprise the trustees and the Chief Executive Officer. The total employment benefits including employer pension contributions of the key management personnel were £45,056 (2015: £38,912). No employees had employee benefits in excess of £60,000 (2015: none).

9. Auditor's remuneration

The auditor's remuneration constituted an audit fee of £9,000 (2015: £8,500) and additional tax advisory work of £1,000 (2015: £1,500).

10. Tangible Fixed Assets

	Total £'000
Furniture and equipment	
Cost	
At 1 October 2015	32
Additions	5
Disposals	(2)
At 30 September 2016	<u>35</u>
Depreciation	
At 1 October 2015	12
Charge for the year	6
Eliminated on disposals	(2)
At 30 September 2016	<u>16</u>
Net book value	
At 30 September 2015	<u>20</u>
At 30 September 2016	<u>19</u>

11. Fixed Asset Investments

Movement in fixed asset listed investments	2016 £'000	2015 £'000
Market value brought forward at 1 October 2015	26,664	26,767
Additions to investments at cost	750	400
Disposals	(926)	(400)
Net gains	415	(103)
Market value as at 30 September 2016	<u>26,903</u>	<u>26,664</u>

Net cash released from investments in the year was £176,000 (2015: nil).

Investments at fair value	2016 £'000	2015 £'000
Comprised:		
Equities	17,486	17,072
Fixed interest securities	8,934	8,934
Cash held within the investment portfolio	483	658
Total	<u>26,903</u>	<u>26,664</u>

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The significance of financial instruments to the ongoing financial sustainability of the Trust is considered in the financial review and investment policy and performance sections of the Trustees' Annual Report.

The main risk to the Trust from financial instruments lies in the combination of uncertain investment markets and volatility in yield. Due to 'quantitative easing' and market sentiment favouring lower risk investments, the yield on bonds has been abnormally low giving rise to a significant downside risk of a fall in capital values when interest rates return to normal levels. Although rising interest rates resulting from a stronger economy and improved economic activity should be indicative of improving dividend yields and equity values, there is a concern that the abnormal availability of 'cheap money' to the banking sector has led to wider over-valuation of traded assets (an 'asset bubble') that may depress equity values once economic conditions ease. The Trust is reliant on dividend yield in part to finance its work and this leads to a greater exposure to international companies, the values of which, together with their yield are exposed to exchange rate risk when converting the holdings into sterling. The outlook for the sterling exchange rate is that it is anticipated to weaken as European, US and Asian economies strengthen. A weakening in the exchange rate will improve sterling returns from foreign currency denominated holdings.

The default rate on fixed interest securities due to corporate failures is expected to improve with a strengthening economy. The high current demand for high quality corporate bond and government stock continues to depress the yield.

Liquidity risk is anticipated to be low as all assets are traded and the commitment to intervention by central banks and market regulators has continued to provide for orderly trading in the markets and so there ability to buy and sell quoted equities and stock is anticipated to continue. The Trust's investments are mainly traded in markets with good liquidity and high trading volumes. The Trust has no material investment holdings in markets subject to exchange controls or trading restrictions.

The Trust manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges. The Trust does not make use of derivatives and similar complex financial instruments as it takes the view that investments are held for their longer term yield total return and historic studies of quoted financial instruments have shown that volatility in any particular 5 year period will normally be corrected.

12. Analysis of current assets

	2016 £'000	2015 £'000
Prepayments and accrued income	31	42
Cash at bank	1,049	860
Total	1,080	902

All prepayments and accrued income related to unrestricted funds in both 2016 and 2015. Accrued income relates to endowment funds in both 2016 and 2015.

Cash at bank balances were as follows: unrestricted funds £959,000 (2015: £839,000), restricted income funds £90,000 (2015:£21,000).

13. Analysis of current liabilities and long term creditors

	2016 £'000	2015 £'000
Creditors under 1 year		
Innovation grant	44	-
Grants payable PhD students	350	368
Total	394	368

All creditors in 2016 and 2015 relate to unrestricted funds.

Creditors over 1 year (including provisions)	2016 £'000	2015 £'000
Innovation grant	44	-
Grants payable PhD students	166	183
Total	210	183

The trustees have accrued as a liability grants payable for PhD students based on funding for 3 years. Although each student grant is subject to an annual review, the Trust normally accepts the performance report from the host institution as the basis for continued funding. Since the progress of the student and the assessment of their progress are both outside of the control of the trustees, a full accrual for this commitment is made.

A liability has also been recognised for the innovation grant following the decision to extend the grant for two further years.

All creditors in 2016 and 2015 relate to unrestricted funds.

Movement in recognised provisions and funding commitments during the year	Charitable commitments accrued £'000
Grant commitments recognised at the start of the year	551
New grant commitments charged to the SoFA in year (see note 7)	1,040
Grants paid during the year	(987)
Amount of grant commitments recognised as at 30 September 2016	604

The majority of grants awarded are subject to performance conditions. For more information about the ways these grants are managed and the applicable performance conditions, refer to the monitoring achievement section of the Trustees' Annual Report. Those grant commitments which have not been accrued due to the level of uncertainty are discussed in note 14.

14. Grant commitments

The trustees intend to make a CG Scholarship Grant to fund postgraduate genome research aimed at identifying genetic susceptibility to dementia. The institution overseeing this research has been informed of the Trust's intention to fund an award of £200,000. However, this award is contingent on the Trust having the requisite scientific expertise to fully evaluate the research proposal and to assess progress. Due to the unforeseen resignation of Professor Emilius Brown and the delay in Professor Johannes Brown joining the Trust, it has not been possible to proceed. In the event that Professor Johannes does join the Trust, the grant application will be progressed.

15. Analysis of charitable funds

Analysis of Fund movements	Balance b/fwd £'000	Income £'000	Expenditure £000	Transfers £000	Gains and losses £'000	Fund c/fwd £000
a) Unrestricted funds	20,511	931	(1,052)	-	407	20,797
b) Expendable endowment	6,503	-	(17)	17	8	6,511
c) Restricted fund	21	383	(297)	(17)	-	90
Total	27,035	1,314	(1,366)	-	415	27,398

- a) The unrestricted funds are available to be spent for any of the purposes of the charity.
- b) The expendable endowment, the CG Scholarships Fund, was established by gift in 2015 in memory of the death of Sir Christopher. The trustees have the power to spend the capital; both the capital and income are restricted to providing scholarship funding to institutions for postgraduate student awards where the student has a specific research aim related to furthering research into Alzheimer's disease and related conditions.
- c) The CG Scholarships Income Fund (Restricted Income Fund) was established in 2015 to receive the restricted income from the expendable endowment. The Fund is only available for institutional grants with the requirement that the recipient institution(s) provide bursaries for postgraduate student awards where the student has a specific research aim related to furthering research into Alzheimer's disease and related conditions. The restricted fund is only available for institutional grants and funds all the educational and research related costs of each student together with a discretionary contribution to living expenses.

16. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £'000	2015 £'000
Net movement in funds	363	781
Deduct gift of endowment	-	(461)
Add back depreciation charge	6	6
Deduct interest income shown in investing activities	(1,314)	(1,360)
Deduct gains/ add back losses on investments	(415)	103
Decrease (increase) in debtors	11	1
Increase (decrease) in creditors	53	14
Net cash used in operating activities	(1,296)	(916)