

The **Thalidomide** Trust  
Annual Report  
for the year ended 30 September 2017

Registered Charity Number 266220

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## Trustees' Report

### Reference and administrative details

<b>Registered Name</b>	The Thalidomide Trust
<b>Charity number</b>	266220
<b>Registered address</b>	1 Eaton Court Road Colmworth Business Park Eaton Socon St Neots Cambs PE19 8ER

### Trustees

The trustees during the year and up to the date of approval were:

Sir Robert Nelson QC (Chairman)  
(appointed by the Lord Chief Justice of England and Wales)

Mark Spofforth OBE BSc FCA CTA FRSA  
(appointed by the President of the Institute of Chartered Accountants in England and Wales)

Professor Tim Briggs CBE  
(appointed by the President of the Royal College of Surgeons of Edinburgh)

Professor Caroline Glendinning BA MPhil

Marlene Winfield OBE

John Howard BSc

Professor Dame Lesley Southgate DBE DSc FRCP FMedSci  
FRCGP - retired 1 September 2017

Kevin Wesbroom MA MA FIA

Mark Benstead

David Body MA, Solicitor of the Senior Courts of England & Wales

## The Thalidomide Trust

<b>Management team</b>	Deborah Jack Executive Director	
	Jennifer Tunbridge Finance Director	
	Katy Sagoe Director of Health and Wellbeing	
<b>Medical Adviser</b>	Dr Dee Morrison MB ChB	
<b>Medical Expert</b>	Dr Claus G H Newman MBBS FRCP FRCPCH DCH	
<b>Chair of National Advisory Council</b>	Rowland Bareham	
<b>Investment Managers</b>	BlackRock 12 Throgmorton Avenue London EC2N 2DL	TwentyFour Asset Management 8 <sup>th</sup> Floor The Monument Building 11 Monument Street London EC2R 8AF
	Schroders Investment Management Limited 31 Gresham Street London EC2V 7QA	
<b>Solicitors</b>	Withers 16 Old Bailey London EC4M 7EG	Hewitsons Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
	Mercer 1 Tower Place West London EC3R 5BU	
<b>Actuaries</b>	Mercer 1 Tower Place West London EC3R 5BU	
<b>Bankers</b>	Lloyds Bank 39 Threadneedle Street London EC2R 8AU	
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN	

### Objectives and activities

The Thalidomide Trust (the “Trust”) exists to provide relief and assistance to individuals with disabilities caused by their mothers taking, during pregnancy, a preparation distributed by The Distillers Company (Biochemicals) Limited in the United Kingdom containing the drug known as Thalidomide in the late 1950s and early 1960s.

#### **Our aims**

All our beneficiaries are now in their 50s and as they age are experiencing multiple health problems which seriously impact on their quality of life and their ability to remain fully independent.

The Trust meets their increasing needs through the provision of financial support – in the form of annual grant payments – and a range of information, advice and advocacy services. To underpin this, we gather evidence on the needs and experience of our beneficiaries and undertake more detailed research on topics that are of greatest relevance to them.

In 2016, the trustees, staff and National Advisory Council (NAC) agreed a Vision and five Strategic Goals for the Trust:

**Our Vision is that .... all beneficiaries of the Trust have access to the resources and support they need to optimise their quality of life throughout their lifetime.**

**Our five strategic goals are.....**

- GOAL 1:** To ensure a beneficiary-centred approach in all Trust activities - with an emphasis on equity, empowerment and support.
- GOAL 2:** To ensure sustainability and security of income for the Trust and manage financial risk in order to effectively meet the needs of existing and new beneficiaries for the whole of their lives.
- GOAL 3:** To apply the Trust’s resources effectively and equitably.
- GOAL 4:** To ensure that all beneficiaries have access to the best possible information, advice, services and support – both within and outside the Trust – as they age.
- GOAL 5:** To inform and educate those decision-makers and service providers who have an impact on the quality of life of beneficiaries.

## **The Thalidomide Trust**

### **Public Benefit**

Although the Trust is very much focussed on the needs of a small group of beneficiaries, we also take proactive steps to deliver a broader public benefit by increasing awareness of the Thalidomide disaster and the changing needs of Thalidomide survivors and sharing our research and learning with other Thalidomide organisations and, where relevant, with the broader disability community.

The Trust supports an agreed public programme of campaigning activities led by the beneficiary Campaign Team. This is designed to achieve clear agreed outcomes, one of which is increasing public awareness of the Thalidomide scandal and the ongoing needs and challenges affecting the Trust's beneficiaries.

### **Structure, governance and management**

#### **Structure**

The Thalidomide Trust was set up in 1973 – originally as the Thalidomide Childrens' Trust and is a charitable discretionary Trust registered with the Charity Commission for England and Wales.

#### **Trustees**

The Trust is governed by a skill-based Board of nine Trustees. The Lord Chief Justice of England and Wales, the President of the Royal College of Surgeons of Edinburgh, and the President of the Institute of Chartered Accountants in England are each involved in the appointment of one trustee. Other trustees are appointed by the trustees following a structured recruitment process which is overseen by the Trust's Appointments Committee. There is direct beneficiary involvement in all trustee appointments.

The Trust has a well-defined and comprehensive programme of induction for new trustees and all trustees are offered a mentor from within the Board of Trustees.

The trustees are legally responsible for the overall management and control of the Trust, and meet as a full Board at least three times a year. One of these three meetings is an Awayday which enables the trustees and senior staff to spend dedicated time focussing on long term strategic issues.

The two key Trust Committees are the Health & Wellbeing Committee and the Finance Committee, which have met two and four times respectively during the year. The Health & Wellbeing Committee is jointly-chaired by a trustee and a beneficiary chosen by the National Advisory Council (see page 5)

Additional Committees which met on an ad hoc basis during 2016/17 are:

- Claims Committee which makes recommendations to the Board regarding whether applicants should be accepted as new beneficiaries of the Trust.
- Research Committee which oversees all research involving the Trust and its beneficiaries and commissions and shapes new research projects.

## **The Thalidomide Trust**

### **Staff Team**

The day to day running of the Trust is delegated to the Executive Director, supported by a small, dedicated and skilled staff team.

### **Remuneration Policy**

The trustees are responsible for the Trust's remuneration policy as well as deciding on the salaries for senior staff. Trustees take account of market conditions and the pay practice of other comparable charities.

### **National Advisory Council (NAC)**

The Trust Deed makes provision for the appointment of a beneficiary National Advisory Council (NAC) to advise trustees on the affairs of the Trust and for the trustees to make regulations relating to the election, re-election and removal of members of the NAC.

The NAC is currently comprised of 12 beneficiaries who are elected by the beneficiary community to represent their views and needs. Elections are held each February when three members are elected for a four year term of office. The NAC elects a chair from among the elected members.

There were two meetings of the NAC during the year, which were also attended by trustees and staff representatives, and also an NAC Awayday which was attended solely by members of the NAC.

Beneficiary representatives from the NAC attend meetings of the Board of Trustees, Finance Committee, Health & Wellbeing Committee and Research Committee to represent the views of the beneficiary community and feed these into the Trust's decision-making process.

During the year the NAC published regular newsletters to keep the beneficiary community informed. They also held a conference in November 2016 in order to provide the opportunity for beneficiaries to meet and discuss matters of common interest and concern, particularly relating to their health and wellbeing.

### **Volunteers**

A number of beneficiaries generously volunteer their time and expertise to support the Trust and, through it, the broader beneficiary community. In the last 12 months over 30 beneficiaries volunteered their time in a wide range of roles including: providing peer support; undertaking Holistic Needs Assessments (HNAs); membership of the NAC; sitting as beneficiary representatives on Trust Committees; attending meetings with the four UK Health Departments and contributing to specific projects.

### **Beneficiaries**

Prior to 31 December 2006, the trustees accepted as beneficiaries those individuals whose claim to Thalidomide damage had resulted in a settlement with The Distillers Company (Biochemicals) Limited. Diageo plc, owners of The Distillers Company (Biochemicals) Limited, ceased to accept any further claimants under their ex-gratia scheme after 31 December 2006. So since 1 January 2007, in agreement with Diageo, the Trust has taken on responsibility for assessing new applications to become beneficiaries of the Trust.

## The Thalidomide Trust

The trustees have established a robust procedure for assessing new applications, drawing on international evidence and the conclusions of the WHO conference on Thalidomide Embryopathy held in early 2014. During the year, the Trust received 46 applications from individuals who thought they may be entitled to become beneficiaries. Six individuals have met the criteria to qualify and have been accepted as beneficiaries during the twelve month period.

It is with regret that the trustees report the deaths of three beneficiaries during the year. At 30 September 2017 there were 468 beneficiaries (2016: 465).

### **Risk Management**

A key role of trustees is to identify and manage risk and they discharge this duty by developing and regularly reviewing a risk register.

The trustees have given consideration to the major risks to which the Trust is exposed and have satisfied themselves that systems or procedures are established in order to manage those risks. The risk register is reviewed by trustees annually. In addition significant risks are reviewed by Finance Committee on a quarterly basis.

The key risks identified by trustees in their 2017 risk review include:

- A lack of clarity and consistent processes for beneficiaries who lack capacity
- IT systems (including IT security, dependence on outdated bespoke systems)
- Security of future funding

Clear plans have been developed to mitigate these as far as possible. We have, with legal advice, developed a policy for beneficiaries who lack capacity and have appointed a dedicated member of staff to provide support to this small but vulnerable group of beneficiaries. We have replaced our historic bespoke IT systems with a new finance system and beneficiary database – both using commonly used IT platforms whilst further enhancing data security. We have continued to gather robust evidence on the evolving and increasing needs of our beneficiaries and to share this with our funders, together with information on how their funding is improving beneficiaries' quality of life. In addition, our 'Heads of Agreement' (a non-legally binding document which set out the agreed terms of the new Covenant with Diageo) included measures to provide greater security of future funding for our beneficiaries.

### **Achievements and performance**

Last year we set out a number of goals for 2016/17. These are set out below together with an overview of how we have taken these forward over the last 12 months:

<b>We said we would...</b>	<b>We have ...</b>
Translate our Vision and five Strategic Goals into a five year Strategic Plan for the Trust	.. produced a five year Strategic Plan through an interactive process involving trustees, NAC members and staff – and commenced implementation.
Roll out our new programme of Holistic Needs Assessments (HNAs) and draw on	.. undertaken over 120 HNAs in the first year and have gathered a wealth of information which has enabled us to

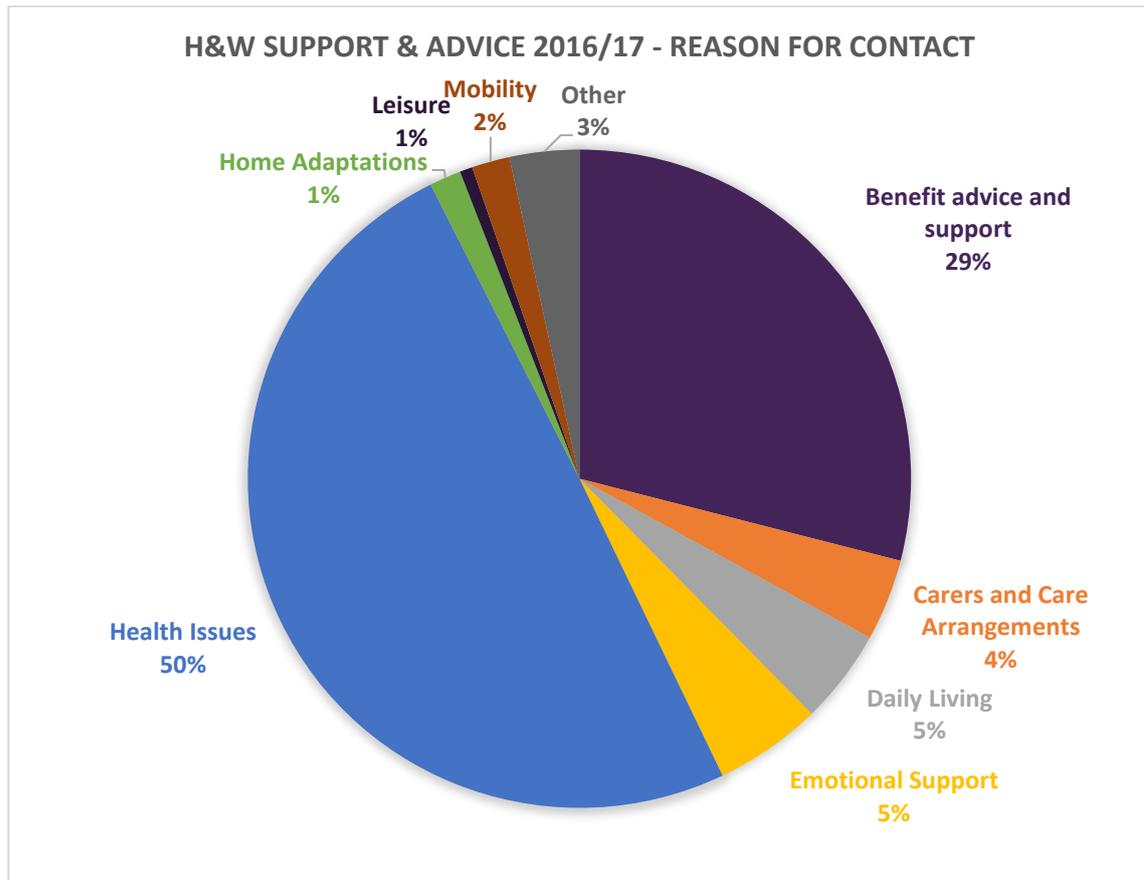
## The Thalidomide Trust

the findings to increase our understanding of current and emerging beneficiary needs.	support and empower individual beneficiaries and develop our services to meet the needs of the beneficiary community.
Continue to provide the best possible advice and support to beneficiaries making the transition from Disability Living allowance (DLA) to Personal Independence Payments (PIP) benefits.	..enhanced the range of resources available to support beneficiaries with claiming PIP, including updating the “PIP Pack” and developing new case studies. We have provided support to 73 beneficiaries from application to appeal stage.
Launch a new website with more beneficiary-generated content, including video and audio content.	.. launched our new website after extensive consultation with beneficiaries. It provides a wealth of information including beneficiary stories/case studies and video content. We are currently exploring the use of audio content.
Undertake further research into the health and wellbeing needs of beneficiaries to build on the findings of our recent ‘Changing Lives; Thalidomide at 50’ research (our first ever comprehensive health & wellbeing survey)	..undertaken qualitative research on a number of issues identified through our ‘Changing Lives’ survey including access to healthcare, balance and falls and bowel and bladder problems. We have shared our findings widely and they have helped shape the information and advice we provide to beneficiaries.
Increase the level of emotional support available to beneficiaries.	.....used HNAs to identify people in need of emotional support and used beneficiary volunteers to support people through very difficult times. We are in the process of developing a telephone based peer befriending scheme with help from a national charity.
Provide increased and personalised support to beneficiaries who lack capacity.	...appointed a dedicated member of staff to support our beneficiaries who lack capacity (and their families and carers) and have begun the process of developing detailed care plans for each of them/
Implement a new finance system and provide increased support to beneficiaries on financial management /planning.	..introduced a new finance system which improves both our internal financial reporting and the financial information we provide to individual beneficiaries. We have also worked with a number of individual beneficiaries to help them manage their money now and plan for an uncertain future.

Other key achievements over the last 12 months include:

## The Thalidomide Trust

- Holding our first ever Beneficiary Open Day at our offices in St Neots – which was well-attended and received very positive feedback.
- Developing relationships with a number of medical specialists in order to build our knowledge and increase their understanding of the needs of our beneficiaries.
- Holding a ‘local’ event in Glasgow to create a forum for beneficiaries to get together to share knowledge, create links and find out more about the support that is available from the Trust
- Providing personalised Health & Wellbeing advice and support to 364 beneficiaries (79% of the total community) on a wide range of topics.



### Plans for the future

In the next 12 months the trustees, staff and members of the NAC will work together to implement their jointly-owned Strategic Plan. Specifically, we will:

- Introduce a new peer befriending service for our beneficiaries.
- Further increase the resources available to beneficiaries – including producing a simple guide on getting the best out of the health service and a comprehensive guide to understanding and accessing social care.
- Introduce an interactive discussion board on our website to facilitate sharing of information and experiences between beneficiaries.

## **The Thalidomide Trust**

- Commence work on an initial research project with the Royal National Orthopaedic Hospital (RNOH) focussed on measuring cardio vascular risk amongst our beneficiaries.
- Continue to roll out our programme of Holistic Needs Assessments (HNAs) and draw on the findings to increase our understanding of current and emerging beneficiary needs.
- Hold a new beneficiary event focussing on financial matters.
- Extend and develop our network of external medical specialists.
- Develop an individual care plan for each of our beneficiaries who lack capacity.
- Increase communication between the NAC and the wider beneficiary community to promote further engagement.
- Ensure compliance with the new data protection regulations (GDPR).

## **Financial Review**

During the year the Trust allocated grants totaling £55.8M (2016: £29.2M) to its beneficiaries. The Trust received donations from Diageo totaling £39.4M (2016: £9.9M). The funding from Diageo included a one off additional payment of £27M agreed as a Capital Health Payment (CHP) primarily to meet the increased capital costs (for example, moving or adapting their homes) linked to the changing health and wellbeing needs of our beneficiaries as they get older.

Health Grant funding from the Health Departments of the United Kingdom totaling £8.9M (2016: £10.3M). As Health Grant funding is provided for specific, agreed health and wellbeing purposes, these are accounted for by the Trust as funds restricted for these purposes.

The Trust is committed to managing its resources effectively and achieving value for money. It operates a robust budget management system which involves regular review of activity and expenditure by budget holders, oversight by the Management Team and regular reporting of variances to the Trust's Finance Committee. As the Trust does not actively fundraise, 100% of its resources are utilised for charitable purposes. During 2016/17, 97% of outgoing resources were in the form of Grants to our beneficiaries. Of the remaining 3% of expenditure, almost 60% (excluding investment management fees) was spent on providing health and wellbeing support and financial guidance directly to our beneficiaries by our staff and volunteers. The balance of resources was utilised to administer beneficiary Grants, assess new claims, ensure effective governance of the Trust, and deliver agreed campaigning activities (see page 25)

## **Investment Objectives**

The principal objective of the investment policy is to generate sufficient income and capital return to enable the trustees to pay Annual Grants for the entire lives of the beneficiaries.

The social, environmental and ethical nature of Trust investments has been considered at length by the trustees. As some of the Trust investments are held within pooled funds the decisions regarding the selection of investments is entrusted to the investment managers who each act within their own responsibility guidelines.

## The Thalidomide Trust

As part of the process of agreeing the 2016 Covenant with Diageo, the trustees adopted an investment policy which will reduce the investment risk of the portfolio over the lifetime of the Trust. In order to achieve this, from 2017 to 2022, the trustees will continue to try to achieve higher returns for a given amount of risk through diversification and active management of the investment assets. From 2022 to 2032 trustees expect to smoothly reduce risk of the assets held within the portfolio

The current benchmark against which performance between 2017 and 2022 will be measured is represented by a portfolio comprising of 75 % passively held global equities and 25% bonds.

### Investment Strategy and Performance

The investment strategy is currently implemented through a combination of investments as set out in the table below, together with the ranges within which the policy is managed.

<b>Portfolio</b>	<b>Manager</b>	<b>Central Allocation (% of Assets)</b>	<b>Target Ranges (% of Assets)</b>
Active Global Equities	Schroders	42	25-50
Passive Global Equities	BlackRock	35	25-50
Fixed Income Bonds	BlackRock	10	5-25
Fixed Income Bonds	TwentyFour Asset Management	10	5-25
Cash	Various	3	0-20

Cash deposits are held with a variety of banks and investment managers.

Based on an annualised return, the total return on the Trust's investments for the year was 12.4% (2016: 18.5%).

Over the last five years the average rate of return has been 10.9% pa, which is slightly in excess of the benchmark of 9.8%

### Significant Investments

At the year end the following investments represented 5% or more of the total market value of investments:

	<b>£000s</b>	<b>%</b>
BlackRock Charitrak Common Investment Fund	27,067	17
BlackRock Fixed Income Global Opportunities Fund	15,077	10
TwentyFour Asset Management Global Unconstrained Bond	15,216	10
BlackRock North America	10,947	7
Schroders QEP Global Core Fund	10,925	7
BlackRock Europe	8,888	6
Schroders SISF Global Quality Fund	8,674	5

## **The Thalidomide Trust**

### **Derivative Instruments**

The trustees have authorised Schroders to use financial contracts, known as derivatives, for the efficient implementation of asset management, the management of cash flows and managing exchange rate risk. At the year end the open derivatives position was a net liability of £965,000 (note 9) (2016: net liability of £429,000).

### **Diageo Covenant**

A Deed of Covenant has been signed by the trustees and Diageo (successor to The Distillers Company). This Deed represents Diageo's commitment to their long-term support for Thalidomide Trust beneficiaries and underpins the investment policy of the Trust. The Covenant enables the Thalidomide Trust both to maintain the programme of Annual Grants to its beneficiaries and deliver ongoing support in response to their evolving and growing health and wellbeing needs.

The Deed of Covenant is reviewed by the trustees, the NAC and Diageo every six years. This year, discussions with Diageo regarding the future funding of the Trust were concluded and a Heads of Agreement – setting out future commitments – was signed. The Deed of Covenant is currently being updated to reflect the increased level of support agreed.

### **Government Health Grants**

In addition to the assets held by the Trust and the income from Diageo, the UK government supports the Trust by way of Health Grant funding agreements in place with the four UK Health Departments. These cover the next five years up until 2022, with total sums pledged over the 10 year period in excess of £100 million. This money has helped beneficiaries to respond to their growing health needs as they age – in order to maximise their independence and quality of life, minimise further deterioration and improve their health and wellbeing.

### **Grant Making and Reserves Policy**

Beneficiaries receive an Annual Grant based on their level of disability from funds that come from Diageo each year in line with the Covenant and the Trust's reserves including the interest and investment growth accrued.

The trustees' distribution policy continues to provide individual Annual Grants to beneficiaries for the whole of their lives. The trustees have to set a policy which will ensure reserves are not depleted whilst beneficiaries are in need of funding, whilst at the same time ensuring all assets are utilised by the time of the death of the last beneficiary.

### **Statement of Trustees' Responsibilities**

The trustees are responsible for preparing the Trustees' 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 England and Wales requires the trustees 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.

## The Thalidomide Trust

In preparing these financial statements, the trustees 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, comprising FRS 102, 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 trustees 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 Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. 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 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.

Signed on behalf of the trustees

**Sir Robert Nelson**  
**Chairman**

23 January 2018

# ***Independent auditors' report to the trustees of The Thalidomide Trust***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, The Thalidomide Trust's financial statements (the "financial statements"):

- give a true and fair view of the state of the charity's affairs as at 30 September 2017 and of its incoming resources and application of resources and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Charities Act 2011.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the balance sheet as at 30 September 2017; the statement of financial activities and the cash flow statement for the year then ended; and the notes to the financial statements.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charity's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Trustees' Report*

Under the Charities Act 2011 we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the trustees for the financial statements*

As explained more fully in the Statement of Trustees' Responsibilities set out on page 9, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditors' responsibilities for the audit of the financial statements*

We are eligible to act and have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

### *Use of this report*

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act (Regulation 24 of The Charities (Accounts and Reports) Regulations 2008) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Charities Act 2011 exception reporting**

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
23 January 2018

# The Thalidomide Trust

## Statement of financial activities for the year ended 30 September 2017

	Note	Unrestricted Funds £000s	Restricted Funds £000s	Total Funds 2017 £000s	Total Funds 2016 £000s
<b>Income from:</b>					
Diageo donations	3	39,427	-	39,427	9,902
Health Department Grants	5	-	8,907	8,907	10,304
Investment income	2	3,622	9	3,631	2,507
Other income		260	-	260	262
<b>Total</b>		<b>43,309</b>	<b>8,916</b>	<b>52,225</b>	<b>22,975</b>
<b>Expenditure on raising funds:</b>					
Investment management fees	4,6	(350)	-	(350)	(283)
Administrative costs	4,6	(21)	(4)	(25)	(57)
<b>Expenditure on charitable activities</b>					
Grants:					
General grants	5	(45,459)	(10,326)	(55,785)	(29,188)
Net increase/(decrease) in designated account balances	10,11	250	-	250	(463)
Costs of grantmaking	6	(109)	(90)	(199)	(172)
Beneficiary Support	6	(409)	(244)	(653)	(593)
Other costs	6	(217)	(37)	(254)	(264)
<b>Total</b>		<b>(46,315)</b>	<b>(10,701)</b>	<b>(57,016)</b>	<b>(31,020)</b>
Net gains on investments	9	13,933	-	13,933	19,943
<b>Net income (expenditure)</b>		<b>10,927</b>	<b>(1,785)</b>	<b>9,142</b>	<b>11,898</b>
<b>Transfers between funds</b>		-	-	-	-
<b>Net movement in funds</b>		<b>10,927</b>	<b>(1,785)</b>	<b>9,142</b>	<b>11,898</b>
<b>Reconciliation of Funds</b>					
Fund balances brought forward At 1 October 2016/2015	10	148,559	1,200	149,759	137,861
<b>Fund balances carried forward at 30 September 2017/2016</b>	10	<b>159,486</b>	<b>(585)</b>	<b>158,901</b>	<b>149,759</b>

All activities are continuing. All gains and losses recognised in the year are included in the Statement of Financial Activities

There is no material difference between the outgoing resources for the financial year stated above and their historical cost equivalent.

# The Thalidomide Trust

## Balance sheet as at 30 September 2017

	Note	Total Funds 30/09/2017 £000s	Total Funds 30/09/2016 £000s
<b>Fixed Assets</b>			
Tangible assets	8	368	375
Investments	9	157,766	141,864
		<u>158,134</u>	<u>142,239</u>
<b>Current Assets</b>			
Debtors and Prepayments	14	34	43
Advance of Grants	14		
amounts falling due within one year		725	1,361
amounts falling due after one year		2,813	5,447
Cash at Bank and in Hand		15,106	12,968
		<u>18,678</u>	<u>19,819</u>
<b>Creditors: amounts falling due within one year</b>			
Beneficiary nominee accounts	11,15	(17,525)	(11,925)
Creditors and accruals	15	(386)	(374)
		<u>(17,911)</u>	<u>(12,299)</u>
<b>Net current assets</b>		<u>767</u>	<u>7,520</u>
<b>Total assets less current liabilities</b>		<b>158,901</b>	149,759
<b>Creditors: amounts falling due after more than one year</b>			
		-	-
<b>Net Assets</b>		<u>158,901</u>	<u>149,759</u>
<b>Trust Funds</b>			
General fund	10	150,621	139,944
Beneficiary Designated Accounts	10,11	8,865	8,615
		<u>159,486</u>	<u>148,559</u>
Restricted fund	10	(585)	1,200
		<u>158,901</u>	<u>149,759</u>

The financial statements on pages 15 to 32 were approved by the trustees on 23 January 2018 and signed on its behalf by

**Sir Robert Nelson**  
Trustee

**Mr K Wesbroom MA MA FIA**  
Trustee

Cash flow statement for the year ended 30 September 2017

	Note	Total Funds 2017 £000s	Total Funds 2016 £000s
<b>Cash flows from operating activities:</b>			
<b><i>Net cash provided by/(used in) operating activities</i></b>		<b>491</b>	<b>(8,442)</b>
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments		3,631	2,507
Purchase of tangible fixed assets	8	(21)	(48)
Proceeds from sale of tangible fixed assets		6	8
Purchase of investments	9	(38,786)	(12,492)
Proceeds from sale of investments	9	38,264	14,863
<b><i>Net cash provided by investing activities</i></b>		<b>3,094</b>	<b>4,838</b>
<b>Change in cash and cash equivalents in the financial year</b>			
		<b>3,585</b>	<b>(3,604)</b>
Cash and cash equivalents as 1 October 2016		16,987	20,591
<b>Cash and cash equivalents as at 30 September 2017</b>		<b>20,572</b>	<b>16,987</b>
Cash held for investment	9	5,466	4,019
Cash at bank and in hand		15,106	12,968
<b>Cash as at 30 September 2017</b>		<b>20,572</b>	<b>16,987</b>
<b>Reconciliation of income to net cash provided by/(used in) operating activities</b>			
<b><i>Net income for the financial year as per the statement of financial activities</i></b>		<b>9,142</b>	<b>11,898</b>
<b>Adjustments for:</b>			
Depreciation & (profit)/loss on disposals		22	26
(Gains) on investments		(13,933)	(19,943)
Dividends, interest and rents from investments		(3,631)	(2,507)
Increase in creditors due within one year		5,612	3,063
Decrease/(increase) in debtors		3,279	(979)
<b><i>Net cash provided by/(used in) operating activities</i></b>		<b>491</b>	<b>(8,442)</b>

## 1. Accounting policies

### Basis of preparation

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) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following 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 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Trust, which is an unincorporated discretionary charitable trust, constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared on a going concern basis and accounting policies have been applied consistently, with the exception of the changes outlined in the paragraph below.

The undertaking by Diageo to make annual donation payments until 2037 and the Health Grant funding agreements that are in place until 2022, support the conclusion that the charity is a going concern.

The financial statements are prepared in sterling, which is the functional currency of the Trust and rounded to the nearest £000. The date for authorisation of the issue of the financial statements was 23 January 2018.

### Fund accounting

#### Unrestricted Funds

Unrestricted funds are expendable at the discretion of the trustees in the furtherance of the objects of the Thalidomide Trust. The Trust's level of reserves is maintained in order to meet the anticipated future grant allocations.

The General Fund and beneficiary Designated Accounts are derived from funds provided by Diageo and its predecessors, the United Kingdom Government and investment returns.

## 1 Accounting policies (continued)

### Restricted Funds

Restricted income funds are funds whose use is restricted to specific purposes according to the terms on which the funds were received. Where income is received for purposes specified by the donor that income is shown as restricted in the Statement of Financial Activities. Expenditure for the specified purposes is shown as restricted expenditure. Any unexpended balance at the balance sheet date is carried forward as a restricted income fund.

Restricted Funds are derived from the United Kingdom Departments of Health as detailed in note 5.

### Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the useful economic lives of the assets concerned.

The principal depreciation rates used are as follows:

Motor vehicles	-	25% per annum
Furniture and equipment	-	20% per annum
Buildings	-	2% per annum

The Trust has a capitalisation threshold of £2,500.

Tangible fixed assets are written down to their realisable value if it is considered there has been a permanent diminution in their value.

### Investments

Investments are stated at market value as quoted on the relevant Stock Exchange at close of business on the last working day before the year end date. Unquoted unit trust investments are stated at the market value as established by the administrators of the unit trust. Market value is based upon the buying and selling price of the underlying securities in the relevant market with allowances made for cash, accrued income and costs within the unit trust fund.

Derivatives are initially recognised at transaction value and subsequently measured at their settlement value, with the exception of bank loans, which are subsequently measured at amortised cost using the effective interest method.

### Income from investments

Income from investments is recognised when its receipt is probable and the amount receivable can be measured reliably. Any realised and unrealised gains and losses on revaluation or disposals are combined in the statement of financial activities.

## 1 Accounting policies (continued)

### Other incoming resources

Other income consists of fee income charged to beneficiaries, which is recognised upon the issuance of advances on future grants to beneficiaries. These advances are intended to assist with major property, mobility and health related purchases. The fee level is based on the cost to the Trust of making the advances, which includes the loss of income generated by the Trust's cash and investments as a result of withdrawing the cash to be advanced to the beneficiary.

### Income from rent and service charge

Income from rent and service charge is recognised on a straight line basis over the period in which the service is provided.

### Diageo donation

The Diageo donation is paid under the terms of a deed of covenant dated 12 July 2012 which sets out an undertaking to make annual payments until 2037.

The income is recognised when there is evidence of entitlement, receipt is probable and the amount can be measured reliably. For the Diageo donation, this is upon the receipt of the cash.

### Income from Health Department Grants

The UK Government supports the Trust by way of Health Grant funding agreements in place with England, Scotland, Wales and Northern Ireland up until 2022.

The income is recognised when there is evidence of entitlement, receipt is probable and the amount can be measured reliably. For the Health Department Grants, this is upon the receipt of the cash.

### Pension arrangements

The Trust operates a defined contribution pension scheme for employees. Contributions are paid into the group scheme, the assets of which are held in an independently administered fund. Contributions are charged to the statement of financial activities as they become payable. The Trust provides no other post-retirement benefits to its employees.

### Charitable expenditure

All charitable expenditure is accounted for on an accruals basis and has been classified under the category headings, which aggregate all costs related to each category, as shown in note 6. Where costs cannot be directly attributed to particular headings they have been allocated in proportion to the time spent by staff on work under each heading.

## 1 Accounting policies (continued)

### Grantmaking

Grants payable are accounted for in full as liabilities of the charity when approved by the trustees.

### Non-financial support costs

Support costs comprise the direct costs, including staff, attributable to delivering the Trust's service of support to beneficiaries.

### Governance

Governance costs cover expenditure on maintaining the constitutional and policymaking framework of the Trust and compliance with statutory requirements.

### Irrecoverable VAT

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

### Judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include the Advances of Grants amounts falling due within and after one year. The Advances will be recovered by deductions from future grants allocated to beneficiaries. If a beneficiary were to die before an Advance were fully repaid, a claim for the amount would be made against the insurance policy held by the Trust. Based on these factors, in the judgement of the Trust's management the Advances as at the year-end are fully recoverable.

## 2. Investment income

	<b>2017</b>	2016
<b>Unrestricted</b>	<b>£000s</b>	£000s
Quoted Investments and Investment Trusts	<b>2,533</b>	1,209
Listed Unit Trusts – Overseas Regulated	<b>48</b>	330
Authorised common investment fund	<b>1,032</b>	920
Term Deposit Interest	<b>9</b>	32
	<hr/> <b>3,622</b>	<hr/> 2,491
<b>Restricted Fund</b>		
Term Deposit Interest	<b>9</b>	16
Total per Statement of Financial Activities	<hr/> <b>3,631</b>	<hr/> 2,507

### 3. Diageo donation

On 12 July 2012 Diageo plc entered into a Deed of Covenant with the Thalidomide Trust which replaced earlier covenants executed by Guinness plc in 1995 and Diageo plc in 2000 and 2005.

Under the 2012 Covenant, Diageo plc agreed to provide the Trust with sufficient funds to permit a 100% uplift in real terms of the 2004 Annual Grant. This was achieved in 2014. The 2012 Covenant was reviewed during 2016 and a Heads of Agreement was agreed and signed. A new Deed of Covenant which translates the Heads of Agreement into a formal legal contract is close to being finalised. Under this agreement future increases in the Annual Grant paid to beneficiaries will be in line with the Retail Price Index (RPI.)

### 4. Investment management fees

The Investment Managers charge a fee for their services based upon an agreed percentage of the market value of the investments under management and a performance related fee.

The Investment Managers' fees charged for the year amounted to £350,000 (2016: £283,000).

In addition to the Investment Managers' fees Trust costs relating to investment management were £25,000 (2016: £57,000), which comprised of unrestricted costs of £21,000 and restricted costs of £4,000.

## 5 Grantmaking

### Unrestricted Funds: General Grants

The trustees' grant making policy has been:

#### **For beneficiaries in full control of their financial affairs**

The trustees maintain a non-interest bearing nominee account for each beneficiary.

An Annual Grant is paid into the nominee account. A beneficiary has absolute entitlement to the balance in his or her nominee account and the balance is recognised as a liability of the Trust. Beneficiaries can instruct the Trust to make payments up to the balance in their nominee accounts from which they have entire discretion over the payee, amount and frequency of the payments.

The Annual Grant is calculated with reference to the financial position of the Trust and each beneficiary's degree of disability, in accordance with the criteria applicable to distributions set out in the Trust Deed. The trustees reserve the right to amend the method of calculating the Annual Grant.

**Notes to the financial statements for the year ended 30 September 2017 (continued)**

**5 Grantmaking (continued)**

In addition to the Annual Grant, the trustees will consider requests for Major Advances (normally relating to significant one-off costs to meet mobility and housing needs) and Emergency Advances (to meet unanticipated costs in the short term).

Where a Major or Emergency Advance has been made, future Annual Grants will be reduced by the amortisation of the Advance and an agreed annual fee to reflect the costs associated with making the Advance and the reduction in the Trust's investment assets as a result of the Advances. Major Advances will normally result in a reduction to the Annual Grants for a number of years and Emergency Advances will normally result in a reduction to the following year's Annual Grant.

Following the death of the beneficiary, the balance in the nominee account forms part of the deceased's estate.

**For beneficiaries who lack capacity**

The trustees make payments to meet the needs of the beneficiary following discussion with the beneficiary's deputy or attorney officially registered to manage the beneficiary's financial affairs. Once funds have been transferred to the deputy or attorney for the benefit of the beneficiary, control of these funds passes absolutely out of the Trust.

All payments will always remain at the discretion of the trustees and will be allocated in accordance with the principles set out in the Trust Deed and in line with the Trust's policy on beneficiaries who lack capacity.

	<b>2017</b>		<b>2016</b>	
	<b>Number of beneficiaries</b>	<b>Value of grants £000s</b>	Number of beneficiaries	Value of grants £000s
Beneficiaries with capacity to manage their financial affairs	<b>455</b>	<b>43,426</b>	453	18,154
Beneficiaries who lack capacity to manage their financial affairs	<b>13</b>	<b>2,033</b>	12	765
<b>Total of Grants</b>	<b>468</b>	<b>45,459</b>	465	18,919

Notes to the financial statements for the year ended 30 September 2017 (continued)

5 Grantmaking (continued)

Restricted Funds: Departments of Health Grants

The four UK Health Departments have agreed to continue funding Health Grants for the period 2013 to 2022 at the levels provided during the original pilot scheme, adjusted by inflation.

Health Grant funding is distributed in accordance with the Trust's existing distribution policy. The costs associated with administering the scheme are met from the funding. Details of Health Grant direct and indirect costs are set out in note 6. The level of costs charged has been determined by reference to factors such as the time spent on Health Grant related work, together with appropriate proportions of operating costs.

Health Grants Funds balances brought forward and carried forward are Health Grants that have been made available in the year but not drawn down by beneficiaries (many of whom are 'saving' for large capital items to meet their health and wellbeing needs), retentions in respect of new beneficiaries and administration costs at the end of the year.

Grants which have been received by the Trust in years prior to those in which they are expected to be applied are shown in the balance sheet as cash at bank and creditors.

Trust staff and beneficiary representatives meet with each UK Health Department on an ongoing basis, to review the incoming Health Grant financing. One of the key objectives of the reviews and related negotiations is that there will be no deficits, or surpluses, remaining on any of the restricted funds when the Health Grant programme ceases. The current fund balance deficits shown are only temporary and will be eliminated by the end of the Health Grant programme. The grant funding requested from England and Scotland during year was adjusted to utilise the surplus reserves held at the end of the prior year.

Health Grants by Country

	England	Scotland	Wales	N. Ireland	Total
£000s					£000s
Fund balances as at 1 October 2016	996	466	(174)	(88)	1,200
Incoming Health Grants	6,711	914	801	481	8,907
Health Grants	(7,745)	(1,266)	(814)	(501)	(10,326)
Interest income	7	2	-	-	9
Health Grants – Indirect costs	(308)	(41)	(16)	(10)	(375)
<b>Fund balances as at 30 September 2017</b>	<b>(339)</b>	<b>75</b>	<b>(203)</b>	<b>(118)</b>	<b>(585)</b>

Notes to the financial statements for the year ended 30 September 2017 (continued)

6 Trust costs

	Unrestricted Costs						Restricted Costs	Totals 2017 £000s	Totals 2016 £000s
	Investment Management £000s	Financial Management £000s	Beneficiary Support £000s	Other Costs					
				Governance £000s	New Claims £000s	Campaigns £000s	Health Grant Costs £000s		
Staff and other HR Costs	12	30	255	29	30	6	244	606	540
Administration and Running Costs	9	52	58	9	3	-	64	195	179
Depreciation and Profit on Disposals	-	2	11	1	-	-	8	22	25
Investment Management Fees	350	-	-	-	-	-	-	350	283
	-	14	-	-	-	-	-	14	24
Actuarial fees	-	-	-	-	-	-	-	-	-
Trustees Meeting & Travel Expenses	-	-	-	6	-	-	2	8	5
Audit and Assurance services	-	3	-	15	-	-	9	27	28
Legal and Professional Fees	-	8	7	7	32	-	4	58	67
National Advisory Council	-	-	8	33	-	-	-	41	35
	-	-	-	-	-	46	-	46	50
Campaigning Costs	-	-	-	-	-	-	-	-	-
Health & Wellbeing Support	-	-	25	-	-	-	12	37	71
Individual Beneficiary review	-	-	-	-	-	-	-	-	9
New Claimants Admin & Legal Fees	-	-	-	-	-	-	-	-	4
Conferences and Events	-	-	7	-	-	-	8	15	-
Research & Development	-	-	38	-	-	-	24	62	-
Health Grant Direct Costs	-	-	-	-	-	-	-	-	49
<b>Total Unrestricted Costs</b>	<b>371</b>	<b>109</b>	<b>409</b>	<b>100</b>	<b>65</b>	<b>52</b>	<b>-</b>	<b>1106</b>	<b>1187</b>
<b>Total Restricted Costs</b>	<b>4</b>	<b>90</b>	<b>244</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>375</b>	<b>182</b>
<b>Total Costs</b>	<b>375</b>	<b>199</b>	<b>653</b>	<b>137</b>	<b>65</b>	<b>52</b>	<b>375</b>	<b>1481</b>	<b>1369</b>

Notes to the financial statements for the year ended 30 September 2017 (continued)

7 Trustee and employee information

The monthly average number of persons employed by the Trust during the year was 12 (2016:11).

<b>Staff costs (for the above persons)</b>	<b>2017</b>	2016
	<b>£000s</b>	£000s
Gross salaries and wages	<b>475</b>	434
Social security costs	<b>52</b>	44
Employer pension contributions	<b>47</b>	43
Other employee benefits	<b>24</b>	17
	<b>598</b>	538

The number of employees whose total emoluments (i.e. salary and taxable benefits) exceeded £60,000 per annum were:

	<b>2017</b>	2016
	<b>Number</b>	Number
£60,001 - £70,000	<b>3</b>	2
£100,001 - £110,000	<b>1</b>	1

Pension contributions towards a money purchase scheme paid in the year for the above staff paid more than £60,000 per annum amounted to £28,000 (2016: £38,000).

Retirement benefits are accruing under a money purchase scheme for 4 employees (2016: 3) paid more than £60,000 per annum.

No remuneration was paid to the trustees (2016: £nil). Travel and subsistence expenses of £4,100 (2016: £4,500) were reimbursed to 5 (2016: 6) trustees during the year.

The total remuneration and benefits received by the Trust's key management personnel was £237,000 (2016: £225,000) for 3 employees (2016:3).

Notes to the financial statements for the year ended 30 September 2017 (continued)

**8 Tangible assets**

Tangible assets comprise the following:

	Motor Vehicles £000s	Furniture & equipment £000s	Building £000s	Total £000s
<b>Cost</b>				
At 1 October 2016	65	9	465	<b>539</b>
Additions	21	-	-	<b>21</b>
Disposals	(17)	-	-	<b>(17)</b>
<b>At 30 September 2017</b>	<b>69</b>	<b>9</b>	<b>465</b>	<b>543</b>
<b>Accumulated depreciation</b>				
At 1 October 2016	27	8	129	<b>164</b>
Charged	17	1	8	<b>26</b>
Disposals	(15)	-	-	<b>(15)</b>
<b>At 30 September 2017</b>	<b>29</b>	<b>9</b>	<b>137</b>	<b>175</b>
<b>Net book value</b>				
<b>At 30 September 2017</b>	<b>40</b>	-	<b>328</b>	<b>368</b>
At 30 September 2016	38	1	336	375

All tangible fixed assets are unrestricted.

**9 Investments**

	2017 £000s	2016 £000s
<b>Listed Investments</b>		
UK Equities	<b>29,575</b>	24,553
US Equities	<b>2,433</b>	3,143
<b>Unlisted investments</b>		
UK Unit Trusts	-	15,961
Overseas Unit Trusts	<b>63,897</b>	52,922
UK Fixed Income Bonds	-	17,668
Global Fixed Income Bonds	<b>30,293</b>	-
UK Common Investment Funds	<b>27,067</b>	24,027
Open Derivatives Positions	<b>(965)</b>	(429)
Cash held for investments (including accrued investment income)	<b>5,466</b>	4,019
<b>Total per Balance Sheet</b>	<b>157,766</b>	141,864

All investments are held as unrestricted funds.

Notes to the financial statements for the year ended 30 September 2017 (continued)

9 Investments (continued)

The movement on investments in the year was as follows:

	<b>2017</b> <b>£000s</b>	2016 £000s
Market value b/fwd 1 October 2016	<b>141,864</b>	129,682
Less: Disposal proceeds/ share exchanges	<b>(38,264)</b>	(14,863)
Add: Purchases at cost/share exchanges	<b>38,786</b>	12,492
Realised and unrealised gains	<b>13,933</b>	19,943
Increase/(decrease) in cash held for investment (including accrued investment income)	<b>1,447</b>	(5,390)
<b>Market Value at 30 September 2017</b>	<b>157,766</b>	141,864
<b>Historical cost at 30 September 2017</b>	<b>118,277</b>	118,711

The trustees believe that the carrying value of the listed investments is supported by the underlying net assets.

Derivatives

Derivatives are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

The following table shows derivatives relation to investments.

	<b>2017</b> <b>£000s</b>	2016 £000s
Cash offset index futures	<b>(1,045)</b>	(394)
Open currency forward agreements	<b>80</b>	(35)
Open Derivatives Positions	<b>(965)</b>	(429)
Futures held as part of		
UK Equities	<b>733</b>	(1,440)
UK Unit Trusts	-	(285)
Overseas Unit Trusts	<b>333</b>	(704)

Notes to the financial statements for the year ended 30 September 2017 (continued)

10 Trust Fund

	Unrestricted funds			
	Designated Beneficiary Accounts £000s	General Fund £000s	Restricted Funds £000s	Total Trust Funds £000s
Balance as at 1 October 2016	8,615	139,944	1,200	149,759
Net incoming/(outgoing) resources as per Statement of Financial Activities	-	10,927	(1,785)	9,142
Adjustment for net (decrease) in beneficiary Designated Accounts (note 11)	250	(250)	-	-
<b>Balance as at 30 September 2017</b>	<b>8,865</b>	<b>150,621</b>	<b>(585)</b>	<b>158,901</b>
	Note 11		Note 5	

	Unrestricted funds			
	Designated Beneficiary Accounts £000s	General Fund £000s	Restricted Funds £000s	Total Trust Funds £000s
<b>Fixed Assets</b>				
Tangible	-	368	-	368
Investments	8,770	148,996	-	157,766
<b>Current Assets</b>				
Debtors and Prepayments	-	34	-	34
Advance of Grants	-	3,538	-	3,538
Cash at Bank and in Hand	95	12,780	2,231	15,106
<b>Creditors: amounts falling due within one year</b>				
Beneficiary nominee accounts	-	(14,709)	(2,816)	(17,525)
Creditors and accrued expenses	-	(386)	-	(386)
<b>Balance as at 30 September 2017</b>	<b>8,865</b>	<b>150,621</b>	<b>(585)</b>	<b>158,901</b>
	Note 11		Note 5	

Notes to the financial statements for the year ended 30 September 2017 (continued)

11 Beneficiary accounts

	Beneficiary Designated Accounts £000s	Beneficiary Nominee Accounts £000s	Beneficiary Health Grant Accounts £000s	Total 2017 £000s	Total 2016 £000s
As at 1 October 2016					
Balance Sheet creditors		8,306	3,619	<b>11,925</b>	8,854
Trust fund balance	8,615				
Annual Grant	821	17,859		<b>18,680</b>	18,919
CHP (see note below)	1,212	25,567		<b>26,779</b>	
Health Grant			10,326	<b>10,326</b>	10,269
Payments from beneficiary accounts	(1,839)	(36,967)	(11,129)	<b>(49,935)</b>	(26,580)
Transfer	56	(56)		-	-
Adjustment for net decrease/(increase) in beneficiary Designated Accounts				<b>(250)</b>	463
<b>As at 30 September 2017:</b>					
<b>Balance Sheet creditors</b>		<b>14,709</b>	<b>2,816</b>	<b>17,525</b>	11,925
<b>Trust fund balance</b>	<b>8,865</b>				
	Note 10				

Beneficiary Designated Accounts include: accounts for beneficiaries who lack capacity to control their financial affairs (as detailed at note 5); backdated grants allocated to beneficiaries; and the remaining balances of grant funds allocated prior to the enactment of Statutory Instrument 2004/1819.

Beneficiary nominee accounts include the grant funds to which a beneficiary has absolute entitlement and which have not been requested by beneficiaries at the year-end (as detailed in note 5).

Beneficiary Health Grant accounts include the Health Grant funding made available, but not requested by, or applied for beneficiaries (as detailed in note 5).

During the year a one off Capital/Health Payment (CHP) to meet the changing health and wellbeing needs of the beneficiaries was agreed and paid by Diageo.

**Notes to the financial statements for the year ended 30 September 2017 (continued)**

**12 Taxation**

The Trust is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

On 5 August 2004 HM Government passed Statutory Instrument 2004 No 1819 which allows distributions from the Trust to be paid free of income tax. During the current year and prior year all distributions to beneficiaries were paid under the terms of this statutory instrument and no income tax liability arose.

**13 Pension obligations**

**Defined contribution scheme**

Permanent staff are eligible to receive a pension provision equivalent to 10% of gross salary under a defined contribution scheme. During the year employer contributions to this scheme amounted to £47,000 (2016: £39,000).

At the end of the year other creditors and accruals included £5,000 (2016: £nil) payable in respect of employer pension contributions.

**14 Debtors**

	<b>Total funds 2017 £000s</b>	Total funds 2016 £000s
Advances of Grants		
amounts falling due within one year	<b>725</b>	1,361
amounts falling due after one year	<b>2,813</b>	5,447
Prepayments and accrued income	<b>34</b>	43
<b>Total</b>	<b>3,572</b>	6,851

As set out in note 5, the trustees will consider requests for Major Advances and Emergency Advances. The Advances consist of Major Advances and Emergency Advances balances as at 30 September 2017. Advances are recoverable from future Annual Grant allocations. Emergency Advances are recoverable within one year, Major Advances are recoverable up to a maximum of ten years.

Notes to the financial statements for the year ended 30 September 2017 (continued)

15 Creditors

	<b>Total funds 2017 £000s</b>	Total funds 2016 £000s
<b>Creditors: amounts falling due within one year</b>		
Beneficiary nominee accounts (note 11)	<b>17,525</b>	11,925
Other creditors and accruals	<b>386</b>	374
<b>Total</b>	<b>17,911</b>	12,299

16 Related Party Transactions

There were no related party transactions during the year, with the exception of those disclosed in note 7 relating to Trustee expenses.

There is no ultimate controlling party, or parent undertaking.