

The Thalidomide Trust

Annual Report and Financial Statements
for the year ended 30 September 2019

Registered Charity Number 266220

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Reference and administrative details

Registered Name	The Thalidomide Trust
Charity number	266220
Registered address	1 Eaton Court Road Eaton Socon St Neots Cambridgeshire PE19 8ER
Corporate Trustee	The Thalidomide Trust Company (incorporated on 19 January 2018 with Company Number 11160424, registered address as above)

Directors of the Corporate Trustee Company

The Directors of The Thalidomide Trust Company during the year and up to the date of approval were:

Sir Robert Nelson QC (Chair of Trustees)
Mark Spofforth OBE BSc FCA CTA FRSA
Professor Tim Briggs CBE MD(Res), MCh(Ort), FRCS
Professor Caroline Glendinning BA MPhil AcSS - retired 31 December 2019
Marlene Winfield OBE (Vice-Chair of Trustees)
Kevin Wesbroom MA MA FIA
Mark Benstead MA MBA
David Body MA Solicitor of Senior Courts of England & Wales
Professor Adrian Charles Newland CBE - appointed 1 January 2020
Professor William Andrew Owens MD FRCS(CTh) - appointed 1 January 2020

Management team	Deborah Jack - Executive Director Katy Sagoe - Director of Health & Wellbeing Jane Darlington (to 31 Dec 2018) - Finance Director Suzanne Lluch (from 20 March 2019) - Finance Director
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Medical Advisers	Dr Dee Morrison MB ChB Dr Susan Brennan MBChB MRCGP
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Medical Expert	Dr Claus G H Newman MBBS FRCP FRCPCH DCH
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Chair of NAC

Rowland Bareham (to 15 April 2019)

Geoff Adams-Spink (from 16 April 2019)

Investment Managers

BlackRock
12 Throgmorton Avenue
London
EC2N 2DL

TwentyFour Asset Management
8th Floor
The Monument Building
11 Monument Street
London
EC2R 8AF

Schroders Investment Management Limited
1 London Wall Place
London Wall
London
EC2Y 5AU

Solicitors

Withers
20 Old Bailey
London
EC4M 7AN

Hewitsons
Shakespeare House
42 Newmarket Road
Cambridge
CB5 8EP

Actuaries

Mercer
1 Tower Place West
London
EC3R 5BU

Bankers

Lloyds Bank
39 Threadneedle Street
London
EC2R 8AU

Independent auditors

PricewaterhouseCoopers LLP
The Maurice Wilkes Building
St. John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

Annual Report

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

Most of our beneficiaries are in their late 50s and a small number have reached the age of 60 in the last 12 months. As they age, they are experiencing a wide range of age-related health problems which are often exacerbated by their original thalidomide damage. This seriously impacts on their quality of life and their ability to remain fully independent.

The Trust meets their increasing complex 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.

The Trust has a Vision and five Strategic Goals which were jointly developed by the trustees, staff and National Advisory Council (NAC):

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.

Public Benefit

Although the Trust is very much focussed on the needs of a small community of beneficiaries, we also take steps to deliver a broader public benefit by sharing our research

and learning with other thalidomide organisations and, where relevant, with the broader disability community.

The Trust supports an agreed programme of campaigning activities led by the beneficiary-led Campaign Team. This is designed to achieve clear agreed outcomes, one of which is increasing public understanding of the Thalidomide scandal to help prevent similar failures occurring and to highlight 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 Children's Trust - and is a charitable discretionary Trust registered with the Charity Commission for England and Wales.

With the consent of the Charity Commission, on 29 January 2018 a new company limited by guarantee, The Thalidomide Trust Company (incorporated on 19 January 2018, Company Number 11160424), was appointed as sole Corporate Trustee of the Trust, replacing the individual trustees.

The existing trustees became the Directors of the Company. However, although legally Directors, in recognition of the fact that they function as trustees and operate within the legal frameworks and guidance of the Charity Commission, they continue to be referred to as trustees. To reflect this, they are referred to as trustees throughout this Annual Report.

Trustees (formally Directors of the Trustee Company)

The Trust is governed by a small, skilled Board who bring a wealth of experience and expertise to the charity including medical, legal, social research, governance, financial management and investment, communication and patient advocacy. Trustees are appointed through a structured recruitment process which is overseen by the Trust's Chair. 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 new trustees are offered a mentor from within the existing trustee Board.

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 Management Team 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 this year. The Health & Wellbeing Committee is jointly-chaired by a trustee and a beneficiary chosen by the Trust's National Advisory Council of beneficiaries.

Additional Committees which met on an ad hoc basis during 2018/19 are:

- Claims Committee, which considers all evidence and 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.

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 agreeing annual pay increases for the staff team. Trustees take account of market conditions and the pay practice of other comparable charities and employers in the geographic area.

National Advisory Council (NAC)

The Trust Deed makes provision for the appointment of a beneficiary National Advisory Council to advise trustees on a range of issues. 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. The trustees have responsibility for making regulations relating to the election and removal of members of the NAC.

There were two meetings of the NAC during the year, which were attended by trustees and staff representatives.

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

During the year the NAC published regular newsletters to keep the beneficiary community informed of its and the Trust's activities. They also individually produced an 'annual report' highlighting their activities and achievements over the previous 12 months and, collectively, a short video report for the beneficiaries. NAC representatives attended all Trust events, which provided opportunities for them to meet with the beneficiary community to share information and seek feedback.

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 40 beneficiaries volunteered their time in a wide range of roles including: providing peer support; membership of the NAC; sitting as beneficiary representatives on Trust Committees; attending meetings with the four UK Health Departments and contributing to various Trust projects.

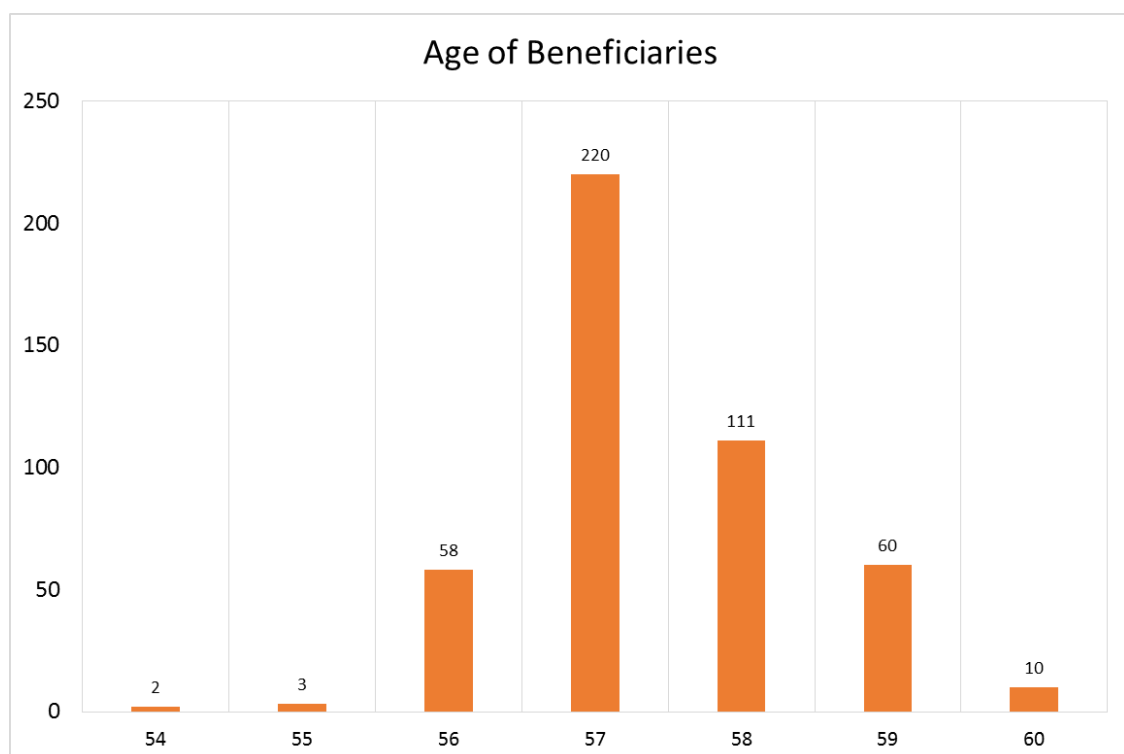
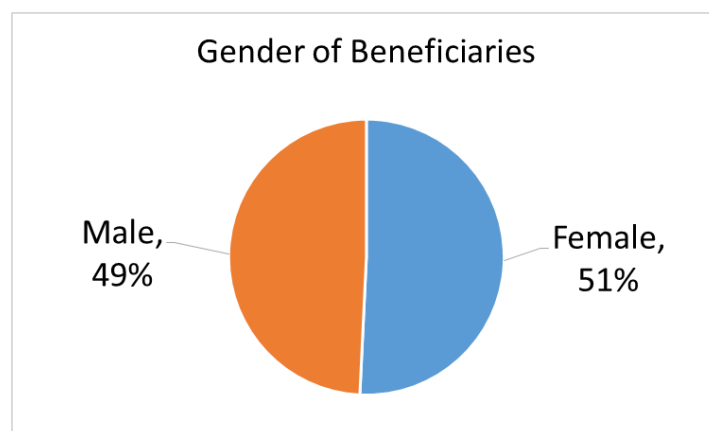
Beneficiaries

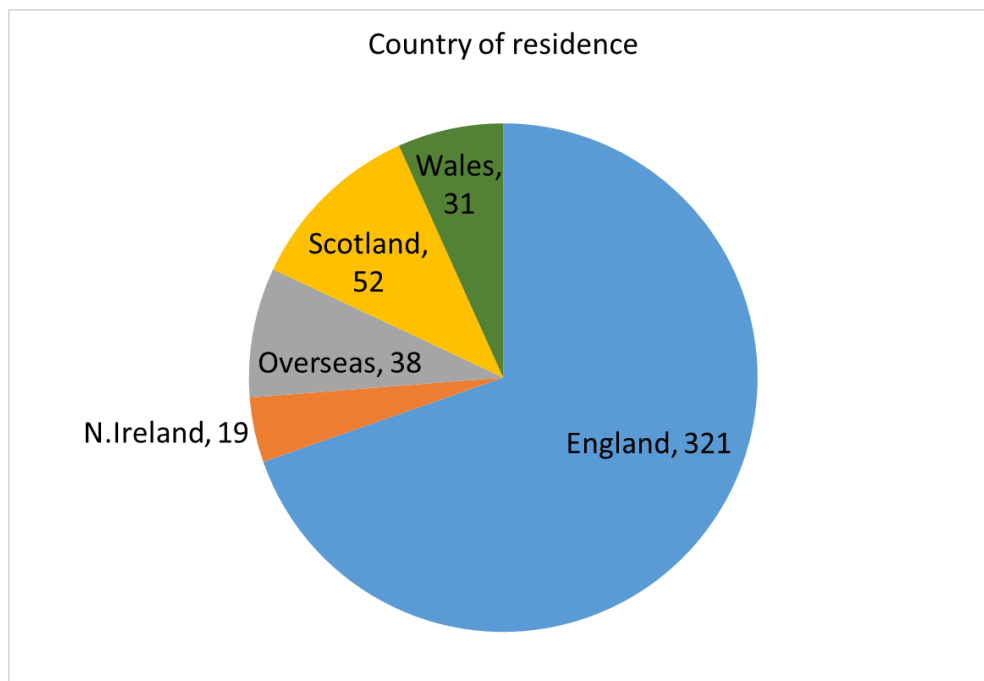
The Trust has responsibility for assessing new applications to become beneficiaries of the Trust and has established a robust procedure for assessing new applications, drawing on international evidence and the conclusions of the WHO conference on Thalidomide Embryopathy held in early 2014.

During the year, the Trust received 41 completed applications from individuals who thought they may be entitled to become beneficiaries. However, none of these individuals met the criteria to qualify for acceptance as beneficiaries.

It is with regret that the trustees report the deaths of five beneficiaries during the year. At 30 September 2019 there were 461 beneficiaries (2018: 466).

The following charts provide a breakdown of beneficiaries by gender, age and country of residence as at 30 September 2019.





Risk Management

A key role of trustees is to identify and manage risk and they discharge this duty by means of a Risk Register. The full Risk Register is reviewed by trustees annually. The most significant risks are reviewed by Finance Committee on a quarterly basis. This year, the trustees have satisfied themselves that adequate systems and procedures are in place to manage all of the identified risks.

The principal risks and uncertainties identified by trustees in their 2019 risk review continued to be the security of future funding and of the Trust's IT systems (including the risk of data security breaches or potential fraud, theft of funds and breach of beneficiary confidentiality). Plans to mitigate these significant risks as far as possible are regularly reviewed and updated by the trustees.

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 latest Covenant with Diageo includes new measures to provide greater security of future funding for our beneficiaries.

In the last 12 months, the priority recommendations from the independent IT security review commissioned in 2018 were implemented. In addition, all staff received regular updates on cyber-security.

The trustees treat safeguarding of our beneficiaries as an important priority and in the last year have updated the Trust's safeguarding policy to strengthen the protections in place – including introducing additional measures to safeguard the funds of beneficiaries whose finances are managed by a third party.

Sadly, during the 12 month reporting period, in four cases the Trust has identified and reported external safeguarding concerns relating to family members or carers to external bodies (Local Authority Safeguarding leads and/or the police).

Achievements and performance

A key recent achievement for the Trust has been the implementation of a comprehensive programme of Holistic Needs Assessments (HNAs) – a process whereby a trained member of staff visits every beneficiary who has capacity and is living in the UK, in their own home at least every three years to fully understand their needs and concerns. The primary output from the HNA is a personalised action plan for each beneficiary, but through the process we have also gathered a wealth of data that provides a picture of current and emerging needs at a community level.

The HNA process started in late 2016 and by 30 September 2019, we had undertaken a total of 382 HNAs – visiting 92% of eligible beneficiaries.

As a result of data gathered from HNAs, the Trust has made a number of changes including:

- Introducing an annual programme of small informal events.
- Putting a greater emphasis on emotional and mental health and wellbeing, alongside physical health.
- Extending the number of beneficiary volunteering opportunities, primarily to provide a greater level of peer support.
- Producing a range of resources on common health issues including pain management, and practical issues such as employing a PA.
- Providing additional intensive support for beneficiaries who have complex needs.
- Introducing a range of additional internal safeguarding responses to protect beneficiaries from financial exploitation.

We seek feedback from beneficiaries after they have had an HNA and the response has been very positive – with approximately 90% saying that they would recommend one to another beneficiary. We have also recently introduced a process of following up beneficiaries six months after their HNA and this has identified a number of positive changes introduced as a result of the HNA visit.

Last year we identified a number of ambitious goals for 2018/19. These are set out below together with an overview of how we have taken these forward over the last 12 months:

We said we would...	We have ...
... produce a 'Thalidomide Resource Pack' for GP practices who have a beneficiary patient.	... created a comprehensive resource pack for GP practices which is currently being piloted with a small number of GPs before being finalised and rolled out.
... repeat a periodic beneficiary feedback survey to gather the views of beneficiaries on the support that we are currently providing and ideas for further improvement.	... conducted a beneficiary feedback survey in January 2019 and achieved a 67% response rate.

... introduce an interactive process for beneficiaries to engage with at least two NAC members after every NAC meeting.	.. introduced a routine webinar for information/discussion following each NAC meeting (though there has been limited interest in participating to date)
... commence a new research project in partnership with the University of York which aims to improve the emotional wellbeing of beneficiaries using peer support to achieve behavioural change.	... concluded the research study and the findings and recommendations will be presented to our Research Committee in October 2019.
... create a guide for beneficiaries on employing/using Personal Assistants, drawing on the experiences of beneficiaries who have put successful arrangements in place.	.. developed a range of resources for beneficiaries on employing a Personal Assistant and now have a dedicated page on our website on this topic, which includes case studies from beneficiaries who have effective arrangements in place.
... increase the proportion of audio and video content on our website in order to increase accessibility.	.. we have significantly increased the proportion of video content on our website – both by recording regular communications (such as the Directors' Update) and introducing vlogs by external experts on key topics of interest to beneficiaries.
...undertake a review of the communication needs of all our beneficiaries who lack capacity, drawing on the expertise of a speech and language therapist, to help them articulate their needs and preferences as part of the care planning process.	.. commissioned a very detailed review of the communication needs of three of our beneficiaries who lack capacity by an experienced speech and language therapist – and agreed a set of principles and recommendations which will be translated into personalised communication plans for all beneficiaries who lack capacity over the next year.
...fully implement all the priority recommendations of our IT Security review.	.. implemented the priority recommendations from the independent IT security review and developed a plan for implementing other agreed recommendations over the next 12 months.

Other achievements over the last 12 months include:

- Initiating a significant piece of work to look at barriers to beneficiaries engaging with their health and establishing a small working group of trustees, staff and NAC members to develop a health and wellbeing engagement plan.
- Establishing a new legal entity – the valiDATE Trust - that will oversee the diagnostic algorithm developed with St George's University Hospital and support the Trust's new claims process that the algorithm enables.
- Introducing Easy Read versions of some of our key documents and subscribing to Sign Live to further improve the way we communicate with some of our hardest to reach beneficiaries.
- Producing a 'Condition Insight Report' which has been incorporated into the training and resources for all PIP Assessors to improve their knowledge of thalidomide and related health issues.
- Introducing new beneficiary volunteer roles in order to further increase the level of peer support.
- Creating new resources for physiotherapists, including a video case study - and we were delighted when the Chartered Society of Physiotherapists tweeted about it to its members!

Plans for the future

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

- Undertaking a comprehensive analysis of the data gathered from our first round of Holistic Needs Assessments (HNAs) in order to provide a comprehensive picture of the current needs of our UK-based beneficiaries.
- Completing a research study to quantify the likely future care costs for beneficiaries.
- Disseminating our new resource pack to all GP practices who have a beneficiary as a patient.
- Designing and implementing a new Exceptional Needs Fund for beneficiaries who have exceptional needs which cannot be met through their available resources.
- Developing tailored resources for Occupational Therapists with support from the Royal College of OTs (RCOT)
- Producing and implementing a Health Grant Renewal plan to ensure continuity of funding for our beneficiaries as they age and their needs increase.
- Delivering our first ever joint event with the Thalidomide Society.

Financial Review

During the year the Trust allocated grants totalling £30.2M (2018: £29.2M) to its beneficiaries. The Trust received donations from Diageo plc totalling £13.3M (2018: £12.5M).

Health Grant funding from the four Health and Social Care Departments of the United Kingdom totalled £11.1M (2018: £10.9M). 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. The Trust does not actively fundraise and 100% of its resources are utilised for charitable purposes, including charity governance. During 2018/19, 95% of outgoing resources were in the form of Grants to our beneficiaries. Of the remaining 5% of expenditure, over two-thirds (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.

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 agreed guidelines.

In line with the new 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 with a given amount of risk, managed through diversification and active management of the investment assets. From 2022 to 2037 trustees expect to smoothly reduce the investment risk of the portfolio.

The current benchmark against which performance between 2017 and 2022 will be measured is represented by a portfolio comprising of 75% 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, in line with the Statement of Investment Principles dated March 2018.

Portfolio	Manager	Central Allocation (% of Assets)	Target Ranges (% of Assets)
Active Global Equities	Schroders	42	25-50
Passive Global Equities	BlackRock	39	25-50
Fixed Income Bonds	BlackRock	9	5-25
Fixed Income Bonds	TwentyFour Asset Management	9	5-25
Cash	Various	1	0-20

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

The total annual return on the Trust's investments for the year was 3.5% (2018: 9.3%).

Over the last three years the average rate of return has been 8.4% pa, which is slightly below the benchmark of 8.7%

Significant Investments

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

	£000s	%
Schroders Global Recovery Fund	42,898	26
BlackRock North America	38,749	23
Vontobel –24AM Strategic Income Fund	15,028	9
BlackRock Fixed Income Global Opportunities Fund	14,510	9
BlackRock Europe	9,294	6

Derivative Instruments

The trustees have authorised Schroders to use financial contracts, known as derivatives, to help manage investment portfolio risk. At the year end the open derivatives position was a net liability of £37,000 (note 9) (2018: net liability of £1,000).

Diageo Covenant

A Deed of Covenant is in place, signed by the trustees and Diageo plc (successor to The Distillers Company), which sets out Diageo's commitment to long-term support for Thalidomide Trust beneficiaries and to underwrite 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. In January 2018, an updated Deed of Covenant was agreed which reflects an increased level of support from Diageo.

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 and Social Care Departments. These cover the next three 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 overall 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. The total unrestricted funds at 30 September 2019 stood at £158.1M (2018: £164.4M) whereas the Restricted Fund had a deficit of £0.3M at the year-end (2018: £0.4M) due to the timing of Health Grant receipts and payments. This deficit is expected to be eliminated by the end of the ten year Grant period.

Statement of the Corporate Trustee's Responsibilities

The Trustee is responsible for preparing the Trustee's 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 Trustee 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 their application for that period.

In preparing these financial statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP (Statement of Recommended Practice)
- 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 basis¹ unless it is inappropriate to presume that the charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure

¹ The going concern basis means that the charity has the resources to continue in operations for a minimum of 12 months from the date of signing these financial statements

that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. The Trustee is 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 Trustee is 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 Corporate Trustee:

Sir Robert Nelson
Chair of the Board of the Thalidomide Trust Company

27 January 2020

Independent auditors' report to the trustee of The Thalidomide Trust

Report on the audit of the financial statements

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 2019 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 and Regulation 8 of The Charities (Accounts and Reports) Regulations 2008).

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2019; the statement of financial activities for the year then ended, cash flow statement for the year then ended; and the notes to the financial statements which include a summary of the significant accounting policies.

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.

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.

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 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' Annual 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 the Corporate Trustee's Responsibilities set out on page 15, 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. 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 (Part 4 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.

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 by the charity; 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
27 January 2020

Statement of financial activities for the year ended 30 September 2019

	Note	Unrestricted Funds £000s	Restricted Funds £000s	Total Funds 2019 £000s	Total Funds 2018 £000s
Income from:					
Diageo donations	3	13,279	-	13,279	12,477
Health Department Grants	5	-	11,106	11,106	10,946
Investment income	2	4,609	17	4,626	4,504
Other income		149	-	149	172
Total		18,037	11,123	29,160	28,099
Expenditure on raising funds:					
Investment management fees	4,6	(598)	-	(598)	(263)
Administrative costs	4,6	(25)	(1)	(26)	(21)
Expenditure on charitable activities					
Grants	5,11	(19,618)	(10,616)	(30,234)	(29,223)
Net (decrease)/increase in Memorandum Account Balances	10,11	(4,062)	-	(4,062)	(2,184)
Costs of grantmaking	6	(107)	(73)	(180)	(165)
Beneficiary support costs	6	(683)	(258)	(941)	(732)
Other Costs	6	(212)	(30)	(242)	(232)
Total		(25,305)	(10,978)	(36,283)	(32,820)
Net gains/(losses) on investments	9	989	-	989	9,811
Net income (expenditure)		(6,279)	145	(6,134)	5,090
Reconciliation of Funds					
Fund balances brought forward	10	164,427	(436)	163,991	158,901
At 1 October 2018/2017					
Fund balances carried forward at 30 September 2019/2018	10	158,148	(291)	157,857	163,991

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

Balance Sheet as at 30 September 2019

		Total Funds 30/09/2019 £000s	Total Funds 30/09/2018 £000s
	Note		
Fixed Assets			
Tangible assets	8	327	347
Investments	9	167,977	167,676
		168,304	168,023
Current Assets			
Debtors and Prepayments	14	63	43
Advance of Grants	14		
amounts falling due within one year		640	721
amounts falling due after one year		2,252	2,967
Cash at Bank and in Hand		5,240	9,862
		8,195	13,593
Creditors: amounts falling due within one year			
Beneficiary nominee accounts	11	(18,442)	(17,335)
Creditors and accruals	15	(200)	(290)
		(18,642)	(17,625)
Net current assets		(10,447)	(4,032)
Total assets less current liabilities		157,857	163,991
Trust Funds			
General fund	10	155,529	157,746
Beneficiary Memorandum Accounts	10,11	2,619	6,681
		158,148	164,427
Restricted fund	10	(291)	(436)
		157,857	163,991

The financial statements on pages 20 to 39 were approved by the Board on 27 January 2020 and signed on behalf of the Corporate Trustee by:

Sir Robert Nelson
Director

Mr K Wesbroom MA MA FIA
Director

Cash flow statement for the year ended 30 September 2019

	Note	Total Funds 2019 £000s	Total Funds 2018 £000s
Cash flows from operating activities:			
<i>Net cash provided by (used in) operating activities</i>		<u>(9,935)</u>	<u>(9,644)</u>
Cash flows from investing activities			
Dividends, interest and rents from investments		4,626	4,504
Purchase of tangible fixed assets	8	(1)	(25)
Proceeds from sale of tangible fixed assets		-	20
Purchase of investments	9	(49,016)	(42,992)
Proceeds from sale of investments	9	49,312	40,195
<i>Net cash provided by (used in) investing activities</i>		<u>4,921</u>	<u>1,702</u>
Change in cash and cash equivalents in the reporting period		(5,014)	(7,942)
Cash and cash equivalents as 1 October 2018		12,630	20,572
Cash and cash equivalents as at 30 September 2019		<u>7,616</u>	<u>12,630</u>
Cash held for investment	9	2,376	2,768
Cash at bank and in hand		5,240	9,862
Cash as at 30 September 2019		<u>7,616</u>	<u>12,630</u>
Reconciliation of income/(expenditure) to net cash (outflow) from operating activities			
<i>Net income/(expenditure) for the reporting period as per the statement of financial activities</i>		(6,134)	5,090
Adjustments for:			
Depreciation & profit on disposals		21	26
(Gains)/losses on investments		(989)	(9,811)
Dividends, interest and rents from investments		(4,626)	(4,504)
Increase/(decrease) in creditors due within one year		1,017	(286)
(Increase)/decrease in debtors		776	(159)
<i>Net cash provided by (used in) operating activities</i>		<u>(9,935)</u>	<u>(9,644)</u>

Notes to the financial statements for the year ended 30 September 2019

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 financial statements 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 financial statements 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 (that is to say, that the charity has the resources to continue in operations for a minimum of 12 months from the date of signing these financial statements) and accounting policies have been applied consistently.

The undertaking by Diageo plc 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 27 January 2020.

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 Memorandum Accounts are derived from funds provided by Diageo plc and its predecessors, and investment returns.

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.

Notes to the financial statements for the year ended 30 September 2019 (continued)

1 Accounting policies (continued)

Restricted Funds are derived from the Health and Social Care Departments in England, Scotland, Wales and Northern Ireland as detailed in note 5.

Tangible fixed assets

As an unincorporated association, the Trust is not able to hold property in its own name. In prior years, the property was held in the names of the individual trustees. In January 2018, following the establishment of the sole corporate trustee, the Thalidomide Trust Company, title for the property transferred to the Thalidomide Trust Company. Beneficial ownership, and in substance control, remains with the Trust and the building is therefore disclosed in the financial statements of the Trust.

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.

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.

Notes to the financial statements for the year ended 30 September 2019 (continued)

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 a contribution towards 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

Income from rent 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 23 January 2018 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 and Social Care Departments

The UK Government supports the Trust by way of Health Grant funding agreements in place with the Health and Social Care Departments in 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 and Social Care Departments 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.

Grant-making

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

Notes to the financial statements for the year ended 30 September 2019 (continued)

Accounting policies (continued)

Non-financial support costs

Beneficiary 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 recognition of incoming donations and grants, and value of the Advances of Grants amounts falling due within, and after, one year.

Incoming grants and donations are considered on a year by year basis when discussions take place with Diageo plc and the four Health and Social Care Departments in the UK to consider the level of support needed for current beneficiaries. Future receipts are not anticipated within the financial statements as there is uncertainty as to the level of the receipts.

Advances of Grants are recovered by the Trust through deductions from future grants allocated to beneficiaries. Where possible, the Trust places a charge on property as security for the Advance and has further reduced the risk of the non-repayment of an Advance through an insurance policy held by the Trust. Based on these actions, in the judgement of the Trust's management the Advances as at the year-end are fully recoverable.

2. Investment income

	2019 £000s	2018 £000s
Unrestricted		
Quoted Investments and Investment Trusts	1,892	1,527
Listed Unit Trusts - UK Regulated	598	558
Listed Unit Trusts – Overseas Regulated	109	73
Authorised common investment fund	1,981	2,310
Term Deposit Interest	29	33
	4,609	4,501
Restricted Fund		
Term Deposit Interest	17	3
Total per Statement of Financial Activities	4,626	4,504

3. Diageo plc 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.

The 2012 Covenant was reviewed during 2016 and a new Deed of Covenant was formally agreed in 2018. Under the new Covenant 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 £598,000 (2018: £263,000). Within this sum are £240,000 of fees relating to 2018 which were underestimated in last year's financial statements. The figures for each year correctly allocated would be £358,000 for 2019 (2018: £503,000).

In addition to the Investment Managers' fees, Trust costs relating to investment management were £26,000 (2018: £21,000), which comprised of unrestricted costs of £25,000 and restricted costs of £1,000. This is made up of £17,000 of staff time and £9,000 of independent portfolio evaluation and analysis.

5 Grantmaking

Unrestricted Funds: General Grants

The trustees' grant making policy has been:

For beneficiaries with capacity to manage 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 Diageo Deed of Covenant. The trustees reserve the right to amend the method of calculating the Annual Grant.

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), Short-Term Advances (to enable beneficiaries to make a transition in their housing arrangements where there are complex needs) and Emergency Advances (to meet unanticipated costs in the short term).

5 Grantmaking (continued)

Where a Major, Short-Term 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 whereas Short-Term and Emergency Advances will normally result in a reduction to the following year's Annual Grant.

For beneficiaries who lack capacity to manage their financial affairs

The trustees make payments to meet the needs of the beneficiary following discussion with the beneficiary's deputy or attorney officially registered with the Court of Protection 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. However, in line with Trust's policy on beneficiaries who lack capacity, there is a requirement for regular reporting on how these funds are utilised to meet the needs of the beneficiary and professional oversight.

Until such time as beneficiaries who lack capacity have a professional deputy in place, their Annual Grants are held in Beneficiary Memorandum Accounts as designated funds.

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.

	2019		2018	
	Number of beneficiaries	Value of grants £000s	Number of beneficiaries	Value of grants £000s
Beneficiaries with capacity to manage their financial affairs	446	18,624	453	17,901
Beneficiaries who lack capacity to manage their financial affairs	15	994	13	851
Total of Grants	461	19,618	466	18,752

Restricted Funds: Departments of Health and Social Care Grants

The four UK Health and Social Care Departments provide funding for the Health Grants under an agreement for the period 2013 to 2022.

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 (both administering and monitoring /reporting activities), together with appropriate proportions of operating costs.

Notes to the financial statements for the year ended 30 September 2019 (continued)

5 Grantmaking (continued)

Trust staff and beneficiary representatives meet with each of the Health and Social Care Departments on an ongoing basis. One of the key objectives of these reviews and the related negotiations is to actively manage the level of support requested from the four UK Health and Social Care Departments and the level and nature of the Health Grant fund expenditure such that there are no long term deficits, or surpluses, on the restricted Health Grant funds.

Health Grants by Country

	England	Scotland	Wales	N. Ireland	Total £000s
£000s					
Fund balances as at 1 October 2018	(151)	111	(247)	(149)	(436)
Incoming Health Grants	8,481	1,268	857	500	11,106
Health Grants Allocation	(7,991)	(1,245)	(858)	(522)	(10,616)
Interest income	13	2	1	1	17
Health Grant - Direct costs	(36)	(20)	(3)	-	(59)
Health Grants – Indirect costs	(239)	(37)	(17)	(10)	(303)
Fund balances as at 30 September 2019	77	79	(267)	(180)	(291)

Notes to the financial statements for the year ended 30 September 2019 (continued)

6 Trust costs and net income

Unrestricted costs

Restricted Costs

	Investment Management	Costs of Grant Making	Beneficiary Support Costs	Other Costs			Health Grant recharged costs	Totals 2019	Totals 2018
	£000s	£000s	£000s	Governance & Administration	New Claims	Campaigns	£000s	£000s	(see below) £000s
Staff and other HR Costs	16	40	436	39	40	8	260	839	755
Administration and Running Costs	9	36	136	15	3	-	83	283	263
Investment Management Fees	598	-	-	-	-	-	-	598	263
Legal, Professional and Audit fees	-	31	17	23	12	-	19	102	69
National Advisory Council	-	-	5	20	-	-	-	25	16
Campaigning Costs	-	-	-	-	-	52	-	52	56
Research & Development	-	-	89	-	-	-	-	89	(9)
Total Costs	623	107	683	97	55	60	362	1988	1413
Total Unrestricted Costs	623	107	683	212			1625		1084
Total Restricted costs	1	73	258	30			362		329

	Investment Management	Costs of Grant Making	Beneficiary Support Costs	Other Costs			Costs Health Grant recharged costs	Totals 2018
	£000s	£000s	£000s	Governance & Administration	New Claims	Campaigns	£000s	£000s
Comparatives								
Staff and other HR Costs	14	35	382	35	36	7	246	755
Administration and Running Costs	6	43	127	15	3	-	69	263
Investment Management Fees	263	-	-	-	-	-	-	263
Legal, Professional and Audit fees	-	8	13	19	15	-	14	69
National Advisory Council	-	-	3	13	-	-	-	16
Campaigning Costs	-	-	-	-	-	56	-	56
Research & Development	-	-	(9)	-	-	-	-	(9)
Total Costs	283	86	516	82	54	63	329	1413
Total Unrestricted Costs	283	86	516	199			1084	
Total Restricted costs	1	79	216	33			329	

Notes to the financial statements for the year ended 30 September 2019 (continued)

6 Trust costs and net income (continued)

Net income for the year is stated after charging:

	2019 £000s	2018 £000s
Depreciation and loss on disposals	21	26
Audit Fees	34	32

7 Trustee and employee information

The monthly average number of persons employed by the Trust during the year was 17 (2018: 14).

Staff costs (for the above persons)	2019 £000s	2018 £000s
Gross salaries and wages	625	561
Social security costs	67	62
Employer pension contributions	62	57
Other employee benefits	21	28
	775	708

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

	2019 Number	2018 Number
£60,001 - £70,000	1	2
£70,001 - £80,000	1	1
£110,001 - £120,000	1	1

Pension contributions towards a money purchase scheme paid in the year for the above staff whose total emoluments exceeded £60,000 amounted to £23,000 (2018: £29,000).

No remuneration was paid to the trustees of The Thalidomide Trust Company Ltd (2018: £nil). Travel and subsistence expenses of £3,700 (2018: £3,500) were reimbursed to 6 (2018: 6) trustees of The Thalidomide Trust Company Ltd during the year.

The total remuneration and benefits received by the Trust's key management personnel was £239,000 (2018: £251,000) for 3 employees (2018: 3).

Notes to the financial statements for the year ended 30 September 2019 (continued)

8 Tangible assets

Tangible assets comprise the following:

	Motor Vehicles £000s	Furniture & equipment £000s	Building £000s	Total £000s
Cost				
At 1 October 2018	46	9	465	520
Additions	1	-	-	1
Disposals	-	-	-	-
At 30 September 2019	47	9	465	521
Accumulated depreciation				
At 1 October 2018	17	9	147	173
Charged	12	-	9	21
Disposals	-	-	-	-
At 30 September 2019	29	9	156	194
Net book value				
At 30 September 2019	18	-	309	327
At 30 September 2018	29	-	318	347

All tangible fixed assets are unrestricted.

9 Investments

	2019 £000s	2018 £000s
Listed Investments		
UK Equities	65,490	30,126
US Equities	1,427	2,307
Europe Equities	957	405
Other Equities	2,982	3,354
Unlisted investments		
Overseas Unit Trusts	62,070	96,314
UK Fixed Income Bonds	29,538	29,239
UK Common Investment Funds	3,174	3,164
Open Derivatives Positions	(37)	(1)
Cash held for investments (including accrued investment income)	2,376	2,768
Total per Balance Sheet	167,977	167,676

All investments are held as unrestricted funds.

Notes to the financial statements for the year ended 30 September 2019 (continued)

9 Investments (continued)

The movement on investments in the year was as follows:

	2019 £000s	2018 £000s
Market value b/fwd 1 October 2018	167,676	157,766
Less: Disposal proceeds/ share exchanges	(49,312)	(40,195)
Add: Purchases at cost/share exchanges	49,016	42,992
Realised and unrealised gains/(losses)	989	9,811
Increase/(decrease) in cash held for investment (including accrued investment income)	(392)	(2,698)
Market value at 30 September 2019	167,977	167,676
Historical cost at 30 September 2019	149,312	131,706

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.

The following table shows derivatives in relation to investments.

	2019 £000s	2018 £000s
Cash offset index futures	-	(339)
Open currency forward agreements	(37)	(30)
Equities Futures	-	368
Open Derivatives Positions	(37)	(1)

Notes to the financial statements for the year ended 30 September 2019 (continued)

10 Trust Fund including comparatives

	Unrestricted funds			
	Designated Beneficiary Memorandum Accounts £000s	General Fund £000s	Restricted Funds £000s	Total Trust Funds £000s
Balance as at 1 October 2018	6,681	157,746	(436)	163,991
Net incoming/(outgoing) resources as per Statement of Financial Activities	-	(6,279)	145	(6,134)
Adjustment for net decrease in beneficiary memorandum accounts (note 11)	(4,062)	4,062	-	-
Balance as at 30 September 2019	2,619	155,529	(291)	157,857
	Note 11			

	Unrestricted funds			
	Designated Beneficiary Memorandum Accounts £000s	General Fund £000s	Restricted Funds £000s	Total Trust Funds £000s
Fixed Assets				
Tangible	-	327	-	327
Investments	2,277	165,700	-	167,977
Current Assets				
Debtors and Prepayments	-	63	-	63
Advance of Grants	-	2,892	-	2,892
Cash at Bank and in Hand	342	1,713	3,185	5,240
Creditors: amounts falling due within one year				
Beneficiary nominee accounts	-	(14,966)	(3,476)	(18,442)
Creditors and accrued expenses	-	(200)	-	(200)
Balance as at 30 September 2019	2,619	155,529	(291)	157,857
	Note 11			

Notes to the financial statements for the year ended 30 September 2019 (continued)

10 Trust Fund including comparatives (continued)

Comparatives	Unrestricted funds		Restricted Funds £000s	Total Trust Funds £000s
	Beneficiary memorandum Accounts £000s	General Fund £000s		
Balance as at 1 October 2017	8,865	150,621	(585)	158,901
Net incoming resources as per Statement of Financial Activities	-	4,941	149	5,090
Adjustment for net (decrease) in beneficiary memorandum accounts (Note 11)	(2,184)	2,184	-	-
Balance as at 30 September 2018	6,681	157,746	(436)	163,991

note 11

Comparatives	Unrestricted funds		Restricted Funds £000s	Total Trust Funds £000s
	Beneficiary memorandum Accounts £000s	General Fund £000s		
Fixed Assets				
Tangible	-	347	-	347
Investments	5,727	161,949	-	167,676
Current Assets				
Debtors and Prepayments	-	43	-	43
Advance of Grants	-	3,688	-	3,688
Cash at Bank and in Hand	954	6,174	2,734	9,862
Creditors: amounts falling due within one year				
Beneficiary nominee accounts	-	(14,165)	(3,170)	(17,335)
Creditors and accrued expenses	-	(290)	-	(290)
Balance as at 30 September 2018	6,681	157,746	(436)	163,991

note 11

Notes to the financial statements for the year ended 30 September 2019 (continued)

11 Beneficiary accounts

	Beneficiary memorandum accounts £000s	Beneficiary nominee accounts £000s	Beneficiary Health Grant accounts £000s	Total 2019 £000s	Total 2018 £000s
As at 1 October 2018					
Balance Sheet- Beneficiary Nominee Accounts		14,165	3,170	17,335	17,525
Balance Sheet- Beneficiary Memorandum Accounts	6,681				
Annual Grant Allocations	1,265	18,353		19,618	18,752
Health Grant Allocations			10,616	10,616	10,471
Payments from Beneficiary Accounts	(4,754)	(18,125)	(10,310)	(33,189)	(31,597)
Transfers between Nominee and Memorandum Accounts	(573)	573			
Adjustment for net decrease/ (increase) in Beneficiary Memorandum Accounts				4,062	2,184
As at 30 September 2019:					
Balance Sheet- Beneficiary Nominee Accounts		14,966	3,476	18,442	17,335
Balance Sheet- Beneficiary Memorandum Accounts	2,619				
	Note 10				

Beneficiary Memorandum Accounts are all designated funds and include: accounts for beneficiaries who lack capacity to manage their financial affairs (as detailed at note 5) and backdated grants allocated to beneficiaries. There has been a significant decrease this year in the balance of Beneficiary Memorandum Accounts due to the progress achieved in appointing professional deputies to oversee the financial affairs of beneficiaries who lack capacity and enabling grants to pass out of the control of the Trust

The remaining balances of grant funds allocated prior to the enactment of Statutory Instrument 2004/1819 were transferred to beneficiary nominee accounts during the year.

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).

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.

During the current and prior years, all distributions to beneficiaries were paid under the terms of Statutory Instrument 2004 No 1819, which allows distributions from the Trust to be paid free of income tax, and therefore 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 £62,000 (2018: £57,000).

At the end of the year other creditors and accruals included £0 (2018: £5,800) payable in respect of employer pension contributions.

14 Debtors

	Total funds 2019 £000s	Total funds 2018 £000s
Advances of Grants		
amounts falling due within one year	640	721
amounts falling due after one year	2,252	2,967
Other debtors	18	-
Prepayments and accrued income	45	43
Total	2,955	3,731

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 2019. 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 2019 (continued)

15 Creditors

	Total funds 2019 £000s	Total funds 2018 £000s
Creditors: amounts falling due within one year		
Beneficiary nominee accounts (note 11)	18,442	17,335
Other creditors and accruals	200	290
Total	18,642	17,625

16 Related Party Transactions

Other than expenses paid to Trustees (see note 7), there were no related party transactions during the year.

There is no parent undertaking. The ultimate controlling party is The Thalidomide Trust Company Ltd.

Notes to the financial statements for the year ended 30 September 2019 (continued)

17 Comparatives for Statement of Financial Activities

Comparatives	Note	Unrestricted Funds £000s	Restricted Funds £000s	Total Funds 2018 £000s
Income from:				
Diageo plc donations	3	12,477	-	12,477
Health and Social Care Department Grants	5	-	10,946	10,946
Investment income	2	4,501	3	4,504
Other income		172	-	172
Total		17,150	10,949	28,099
Expenditure on raising funds:				
Investment management fees	4,6	(263)	-	(263)
Administrative costs	4,6	(20)	(1)	(21)
Expenditure on charitable activities:				
Grants Awarded	5,11	(18,752)	(10,471)	(29,223)
Net (decrease)/increase in Memorandum Account Balances	10,11	(2,184)	-	(2,184)
Costs of Grantmaking	6	(86)	(79)	(165)
Beneficiary Support costs	6	(516)	(216)	(732)
Other Costs	6	(199)	(33)	(232)
Total		(22,020)	(10,800)	(32,820)
Net gains on investments	9	9,811	-	9,811
Net income		4,941	149	5,090
Transfers between funds		-	-	-
Net movement in funds		4,941	149	5,090
Reconciliation of Funds				
Fund balances brought forward At 1 October 2017	10	159,486	(585)	158,901
Fund balances carried forward at 30 September 2018	10	164,427	(436)	163,991