

The **Thalidomide** Trust

Report and Financial Statements
for the year ended 30 September 2015

Registered Charity Number 266220

Contents

Trustees' report.....	1
Independent auditors' report to the Trustees of The Thalidomide Trust	12
Statement of financial activities	15
Balance sheet	16
Cash flow statement	17
Notes to the financial statements.....	18

Trustees' Report

Reference and administrative details

Charity number 266220

Registered address 1 Eaton Court Road
Colmworth Business Park
Eaton Socon
St Neots
Cambs
PE19 8ER

Trustees

The Trustees who have served in 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 Oleg Eremin MB ChB MD FRACS FRCS Ed FRCST
(Hon) F Med Sci DSc (Hon) (appointed by the President of the Royal College of Surgeons of Edinburgh) (until 29/07/2015)

Michael Napier CBE QC (Hon) LLD (Hon) (until 05/12/2014)

Professor Caroline Glendinning BA MPhil

Job Curtis MA (until 05/12/2014)

Marlene Winfield OBE

John Howard BSc

Professor Dame Lesley Southgate DBE DSc FRCP FMedSci
FRCGP

Kevin Wesbroom MA MA FIA

Mark Benstead (appointed 21/05/2015)

David Body (appointed 09/01/2015)

Professor Tim Briggs (appointed 24/07/2015)

The Thalidomide Trust

Trustees' Report (continued)

Management team	Deborah Jack Director Jennifer Tunbridge Finance Director Michelle Hodson-Curran Director of Health and Wellbeing (until 10/06/15)
Medical Advisor	Dr Dee Morrison MB ChB
Medical Expert	Dr Claus G H Newman MBBS FRCP FRCPCH DCH
Chair of National Advisory Council	Nick Dobrik
Investment Managers	BlackRock 12 Throgmorton Avenue London EC2N 2DL Schroders Investment Management Limited 31 Gresham Street London EC2V 7QA
Solicitors	Withers 16 Old Bailey London EC4M 7EG
Actuaries	Mercer 1 Tower Place West London EC3R 5BU
Bankers	Lloyds Bank 39 Threadneedle Street London EC2R 8AU
Auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN

The Thalidomide Trust

Trustees' Report (continued)

Structure

The Thalidomide Trust was set up in 1973 and is a charitable discretionary Trust registered with the Charity Commissioners for England and Wales.

Our objectives

The objectives of the Thalidomide Trust (the "Trust") are to give relief and assistance to all those disabled persons whose disabilities were caused by the fact that during pregnancy their mothers had taken a preparation manufactured by The Distillers Company (Biochemicals) Limited in the United Kingdom containing the drug known as Thalidomide.

Our aims

The Trust meets its objective through the provision of financial and non-financial assistance and support to its beneficiaries.

We work with the National Advisory Council (NAC), a group of 12 beneficiaries elected by the beneficiary community to deliver our charitable objectives. The NAC have identified specific outcomes for the Trust and these are summarised in their "Long Range Plan 2013-2018 and beyond".

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 both other Thalidomide organisations and the broader disability community.

A number of our projects deliver benefits beyond our immediate beneficiary group. For example our current research study to explore different ways of reliably testing blood pressure (and associated cardiac risk) for those with reduced or missing limbs will potentially benefit individuals with non-Thalidomide-related limb damage.

The Trust supports the structured and public programme of campaigning activities led by the beneficiary Campaign Team. This is designed to achieve a significant pre-defined outcome, one aspect of which is increasing public awareness of the Thalidomide scandal and the ongoing needs and challenges affecting the Trust beneficiaries.

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. The covenant enables the Thalidomide Trust both to maintain the programme of annual payments to its beneficiaries and deliver ongoing support in response to their evolving and growing health needs.

The Thalidomide Trust Trustees' Report (continued)

Trustees

The Trust is governed by a skill based Board of 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 and Wales each have the right to appoint 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.

We were delighted to appoint three new Trustees in 2014/15 who will bring a wealth of skills and experience to the Board.

The Trust has a structured and comprehensive programme of induction for new Trustees and all Trustees are offered a mentor from within the 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.

The two key committees of Trustees are the Health and Wellbeing Committee and the Finance Committee, who have met two and four times respectively during the year.

A number of additional committees meet on an ad hoc basis. These are:

- Claims Committee who make recommendations to the Board regarding whether applicants should be accepted as beneficiaries of the Trust.
- Research Committee who oversee all research involving the Trust and its beneficiaries and commission and shape new research projects.
- Appointments Committee who oversee recruitment of trustee and senior staff.
- Remuneration Committee who review and make recommendations to the Board on staff salaries.

The Trustees would like to record their thanks to Michael Napier who retired after 13 years, Professor Oleg Eremin who retired after 11 years and Job Curtis who retired after 5 years as Trustees for their outstanding contributions to the Trust.

Staff Team

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

It is with regret we report the death during the year of Michelle Hodson-Curran, the Director of Health and Wellbeing for the Trust. Michelle made a valuable contribution to the Trust and is greatly missed.

The Thalidomide Trust Trustees' Report (continued)

National Advisory Council (NAC)

The NAC is established under the Trust Deed to advise and assist the Trustees. Elections are held in 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 attended by Trustees and staff representatives and an NAC Awayday which was attended solely by members of the NAC.

NAC Observers attend meetings of the Board of Trustees, Finance Committee, Health and Wellbeing Committee, Research Committee and Appointments Committee to represent the beneficiary community.

The NAC publishes regular newsletters to keep the beneficiary community informed. They also held a conference in October 2014 in order to provide the opportunity for beneficiaries to meet and discuss matters of interest and concern, particularly relating to their health and wellbeing and financial issues.

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.

This year the Board undertook a comprehensive review of the Trust's risk register and developed a new structure and format for this. The key risks identified by Trustees were relating to IT systems and investment conditions. Clear plans have been developed to mitigate these as far as possible.

The risk register is reviewed by Trustees annually, in addition significant risks are reviewed by Trustees on a quarterly basis.

Volunteer Support

The Trust has a small group of beneficiaries who act as volunteers - providing personal advice and support to other beneficiaries in a range of areas including: benefits, care provision, aids and adaptations, ergonomics and technology. The Trustees would like to record their thanks to these volunteers for their commitment and support.

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. Since 2006, in agreement with Diageo, the Trust has taken on responsibility for assessing new applications to become beneficiaries of the Trust.

The Trustees have established a robust procedure for dealing with new applications. During the year the Trust has received some 80 enquiries from individuals who considered they

The Thalidomide Trust Trustees' Report (continued)

may have been entitled to become beneficiaries. During the year, two new beneficiaries were accepted by Trustees.

It is with regret that the Trustees report the deaths of two beneficiaries - Derek Rich and David Williams - during the year.

As at 30 September 2015 there were 467 beneficiaries (2014: 467).

Activities, achievements and performance in 2014/15

Health and Wellbeing activities

There is growing evidence, both here in the UK and internationally, that Thalidomide-affected people are experiencing an increasing number of health problems as they age. Recent research commissioned by the Trust showed that our beneficiaries experience significantly poorer physical health than people of similar ages in the general population, and people with the more common disabling condition Multiple Sclerosis, especially around physical functioning and pain. Two-thirds reported their physical health was the same or worse than the lowest 2% of the general population.

Key problems reported by beneficiaries were reduced flexibility and mobility; pain and stiffness; tingling, numbness and loss of strength/grip and poor mental and emotional health. These impact significantly on quality of life and a significant number of beneficiaries have had to change their jobs, reduce their working hours or give up work due to their disability and related health problems.

The Trust have responded to these growing needs by increasing the size of its multi-disciplinary Health & Wellbeing team. As well as providing individualised information, advice and support to beneficiaries on a wide range of issues - including health, social care, benefits, mobility and independent living - the team facilitate referrals to specialists and advocate on behalf of beneficiaries to ensure that they receive the services and support that they are entitled to.

Over one in three of our beneficiaries received support from our Health & Wellbeing team in the last 12 months and the number of individuals accessing the service is increasing year on year.

The team have also increased the quantity and range of written information for beneficiaries on health and wellbeing issues and have developed a specific area of the Trust's website specifically for beneficiaries for this purpose.

An important part of the Trust's role is supporting individuals who lack capacity, and the Trust currently has some 12 beneficiaries in this situation. Some of them live in residential care establishments, while others are in their own home but receive varying amounts of professional care and support. Trust staff have attended a number of multi-disciplinary case review meetings and obtained additional or complementary services and support, which have resulted in improved outcomes for the individual.

Research

The Trust also undertakes a limited number of research projects in order to fill evidence gaps and develop a solid evidence base regarding the needs of our beneficiaries.

A key focus in the last 12 months has been on planning a major research study to look at different ways of reliably testing blood pressure (and associated cardiac risk) for those with reduced or missing limbs. This study - which has received ethical approval and been accepted as part of the National Institute for Health Research (NIHR) Clinical Research Network portfolio - is being carried out by a leading team of experts on blood pressure at UCL, led by Professor Bryan Williams. Recruitment is expected to commence in early 2015/16.

We also commissioned a major beneficiary survey in August/September 2015 to better understand their health and wellbeing needs and concerns for the future. We achieved a 75% response rate and the survey data is currently being analysed and the findings will inform the development of future services and support for our beneficiaries.

Financial Review

During the year the Trust paid grants totaling £30.408M (2014: £62.265M – 18 month accounting period) to its beneficiaries.

The Trust received donations from Diageo totaling £11.431M (2014: £14.804M – 18 month accounting period) Health Grant funding from the Health Departments of the United Kingdom totaling £10.105M (2014: £19.832M – 18 month accounting period).

As Health Grant funds are provided for specific purposes, these are accounted for as restricted funds.

Levels of operating costs are set out in the Covenant agreed with Diageo and is managed through a budgetary control system which involves regular review of activity and expenditure by the relevant budget holder, the Trust Finance Director and Trustees. During the year expenditure was broadly in line with the Trustees' expectations.

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 England, Scotland, Wales, and Northern Ireland covering the next seven years up until 2022, with total sums pledged in excess of £100 million. The main areas of expenditure are housing and mobility and an independent evaluation report undertaken by Firefly Research and Evaluation Limited shows how much this money has helped people to improve the quality of their lives.

Distribution and Reserves Policy

The Trustees' distribution policy continues to provide individual annual grants to the beneficiaries for the whole of their lives, with amounts varying according to their degrees of disability. The Trustees have to consider the issue of setting a policy which will ensure reserves are not depleted whilst beneficiaries are in need of funding, balanced against ensuring all assets are utilised by the time of the death of the last beneficiary.

Actuarial reviews are conducted every three years to ensure that the Trustees are able to take well-founded decisions regarding levels of distribution, the investment policy to be followed, and the reserves required to achieve the Trustees' distribution policy. Actuarial reviews require assumptions to be made about future events such as investment returns and the longevity of beneficiaries, which are by their nature unknown, and subject to wide margins of uncertainty. The next actuarial review is scheduled to commence in late 2016.

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 lives of the beneficiaries.

As part of the process of agreeing the 2012 covenant with Diageo, the Trustees adopted an investment policy which takes account of the need to reduce the investment risk profile over the lifetime of the Trust. The Trustees have targeted a real rate of return of 5-6% pa between 2012 and 2022 in accordance with the covenant. During the years 2022 to 2032 they expect to smoothly reduce the target real rate of return to 0.5% pa and then retain this rate from 2032 onwards.

The benchmark against which performance between 2014 and 2022 will be measured is represented by a portfolio comprising equities and bonds (details as below).

Investment Strategy and Performance

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

The Thalidomide Trust
Trustees' Report (continued)

Portfolio	Manager	Central Allocation (% of Assets)	Target Ranges (% of Assets)
Active Global Equities	Schroders	34.5	25-50
Passive Global Equities	Blackrock	34.5	25-50
Diversified Growth Portfolio	Schroders	11	5-20
Fixed Income Bonds	Schroders	13	5-20
Cash	Various	7	0-20

Cash deposits are held with a variety of banks and counterparties.

Based on an annualised return, the total return on the Trust's investments for the year was 0.4% (2014: 10.9% for the 18 month accounting period).

Taking inflation during the year into account, the real rate of return was -0.4% (2014: annual equivalent 4.87%). Over the last 5 years the average rate of return has been 7.4% pa, which is in excess the benchmark return of 6.9% pa.

Significant Investments

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

	£000s	%
BlackRock Charitrak Common Investment Fund	22,048	17
Schroders Fixed Income SISF Strategic Bond	17,307	13
Schroders Global Diversified Growth Fund	14,294	11
BlackRock North America	8,882	7
Schroders QEP Global Core Fund	8,182	6
BlackRock Europe	6,784	5

Derivative Instruments

The Trustees have authorised Schroders to use derivative instruments 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 £336,000 (note 9) (2014: net liability of £21,000 as at the end of the 18 month accounting period).

Plans for Future Periods

In the next twelve months the Trustees, staff and members of the NAC will work together to ensure tangible progress against the goals set out in the NAC's long range plan. In particular we will:

- Develop the Trust's website as a key source of information to empower beneficiaries and enable them to optimise their own health, wellbeing and independence.
- Undertake further qualitative research into the health and wellbeing needs of beneficiaries, building on the findings of the recent quantitative research.
- Continue to build our knowledge base and work with external experts to develop appropriate care pathways and explore the potential for specialist commissioning of services to meet the complex needs of our beneficiaries.
- Deliver an interactive beneficiary-led event in early 2016 - called 'Fit for the Future' - designed to empower individuals with knowledge and tools to enable them to make informed choices in order to maintain or increase levels of independence and promote pain reduction.
- Work with UCL to ensure effective delivery of the blood pressure research project.
- Develop and implement comprehensive communications strategy for the Trust.
- Continue to build productive relationships with Diageo and the Health Departments in England, Scotland, Wales and Northern Ireland and ensure that they understand the needs of our beneficiaries and the importance of long term financial support.
- Maintain our investment strategy and optimise the return on our capital.

In addition, the Trustees, NAC and staff will work together to develop a new strategic planning process to create a clear vision and strategic goals for the challenging period ahead and an integrated plan for the future.

The Thalidomide Trust
Trustees' Report (continued)

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' 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 period which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period.

In preparing these financial statements, the 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 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 Trust 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
28 January 2016

Independent Auditors' Report to the Trustees of The Thalidomide Trust

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the charity's affairs as at 30 September 2015 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; and
- have been prepared in accordance with the requirements of section 144 of the Charities Act 2011 and Regulation 8 of The Charities (Accounts and Reports) Regulations 2008).

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by The Thalidomide Trust, comprise:

- the balance sheet as at 30 September 2015;
- the statement of financial activities for the year then ended;
- the cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

Independent Auditors' Report to the Trustees of The Thalidomide Trust (continued)

In addition, we read all the financial and non-financial information in the Report (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters on which we are required to report by exception

Sufficiency of accounting records and information and explanations received

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.

Other information in the 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

Our responsibilities and those of the trustees

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Independent Auditors' Report to the Trustees of The Thalidomide Trust
(continued)**

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.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
28 January 2016

PricewaterhouseCoopers LLP is eligible to act, and has been appointed, as auditor under section 144(2) of the Charities Act 2011.

Statement of financial activities for the year ended 30 September 2015

	Note	Unrestricted Funds £000s	Restricted Funds £000s	Total Funds 2015 £000s	Total Funds 2014 £000s
Incoming resources					
Investment income	2	2,551	33	2,584	4,177
Diageo donations	3	11,431	-	11,431	14,804
Health Department Grants	5	-	10,105	10,105	19,832
Other incoming resources		224	-	224	338
Total incoming resources		14,206	10,138	24,344	39,151
Resources Expended					
Cost of generating funds					
Investment management fees	4,6	(381)	-	(381)	(657)
Administrative costs	4,6	(52)	(3)	(55)	(99)
Charitable activities					
Grants	5	(20,446)	(9,962)	(30,408)	(62,265)
Costs of grantmaking	6	(152)	(48)	(200)	(378)
Support costs	6	(471)	(123)	(594)	(1,000)
Governance costs	6	(338)	(15)	(353)	(567)
Total resources expended		(21,840)	(10,151)	(31,991)	(64,966)
Net outgoing resources		(7,634)	(13)	(7,647)	(25,815)
Losses on investment assets	9	(1,875)	-	(1,875)	11,857
Net movement in funds		(9,509)	(13)	(9,522)	(13,958)
Reconciliation of Funds					
Fund balances brought forward at 1 October 2014		148,844	1,344	150,188	156,868
Net (decrease)/increase in memorandum account balances	10,11	(2,805)	-	(2,805)	7,278
Fund balances carried forward at 30 September 2015	10	136,530	1,331	137,861	150,188

Note - comparatives are for the 18 months to 30 September 2014.

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

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

The Thalidomide Trust

Balance sheet as at 30 September 2015

	Note	Total Funds 30.9.2015 £000s	Total Funds 30.9.2014 £000s
Fixed Assets			
Tangible assets	8	361	393
Investments	9	129,682	143,323
		130,043	143,716
Current Assets			
Debtors and Prepayments	14	27	2,701
Advances of Grants	14		
amounts falling due within one year		1,231	1,069
amounts falling due after one year		4,614	3,225
Cash at Bank and in Hand		11,182	9,423
		17,054	16,418
Creditors: amounts falling due within one year			
Beneficiary nominee accounts	11	(8,854)	(8,235)
Creditors and accruals	15	(382)	(390)
Deferred income	15	-	(1,321)
		(9,236)	(9,946)
Net current assets		7,818	6,472
Total assets less current liabilities		137,861	150,188
Creditors: amounts falling due after more than one year		-	-
Net Assets		137,861	150,188
Trust Funds			
General fund	10	127,452	136,961
Beneficiary Memorandum accounts	10,11	9,078	11,883
		136,530	148,844
Restricted fund	5,10	1,331	1,344
		137,861	150,188

The financial statements on pages 15 to 31 were approved by the Trustees on 28 January 2016 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 2015

	Note	Total Funds 2015 £000s	Total Funds 2014 £000s
Net cash outflow from operating activities		(10,018)	(22,013)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	8	(2)	(61)
Sale of tangible fixed assets		13	39
Purchase of investments	9	(25,985)	(10,607)
Proceeds from sale of investments	9	43,564	22,798
Net cash inflow from capital expenditure and financial investment		17,590	12,169
Net cash inflow/(outflow)		7,572	(9,844)
Cash as 1 October 2014		13,018	22,862
Cash as at 30 September 2015		20,590	13,018
Cash held for investment	9	9,408	3,595
Cash at bank and in hand		11,182	9,423
Cash as at 30 September 2015		20,590	13,018
Reconciliation of net outgoing resources to net cash outflow from operating activities			
Net outgoing resources		(7,647)	(25,815)
Depreciation & loss on disposals		21	63
(Decrease)/increase in creditors due within one year		(710)	4,108
Decrease in creditors due after one year		-	(2,641)
Decrease/(increase) in debtors		1,123	(5,006)
(Decrease)/increase in beneficiary memorandum accounts		(2,805)	7,278
Net cash outflow from operating activities		(10,018)	(22,013)

Note - comparatives are for the 18 months to 30 September 2014.

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain investments and in accordance with the recommendations set out in the Revised Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 (SORP 2005), The Charities Act 2011, and applicable UK Accounting Standards. 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 note 1 (see below).

The Trust changed to a 30 September year end so that the financial year end and the receipt and allocation of grants in early April will no longer coincide. This has enabled the Charity to spread its administrative procedures more evenly throughout the year.

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 (a designated fund) are derived from funds provided by Diageo and its predecessors, the United Kingdom Government 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.

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

Deferred income

Government grants are recognised as income when any specific conditions are met. The annual grants received from the Departments of Health in England, Wales and Northern Ireland were made annually by those departments and recognised in the Statement of Financial Activities when received.

1 Accounting policies (continued)

Deferred income (continued)

The Department of Health for Scotland had previously made a grant payment for three years in advance. This was brought forward at the beginning of the accounting period as deferred income. During the period the grants due on 6 April 2015 were recognised as income resources.

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 £1,000.

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.

Income from investments

Income from investments is accounted for on an accruals basis. 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 interest charged on outstanding grants advanced to beneficiaries to assist with major property, mobility and health related purchases together with an additional contribution towards expenditure received from Diageo.

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 amount receivable in the period is recognised in the accounts as donation income and future payments, being of the nature of a contingent asset, are not brought into the accounts.

Pension arrangements

The Trust operates a defined contribution pension scheme for employees. Contributions are paid either to the employee's personal pension scheme or 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 three headings that aggregate all costs related to the category. 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.

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.

2. Investment income

	2015	2014
Unrestricted	£000s	£000s
Quoted Investments and Investment Trusts	1,062	1,703
Listed Unit Trusts – UK Regulated	44	92
Listed Unit Trusts – Overseas Regulated	468	288
Unlisted Unit Trusts	11	40
Authorised common investment fund	915	1,232
Corporate Bonds	-	552
Indexed Linked Gilts	31	207
Term Deposit Interest	20	57
	<hr/> 2,551	<hr/> 4,171
Restricted Fund		
Term Deposit Interest	33	6
	<hr/> 2,584	<hr/> 4,177

Note - comparatives are for the 18 months to 30 September 2014.

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 new covenant, Diageo plc have agreed to provide the Trust with sufficient funds which are intended to permit a 100% uplift in real terms of the 2004 annual grant. This was achieved in 2014. Further increases in the annual grant will be in line with increases in the Retail Price Index. The covenant provides for a review of the operation of the covenant in 2016 and every 6 years thereafter.

4. Investment management fees and costs

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 £381,000 (2014: £657,000 – 18 month accounting period).

In addition to the investment managers' fees Trust costs relating to investment management were £55,000 (2014: £99,000), which comprise £52,000 unrestricted costs and £3,000 restricted costs (see also note 6).

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 and 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.

In addition to the annual grant, the Trustees will consider requests for major advances (normally relating to mobility and housing needs) and emergency advances (where the annual grant has been utilised).

Where a major or emergency advance has been made, future annual grants will be reduced by the amortisation of the advance and an adjustment to reflect 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.

5 Grantmaking (continued)

Under transitional arrangements made on 5 August 2004 previous annual allocations which had not been used by beneficiaries in full control of their financial affairs were transferred to memorandum accounts for each beneficiary. The funds in these accounts are applied for relief and assistance.

For beneficiaries who are not in full control of their financial affairs

The Trustees make payments to meet the needs of the beneficiary following discussion with the beneficiary and/or the third party responsible for the beneficiary's financial affairs. Once funds have been applied for the benefit of the beneficiary, control of these funds passes absolutely out of the Trust.

All payments, except those made out of a beneficiary's nominee account, will always remain at the discretion of the Trustees and will be allocated in accordance with the principles set out in the Trust Deed.

	2015		2014	
	Number of beneficiaries	Value of grants £000s	Number of beneficiaries	Value of grants £000s
Beneficiaries in full control of their financial affairs	447	19,336	447	41,582
Beneficiaries not in full control of their financial affairs	20	1,110	20	2,338
Total of Grants	467	20,446	467	43,920

Restricted Funds: Departments of Health Grants

The Health Departments have agreed to continue funding health grants for the period 2013 to 2023 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 which have been made available in the year but not requested by, or applied for beneficiaries, retentions in respect of new beneficiaries, changes to assessed disability and administration costs at the end of the year.

5 Grantmaking (continued)

Grants which have been received 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 country's Department of Health on an ongoing basis, to review the 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.

Health Grants by Country

	England	Scotland	Wales	N. Ireland	Total
£000s					£000s
Fund balances as at 1 October 2014	1,160	324	(84)	(56)	1,344
Incoming Health Grants	7,560	1,321	750	474	10,105
Health Grants	(7,454)	(1,254)	(782)	(472)	(9,962)
Interest income	25	4	2	2	33
Health Grants – Direct costs	(32)	(6)	(3)	(2)	(43)
Health Grants – indirect costs	(109)	(19)	(11)	(7)	(146)
Fund balances as at 30 September 2015	1,150	370	(128)	(61)	1,331

6 Trust costs

	Unrestricted costs				Restricted Costs	Totals 2015 £000s	Totals 2014 £000s
	Investment Management £000s	Grantmaking £000s	Non-financial support £000s	Governance £000s	Health Grant £000s		
Staff Costs and related expenses	28	67	306	50	106	557	828
Administration and Running Costs	7	46	89	15	21	178	204
Depreciation and Loss on Disposals	-	3	12	3	2	20	63
Investment Management Fees	381	-	-	-	-	381	657
Actuarial fees and other costs	17	-	-	-	-	17	45
Trustees Expenses	-	-	-	10	1	11	13
Audit and Assurance services	-	-	-	25	3	28	30
Legal Fees	-	-	-	118	-	118	255
National Advisory Council	-	-	-	37	-	37	82
Campaigning Costs	-	-	-	80	-	80	55
Health & Wellbeing	-	-	63	-	13	76	179
Individual Beneficiary review	-	6	-	-	-	6	6
New Claimants Admin & Legal Fees	-	30	-	-	-	30	171
Conferences and Events	-	-	1	-	-	1	48
Health Grant Direct Costs	-	-	-	-	43	43	65
Total Costs	433	152	471	338	189	1,583	2,701
Total Unrestricted Costs	433	152	471	338		1,394	2,415
Health Grant Costs							
Direct costs	-	-	43	-	-	43	65
Administrative costs	3	48	80	15	-	146	221
Total Restricted costs	3	48	123	15		189	286

Note - comparatives are for the 18 months to 30 September 2014.

7 Trustee and employee information

The monthly average number of persons employed by the Trust during the year was 10 (2014:10 for the 18 month accounting period).

Staff costs (for the above persons)	2015	2014
	£000s	£000s
Gross salaries and wages	399	625
Social security costs	44	66
Pension and employee insurance costs	39	85
	482	776

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

	2015	2014
	Number	Number
£60,001 - £70,000	1	1
£101,000 - £110,000	1	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 £16,000 (2014: £27,000 for the 18 month accounting period).

Retirement benefits are accruing under a money purchase scheme for 2 employees (2014: 2) paid more than £60,000 per annum.

No remuneration was paid to the Trustees (2014: £nil). Travel expenses of £3,000 (2014: £6,000) were reimbursed to 6 (2014: 8 for the 18 month accounting period) Trustees during the year.

8 Tangible assets

Tangible assets comprise the following:

	Motor Vehicles £000s	Furniture and equipment £000s	Buildings £000s	Total £000s
Cost				
At 1 October 2014	61	36	465	562
Additions	-	2	-	2
Disposals	(23)	(29)	-	(52)
At 30 September 2015	38	9	465	512
Accumulated depreciation				
At 1 October 2014	23	36	110	169
Charged	9	1	9	19
Disposals	(8)	(29)	-	(37)
At 30 September 2015	24	8	119	151
Net book value				
At 30 September 2015	14	1	346	361
At 30 September 2014	38	-	355	393

All tangible fixed assets are unrestricted.

9 Investments

	2015 £000s	2014 £000s
Listed Investments		
UK Equities	20,174	25,261
UK Index Linked gilts	-	9,177
US Equities	2,076	1,522
Unlisted investments		
UK Unit Trusts	13,329	17,315
Overseas Unit Trusts	45,676	51,811
UK Corporate Bonds	-	7,998
UK fixed Income Bonds	17,307	-
UK Common Investment Funds	22,048	26,665
Open Derivatives Positions	(336)	(21)
Cash held for investments (including accrued investment income)	9,408	3,595
Total per Balance Sheet	129,682	143,323

All investments are held as unrestricted funds.

The Thalidomide Trust

Notes to the financial statements for the year ended 30 September 2015 (continued)

Investments (continued)

The movement on investments in the period was as follows:

	2015 £000s	2014 £000s
Market value b/fwd 1 October 2014	143,323	147,152
Less: Disposal proceeds/ share exchanges	(43,564)	(22,798)
Add: Purchases at cost/share exchanges	25,985	10,607
Realised and unrealised gains/(losses)	(1,875)	11,857
Increase/(decrease) in cash held for investment (including accrued investment income)	5,813	(3,495)
Market Value at 30 September 2015	129,682	143,323
Historical cost at 30 September 2015	118,711	116,186

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

10 Trust Fund

	Unrestricted funds			
	Designated Beneficiary Memorandum Accounts £000s	General Fund £000s	Restricted Funds £000s	Total Trust Funds £000s
Balance as at 1 October 2014	11,883	136,961	1,344	150,188
Net outgoing resources as per Statement of Financial Activities	-	(7,634)	(13)	(7,647)
Losses on investments as per Statement of Financial Activities	-	(1,875)	-	(1,875)
Adjustment for net increase in beneficiary memorandum accounts (note 11)	(2,805)	-	-	(2,805)
Balance as at 30 September 2015	9,078	127,452	1,331	137,861
	Note 11			

The Thalidomide Trust

Notes to the financial statements for the year ended 30 September 2015 (continued)

10 Trust Fund (continued)

	Unrestricted funds			
	Designated	General Fund	Restricted Funds	Total Trust Funds
	Beneficiary Memorandum Accounts			
	£000s	£000s	£000s	£000s
Fixed Assets				
Tangible	-	361	-	361
Investments	8,605	121,077	-	129,682
Current Assets				
Debtors and Prepayments	-	27	-	27
Advance of Grants	-	5,845	-	5,845
Cash at Bank and in Hand	473	6,648	4,061	11,182
Creditors: amounts falling due within one year				
Beneficiary nominee accounts	-	(6,129)	(2,725)	(8,854)
Creditors and accrued expenses	-	(377)	(5)	(382)
Balance as at 30 September 2015	9,078	127,452	1,331	137,861

Note 11

11 Beneficiary accounts

	Beneficiary memorandum accounts £000s	Beneficiary nominee accounts £000s	Beneficiary Health Grant accounts £000s	Total 2015 £000s	Total 2014 £000s
As at 1 October 2014					
Balance Sheet creditors		5,690	2,545	8,235	4,156
Trust fund balance	11,883				
Annual Grant	2,194	18,252	-	20,446	36,819
Supplementary Grant	-	-		-	7,101
Health Grant	-	-	9,962	9,962	18,345
Payments from beneficiary accounts	(4,999)	(17,813)	(9,782)	(32,594)	(50,908)
Adjustment for net decrease/(increase) in beneficiary memorandum accounts	-	-	-	2,805	(7,278)
As at 30 September 2015:					
Balance Sheet creditors		6,129	2,725	8,854	8,235
Trust fund balance	9,078				

Note 10

11 Beneficiary accounts (continued)

Beneficiary memorandum accounts include: accounts for beneficiaries who are not in full control of 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).

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 period 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 period employer contributions to this scheme amounted to £38,000 (2014: £62,000 for the 18 month period).

At the end of the year other creditors and accruals included £35,000 (2014: £17,000 at the end of the 18 month period) payable in respect of employer pension contributions.

14 Debtors

	Total funds	Total funds
	2015	2014
	£000s	£000s
Donations receivable	-	2,678
Advances of Grants		
amounts falling due within one year	1,231	1,069
amounts falling due after one year	4,614	3,225
Prepayments and accrued income	27	23
Total	5,872	6,995

As set out in note 5, the Trustees will consider requests for Major Advances (normally relating to mobility and housing needs) and Emergency Advances (where the annual grant has been utilised). The Advances consists of Major Advances and Emergency Advances balances as at 30 September 2015. Advances are recoverable from future grant allocations. Emergency Advances are recoverable within one year, Major Advances are recoverable up to a maximum of ten years.

15 Creditors

	Total funds	Total funds
	2015	2014
	£000s	£000s
Creditors: amounts falling due within one year		
Beneficiary nominee accounts (note 11)	8,854	8,235
Other creditors and accruals	382	390
Deferred income (note 5)	-	1,321
Total	9,236	9,946

16 Related Party Transactions

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

There is no ultimate controlling party, or parent undertaking.