

# The **Thalidomide** Trust

Annual Report and Financial Statements  
for the year ended 30 September 2020

Registered Charity Number 266220

## Contents

Reference and administrative details .....	3
Annual Report.....	5
Independent auditors' report to the Trustee of the Thalidomide Trust .....	17
Statement of financial activities for the year ended 30 September 2020 .....	20
Balance sheet as at 30 September 2020 .....	21
Notes to the financial statements for the year ended 30 September 2020.....	23

## Reference and administrative details

<b>Registered Name</b>	The Thalidomide Trust
<b>Charity number</b>	266220
<b>Registered address</b>	1 Eaton Court Road Eaton Socon St Neots Cambridgeshire PE19 8ER
<b>Corporate Trustee</b>	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 to 31 December 2020)

Mark Spofforth OBE BSc FCA CTA FRSA (Chair of Trustees from 1 January 2021)

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

Professor Rosemary Varley – appointed 1 April 2020

## Management team

Deborah Jack - Executive Director

Katy Sagoe - Director of Health & Wellbeing

Suzanne Lluch - Finance Director

<b>Medical Advisers</b>	Dr Dee Morrison MB ChB Dr Susan Brennan MBChB MRCP	
<b>Medical Expert</b>	Dr Claus G H Newman MBBS FRCP FRCPC DCH	
<b>Chair of NAC</b>	Geoff Adams-Spink	
<b>Investment Managers</b>	BlackRock 12 Throgmorton Avenue London EC2N 2DL	TwentyFour Asset Management 8 <sup>th</sup> Floor The Monument Building 11 Monument Street London EC2R 8AF
	Schroders Investment Management Limited 1 London Wall Place London Wall London EC2Y 5AU	
<b>Solicitors</b>	Withers 20 Old Bailey London EC4M 7AN	Hewitsons Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
<b>Actuaries</b>	Mercer 1 Tower Place West London EC3R 5BU	
<b>Bankers</b>	Lloyds Bank 39 Threadneedle Street London EC2R 8AU	
<b>Independent auditors</b>	Saffery Champness LLP Unex House Bourges Boulevard Peterborough PE1 1NG	

## Annual Report

### Objectives and activities

The Thalidomide Trust (“the Trust”) was established 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**

Almost all our beneficiaries are now in their late 50s and early 60s and most are feeling the impact of using their bodies in ways they were never designed for. In addition, as they age, they are experiencing a wide range of age-related health problems which are 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) of beneficiary representatives:

**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, discrete community of beneficiaries, we also take steps to deliver a broader public benefit by sharing our research

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

The Trust supports an agreed programme of campaigning activities undertaken by the beneficiary-led Campaigns 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 Corporate Trustee will be referred to in this document as the Trustee.

The trustees at the date of incorporation 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 (as opposed to the Trustee above) throughout this Annual Report.

During 2019/20, we set up a new company limited by guarantee as a subsidiary of the Thalidomide Trust, with the consent of the Charity Commission. The validATE Trust (registered in England and Wales, with company number 12144047) will operate on a not-for-profit basis. It has been established specifically to oversee the maintenance and development of an online tool to be used by qualified clinicians to screen individuals using detailed medical data in order to assess the likelihood of Thalidomide Embryopathy (TE). This Diagnostic Algorithm for Thalidomide Embryopathy was one of the key outputs of a meeting of international thalidomide experts organised by the World Health Organisation (WHO) and is designed to be used worldwide to ensure consistent diagnosis of TE, based on the latest international evidence.

### **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, 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 the Trust's Management Team to spend dedicated time focussing on long term strategic issues.

The Trust has two key Standing Committees - the Health & Wellbeing Committee and the Finance Committee - which met two and four times respectively during this year. Both Committees are attended by representatives from the Trust's National Advisory Council (NAC). The Health & Wellbeing Committee is jointly-chaired by a trustee and a beneficiary chosen by the NAC.

There are two additional Committees which met on an ad hoc basis during 2019/20. They 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 currently 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. Agendas for these meetings are circulated to all beneficiaries in advance to enable them to feed in their views. In addition, summary notes and minutes of the meetings are shared with the beneficiary community after the meeting and there is an opportunity for beneficiaries to participate in an interactive discussion with selected NAC members.

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 50 beneficiaries volunteered their time in a wide range of roles including: providing (practical and emotional) peer support; hosting virtual discussions/events for beneficiaries; membership of the NAC; sitting as beneficiary representatives on Trust Committees; attending meetings with the four UK Health and Social Care Departments and contributing to various Trust projects.

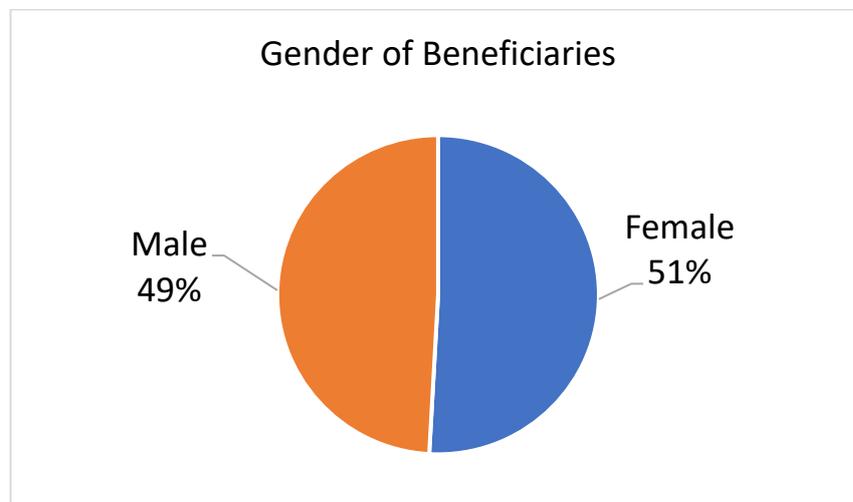
### **Beneficiaries**

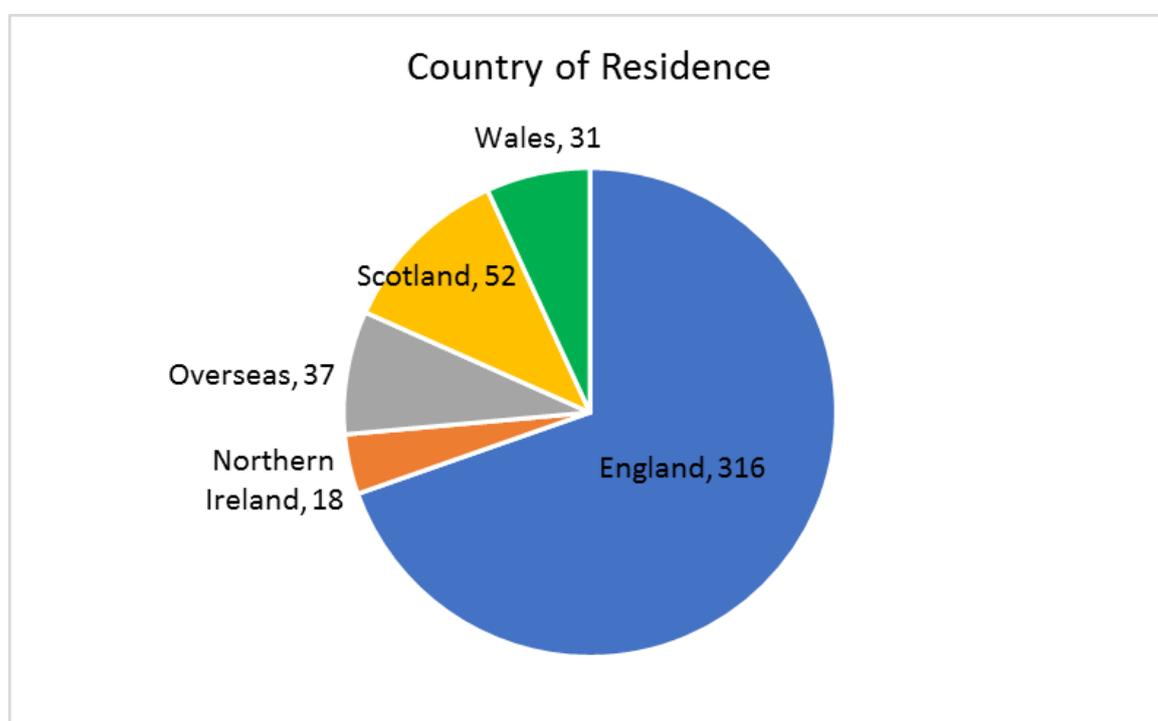
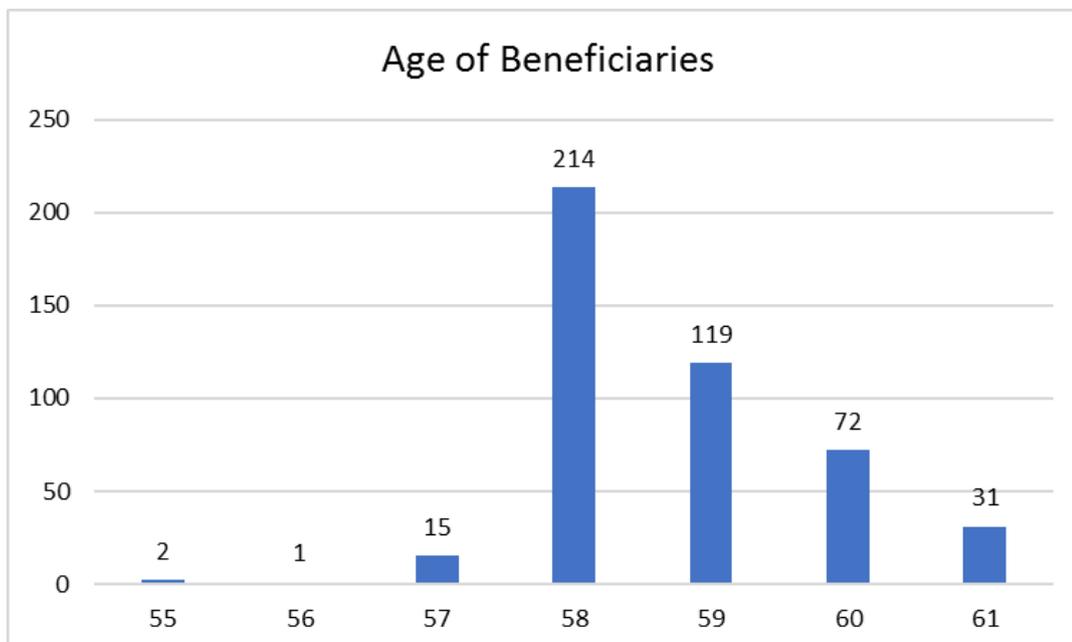
The Trust has responsibility for assessing new applications to become beneficiaries of the Trust and has established a robust procedure for assessing new applications, drawing on international evidence and utilising the diagnostic algorithm, validATE, which was one of the key outputs of the WHO conference on Thalidomide Embryopathy held in early 2014.

During the year, the Trust received 20 completed applications from individuals who thought they may be entitled to become beneficiaries. However, only one met the criteria to qualify for acceptance and was accepted as a beneficiary in December 2019.

It is with regret that the trustees report the deaths of eight beneficiaries during the year. At 30 September 2020 there were 454 beneficiaries (2019: 461).

The following charts provide a breakdown of beneficiaries by gender, age and country of residence as at 30 September 2020.





## 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 the 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 2020 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 most recent Covenant with Diageo includes new measures to provide greater security of future funding for our beneficiaries.

In the last 12 months, we have invested in increased IT security processes – including moving to cloud-based data storage and switching our IT support to a proactive fully managed service provider with remote monitoring – and all staff received regular updates and training on cyber-security.

The trustees treat safeguarding of our beneficiaries as an important priority and have a robust safeguarding policy in place. Sadly, during the 12-month reporting period, in two cases the Trust identified safeguarding concerns relating to family members or carers and reported them to external bodies (Local Authority Safeguarding leads and/or the police).

### **Achievements and performance**

This has been a challenging year for the Trust as, during the second half of the year, the Covid-19 pandemic created additional needs within the beneficiary community, put incredible pressure on the NHS which so many of them rely on, and made a number of our established models of ongoing support impossible to deliver.

We had to put our routine programme of face-to-face Holistic Needs Assessments and other beneficiary visits on hold in mid-March and only undertook these where absolutely necessary, observing Covid-19 safety guidelines. In addition, a number of beneficiary events – including a local event in the North East, a major Health & Wellbeing event and a 'Future Money Matters' event - had to be cancelled. This required us to develop new and creative ways of providing support (see below)

At the start of the year we identified a number of ambitious goals for 2019/20. These are set out below together with an overview of the progress made over the last 12 months:

<b>We said we would...</b>	<b>We ...</b>
.... undertake 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.	... commissioned external analysis of the data which provided a detailed picture of the growing needs of beneficiaries. This identified a number of areas where there is a need to undertake further research /analysis or where we can further develop the support we provide in response to beneficiary needs.
..... complete a research study to quantify the likely future care costs for beneficiaries.	.. are close to finalising this analysis and will draw on this data in our discussions with the Department of Health & Social Care relating to the future of the Health Grant.

... disseminate our new resource pack to all GP practices who have a beneficiary as a patient.	.... have sent a copy of the resource pack to all beneficiaries and shared it with their GP practice where consent was given to do so.  Feedback on this has been overwhelmingly positive.
..... design and implement a new Exceptional Needs Fund for beneficiaries who have exceptional needs which cannot be met through their available resources.	... designed our new Exceptional Needs Fund, with significant input from beneficiaries, and launched this on 1 October 2020.
..... develop tailored resources for Occupational Therapists with support from the Royal College of OTs (RCOT)	..successfully engaged the RCOT and developed an agreed project plan but, unfortunately this was put on hold due to Covid-19 restrictions.
... produce and implement a Health Grant Renewal plan to ensure continuity of funding for our beneficiaries as they age and their needs increase.	... established a working group (made up of trustees, staff and beneficiary representatives) and agreed a clear plan to secure renewal of the Health Grant.
.... deliver our first ever joint event with the Thalidomide Society.	.. worked with the Thalidomide Society to design an interactive event to take place in April 2020 – but unfortunately this was cancelled due to the Covid-19 pandemic.

In addition, over the last 12 months, we responded to the Covid-19 pandemic by:

- Putting effective processes in place to enable the majority of staff to work from home and ensuring that a full range of beneficiary support was maintained without disruption during lockdown
- Producing regular 'Coronavirus Updates' containing signposting to useful resources and tailored information, advice and tips to help beneficiaries manage the challenges of the pandemic and protect their health and wellbeing.
- Implementing a comprehensive programme of wellbeing calls to all our beneficiaries to understand their needs and ensure they had support they needed.
- Introducing a range of virtual initiatives and events to enable our beneficiaries to keep in touch and share their knowledge and experiences with each other whilst physical events were on hold.

### 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. Subject to the uncertainties created by the continuing Covid-19 pandemic, our ambitious plans include:

- Piloting a new initiative to assess cardiovascular risk when a traditional blood pressure measurement is not possible.
- Developing new resources for beneficiaries on managing chronic pain.

- Holding a virtual event for members of our Clinical Network to promote sharing knowledge and experience of treating our beneficiaries.
- Launching a new tailored Emergency-Card so that health professionals treating our beneficiaries have access to key information about their thalidomide damage and other health issues
- Build on our current work supporting beneficiaries with initiatives to lift their mood and improve their physical fitness.
- Taking forward our plans to develop a tailored resource for Occupational Therapists.
- Undertaking a review of our new Exceptional Needs Fund and making recommendations for change, if required.
- Introducing online voting for our NAC elections to encourage greater participation amongst the beneficiary community.

## **Financial Review**

During the year the Trust allocated grants totalling £31.6M (2019: £30.2M) to its beneficiaries. The Trust received donations from Diageo plc totalling £14.6M (2019: £13.3M).

Health Grant funding from the four Health and Social Care Departments of the United Kingdom totalled £11.2M (2019: £11.1M). 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 2019/20, 98% of outgoing resources were in the form of Grants to our beneficiaries. Of the remaining 2% of expenditure, 80% (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 environmental, social and governance (ESG) 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 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 December 2019.

Portfolio	Manager	Central Allocation (% of Assets)	Target Ranges (% of Assets)
Active Global Equities	Schroders	35	25-50
Passive Global Equities	BlackRock	44.4	25-50
Fixed Income Bonds	BlackRock	9.6	5-20
Fixed Income Bonds	TwentyFour Asset Management	10	5-20
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 -5.7%% (2019: 3.5%). This negative return is due to the significant impact of the pandemic on stock markets.

Over the last three years the average rate of return has been 2.2% pa, which is lower than the benchmark of 6.5%. The reason for this is largely related to the Schroders portfolio's investment strategy, which builds value over a longer term and therefore is slower to recover from the pandemic than investments taking different approaches. After discussions with Schroders, trustees were satisfied that it was worth persisting with its value investment strategy, and therefore are allowing it to recover over a longer timeframe.

The post year-end performance has been considerably better; in the two months from 30 September 2020 to 30 November 2020, the investment portfolio overall returned 8.7%.

### Significant Investments

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

	£000s	%
BlackRock North America	41,099	27
Schroders Global Recovery Fund	33,154	22
Schroders UK Equities	17,925	12
Vontobel –24AM Strategic Income Fund	15,180	10
BlackRock Fixed Income Global Opportunities Fund	14,586	10
BlackRock Europe	8,952	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 £35,000 (note 9) (2019: net liability of £37,000).

### 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 since 2009. This money has helped beneficiaries to respond to their growing needs as they age – in order to maximise their independence and quality of life, minimise further deterioration and improve their overall health and wellbeing. The existing 10 year Health Grant agreements come to an end in 2023 (with the last grant payments made to beneficiaries in June 2022), Discussions are already in train to renew the Health Grant.

### **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 2020 stood at £141M (2019: £158.1M) whereas the Restricted Fund had a deficit of £0.2M at the year-end (2019: £0.3M) due to the timing of Health Grant receipts and payments. This deficit is expected to be eliminated by the end of the current ten year Health 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 basis<sup>1</sup> 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 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:

**Mark Spofforth**  
**Chair of the Board of the Thalidomide Trust Company**  
28 January 2021

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<sup>1</sup> 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

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

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

### **Opinion**

We have audited the financial statements of The Thalidomide Trust for the year ended 30 September 2020 which comprise: the balance sheet as at 30 September 2020; the statement of financial activities for the year then ended; cashflow statement for the year and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 30 September 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

- 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.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors'

report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

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

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us 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; or
- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 15, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees 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 have been appointed as auditors under the Charities Act 2011 and report in accordance with regulations made under that Act.

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

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

### **Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

.....

Saffery Champness LLP  
Chartered Accountants and Statutory Auditors  
Unex House, Bourges Boulevard, Peterborough, PE1 1NG

Date:

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

## Statement of financial activities for the year ended 30 September 2020

	Note	Unrestricted funds £000s	Restricted funds £000s	Total funds 2020 £000s	Total funds 2019 £000s
<b>Income from:</b>					
Diageo donations	3	14,605	-	14,605	13,279
Health Department grants	5	-	11,153	11,153	11,106
Investment income	2	2,577	7	2,584	4,626
Other income		122	-	122	149
<b>Total</b>		<b>17,304</b>	<b>11,160</b>	<b>28,464</b>	<b>29,160</b>
<b>Expenditure on:</b>					
Raising funds (solely investment management fees)	6	(442)	(2)	(444)	(624)
Charitable activities	6	(20,831)	(11,040)	(31,871)	(35,659)
<b>Total</b>		<b>(21,273)</b>	<b>(11,042)</b>	<b>(32,315)</b>	<b>(36,283)</b>
Net gains/(losses) on investments	9	(13,217)	-	(13,217)	989
<b>Net income (expenditure)</b>		<b>(17,186)</b>	<b>118</b>	<b>(17,068)</b>	<b>(6,134)</b>
<b>Reconciliation of funds</b>					
Fund balances brought forward At 1 October 2019/2018	11	158,148	(291)	157,857	163,991
<b>Fund balances carried forward at 30 September 2020/2019</b>	11	<b>140,962</b>	<b>(173)</b>	<b>140,789</b>	<b>157,857</b>

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 2020

		Total funds 30/09/2020 £000s	Total funds 30/09/2019 £000s
	Note		
<b>Fixed assets</b>			
Tangible assets	8	342	327
Investments	9	<u>151,765</u>	<u>167,977</u>
		<u>152,107</u>	<u>168,304</u>
<b>Current assets</b>			
Debtors and prepayments	15	103	63
Advance of grants	15		
amounts falling due within one year		548	640
amounts falling due after one year		1,825	2,252
Cash at bank and in hand		<u>6,029</u>	<u>5,240</u>
		<u>8,505</u>	<u>8,195</u>
<b>Creditors: amounts falling due within one year</b>			
Beneficiary nominee accounts	12	(19,418)	(18,442)
Creditors and accruals	16	(405)	(200)
Deferred income	16	-	-
		<u>(19,823)</u>	<u>(18,642)</u>
<b>Net current assets</b>		<u>(11,318)</u>	<u>(10,447)</u>
<b>Total assets less current liabilities</b>		<b>140,789</b>	157,857
<b>Net assets</b>		<u>140,789</u>	<u>157,857</u>
<b>Trust funds</b>			
General fund	11	137,160	155,529
Beneficiary memorandum accounts	11,12	<u>3,802</u>	<u>2,619</u>
		<u>140,962</u>	158,148
Restricted fund	11	<u>(173)</u>	<u>(291)</u>
		<u>140,789</u>	<u>157,857</u>

The financial statements on pages 20 to 39 were approved by the Board on 28 January 2021 and signed on behalf of the Corporate Trustee by:

**Mark Spofforth**  
Director

**Mr K Wesbroom MA MA FIA**  
Director

## Cash flow statement for the year ended 30 September 2020

	Note	Total funds 2020 £000s	Total funds 2019 £000s
<b>Cash flows from operating activities:</b>			
<b><i>Net cash provided by (used in) operating activities</i></b>		<b>(4,754)</b>	<b>(9,935)</b>
<b>Cash flows from investing activities</b>			
Dividends, interest and rents from investments		2,584	4,626
Purchase of tangible fixed assets	8	(51)	(1)
Proceeds from sale of tangible fixed assets		15	-
Purchase of investments	9	(7,316)	(49,016)
Proceeds from sale of investments	9	9,370	49,312
<b><i>Net cash provided by (used in) investing activities</i></b>		<b>4,602</b>	<b>4,921</b>
<b>Change in cash and cash equivalents in the reporting period</b>			
		(152)	(5,014)
Cash and cash equivalents as 1 October 2019		7,616	12,630
<b>Cash and cash equivalents as at 30 September 2020</b>		<b>7,464</b>	<b>7,616</b>
Cash held for investment	9	1,435	2,376
Cash at bank and in hand		6,029	5,240
<b>Cash as at 30 September 2020</b>		<b>7,464</b>	<b>7,616</b>
<b>Reconciliation of income/(expenditure) to net cash (outflow) from operating activities</b>			
<b><i>Net income/(expenditure) for the reporting period as per the statement of financial activities</i></b>		<b>(17,068)</b>	<b>(6,134)</b>
<b>Adjustments for:</b>			
Depreciation & profit on disposals		21	21
(Gains)/losses on investments		13,217	(989)
Dividends, interest and rents from investments		(2,584)	(4,626)
Increase/(decrease) in creditors due within one year		1,181	1,017
Increase/(decrease) in creditors due after one year		-	-
(Increase)/decrease in debtors		479	776
<b><i>Net cash provided by (used in) operating activities</i></b>		<b>(4,754)</b>	<b>(9,935)</b>

## Notes to the financial statements for the year ended 30 September 2020

### 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 28 January 2021.

The Thalidomide Trust has taken advantage of the exemption under section 24.13A of the Charities SORP not to prepare consolidated accounts. The financial statements present information about the Trust as an individual entity and not about its group.

#### 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.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 1 Accounting policies (continued)

#### Restricted Funds

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

Restricted Funds are derived from the 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.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 1 Accounting policies (continued)

#### 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.

#### 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.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### Accounting policies (continued)

#### Grant-making

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

#### 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.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 2. Investment income

	<b>2020</b>	2019
<b>Unrestricted</b>	<b>£000s</b>	£000s
Quoted investments and investment trusts	<b>783</b>	1,892
Listed unit trusts - UK regulated	-	598
Listed unit trusts – Overseas regulated	-	109
Authorised common investment fund	<b>1,789</b>	1,981
Term deposit interest	<b>5</b>	29
	<hr/> <b>2,577</b>	<hr/> 4,609
<b>Restricted fund</b>		
Term deposit interest	<b>7</b>	17
Total per Statement of Financial Activities	<hr/> <b>2,584</b>	<hr/> 4,626

### 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 £429,000 (2019: £598,000).

In addition to the Investment Managers' fees, Trust costs relating to investment management were £15,000 (2019: £26,000), which comprised of unrestricted costs of £13,000 and restricted costs of £2,000. This is made up of £7,000 of staff time and £8,000 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 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).

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, or where the appointed deputy has not fully complied with the regular reporting requirements, their Annual Grants are held in Beneficiary Memorandum Accounts as designated funds.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 5 Grantmaking (continued)

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.

	2020		2019	
	Number of beneficiaries	Value of grants £000s	Number of beneficiaries	Value of grants £000s
Beneficiaries with capacity to manage their financial affairs	444	19,935	446	18,624
Beneficiaries who lack capacity to manage their financial affairs	15	1,012	15	994
<b>Total of Grants</b>	<b>459</b>	<b>20,947</b>	<b>461</b>	<b>19,618</b>

### 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.

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 2019	77	79	(267)	(180)	(291)
Incoming Health Grants	8,298	1,351	887	617	11,153
Health Grants Allocation	(7,998)	(1,260)	(880)	(537)	(10,675)
Interest income	5	1	1	-	7
Health Grant - Direct costs	(37)	(17)	(3)	-	(57)
Health Grants – Indirect costs	(243)	(38)	(18)	(11)	(310)
<b>Fund balances as at 30 September 2020</b>	<b>102</b>	<b>116</b>	<b>(280)</b>	<b>(111)</b>	<b>(173)</b>

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 6 Trust costs and net income

	Note	2020			2019		
		Unrestricted £000s	Restricted £000s	Total £000s	Unrestricted £000s	Restricted £000s	Total £000s
<b>Expenditure on raising funds:</b>							
Investment management fees	4	429	-	429	598	-	598
Support costs (see below)		13	2	15	25	1	26
		<b>442</b>	<b>2</b>	<b>444</b>	<b>623</b>	<b>1</b>	<b>624</b>
<b>Charitable activities:</b>							
Grants	5,12	20,947	10,675	31,622	19,618	10,616	30,234
Net decrease in memorandum account balances	11,12	(1,183)	-	(1,183)	4,062	-	4,062
		19,764	10,675	30,439	23,680	10,616	34,296
Costs of grant making (see below)		84	31	115	107	73	180
Beneficiary support costs (see below)		770	271	1,041	683	258	941
Support costs (see below)		213	63	276	212	30	242
		<b>20,831</b>	<b>11,040</b>	<b>31,871</b>	<b>24,682</b>	<b>10,977</b>	<b>35,659</b>

2020								
	Staff and other HR costs	Admin and running costs	Legal, Professional and Audit fees	National Advisory Council	Campaigning Costs	Research & Development	Total	Restricted costs allocation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Expenditure on raising funds:</b>								
Investment management	5	8	-	-	-	-	13	2
<b>Expenditure on charitable activities:</b>								
Costs of grantmaking	69	12	3	-	-	-	84	31
Beneficiary support costs	473	139	14	4	-	140	770	271
Other costs:								
- Governance & admin	89	19	18	18	-	-	144	
- New claims	29	2	3	-	-	-	34	
- Campaigns	11	1	-	-	23	-	35	
Total other costs	129	22	21	18	23	-	213	63
<b>Total unrestricted costs</b>	<b>677</b>	<b>181</b>	<b>38</b>	<b>22</b>	<b>23</b>	<b>140</b>	<b>1,081</b>	
<b>Restricted costs</b>								
Health Grant recharged costs	266	86	15	-	-	-	367	367
<b>Total costs - 2020</b>	<b>943</b>	<b>267</b>	<b>53</b>	<b>22</b>	<b>23</b>	<b>140</b>	<b>1,448</b>	
<b>Total costs - 2019 (see below)</b>	<b>839</b>	<b>282</b>	<b>102</b>	<b>25</b>	<b>52</b>	<b>89</b>	<b>1,389</b>	

Notes to the financial statements for the year ended 30 September 2020 (continued)

6 Trust costs and net income (continued)

Comparative 2019	Staff and other HR costs	Admin and running costs	Legal, Professional and Audit fees	National Advisory Council	Campaigning Costs	Research & Development	Total	Restricted costs allocation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Expenditure on raising funds:</b>								
Investment management	16	9	-	-	-	-	25	1
<b>Expenditure on charitable activities:</b>								
Costs of grantmaking	40	36	31	-	-	-	107	73
Beneficiary support costs	436	136	17	5	-	89	683	258
Other costs:								
- Governance & admin	39	15	23	20	-	-	97	
- New claims	40	3	12	-	-	-	55	
- Campaigns	8	-	-	-	52	-	60	
Total other costs	87	18	35	20	52	-	212	30
<b>Total unrestricted costs</b>	<b>579</b>	<b>199</b>	<b>83</b>	<b>25</b>	<b>52</b>	<b>89</b>	<b>1,027</b>	
<b>Restricted costs</b>								
Health Grant recharged costs	260	83	19	-	-	-	362	362
<b>Total costs - 2019</b>	<b>839</b>	<b>282</b>	<b>102</b>	<b>25</b>	<b>52</b>	<b>89</b>	<b>1,389</b>	
<b>Total costs - 2018</b>	<b>755</b>	<b>263</b>	<b>69</b>	<b>16</b>	<b>56</b>	<b>(9)</b>	<b>1,150</b>	

Net income for the year is stated after charging:

	2020 £000s	2019 £000s
Depreciation (2020 includes a profit on disposal of £7,600)	21	21
Audit Fees	24	34

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 7 Trustee and employee information

The monthly average number of persons employed by the Trust during the year was 18 (2019: 17).

<b>Staff costs (for the above persons)</b>	<b>2020</b>	2019
	<b>£000s</b>	£000s
Gross salaries and wages	<b>708</b>	625
Social security costs	<b>71</b>	67
Employer pension contributions	<b>64</b>	62
Other employee benefits	<b>26</b>	21
	<b>869</b>	775

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

	<b>2020</b>	2019
	<b>Number</b>	Number
£60,001 - £70,000	<b>1</b>	1
£70,001 - £80,000	<b>2</b>	1
£100,001 - £110,000	<b>1</b>	-
£110,001 - £120,000	-	1

Pension contributions towards a money purchase scheme paid in the year for the above staff whose total emoluments exceeded £60,000 amounted to £29,000 (2019: £23,000).

No remuneration was paid to the trustees of The Thalidomide Trust Company Ltd (2019: £nil). Travel and subsistence expenses of £1,900 (2019: £3,700) were reimbursed to 4 (2019: 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 £254,000 (2019: £239,000) for 3 employees (2019: 3).

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 8 Tangible assets

Tangible assets comprise the following:

	Motor Vehicles £000s	Furniture & equipment £000s	Building £000s	Total £000s
<b>Cost</b>				
At 1 October 2019	47	9	465	<b>521</b>
Additions	51	-	-	<b>51</b>
Disposals	(46)	(4)	-	<b>(50)</b>
<b>At 30 September 2020</b>	<b>52</b>	<b>5</b>	<b>465</b>	<b>522</b>
<b>Accumulated depreciation</b>				
At 1 October 2019	29	9	156	<b>194</b>
Charged	19	-	9	<b>28</b>
Disposals	(38)	(4)	-	<b>(42)</b>
<b>At 30 September 2020</b>	<b>10</b>	<b>5</b>	<b>165</b>	<b>180</b>
<b>Net book value</b>				
<b>At 30 September 2020</b>	<b>42</b>	-	<b>300</b>	<b>342</b>
At 30 September 2019	18	-	309	327

All tangible fixed assets are unrestricted.

### 9 Investments

	2020 £000s	2019 £000s
<b>Listed Investments</b>		
UK Equities	<b>51,079</b>	65,490
US Equities	<b>1,221</b>	1,427
Europe Equities	<b>808</b>	957
Other Equities	<b>2,598</b>	2,982
<b>Unlisted investments</b>		
Overseas Unit Trusts	<b>64,892</b>	62,070
UK Fixed Income Bonds	<b>29,767</b>	29,538
UK Common Investment Funds	-	3,174
Open Derivatives Positions	<b>(35)</b>	(37)
Cash held for investments (including accrued investment income)	<b>1,435</b>	2,376
<b>Total per Balance Sheet</b>	<b>151,765</b>	167,977

All investments are held as unrestricted funds.

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 9 Investments (continued)

The movement on investments in the year was as follows:

	<b>2020</b> <b>£000s</b>	2019 £000s
Market value b/fwd 1 October 2019	<b>167,977</b>	167,676
Less: Disposal proceeds/ share exchanges	<b>(9,370)</b>	(49,312)
Add: Purchases at cost/share exchanges	<b>7,316</b>	49,016
Realised and unrealised gains/(losses)	<b>(13,217)</b>	989
Increase/(decrease) in cash held for investment (including accrued investment income)	<b>(941)</b>	(392)
<b>Market value at 30 September 2020</b>	<b>151,765</b>	167,977
<b>Historical cost at 30 September 2020</b>	<b>147,142</b>	149,312

The market value of investments has dropped considerably during the year due to the effect of the pandemic on the stock markets, and this has impacted in particular on the funds held in the Schroders portfolio. The trustees believe that the value of the investments will recover, but the Diageo Covenant continues to underwrite the investment performance of the Trust.

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.

	<b>2020</b> <b>£000s</b>	2019 £000s
Cash offset index futures	-	-
Open currency forward agreements	<b>(35)</b>	(37)
Equities Futures	-	-
Open Derivatives Positions	<b>(35)</b>	(37)

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 10 Subsidiary

ValidATE Trust was established on 7 August 2019 as a Private Limited Company by guarantee. The Thalidomide Trust has taken advantage of the exemption under section 24.13A of the Charities SORP, and not consolidated the results of ValidATE Trust in the Group financial statements.

All costs associated with the establishment of the company were incurred by the Trust and recharged to the company.

At the 30 September 2020, ValidATE Trust owed the parent company, The Thalidomide Trust, £51,000.

The results of ValidATE Trust for the period ended 30 September 2020 are shown below.

Audited Accounts are filed with the Registrar of Companies.

	<b>2020</b>
	<b>£</b>
Turnover and other income	<b>12,490</b>
Cost of sales and expenses	<b>(34,195)</b>
Loss for the year	<b>(21,705)</b>
Profit and loss reserves	<b>(21,705)</b>

### 11 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 2019	2,619	155,529	(291)	157,857
Net incoming/(outgoing) resources as per Statement of Financial Activities	-	(17,187)	118	(17,069)
Adjustment for net decrease in beneficiary memorandum accounts (note 12)	1,183	(1,183)	-	-
<b>Balance as at 30 September 2020</b>	<b>3,802</b>	<b>137,160</b>	<b>(173)</b>	<b>140,789</b>
	Note 12			

Notes to the financial statements for the year ended 30 September 2020 (continued)

11 Trust Fund including comparatives (continued)

	Unrestricted funds			Total Trust Funds £000s
	Designated Beneficiary Memorandum Accounts £000s	General Fund £000s	Restricted Funds £000s	
<b>Fixed Assets</b>				
Tangible	-	342	-	342
Investments	3,180	148,585	-	151,765
<b>Current Assets</b>				
Debtors and Prepayments	-	103	-	103
Advance of Grants	-	2,373	-	2,373
Cash at Bank and in Hand	622	1,513	3,894	6,029
<b>Creditors: amounts falling due within one year</b>				
Beneficiary nominee accounts	-	(15,351)	(4,067)	(19,418)
Creditors and accrued expenses	-	(405)	-	(405)
<b>Balance as at 30 September 2020</b>	<b>3,802</b>	<b>137,160</b>	<b>(173)</b>	<b>140,789</b>

Note 12

Comparatives	Unrestricted funds		Restricted Funds £000s	Total Trust Funds £000s
	Beneficiary Memorandum Accounts £000s	General Fund £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	(4,062)	4,062	-	-
<b>Balance as at 30 September 2019</b>	<b>2,619</b>	<b>155,529</b>	<b>(291)</b>	<b>157,857</b>

note 12

Notes to the financial statements for the year ended 30 September 2020 (continued)

11 Trust Fund including comparatives (continued)

Comparatives	Unrestricted funds		Restricted Funds £000s	Total Trust Funds £000s
	Beneficiary memorandum Accounts £000s	General Fund £000s		
<b>Fixed Assets</b>				
Tangible	-	327	-	327
Investments	2,277	165,700	-	167,977
<b>Current Assets</b>				
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
<b>Creditors: amounts falling due within one year</b>				
Beneficiary nominee accounts	-	(14,966)	(3,476)	(18,442)
Creditors and accrued expenses	-	(200)	-	(200)
<b>Balance as at 30 September 2019</b>	<b>2,619</b>	<b>155,529</b>	<b>(291)</b>	<b>157,857</b>

note 12

12 Beneficiary accounts

	Beneficiary memorandum accounts £000s	Beneficiary nominee accounts £000s	Beneficiary Health Grant accounts £000s	Total 2020 £000s	Total 2019 £000s
As at 1 October 2019					
Balance Sheet- Beneficiary Nominee Accounts		14,966	3,476	<b>18,442</b>	17,335
Balance Sheet- Beneficiary Memorandum Accounts	2,619				
Annual Grant Allocations	2,458	18,489		<b>20,947</b>	19,618
Health Grant Allocations			10,721	<b>10,721</b>	10,616
Payments from Beneficiary Accounts	(1,389)	(17,990)	(10,130)	<b>(29,509)</b>	(33,189)
Transfers between Nominee and Memorandum Accounts	114	(114)			
Adjustment for net decrease/ (increase) in Beneficiary Memorandum Accounts				<b>(1,183)</b>	4,062
<b>As at 30 September 2020:</b>					
<b>Balance Sheet- Beneficiary Nominee Accounts</b>		15,351	4,067	<b>19,418</b>	18,442
<b>Balance Sheet- Beneficiary Memorandum Accounts</b>	<b>3,802</b>				

Note 11

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 12 Beneficiary accounts (continued)

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.

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 beneficiaries (as detailed in note 5).

### 13 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.

### 14 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 £67,000 (2019: £62,000).

At the end of the year other creditors and accruals included £9,600 (2019: £0) payable in respect of employer pension contributions.

### 15 Debtors

	<b>Total funds</b>	Total funds
	<b>2020</b>	2019
	<b>£000s</b>	£000s
Advances of Grants		
amounts falling due within one year	<b>548</b>	640
amounts falling due after one year	<b>1,825</b>	2,252
Other debtors	<b>51</b>	18
Prepayments and accrued income	<b>52</b>	45
<b>Total</b>	<b>2,476</b>	2,955

## Notes to the financial statements for the year ended 30 September 2020 (continued)

### 15 Debtors (continued)

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 2020. 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.

### 16 Creditors

	<b>Total funds 2020 £000s</b>	Total funds 2019 £000s
<b>Creditors: amounts falling due within one year</b>		
Beneficiary nominee accounts (note 12)	<b>19,418</b>	18,442
Other creditors and accruals	<b>405</b>	200
<b>Total</b>	<b>19,823</b>	18,642

### 17 Net Debt Disclosure

	At 1 October 2019	Cash-flows	Other non- cash changes	At 30 September 2020
	£	£	£	£
Cash	5,240	789	-	<b>6,029</b>
Cash held for investment	2,376	(941)	-	<b>1,435</b>
<b>Total</b>	<b>7,616</b>	<b>(152)</b>	-	<b>7,464</b>

### 18 Related Party Transactions

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

During the period, the charity made payments for expenditure of its subsidiary, ValiDATE Trust, of £70,000 (2019: £Nil).

At the year end, the Trust was owed £51,000 (2019: £Nil) from the ValiDATE Trust. This balance is presented within other debtors.

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 2020 (continued)

### 19 Post balance sheet events

On 5 October 2020, £30m of funds (made up of £10m from Schroders and £20m from BlackRock) was transferred into a new ESG fund with Legal & General Investment Management (LGIM). ESG stands for Environmental, Social and Governance. This move was carried out following trustees' research into ESG investing and the growing evidence that taking ESG factors into account when investing can lead to better returns.

### 20 Comparatives for Statement of Financial Activities

Comparatives	Note	Unrestricted Funds £000s	Restricted Funds £000s	Total Funds 2019 £000s
Income from:				
Diageo donations	3	13,279	-	13,279
Health Department Grants	5	-	11,106	11,106
Investment income	2	4,609	17	4,626
Other income		149	-	149
<b>Total</b>		<b>18,037</b>	<b>11,123</b>	<b>29,160</b>
Expenditure on:				
Raising funds (solely investment management fees)	6	(623)	(1)	(624)
Charitable activities	6	(24,682)	(10,977)	(36,659)
<b>Total</b>		<b>(25,305)</b>	<b>(10,978)</b>	<b>(36,283)</b>
Net gains/(losses) on investments	9	989	-	989
<b>Net income (expenditure)</b>		<b>(6,279)</b>	<b>145</b>	<b>(6,134)</b>
Reconciliation of Funds				
Fund balances brought forward At 1 October 2018	11	164,427	(436)	163,991
Fund balances carried forward at 30 September 2019	11	158,148	(291)	157,857