

**The Child Health Research
Charitable Incorporated
Organisation**

**Consolidated report and
financial statements**

31 July 2018

Charity Registration Number
1152623

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Trustees	Mr A W Fane (Chairman) Mr T Clarke Professor A J Copp Professor D Goldblatt Professor G Hart Ms S Payne Mr A C Ross Professor R Smyth Dr P Steer
Finance Committee	Mr T Clarke Ms S Dervish Mr A W Fane Mr G Mitchie Ms R Smith (Treasurer) Professor R Smyth
Registered office	Institute of Child Health 30 Guilford Street London WC1N 1EH
Charity registration number	1152623
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	The Royal Bank of Scotland plc 280 Bishopgate London EC2M 4RB
Solicitors	Field Fisher Waterhouse 31 Vine Street London EC3N 2AA
Investment managers	Veritas Investment Management LLP 90 Long Acre London WC2E 9RA

The Trustees present their Annual Report together with the consolidated financial statements of The Child Health Research Charitable Incorporated Organisation and its subsidiary company for the year ended 31 July 2018. The financial statements have been prepared in accordance with the accounting policies set out on pages 17 to 20 and comply with the Charity's Constitution, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Child Health Research Charitable Incorporated Organisation (CIO) is a registered charity governed by its Constitution dated 27 June 2014.

The Child Health Research CIO is a registered charity, number 1152623. The Charity, under an arrangement, does not actively fundraise, but relies heavily on its investments to meet its objectives.

Meetings of the Trustees are convened on at least three occasions per annum. At these meetings, the Trustees agree the broad strategy and areas of activity for the Charity, including consideration of grant making, investment, reserves and risk management policies and performance. The Finance Committee (formerly the Investment Sub-Committee) convenes at least twice per annum and reports regularly to the main Board of Trustees. The Finance Committee is responsible for reviewing the financial statements in detail before approval by the main Board, as well as monitoring the external investment managers regarding the investment portfolio performance and making decisions regarding the cash flow of the Charity.

Trustees are recruited by introductions from existing trustees and others who are familiar with the work of the charity. Prospective Trustees are interviewed by the Chairman and Director of the Institute of Child Health and asked to submit a CV for review at a Trustees' Meeting. Candidates must be elected by at least a 75% majority of Trustees.

New Trustees are provided with information concerning the finances, fundraising activities and grant-making policies of the charity. Those who are not familiar with the legal obligations and responsibilities of a Trustee are provided with information published by the Charity Commission.

KEY MANAGEMENT

The Trustees consider that they, together with the ICH Finance Manager and ICH Executive Officer, comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

None of the trustees receive any remuneration in respect to their services as trustees.

KEY MANAGEMENT (continued)

All employees, including the key management personnel, are employed by the UCL Great Ormond Street Institute of Child Health and their remuneration is set by their employers.

A recharge agreement is in place between the UCL GOS Institute of Child Health and the Charity in respect to the staff. Every month an allocation of their salary is recharged to the Charity (10% in the case of the Finance Manager and 7% of the Executive Officer).

OBJECTIVES AND ACTIVITIES

The purposes (objects) of the Child Health Research CIO are, in such ways as the Trustees think fit, to:

- 1) Advance health in children and the adults they become by supporting research into children's health and wellbeing including pre-natal development and external factors impacting thereon; and
- 2) Advance education by supporting teaching, training and public engagement in children's health including by supporting the mission of the Institute of Child Health to the extent it is charitable.

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities and setting the grant making policy for the year.

The Charity carries out these objects by:

- ◆ Funding research into the causes and prevention of children's diseases. The research funded is both pure and applied/translational with the aim of eliminating suffering of children everywhere. The charity funds salaries of Professors, Senior Lecturers/Consultants and other grades of staff where their research activity will further the objects of the charity.
- ◆ Providing funds to enable postgraduate studentships to be undertaken at the UCL Institute of Child Health, focussing on a wide range of paediatric research.

By focusing on these areas, the charity is able to meet its strategic objectives and priorities.

The Charity has a number of restricted funds which support various academic research projects as follows:

- ◆ Hugh Greenwood Chair of Immunology
- ◆ Research into Eye Disease (Help a Child to See)

OBJECTIVES AND ACTIVITIES (continued)

- ◆ Children's Eye Group Travelling Fellowship (Claude Worth Fund)
- ◆ Caring for Kids Fund for a Research Lecturer in kidney disease
- ◆ PKU Research (Phenylketonuria – a genetic disorder)
- ◆ Genetics (Jeans for Genes)
- ◆ Dermatomyositis Research
- ◆ Chair of Epilepsy
- ◆ Simpson-Smith Travelling Fellowship
- ◆ Department of Paediatric Surgery
- ◆ Anne Hamilton Award
- ◆ Siemens Nuclear Medical Research
- ◆ Kidney Research Williams Bequest
- ◆ Simpson-Smith Memorial Lectureship
- ◆ Chair of Developmental Biology
- ◆ Gertrude Marshall Atkins (multiple handicap)
- ◆ Seakins Travel Fund
- ◆ Chair of Cancer Biology
- ◆ Childhood Nutrition Fund
- ◆ Kellogg's Nutrition Senior Lecturer
- ◆ Medical Molecular Biology Fund
- ◆ John Lipscombe Memorial Travel Award
- ◆ Chair of Developmental Neurobiology
- ◆ Bill Marshall Memorial Fund
- ◆ Roland Levinsky Studentship
- ◆ Cystic Fibrosis Fund

The funding for these restricted funds is undertaken by individual fund holders and their supporters.

ACHIEVEMENTS AND PERFORMANCE

The charity continues to support early career researchers at the Institute of Child Health through funding 3-year PhD studentships (seven this year up from six last year), eight summer studentships and three visiting fellowships through the Bill Marshall Memorial Fund. The CIO also continued to provide funding for several senior academic positions at the Institute to support their work into a variety of child health related challenges.

The CIO offered its first international PhD project in collaboration with the University of Toronto/SickKids Hospital. The PhD student will spend up to 12 months on placement there as part of their second year PhD studies. In return, a University of Toronto student will also spend up to 12 months at the UCL GOS Institute of Child Health/Great Ormond Street Hospital.

An historic commitment is now starting to come to fruition, support for a lecturer position in Genetics and Genomics Medicine from 2015 has now been appointed to post.

Commitments were made to support staffing for two professors at the UCL GOS Institute of Child Health to enable them to continue their pioneering work in Genomics Medicine and Gene Therapy respectively.

The CIO received an anonymous unrestricted legacy donation of £46,000.

A recurring grant was made this year was support for seven bursaries for Postgraduate Students on courses run by the Institute. This was aimed to encourage widening participation in post graduate education. Each bursary was worth £3,000 to support the fees of each student.

Achieving the Institute's ambitions above from within the investment income from the portfolio continues to be challenging but the underlying performance and valuation of the investment remains strong. Cash flow is regularly monitored and non-grant related expenditure is kept to a minimum.

GRANT MAKING POLICY

The charity has established a grant making policy to achieve its objects for the public benefit to improve the lives of children everywhere, namely finding better ways of diagnosing and treating sick children through research and then using those findings to improve health outcomes of those children throughout the world. The charity's research programmes support students, academic and academic related staff at the Institute of Child Health and Great Ormond Street Hospital for Children to find new pioneering cures for many rare diseases which affect children. With new knowledge and understanding children's lives can be improved significantly. Any benefits received by researchers are purely incidental to the objects of the charity.

GRANT MAKING POLICY (continued)

The Director of the Institute of Child Health receives proposals for funding from members of the Institute of Child Health and Great Ormond Street Hospital for Children's NHS Trust. These are reviewed for scientific quality and to make sure they align with the strategic research objectives of both Institutions. Once endorsed by the Director these are submitted to the charity for consideration and approval. Any grant applications are considered by the Board of Trustees before award letters are issued on behalf of the charity. This applies to applications against both restricted and unrestricted funds.

The projects are often for pump-priming, initial ideas and data collection before a full application is made to an external awarding body. The charity provides funds for bridging and infrastructure support (including building projects, laboratory refurbishments and equipment).

INVESTMENT POLICY AND PERFORMANCE

Under the terms of the Constitution, the Trustees have absolute discretion to manage and organise the charity's investments. The Trustees, through the Finance Committee, have appointed Veritas Investment Management LLP to manage (with discretionary powers) the Child Health Research CIO portfolio.

The charity has a Statement of Investment Principles which has been approved by members of the Finance Committee. This statement includes the following stipulations regarding the specific investment objectives:

- ◆ Investments are held to create real returns over the investment horizon of a rolling 5 year period with emphasis on capital growth with some income.
- ◆ Primary Benchmark of UK CPI + 4% on a rolling basis.
- ◆ A mix of assets as detailed in the investment management agreement may be used by the Manager to achieve the investment objective. At the Manager's discretion up to 100% may be invested in equities. Equity, bond and/or cash exposure may be gained via direct holdings, collective investment instruments/fund of funds and/or derivative.
- ◆ The members of the Finance Committee are willing to accept a medium/ high investment risk approach in the achievement of their objectives. This is suitable where a return significantly above inflation is sought over the long term and the Finance Committee understand that considerable shorter term movements in portfolio value may be experienced in the pursuit of such objectives.
- ◆ The Child Health Research CIO have included a restriction banning the investment in tobacco stocks.

The Finance Committee meets at least half yearly to review the performance of the portfolio and the Investment Manager. The Investment Management presents a report of the investment portfolio at each of these meetings.

INVESTMENT POLICY AND PERFORMANCE (continued)

The charity adopts a cautious approach given the uncertainties in the bond and equity markets with bonds being of relatively short duration given probable higher interest rates. Turning to equities, the charity places emphasis on those companies whose abiding characteristic is to generate sustainable and growing cash flows whatever the state of the world economy. There is a focus on long term structural and demographic changes that inform investment decisions.

The total return for the 12 months to 31 July 2018 was 7.8% which was ahead of the primary benchmark of 6.5% and the ARC (Asset Risk Consultants) Sterling Equity Risk Index of 6.7%. The total return for FTSE All Share Index was 9.2%, MSCI All Countries World Equity Index (£) 11.5% and BofA MLynch £ Corporates (1-10 Y) 0.3%.

The overall performance of the charity's investment has been reasonable in light of the continuing uncertainty and volatility of world markets in the current economic climate.

FINANCIAL REVIEW

The consolidated Statement of Financial Activities shows a surplus of £17,754 (2017: £339,074) after investment gains for the year ended 31 July 2018. The figure excluding net investment gains was a deficit of £1,080,149 (2017: £1,027,576). Grants payable for the year totalled £1,318,197 (2017: £1,356,959).

During the year, the charity received no payment from its wholly owned subsidiary ICH Productions Limited.

The net current liability position on the balance sheet of £648,498 (2017: £817,004) is a reflection of the accounting policy that makes full provision for grants when they are committed. However, the charity maintains a strong cash position and has adequate funds to meet these liabilities as they fall due over the duration of the grants.

RESERVES POLICY AND FINANCIAL POSITION

As stated above, the charity's primary objective is providing funds for research at the Institute of Child Health. Research, by its very nature, requires a long term commitment to resources for success.

The Trustees believe that in normal circumstances, the charity needs between £1million to £2million of unrestricted reserves to take into account expenditure requirements and income fluctuation that may arise.

At 31 July 2018 the charity had total funds of £15,119,667 (2017: £15,101,913). Of these, £7,974,716 (2017: £7,545,328) were restricted and £3,140,591 (2017: £2,919,091) were endowment funds. Unrestricted funds, which constitute the charity's free reserves, were £4,004,360 (2017: £4,637,494).

The Trustees consider the level of general reserves (unrestricted funds of £4,004,360) are necessary and appropriate, taking into account their continuing commitments.

RESERVES POLICY AND FINANCIAL POSITION (continued)

The charity has sufficient cash resources to meet its obligations both from the restricted and unrestricted funds but further cash requirements can be met by initially transferring monies held with brokers and subsequently realising investment assets.

RISK MANAGEMENT

The charity has for many years adopted a risk assessment policy as part of its strategic plan in meeting its principal objectives. The major risks to which the charity is exposed have been evaluated and systems have been established to lessen and where possible, eliminate these risks.

The key risks for the charity, as identified by the Trustees, are described below together with the principal ways in which they are mitigated:

Conflict of interest – Trustees may have a conflict of interest between the charity and their relationship with the UCL GOS Institute of Child Health. For example, voting in relation to a funding bid of which their department will be a beneficiary. This is mitigated by keeping the conflicts of interest register up to date and following procedures for trustees to abstain from certain decisions if this is deemed necessary.

Portfolio management – There is a risk that there are unsatisfactory returns from the investment portfolio. This is mitigated by regular monitoring of the financial returns achieved during biannual Finance Committee meetings.

Monitoring of returns on investments – There is a risk that once a grant is awarded, for example to a PhD student, that the outputs from the PhD can be intangible and not readily ascribed a financial value. However, the trustees place great value on supporting the work and early careers of researchers and supporting work in this way is of core importance to the operation of the charity.

FUNDRAISING

The charity generates funding for research and teaching by setting out proposals in high quality applications to public, charitable and industrial funding bodies and disseminates the results of research by publication in the medical and scientific literature, to practitioners, policy makers and the wider public.

Grant funding comes from research councils, charities, industry partners and individual donors.

The charity does not work with commercial participators or professional fundraisers to fundraise on its behalf.

When fundraising, the charity always aims to conform to recognised standards and protect the public, including vulnerable people. The charity does not adopt an unreasonable, pressured or persistent approach when fundraising from individuals.

SUBSIDIARY UNDERTAKING

ICH Productions Limited is a wholly owned subsidiary of the Child Health Research CIO. The company formerly undertook trading activities for the Institute of Child Health, including external work for the Medical Illustration department and for receipt of technology transfer income and royalties. This work is no longer carried out via ICH Productions Limited therefore the subsidiary activity currently is receiving outstanding payments in relation to its former activity.

The company makes an annual deed of covenant to the parent charity for 100% of its taxable profits.

FUTURE PLANS

The Child Health Research CIO intends to continue to make regular research grants to the UCL GOS Institute of Child Health. These grants will be for PhD studentships, summer vacation studentships, and to support staff salaries which were donated to the Child Health Research CIO for this purpose and are managed as restricted funds. Grants will also be made for one-off capital expenditure where agreed by the Trustees.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Trustees' Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Principles).

The law applicable to charities in England and Wales requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Charity and the group and of the income and expenditure of the group for that period. In preparing financial statements, the Trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom 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.

STATEMENT OF TRUSTEES' RESPONSIBILITIES (continued)

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and which 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 Constitution. The Trustees are responsible for safeguarding the assets of the Charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees on 5 December 2018 and signed on their behalf by

Chairman

 Andrew W Lane

Independent auditor's report to the trustees of The Child Health Research Charitable Incorporated Organisation

Opinion

We have audited the financial statements of The Child Health Research Charitable Incorporated Organisation for the year ended 31 July 2018 which comprise the consolidated statement of financial activities, the group and parent charity balance sheets, the consolidated statement of cash flows 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 group's and of the parent charity's affairs as at 31 July 2018 and of their income and expenditure 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group's or the parent 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 auditor's 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 Act 2011 requires 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
- ◆ sufficient accounting records have not been kept by the parent charity; or
- ◆ the parent charity 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, 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 group's and the parent 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 group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 auditor's 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/auditors-responsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP 14 December 2018

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

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

Consolidated statement of financial activities 31 July 2018

	Notes	Un- restricted funds £	Restricted funds £	En- dowment funds £	Total funds 2018 £	Total funds 2017 £
Income from:						
Donations and legacies	1	46,119	5,000	—	51,119	84,205
Investments	2	102,723	256,003	—	358,726	420,202
Other trading activities	3	11,017	—	—	11,017	444
Total income		159,859	261,003	—	420,862	504,851
Expenditure on:						
Raising funds	4	55,389	115,304	—	170,693	166,393
Charitable activities						
Grants payable	5	1,051,992	278,326	—	1,330,318	1,366,034
Total expenditure		1,107,381	393,630	—	1,501,011	1,532,427
Net expenditure for the year before gains on investments		(947,522)	(132,627)	—	(1,080,149)	(1,027,576)
Net gains on investment assets	8	314,388	562,015	221,500	1,097,903	1,366,650
Net (expenditure) income and net movement in funds		(633,134)	429,388	221,500	17,754	339,074
Reconciliation of funds:						
Total fund balances brought forward at 1 August		4,637,494	7,545,328	2,919,091	15,101,913	14,762,839
Total fund balances carried forward at 31 July		4,004,360	7,974,716	3,140,591	15,119,667	15,101,913

All of the charity's activities were from continuing operations in the above two financial periods.

The charity has no recognised gains or losses other than those included in the Statement of Financial Activities.

The notes on pages 21 to 30 form an integral part of these financial statements.

Balance sheets 31 July 2018

	Notes	Group		Charity	
		2018 £	2017 £	2018 £	2017 £
Fixed assets					
Investments	8	17,653,472	17,652,048	17,653,472	17,652,048
Current assets					
Debtors	9	45,000	47,660	123,591	128,553
Cash at bank		768,608	311,031	695,893	238,286
		<u>813,608</u>	<u>358,691</u>	<u>819,484</u>	<u>366,839</u>
Liabilities					
Creditors: amounts falling due within one year	10	(1,462,106)	(1,175,695)	(1,461,346)	(1,174,995)
Net current liabilities		(648,498)	(817,004)	(641,862)	(808,156)
Creditors: amounts falling due after more than one year	11	(1,885,307)	(1,733,131)	(1,885,307)	(1,733,131)
Net assets		<u>15,119,667</u>	<u>15,101,913</u>	<u>15,126,303</u>	<u>15,110,761</u>
The funds of the charity:					
Unrestricted funds	12	4,004,360	4,637,494	4,010,996	4,646,342
Restricted funds	13	7,974,716	7,545,328	7,974,716	7,545,328
Endowment funds	14	3,140,591	2,919,091	3,140,591	2,919,091
Total charity funds		<u>15,119,667</u>	<u>15,101,913</u>	<u>15,126,303</u>	<u>15,110,761</u>

Approved by the Trustees on 5 December 2018 and signed on their behalf by

Chairman 

The notes on pages 21 to 30 form an integral part of these financial statements.

Consolidated statement of cash flows 31 July 2018

	Notes	2018 £	2017 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(998,631)	(1,014,812)
Cash flows from investing activities:			
Investment income		358,726	420,202
Proceeds from the disposal of investments		3,932,645	4,611,690
Purchase of investments		(3,126,909)	(4,035,730)
Net cash provided by investing activities		1,164,462	996,162
Change in cash and cash equivalents in the year		165,831	(18,650)
Cash and cash equivalents at 1 August	B	1,176,309	1,194,959
Cash and cash equivalents at 31 July	B	1,342,140	1,176,309

Notes to the statement of cash flows for the year to 31 July

A Reconciliation of net movement in funds to net cash provided by (used in) operating activities

	2018 £	2017 £
Net movement in funds (as per the statement of financial activities)	17,754	339,074
Adjustments for:		
Gains on investments	(1,097,903)	(1,366,650)
Investment income	(358,726)	(420,202)
Decrease (increase) in debtors	2,660	(47,660)
Increase in creditors	437,584	480,624
Net cash used in operating activities	(998,631)	(1,014,812)

B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	768,608	311,031
Cash held by investment managers	573,532	864,278
Total cash and cash equivalents	1,342,140	1,175,309

Principal accounting policies 31 July 2018

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 July 2018.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

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

The financial statements are presented in sterling and are rounded to the nearest pound.

Basis of consolidation

These financial statements consolidate the results of the charity and its wholly-owned subsidiary ICH Productions Limited on a line by line basis. No separate statement of financial activities has been presented for the charity alone.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the liability for multi-year grant commitments; and
- ◆ the apportionment of investment income, gains and losses between funds.

Assessment of going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 July 2019, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the Trustees' report for more information).

The net current liability position on the balance sheet of £648,496 (2017: £817,004) is a reflection of the accounting policy that makes full provision for grants when they are committed. However, the charity maintains a strong cash position and has adequate funds to meet these liabilities as they fall due over the duration of the grants.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, investment income and other income.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

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

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees and administration costs.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include charitable grants and support costs, including governance costs.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all performance conditions. Grants approved but not paid at the end of the financial year are accrued. Grants where the beneficiary has not been informed or has to fulfil performance conditions before the grant is released are not accrued for but are disclosed as financial commitments in the notes to the financial statements.

The provision of a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the charity that would permit the charity to avoid making the future payments and settlement is probable.

All expenditure is stated inclusive of irrecoverable VAT.

Fixed asset investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The charity does not acquire put options, derivatives or other complex financial instruments.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Funds

Unrestricted funds are those available for the general purposes of the Charity and their use is set out in the Constitution.

Restricted funds are those funds whose purposes have been restricted by the donor to specific areas of research as set out in note 13.

Endowment funds are those funds whose purposes have been endowed by the donor to a specific area of research and where the capital is not expendable as set out in note 14.

Income from investments, expenditure on administration fees, investment management fees and gains and losses on investments are apportioned to the restricted and unrestricted funds on the basis of the average value of each fund during the year.

1 Donations

	2018 £	2017 £
Donations and legacies		
. Unrestricted funds	46,119	3,705
. Restricted funds	5,000	80,500
	<u>51,119</u>	<u>84,205</u>

2 Investment income

	2018 £	2017 £
Dividends receivable		
. Unrestricted funds	102,723	132,748
. Restricted funds	256,003	287,141
Other income		
. Unrestricted funds	—	109
. Restricted funds	—	204
	<u>358,726</u>	<u>420,202</u>

3 Other trading activities

	2018 £	2017 £
Trading income from ICH Productions Limited (note 19)		
. Unrestricted funds	11,017	444
. Restricted funds	—	—
	<u>11,017</u>	<u>444</u>

4 Expenditure on raising funds

	2018 £	2017 £
Investment management fees		
. Unrestricted funds	42,087	48,821
. Restricted funds	104,887	96,944
Trading activities		
. Unrestricted funds	8,000	—
. Restricted funds	—	—
Administration		
. Unrestricted funds	5,302	10,397
. Restricted funds	10,417	10,231
	<u>170,693</u>	<u>166,393</u>

5 Expenditure on charitable activities

Unrestricted funds

	2018 £	2017 £
Grants payable		
. Postgraduate studentships	630,926	458,004
. Summer vacation studentships	11,400	11,780
. Lectureships	55,402	—
. Other	342,143	197,000
Governance costs (note 6)	12,121	9,075
Total unrestricted funds	1,051,992	675,859

Restricted funds

	2018 £	2017 £
Grants payable		
. Chair of Dev. Neurobiology (Glaxo Wellcome - Chair)	56,096	71,699
. Help a Child to See	—	178,379
. Bill Marshall Memorial Fund	16,500	16,500
. Seakins Travel Fund	1,000	1,000
. Chair of Developmental Biology	197,794	182,245
. Chair of Epilepsy	—	235,593
. Simpson Smith Memorial Lectureship	3,746	4,759
. Simpson Smith Travelling Fellowship	3,190	—
Total restricted funds	278,326	690,175
Total funds	1,330,318	1,366,034

The grants included above were all payable to the Institute of Child Health.

6 Governance costs

	2018 £	2017 £
Auditor's remuneration		
. Audit fees – current year	7,920	7,560
. Audit fees – prior year	2,540	40
. Non-audit fees	1,390	1,440
Legal and bank fees	271	35
	12,121	9,075

7 Staff costs and numbers and remuneration of key management personnel

The average number of persons working for the charity during the year was as follows:

	2018 £	2017 £
Administration (part-time)	3	3

The aggregate amount of salaries, wages and related costs of employees is comprised as follows:

	2018 £	2017 £
Salaries and wages	11,924	12,267
Social security costs	1,068	1,095
Other pension costs	1,606	1,603
	14,598	14,965

This is a recharge of salary costs from the Institute of Child Health to the Child Health Research CIO as no staff are actually employed by the Child Health Research CIO.

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the trustees and the ICH Finance Manager and ICH Executive Officer. The total remuneration (including taxable benefits and employer's pension contributions) of the key management personnel for the year was £11,906 (2017: £12,077).

No trustee received any form of emoluments from the charity during the year (2017: £nil). No trustee has been reimbursed for expenses incurred during the year (2017: £105 reimbursed to one trustee).

8 Investments

The investments of the Child Health Research CIO are managed by Veritas Investment Management LLP.

8 Investments (continued)

Analysis by type

	2018		2017	
	At cost £	Market value £	At cost £	Market value £
UK – fixed interest	3,575,767	3,704,969	3,286,517	3,458,398
UK – equities	3,175,088	3,939,575	2,363,542	3,029,252
UK – funds	—	—	—	—
Overseas – equities	6,015,858	9,435,396	6,888,147	10,300,120
Listed investments total	12,766,713	17,079,940	12,538,206	16,787,770
Cash with brokers	573,532	573,532	864,278	864,278
Charity investments	13,340,244	17,653,472	13,402,484	17,652,048
Investment in subsidiary ICH Productions Ltd £1 ordinary shares	100	—	100	—
Group investments	13,340,344	17,653,472	13,402,584	17,652,048

Movement in listed investments

	2018 £	2017 £
Balance brought forward	16,787,770	15,997,081
Additions during the year	3,126,909	4,035,730
Opening market value of disposals (proceeds: £3,932,645; realised loss: £276,867)	(4,209,512)	(4,554,709)
Unrealised gains	1,374,773	1,309,668
Balance carried forward	17,079,940	16,787,770

9 Debtors

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Other debtors	45,000	47,660	45,000	47,660
Subsidiary company	—	—	78,591	80,893
	45,000	47,660	123,591	128,553

10 Creditors: amounts falling due within one year

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Grants payable	1,426,604	1,120,994	1,426,604	1,020,994
Other creditors	35,502	54,701	34,742	54,001
	1,462,106	1,175,695	1,461,346	1,074,995

11 Creditors: amounts falling due after more than one year

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Grants payable	1,885,307	1,733,131	1,885,307	1,733,131
	1,885,307	1,733,131	1,885,307	1,733,131

12 Unrestricted funds

	Balance as at 1 August 2017 £	Income £	Expenditure £	Gains/ losses £	Balance as at 31 July 2018 £
Charity unrestricted funds	4,646,342	148,842	1 (1,098,576)	314,388	4,010,996
Subsidiary funds	(8,848)	11,017	(8,805)	—	(6,636)
Group funds	4,637,494	159,859	(1,107,381)	314,388	4,004,360

13 Restricted funds – Group and Charity

	Balance as at 1 August 2017 £	Donations £	Invest- ment income £	Grants paid £	Other costs £	Gain on invest- ments £	Balance as at 31 July 2018 £
Help a Child to See	159,512	—	3,955	—	(2,056)	12,104	173,515
Children's Eye Group Travelling Fellowship (Claude Worth Fund)	252,038	—	6,249	—	(3,361)	19,124	274,050
Caring for Kids	64,512	—	1,599	—	(858)	4,896	70,149
PKU Research Fund*	14,674	—	364	—	(164)	1,113	15,987
Glaxo Wellcome	4,662	—	71,792	(56,095)	(18,584)	(1,775)	—
Jeans for Genes	3,099,418	—	76,843	—	(40,386)	235,183	3,371,058
Dermatomyositis Research	59,020	—	1,463	—	(798)	4,479	64,164
Chair of Epilepsy	2,462,093	—	61,042	—	(32,032)	186,823	2,677,926
Simpson-Smith Travelling Fellowship	145,501	—	3,568	(3,191)	(1,882)	10,919	154,915
Department of Paediatric Surgery	95,311	—	2,363	—	(1,202)	7,232	103,704
Anne Hamilton Award – Prize Studentship	16,309	—	404	—	(182)	1,238	17,769
Seimens Nuclear Medical Research	31,572	—	783	—	(353)	2,396	34,398
Kidney Research William Bequest	40,384	—	1,001	—	(589)	3,064	43,860
Simpson-Smith Memorial Lectureship	38,587	—	910	(3,746)	(410)	2,785	38,126
Chair of Developmental Biology	374,503	—	6,833	(197,794)	(3,628)	20,913	200,827
Gertrude Marshall Atkins	496,462	—	12,309	—	(6,507)	37,671	539,935
Jim Seakins Travel Fund	18,750	—	452	(1,000)	(203)	1,385	19,384
Chair of Cancer Biology	2,307	—	57	—	(25)	175	2,514
Medical Molecular Biology Fund	38,328	—	950	—	(566)	2,909	41,621
John Lipscombe Memorial Travel Award	24,182	—	600	—	(270)	1,835	26,347
Bill Marshall Memorial Fellowship	27,874	1,000	499	(16,500)	(224)	1,527	14,176
Roland Levinsky Studentship	79,329	—	1,967	—	(1,024)	6,019	86,291
Cystic Fibrosis	—	4,000	—	—	—	—	4,000
	7,545,328	5,000	256,003	(278,326)	(115,304)	562,015	7,974,716

* PKU stands for phenylketonuria, a rare genetic condition present from birth.

13 Restricted funds – Group and Charity (continued)

The following restricted funds support salary costs of Principal Investigators at the UCL GOS Institute of Child Health:

- ◆ Chair of Developmental Neurobiology
- ◆ Chair of Epilepsy
- ◆ Chair of Developmental Biology
- ◆ Chair of Cancer Biology

The following restricted funds support travel, research and subsistence costs for students awarded grants from the CIO:

- ◆ Gertrude Marshall Atkins
- ◆ Jim Seakins Travel Fund
- ◆ John Lipscombe Memorial Travel Award
- ◆ Bill Marshall Memorial Fellowship

The following restricted funds support travelling fellowships and memorial lectures where the UCL GOS Institute of Child Health attracts high-quality speakers and researchers to work with the department on a temporary basis:

- ◆ Children's Eye Group Travelling Fellowship (Claude Worth Fund)
- ◆ Simpson-Smith Travelling Fellowship
- ◆ Simpson-Smith Memorial Lectureship

The Jeans for Genes fund is an historic award. Jeans for Genes would perform annual fundraising which was allocated to GOSHCC and then subsequently transferred over to the CIO. There is no new income into this fund as the partnership between Jeans for Genes and GOSH has been dissolved.

Other restricted funds are legacy funds that the CIO is actively involved with engaging with original donors (where possible) to see if the money can be used more widely than their intended purpose, for example where the research is no longer being carried out at the UCL GOS Institute for Child Health.

14 Endowment funds – Group and Charity

	2018 Total £
Glaxo Wellcome – Chair of Developmental Neurobiology	
Balance brought forward 1 August 2017	2,919,091
Income	
Realised/unrealised gains	221,500
Balance carried forward 31 July 2018	<u>3,140,591</u>

This endowment was established in 1996 to create a new academic unit of Developmental Neurobiology including a Chair of Developmental Neurobiology. Under the terms of the donation the fund is to be held in perpetuity.

15 Analysis of group net assets between funds

Group	Investments £	Current assets £	Liabilities £	2018 Total £
Endowment funds	3,140,591	—	—	3,140,591
Restricted funds	9,285,287	—	(1,310,571)	7,974,716
Unrestricted funds	5,227,594	813,608	(2,036,842)	4,004,360
	<u>17,653,472</u>	<u>813,608</u>	<u>(3,347,413)</u>	<u>15,119,667</u>

The total unrealised gains as at 31 July 2018 constitutes movements on revaluation and are as follows:

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Unrealised gains included above:				
On investments	<u>4,313,127</u>	4,249,463	<u>4,313,227</u>	4,249,563
Total unrealised gains at 31 July	<u>4,313,127</u>	4,249,463	<u>4,313,227</u>	4,249,563
Reconciliation of movements in unrealised gains				
Unrealised gains at 1 August	4,249,463	3,221,913	4,249,563	3,222,013
Less: in respect to disposals in the year	<u>(1,311,109)</u>	(622,905)	<u>(1,311,109)</u>	(622,905)
	2,938,354	2,599,008	2,938,454	2,599,108
Add: net gains arising on revaluation arising in the year	1,374,773	1,650,455	1,374,773	1,650,455
Total unrealised gains at 31 July	<u>4,313,127</u>	4,249,463	<u>4,313,227</u>	4,249,563

16 Connected charities

Some of the Trustees of the Charity are also Trustees of the following organisation:

Institute of Child Health – An Institute of University College London (UCL). Its primary objective is the provision of education and medical research.

In addition, these charities share common administrative facilities and hence involve cross charges of expenditure.

17 Taxation

The Child Health Research Charitable Incorporated Organisation is a registered charity and is exempt under Part 11 of the Corporation Tax Act 2010 on its income and S256 Taxation of Chargeable Gains Act 1992 on its capital gains.

The Trust is not registered for VAT and the expenditure includes VAT where applicable.

The subsidiary company is fully taxable on all its earnings. Due to a deed of covenant enabling the transfer of 100% of taxable profits to the Trust, no corporation tax usually arises. The company is not registered for VAT as its activity falls below the minimum threshold for registration.

18 Related parties

Professor Andrew Copp, who is a Trustee of the Charity, has a portion of his salary at the Institute of Child Health funded by the Chair of Developmental Neurobiology (Glaxo Wellcome) endowment fund (note 14).

19 Investment in subsidiary

The charity owns the entire issued share capital of 100 ordinary shares of £1 each in ICH Productions Limited.

The company used to undertake the trading activities of the Institute of Child Health which included external work for the Medical Illustrations Unit of the Great Ormond Street Hospital for Children NHS Trust and the Institute of Child Health and for the receipt of technology transfer income and royalties developed by the Institute's research staff. Under the deed of covenant no payment was made to the charity during the year ended 31 July 2018 as the company has retained losses carried forward (2017: none).

19 Investment in subsidiary (continued)

Financial statements were prepared for the company for the year ended 31 July. The results for the year are summarised as follows:

	2018 £	2017 £
Turnover	10,992	319
Cost of sales	(8,000)	—
Gross profit	2,992	319
Administrative expenses	(805)	(815)
Operating profit (loss)	2,187	(496)
Interest receivable	25	125
Profit (loss) on ordinary activities	2,212	(371)
Deed of covenant	—	—
Profit (loss) for the financial year	2,212	(371)
Share capital	100	100
Profit and loss account	(6,736)	(8,948)
Net assets	(6,636)	(8,848)