
ISAAC NEWTON TRUST

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

ISAAC NEWTON TRUST

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ISAAC NEWTON TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Trustees submit their annual report and the audited financial statements of Isaac Newton Trust for year ended 30 June 2018. The Trustees confirm that the Annual Report and financial statements of the Charity comply with the current statutory requirements, the requirements of the Charity's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Policies and objectives

The object of the Trust is to offer financial support for the furtherance of education, learning and research in the University of Cambridge (the University).

Activities for achieving objectives for the public benefit

The activities of the Trust include the provision of research grants to senior members of the University, which aim either to leverage external funding or to offer seed-corn funding for start-up projects, which are thereby able subsequently to win external support. Its grants play an important part in the research strategy of the University, which is widely recognized as one of the leading research universities in the world both in terms of quality and in terms of scope and breadth. Through the dissemination of its research, the University offers public benefit through the continued advancement of knowledge across the sciences, medicine, arts, humanities, culture, and heritage. A large proportion of the Trust's research grants go to support research undertaken in the University across the fields of clinical medicine, biomedicine, physics of medicine, and engineering; this research leads directly to health care.

The University is committed to equipping those who participate in its educational programmes with the highest quality of teaching and infra-structural, academic and pastoral support. It is fundamental to the University's mission that its students are academically, professionally and personally equipped to contribute positively to society. The Trust provides studentships for Masters students and partial funding for certain doctoral programmes; it is a major contributor to the academic and professional training of early career post-doctoral researchers. The Trust is also committed to giving financial assistance to the research and teaching functions of some Colleges of the University in such a way that helps to address inequalities of endowment.

In setting objectives and planning for activities, the Trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit and in particular to its two key principles, that there must be identifiable benefit and that the benefit must be to the public or a section of the public. The Trustees are satisfied that the activities and purpose of the Trust, as described above and in the accompanying financial statement, fully meet the public benefit requirements.

Grant making policies

All the bursaries, grants and other assistance provided by the Trust are awarded on an objective basis in accordance with advertised selection criteria.

Achievements and performance

The Trustees have continued to review their objectives and range of funding activities. Key decisions include:

- i. To continue to prioritise early career researchers through continuing to match-fund prestigious external fellowships and supporting essential research associate posts through research grants to Departments;
- ii. To continue support for excellent, innovative research, particularly for projects that are hard to fund from other sources;
- iii. To support projects seeking to get off the ground, through seed-corn funding, bridging and underwriting, to pave the way for researchers to make applications to outside funding bodies for more substantial grants;

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2018

- iv. To make specific provision for support of strategic, larger-scale, often interdisciplinary project proposals, as part of a planned ongoing increase in the Trust's utilisation of its reserves;
- v. To collaborate with Colleges, particularly those with smaller endowments, to further enhance the research element of their fellowships;
- vi. To engage more directly with the early career researchers who are beneficiaries of Trust awards, by negotiating College connections for these fellows and facilitating events for their academic and social benefit;
- vii. To restrict student support to specific programmes, currently the Newton Trust/Colleges MPhil Bursaries and the AHRC Doctoral Training Programme (DTP) in the Arts, Humanities and Social Sciences.

Review of Activities

The activities of the Trust are described in the Annual Report which, in accordance with the Trust Deed, is sent each year to the Council of Trinity College Cambridge. A copy of the Annual Report, which does not form part of this report, is available from the Trust's website.

During the year to 30 June 2018 the main activities of the Trust were:

- i. providing matched funding on behalf of the University for major fellowships for early career researchers awarded competitively by external bodies, most notably, the Leverhulme Trust and the Humboldt Stiftung (which makes research awards to German nationals researching in Cambridge);
- ii. making direct research grants to Departments, Colleges and other bodies in the University;
- iii. contributing substantially to schemes run by other University bodies: primarily start-up research grants for newly-appointed Lecturers in the Schools of Biological Sciences and Clinical Medicine and in Physical Sciences and Technology, as well as a research grants programme, offering research grants of up to £20,000 in the Schools of Arts, Humanities & Social Sciences;
- iv. continuing support for ring-fenced funding for University graduate studentships for MPhils (for which the cost is shared with collaborating Colleges), and a Careers Service bursary scheme for student vacation internships;
- v. making grants to Colleges in support of their research and teaching activities, in particular providing matching funding for a number of College Junior Research Fellowships, and supporting College Teaching Officer Research Leave and Teaching Fellowships programmes (the latter was reviewed and will be phased out as such activities are now adequately provided for by the Colleges).

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2018

In 2017-18, the Trustees approved the following new awards to individual researchers:

- 17 Leverhulme Early Career Fellowships for admission in 2018-19
- 1 Humboldt Feodor Lynen Early Career Research Fellowship
- 3 Newton/College Junior Research Fellowships for 2018-19 admission
- 41 Research Projects in Departments and other University bodies
- 6 Strategic Programme Grants to Institutes, Faculties, Schools and other University bodies
- 71 Research Grants part-funded through our partnerships with the Schools
- 3 College Teaching Officer Research Leave grants
- 73 MPhil bursaries jointly with the Colleges

Investment policy and performance

The Trust's Investment Sub-committee reviews the investment manager's performance in the light of the Trust's Statement of Investment Policy and Objectives. The stated benchmark objectives are to encourage optimal total return but with the desire to maintain a steady flow of income (or agreed amount available for spending) increasing (averaged over five years) in line with UK average earnings excluding bonuses, and if possible with capital value increasing in a similar way. The aim is to take minimum risk commensurate with achieving these objectives, with a diverse portfolio of marketable investments capable of valuation, made so far as possible through regulated markets.

The remaining balance held in Barings accounts (£1.6m) was transferred to CUEF during the year and the Barings accounts closed. The Cambridge University Endowment Fund, which is considered to be suitable for university charitable funds with income requirements, manages £13.6m (2017: £14.8m).

Financial review

The income of the Trust was £2.0m (2017: £2.0m), including Trinity College's generous grant of £1.5m (2017: £1.5m). Almost all of the remainder was provided by income from investments, with less than £14k being derived from private donations.

During the year the Trust made research grants, including those made in collaboration with the Schools of the University, of £3.3m (2017: £3.8m) and a further £1.5m (2017: £2.3m) in early-career fellowships and other grants. It also committed to new bursaries totalling £0.3m (2017: £1.0m), primarily to MPhil students of the University, as set out in note 5 of the financial statements. Liabilities total £8.9m (2017: £9.0m) at the balance sheet date after allowing for any write backs notified by the end of August. The Annual Report gives more details of the grants and bursaries made during the year.

The financial statements show an excess of expenditure over income of £1.8m (2017: £1.6m) after allowing for a gain of £0.8m (2017: £2.1m) on the valuation of the investment assets, resulting in a decrease in uncommitted funds carried forward, which amounted to £6.9m (£8.7m) at the balance sheet date.

This year, the Trust has made a small number of Programme-Related Investments in the form of interestfree repayable loans for the purchase of large items of equipment dedicated to a particular research programme. Such loans are used only where necessary to enable the research to go ahead immediately, while allowing the applicant time to source the balance of the costs of the equipment. These loans are managed by the Trust and it is the Trust's expectation that all such loans will be repaid within five years.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2018

Financial risk management objectives and policies

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity, and are satisfied that systems and procedures are in place to mitigate exposure to the major risks. The risk that Trinity College might decide to reduce its generous on-going commitment to the Trust is one which the Trustees will keep under review, together with the risk that the investment portfolio might suffer from a major global collapse.

Principal funding

The income of the Trust is £2.0m including Trinity College's generous grant of £1.5m. Investment income of £0.5m was received in the year.

Reserves

The Trust's unrestricted funds amount to £6.9m, which is represented in the balance sheet by the investment portfolio. The restricted funds are also represented by the investment portfolio.

The Trustees review the level of reserves required to meet the commitments over the next five years, and consider what levels of expenditure could be sustained if the income were to cease. The Trustees control the number, size and duration of grants made in such a way that the Trust's activities could be reduced or ended in an orderly fashion, in the event that support from Trinity College were to cease entirely. The Trustees consider this policy is sufficiently prudent in the circumstances.

Plans for future periods

Trustees have continued to develop a strategy for the structured mobilisation of a portion of the reserves in support of a small number of more substantial, long-term projects for the benefit of the University's strategic research portfolio and profile. Reserves would be maintained at a level sufficient to cover current commitments and contribute usefully to the Trust's income.

The Trustees review their priorities at regular intervals and seek to remain responsive and flexible in the face of new developments both in the University and in the academic and research community generally. This will be increasingly important in a future in which the UK may cease to be a member state of the European Union. Indeed, as the capital the Trust holds in investments is drawn down to the minimum required to meet our commitments, in line with agreed policy, the Trustees will review their current provisions with a view to handing on responsibility where University and College fundraising has generated alternative means of support, and so create head-room for new projects. The Trustees operate on a five-year cycle of commitment and some programmes have been renewed repeatedly; for example, the Leverhulme Early-Career Fellowships, which the Trust has supported on behalf of the University since 2007, and the research funding programmes run jointly with the Schools of the University.

Structure, governance and management

Constitution

The Trust was founded by the Trust Deed dated 22 November 1988. It is an exempt charity, regulated by HEFCE. The Trustees have reviewed their Constitution, and, in publishing a Revised Deed that came into effect on 6 July 2017, have brought it up to date with the requirements of the Charities Act 2011 and current employment law.

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2018

Method of appointment or election of Trustees

The management of the charity is the responsibility of the Trustees who are elected and co-opted under the terms of the Trust Deed. The revised Deed of 6 July 2017 charges the Council of Trinity College with responsibility for the election of one or two Fellows of Trinity as Trustees, while the responsibility for election of the other Trustees lies with the Trustees themselves. New Trustees are normally selected from among senior academic Officers of the University and the Colleges. They are appointed because of their particular expertise and will usually have had considerable experience of serving on boards and of administering charities.

New Trustees are sent, before their first meeting, information about the Trust in the form of the Trust Deed and recent Annual Reports, and are directed to relevant Charity Commission information for Trustees.

Pay policy for senior staff

The staff are paid in accordance with the University's remuneration arrangements.

Organisational structure and decision making

The Trustees meet three times each year. Day to day management is delegated by the Trustees to the Director, and through the Director to other staff.

Related party relationships

The Trust has a close relationship with Trinity College which provided a £1.5m grant. The Trust moved out of office space provided by Trinity College in September 2017 and now share office space within the University's Postdoc Centre. The Trust has reviewed its data collection, record-keeping and archival policies in the light of GDPR requirements.

Plans for future periods

Information on fundraising practices

The Trust does not currently raise funds from the public and it does not employ or engage professional fundraisers. Should fundraising activities occur in the future the Trust is committed to avoiding intrusive fundraising approaches and will never apply undue pressure to donate.

Trustees' responsibilities statement

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

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the

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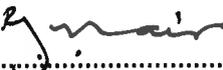
**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2018**

charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This report was approved by the Trustees, on 29 November 2018 and signed on their behalf by:


.....
Professor Lord Mair, Chair

ISAAC NEWTON TRUST

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 30 JUNE 2018**

Trustees

Professor Lord Mair, Chair
Professor Sir D Baulcombe (appointed 1 October 2017)
Professor J J Baumberg
Professor S Collini (resigned 30 April 2018)
Professor S Colvin
Professor G I Evan
Professor F P Kelly
Professor R H Langton (appointed 2 July 2018)
Professor R M Smith
Professor Dame A M Strathern
Professor Dame J O Thomas
Sir G Winter

Principal office

The Postdoc Centre, 105 Eddington Place, Cambridge, CB3 1AS

Patron

H.R.H. The Prince of Wales

Officers

Dr L Friday (Director)
Mr D Hearn (Treasurer)

Independent auditors

Peters Elworthy & Moore, Salisbury House, Station Road, Cambridge, CB1 2LA

Investment managers

Cambridge University Endowment Fund, Greenwich House, Madingley Road, Cambridge, CB3 0TX

Bankers

Barclays Bank Plc, Mortlock House, Histon, Cambridge, CB24 9DE

ISAAC NEWTON TRUST

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF ISAAC NEWTON TRUST

Opinion

We have audited the financial statements of Isaac Newton Trust (the 'charity') for the year ended 30 June 2018 which comprise the Statement of financial activities, the Balance sheet, the Statement of Cash flows and the related notes, 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).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 30 June 2018 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.

Matters on which we are required to report by exception

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 United Kingdom, including the Financial Reporting Council'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.

ISAAC NEWTON TRUST

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF ISAAC NEWTON TRUST

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 where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; 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, the Trustees are responsible for the preparation of financial statements which 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

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

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

Use of 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 charity's trustees those matters we are required to state to them in an Auditors' 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

ISAAC NEWTON TRUST

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF ISAAC NEWTON TRUST

and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Peters Elworthy & Moore

Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA
11 December 2018

Peters Elworthy & Moore are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

ISAAC NEWTON TRUST

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
INCOME FROM:					
Donations	2	1,514,269	-	1,514,269	1,512,226
Investments	3	519,365	13,352	532,717	524,461
TOTAL INCOME		2,033,634	13,352	2,046,986	2,036,687
EXPENDITURE ON:					
Charitable activities	4	4,352,997	306,118	4,659,115	5,734,898
TOTAL EXPENDITURE		4,352,997	306,118	4,659,115	5,734,898
NET BEFORE INVESTMENT GAINS		(2,319,363)	(292,766)	(2,612,129)	(3,698,211)
Net gains on investments	11	670,754	112,905	783,659	2,077,442
NET INCOME / (EXPENDITURE) AND MOVEMENT IN FUNDS		(1,648,609)	(179,861)	(1,828,470)	(1,620,769)
Transfers between Funds	15	(81,238)	81,238	-	-
NET EXPENDITURE BEFORE OTHER RECOGNISED GAINS AND LOSSES		(1,729,847)	(98,623)	(1,828,470)	(1,620,769)
NET MOVEMENT IN FUNDS		(1,729,847)	(98,623)	(1,828,470)	(1,620,769)
RECONCILIATION OF FUNDS:					
Total funds brought forward	15	8,597,866	98,623	8,696,489	10,317,258
TOTAL FUNDS CARRIED FORWARD		6,868,019	-	6,868,019	8,696,489

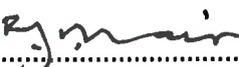
The notes on pages 14 to 25 form part of these financial statements.

ISAAC NEWTON TRUST

**BALANCE SHEET
AS AT 30 JUNE 2018**

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Tangible assets	9		32,000		-
Investments	11	13,561,372		16,439,862	
Programme related investments	10	75,000		-	
Total investments			<u>13,636,372</u>		<u>16,439,862</u>
			13,668,372		16,439,862
CURRENT ASSETS					
Debtors	12	85,468		85,484	
Cash at bank and in hand		2,138,685		1,232,974	
			<u>2,224,153</u>	<u>1,318,458</u>	
CREDITORS: amounts falling due within one year	13	(4,478,331)		(4,411,515)	
NET CURRENT LIABILITIES			(2,254,178)		(3,093,057)
TOTAL ASSETS LESS CURRENT LIABILITIES			11,414,194		13,346,805
CREDITORS: amounts falling due after more than one year	14		(4,546,175)		(4,650,316)
NET ASSETS			6,868,019		8,696,489
CHARITY FUNDS					
Restricted funds	15,16		-		98,623
Unrestricted funds	15,16		6,868,019		8,597,866
TOTAL FUNDS			6,868,019		8,696,489

The financial statements were approved by the Trustees on 29 November 2018 and signed on their behalf, by:


.....
Professor Lord Mair, Chair

The notes on pages 14 to 25 form part of these financial statements.

ISAAC NEWTON TRUST

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash used in operating activities	17	<u>(3,249,155)</u>	<u>(3,382,220)</u>
Cash flows from investing activities:			
Dividends and interest from investments		532,717	524,461
Purchase of tangible fixed assets		(40,000)	-
Net proceeds from investments		<u>3,662,149</u>	<u>3,500,000</u>
Net cash provided by investing activities		<u>4,154,866</u>	<u>4,024,461</u>
Change in cash and cash equivalents in the year		905,711	642,241
Cash and cash equivalents brought forward		<u>1,232,974</u>	<u>590,733</u>
Cash and cash equivalents carried forward	16	<u><u>2,138,685</u></u>	<u><u>1,232,974</u></u>

The notes on pages 14 to 25 form part of these financial statements.

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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 the Charities SORP (FRS 102) published 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 financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and Charities Act 2011.

Isaac Newton Trust constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

1.3 Going concern

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements continue to be prepared on the going concern basis.

1.4 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit 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.

Support costs are those costs incurred directly in support of expenditure on the objects of the charity. Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled.

Grant commitments are shown gross in the year with grant write backs being shown separately. Grant commitments in relation to the Leverhulme early career fellowship are subject to match funding. The match funding is awarded before the year end. Only the grants awarded with successful match funding are shown gross in the financial statements (note 5).

Grant write backs notified up to 31 August (2017: 31 August) following the year end which relate to grants awarded before the year end are reflected in the financial statements.

All expenditure is inclusive of irrecoverable VAT.

1.6 Tangible fixed assets and depreciation

All assets costing more than £5,000 are capitalised.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of financial activities.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

S/Term Leasehold Property - 20% straight line

1.7 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES (continued)

1.8 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment.

Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of financial activities after the deduction of investment managers' fees.

Programme related investments are initially recognised and measured at the amount received or paid, with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

1.9 Debtors

Other debtors are recognised at the settlement amount. Accrued income is valued at the amount received.

1.10 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.11 Creditors and commitments

Liabilities 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. Grant commitments are recognised at the amount that the charity anticipates it will pay to settle the debt. Grant commitments are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the grant commitment is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.12 Pensions

Employees of the Trust are included within the Universities Superannuation Scheme or the Trinity College Cambridge Pension Scheme, both defined benefit schemes. These are administered by Trinity College. The pension cost represents a recharge of pension costs from Trinity College, Cambridge.

1.13 Critical accounting estimates and areas of judgment

Preparation of the financial statements requires management to make significant judgements and estimates. The key areas in the financial statements where these judgements and estimates have been made are as follows:

- Fair value of investments
- Grants accrued payable in more than one year.

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. INCOME FROM DONATIONS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Trinity College donation	1,500,000	-	1,500,000	1,500,000
Other donations	14,269	-	14,269	12,226
	<u>1,514,269</u>	<u>-</u>	<u>1,514,269</u>	<u>1,512,226</u>
Total donations	<u>1,514,269</u>	<u>-</u>	<u>1,514,269</u>	<u>1,512,226</u>
	<u>1,512,226</u>	<u>-</u>	<u>1,512,226</u>	
Total 2017	<u>1,512,226</u>	<u>-</u>	<u>1,512,226</u>	

3. INVESTMENT INCOME

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Investment income	519,365	13,352	532,717	524,461
	<u>519,365</u>	<u>13,352</u>	<u>532,717</u>	<u>524,461</u>
Total 2017	<u>483,142</u>	<u>41,319</u>	<u>524,461</u>	

4. ANALYSIS OF CHARITABLE EXPENDITURE BY ACTIVITIES

	Grants and bursaries payable (note 5) 2018 £	Support and governance costs (note 6) 2018 £	Total 2018 £	Total 2017 £
Expenditure	4,521,047	138,068	4,659,115	5,734,898
	<u>4,521,047</u>	<u>138,068</u>	<u>4,659,115</u>	<u>5,734,898</u>
Total 2017	<u>5,628,753</u>	<u>106,145</u>	<u>5,734,898</u>	

The grants and bursaries expenditure shown above represents new commitments in the year net of refunds and write backs, as shown in Note 5.

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

5. GRANTS AND BURSARIES

	Unrestricted £	Restricted £	2018 £	2017 £
Trust Grants				
Research grants	3,044,098	-	3,044,098	3,609,426
Grants to Schools: PhysSci & Tech	278,086	-	278,086	213,911
Lectureships in the Arts, Humanities & Social Sciences	-	-	-	89,928
Leverhulme Early Career Fellowship	1,130,702	-	1,130,702	1,447,071
ESRC Fellowship	-	-	-	32,418
College Junior Research Fellowship	135,000	-	135,000	240,000
Newton Trust Teaching Fellowships	45,000	-	45,000	60,000
College Teaching Officer Lectureships	-	-	-	26,840
College Teaching Officer Research Leave	115,000	-	115,000	105,000
Humboldt Feodor Lynen Fellowships	43,573	-	43,573	16,800
AHRC DTPs	78,016	-	78,016	257,042
	<u>4,869,475</u>	<u>-</u>	<u>4,869,475</u>	<u>6,098,436</u>
University Bursaries				
Cambridge Bursary	-	-	-	1,093
CHESS M. Phil	-	306,000	306,000	1,000,000
	<u>-</u>	<u>306,000</u>	<u>306,000</u>	<u>1,001,093</u>
Total grant commitments made in the year	<u>4,869,475</u>	<u>306,000</u>	<u>5,175,475</u>	<u>7,099,529</u>
Less grants written back in the year:				
Trust Grants				
Research grants	(94,200)	-	(94,200)	(208,045)
Grants to Schools: BioSci & Med	(18,596)	-	(18,596)	(113,018)
Research grants in the Humanities	-	-	-	(1,572)
Lectureships in the Arts, Humanities & Social Sciences	(33,676)	-	(33,676)	(24,945)
Leverhulme Early Career Fellowship	(457,383)	-	(457,383)	(433,933)
ESRC Fellowship	(12,942)	-	(12,942)	(34,482)
College Junior Research Fellowship	(8,611)	-	(8,611)	(474,781)
College Teaching Officer Research Leave	-	-	-	(180,000)
Humboldt Feodor Lynen Fellowships	(23,572)	-	(23,572)	-
Newton Trust Teaching Fellowships	(5,448)	-	(5,448)	-
Sub total	<u>(654,428)</u>	<u>-</u>	<u>(654,428)</u>	<u>(1,470,776)</u>
Total grant commitments including refunds	<u>4,215,047</u>	<u>306,000</u>	<u>4,521,047</u>	<u>5,628,753</u>

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

In 2017, of the total grants and bursaries payable, £1,001,093 was attributable to restricted funds and £4,627,660 was attributable to unrestricted funds.

Reconciliation of Grants and Bursaries Payable

	Trust Grants £	Bursaries £	2018 £	2017 £
Creditors Brought Forward	7,945,715	1,020,000	8,965,715	8,095,141
Commitments made in year	4,215,047	306,000	4,521,047	5,628,753
Grants and Bursaries paid	(4,105,564)	(514,000)	(4,619,564)	(4,758,178)
Creditors Carried Forward (notes 13 & 14)	<u>8,055,198</u>	<u>812,000</u>	<u>8,867,198</u>	<u>8,965,716</u>

6. SUPPORT AND GOVERNANCE COSTS

	General Support £	Governance £	2018 £	2017 £
Office accommodation	12,000	-	12,000	6,371
Miscellaneous	11,081	-	11,081	2,679
Bank charges	118	-	118	5
Depreciation	8,000	-	8,000	-
Wages and salaries	76,602	-	76,602	66,867
National insurance	6,652	-	6,652	5,763
Pension costs	9,125	-	9,125	8,330
Professional fees	-	-	-	4,200
Auditors' remuneration	-	6,600	6,600	4,460
Accountancy fees	-	7,890	7,890	7,470
	<u>123,578</u>	<u>14,490</u>	<u>138,068</u>	<u>106,145</u>

In 2017, £5 of support costs related to restricted funds, with £106,140 relating to unrestricted funds.

7. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets: - owned by the charity	8,000	-
Auditors' remuneration	6,600	5,352
Auditors' remuneration - non-audit	<u>7,890</u>	<u>7,470</u>

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES AND THE COST OF KEY MANAGEMENT PERSONNEL

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	76,602	66,867
Social security costs	6,652	5,763
Other pension costs	9,125	8,330
	<u>92,379</u>	<u>80,960</u>

The average number of staff employed by the charity during the year was as follows:

	2018 No.	2017 No.
Administration and support	4	4

No employee received remuneration amounting to more than £60,000 in either year.

The key management personnel of the charity comprises the Trustees, Director and Treasurer. Total remuneration, including pension contributions and employer's NI paid to these staff was £39,215 (2017: £38,575).

The Trustees all give their time and expertise without any kind of remuneration or other benefit in kind (2017: £NIL).

During the year, no Trustee received reimbursed travel expenses (2017: £NIL).

9. TANGIBLE FIXED ASSETS

	S/Term Leasehold Property £
Cost	
Additions	40,000
At 30 June 2018	<u>40,000</u>
Depreciation	
Charge for the year	8,000
At 30 June 2018	<u>8,000</u>
Net book value	
At 30 June 2018	<u>32,000</u>

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

10. PROGRAMME RELATED INVESTMENTS

	Programme related investment £
Market value	
Additions	75,000
At 30 June 2018	75,000
At 30 June 2017	-

PROGRAMME RELATED INVESTMENTS comprise:

	Loan 2018 £	Total 2017 £
Loan to grant applicant for the purpose of photo-treatment and high sensitivity imaging	75,000	-

The above loan is repayable over 5 years between 2019 and 2023. No interest is to be charged on the balance.

A further loan of £13,000 had been agreed, but not communicated to a beneficiary before the year end.

11. FIXED ASSET INVESTMENTS

	Unlisted securities £
Market value	
At 1 July 2017	16,439,862
Disposals at opening market value (sales proceeds £3,662,149)	(3,545,479)
Net gain on revaluation after management fees charged directly to funds	666,989
At 30 June 2018	13,561,372

Material investments

	2018 £	2017 £
Barings Targeted Return Fund	-	1,643,803
Cambridge University Endowment Fund	13,561,372	14,796,059
	13,561,372	16,439,862

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

11. FIXED ASSET INVESTMENTS (continued)

The Trustees believe that the carrying value of investments is supported by their underlying net assets. The risks to the investments are mitigated by the highly diverse portfolio which takes a long term view of investments. In addition the dividend return on CUEF is based on a smoothing out formula so that a significant fall in the value of investments will not materially affect the investment return.

12. DEBTORS

	2018 £	2017 £
Due within one year		
Other debtors	29,814	16,614
Accrued income	55,654	68,870
	<u>85,468</u>	<u>85,484</u>

13. CREDITORS: Amounts falling due within one year

	2018 £	2017 £
Grants payable	3,811,023	3,795,399
Bursaries and Scholarships payable	510,000	520,000
Accruals	157,308	96,116
	<u>4,478,331</u>	<u>4,411,515</u>

14. CREDITORS: Amounts falling due after more than one year

	2018 £	2017 £
Grants payable	4,244,175	4,150,316
Bursaries and Scholarships payable	302,000	500,000
	<u>4,546,175</u>	<u>4,650,316</u>

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

15. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 July 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 30 June 2018 £
Unrestricted funds						
General Fund	8,597,866	2,033,634	(4,352,997)	(81,238)	670,754	6,868,019
Restricted funds						
Trust Bursary Fund	98,623	13,352	(306,118)	81,238	112,905	-
Total of funds	8,696,489	2,046,986	(4,659,115)	-	783,659	6,868,019

Restricted funds

Trust Bursary Fund - this fund represents the Trust's contribution to the Cambridge Bursary Schemes (CBS, CEBS and NSP) and schemes run by other bodies, primarily the University's scheme for graduate students (Newton CHESS MPhil) and Careers Service bursary schemes for student vacation internships.

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 July 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 30 June 2017 £
General funds						
	9,364,295	1,995,368	(4,733,800)	-	1,972,003	8,597,866
Restricted funds						
Trust Bursary Fund	952,963	41,319	(1,001,098)	-	105,439	98,623
Total of funds	10,317,258	2,036,687	(5,734,898)	-	2,077,442	8,696,489

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £
Tangible fixed assets	32,000	-	32,000
Fixed asset investments	13,561,372	-	13,561,372
Programme related investments	75,000	-	75,000
Current assets	2,192,368	31,785	2,224,153
Creditors due within one year	(3,968,331)	(510,000)	(4,478,331)
Creditors due in more than one year	(4,244,175)	(302,000)	(4,546,175)
Intrafund balance	(780,215)	780,215	-
	<u>6,868,019</u>	<u>-</u>	<u>6,868,019</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £
Fixed asset investments	15,097,196	1,342,666	16,439,862
Current assets	1,277,030	41,428	1,318,458
Creditors due within one year	(3,891,515)	(520,000)	(4,411,515)
Creditors due in more than one year	(4,150,316)	(500,000)	(4,650,316)
Interfund loan	265,471	(265,471)	-
	<u>8,597,866</u>	<u>98,623</u>	<u>8,696,489</u>

17. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net (expenditure) for the year	(1,828,470)	(1,620,769)
Adjustment for:		
(Gains)/losses on investments	(783,659)	(2,077,442)
Dividends and interest	(532,717)	(524,461)
Increase in programme related investment	(75,000)	-
Decrease in debtors	16	40,271
(Decrease)/increase in creditors	(37,325)	800,181
Depreciation	8,000	-
Net cash used in operating activities	<u>(3,249,155)</u>	<u>(3,382,220)</u>

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

18. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Cash in hand	2,138,685	1,232,974
	<u>2,138,685</u>	<u>1,232,974</u>

19. CONTINGENT LIABILITIES

The Trust's pension arrangements have been managed by Trinity College. There is no formal agreement and the extent of any liability in respect of past pension costs is unknown. The Trustees are to formalise arrangements so that this is clarified going forward.

20. RELATED PARTY TRANSACTIONS

Certain of the Trustees are also Trustees of Trinity College, Cambridge, which provided office accommodation for the Trust to 22 September 2017 and recharges the Trust for salaries of employees and officers. In the year there were recharges of £95,370 (2017: £85,565) for these and other costs incurred by the Trust, but initially paid for by Trinity College. At the year end, an amount of £95,370 (2017: £85,565) was outstanding.

Trinity College also made a donation of £1,500,000 (2017 £1,500,000) to the Trust during the year.

