

REGISTERED COMPANY NUMBER: 05320290

REGISTERED CHARITY NUMBER: 1110009

THE UK STEM CELL FOUNDATION

(A Company Limited by Guarantee)

Annual Report

(including the Trustees' Report and Financial Statements)

for the Year Ended 31 December 2018



**Johnston Carmichael LLP
Statutory Auditor
Chartered Accountants
1st Floor
227 West George Street
Glasgow
G2 2ND**

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

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for the year ended 31 December 2018**

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**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Trustees' Report
for the year ended 31 December 2018**

REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISORS

| | |
|-----------------------------------|---|
| Trustees: | Sir R Sykes, Chairman Professor T Jones Mr J Moulton Professor J S Jones Mr N Ross Lord R Winston Mr J Taylor Ms C Banszky |
| Registered Company Number: | 5320290 |
| Registered Charity Number: | 1110009 |
| Registered Office: | Cannon Place 78 Cannon Street London EC4N 6AF |
| Company Secretary: | Mitre Secretaries Limited |
| Chief executive officer: | Miss L Shortland |
| Independent Auditor: | Johnston Carmichael LLP Statutory Auditor Chartered Accountants 227 West George Street GLASGOW G2 2ND |
| Bankers: | Coutts & Co. 440 Strand London WC2R 0QS |
| Solicitors: | CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF |

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Trustees' Report
for the year ended 31 December 2018**

The Trustees present their annual report together with the audited financial statements of The UK Stem Cell Foundation for the year 31 December 2018. The Trustees confirm that the Annual Report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of "Accounting and Reporting by Charities: 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)".

Since the company qualifies as small under section 383, the strategic report required of medium and large companies under the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

OBJECTIVES AND ACTIVITIES

Public Benefit Statement

The key aim of the charity is to address the funding gap that hinders the translation of stem cell research into new treatments that have the potential for direct clinical benefit. The charity supports universities, medical schools and hospitals in the United Kingdom for the benefit of the general public and broader mankind.

Objectives and Activities

The charitable objects for which the charitable company is established are the preservation, promotion and advancement of human health and welfare and the advancement and promotion of knowledge and education for the benefit of the public by:

- enhancing and promoting knowledge of and engaging in, funding and supporting research into the mechanisms of cell degeneration, regeneration and malfunction and their links to degenerative and other diseases, disabilities, disorders and conditions in respect of which stem cell related medicines, treatments, cures, diagnostics, applications, therapies, products or technologies might be of benefit;
- engaging in, funding and supporting research into stem cell and stem cell-based or derived methods and technologies, with a view to discovering, inventing, improving, developing, producing and applying medicines, treatments, cures, diagnostics, applications, therapies, products and technologies and other medicinal agents, methods and processes, including the translation of pure research into outputs to a standard susceptible of clinical trials with a view to establishing the efficacy and supporting the clinical trials with a view to establishing the treatments, cures, diagnostics, therapies, products and technologies capable of application; and
- educating and informing the public in relation to stem cells and the efficacy of stem cell based or derived medicines, treatments, cures, diagnostics, applications, therapies, products and technologies and other medicinal agents, methods, processes and the appropriate regulation and management thereof and educating and informing the public in relation to such matters.

The main activities of the charity continue to be to:

- implement a strong fundraising campaign designed to attract both public sector funding and private donors;
- raise the profile of the charity by enlisting the support of key government departments;
- engage and maintain good relations with stem cell networks, researchers, clinicians and commercial operators; and
- increase public awareness of the charity, its aims and goals.

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Trustees' Report
for the year ended 31 December 2018**

Grant making policies

The UK Stem Cell Foundation aims to build a pipeline of projects that meets its criteria for support and funding on the route to commercialisation going forward. Grants are provided to support such projects where funding has already been obtained by the charity.

ACHIEVEMENTS AND PERFORMANCE

Review of activities

The UK Stem Cell Foundation aims to maximise the leverage it can achieve from funding sources when funding projects. The Foundation already works closely with a number of funders and collaborators that have an interest in particular disease types or stem cell research in general to ensure that research projects and clinical trials continue to be funded. The foundation wishes to attract new partnerships with other medical research charities and trusts to develop co-fundraising strategies, which will ultimately lead to co-funding of translational projects. The UKSCF continues to build a pipeline of projects that meets its criteria for support and funding on the route to commercialisation. The Foundation is continually in negotiations to support further projects that meet the criteria of the Board, and in turn continue the growth of the UK's emerging cell therapy industry.

2018 has been a transition year with a number of key projects completing, or nearing completion, and hence the level of restricted funds received for specific project funding reduced significantly during the year, as set out further in the Financial Review section.

Any further funding for projects and other operating costs is entirely dependent on the Foundation's ability to fundraise and attract donations from the private sector, other charities and the general public. The Foundation's fundraising activities continue to heighten awareness of the organisation, as does our social media activities. In 2018, the Foundation's website maintained the number of hits achieved in 2016 and has been accessed from around the globe. The UKSCF also has Facebook, Twitter and Instagram accounts and continues to build on its number of followers. A quarterly electronic newsletter is also available to circulate information and news to its followers and supporters.

FINANCIAL REVIEW

Income in 2018 was £80,395 (2017: £365,835). The reduction compared to the prior year was a combination of factors including that a number of major projects were nearing completion and so the focus of the charity was on identifying additional projects to commence fundraising for. In addition, legacy income has become a more important income source for the charity and the timing of receipt of legacies is unpredictable in nature. Subsequent to the year end, during 2019, the charity has been notified of two significant legacies which will return income levels in 2019 to well above the 2017-level.

Total charitable expenditure was £1,115,629 (2017: £839,942) of which £800,730 was against restricted funds. This reflected the completion, or near completion of projects, and includes an element of expenditure where the Trustees have estimated using their best judgement the most likely costs to completion for projects to which they have committed grant funding. Expenditure also includes some elements of grant funding returned to the original donor where all the funding was not required for the project.

The charity has unrestricted reserves of £697,131 and restricted reserves of £168,681 at the year end.

Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. This is based on the level of unrestricted reserves held and the fact that commitments are only made to fund major projects when the charity is already "in funds". For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The UK Stem Cell Foundation (A Company Limited by Guarantee)

Trustees' Report for the year ended 31 December 2018

Reserves Policy

The Trustees of the charity have a reserves policy aimed at maintaining the ability of the charity to deliver its charitable objectives. Unrestricted funds are to be held at a minimum level of at least 6 months unrestricted expenditure. With £697,131 of unrestricted reserves held as at 31 December 2018, and total support and operational costs of £243,562 during the year, this has easily been achieved during the year.

Where excess unrestricted funds are held, the Trustees at their discretion may provide some additional funding into projects where they believe these meet the funding objectives of the charity.

Restricted funds represent those funds received for specific projects undertaken during the year.

PLANS FOR FUTURE PERIODS

In 2019 the Foundation will focus on raising money to fund new exciting projects. We will also aim to achieve greater impact through increasing levels of activity and to contribute to knowledge exchange in the important area of public understanding of stem cell technologies as well as continuing to highlight the dangers of stem cell tourism and clinics offering unregulated and potentially harmful treatments.

In addition, the Foundation's Board of Trustees will continue to closely monitor the operation and cost of overheads to maintain current levels and continues its commitment to allocate more funding for projects. In 2019 the Foundation intends to refine its strategic plan for social impact and to accommodate and respond to changes in political, economic and technological changes in the regenerative medicine arena.

The Foundation retains its reputation as an authority in the field of translational stem cell research and funding. This is demonstrated by invitations to contribute to publications on the subject and being called to give advice on public engagement exercises and an increase in requests from journalists to provide information and opinion for some daily newspapers.

An updated Strategic Plan for 2019-2023 was prepared by management and approved by the Trustees to take forward these plans over the next four years.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The UK Stem Cell Foundation is a company limited by guarantee, as defined by the Companies Act 2006. It is governed by its articles and memorandum of association dated 23rd December 2004, its date of incorporation, and is a registered charity with the Charity Commission.

Method of Appointment or Election of Trustees

Any person willing to act as a trustee may be appointed as a resolution of the Board. However, any appointment must not contravene the maximum number of trustees fixed by the Articles of Association. The maximum number of trustees for The UK Stem Cell Foundation as stated in the Memorandum and Articles of Association is twelve. Any person willing to act in the capacity of the trustee must deliver all documentation as required by the presiding trustees. In addition, any appointment may be subject to that person satisfying any additional conditions and complying with any additional obligations that the Board may impose.

Policies Adopted for the Induction and Training of Trustees

All new trustees must undergo training to ensure that they are aware of their legal obligations under Charity and Company Law, the content of the Memorandum and Articles of Association, the decision-making process, the business plan and the financial performance of the Charity. At this time, they will also meet the key employees and other trustees.

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Trustees' Report
for the year ended 31 December 2018**

Pay Policy for Senior Staff

The pay of the senior staff is reviewed annually and normally increased in accordance with average earnings.

Organisational Structure and Decision Making

The Board of Trustees administer the Charity. They meet quarterly to review finances and the development of research projects and applications. The Chief Executive Officer, Lil Shortland, is responsible for the day to day running of the Foundation, project development activities as well as financial issues and reports directly to the trustees.

Risk Management

The Trustees have assessed the major risks to which the charity is exposed, and are satisfied that the risk management strategy adopted at outset remains in place and comprises of the following:

- Annual reviews of potential risks to the Charity
- Assessments of systems and procedures to mitigate potential risks should they arise
- Monitoring of procedures designed to minimise any potential impact on the Charity

During the previous financial year risk was assessed and updated to review any major or new risks to which the Charity may be exposed. The systems then implemented remain robust and the trustees are satisfied that the systems in place mitigate any exposure to its major risks.

Statement of disclosure of information to the auditor

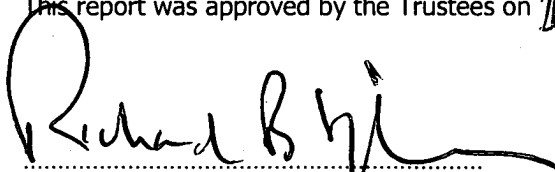
In so far as each of the persons who are Trustees at the time when this Trustees' Report is approved are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006

This report was approved by the Trustees on 26.9.19 and signed on their behalf by:



Sir Richard Sykes, Chairman

Date: 26.9.2019

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Statement of Trustees' Responsibilities
for the year ended 31 December 2018**

The trustees (who are also the directors of The UK Stem Cell Foundation for the purposes of company law) 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).

Company law 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 (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 charitable company will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company 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 corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of The UK Stem Cell Foundation

for the year ended 31 December 2018

Opinion

We have audited the financial statements of The UK Stem Cell Foundation ("the charitable company") for the year ended 31 December 2018 which comprise the Statement of Financial Activities (including the income and expenditure account), the Balance Sheet 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 charitable company's affairs as at 31 December 2018, and of its incoming resources and application of resources, including its 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 Companies Act 2006.

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 charitable company 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 charitable company'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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of The UK Stem Cell Foundation

for the year ended 31 December 2018 (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemptions in preparing the Trustees' Report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of The UK Stem Cell Foundation

for the year ended 31 December 2018 (continued)

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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.


Gavin Young (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor

27/9/19

227 West George Street
Glasgow
G2 2ND

The UK Stem Cell Foundation
(A Company Limited by Guarantee)

Statement of financial activities (incorporating an income and expenditure account)
for the year ended 31 December 2018

| | Notes | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2018 £ | Total Funds 2017 £ |
|------------------------------------|-------|----------------------------|--------------------------|-----------------------------|-----------------------------|
| Income from: | | | | | |
| Donations and legacies | 3 | 77,822 | - | 77,822 | 364,700 |
| Investments | 4 | 2,573 | - | 2,573 | 1,135 |
| Total income | | <u>80,395</u> | <u>-</u> | <u>80,395</u> | <u>365,835</u> |
| Expenditure on: | | | | | |
| Charitable activities | 5 | 314,899 | 800,730 | 1,115,629 | 839,942 |
| Total expenditure | | <u>314,899</u> | <u>800,730</u> | <u>1,115,629</u> | <u>839,942</u> |
| Net (expenditure)/income | 6 | (234,504) | (800,730) | (1,035,234) | (474,107) |
| Transfers between funds | | 18,093 | (18,093) | - | - |
| Net movement in funds | | <u>(216,411)</u> | <u>(818,823)</u> | <u>(1,035,234)</u> | <u>(474,107)</u> |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | | 913,542 | 987,504 | 1,901,046 | 2,375,153 |
| Total funds carried forward | | <u>697,131</u> | <u>168,681</u> | <u>865,812</u> | <u>1,901,046</u> |

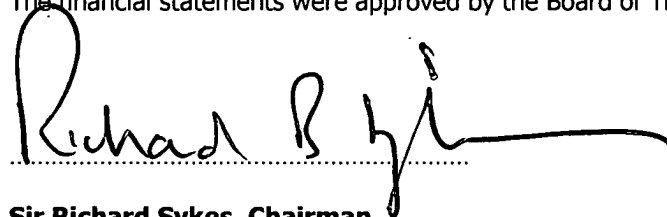
The Statement of Financial Activities also complies with the requirement for an income and expenditure account under the Companies Act 2006.

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Balance sheet
as at 31 December 2018**

| | Notes | £ | 2018 £ | £ | 2017 £ |
|-------------------------------------|--------|------------------|----------------|------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 1,952 | | 1,500 |
| Current assets | | | | | |
| Debtors | 10 | 1,801 | | 1,566 | |
| Cash at bank and in hand | | <u>1,447,565</u> | | <u>2,177,264</u> | |
| | | 1,449,366 | | 2,178,830 | |
| Creditors | | | | | |
| Amounts falling due within one year | 11 | <u>(585,506)</u> | | <u>(279,284)</u> | |
| Net current assets | | | <u>863,860</u> | | <u>1,899,546</u> |
| Net assets | | | <u>865,812</u> | | <u>1,901,046</u> |
| Funds | 12, 13 | | | | |
| Unrestricted funds | | | 697,131 | | 913,542 |
| Restricted funds | | | <u>168,681</u> | | <u>987,504</u> |
| Total funds | | | <u>865,812</u> | | <u>1,901,046</u> |

The financial statements were approved by the Board of Trustees on 26.9.19 and were signed on its behalf by:



Sir Richard Sykes, Chairman

Company Registration Number: 05320290

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Notes to the financial statements
for the year ended 31 December 2018**

1. Accounting policies

1.1 Company information

The UK Stem Cell Foundation is a charitable incorporated company, registered with the Charity Commission in England and Wales (charity number 1110009). The registered office is Cannon Place, 78 Cannon Street, London EC4N 6AF. The nature of the charity's operations and principal activities are set out in the Trustees' Report.

1.2 Basis of preparation of financial statements

The charity is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £10 per member of the company.

The UK Stem Cell Foundation constitutes a public benefit entity as defined by FRS102. The financial statements have been prepared in accordance with the 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 UK and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The principal accounting policies are set out below.

The accounts are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The company has availed itself of s396 of the Companies Act 2006, as permitted in paragraph 4(1) of Schedule 1 of SI 2008 No 409, and adapted the Companies Act formats to reflect the special nature of the company's activities.

1.3 Going concern

At the time of approval of these financial statements, the Trustees have considered the resources available to the charity as well as the forecast income and expenditure for the forthcoming period. Based on this analysis the Trustees have a reasonable expectation that the charity will continue in operation for at least twelve months from the date of the approval of the financial statements. The Trustees have therefore adopted the going concern basis of accounting in the preparation of the financial statements.

1.4 Funds

Unrestricted funds 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.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purpose. The aim and use of each designated fund is set out in the notes to the financial statements.

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 cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund are set out in the notes to the financial statements.

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

1. Accounting policies (continued)

1.5 Income

All income is recognised in the Statement of Financial Activities (SoFA) when 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.

If there are performance conditions attached to the income, then the income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably, and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Donated services or facilities are recognised when the company has control over the item, any conditions associated with the donated item have been met, the receipt of the economic benefit from the use by the company of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the company which is the amount the company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

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

Investment income includes bank interest and interest on funds held on deposit. It is recognised 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.

1.6 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.

Given the size and nature of the charity, all expenditure is categorised as expenditure on charitable activities. Governance costs, which are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements, have been allocated to charitable activities as the primary activity of the charity.

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. Grants offered subject to conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.

All expenditure is inclusive of irrecoverable VAT.

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

1. Accounting policies (continued)

1.7 Tangible fixed assets

All assets costing more than £500 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 values, over their expected useful lives on the following basis:

| | |
|------------------------------|-----------------------|
| Plant, machinery & equipment | 33% per annum on cost |
|------------------------------|-----------------------|

1.8 Debtors

Trade and other debtors are recognised at the settlement due date. Prepayments are valued at the amount prepaid.

1.9 Cash at bank and in hand

Cash at bank and cash 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.

1.10 Liabilities and provisions

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. Liabilities are recognised at the amount that the charity anticipates it will pay to settle the debt or at the amount it has received as advanced payments for the goods or services it must provide.

Provisions 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 provision 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.

1.11 Leases

Rentals payable and receivable under operating leases are charged to the SoFA on a straight-line basis over the period of the lease.

1.12 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualifies as basic financial instruments, in accordance with the provisions of FRS 102 Section 11 'Basic Financial Instruments'.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially recognised at transaction price including transactions costs and subsequently measured at their settlement value. Such financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. Any impairment loss is recognised in income and expenditure. Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

1. Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.13 Pensions

The company operates a defined contributions pension scheme. Contributions are charged in the accounts as they become payable in accordance with the rules of the Scheme.

1.14 Tax

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

2. Critical accounting estimates and judgements

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The Trustees consider there to be no critical accounting estimates and judgements.

The UK Stem Cell Foundation
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Notes to the financial statements
for the year ended 31 December 2018 (continued)

3. Income from donations and legacies

| | 2018 | 2017 |
|--------------|---------------|----------------|
| | £ | £ |
| Donations | 61,210 | 138,843 |
| Legacies | 16,612 | 225,839 |
| Other income | - | 18 |
| | <u>77,822</u> | <u>364,700</u> |
| Unrestricted | 77,822 | 289,700 |
| Restricted | - | 75,000 |
| | <u>77,822</u> | <u>364,700</u> |

Analysis of donations

| | 2018 | 2017 |
|--|---------------|----------------|
| | £ | £ |
| Trust PA - restricted | - | 25,000 |
| Normal & Sadie Lee Foundation - restricted | - | 50,000 |
| Orr Macintosh | - | 15,000 |
| Other | 61,210 | 48,843 |
| | <u>61,210</u> | <u>138,843</u> |

4. Investment income

| | 2018 | 2017 |
|-------------------|--------------|--------------|
| | £ | £ |
| Interest received | <u>2,573</u> | <u>1,135</u> |

Investment income received in the current and prior year relate to unrestricted funds.

The UK Stem Cell Foundation
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Notes to the financial statements
for the year ended 31 December 2018 (continued)

5. Charitable expenditure

| | 2018 | 2018 | 2017 |
|-------------------------------------|----------------|------------------|----------------|
| | £ | £ | £ |
| Direct costs | | | |
| Project expenses | 502,180 | | 463,290 |
| Donations returned | <u>369,887</u> | | <u>135,167</u> |
| | | 872,067 | 598,457 |
| Support costs | | | |
| Wages and salaries (note 8) | 125,038 | | 121,305 |
| Social security costs (note 8) | 12,138 | | 11,368 |
| Pension costs (note 8) | 1,132 | | 260 |
| Travelling | 8,967 | | 10,322 |
| Telephone | 4,499 | | 2,730 |
| Postage and stationery | 4,610 | | 7,734 |
| Consultancy fees | 46,870 | | 21,223 |
| Marketing expenses | 5,819 | | 26,736 |
| Bank charges | 2,327 | | 1,956 |
| Sundry expenses | - | | 31 |
| Insurance | 1,144 | | 1,026 |
| Professional fees | 4,443 | | 1,595 |
| Office expenses | 16,465 | | 14,680 |
| Entertainment | 1,095 | | 875 |
| Mileage & parking | 2,902 | | 2,420 |
| Conference and registration fees | - | | 10,800 |
| Depreciation | <u>1,313</u> | | <u>1,024</u> |
| | | 238,762 | 236,085 |
| Governance costs | | | |
| Auditor's remuneration | | <u>4,800</u> | <u>5,400</u> |
| Total charitable expenditure | | <u>1,115,629</u> | <u>839,942</u> |
| Unrestricted | | 314,899 | 376,652 |
| Restricted | | <u>800,730</u> | <u>463,290</u> |
| | | <u>1,115,629</u> | <u>839,942</u> |

Donations returned in 2018 and 2017 represent unspent funds in relation to funded projects where, per the original donation agreements, funds were required to be returned if, when the funded project reached completion, there was any funding unspent.

6. Net (Expenditure) / Income

| | | |
|---|--------------|--------------|
| Net (expenditure) is stated after charging/(crediting): | 2018 | 2017 |
| | £ | £ |
| Auditors' remuneration | 4,800 | 5,400 |
| Depreciation – owned assets | <u>1,313</u> | <u>1,024</u> |

The UK Stem Cell Foundation
(A Company Limited by Guarantee)

Notes to the financial statements
for the year ended 31 December 2018 (continued)

7. Trustees' Remuneration and Benefits

No trustee received any remuneration during the current year or comparative year.

No trustee or any person related to the charity had any personal interest in any contract or transaction entered by the charity in the year.

During the year, one Trustee received reimbursement of expenses of £19 (2017: £602).

8. Staff Costs

| | 2018 | 2017 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Wages | 125,038 | 121,305 |
| Social security | 12,138 | 11,368 |
| Defined contribution pension costs | 1,132 | 260 |
| | <u>138,308</u> | <u>132,933</u> |

The average monthly number of employees during the year was as follows:

| | 2018 | 2017 |
|-------------------------------|-------------|-------------|
| | No. | No. |
| Management and administration | 2 | 2 |

The number of higher paid employees was:

| | 2018 | 2017 |
|--------------------------------|-------------|-------------|
| | No. | No. |
| In the band £80,001 - £90,000 | 0 | 0 |
| In the band £90,001 - £100,000 | 1 | 1 |

Key management personnel comprise the Chief Executive Officer, whose employee benefits for the year were £107,970 (2017: £90,809).

The UK Stem Cell Foundation
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Notes to the financial statements
for the year ended 31 December 2018 (continued)

9. Tangible Fixed Assets

| | Plant & Machinery £ |
|------------------------|--|
| Cost | |
| At 1 January 2018 | 11,621 |
| Additions | <u>1,765</u> |
| At 31 December 2018 | <u>13,386</u> |
| Depreciation | |
| At 1 January 2018 | 10,121 |
| Charge for year | <u>1,313</u> |
| At 31 December 2018 | <u>11,434</u> |
| Net Book Value | |
| As at 31 December 2018 | <u>1,952</u> |
| As at 31 December 2017 | <u>1,500</u> |

10. Debtors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|-------------|-------------------|-------------------|
| Prepayments | <u>1,801</u> | <u>1,566</u> |

11. Creditors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------|-------------------|-------------------|
| Taxation and Social Security | 5,273 | 5,067 |
| Accruals | <u>580,233</u> | <u>274,217</u> |
| | <u>585,506</u> | <u>279,284</u> |

The UK Stem Cell Foundation
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Notes to the financial statements
for the year ended 31 December 2018 (continued)

12. Statement of funds

| Current year | Balance at 1 January 2018 £ | Income £ | Expenditure £ | Transfers £ | Balance at 31 December 2018 £ |
|--|--|---------------------|--------------------------|------------------------|--|
| Restricted funds | | | | | |
| UKSCF Project - Developing olfactory ensheathing cell implantation | 593,734 | - | (474,677) | - | 119,057 |
| Repair of spinal cord injury by transplantation | 270,895 | - | (292,066) | 21,171 | - |
| London Development Agency | 73,251 | - | (33,987) | (39,264) | - |
| Ex Vivo Expanded Corneal Limbal Transplantation | 21,904 | - | - | - | 21,904 |
| MS Society | 27,720 | - | - | - | 27,720 |
| Total restricted funds | 987,504 | - | (800,730) | (18,093) | 168,681 |
| Unrestricted funds | | | | | |
| General funds | 839,841 | 80,395 | (314,899) | 91,794 | 697,131 |
| Designated funds – unallocated project funds | 73,701 | - | - | (73,701) | - |
| Total unrestricted funds | 913,542 | - | (314,899) | 18,093 | 697,131 |
| Total of funds | 1,901,046 | 80,395 | (1,115,629) | - | 865,812 |

The UK Stem Cell Foundation
(A Company Limited by Guarantee)

Notes to the financial statements
for the year ended 31 December 2018 (continued)

12. Statement of funds (continued)

| Prior year | Balance at 1 January 2017 £ | Income £ | Expenditure £ | Transfers £ | Balance at 31 December 2017 £ |
|--|--|---------------------|--------------------------|------------------------|--|
| Restricted funds | | | | | |
| UKSCF Project - Developing olfactory ensheathing cell implantation | 660,000 | - | (66,266) | - | 593,734 |
| Repair of spinal cord injury by transplantation | 286,906 | 75,000 | (91,011) | - | 270,895 |
| London Development Agency | 488,336 | - | (254,955) | (160,130) | 73,251 |
| Autologous Stem Cell Based Therapies – B Noble | 48,198 | - | - | (48,198) | - |
| In Vivo Expanded of Chondrocytes & Osteoblasts – B Noble | 55,973 | - | - | (55,973) | - |
| Ex Vivo Expanded Corneal Limbal Transplantation | 21,904 | - | - | - | 21,904 |
| MS Society | 27,720 | - | - | - | 27,720 |
| Catapult | 61,069 | - | (51,058) | (10,011) | - |
| Total restricted funds | 1,650,106 | 75,000 | (463,290) | (274,312) | 987,504 |
| Unrestricted funds | | | | | |
| General funds | 651,346 | 290,835 | (376,652) | 274,312 | 839,841 |
| Designated funds – unallocated project funds | 73,701 | - | - | - | 73,701 |
| Total unrestricted funds | 725,047 | - | (376,652) | 274,312 | 913,542 |
| Total of funds | 2,375,153 | 365,835 | (839,942) | - | 1,901,046 |

The UK Stem Cell Foundation
(A Company Limited by Guarantee)

Notes to the financial statements
for the year ended 31 December 2018 (continued)

13. Analysis of net assets between funds

| Current year | Unrestricted Funds 2018 £ | Restricted Funds 2018 £ | Total Funds 2018 £ |
|-------------------------------|--|--|---------------------------------------|
| Tangible fixed assets | 1,952 | - | 1,952 |
| Current assets | 709,299 | 740,067 | 1,449,366 |
| Creditors due within one year | (14,120) | (571,386) | (585,506) |
| | 697,131 | 168,681 | 865,812 |
| Prior year | Unrestricted Funds 2017 £ | Restricted Funds 2017 £ | Total Funds 2017 £ |
| Tangible fixed assets | 1,500 | - | 1,500 |
| Current assets | 927,796 | 1,251,034 | 2,178,830 |
| Creditors due within one year | (15,754) | (263,530) | (279,284) |
| | 913,542 | 987,504 | 1,901,046 |

14. Commitments under operating leases

At 31 December 2018, the charity had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings | |
|----------------------------|---------------------------|-------------------|
| | 2018 £ | 2017 £ |
| Expiry date: | | |
| Within one year | 10,570 | - |
| Between two and five years | 15,855 | - |
| In over five years | - | - |
| | 26,425 | - |

**The UK Stem Cell Foundation
(A Company Limited by Guarantee)**

**Notes to the financial statements
for the year ended 31 December 2018 (continued)**

15. Defined contribution schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from that of the charity in an independently administered fund. The charge to the Statement of Financial Activities in respect of the defined contribution scheme was £1,132 (2017: £260). There were no contributions (2017: £nil) payable to the fund at the balance sheet date.

16. Related Party Transactions

The London office of the UK Stem Cell Foundation is rented on a commercial basis from The Royal Institution of Great Britain, within which Sir Richard Sykes sits as chairman of the board.

17. Financial instruments

| | 2018 | 2017 |
|---|------------------|------------------|
| | £ | £ |
| Carrying amount of financial assets | | |
| Measured at amortised cost | <u>1,447,565</u> | <u>2,177,264</u> |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | <u>580,233</u> | <u>274,217</u> |