
ISAAC NEWTON TRUST

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

ISAAC NEWTON TRUST

CONTENTS

	Page
Trustees' report	1 - 6
Reference and administrative details of the charity, its trustees and advisers	7
Independent auditors' report	8 - 10
Statement of financial activities	11
Balance sheet	12
Statement of Cash Flows	13
Notes to the financial statements	14 - 25

ISAAC NEWTON TRUST

TRUSTEES' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The Trustees submit their annual report and the audited financial statements of Isaac Newton Trust for year ended 30 June 2017. 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

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 seedcorn 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, research, which 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 gives support to University Lectureships and is 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.

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.

Main activities undertaken to further the charity's purposes for the public benefit

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 accounts, fully meet the public benefit requirements.

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2017

Achievements and performance

The Trustees have continued to review their objectives, longer-term aims, and range of funding activities this year. 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;
- 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 2017 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); the arrangements for the internal competitions for these awards, which cover all areas of academic research except Clinical Medicine, were reviewed and revised;
- ii. making direct research grants to Departments, Colleges and other bodies in the University; the mechanism for assessing applications in Biology and Clinical Medicine (which comprise the majority) was revised and a new advisory sub-Committee proposed to assist the Trustees in their decision-making;
- iii. contributing substantially to schemes run by other University bodies, primarily the research grant schemes run by the University for Lecturers in the various Schools: the programmes in Biological & Medical Sciences and in Physical Sciences & Technology were reviewed and both were renewed for a further 2 years; the programme in Arts, Humanities & Social Sciences continues;
- 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 College Teaching Officer Research Leave (the programme was reviewed and support continued) and Teaching Fellowships programmes, and providing matching funding for a number of College Junior Research Fellowships.

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2017

In 2016-17, the Trustees approved the following new awards to individual researchers:

- 20 Leverhulme Early Career Fellowships for admission in 2017-18 (14 new Fellows took up their places in 2016-17);
- 2 ESRC Future Leaders Fellowships
- 3 Humboldt Feodor Lynen Early Career Research Fellowships
- 3 Newton/College Junior Research Fellowships for October 2017 admission
- 33 research projects in Departments and other University bodies (including two grants to Interdisciplinary Research Centres);
- 10 Programme grants to Institutes, Faculties, Schools and other University bodies;
- 72 one-year MPhil bursaries jointly with the Colleges;
- 4 College Teaching Officer Research Leave grants;
- 2 Teaching Fellowships.

In addition awards were made through partnership with the Schools to newly independent Principal Investigators in biomedical subjects, physical sciences and technology, and arts, humanities and social sciences.

Investment policy and performance

The Trust's Investment Sub-committee reviews the two investment managers' performance in the light of the Trust's Statement of Investment Policy and Objectives. The stated benchmark objectives are to encourage maximum 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.

£3m was transferred from Barings to CUEF in March 2017. Barings now manage £1.6million of the assets, invested in its Targeted Return fund, and the Cambridge University Endowment Fund, which is considered to be suitable for university charitable funds with income requirements, manages £14.8million.

Financial review

The income of the Trust was £2.0m, including Trinity College's generous grant of £1.5m. The University made no further grants during the year in respect of the Cambridge Bursary Scheme, which the Trust had previously been administering on behalf of the University and the Colleges.

During the year the Trust made research grants of £4.6m (c.100% increase on 2015-16) and paid bursaries of £1.0m, primarily to MPhil students of the University, as set out in note 5 of the financial statements. The grants and bursaries reflect the commitments, totalling £9.0m, which have been made 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 £1.6m after allowing for a gain of £2.1m on the valuation of the investment assets, resulting in a decrease in uncommitted funds carried forward, which amounted to £8.7m at the balance sheet date.

In the financial year 2016-17, the officers have undertaken a detailed review of the forward commitments, checking that the liabilities at 30 June 2017 were accurate. This revealed that there have been cases when award holders have left early and the whole amount of the grant has not been claimed, or when incomplete expenditure on grants had not been reconciled after the award end date. Note 5 of the Accounts this year therefore includes substantial write-backs under a number of headings to correct for these adjustments.

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2017

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 £8.6m this 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 research portfolio and profile. Reserves would be maintained at a level sufficient to cover current commitments and contribute usefully to the Trust's income.

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. During the current year, the Trustees have reviewed the Trust deed, bringing it up to date with the requirements of the Charities Act 2011 and current employment law. The impetus for doing so was a request by Trinity College to review the appointment of Trustees and therefore the relationship between the College and the Trust. The Trustees have also revised the remit and membership of its working sub-committees.

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. In the original Deed, all the Trustees were appointed by the Trinity College Council, with the Master and Vice-Master ex-officio. It was felt desirable to separate the Master's and Vice-Master's roles on the College Council from those they hold with the Trust. The revised Deed (which comes into force on 6 July 2017) replaces these ex officio Trustees with one or two Fellows of the College elected by the Council and places the responsibility for election of the other Trustees on the Trustees themselves. New Trustees are normally selected, as previously, from among senior members of the University and the Colleges. They are appointed because of their particular expertise and will usually have had appreciable experience of serving on boards and administering charities.

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2017

New Trustees are sent, before their first meeting, information about the Trust in the form of the Trust Deed and recent Annual Reports, as well as copies of relevant Charity Commission leaflets 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 and which also provides office space and related services to a value of £10,674 for which the Trust is invoiced annually. This relationship has, together with the constitutional matters, been under review in 2016-17 and the Trust will move out of the College's premises during the next financial year.

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 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.

ISAAC NEWTON TRUST

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 30 JUNE 2017

This report was approved by the Trustees on 30 November 2017 and signed on their behalf by:


.....
Chairman

ISAAC NEWTON TRUST

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS FOR THE YEAR ENDED 30 JUNE 2017

Trustees

Professor Lord Mair, Chair
Professor J J Baumberg
Professor S Collini
Professor S Colvin (appointed 1 May 2017)
Professor G I Evan
Professor S C Franklin (resigned 31 March 2017)
Professor F P Kelly (appointed 1 May 2017)
Professor D J McKitterick (resigned 31 August 2016)
Professor R M Smith
Professor Dame A M Strathern
Professor Dame J O Thomas (appointed 1 May 2017)
Sir G Winter

Principal office

Trinity College, Trinity Street, Cambridge, CB2 1TQ

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

Barings Asset Management, 115 Bishopsgate, London, EC2M 3XY
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 for the year ended 30 June 2017 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 FRS 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: Statements 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.

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. 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 Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 30 June 2017 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 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) and in other respects 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 Auditor's 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.

ISAAC NEWTON TRUST

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF ISAAC NEWTON TRUST

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 Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 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
- adequate 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's or to cease operations, or have no realistic alternative but to do so.

ISAAC NEWTON TRUST

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF ISAAC NEWTON TRUST

Auditor's responsibilities for the audit of the financial statements

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

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

Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA
Date:

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 2017**

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:					
Donations	2	1,512,226	-	1,512,226	1,519,283
Investments	3	483,142	41,319	524,461	640,270
TOTAL INCOME		1,995,368	41,319	2,036,687	2,159,553
EXPENDITURE ON:					
Charitable activities	4	4,733,800	1,001,098	5,734,898	3,275,840
TOTAL EXPENDITURE		4,733,800	1,001,098	5,734,898	3,275,840
NET EXPENDITURE BEFORE INVESTMENT GAINS/(LOSSES)					
Net gains / (losses) on investments	9	(2,738,432)	(959,779)	(3,698,211)	(1,116,287)
		1,972,003	105,439	2,077,442	(172,918)
NET INCOME / (EXPENDITURE) AND MOVEMENT IN FUNDS		(766,429)	(854,340)	(1,620,769)	(1,289,205)
NET MOVEMENT IN FUNDS		(766,429)	(854,340)	(1,620,769)	(1,289,205)
RECONCILIATION OF FUNDS:					
Total funds brought forward	13	9,364,295	952,963	10,317,258	11,606,463
TOTAL FUNDS CARRIED FORWARD		8,597,866	98,623	8,696,489	10,317,258

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

ISAAC NEWTON TRUST

**BALANCE SHEET
AS AT 30 JUNE 2017**

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Investments	9		16,439,862		17,862,420
CURRENT ASSETS					
Debtors	10	85,484		125,755	
Cash at bank and in hand		1,232,974		590,733	
		<u>1,318,458</u>		<u>716,488</u>	
CREDITORS: amounts falling due within one year	11	<u>(4,411,515)</u>		<u>(5,095,093)</u>	
NET CURRENT LIABILITIES			<u>(3,093,057)</u>		<u>(4,378,605)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>13,346,805</u>		<u>13,483,815</u>
CREDITORS: amounts falling due after more than one year	12		<u>(4,650,316)</u>		<u>(3,166,557)</u>
NET ASSETS			<u>8,696,489</u>		<u>10,317,258</u>
CHARITY FUNDS					
Restricted funds	13, 14		98,623		952,963
Unrestricted funds	13, 14		8,597,866		9,364,295
TOTAL FUNDS			<u>8,696,489</u>		<u>10,317,258</u>

The financial statements were approved by the Trustees on 30 November 2017 and signed on their behalf, by:



 Chairman

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 2017**

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash used in operating activities	15	<u>(3,382,220)</u>	<u>(3,973,244)</u>
Cash flows from investing activities:			
Dividends and interest from investments		524,461	640,270
Net proceeds from investments		3,500,000	3,100,000
Net cash provided by investing activities		<u>4,024,461</u>	<u>3,740,270</u>
Change in cash and cash equivalents in the year		642,241	(232,974)
Cash and cash equivalents brought forward		590,733	823,707
Cash and cash equivalents carried forward	16	<u>1,232,974</u>	<u>590,733</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 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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.

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.

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.

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES (continued)

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.

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

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

Donation income is recognised when received.

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.

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 (2016: 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 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.

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES (continued)

1.7 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.

1.8 Debtors

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

1.9 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.

1.10 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.

1.11 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.

1.12 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:

- Estimation of provisions
- 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 2017**

2. INCOME FROM DONATIONS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Trinity College donation	1,500,000	-	1,500,000	1,500,000
Other donations	12,226	-	12,226	19,283
	<hr/>	<hr/>	<hr/>	<hr/>
Total donations	1,512,226	-	1,512,226	1,519,283
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total 2016</i>	1,518,567	716	1,519,283	
	<hr/>	<hr/>	<hr/>	

3. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Investment income	483,142	41,319	524,461	640,270
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total 2016</i>	581,872	58,398	640,270	
	<hr/>	<hr/>	<hr/>	

4. ANALYSIS OF CHARITABLE EXPENDITURE BY ACTIVITIES

	Grants and bursaries payable 2017 £	Support and governance costs 2017 £	Total 2017 £	Total 2016 £
Expenditure	5,628,753	106,145	5,734,898	3,275,840
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total 2016</i>	3,085,369	190,471	3,275,840	
	<hr/>	<hr/>	<hr/>	

The above grant and bursaries expenditure represents the 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 2017**

5. GRANTS AND BURSARIES

	Unrestricted £	Restricted £	2017 £	2016 £
Trust Grants				
Research grants	3,609,426	-	3,609,426	1,046,792
Grants to Schools: PhysSci & Tech	213,911	-	213,911	-
Research grants in the Humanities	-	-	-	1,573
Lectureships in the Arts, Humanities & Social Sciences	89,928	-	89,928	83,265
Leverhulme Early Career Fellowship	1,447,071	-	1,447,071	1,008,000
ESRC Fellowship	32,418	-	32,418	166,500
College Junior Research Fellowship	240,000	-	240,000	-
Newton Trust Teaching Fellowships	60,000	-	60,000	64,224
College Teaching Officer Lectureships	26,840	-	26,840	60,055
College Teaching Officer Research Leave	105,000	-	105,000	75,000
Humboldt Feodor Lynen Fellowships	16,800	-	16,800	-
AHRC DTPs	257,042	-	257,042	-
	<u>6,098,436</u>	<u>-</u>	<u>6,098,436</u>	<u>2,505,409</u>
University Bursaries				
Cambridge Bursary	-	1,093	1,093	277,167
CHESS M. Phil	-	1,000,000	1,000,000	444,000
	<u>-</u>	<u>1,001,093</u>	<u>1,001,093</u>	<u>721,167</u>
Total grant commitments made in the year	<u>6,098,436</u>	<u>1,001,093</u>	<u>7,099,529</u>	<u>3,226,576</u>
Less grants written back in the year:				
Trust Grants				
Research grants	(208,045)	-	(208,045)	(105,856)
Grants to Schools: BioSci & Med	(113,018)	-	(113,018)	-
Research grants in the Humanities	(1,572)	-	(1,572)	-
Lectureships in the Arts, Humanities & Social Sciences	(24,945)	-	(24,945)	-
Leverhulme Early Career Fellowship	(433,933)	-	(433,933)	(34,001)
ESRC Fellowship	(34,482)	-	(34,482)	-
College Junior Research Fellowship	(474,781)	-	(474,781)	-
College Teaching Officer Research Leave	(180,000)	-	(180,000)	-
	<u>(1,470,776)</u>	<u>-</u>	<u>(1,470,776)</u>	<u>(139,857)</u>

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

5. GRANTS AND BURSARIES (continued)

	Unrestricted £	Restricted £	2017 £	2016 £
University Bursaries				
Old Bursary scheme	-	-	-	(1,350)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,350)</u>
Total grant commitments including refunds	4,627,660	1,001,093	5,628,753	3,085,369

In 2016, of the total grants and bursaries payable, £719,817 was attributable to restricted funds and £2,365,552 was attributable to unrestricted funds.

Reconciliation of Grants and Bursaries Payable

	Trust Grants £	Bursaries £	2017 £	2016 £
Creditors Brought Forward	7,625,826	469,315	8,095,141	10,450,343
Commitments made in year	4,627,660	1,001,093	5,628,753	3,085,369
Grants and Bursaries paid	(4,307,771)	(450,408)	(4,758,179)	(5,440,571)
	<u>7,945,715</u>	<u>1,020,000</u>	<u>8,965,715</u>	<u>8,095,141</u>
Creditors Carried Forward (notes 11 & 12)				

6. SUPPORT AND GOVERNANCE COSTS

	General Support £	Governance £	2017 £	2016 £
Office accommodation	6,371	-	6,371	6,187
Miscellaneous	2,679	-	2,679	20,239
Bank charges	5	-	5	15
Wages and salaries	66,867	-	66,867	125,442
National insurance	5,763	-	5,763	8,785
Pension costs	8,330	-	8,330	14,323
Professional fees	-	4,200	4,200	3,600
Auditors' remuneration	-	4,460	4,460	6,360
Accountancy fees	-	7,470	7,470	5,520
	<u>90,015</u>	<u>16,130</u>	<u>106,145</u>	<u>190,471</u>

In 2016, £15 of support costs related to restricted funds, with £190,456 relating to unrestricted funds.

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

7. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Auditors' remuneration	5,352	6,360
Auditors' remuneration - non-audit	7,470	5,250
	<u>12,822</u>	<u>11,610</u>

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

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	66,867	125,442
Social security costs	5,763	8,785
Other pension costs	8,330	14,323
	<u>80,960</u>	<u>148,550</u>

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

	2017 No.	2016 No.
Administration and support	4	5

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 employers NI paid to these staff was £38,575 (2016: £42,108).

The Trustees all give their time and expertise without any kind of remuneration or other benefit in kind (2016: £NIL).

During the year, no Trustee received reimbursed travel expenses (2016: £NIL).

During the prior year a settlement payment of £25,000 was paid to one employee.

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

9. FIXED ASSET INVESTMENTS

	Unlisted securities £
Market value	
At 1 July 2016	17,862,420
Additions	3,000,000
Disposals at opening market value (sales proceeds £6,500,000)	(6,101,949)
Net gain on revaluation after management fees charged directly to funds	1,679,391
At 30 June 2017	<u>16,439,862</u>

Material investments

	2017 £	2016 £
Barings Targeted Return Fund	1,643,803	7,616,664
Cambridge University Endowment Fund	14,796,059	10,245,756
	<u>16,439,862</u>	<u>17,862,420</u>

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.

10. DEBTORS

	2017 £	2016 £
Other debtors	16,614	9,170
Accrued income	68,870	116,585
	<u>85,484</u>	<u>125,755</u>

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

11. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Grants payable	3,795,399	4,469,269
Bursaries and Scholarships payable	520,000	459,315
Accruals	96,116	166,509
	<u>4,411,515</u>	<u>5,095,093</u>

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

	2017 £	2016 £
Grants payable	4,150,316	3,156,557
Bursaries and Scholarships payable	500,000	10,000
	<u>4,650,316</u>	<u>3,166,557</u>

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

13. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 July 2016 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 30 June 2017 £
Unrestricted funds					
General Fund	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

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 July 2015 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 30 June 2016 £
Unrestricted funds					
General Fund	9,895,724	2,100,439	(2,556,007)	(75,861)	9,364,295
	9,895,724	2,100,439	(2,556,007)	(75,861)	9,364,295
Restricted funds					
Trust Bursary Fund	1,499,227	59,114	(508,321)	(97,057)	952,963
University Bursary Fund	211,512	-	(211,512)	-	-
	1,710,739	59,114	(719,833)	(97,057)	952,963
Total of funds	11,606,463	2,159,553	(3,275,840)	(172,918)	10,317,258

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.

University Bursary Fund - this fund represented the Trust's administration of the Cambridge Bursary Scheme on behalf of the University. During the prior year the administration was taken back by the University and the balance held by the Trust was paid back to the University.

ISAAC NEWTON TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT 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)
Intrafund balance	265,471	(265,471)	-
	<u>8,597,866</u>	<u>98,623</u>	<u>8,696,489</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2016 £	Restricted funds 2016 £	Total funds 2016 £
Fixed asset investments	16,625,193	1,237,227	17,862,420
Current assets	531,437	185,051	716,488
Creditors due within one year	(4,635,778)	(459,315)	(5,095,093)
Creditors due in more than one year	(3,156,557)	(10,000)	(3,166,557)
	<u>9,364,295</u>	<u>952,963</u>	<u>10,317,258</u>

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

	2017 £	2016 £
Net (expenditure) for the year	(1,620,769)	(1,289,205)
Adjustment for:		
(Gains)/losses on investments	(2,077,442)	172,919
Dividends and interest	(524,461)	(640,270)
Decrease in debtors	40,271	114,735
Increase/(decrease) in creditors	800,181	(2,331,423)
Net cash used in operating activities	<u>(3,382,220)</u>	<u>(3,973,244)</u>

ISAAC NEWTON TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

16. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	1,232,974	590,733
	<u>1,232,974</u>	<u>590,733</u>

17. 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.

18. RELATED PARTY TRANSACTIONS

Certain of the Trustees are also Trustees of Trinity College, Cambridge, which provides office accommodation for the Trust and recharges the Trust for salaries of employees and officers. In the year there were recharges of £85,565 (2016: £160,380) for these and other costs incurred by the Trust, but initially paid for by Trinity College. At the year end, an amount of £85,565 (2016: £160,380) was outstanding.

Trinity College also made a donation of £1,500,000 (2016: £1,500,000) to the Trust during the year.

