

GRAMPIAN HEALTH BOARD ENDOWMENT FUND
(commonly known as NHS Grampian Endowment Fund)

ACCOUNTS 2005-2006

CHARITY NUMBER: SC017296

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Grampian Health Board Endowment Fund

Reference and Administrative Information

Endowment Committee Trustees

Non-executive members

Mrs Barbara Bruce, Chairperson
Councillor George McIntyre, Deputy Chairperson
Mr Angus Gordon (term ended 30 September 2005)
Mrs Elizabeth McDade
Mr Gordon Stephen (appointed 1 October 2005)

Executive members

Mr Richard Carey Chief Operating Officer (resigned 17 January 2006)
 Chief Executive (appointed 17 January 2006)
Mr Alan Gall Director of Finance

Mr Ewan Robertson, Director of Performance Improvement and Board Secretary, is also a member of the Endowment Committee

Other Trustees

Non-executive members

Mr James Royan, Chairman
Mrs Anne Campbell, Deputy Chair (term ended 31 March 2006)
Councillor Raymond Bisset
Ms Margaret Burns
Dr David Cameron
Councillor Katharine Dean
Professor Neva Haites
Mrs Judith Hendry (appointed 1 April 2005)
Professor Valerie Maehle
Mr Anthony Ward
Dr Stuart Watson

Executive members

Mr Alexander Smith Interim Chief Executive (retired 17 January 2006)
Dr Eric Baijal Director of Public Health (resigned 8 May 2005)
Mr David Benton Nurse Director (resigned 31 August 2005)
Dr Roelf Dijkhuizen Medical Director
Mrs Elinor Smith Interim Nurse Director (appointed 1 September 2005)

Principal Office

Summerfield House
2 Eday Road
Aberdeen
AB15 6RE

Charity Number:

SC017296

Auditors

Henderson Loggie
48 Queens Road
Aberdeen
AB15 4YE

Bankers

Office of the Paymaster General
Sutherland House
Russell Way
Crawley
West Sussex
RH10 1UH

Solicitors

Central Legal Office
NHS National Services Scotland
Anderson House
Breadalbane Street
Bonnington Road
Edinburgh
EH6 5JR

Investment Managers

Newton Investment Management Limited
2 Festival Square
Edinburgh
EH3 9SU

Report of the Trustees for the Year Ended 31 March 2006

The Trustees present their report along with the financial statements of the Grampian Health Board Endowment Fund (the Fund) for the year ended 31 March 2006. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the Accounts and comply with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, the Charities Act (Scotland) Regulations 1992 and the Statement of Recommended Practice: Accounting and Reporting by Charities 2005.

Structure, Governance and Management

The Fund holds all monies donated to Grampian Health Board Endowment Fund, commonly known as the NHS Grampian Endowment Fund. It is held and administered under the terms of Sections 82, 83 and 84 of the National Health Services (Scotland) Act 1978 by the Chief Executive and the Fund's Committee of Trustees.

The Fund has held all donated funds of NHS Grampian since 1 April 2004. The Endowment Funds of Grampian Primary Care NHS Trust and Grampian University Hospitals NHS Trust were dissolved on 31 March 2004, and the assets and liabilities of these funds were transferred to the Fund on this date.

The Grampian NHS Board, as trustees of the Fund, agreed that a Committee be formed, with effect from 1 April 2004, to deal with matters relating to Endowment Funds and appointed a Committee consisting of executive members, non-executive members and the Board Secretary to act as individual Trustees.

Since the formation of the Committee, the committee members have been formally briefed on the operation of the Fund, its objectives, scope and policies, and their responsibilities as Trustees. This information is also provided to all new members.

The Scottish Ministers appoint the Trustees by virtue of their appointment to Grampian Health Board. The Trustees for the year are as detailed on page 1.

The Endowment Fund Committee is responsible for the overall management of the Charitable Fund. The Committee meets on a quarterly basis and is required to:

- Control, manage and monitor the use of the Fund's resources;
- Manage and monitor the receipt of all income;
- Ensure that best practice is followed in the conduct of all its affairs and that it fulfils all of its legal responsibilities;
- Ensure that the Fund's Investment Policy is adhered to and that investment performance is reviewed on a regular basis, whilst taking into account ethical considerations; and
- Ensure that the Grampian NHS Board is fully informed on the activity, performance and any risks in relation to the Fund.

The Director of Finance for NHS Grampian is Mr Alan Gall who, in accordance with the Schedule of Reserved Decisions, has responsibility for the management of the Fund. The fund holders approve all expenditure up to £2,000. Thereafter the Director of Finance and/or the Endowment Committee Chairperson approve all expenditure requests up to £50,000. For sums above this level, approval from the Endowment Committee is required.

Mr Derek Angus acted as the principal officer overseeing the day to day financial management and accounting for the charitable funds during the year. The Endowments Team, part of the NHS Grampian Finance Department, deals with the accounting records and day to day administration of the fund.

The charity is made up of 1,106 individual funds as at 31 March 2006 (31 March 2005: 1,072), and the notes to the accounts distinguish the different types of funds held. The Trustees fulfil their legal duty by ensuring that funds are spent in accordance with the objects of each fund and in line with the wishes of the donors who give generously to NHS Grampian to benefit patient care and advance the well being of patients and staff.

Risk Management

Since the transfer of the assets and liabilities of the Grampian Primary Care NHS Trust and the Grampian University Hospitals NHS Trust Endowment Funds to the Grampian Health Board Endowment Fund, the Trustees have continuously assessed and addressed the major risks associated with the operations and finances of the Fund.

This process is to be formalised in 2006/07 through the development of a Risk Management Policy. The Policy will formally detail the process already adopted to identify and assess risks and evaluate the actions required. This information will be consolidated into a Risk Register.

The most significant risks that face the Fund are possible losses from a fall in the value of investments. The Trustees have considered carefully this risk and have procedures in place to review the Investment Policy on a regular basis, to ensure that both spend and firm financial commitments remain in line with the level of resource available to the Fund.

Strategic Objectives and Activities

The Fund's objectives are as follows:

The Trustees shall hold the trust fund upon trust to apply the income, and at their discretion, so far as may be permissible, the capital, for any charitable purpose or purposes relating to the Health Service.

The Fund receives donations and/or legacies from patients, their relatives, the general public and other organisations. The overall strategy of the Fund is to provide support to NHS Grampian by the following means:

Patient Expenditure:	Purchase of small items of equipment and the provision of services and facilities that would not normally be available within the normal NHS provision.
Staff Expenditure:	a) Motivation of staff by providing services that improve staff wellbeing. b) Education of staff by providing training that would not normally be available within the normal NHS provision.
Equipment:	Purchase of equipment in addition to that normally provided by the NHS.
Clinical Research:	To provide pump priming funds in support of research projects, which are of benefit to the NHS.
Infrastructure Improvements:	Improvements to the NHS Grampian estate that would not normally be available within the normal NHS provision.

Whilst respecting the wishes of the donors, the Trustees have the ultimate discretion for the application of unrestricted funds, in accordance with the NHS Act 1977, where service changes have taken place or it is impractical to maintain the separate designated fund.

Grant Making Policy

Grant payments made by the Fund are payments made in furtherance of the Fund's objectives. In 2005/06, the Fund made grants of £4.2 million to NHS Grampian, as detailed in Note 5 to the Accounts. This includes grants made to NHS Grampian related parties (see Note 2 to the Accounts). In making grants, the Trustees require that the activity falls within the objects of the fund, that the grant request is supported by NHS Grampian and that the funds are available to meet the request.

Fund holders may incur expenditure, subject to the required authorisation process, provided the expenditure falls within the objects of their fund.

Review of the Finances and Achievements of the Fund

The Fund's strategy is to support NHS Grampian by providing funds to benefit patients and staff. It does this by funding supplementary equipment or services, which NHS Grampian is unable to provide through its normal funding streams.

The Fund relies upon the generosity of patients and their relatives, who have experienced the care of NHS Grampian, and other donors who are generous in their support of the Fund.

All of the Fund's charitable activities are for the benefit of NHS Grampian and these are detailed in note 5 to the Accounts. The grants relate to patients' and staff welfare and amenities, staff development and training, and research for the benefit of the NHS.

Achievements

During 2005/06, the Fund made a significant number of grants to NHS Grampian to benefit patients and staff. Examples of such grants are as follows:

- The Fund received a sum of £378,000 from Gordon Renal Dialysis towards the construction of a Satellite Renal Unit at Inverurie Hospital. The Unit became operational in May 2006 and provides a valuable service to patients in the surrounding area. This project would not have been possible without the hard work and commitment of Gordon Renal Dialysis.
- The Fund contributed to the funding of posts to stimulate and promote research within NHS Grampian for research into areas such as Oncology, Gynaecology, Medical Genetics and Rheumatology.

Finances

In 2005/06, the Fund received £4.4 million of donation and legacy income, and investment income of £1.2 million. The total incoming resources for the year were therefore £5.6 million, as detailed in the Statement of Financial Activities on page 9.

The overall financial performance recorded a net increase in funds of £1.2 million, reflecting the level of incoming resources that exceeded the level of charitable activities.

The net assets of the Fund as at 31 March 2006 were £32 million (2005: £26.3 million). Overall net assets increased by £5.7 million with a gain on the valuation of investments of £4.5 million as detailed in note 11 to the Accounts.

Investment Policy and Performance

The Trustees invest the charitable funds with Newton Investment Management Limited (Newtons). For the Fund to achieve its stated investment objective, as detailed in the following paragraph, the Trustees have authorised Newtons to adopt a medium risk approach. This corresponds to a diversified portfolio invested in a broad spread of equities, invested both directly, and indirectly through pooled funds. The portfolio also includes a proportion of fixed interest securities and cash.

The Fund has a formal Investment Policy, which the Trustees review on a regular basis. The investment objective is to achieve a balance between capital growth and the generation of income. The Fund will not invest in the securities of organisations that are involved in activities incompatible with the objectives and ethos of the National Health Service. Specific examples include the producers of tobacco or tobacco products and companies with direct involvement in military arms.

In 2005/06, the Fund realised a net gain of £915,000 on the sale of investments. The portfolio was valued at £31.7 million as at 31 March 2006 (31 March 2005: £25.4 million), and generated an income of £1.2 million for the year (2005: £1.2 million). Arising from the Charities & Trustee Investment (Scotland) Act 2005, the Fund is no longer required to have its investments held in two separate portfolios:

- Narrower range: investments held in Government and Local Authority Stock; and
- Wider range: shares held in public limited companies and gilts.

This change allows Trustees wider investment powers and removes certain restrictions on asset allocation.

The performance of the investments is reviewed on a regular basis in comparison with an agreed benchmark, which comprises the following elements: the FTA Government All Stocks Index (30%); the FTSE All Share Index (60%) the FTSE World excluding UK Index (7%) and Cash (3%).

The performance of the Fund for 2005/06 against the agreed benchmark was as follows:

	Total Return %
NHS Grampian Charitable Fund Investment Portfolio	19.6
Benchmark indices	19.6

The total return, as detailed above, represents the increase in the valuation of investments held during the year, as well as the dividend income generated from those investments.

Reserves Policy

The Trustees have adopted a formal reserves policy in relation to unrestricted funds, and the Trustees have agreed that the current reserve level for these funds will be required in the future. This will ensure that sufficient investment income is generated to fund the ongoing patient and staff welfare activities that are funded through the reserves held on unrestricted funds. Unrestricted funds may be used for any purpose relating to the Health Service, either generally throughout NHS Grampian's hospitals or at a particular hospital.

The Trustees will review and formalise the reserves policy for restricted funds in 2006/07. Spend against restricted funds is initiated by the relevant fund holder, and authorised in accordance with NHS Grampian's Schedule of Reserved Decisions. The Trustees formally review the Fund's reserves at their quarterly meetings, as well as reviewing outstanding commitments and the impact these have on reserves. The Trustees consider that the current level of reserves for restricted funds to be reasonable. However, they are committed to encouraging fund holders to utilise the reserves to ensure maximum benefit for the patients and staff of NHS Grampian. Restricted funds are funds held where their use is restricted by conditions attached to the donation or legacy by the donor.

In addition to the restricted and unrestricted funds held in reserves, the Trustees have the power, if they so wish, to spend the income generated from permanent endowments, as stipulated within the terms of donations received. It is not possible for the Trustees to spend the amount of the original donation.

Plans for the Future

The Trustees will continue to ensure that any spend funded through endowments is aligned to the strategy and aims of NHS Grampian, whilst at the same time complying with the donors' wishes. The review of the charity's performance for 2005/06 should be seen in the context of its aim to support NHS Grampian in the provision of quality services to its patients, whilst creating a comfortable environment for the patients, visitors and staff.

Trustees' Responsibilities in Relation to the Financial Statements

Under Charity Law, the Trustees are responsible for preparing accounts for each financial year in accordance with applicable law and United Kingdom generally accepted accounting practice, which give a true and fair view of the state of the affairs of the Endowment Fund and of the surplus or deficit of income over expenditure.

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Endowment Fund will continue its activities.

The Trustees are required to act in accordance with the Trust deed of the Fund and within the framework of Trust Law. They are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Endowment Fund and to enable them to ensure that the accounts comply with The Charities Accounts (Scotland) Regulations 1992. They are also responsible for safeguarding the Fund assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Acknowledgement

NHS Grampian would like to thank the many individuals, clubs and societies, work groups and other organisations who have donated generously to NHS Grampian's Endowment Fund throughout the year.

Approved by the Trustees on 26 June 2006 and signed on their behalf by:

Mrs Barbara Bruce
Endowment Committee Chairperson
Grampian Health Board Endowment Fund

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE
GRAMPIAN HEALTH BOARD ENDOWMENT FUND**

We have audited the financial statements of the Endowment Fund for the year ended 31 March 2006 set out on pages 9 to 18. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and the accounting policies set out on pages 12 and 13.

This report is made solely to the trustees, as a body, in accordance with the relevant legislation. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

As described on page 7, the Fund's Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, the Charities Accounts (Scotland) Regulations 1992 and the rules of the Fund. We also report to you if, in our opinion, the Trustees Report is not consistent with the financial statements, if the Fund has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit, or if information regarding Trustees' remuneration and transactions with the charity is not disclosed.

We read the Report of the Trustees and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relative to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the Fund's affairs as at 31 March 2006 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990, the Charities Accounts (Scotland) Regulations 1992 and the constitution of the Fund.

Henderson Loggie
Chartered Accountants
Registered Auditors
Aberdeen

26 June 2006

Grampian Health Board Endowment Fund

Statement of Financial Activities for the year ended 31 March 2006

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2006 £000	Total Funds 2005 £000
Incoming resources						
<i>Incoming resources from generated funds:</i>						
Voluntary income:						
Donations		10	2,545	-	2,555	2,929
Legacies		62	1,741	1	1,804	853
Total voluntary income		72	4,286	1	4,359	3,782
Investment income	3	389	833	20	1,242	1,193
Total incoming resources		461	5,119	21	5,601	4,975
Resources expended						
<i>Costs of generating funds:</i>						
Investment management costs		-	97	-	97	56
<i>Charitable activities:</i>						
Patient & Staff Education and Welfare		124	603	2	729	843
Clinical Research		576	1,297	12	1,885	3,170
Purchase of New Equipment		72	1,278	-	1,350	1,650
Infrastructure Improvements		10	192	-	202	281
<i>Direct charitable expenditure</i>	5, 19	782	3,370	14	4,166	5,944
Governance costs	7	32	66	2	100	95
Total resources expended		814	3,533	16	4,363	6,095
Net incoming/(outgoing) resources before transfers and other recognised gains and losses		(353)	1,586	5	1,238	(1,120)
Gross transfers between funds	9	2	(4)	2	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		(351)	1,582	7	1,238	(1,120)
Other recognised gains and losses:						
Realised and unrealised gains on investment assets	11	1,316	3,066	70	4,452	2,092
Net Movement in Funds		965	4,648	77	5,690	972
<i>Reconciliation of Funds</i>						
Total Funds brought forward		8,848	16,979	459	26,286	25,314
Total Funds carried forward		9,813	21,627	536	31,976	26,286

Grampian Health Board Endowment Fund

Balance Sheet as at 31 March 2006

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds £000	Prior Year £000
Fixed Assets:						
Investments	11	10,226	20,896	536	31,658	25,385
Investment property	11	-	250	-	250	250
Total Fixed Assets		10,226	21,146	536	31,908	25,635
Current Assets:						
Debtors	12	2	259	-	261	323
Cash at bank and in hand	13	-	1,521	-	1,521	1,807
Total Current Assets		2	1,780	-	1,782	2,130
Liabilities:						
Creditors falling due within one year	14	(36)	(353)	-	(389)	(212)
Net Current (Liabilities)/Assets		(34)	1,427	-	1,393	1,918
Total Assets less Current Liabilities		10,192	22,573	536	33,301	27,553
Provisions for liabilities and charges	15	(379)	(946)	-	(1,325)	(1,267)
Net Assets		9,813	21,627	536	31,976	26,286
The Funds of the Charity:						
Permanent endowment funds	16	-	-	536	536	459
Restricted funds		-	21,627	-	21,627	16,979
Unrestricted funds		9,813	-	-	9,813	8,848
Total Charity Funds		9,813	21,627	536	31,976	26,286

The notes on pages 12 to 18 form part of these accounts.

Approved by the Trustees on 26 June 2006 and signed on their behalf by:

Mrs Barbara Bruce
Endowment Committee Chairperson
Grampian Health Board Endowment Fund

Grampian Health Board Endowment Fund

Cash Flow Statement for the Year Ended 31 March 2006

	2006 £000	2006 £000	2005 £000	2005 £000
Net Cash inflow		1,535		874
Financial Investment				
<i>Purchase of Investments:</i>				
Narrow Range	(1,229)		(3,419)	
Wider Range	(9,309)		(9,607)	
Cash outflow for the purchase of investments		(10,538)		(13,026)
Proceeds from the sale of investments				
Narrower Range	618		3,209	
Wider Range	8,099		9,167	
Cash inflow from the sale of investments		8,717		12,376
(Decrease)/Increase in cash in year		(286)		224

NOTES

1. Reconciliation of Net Cash Inflow

Net Incoming/(Outgoing) Resources before Transfers and Other Recognised Gains and Losses	1,238		(1,120)
Decrease in Debtors	62		937
Increase/(Decrease) in Creditors	177		(400)
Short Term Deposits Transferred	-		190
Increase in Provision for Liabilities and Charges	58		1,267
	1,535		874

2. Analysis of (Decrease)/Increase in Cash

Balance as at 1 April	1,807		1,583
Net Cash (Outflow)/Inflow	(286)		224
Balance as at 31 March	1,521		1,807

3. Analysis of Cash at Bank and In Hand

	At 01/04/05 £000	Cashflow £000	At 31/03/06 £000
Cash in Hand	1	1	2
Cash at Bank	1,806	(287)	1,519
	1,807	(286)	1,521

Grampian Health Board Endowment Fund

Notes to the Accounts

1. Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared under the historic cost convention, with the exception that investments are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) issued in March 2005 and applicable UK Accounting Standards and the Charities Act (Scotland) Regulation, 1992.

(b) Funds Structure

Unrestricted Funds are held without restriction, other than the general obligation to use them for purposes relating to the Health Service, either generally throughout NHS Grampian or at a particular hospital.

Restricted Funds are received by way of donations and legacies where their use is restricted by conditions attached to the gift by the donor.

For Permanent Endowment Funds, the capital sum cannot be expended and only the income attributable to the fund can be utilised for expenditure purposes.

(c) Incoming Resources

All incoming resources are recognised once the Fund has received its entitlement to the resources, it is certain that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

(d) Incoming Resources from Legacies

Legacies are accounted for as incoming resources upon receipt of the legacy.

Material legacies which have been notified, but not recognised as incoming resources in the Statement of Financial Activities (SOFA), are disclosed in a separate note to the accounts with an estimate of the amount receivable (note 17).

(e) Incoming Resources from Endowment Funds

The incoming resources receivable from the investment of endowment funds are either restricted or unrestricted and are earmarked in accordance with the donor's stated wishes.

(f) Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. All expenditure is recognised once there is a legal or constructive obligation committing the Fund to the expenditure.

Grants are only made to NHS Grampian, or bodies related to it, in furtherance of the charitable objects of the Fund. A liability for grants relating to the funding of salaries is recognised when the Trustees have granted approval. For all other grants, a liability is recognised once the expenditure has been incurred.

(g) Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

(h) Allocation of Overhead and Support Costs

The Charity has no overhead or support costs. All staff costs are charged to governance costs, which are disclosed in note 7 to the accounts.

(i) Costs of Generating Funds

The costs of generating funds are those costs attributable to generating income resources for the Fund and represent investment management fees.

(j) Charitable Activities

Costs of charitable activities comprise all costs incurred in the pursuit of the Fund's objectives.

(k) Governance Costs

Governance costs comprise all costs attributable to ensuring the public accountability of the Fund and its compliance with regulation and good practice. These costs include costs related to statutory audit together with the salaries for the administration of the Fund. The administration officers are employees of NHS Grampian, whose salary costs are charged to the Fund.

(l) Fixed Asset Investments

Investments are stated at market value as at the Balance Sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year.

Quoted stocks and shares are included in the balance sheet at their value at close of business on 31 March 2006.

(m) Realised Gains and Losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and the book value on purchase. Unrealised gains and losses are calculated as the difference between the market value at the year end and opening market value (or purchase date if later). Realised and unrealised gains are not separated in the Statement of Financial Activities.

(n) Contingent Liabilities and Provisions

In accordance with the SORP, a contingent liability is disclosed for those grants, which do not represent liabilities, where the possible obligation, which arises from past events, will only be confirmed by a contractual obligation.

Provisions are recognised for those grants where there is uncertainty as to the timing or amount of the liability. They are only recognised when there is a legal or constructive obligation at the balance sheet date as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. This is a change of policy from previous years as a result of the new SORP.

(o) Pensions

As the Fund does not have any employees (see note 2 to the Accounts), NHS Grampian, as employer, is the accountable body in relation to the pension provision for those members of staff whose salary costs are charged to the Fund. NHS Grampian participates in the National Health Service Superannuation Scheme, and information on this scheme is included in NHS Grampian's annual accounts.

2. Related Party Transactions and Trustees' Remuneration

The Fund made donations of £54,000 in 2005/06 (2004/05: £33,000) to the following bodies:

<i>Body</i>	<i>Objective</i>
Grampian Hospitals Arts Trust	Provision of art works and related services to hospitals within NHS Grampian.
Grampian NHS Retirement Fellowship	To provide a meeting place and outings to retired staff of NHS Grampian.

Although both of the above bodies are independent legal entities, their purpose is the provision of charitable support to NHS Grampian.

During the year, none of the members of the NHS Board or senior NHS Board staff or parties related to them were beneficiaries of the Fund.

The Trustees of the Fund are also members of the Grampian NHS Board. Information on the Trustees of the Fund is included on page 1 of the Trustees Report. The Trustees received no emoluments from the Fund in 2005/06 (2005: £Nil). Expenses in the year totalled £Nil (2005: £ Nil).

The Fund does not have any employees. NHS Grampian employs four members of staff (2005: four) whose time is spent on the provision of support for the governance of the Fund. The salary costs for these staff members are recharged to the Fund on a monthly basis. In addition, the Fund receives charges from NHS Grampian for those salaries that are funded from endowments.

3. Investment Income

	2006	2005
	£000	£000
Dividends from UK equities	762	745
Interest from UK fixed interest securities	364	356
Interest on cash deposits	116	92
	1,242	1,193

4. Allocation of Support Costs and Overheads

All staff costs have been charged to Governance Costs and are disclosed in Note 7 to the accounts. The staff costs have been apportioned across all funds on a pro rata basis, taking into account the daily balance on each fund in accordance with the policy agreed by the Trustees.

5. Analysis of Direct Charitable Expenditure

The Fund undertook direct charitable activities in support of NHS Grampian, and its related parties, by making grants under the following activity headings:

	2006	2005
	£000	£000
Patient and Staff Education & Welfare	729	843
Clinical Research	1,885	3,170
Purchase of New Equipment	1,350	1,650
Infrastructure Improvements	202	281
Total	4,166	5,944

6. Analysis of Grants

All grants are made to NHS Grampian and its related parties. NHS Grampian operates a Scheme of Delegation, through which all grant funded activity is managed by fund holders responsible for the day to day disbursements on their projects, subject to the required authorisation processes. The Fund does not make grants to individuals. The total cost of making grants is disclosed on the face of the Statement of Financial Activities. The grants received by the beneficiaries for each category of charitable activity is disclosed in Note 5 to the Accounts.

7. Analysis of Governance Costs

	2006 £000	2005 £000
Staff costs	95	91
Auditors remuneration	5	4
	<u>100</u>	<u>95</u>

The staff costs relate to recharges from NHS Grampian for four members of staff, whose time relates to the provision of support to the governance of the Fund.

8. Analysis of Staff Costs

	2006 £000	2005 £000
Salaries and wages	77	76
Social security costs	6	5
Pension costs	12	10
	<u>95</u>	<u>91</u>

9. Fund Transfers

Transfers of £4,000 from restricted to unrestricted and permanent endowment funds were actioned during the year. These related to a reclassification of monies received to comply with the wishes of the donors.

10 Auditor's Remuneration

The auditor's remuneration of £4,950 (2005: £4,000) related solely to the audit with no other additional work undertaken (2005: nil).

11 Fixed Asset Investments

Movement in fixed asset investments:	2006 £000	2005 £000
Market value at 1 April	25,385	22,643
Add: additions to investments at cost	10,538	13,027
Disposals at carrying value	(8,717)	(12,377)
Add: net gain on revaluation	4,452	2,092
Market Value as at 31 March	<u>31,658</u>	<u>25,385</u>
Investments at market value comprised:	2006 £000	2005 £000
Equities	25,177	19,552
Fixed interest securities	6,481	5,833
Total	<u>31,658</u>	<u>25,385</u>

All investment assets were held in the UK. The Trustees consider individual investment holdings in excess of 5% of the portfolio value to be material. There were no material individual investment holdings in the year.

The investment property relates to premises at 403 King Street, Aberdeen, currently used as a social club facility for NHS Grampian staff, both current and retired. The property is held at market value and was last formally valued in April 2005. The property is formally valued once every five years by the Valuation Office Agency.

12. Debtors

	2006 £000	2005 £000
Other debtors	196	176
Loan to University of Aberdeen	-	70
Prepayments and accrued income	65	77
Total	261	323

No sum was due from NHS Grampian at 31 March 2006.

13. Analysis of Cash at Bank and In Hand

	2006 £000	2005 £000
Short term investments and deposits	1,047	1,168
Cash at bank and in hand	474	639
	1,521	1,807

14. Analysis of Creditors Falling Due Within One Year

	2006 £000	2005 £000
Accruals	389	212

£71,000 was due to NHS Grampian at 31 March 2006.

15. Provisions for Liabilities and Charges

	Charitable Commitments Accrued £000
Commitments outstanding at 1 April 2005	-
Prior year adjustment	1,267
Commitments outstanding at 1 April 2005	1,267
New commitments charged to the SOFA in year	1,885
Commitments paid during the year	(1,827)
Commitments outstanding as at 31 March 2006	1,325
	Charitable Commitments Accrued
Timing of commitments	
Commitments payable in under 1 year	893
Commitments payable over 1 year	432
Commitments outstanding as at 31 March 2006	1,325

The Trustees only approve chargeable commitments where funds are already in place to meet the cost.

The provision for liabilities and charges relates to the funding of posts within NHS Grampian. These posts are involved primarily in the provision of research in conjunction with the University of Aberdeen.

16. Analysis of Charitable Funds

Analysis of Fund Movements	Balance at 1 April 2005 £000	Prior Year Adjustment £000	Restated Balance at 1 April 2005 £000
Permanent endowment	459	-	459
Restricted funds	18,386	(1,407)	16,979
Unrestricted funds	8,848	-	8,848
Total	27,693	(1,407)	26,286

Analysis of Fund Movements	Restated Balance As above £000	Incoming Resources £000	Resources Expended £000	Transfers £000	Gain and Losses £000	Balance at 31 March 2006 £000
Permanent endowment	459	21	(16)	2	70	536
Restricted funds	16,979	5,119	(3,533)	(4)	3,066	21,627
Unrestricted funds	8,848	461	(814)	2	1,316	9,813
Total	26,286	5,601	(4,363)	-	4,452	31,976

17. Material Legacies

Legacy income is only included in incoming resources when monies are received. As at 31 March 2006 the Fund had been notified of three bequests with an estimated value of £180,000 which has not been accrued. The three bequests are for:

	£000
Benefit of Fleming Hospital, Aberlour	30
Medical Research purposes within NHS Grampian	100
Research into the treatment of glaucoma	50
	<hr/>
	180

18. Contingent Liabilities

The following contingent liabilities have not been provided for in the Accounts:

Nature	Value £000
Potential for future spend to be funded through Endowments	
As part of the Fund's standard approval process, a number of requests for funding for various purposes have been authorised. The responsibility for entering into a future contractual obligation in relation to these requests rests with the fund holder.	1,924

19. Prior Year Adjustments

Changes that have been made to the prior year figures from the published accounts are:

Provision for liabilities and charges

The prior year adjustment relates to the creation of a provision for the funding of salary costs within NHS Grampian, where the Trustees have committed to fund certain posts for varying periods, the maximum being for up to 5 years.

<i>Principle Statement</i>	<i>Note Number</i>	<i>As stated in Prior Year Accounts £000</i>	<i>Adjustment £000</i>	<i>Restated in Current Year Accounts for 2004/05 £000</i>
Statement of Financial Activities	5	(4,537)	(1,267)	(5,804)
Balance Sheet	11	-	(1,267)	(1,267)

Debtors

The prior year adjustment relates to the conversion of the outstanding loan of £140,000 to the University of Aberdeen to a grant.

	<i>Note Number</i>	<i>As stated in Prior Year Accounts £000</i>	<i>Adjustment £000</i>	<i>Restated in Current Year Accounts for 2004/05 £000</i>
Statement of Financial Activities	5	(5,804)	(140)	(5,944)
Balance Sheet	12	463	(140)	323