Charity Registration No. 1016315 (England and Wales)

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

TRUSTEES' REPORT AND UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2014

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

CONTENTS

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Charity Status:	Registered in England and Wales
Charity Number:	1016315
Working Name:	Dermatrust
Address:	40 Queen Anne Street London W1G 9EL
Website:	www.dermatrust.org.uk
Trustees:	Professor M H A Rustin Mr A G Moss Mr S J Patey Dr C Orteu Dr S McBride Dr V Swale Professor A Akbar Dr E Seaton Dr J Jones Professor C Bunker Mr B Yam Dr F Ismail Dr Mark Griffiths Dr D Greenblatt (appointed 29 April 2014) Dr M Ameen (appointed 29 April 2014)
Patrons:	Professor Dame Carol Black The Lord Colwyn Ms G Glaister Sir Bernard Haitink Mr John Marshall Professor K M Spyer Mr Michael van Straten Dr T Stuttaford Rabbi Mark Winer Sir Terry Wogan Professor A Zuckerman
Bankers:	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ Lloyds TSB Bank Plc 40 Rosslyn Hill Hampstead London NW3 1NL
Accountants:	Lewis Golden & Co Chartered Accountants & Registered Auditors 40 Queen Anne Street London W1G 9EL
Independent Examiner:	Russell Tenzer FCA Hazlems Fenton LLP Chartered Accountants Palladium House 1 – 4 Argyll Street London W1F 7LD

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 5 APRIL 2014

The trustees submit their report and the financial statements for the year ended 5 April 2014.

Legal and Administrative Information
Legal and administrative information set out on page 1 forms part of this report.

The trustees during the year were as follows:-

Prof M H A Rustin	Dr C Orteu	Prof A Akbar	Dr J Jones
Mr A G Moss	Dr S McBride	Dr V Swale	Mr B Yam
Mr S J Patey	Dr E Seaton	Prof C Bunker	Dr F Ismail
Dr M Griffiths (appointed 21 January 2014)			

Structure Governance and Management
The Trust was established by Dr M H A Rustin, Dr S Wright, Sir Ian Morrow, Dr T Stuttaford, Mr A G Moss and Mrs W Lourie as the Dermatitis and Allied Diseases Research Trust under a trust deed dated 30 December 1992. The Trust's working name is Dermatrust.

The Trust does not have a Chief Executive. However Prof M H A Rustin is the senior executive trustee and Mr A G Moss oversees the financial reporting of the Trust. Ms Estelle Morris is a part-time fundraiser for the Trust.

The trustees collectively have the authority to appoint new trustees by resolution of a meeting of the trustees. The trustees will consider appropriate methods for the recruitment when it is decided that new trustees are required.

The trustees are required by the trust deed to meet at least once in every year. The quorum at such meetings is three trustees. The trustees met four times during the year.

During the year the trustees have undertaken a risk assessment. This assessment helped to identify the major risks to which the charity is exposed. The trustees have reviewed the major risks and have established a system to mitigate those risks.

Andrew Moss is a partner in Lewis Golden & Co, which provides accountancy and administration services to the Trust. Details of any fees paid to Lewis Golden & Co are disclosed in the notes to the financial statements.

There have been no changes in the policies of the Trust during the year.

Objectives and Activities for the Public Benefit
The objects of the Trust are to support the advancement of research and treatment of benign and malignant diseases of the skin.

The trustees apply the Trust income and resources at their absolute discretion to the research and development of new medicines and equipment for the relief of persons suffering from benign and malignant diseases of the skin. The trust deed imposes no specific restrictions on the way in which the Trust can operate and the trustees may make such investments as they think fit.

The Trust is based at the Royal Free Hospital, London and supports the clinical and research activities of the Consultant Dermatologists at the Royal Free Hospital. Specifically, the Trust supports the research being carried out by Professor Rustin, Dr Orteu, and Dr McBride into the cause and improved treatment of atopic eczema, Fabry disease and psoriasis respectively. The trust now directly funds one clinical research fellow who is registered for an MD and two research scientists who have registered for PhDs, and one Post-Doctoral Scientist. Dermatrust also supports the research activity of Dr Katie Lacy in the Cutaneous Medicine and Immunotherapy Unit at Kings College London School of Medicine. Collectively this research makes up the Dermatrust Research Programme, which is the primary charitable activity of the Trust. Further information is on the Programme is given in pages 3 to 4.

The trustees use the services of a consultant fundraiser to raise funds which can then be used to develop the Research Programme.

Objectives and Activities for the Public Benefit (continued)
The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to the public benefit guidance and referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities.

Achievements and Performance
The fifth Dermatrust Research Fellow Dr Daisy Sandhu demitted her post at the end of August 2012 and was awarded an MD in March 2014 following submission of her thesis. The examiners commented in her oral examination that the thesis was of sufficient quality to have merited submission for a PhD thesis. Her successor Dr Neil Patel the sixth Dermatrust Research Fellow commenced his Clinical Research Fellow post in February 2013 and he has been employed for a three year period in order to complete a PhD thesis.

During his first year of research Dr Patel has learnt a number of laboratory techniques which has enabled him to study the cells of the immune system present in the skin and blood of healthy human volunteers. He has learnt how to isolate and culture lymphocytes from fresh whole blood, how to digest skin samples using collagenase in order to isolate the skin-resident lymphocytes and how to stain and identify them using sophisticated analysis systems. He has also learnt how to induce skin suction blisters on the forearms of human volunteers in order to obtain blister fluid which contains inflammatory cells present in the skin at that site. As well as collaborating with Dr Vukmanovic's research (detailed below) he has designed a new research study that will take place at the Royal Free Hospital to investigate how skin resident T lymphocytes contribute to the immune dysregulation that underlies atopic eczema, a highly prevalent chronic inflammatory skin disease that affects 15-20% of children and 2-3% of adults and leads to significant loss of quality of life. This study has now been approved by the Research Ethics Committee and recruitment is due to commence imminently.

Judith Seidel commenced her PhD project in July 2010, completed her research in February 2014 and is due to submit her PhD thesis in mid-2014. Her research has been examining how melanoma (the fifth commonest cancer in the UK) evades the patient's immune response despite the presence of tumour specific T cells within the skin. In order to understand the reasons for failure of the immune system to contain the primary tumour, we investigated T cell differentiation in the skin of individuals suffering from melanoma and compared the phenotypes of skin derived T cells from melanoma patients with those from healthy controls.

Whilst mechanisms of T cell differentiation have been extensively studied in the blood under various conditions, little is currently known about skin resident T cells. It has been suggested that T cells residing in peripheral tissues such as the skin would display an effector memory phenotype. Effector memory T cells in the blood are characterized by increased expression of effector molecules such as granzyme B and perforin and loss of co-stimulatory molecules. However we were unable to detect high levels of granzyme B or perforin in the skin of healthy individuals, despite the skin T cells having low levels of co-stimulatory molecules. Skin cells of healthy individuals were further found to display decreased levels of some differentiation associated markers, suggesting that skin T cells are not truly effector memory like under steady state but instead form a separate memory subset to those already described in the blood. We were able to induce skin derived T cells to adopt a cytotoxic phenotype *in vitro* after incubation with certain inflammatory cytokines, suggesting that skin resident T cells might be able to become cytotoxic during inflammatory conditions *in vivo*. This has implications for melanoma immunity as cytotoxic T cells have been shown to occur in the skin during autoimmune destruction of melanocytes in individuals suffering from vitiligo.

We found that compared to T cells of healthy individuals, those derived from melanoma patients showed increased signs of T cell trafficking and a rise in inhibitory receptors. Whilst these cells also displayed an increase in some cytotoxic granule components, other such components additionally required for cytotoxic function to occur were absent. Skin resident T cells in melanoma patients therefore seemed to show aberrant maturation.

Finally, we assessed PD-1 expression in the skin as this inhibitory molecule is known to be increased in T cells in melanoma. Whilst we could confirm that PD-1 was increased in the skin T cells of melanoma patients compared to healthy controls, we also observed that PD-1expression in healthy skin was exceptionally high when compared to circulating T cells. *In vitro* blockade of PD-1 ligands in skin $CD8^+$ T cells lead to an increase in proliferation and in granzyme B expression. PD-1 signalling thus seems to inhibit skin T cell function not only in melanoma patients but also in healthy individuals. PD-1 signalling might therefore already play an important role in inhibiting T cells early on in tumour development.

Achievements and Performance (continued)

Some of these findings were presented recently at the Keystone meeting on tissue resident T cells in Snowbird (Utah) earlier this year under the title "Skin resident effector memory $CD8^+$ T cells display low cytotoxic potential in steady state conditions". A paper is currently being prepared for publication under the title "Tissue resident T cells in the skin have low cytotoxic function under steady state and fail to mature fully in patients with melanoma".

Dr Vukmanovic-Stejic's research over the last couple of years has been studying immune responses to varicella zoster virus (VZV), the virus that causes chickenpox and subsequently shingles after reactivation of the virus. Following injection of the VZV antigen into the skin of old and young volunteers an assessment of the response is undertaken by biopsying the sites or by performing a suction blister over the injected site. The results have shown that old individuals do not mount effective responses to cutaneous challenge with VZV and we are focusing on understanding the primary mechanism behind this defect.

We continued our successful collaboration with Prof Kreuger's group at the Rockefeller University in New York and continued to analyse the gene expression data generated during last year: 1. We have found that there was no significant difference in the gene expression in normal skin when we compared young and old individuals. 2. In comparison to the young, old individuals react with a strong inflammatory response to the injection of normal saline (non-specific inflammation) 3. Early response (6hrs after injection) to VZV in the old individuals is not significantly different compared to young but our data suggest that it subsequently fails to amplify leading to significantly reduced inflammatory response (both transcriptionally and in terms of cellular response assessed by histology) at 72hrs. 4. We used the transcriptional data to perform network-based cluster analysis (in collaboration with Dr Neil Mabbot at the Roslin Institute in Edinburgh) to identify which cell types could be responsible for the early inflammatory response to saline. This analysis indicated that observed gene expression is associated with monocytes/macrophages/neutrophil activation. We are carrying out further experiments to further examine these cell types. Our current hypothesis is that this increased inflammatory response to non-specific stimulus interferes with the ability of the immune cells to mount a successful response to antigen challenge. 5. We have also analysed gene expression in samples collected from healthy old individuals who have undergone vaccination with Zostavax, (standard vaccine used for prevention of shingles). In these individuals we have collected samples pre- and post- vaccination in order to investigate changes in cutaneous responses as a consequence of vaccination. Transcriptional profiles from these samples (saline and VZV injected skin, at 6 and 72 hours pre- and post- injection from each individual) have been generated using microarray analysis as before. The data collected so far indicates that in vaccinated individuals gene expression in response to VZV injection at 6hrs and at 72hrs closely resembles that seen in the young. This supports the clinical data which shows that majority of old individuals improve their ability to respond to intradermal challenge as measure by clinical scores. We are planning to investigate these changes in more detail, and to identify which cells/ mediators are likely to be crucial for this effect of vaccination.

In addition, our research was also focused on the skin resident T cells. We have compared the number, phenotype and function of resident CD4 T cells in young and old skin. Our data indicates that numerically and functionally skin resident T cells are not defective with age. Interestingly, in both old and young individuals proportion of VZV specific cells in the skin is higher than in circulation (peripheral blood). This observation is in agreement with the important role tissue resident memory T cells are thought to play in providing protection against repeated exposure to pathogens.

Dr Isioma U. Egbuniwe is currently a 3rd year PhD student supervised by Dr Katie Lacy at The St John's Institute of Dermatology, King's College London. Her PhD research is one of the first to dissect the contributions of a group of immune cells known as B cells to various aspects of cutaneous immune responses, including those occurring within the melanoma microenvironment.

B cells are known to have important roles in fighting off infections and even cancers such as melanoma, and have been studied extensively in the blood. This project however aims to examine the role of B cells in the local environment of the skin in healthy people and people with melanoma skin cancer, and to determine if these cells can be manipulated to provide better outcomes for patients with this disease.

Achievements and Performance (continued)

This research project has involved the development of competencies in a wide range of experimental techniques including flow cytometry, immunohistochemistry and immunofluorescence imaging, ELISA and cell culture-based assays, and has led to a number of exciting novel discoveries. Firstly, we have identified and characterized a previously undefined population of B cells in the peripheral blood which appear primed to migrate into the skin under appropriate stimulatory conditions. Next, using a model of acute inflammation in normal healthy skin, we have shown that B cells accumulate and proliferate within the skin following antigen challenge, and appear capable of producing antibodies locally. Finally we have found that compared to the peripheral circulation in patients, B cells are enriched within cutaneous melanoma lesions where they are capable of producing not only inflammatory cytokines, but also immunoglobulin A (IgA). These findings highlight previously unappreciated roles for B cells in skin immune responses and could serve as the framework for further studies into the contribution of B cells to skin homeostasis and/or pathology. Based on our results, two papers are currently in preparation for publication in high impact research journals.

Since commencing her PhD in October 2011, Dr Egbuniwe has presented her research at national and international dermatology conferences, most recently being invited to give an oral presentation at the British Society for Investigative Dermatology (BSID) meeting held in Newcastle in April 2014. She has also previously won a prize for the 3rd best poster presented at a BSID meeting.

Her PhD thesis which is provisionally titled "**Dissecting the Function and Modulation of B Cells in Cutaneous Pathology**" will be submitted at the end of the year.

These commitments to the research objectives of the Trust amount to almost £129,000 in the short to medium term. Accordingly the trustees have allocated an equivalent amount, not including amounts accounted for through restricted funds, to a designated fund. Whilst the trust has sufficient resources to meet these commitments, the trustees intend to continue raising funds to satisfy their long-term aims.

How Dermatrust Sponsored Research delivered Public Benefit
The main thrust of the Trust's research is to identify mechanisms causing persistent inflammation in the skin, to examine the effect of ageing on immune responses and immune memory and to understand and hopefully modulate the immune responses to skin cancer.

The benefits of the Trust's work to the public are the funding of on-going research with the goal of being able to assist sufferers of skin inflammation disorders, the dissemination of research findings, the development of new therapies and the education of future researchers.

During the year, research sponsored by Dermatrust has been presented at National and International meetings and invited lectures have been given at a number of institutions in England, America and Europe. Results of the research have been published in highly respected peer reviewed journals.

The trustees consider that by sponsoring such medical research, they are promoting the general charitable principle of the advancement of health and medical knowledge and this could benefit anybody who suffers from persistent skin inflammations.

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 5 APRIL 2014

Financial Review	2014 £	2013 £
Income received from donations, legacies & similar incoming resources amounted to	222,020	56,690
Income from investments during the year amounted to	2,280	3,514
Total income for the year was	224,300	60,204
Out of which costs of generating donations & other funds were payable of	(21,998)	(16,433)
Charitable expenditure in furtherance of the charity's objects by supporting the Research Programme amounted to	(66,917)	(38,436)
Resources expended on governance costs amounted to	(22,709)	(21,737)
Resulting in a surplus/ (deficit) after expenditure for the year of	112,676	(16,402)
Funds balances brought forward at 6 April 2013 amounted to	333,054	349,456
Giving total trust funds carried forward at 5 April 2014 of	445,730	333,054

There are no funds in deficit at the date of the financial statements. The Trust's financial position at the balance sheet date is sufficient to meet ongoing expenditure and commitments. However, the Trust is reliant on future donations in order to be able to plan for future research.

The Trust's reserves consist of its Unrestricted Income Fund, which had a balance of £154,537 (2013: £75,403); and the Designated Income Fund and Restricted Income Funds, which are explained in more detail in notes 9 and 10 respectively. It is a long term aim of the trustees to increase the reserves to a level that will generate regular investment income sufficient to support future research. However current rates of return mean that this aim is impractical in the short term. The trustees will continue to review the level of reserves of the Trust.

The Trust and its trustees do not hold any funds as Custodian Trustee on behalf of others.

The trustees' powers to invest are unrestricted. The trustees have decided to place most of the Trust's funds on 90 day notice deposit account in order to balance the level of return obtainable with the requirement to fund the Research Programme. At the date of the accounts, the Trust had a balance of £406,541 (2013: £304,344) on deposit. The trustees do not consider there to be sufficient free reserves available to justify long term investments. The trustees will continue to review the level of funds on deposit with regard to the changing investment climate.

Plans for Future Periods

The Trust has sufficient funds designated to meet its current commitments, supporting the research of Dr Patel until February 2016. However, the Trust is reliant on raising new funds in order to be able to expand the Research Programme and commit to funding new research. The trustees intend to continue fundraising, and in particular to establish a new appeals committee. It is hoped that the committee will both assist in fundraising and arranging fundraising events, and will help to raise the profile of the Trust.

REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 5 APRIL 2014

Statement of Trustees' Responsibilities
The trustees are responsible for preparing the Trustees' Annual 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 apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statement; and
- 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 sufficient accounting records that 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.

- there is no relevant audit information of which the charity's independent examiner is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant independent examination information and to establish that the auditor is aware of that information.

The financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice and the trust deed.

Approved and signed on behalf of the trustees on 9 October 2014

Malcolm H A Rustin
Trustee

Andrew G Moss
Trustee

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES OF THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

I report on the financial statements of the Trust for the year ended 5 April 2014 as set out on pages 9 to 15.

This report is made solely to the charity's trustees, as a body, in accordance with section 145 Charities Act 2011. My work has been undertaken so that I might state to the charity's trustees those matters I am required to state to them in this report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for my work, for this report, or for the opinions I have formed.

Respective responsibilities of trustees and examiner

The charity's trustees are responsible for the preparation of financial statements. The charity's trustees consider that an audit is not required for the year under section 144(2) of the Charities Act 2011 ('the 2011 Act') and that an independent examination is needed.

It is my responsibility to:

- examine the financial statements under section 145 of the 2011 Act;
- to follow the procedures laid down in the General Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- to state where particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the financial statements presented with those records. It also includes consideration of any unusual items or disclosures in the financial statements and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the financial statements present a 'true and fair view' and the report is limited to those matters set out in the statement below.

Independent examiner's statement

In connection with my examination, no matter has come to my attention:

a) which gives me reasonable cause to believe that in any material respect the requirements:

- to keep accounting records in accordance with section 130 of the 2011 Act; and
- to prepare financial statements which accord with the accounting records and to comply with the accounting requirements of the 2011 Act;

have not been met; or

b) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the financial statements to be reached.

27/10/14

Russell Tenzer FCA
Hazlems Fenton LLP
Chartered Accountants
Palladium House
1 – 4 Argyll Street
London W1F 7LD

Date

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

STATEMENT OF FINANCIAL ACTIVITIES
(including an income and expenditure account)
FOR THE YEAR ENDED 5 APRIL 2014

INCOME AND EXPENDITURE

	Notes	Unrestricted Income Fund 2014 £	Designated Income Funds 2014 £	Restricted Income Funds 2014 £	Expendable Endowment Capital Fund 2014 £	Total Funds 2014 £	Total Funds 2013 £
Incoming Resources							
Incoming resources from generated funds							
Voluntary income	3	122,020	-	100,000	-	222,020	56,690
Investment income	4	2,280	-	-	-	2,280	3,514
Total Incoming Resources		124,300	-	100,000	-	224,300	60,204
Resources Expended							
Costs of generating funds							
Costs of generating voluntary income	5	(21,998)	-	-	-	(21,998)	(16,433)
Charitable activities							
Research Programme - Dermatrust fellows, technicians & consumables		(459)	(48,243)	(18,215)	-	(66,917)	(38,436)
Governance costs	6	(22,709)	-	-	-	(22,709)	(21,737)
Total Resources Expended		(45,166)	(48,243)	(18,215)	-	(111,624)	(76,606)
Net Incoming/(Outgoing) Resources before Transfers		79,134	(48,243)	81,785	-	112,676	(16,402)
Transfers between funds	9	-	-	-	-	-	-
Net Movement In Funds		79,134	(48,243)	81,785	-	112,676	(16,402)
Fund balances brought forward As at 6 April 2013		75,403	227,266	30,285	100	333,054	349,456
Fund Balances Carried Forward as at 5 April 2014		154,537	179,023	112,070	100	445,730	333,054

THE DERMATITIS AND ALLIED DISEASES RESEARCH TRUST

BALANCE SHEET
AS AT 5 APRIL 2014

	Notes	2014		2013	
		£	£	£	£
Current Assets					
Cash at bank and in hand		492,728		365,527	
Debtors	7	2,053		52	
		494,781		365,579	
Creditors: Amounts Falling Due Within One Year	8	(49,051)		(32,525)	
Net Current Assets			445,730		333,054
Net Assets			445,730		333,054
Unrestricted Income Fund	9		154,537		75,403
Designated Income Funds	9		179,023		227,266
Restricted Income Funds	10		112,070		30,285
Expendable Endowment Capital Fund	10		100		100
Total Trust Funds			445,730		333,054

Approved and signed on behalf of the Trustees on: 9 October 2014

Malcolm H A Rustin
Trustee

Andrew G Moss
Trustee

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 5 APRIL 2014

1 BASIS OF PREPARATION

1.1 Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention and with the Charities Act 2011.

The requirements of the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005) and The Charities (Accounts and Reports) Regulations 2008 have been taken into account in preparing these financial statements.

2 ACCOUNTING POLICIES

2.1 Incoming resources

(i) Recognition of incoming resources

These are included in the Statement of Financial Activities (SoFA) when: the charity becomes entitled to the resources; the trustees are virtually certain they will receive the resources; and the monetary value can be measured with sufficient reliability.

(ii) Incoming resources with related expenditure

Where incoming resources have related expenditure, the incoming resources and related expenditure are reported gross in the SoFA. Income from activities for generating funds and direct expenditure to generate such income are shown separately in the SoFA. The constituent income and receipts are together recognised on an accruals basis.

(iii) Grants, donations and legacies (Income)

Grants, donations and legacies are only included in the SoFA when the charity has unconditional entitlement to the resources. In effect this is on a receipts basis.

(iv) Tax reclaims on donations and gifts

Incoming resources from tax reclaims are included in the SoFA at the same time as the gift to which they relate.

(v) Incoming resources from charitable activities

These resources arising from activities in furtherance of charitable objects are shown in the financial statements on a receipts basis. They include donations received arising from laser treatment.

(vi) Donated services and facilities

The value of any donated services or facilities are not included in the financial statements, but are described in the trustees' annual report.

(vii) Investment income

Investment income is shown in the financial statements on an accruals basis. Investment income earned on the Restricted Income Fund is recognised in the Unrestricted Income Fund.

2 ACCOUNTING POLICIES (continued)

2.2 Expenditure and liabilities

(i) Liability recognition

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to pay out resources.

(ii) Governance costs

Governance costs are accounted for on an accruals basis and include costs of the preparation and examination of financial statements and the cost of any advice given to the trustees on governance or constitutional matters.

(iii) Grants with performance conditions

Where the charity gives a grant with conditions for its payment being a specific level of service or output to be provided, such grants are only recognised in the SoFA once the recipient of the grant has provided the specified service or output.

(iv) Grants payable without performance conditions

These are only recognised in the financial statements when a commitment has been made and there are no conditions to be met relating to the grant which remain in the control of the charity.

(v) Costs of generating voluntary income

Fundraising and publicity costs include consultancy fees and direct expenditure.

(vi) Resources expended on charitable activities

Direct charitable expenditure and other expenditure are accounted for on an accruals basis. All costs are directly attributable to a specific activity.

2.3 Funds

The Trust maintains a capital fund called "Expendable Endowment Capital Fund" comprising the monies with which the Trust was established. The Trust also maintains an "Unrestricted Income Fund" which is available for charitable expenditure. Periodically the trustees designate unrestricted funds to ensure that sufficient funds are put aside to cover the cost of future planned research. These "Designated Income Funds" comprise monies expected to be paid by the Trust on sponsored research, but subject to performance conditions. The "Restricted Income Funds" are funds over which the donor has placed specific conditions relating to their use.

3 VOLUNTARY INCOME

	2014	2013
	£	£
Donations and grants received	220,429	55,400
Income tax on donations recoverable	1,591	1,290
	222,020	56,690

4 INVESTMENT INCOME

Income received directly attributed to:		
UK Bank interest	2,280	3,514

5 COSTS OF GENERATING VOLUNTARY INCOME	2014 £	2013 £
Fundraising events		
London Marathon entry	5,089	2,028
Prudential Ride London	1,890	-
	6,979	2,028
Fundraising and publicity expenses		
Professional fees	13,829	10,250
Expenses	78	817
	13,907	11,067
Printing and stationery	52	124
Justgiving & Virgin Money Giving charges	791	846
Website costs	-	1,980
Telephone costs	269	388
	15,019	14,405
Total	21,998	16,433

6 GOVERNANCE COSTS		
Independent examination fee	2,080	2,302
Accountancy and administration charges (note 12)	20,629	19,435
	22,709	21,737

7 DEBTORS		
Accrued income	22	52
Prepayment	2,031	-
	2,053	52

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Accruals	49,051	32,525

9 UNRESTRICTED FUNDS

	As at 6 April 2013 £	Incoming resources £	Outgoing resources £	Transfers £	As at 5 April 2014 £
Designated funds:					
Research Programme	227,266	-	(48,243)	-	179,023
Unrestricted Income Fund	75,403	124,300	(45,166)	-	154,537
	302,669	124,300	(93,409)	-	333,560

The Designated Research Programme Fund has been set aside by the trustees out of the unrestricted income fund for the specific purpose of supporting the Research Programme. The trustees periodically consider the funds required and designate a sufficient amount by means of transfer from the Unrestricted Income Fund to cover the cost of current and planned research.

The Unrestricted Income Fund comprises monies that can be used in accordance with the charitable objects of the Trust at the discretion of the trustees.

10 RESTRICTED FUNDS

	As at 6 April 2013 £	Incoming resources £	Outgoing resources £	As at 5 April 2014 £
Restricted funds:				
Equipment	4,184	-	-	4,184
Audrey & Stanley Burton Charitable Settlement (PhD Students)	9,561	-	(9,561)	-
2013 3 year Clinical Research Fellow	12,066	-	(8,654)	3,412
John Fleming Melanoma Fund	4,474	-	-	4,474
Academy Chair of Dermatology	-	100,000	-	100,000
Total restricted funds	30,285	100,000	(18,215)	112,070
Expendable Endowment Fund	100	-	-	100
	30,385	100,000	(18,215)	112,170

The restricted funds consist of donations received for particular restricted purposes within the objects of the charity:

1 - The Locker Foundation and Penny in the Pound Fund Charitable Trust have donated funds to be used for the purchase of equipment;

2 - a grant from the Audrey and Stanley Burton Charitable Trust to support the clinical research of two PhD students;

3 - grants from The George John and Sheilah Livanos Charitable Trust and The Alan Howard Foundation to support a clinical research fellow over 3 years;

4 - John Fleming ran the 2012 Virgin London Marathon and has produced a dance video to raise sponsorship to fund research into melanoma; and

5 - a grant from the Alan Howard Charitable Trust to fund an Academic Chair of Dermatology.

Last year The Alan Howard Foundation donated £10,000 to support a Clinical Research Fellow for a three year period.

11 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Income Fund	Designated Income Funds	Restricted Income Funds	Expendable Endowment Fund	Total 2014
	£	£	£	£	£
Cash at bank and in hand	162,639	217,919	112,070	100	492,728
Other net current assets/(liabilities)	(8,102)	(38,896)	-	-	(46,998)
	154,537	179,023	112,070	100	445,730

12 TRUSTEES' INTEREST IN CONTRACTS

Andrew G Moss is a partner in Messrs Lewis Golden & Co, Chartered Accountants, who provided accountancy, administration and tax services to the Trust to the value of £18,720 (2013: £19,435) including VAT.

None of the other trustees received any remuneration or reimbursement of expenses during the year.

13 RELATED PARTY TRANSACTIONS

Professor M H A Rustin and Drs C Orteu, S McBride, V Swale, E Seaton, J Jones, F Ismail and M Griffiths, trustees, are employees of the Royal Free Hospital. As a result of Dermatrust's work the Royal Free Hospital employs a nurse in the Clinical Trials Unit and this generates income for the Hospital. While no entries are made in the Trust financial statements for this income or expenditure, the Special Trustees of the hospital make resources available to the Dermatrust Research programme. In the year ended 5 April 2014 such resources have been allocated to funding the Trust's research programme, reducing its cost to Dermatrust.

14 FUTURE COMMITMENTS – DERMATRUST RESEARCH PROGRAMME

The trustees are using a grant received from the Audrey & Stanley Burton Charitable Settlement to fund two clinical research PhD students for three years each: one of who is working with a former Dermatrust Research Fellow Dr Lacey and Professor Nestle at Kings College London; and one is working with Professor Akbar at University College London.

£50,000 per annum and £18,000 per annum has been included within the designated funds for Dr Neil Patel.