

Appendix IV - Treasurer's Report by Prof Richard Stark

I understand that all of the delegates have had the opportunity to see the Trustees' reports and financial statements and of course they contain all the detail that we need. So I thought I should highlight some things so that people can get a more general picture of what is happening with our finances. I'll go through, the historical information up to the 31st December 2019, which is the auditor's report that we have to address and approve at this meeting.

Of course, a lot has happened in 2020 with COVID-19 and it all does have financial implications so we really should spend some time talking about that as well. Each year our spending tends to exceed our general income and therefore to remain afloat we need to make a profit from our congress. I'm delighted to say that over the years our congresses have been very successful. Some more so than others, but this is to be expected. Dubai in 2019 was a profitable conference and that leaves us in very good stead. The meeting in Kyoto in 2017 was highly financially successful and that was very fortunate for us as it leaves us with a significant buffer against things that might happen in the next year or two. Our income comes from a limited number of sources. We have our share of World Congress surpluses, which alternates from nothing to a significant amount each year. We have royalties from the Journal of Neurological Sciences, and that has been a substantial source of income for us. We do have investment income. There are really two components to that. There is earnings of interest and dividends from our investments, but there is also capital revaluations, so that when our portfolio increases in value there is, at least on the books, an apparent profit. This is not something that we realise of course, because of the money stays in our investments, but it is there on the books. And, of course, we have membership dues which come in each year. So these are the things that lead to our income stream and obviously we budget for them. We have revised our 2020 budget to be somewhat more conservative on the basis that a number of activities might be limited by COVID. I must say that so far it looks like the budgeting has been on the conservative side and we are hoping that our income will indeed be higher than those budgeted figures.

We have a number of discretionary expenses. These are the expenses that, essentially, we are there to perform. These are the programmes and activities that we would like as a charitable organization to be promoting. However, there are some budget expenses that in fact are not possible in 2020 because of the COVID restrictions, for example Junior Travelling Fellowships have really become impossible during a year when travelling is not possible. Looking at our expenses in the way of our overheads, these are obviously an important annual expense in terms of salaries,

running the office and so on. I think it's fair to say that for an association of our size, we do run efficiently and again this year there will be some savings in budget as a result of the COVID restrictions, because some of the expenses that relate to travel and going to conferences and meeting face-to-face have not taken place, so some of those expenses will be less.

As a result, for 2019 we made a significant profit largely on the back of the conference result. For 2020 we expect to make a loss. But the way things are running up until now, it looks as though we will not make such a large loss in 2020. Our assets have been growing over the years and have been boosted by the successful conferences. So that we do have significant reserves. You may ask where our assets are secured. We have a portfolio which is conservatively and cautiously invested. We have cash on deposit and we have a longer term reserve. The longer-term reserve is in part in long term growth assets, but a lot of that is also very conservatively invested. The longer-term investment is partly in fixed interest and partly in global equities. We've had a 60-40 balance for a long time now. 60% in fixed interest starts to look more secure when the markets are very volatile as they have been in the last year. On the other hand, interest rates are low at the moment. Global equities clearly do tend to bounce up and down, but over the longer term clearly have been exceeding what we would have received just from fixed interest income. Our current asset allocation is available in detail in the detailed reports.

If we look at our portfolio, if over the years we had invested solely in the share market, we would have done better. But of course, we run the risk that the share market can be impacted by various things such as COVID and it's been our policy over the years not to invest too aggressively. On the other hand, many charities invest in a very conservative way in fixed interest. We have a middle course with some growth assets and some fixed interest, and I think it has taken a good deal of the volatility out of our assets. I'm sure many of you are asking what's happened to our reserves in 2020 with COVID-19 and the impacts. Our cash on deposit is in fact a little higher in value than it was. Our longer-term reserve is a little lower than it was at the end of the year but, overall we have maintained the value of our assets well during 2020. That's true also for the longer-term portfolio. There has been some decline but not a large amount. However, there were times in the last few months where we were concerned. Over the last year there has been a slight drop in our portfolio value. So the bottom line is that we have held our asset value reasonably well despite the turmoil.

There is often a question about our reserves policy at these meeting. We do carry significant reserves, but I think the tumult of the last few months indicate that there is value in having accessible reserves. Our policy has been to have easily accessible reserves equivalent to our expenditure for 1-2 years. This means that if there is a crisis, if for some reason a congress fails to be financially successful, the federation is

still able to continue to function despite that. And indeed, our policy has been to hold longer term reserves sufficient to maintain our activity even in the event of the financial failure of two successive conferences. As I think we all understand, the uncertainties related to the COVID-19 pandemic has confirmed our view that holding sufficient funds in reserve is essential. That completes my report.