

549089

Action Medical Research

Financial Statements

31 December 2011

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COMPANIES HOUSE

PATRON HRH The Prince Philip Duke of Edinburgh KG KT OM GBE

PRESIDENT General The Lord Guthrie of Craigiebank GCB LVO OBE DL

VICE PRESIDENTS

Patrick Brenan OBE FCA
Lady Martin Fitzalan Howard – passed away July 2011
Stephen May
The Duchess of Northumberland
The Earl of Snowdon GCV O RDI FSIAD
Sir Greville Spratt GBE TD JP DL DLitt
The Earl of Strathmore and Kinghorne

TRUSTEES

Chair
Richard Price

Honorary Treasurer
Charles Jackson

Professor Mark Gardiner
Professor Andrew JT George MA PhD DSc
David Gibbs
Val Hammond BA CIMgt FRSA – Retired March 2011
Karen Jankel BSc
Diana Marsland – Retired July 2011
Ann Paul – Retired July 2011
Val Remington-Hobbs
Sir John Wickerson LLB
Katie Stringer
Phil Hodgkinson – appointed January 2012
Professor Sarah Bray BA MPhil PhD – appointed January 2012

CHARITY MANAGEMENT

Chief Executive Julie Buckler
Director of Finance/Company Secretary
Martin Richardson FCMA ACIS
Director of Fundraising Jenny Edwards – Appointed April 2011
Director of Research: Dr Tracy Swinfield
Director of Communications Sarah Moss

PRINCIPAL ADVISERS

Auditor

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Bankers

National Westminster Bank PLC
Westminster Branch
PO Box 3038
57 Victoria Street
London SW1H 0HN

Investment Managers

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

Solicitors

Ormerods
45 Friends Road
Croydon, CR0 1ED

Company registration no. 549089
Charity registration nos 208701 and SC039284

Registered office
Vincent House
Horsham
West Sussex RH12 2DP

T: 01403 210406
F 01403 210541
E info@action.org.uk

action.org.uk

ACTION MEDICAL RESEARCH

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2011

Action Medical Research (company no 549089) is a charity whose objects are to promote research into the prevention, management and cure of disabling diseases and conditions.

This report covers the work of Action Medical Research for the 12 months to 31 December 2011

At Action Medical Research we are determined to stop the suffering of babies and children caused by disease and disability. We want to make a difference in

- tackling premature birth and treating sick and vulnerable babies
- helping children affected by disability, disabling conditions and infections
- targeting rare diseases that together severely affect many forgotten children.

We do this by:

- finding and funding cutting-edge medical research across the UK most likely to deliver real benefit to babies, children and young people
- assessing the impact of the research we fund and sharing the results
- raising funds to make this vital research possible.

Action Medical Research relies totally on voluntary income to fund vital medical research to help save and change children's lives. The charity's work can be delivered only through a very active partnership of supporters, volunteers, committees, researchers, trustees and staff.

Our work in 2011

The charity funds medical research focused on babies, children and young people. Action Medical Research is clear that this is an area of very real unmet need and that there are many babies, children and families who need the hope and help that medical research can offer.

As with many other charities, the impact of financial uncertainty affecting the economy has been apparent. However, despite these difficult market conditions and in line with plans, Action Medical Research was able to commit £3m to twenty-three vital new medical research projects in 2011.

Total incoming resources for 2011 were £8.077m (2010 £7.157m) with total expenditure of £8.364m (2010 £7.876m). Voluntary income grew to £7.85m, up 13 per cent from 2010 (£6.944m).

Net outgoing resources for the year came to £287,000 (2010 £719,000). Funds of £7.074m were carried forward (2010 £7.382m), of which £0.4m is represented by restricted funds

Whereas in the past few years we have seen significant capital gains, in 2011 the value of our portfolio only grew marginally. With net investment losses of £21,000, reserves fell by £308,000 but remain well within our current reserves policy.

Grants for research in 2011

Action Medical Research finds and funds some of the best medical research in the world for the benefit of babies, children and young people. Action's rigorous scientific review process ensures that the charity funds only the best doctors and researchers in children's hospitals, specialist units and universities across the UK. Grants are awarded by the trustees based on the recommendations of a scientific advisory panel of world-class medical researchers who consider further opinions from national and international experts in the field.

In 2011 Action Medical Research reached the milestone of having funded £100m of new research since it began in 1952, £258m in today's terms. Twenty-three new grants awarded in 2011 included new projects on premature birth, blindness in children and infection in babies. We currently fund 70 research projects across the UK. Details can be found on our website action.org.uk

The charity supports promising doctors and researchers early in their careers through our prestigious Research Training Fellowships, ensuring high quality research to help children both now and in the future. Three new research training fellows began work in 2011 on Hirschsprung's disease, a serious bowel disorder that can threaten babies' lives; Jeune syndrome, a rare incurable genetic disorder, and medulloblastoma, a form of childhood brain cancer.

Where it makes more difference to children, we work in partnership with other organisations. Ongoing grants in 2011 included a project studying the early signs and symptoms of multiple sclerosis in children, funded together with the MS Society. Two projects jointly funded by Action Medical Research and WellChild, into brain imaging in unborn babies and iron deficiency, also continued in 2011.

The public benefit and impact of our work

The trustees have referred to the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives. The trustees consider it important to be able to demonstrate the medical progress being made to all our supporters and those interested in our work.

Our scientific advisors examine final reports from all our researchers when projects are completed and assess them for their quality of research and likely clinical impact. In 2011, of 16 final reports assessed 94 per cent were considered excellent or good, 81 per cent to be of immediate, near or medium term clinical impact and 88 per cent to be of a major, sizeable or marked potential level of clinical importance.

Action Medical Research also assesses the impact over time of the research that it funds. With our 60th anniversary in 2012, a new report in 2011 considered our history in funding polio research. The charity invested £13m in today's terms over the 1950s and 1960s to prevent, diagnose and monitor the disease to help improve survivors' lives. Significant funding supported Professor George Dick at Queen's University, Belfast in testing and developing two polio vaccines for use in the UK, the injectable Salk vaccine introduced in

1955 and the oral 'sugar cube' vaccine introduced in 1962. Today new cases of polio have been eradicated in the UK

A further report considered the impact of six years of Action Medical Research funding to help reduce the number of babies affected by pregnancy complications, tackle the massive problem of premature birth and improve the care of sick and vulnerable babies. From 2004-2010, over £6m was invested in 60 Touching Tiny Lives research grants. These included an Imperial College project making huge strides in improving MRI scans of unborn babies' brains and a new heart monitor being developed in Nottingham to aid resuscitation of newborn babies. Action Medical Research is continuing to build on this work and funding more medical research to tackle premature birth, prevent pregnancy complications and treat sick and vulnerable babies.

Action Medical Research has an excellent record of supporting high quality research with real patient benefit and in making the results of this work available to the research community and the public, including by targeting the specialist and consumer press, and featuring it in our literature and on our website.

Communicating our work

In 2011 we continued our focus on communicating promising research funded by Action Medical Research, as well as supporting key fundraising events and activities.

Nearly 2,000 articles were generated, with a total Advertising Value Equivalent of just over £1.5m and a circulation of over 64m. Highlights included coverage in the *Daily Express* of Research Training Fellow Dr Chris Howell's work in fighting childhood cancers and ITV's *Mendian* featuring a family taking part in ADHD research funded by the charity.

We promoted a range of the charity's fundraising events including a high volume of coverage relating to our cycling programme. New women's cycling event DIVA100 with Davina McCall generated significant coverage including in the *Sun's Buzz* magazine. Our flagship London to Paris ride was featured extensively including in the *Sunday Times*. Other events covered included fundraising events such as the Alternative Ascot at York Racecourse and Carols at Cadogan.

We communicated with our supporters through regular newsletters as well as two editions of Touching Lives magazine, highlighting new research made possible with their generous support as well as the impact research is making to children's lives. Plans were also put in place to celebrate the charity's 60th anniversary in 2012.

Our website continued to attract high numbers of visitors with over 850,000 people visiting the site. More than 8,000 of these visitors used the site to register for events and sponsor people taking part in events.

How we raised money

Despite the continued effects of the difficult economy and the challenges of fundraising in this climate, voluntary income increased to £7.85m in 2011, 13 per cent higher than the previous year.

Our cycling programme remained a key driver of this income growth. The average sponsorship raised by riders taking part in our flagship London to Paris bike ride increased. We added six new rides to our successful UK 100 series bike rides including our first DIVA women-only ride fronted by Davina McCall. This event attracted outstanding support and publicity with 527 women taking part raising £95,000. Our second Champions of CycleSport dinner was also highly successful. Current and past cycling legends joined guests on the evening and with a popular auction £100,000 was raised.

Our PLOD overnight walks continued to grow with two new events giving a total of six and 228 teams taking part, more than double the number in 2010. Much of the success of these events and our bike rides is due to the exceptional support of dedicated volunteers without whom we could not continue to stage such a significant programme of activity. We are hugely grateful to all who worked so hard throughout the season.

Volunteers and our committees also remained at the heart of our community fundraising, organising a wide-ranging programme including gift fairs, lunches, open gardens, golf days and concerts generating important profits and publicity for the charity. Our thanks and appreciation go to everyone involved.

We continued to build sustainable support through investment in our door to door regular giving recruitment with 6,000 new donors signed up. Despite the high up front investment of this activity, the long term nature of support from these donors gives the charity important financial security. Legacy income remained steady with income of £570,000. We are grateful also to the trusts and foundations who support the charity.

A highlight of the year was the reception held at the Palace of Holyroodhouse attended by our Patron HRH The Duke of Edinburgh. The evening was attended by 150 guests including researchers who presented some of the outstanding projects Action Medical Research is funding in Scotland. Despite the success of the event, the number of high value donors in our Action Partners programme reduced as individuals and companies alike felt the continued effects of a challenging economy.

Where we are going

In 2009 the trustees reviewed their strategy in the light of the charity's focus on children. In 2011 plans for the delivery for the second year of this strategy were achieved with Action Medical Research funding £3m of the best medical research most likely to deliver real benefit to babies and children.

Despite the challenges of the economic environment faced by medical research charities, Action Medical Research aims to be in a position to fund more than £3m of new medical research each year from 2012, our 60th anniversary year. During 2012 we are carefully developing our strategy for 2013-2015.

How we are governed

The charity was formed in 1952 and is registered as a charity in England and Wales no. 208701 and in Scotland no. SC039284. Its governing instruments are the Memorandum and Articles of Association, which were adopted on 10 July 1996, and amended on 12 July 2000, 2 July 2003 and 30 October 2007. Action Medical Research is incorporated under the Companies Act 2006 as a company limited by guarantee having no share capital. For the

purpose of this Act, the chairman and other trustees (none of whom receives any remuneration) are the directors of the company. A full list of trustees, together with the charity's registered office, key management and advisers, is shown on the inside front cover of these financial statements.

On 31 December 2011 there were nine trustees. Each year one third of the trustees retire or are eligible for re-election in accordance with the Memorandum and Articles of Association. The council of trustees currently meets four times a year and is supported by five advisory sub committees or panels (see inside back cover) which are each chaired by a serving trustee. All key decisions, including the allocation of charitable funds for research, are made by the trustees in council.

Meetings of the council of trustees regularly address the following:

- the way ahead for the charity expressed in the strategic plan
- the financial plan for the current year and for two further years
- the award of medical research grants
- the lessons learnt from the review of risks
- the impact of the work of the charity.

Each year, the skills and expertise required within the council are reviewed to help the charity deliver its objectives. If gaps are identified or a vacancy occurs, new trustees are sought with the appropriate skills or experience. Potential trustees are then interviewed and appointments recommended to the council. All trustees are given a full induction programme when they join and are offered training opportunities.

The chief executive is responsible for the management of the charity's affairs and for implementing the policies agreed by the trustees. The staff are based at the head office in Horsham, West Sussex, from where fundraising, communications, finance and research administration are managed. The charity also employs 13 community fundraising staff who take responsibility for charity activities and raising funds in regions around the UK.

Statement of trustees' responsibilities

The trustees are responsible for preparing the Report of the Trustees and the Financial Statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, 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 financial statements

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

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

So far as each of the trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information

Trading

The charity had one subsidiary at 31 December 2011 wholly owned and registered in England, Action Medical Research (Trading) Limited. The principal activity of this company is the business derived from the sale of Christmas cards. Further details can be found in note 5.

Risk management

The trustees consider that the charity has an effective risk management mechanism and risk management is considered at every council meeting. A risk register is maintained that assesses the potential impact and likelihood of all major risks, including key financial risks. This is reviewed by management, the risk management committee and council. The main financial risk identified is not maintaining voluntary income levels. The trustees are satisfied that the right processes are in place to identify the major risks to which the charity is exposed and that systems are in place to manage them.

Staff management

Action Medical Research is fortunate in having dedicated, loyal and skilled staff. The plan and budget produced each year and approved by the trustees allocates resources to develop and train staff in skills to meet the needs of the charity.

Investments

The charity had investment assets of £13.4m at 31 December 2011 (2010 £13.3m). These investments are held to ensure that the charity is able to meet its grant liabilities and as part of the free reserves of the charity.

Ruffer LLP manages the charity's investments on a discretionary basis. Their mandate from the trustees is to execute a globally diversified investment programme with the objectives of both preserving capital and achieving an absolute return in excess of an agreed target. As

part of this strategy a small part of the portfolio has been allocated to Ruffer illiquid funds in 2011. The trustees have excluded tobacco-related investments

Trustees can report that Ruffer LLP achieved their investment objectives in 2011.

During the year, a formal review of our investment strategy and investment managers was carried out by trustees. Trustees decided that the charity should continue to follow an absolute return investment strategy and eight firms who could deliver on this strategy were invited to pitch. After this process, Ruffer LLP were invited to continue as investment managers

Reserves

The trustees review their reserves policy annually and currently consider that the charity should hold unrestricted reserves of around £5m to cover the charity's operating costs and charitable expenditure for a 12 month period should it suffer an immediate drop in income caused by external unforeseeable circumstances. On 31 December 2011, the charity's free reserves (unrestricted reserves less fixed assets), including unrealised investment gains of £1.81m, stood at £6.23m. Any sustainable reserves balance over the agreed reserves policy is considered for expenditure on a strategic basis

Fixed assets

Information relating to changes in tangible fixed assets is given in note 9 to the financial statements. The trustees are satisfied that the market value of Vincent House, Horsham is in excess of the amount shown on the balance sheet, but do not consider that the cost of obtaining a professional valuation is justified

By order of the council of trustees



Richard Price
Chair
17 April 2012

Independent Auditor's Report to the Trustees and Members of Action Medical Research

We have audited the financial statements of Action Medical Research for the year ended 31 December 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44(1c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's trustees and members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report of the Trustees and the analysis of awards made in 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

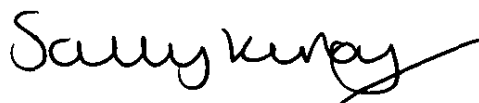
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit



Sally Kirby
Senior Statutory Auditor
For and on behalf of Crowe Clark Whitehill LLP
Statutory Auditor
London

17 April 2012

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

ACTION MEDICAL RESEARCH

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME & EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Unrestricted funds £	Restricted funds £	Total funds 2011 £	Total funds 2010 £
Incoming resources					
Voluntary income	3	6,553,950	1,299,488	7,853,438	6,944,401
Investment income	4	223,090	-	223,090	212,214
Gift aid payment from trading subsidiary	5	-	-	-	224
Total incoming resources		6,777,040	1,299,488	8,076,528	7,156,839
Resources expended					
Cost of generating income					
Cost of generating voluntary income	3	3,929,455	111,855	4,041,310	3,585,022
Investment management fees		137,415	-	137,415	125,141
Charitable activities					
Grants for medical research		3,233,727	112,755	3,346,482	3,365,168
Medical research dissemination		794,419	-	794,419	757,441
Governance costs		43,979	-	43,979	43,162
Total resources expended	6	8,138,995	224,610	8,363,605	7,875,934
Net (outgoing)/ incoming resources		(1,361,955)	1,074,878	(287,077)	(719,095)
Transfers between funds	8	1,074,878	(1,074,878)	-	-
Realised (loss) /gains on investments	10	(337,026)	-	(337,026)	396,607
Net expenditure for the year		(624,103)	-	(624,103)	(322,488)
Other recognised gains & losses					
Unrealised gains on investments	10	316,291	-	316,291	1,261,270
Net movement in funds		(307,812)	-	(307,812)	938,782
Balances brought forward at 1 January		7,008,847	372,966	7,381,813	6,443,031
Balances carried forward at 31 December		6,701,035	372,966	7,074,001	7,381,813

The notes on pages 14 to 23 form part of the financial statements

ACTION MEDICAL RESEARCH**BALANCE SHEET AS AT 31 DECEMBER 2011 (COMPANY NO.549089)**

	Note	31 December 2011 £	31 December 2010 £
Fixed assets			
Tangible	9	472,843	474,725
Investments	10	13,400,133	13,335,843
		<u>13,872,976</u>	<u>13,810,568</u>
Current assets			
Debtors	11	860,255	1,311,430
Cash on deposit and at bank		1,122,136	620,648
		<u>1,982,391</u>	<u>1,932,078</u>
Creditors			
Amounts falling due within one year	12	(5,641,295)	(5,535,178)
Net current liabilities		<u>(3,658,904)</u>	<u>(3,603,100)</u>
Total assets less current liabilities		10,214,072	10,207,468
Creditors			
Amounts falling due after more than one year	12	(3,140,071)	(2,825,655)
Net assets		<u>7,074,001</u>	<u>7,381,813</u>
Funds			
Unrestricted funds (including unrealised gains on investments of £1,807,739 (2010. £2,590,492))		6,701,035	7,008,847
Restricted funds	16	372,966	372,966
Total funds		<u>7,074,001</u>	<u>7,381,813</u>

The notes on pages 14 to 23 form part of the financial statements

The financial statements were approved and authorised for issue by the trustees on 17 April 2012 and were signed on their behalf by.



Richard Price
Chair



Charles Jackson
Honorary Treasurer

ACTION MEDICAL RESEARCH
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011	2010
		£	£
Net cash inflow / (outflow) from operating activities	b	411,510	(999,467)
Returns on investments and servicing of finance			
Interest and dividends received		223,090	212,214
Capital expenditure and financial investment			
Payments to acquire investment assets		(5,159,257)	(5,942,657)
Payments to acquire tangible fixed assets		(48,086)	(35,391)
Receipts from sale of investment assets		5,074,231	6,855,876
Net cash(outflow) / inflow from capital expenditure and financial investment		(133,112)	877,828
Increase in cash	a	501,488	90,575

Notes to cash flow statement

a) Reconciliation of movements in cash with movements in net funds

Cash brought forward	620,648	530,073
Cash carried forward	1,122,136	620,648
Increase in cash	501,488	90,575

b) Reconciliation of net outgoing resources to net cash inflow (outflow) from operating activities

Net outgoing resources	(287,077)	(719,095)
Depreciation and loss on fixed asset disposals	49,969	43,133
Investment income	(223,090)	(212,214)
Grants authorised	3,000,182	3,016,526
Grants paid	(2,447,375)	(2,998,293)
Decrease in debtors	451,175	59,865
(Decrease) in creditors	(132,274)	(189,389)
Net cash inflow /(outflow) from operating activities	411,510	(999,467)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. LIABILITY OF MEMBERS

The company is limited by guarantee having no share capital and, in accordance with Clause 7 of the Memorandum of Association, every Member, as defined by Clause 2 of the Articles of Association (as amended by Special Resolution passed 10 July 1996), is liable to contribute a sum not exceeding £10 in the event of the charity being wound up while a Member or within one year thereafter. At 31 December 2011 there were 20 Members

2. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are drawn up in accordance with the Companies Act 2006 and applicable accounting standards, including the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005), and the historic cost convention, except in relation to investments which are stated at market value. After making enquiries, the trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Trustees' Responsibilities on page 6.

b) Incoming resources

Voluntary income is included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable certainty. For legacies, entitlement is considered established once the charity has been notified of an impending distribution. Grants receivable from trusts are included when the related conditions for entitlement to the grants have been met.

All other income is accounted for on an accruals basis.

c) Resources expended

Grants are provided for in full in the year in which they are awarded.

In order to cover increases in salaries and equipment costs between the date of authorisation of grants and their average anticipated date of payment, each award is increased by the trustees' estimate of the additional amounts required.

Rentals payable under operating leases are charged as expenditure on a straight line basis over the lease term.

Other expenditure is accounted for on an accruals basis.

Fundraising expenditure comprises staff costs and direct costs of specific fundraising events with the exception of small regional events where it is not practicable to separate costs from income.

Governance costs relate to compliance with constitutional and statutory requirements. Support costs are allocated on the basis of time spent or proportion of the service used by respective activities.

d) Fixed assets and depreciation

All assets costing more than £2,000 are capitalised.

Fixed assets are depreciated over their estimated useful life. Furniture and equipment and motor vehicles are depreciated at the rates of 20% and 25% per annum on cost respectively. The building element of the freehold property is depreciated at 2% on cost.

e) Investments

Quoted investments are included in the accounts at their mid-market values at the balance sheet date. Alternative investments for which there is no readily identifiable market price are included at the most recent valuations from their respective managers. Realised gains and losses represent the differences between individual investment disposal proceeds and the related opening market values, or costs if acquired in the year.

f) **Fund accounting**

Unrestricted funds comprise amounts available for the general purposes of the charity
Restricted funds are donations or legacies which are given by the donor for a specific purpose within the overall aims of Action Medical Research

g) **Pension scheme**

The charity continues to operate a defined contribution scheme. Contributions to this scheme are charged as expenditure when they are payable.

h) **Subsidiary undertaking**

The charity has one subsidiary undertaking, Action Medical Research (Trading) Limited. This is not consolidated on the grounds of immateriality.

3. Voluntary income

	Unrestricted funds	Restricted funds	2011	2010
Gross income	£	£	£	£
Donations	3,497,712	1,018,767	4,516,479	4,179,742
Legacies	569,619	-	569,619	495,354
Challenge events	2,486,619	280,721	2,767,340	2,269,305
Totals	6,553,950	1,299,488	7,853,438	6,944,401
Cost of generating voluntary income				
Donations	2,497,131	-	2,497,131	2,163,068
Legacies	27,263	-	27,263	27,281
Challenge events	1,405,061	111,855	1,516,916	1,394,673
Totals	3,929,455	111,855	4,041,310	3,585,022

Donations

Income received from supporters, local activities, trusts, regular donations and appeals. The costs are those of providing support and arranging activities.

Legacies

Income from legacies notified during the period that can be reasonably measured. The costs are those of administering legacies and marketing for future legacies.

Challenge events

Income from events in UK and overseas organised on behalf of the charity. The costs are those of the events and the development of new events for future years.

4. Investment income

	2011	2010
	£	£
UK equities	69,718	49,118
Overseas equities	97,556	87,775
UK fixed interest	13,662	24,069
Overseas fixed interest	39,286	50,698
Bank deposit interest	2,868	554
	223,090	212,214

5. Subsidiary undertaking

The charity has one subsidiary company limited by guarantee as follows:

Action Medical Research (Trading) Limited whose principal activity is derived from a mail order catalogue and other trading activities.

For the 12 months to 31 December 2011 its turnover was £13,043 and the net loss was £3,279. At 31 December 2011 the company had no capital and reserves and a balance due to Action Medical Research of £13,008.

6. Resources expended

	Staff costs £	Other costs £	2011 £	2010 £
Cost of generating income				
Voluntary income	1,147,885	2,893,425	4,041,310	3,585,022
Investment management fees	-	137,415	137,415	125,141
Total cost of generating income	1,147,885	3,030,840	4,178,725	3,710,163
Charitable activities				
Grants for medical research	-	3,000,182	3,000,182	3,016,526
Grant administration costs	269,940	76,360	346,300	348,642
Total grant expenditure	269,940	3,076,542	3,346,482	3,365,168
Medical research dissemination	535,592	258,827	794,419	757,441
Total charitable expenditure	805,532	3,335,369	4,140,901	4,122,609
Governance costs	18,248	25,731	43,979	43,162
Total resources expended	1,971,665	6,391,940	8,363,605	7,875,934

Grant administration includes central support costs of £64,296 (2010 £60,579)

Medical research dissemination includes central support costs of £ 120,555 (2010 £113,586)

Staff costs	2011 £	2010 £
Wages and salaries	1,698,670	1,602,670
Social security costs	178,589	163,906
Pension costs	94,406	96,939
Total	1,971,665	1,863,515

The average number of full-time equivalent employees, analysed by function, was

	2011	2010
Grant administration	8	8
Medical research dissemination	10	11
Fundraising	32	33
Charity governance	1	1
Total	51	53

The number of staff whose emoluments were over £60,000 fell within the following band:

	2011	2010
£80,001 to £90,000	1	1

Contributions totalling £10,118 were paid in the period to a defined contribution pension scheme in respect of the above employee (2010 – £9,920)

Trustee remuneration

No fees are paid to trustees for their services as board members. Directly incurred expenses are reimbursed, if claimed, and in the year to 31 December 2011 no expenses were claimed by trustees. In 2010 no expenses were claimed.

7. Expenditure

Included within expenditure are the following costs.

	2011	2010
	£	£
Auditors' remuneration	20,600	19,257
Fees payable to the auditors for tax and other services	3,240	1,222
Operating lease payments	24,684	13,744
Depreciation	49,969	43,133

8. Transfers

During the year the charity was awarded grants from third parties to support specific research projects which had been funded in previous years from the charity's unrestricted funds. These grants have been recorded as restricted income and then transferred to reflect the reimbursement from the restricted to unrestricted funds.

9. Tangible fixed assets

	Freehold property £	Fixtures & fittings £	Motor vehicle	Totals £
Costs				
At 1 January 2011	755,771	214,629	-	970,400
Additions	-	33,586	14,500	48,086
At 31 December 2011	755,771	248,216	14,500	1,018,487
Depreciation				
At 1 January 2011	323,316	172,359	-	495,675
Charge for period	13,915	32,429	3,625	49,969
At 31 December 2011	337,231	204,788	3,625	545,644
Net book value at 31 December 2010	432,455	42,270	-	474,725
Net book value at 31 December 2011	418,540	43,428	10,875	472,843

The land cost of the freehold property is estimated by the trustees at £60,000 (2010: £60,000). All fixed assets are held for the charity's own use.

10. Fixed asset investments

	31 December 2011	31 December 2010
Market value	£	£
At beginning of period	13,335,843	12,591,185
Net funds added / (withdrawn) from portfolio	85,025	(913,219)
Realised (losses) / gains	(337,026)	396,607
Unrealised gains	316,291	1,261,270
At end of period	13,400,133	13,335,843

Being at market value

Listed investments

UK equities	3,401,934	1,741,365
Overseas equities	4,259,521	5,740,971
UK fixed interest	2,292,303	3,318,203
Overseas fixed interest	3,002,016	2,556,129
Foreign currency contracts	3,833	(22,298)

Unlisted investments

Alternative investments	439,053	-
Associated company	1,473	1,473
	13,400,133	13,335,843

Cost of investments

11,592,394	10,745,351
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Foreign currency contracts.

At 31 December 2011 the charity had open forward exchange contracts to sell Yen and Euros with a total sterling value of £1.5m. The settlement date for these contracts was 13 January 2012. These contracts were entered into to reduce the charity's currency risk following the greater global diversification of its investment holdings. The forward exchange contracts have all been revalued at the applicable year end exchange rates and the resulting unrealised translation gains / (losses) are included within the overall value of the relevant investments above.

Unlisted investments – associated company: this represents the charity's 24.9% shareholding in Helpcards Limited. The principal activity of Helpcards Limited is the publishing of Christmas cards. Its turnover for the year ended 30 April 2011 was £120,206 with a profit of £104,352. The total distribution to the charitable company's shareholders was £104,000.

11. Debtors

	31 December 2011	31 December 2010
	£	£
Prepayments	266,659	373,333
Other debtors	500,606	791,053
Income tax recoverable	79,982	139,640
Action Medical Research (Trading) Ltd	13,008	7,404
	860,255	1,311,430

12. Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	£	£	£	£
Research grants payable	5,247,607	5,009,216	3,140,071	2,825,655
Trade creditors	26,330	51,432	-	-
Accruals	189,517	151,154	-	-
Taxation and other social security costs	5,995	52,576	-	-
Deferred income	171,846	270,800	-	-
Total	5,641,295	5,535,178	3,140,071	2,825,655

13. Pension scheme

The pension charge for the year comprises

	2011	2010
	£	£
Action Medical Research group personal pension plan	94,406	96,939

The Group Personal Pension Plan is a defined contribution scheme and the charge for the period represents those contributions payable to the scheme in respect of the accounting period

14. Related party transactions

At the meeting of trustees held on 17 April 2012 the trustees confirmed that, following appropriate enquiries, they were not aware of any related party transactions which required disclosure in the financial statements, but wished to disclose the following trustee connection:

Karen Jankel is Managing Director of Paddington and Co Ltd who have allowed the charity to use Paddington Bear as its mascot. This is given free of charge. The use of Paddington Bear by the charity is subject to an agreement, which has been reviewed by all trustees.

Due to the nature of the charity's operations and the composition of the trustees (some being drawn from medical or research organisations), it is inevitable that transactions will take place with organisations in which the trustee may have an interest, including the awarding of research grants with which the trustee has connections. All grant transactions involving organisations in which a trustee may have an interest are conducted at arms length and in accordance with the charity's financial regulations and normal procedures. No such transactions were identified which should be disclosed under Financial Reporting Standard 8 "Related Party Disclosures"

15. Operating lease commitments

At 31 December 2011 the charity was committed to making the following payments during the next year in respect of operating leases

	Motor vehicles 2011 £	Motor vehicles 2010 £
Leases which expire		
Within one year	15,565	11,602
Within two to five years	10,674	11,735
	<u>26,239</u>	<u>23,337</u>

16. Restricted funds

The charity receives restricted donations, legacies and events income to assist in the charity's funding of specific research projects. In 2011 the total of this restricted income was £1,299,488 (2010 - £1,040,295) and the amount utilised from this to fund the relevant research and other related costs was £1,074,878 (2010 - £1,086,631)

At 31 December 2011 the charity had restricted funds carried forward totalling £372,966 (2010 - £372,966). This balance all relates to the Walkinshaw RTF Fund which represents the unspent element of a legacy donation for a research fellowship into genetics. The charity is seeking applications that will meet the specific requirements of the fund

17. Research grants

	31 December 2011 £	31 December 2010 £
Research grants payable		
Amounts outstanding 1 November	7,834,871	7,816,638
New research grants awarded	3,000,182	3,016,526
Amounts paid during the year	(2,447,375)	(2,998,293)
Amount outstanding 31 December	<u>8,387,678</u>	<u>7,834,871</u>
The outstanding balance is payable		
Within 12 months	5,247,607	5,009,216
After more than one year	3,140,071	2,825,655
	<u>8,387,678</u>	<u>7,834,871</u>

Analysis of awards made in 2011 – please see list on pages 22 and 23

Analysis of awards made in 2011

Institute	Short description of project	Amount awarded £
School of Clinical Sciences, University of Bristol	Preterm labour – studying the actions of oxytocin	195,773
School of Physiology and Pharmacology, University of Bristol and Department of Neurosurgery, Bristol Institute of Clinical Neurosciences, Frenchay Hospital, Bristol	Brain tumour removal – minimising brain damage	98,120
MRC/University of Edinburgh Centre for Reproductive Health and Clinical Research Imaging Centre, Queen's Medical Research Institute, University of Edinburgh in conjunction with the Ultrasound Department, Simpson Centre for Reproductive Health, Royal Infirmary of Edinburgh	Pregnancy complications – using new imaging techniques to predict problems	96,450
Institute of Ophthalmology, University College London	Blindness – treating childhood cataracts	124,840
Department of Medical Genetics, Cambridge Institute for Medical Research, Addenbrooke's Hospital, University Cambridge	Stillbirth – investigating the causes	165,529
Imaging and Biophysics Unit & Neurosciences Unit, Institute of Child Health, University College London in conjunction with the Department of Clinical Neurophysiology, Great Ormond Street Hospital for Children, London	Epilepsy – improving brain scanning before surgery	190,057
Faculty of Medicine and Health Sciences, University of East Anglia, Norwich in conjunction with the MRC Cognition and Brain Sciences Unit, Cambridge and the Cambridge Centre for Paediatric Neuropsychological Rehabilitation, Ida Darwin Hospital, Cambridge	Traumatic brain injury – working memory training	130,818
Clinical Sciences, St Georges University of London and the Paediatric Infectious Diseases Unit, St Georges Hospital in conjunction with the Department of Pharmacy, Great Ormond Street Hospital for Children, the Neonatal Unit, Liverpool Women's Hospital, the Neonatal Unit, John Radcliffe Hospital, Oxford Centre for Paediatric Pharmacy Research, University of London	Infection – monitoring antibiotic use in babies	86,084
Child Health, School of Clinical Sciences, St Michael's Hospital and University of Bristol	Birth asphyxia – preventing brain damage	125,341
Faculty of Medicine, National Heart and Lung Institute, Imperial College London in conjunction with Respiratory Paediatrics, Royal Brompton Hospital, London	Asthma – early diagnosis	143,612
Department of Obstetrics and Gynaecology, The Rosie Hospital, Cambridge University	Preterm birth – reversing the harmful effects of oxygen	192,431
Department of Child Psychiatry, Department of Neuroimaging and Department of Psychosis, Institute of Psychiatry, Kings College London	ADHS – developing a neurofeedback treatment	197,365
Department of Neonatology, The Rosie Hospital, Cambridge University and Department of Paediatric Neurology and Department of Neurophysiology, Addenbrooke's Hospital, Cambridge University Hospitals NHS Foundation Trust in conjunction with the Department of Medical Physics and Bioengineering, University College London	Epilepsy in babies – improving seizure detection	131,150
Nuffield Department of Obstetrics and Gynaecology, John Radcliffe Hospital and Institute of Biomedical Engineering, University of Oxford in conjunction with the Fetal Medicine Unit, St Georges Hospital, London	Birth asphyxia – diagnosing fetal distress during labour	133,262
School of Clinical and Experimental Medicine, College of Medical and Dental Sciences, University of Birmingham and Birmingham Women's Hospital	Pre-eclampsia – vitamin D insufficiency in pregnancy	182,012

Photobiology Unit, School of Translational Medicine, University of Manchester and Salford Royal NHS Foundation Trust, Department of Paediatric Endocrinology, Royal Manchester Children's Hospital and Vitamin D Research Group, School of Biomedicine, Manchester Royal Infirmary and School of Earth, Atmospheric and Environmental Sciences, University of Manchester	Vitamin D status of South Asian children in the UK	150,291
Department of Anaesthetics and Department of Obstetrics, Chelsea and Westminster Hospital, Imperial College London in conjunction with Translational Neonatal Medicine Institute for Women's Health, University College London	Brain damage in newborn babies can inhaled gases during labour help?	119,906
Department of Pharmacology, The School of Pharmacy, London in conjunction with the Institute of Life Science, College of Medicine, Swansea University	Startle disease (hyperekplexia)	124,834
Genetic Medicine, St. Mary's Hospital, Manchester and School of Biomedicine, The University of Manchester	Corneal Fragility – brittle cornea syndrome and keratoconus	96,206
Department of Reproductive and Developmental Medicine, Institute of Child Health, Alder Hey Children's Hospital, Liverpool and the Department of Cellular and Molecular Physiology, Institute of Translational Medicine, University of Liverpool	Hirschprung's disease – stem cell therapy	139,980
Molecular Medicine Unit, Institute of Child Health, University College London	Jeune syndrome (asphyxiating thoracic dystrophy)	176,583
Northern Institute for Cancer Research, Newcastle University and Royal Victoria Infirmary, Newcastle Hospitals NHS Trust	Brain cancer – medulloblastoma and disease relapse in childhood	204,861
National Reproductive Health Research Network, Royal College of Obstetricians and Gynaecologists, London	Preterm birth clinical study group	5,000
		3,210,505
Adjustments to grants already awarded		(210,323)
Total		3,000,182

Investment & audit committee

Chair

Charles Jackson

David Gibbs

Richard Price

Sir John Wickerson LLB

Phil Hodgkinson – appointed January 2012

Risk management committee

Chair

David Gibbs

Val Hammond BA CIMgt FRSA – retired March 2011

Val Remington-Hobbs – appointed October 2011

Mark Gardiner

Julie Buckler

Steering committee

Chair

Richard Price

Charles Jackson

Julie Buckler

Marketing committee

Chair

Ann Paul

Tobin Aldrich

Kate Cox

Andy Dewhurst

David Haseler

Karen Jankel

Katie Stringer

Julie Buckler

Lewis Coghlin - left February 2011

Jenny Edwards - appointed April 2011

Sarah Moss

Scientific advisory panel

Chair

Professor Andrew JT George MA PhD DSc - retired
October 2011

Professor Sarah Bray BA MPhil PhD – effective
January 2012

Professor Cosimo De Bari MD PhD

Dr Adam Gibson PhD

Dr Paul Heath MBBS FRACP FRCPC - retired
October 2011

Professor N J Klein MRCP PhD - appointed
December 2011

Professor Sailesh Kotecha PhD FRCPC - appointed
October 2011

Professor Thomas MacDonald PhD FRCPATH FMedSci
- appointed October 2011

Professor Neil Marlow DM FRCP FRCPC FMedSci

Dr Finbar O'Callaghan MA MSc PhD FRCPC -
retired June 2011

Dr Lucy Raymond MA DPhil FRCP

Mr James Robb MD FRCS - appointed June 2011

Dr Rod Scott MBChB PhD - appointed June 2011

Professor Gordon Smith MD PhD FMedSci -
appointed June 2011

Dr Caroline Stewart PhD CEng SRCS

Professor Steve Thornton DM, MRCOG - retired
February 2011

Professor Andrew J Wardlaw FRCP PhD - retired
June 2011

Professor Catherine Williamson MRCP