

Action Medical Research

Annual Report and Financial Statements

31 December 2012

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COMPANIES HOUSE

Company registration number: 549089

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

President Field Marshal The Lord Guthrie GCB LVO OBE DL

Vice Presidents

Patrick Brennan OBE FCA

Stephen May

The Duchess of Northumberland

The Earl of Snowdon GCVO RDI FSIAD

Sir Greville Spratt GBE TD JP DL DLitt – passed away December 2012

The Earl of Strathmore and Kinghorne

Trustees

Chair

Richard Price

Honorary Treasurer

Charles Jackson

Esther Alderson

Professor Sarah Bray BA MPhil PhD

Professor Mark Gardiner

Professor Andrew JT George MA PhD DSc

David Gibbs

Phil Hodgkinson

Karen Jankel BSc – Retired July 2012

Val Remington-Hobbs

Katie Stringer – Retired April 2012

Sir John Wickerson LLB

Charity Management

Chief Executive Julie Buckler

Director of Finance/Company Secretary

Martin Richardson FCMA ACIS

Director of Fundraising Jenny Edwards

Director of Research Dr Tracy Swinfield

Director of Communications Sarah Moss

Principal advisers

Auditor

Buzzacott LLP

130 Wood Street

London

EC2V 6DL

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

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Croydon CR0 1ED

Company registration no 549089

Charity registration nos 208701 and

SC039284

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Vincent House

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Action Medical Research

Report of the trustees for the year ended 31 December 2012

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 2012.

About Action Medical Research

Action Medical Research is a UK-wide charity saving and changing children's lives through medical research

Despite enormous progress in medicine, all around the UK today there are hundreds of thousands of sick and disabled children who desperately need help. Research is the key to saving many of these children from a lifetime of suffering.

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

In 2012 the charity celebrated 60 years of saving and changing lives through medical research. Since it began the charity has funded over £100 million of medical research leading to successes including

- Introducing the first polio vaccines in the UK
- Discovering the importance of taking folic acid before and during pregnancy to prevent spina bifida
- Developing the use of ultrasound technology in pregnancy
- Testing the rubella vaccine.
- Pioneering the state-of-the-art fetal heart rate monitor
- Contributing to the development of groundbreaking cooling therapy to prevent brain damage in babies
- Funding a groundbreaking trial to determine the best time to start feeding milk to premature babies.

Action Medical Research relies totally on voluntary income to fund vital medical research to help babies and children. Our work is delivered through a partnership of supporters, volunteers, committees, researchers, trustees and staff.

Our work in 2012

Action Medical Research finds and funds some of the best medical research in the world to save and change the lives of babies, children and young people. The charity's rigorous scientific review process ensures that the charity funds only the best doctors and researchers in children's hospitals, specialist units and universities all across the UK.

In 2012, Action Medical Research was proud to commit £3m to vital new medical research to help babies and children. Twenty-four new grants to fund new medical research were awarded by the charity based on the recommendations of a scientific advisory panel of world-class medical researchers who consider further opinions from UK and international experts in the field. New projects included research into multiple sclerosis, meningitis and heart disease in children as well as the appointment of three new research training fellows. We currently fund over 75 research projects across the UK and details can be found on our website action.org.uk.

We also worked hard to raise funds in a difficult economic environment and to put in place fundraising plans for future years. Total incoming resources in 2012 were £6.947m (2011 £8.077m) with total expenditure of £7.683m (2011 £8.364m). Voluntary income was £6.625m (2011 £7.853m).

After gains on investments of £357,272 (2011 loss of £20,735), the net outflow in funds for the year came to £378,475 (2011 £307,812). Total funds of £6.696m were carried forward (2011 £7.074m), of which £192,966 is represented by restricted funds (2011 £372,966).

The public benefit and impact of our work

The trustees have referred to the Charity Commission's guidance on public benefit in relation to the charity's aims and objectives. The trustees consider it important to demonstrate the medical progress being made to supporters and others interested in our work.

Our scientific advisors examine and assess final reports when all projects are completed. In 2012, of 24 final reports assessed over 83 per cent were considered excellent or good and over 70 per cent to be of immediate, near or medium term clinical impact.

Reviews are also carried out each year to assess the impact of the charity's research funding over time. A new impact report was produced in 2012 considering Action's funding of research in the field of genetics. Over four decades studies funded by Action have researched conditions including Down syndrome, Crohn's disease, epilepsy, cleft lip and palate, obstetric cholestasis which affects unborn babies, and conditions which can cause hearing loss, sight loss and malformations of the spine.

Examples of the impact of funding identified in the report include discovery of the gene causing Von Hippel-Lindau disease by researchers funded by Action, soon followed by the development of a genetic test for this condition which causes multiple cysts and tumours. Research into neurofibromatosis type 1, which causes abnormalities in the skin and tumours of the central nervous system, led to development of rapid diagnostic tests for this condition.

One of the greatest achievements helped by Action has been the development of gene therapy for inherited immunodeficiency disorders in babies and children. Professor Bobby Gaspar was awarded a Research Training Fellowship in 1993 and, with continued research in

this area, the team at Great Ormond Street Hospital is now able to offer an alternative to bone marrow transplants for these life-threatening conditions.

Communicating our work

Action Medical Research has an excellent record of supporting high quality research with real benefit to people and making the results of this work available to the research community and the public. This includes through our literature and website, as well as targeting the specialist and consumer press

A new publication for our anniversary with input from researchers and doctors all across the UK considered 60 years of medical research for children. This is available on our website

Our 60th anniversary also gave us an opportunity to promote the work of the charity over the decades resulting in some high profile coverage. Just over 1,800 articles were generated with a total Advertising Value Equivalent of over £1.7m and a circulation of over 71m. Highlights included three TV news pieces covering our anniversary and research into cooling, polio, meningitis B, feeding premature babies and liver disease.

Celebrity-led stories were covered in national and regional press, promoting our cycle rides and with events such as the sale of Jubilee cards at Sandringham also receiving coverage.

We kept in touch with supporters, cyclists and runners through newsletter and regular e-newsletters. We continued to use Facebook and Twitter and launched our Action blog. Our website again attracted high numbers with over 915,000 visitors, including over 42,000 registering for events, sponsoring people or making a donation.

How we raised money

Despite the continued effects of the difficult economy and the challenges of fundraising in this climate and thanks to the significant efforts of our staff, supporters, committees and volunteers, fundraising income of £6,624,874 was raised in 2012.

Our cycling programme remains central to our fundraising performance including our flagship London to Paris bike ride and 22 regional 100 series rides. In 2012 we added two new DIVA women-only rides in Scotland and Warwickshire capitalising on the growing numbers of female cyclists. We were also extremely grateful for the support of Trek who sponsored our Ride100 programme in the first year of a two year partnership. Our annual Champions of CycleSport dinner was a sell out and guests were joined by cycling legends and Olympic medallists as well as event sponsors Wiggle, One Stop and Rouleur, to raise £179,000.

The numbers taking part in our team challenges Race the Sun, Three Peaks and Three Peaks Bike and Hike increased and we also added a new location in Rutland to our series of PLOD overnight walks. Much of the success of our cycling events and PLODs is due to the dedicated support of many exceptional volunteers without whom it would not be possible to stage such a significant programme of activity. We are hugely grateful to all who worked so hard throughout the season.

In our 60th year our community fundraising volunteers took every opportunity to organise anniversary themed events, with a wide-ranging programme including gift fairs, lunches, dinners, open gardens, golf days and concerts generating important funds and publicity for

the charity. Our thanks and appreciation go to everyone involved who made these events such a success.

We continued to build sustainable support through investment in our door-to-door regular giving recruitment with around 4,000 new donors signed up. Despite the early investment needed for this activity, the long-term nature of support from these donors gives the charity important financial security.

Legacy income in 2012 was £407,998 (2011: £569,619) reflecting the unpredictable nature of this income source. We are also very grateful to the many trusts and foundations who support the charity, particularly the Henry Smith Charity who renewed their agreement to select child health research projects through our peer review system for a further three years.

A highlight of the year was the 60th anniversary reception held at Buckingham Palace hosted by our Patron HRH The Duke of Edinburgh. The evening was attended by 100 guests including researchers who presented some of the outstanding projects we are funding. The event resulted in several welcome donations and commitments of support.

Where we are going

In 2012, the trustees reviewed the strategy of the charity for the next three years. The trustees remain committed to our focus on funding medical research to help babies, children and young people, confident in the strength of our peer review process to fund the very best research most likely to make a difference. Over the next three years, the trustees plan to develop fundraising further to deliver income both in the short and longer term in order to fund more vital research to help babies and children.

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 chair 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 2012 there were 10 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 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. 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 (who are also directors of Action Medical Research for the purposes of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law 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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. 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 the incoming resources and application of resources, including the income and expenditure of the charitable company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP),
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that 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 the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Each of the trustees confirms that:

- so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- the 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 charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Trading

The charity had one subsidiary at 31 December 2012 wholly owned and registered in England, Action Medical Research (Trading) Limited. The activity of this company includes 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 register 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

In 2012 the charity withdrew a net £450,000 from its investments to meet research grant commitments during the year. After allowing for capital gains in 2012 the value of investments closed the year at £13.3m (2011: £13.4m). 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 investments for the charity on a discretionary basis. Their mandate from the trustees, which excludes tobacco related investments, is to manage a globally diversified portfolio with the objectives of both preserving capital and achieving an absolute return in excess of at least twice the Bank of England base Rate in any twelve month period after all expenses. In pursuit of these objectives, Ruffer LLP allocated a small component of the

portfolio to Ruffer illiquid funds in 2012. As Ruffer LLP achieved a positive return of 3.6% net of fees during 2012, the trustees consider that these investment objectives were met.

Reserves

The trustees review their reserves policy annually and currently consider that the charity should hold free 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 2012, the charity's free reserves (unrestricted funds less fixed assets), including unrealised investment gains of £1.97m stood at £6.06m (2011 £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 2013

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 2012 which comprise the statement of financial activities, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. 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 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's 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, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

The trustees are also directors of the charitable company for the purposes of company law. As explained more fully in the statement of trustees' responsibilities set out in the report of the trustees, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44 (1) (c) 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 (APB'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 charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Opinion on the 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 2012 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006

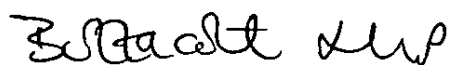
Opinion on other matter prescribed by the Companies Act 2006

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 or the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion

- the charitable company has not kept proper and adequate accounting records, 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



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

30 April 2013

Action Medical Research

Statement of financial activities (incorporating an income & expenditure account) for the year ended 31 December 2012

	Note	Unrestricted funds £	Restricted funds £	Total funds 2012 £	Total funds 2011 £
Incoming resources					
Voluntary income	3	5,817,527	807,347	6,624,874	7,853,438
Investment income	4	283,840	-	283,840	223,090
Gift aid payment from trading subsidiary	5	38,123	-	38,123	-
Total incoming resources		6,139,490	807,347	6,946,837	8,076,528
Resources expended					
Cost of generating income					
Cost of generating voluntary income	3	3,385,773	-	3,385,773	4,041,310
Investment management fees		138,970	-	138,970	137,415
Charitable activities					
Grants for medical research		2,920,687	401,231	3,321,918	3,346,482
Medical research dissemination		787,617	-	787,617	794,419
Governance costs		48,306	-	48,306	43,979
Total resources expended	6	7,281,353	401,231	7,682,584	8,363,605
Net (outgoing)/ incoming resources		(1,141,863)	406,116	(735,747)	(287,077)
Transfers between funds	8	586,116	(586,116)	-	-
Realised gains/(losses) on investments	10	191,363	-	191,363	(337,026)
Net expenditure for the year		(364,384)	(180,000)	(544,384)	(624,103)
Other recognised gains & losses					
Unrealised gains on investments	10	165,909	-	165,909	316,291
Net movement in funds		(198,475)	(180,000)	(378,475)	(307,812)
Balances brought forward at 1 January		6,701,035	372,966	7,074,001	7,381,813
Balances carried forward at 31 December		6,502,560	192,966	6,695,526	7,074,001

The notes on pages 13 to 24 form part of the financial statements. All of the above results are derived from continuing activities. There was no other recognised gains or losses other than those stated above.

Action Medical Research

Balance sheet as at 31 December 2012 (company no. 549089)

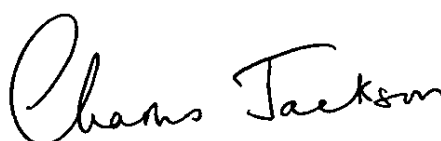
	Note	31 December 2012 £	31 December 2011 £
Fixed assets			
Tangible	9	446,750	472,843
Investments	10	13,307,206	13,400,133
		<u>13,753,956</u>	<u>13,872,976</u>
Current assets			
Debtors	11	772,184	860,255
Cash on deposit and at bank		622,966	1,122,136
		<u>1,395,150</u>	<u>1,982,391</u>
Creditors			
Amounts falling due within one year	12	(3,628,534)	(5,641,295)
Net current liabilities		<u>(2,223,384)</u>	<u>(3,658,904)</u>
Total assets less current liabilities		<u>11,520,572</u>	<u>10,214,072</u>
Creditors			
Amounts falling due after more than one year	12	(4,825,046)	(3,140,071)
Net assets		<u>6,695,526</u>	<u>7,074,001</u>
Funds			
Unrestricted funds (including unrealised gains on investments of £1,972,175 (2011 £1,807,739))		6,502,560	6,701,035
Restricted funds	16	192,966	372,966
Total funds		<u>6,695,526</u>	<u>7,074,001</u>

The notes on pages 13 to 24 form part of the financial statements

The financial statements were approved and authorised for issue by the trustees on 17 April 2013 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 2012

	Note	2012	2011
		£	£
Net cash (outflow) / inflow from operating activities	b	(1,201,278)	411,510
Returns on investments and servicing of finance			
Interest and dividends received		283,840	223,090
Capital expenditure and financial investment			
Payments to acquire investment assets		(4,916,967)	(5,159,257)
Payments to acquire tangible fixed assets		(31,930)	(48,086)
Receipts from sale of investment assets		5,367,165	5,074,231
Net cash inflow / (outflow) from capital expenditure and financial investment		418,268	(133,112)
(Decrease)/ increase in cash	a	(499,170)	501,488

Notes to cash flow statement

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

Cash brought forward	1,122,136	620,648
Cash carried forward	622,966	1,122,136
(Decrease)/ increase in cash	(499,170)	501,488

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

Net outgoing resources	(735,747)	(287,077)
Depreciation and loss on fixed asset disposals	58,023	49,969
Investment income	(283,840)	(223,090)
Grants authorised	2,959,133	3,000,182
Grants paid	(3,243,963)	(2,447,375)
Decrease in debtors	88,071	451,175
(Decrease) in creditors	(42,955)	(132,274)
Net cash (outflow) / inflow from operating activities	(1,201,278)	411,510

**Notes to the financial statements for
the year ended 31 December 2012**

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 2012 there were 22 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 5.

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. IT equipment is depreciated at 33% per annum on cost. 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	2012	2011
Gross income	£	£	£	£
Donations	3,450,318	798,170	4,248,488	4,516,479
Legacies	398,721	9,177	407,898	569,619
Challenge events	1,968,488	-	1,968,488	2,767,340
Totals	5,817,527	807,347	6,624,874	7,853,438
Cost of generating voluntary income				
Donations	2,188,375	-	2,188,375	2,497,131
Legacies	27,972	-	27,972	27,263
Challenge events	1,169,426	-	1,169,426	1,516,916
Totals	3,385,773	-	3,385,773	4,041,310

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

	2012	2011
	£	£
UK equities	127,200	69,718
Overseas equities	111,789	97,556
UK fixed interest	20,970	13,662
Overseas fixed interest	21,789	39,286
Bank deposit interest	2,092	2,868
Totals	283,840	223,090

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 the sale of Christmas cards.

For the year to 31 December 2012 its turnover was £49,497 (2011: £13,403) and the net profit was £41,402 (2011 net loss £3,279). At 31 December 2012 the company had no capital and reserves and a balance due from Action Medical Research of £14,926 (2011: a balance due to Action Medical Research of £13,008).

6. Resources expended

	Staff costs £	Other costs £	2012 £	2011 £
Cost of generating income				
Voluntary income	1,105,505	2,280,268	3,385,773	4,041,310
Investment management fees	-	138,970	138,970	137,415
Total cost of generating income	1,105,505	2,419,238	3,524,743	4,178,725
Charitable activities				
Grants for medical research	-	2,959,133	2,959,133	3,000,182
Grant administration costs	277,671	85,114	362,785	346,300
Total grant expenditure	277,671	3,044,247	3,321,918	3,346,482
Medical research dissemination	525,025	262,592	787,617	794,419
Total charitable expenditure	802,696	3,306,839	4,109,535	4,140,901
Governance costs	21,586	26,720	48,306	43,979
Total resources expended	1,929,787	5,752,797	7,682,584	8,363,605

Grant administration includes central support costs of £63,230 (2011 £64,296).

Medical research dissemination includes central support costs of £95,536 (2011 £120,555)

Central support costs include the cost of running the administration, finance and IT departments. Costs have been allocated based on usage of these services

Staff costs	2012 £	2011 £
Wages and salaries	1,658,909	1,698,670
Social security costs	172,688	178,589
Pension costs	98,190	94,406
Total	1,929,787	1,971,665

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

	2012	2011
Grant administration	7	8
Medical research dissemination	10	10
Fundraising	31	32
Charity governance	1	1
Total	49	51

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

	2012	2011
£60,001 to £70,000	1	1
£70,001 to £80,000	1	-
£90,001 to £100,000	1	1

Contributions totalling £29,165 were paid in the period to a defined contribution pension scheme in respect of the above employees (2011 £10,118)

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 2012 no expenses were claimed by trustees. In 2011 no expenses were claimed.

7. Expenditure

Included within expenditure are the following costs	2012	2011
	£	£
Auditor's remuneration for audit work – current year	15,000	20,600
Auditor's remuneration for audit work – prior year	400	-
Fees payable to the auditor for tax and other services	-	3,240
Operating lease payments	21,002	24,684
Depreciation	58,023	49,969

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 2012	755,771	248,216	14,500	1,018,487
Additions	-	31,930	-	31,930
Disposals	-	(141,022)	-	(141,022)
At 31 December 2012	755,771	139,124	14,500	909,395
Depreciation				
At 1 January 2012	337,231	204,788	3,625	545,644
Charge for period	13,915	40,483	3,625	58,023
Disposals	-	(141,022)	-	(141,022)
At 31 December 2012	351,146	104,249	7,250	462,645
Net book value at 31 December 2011	418,540	43,428	10,875	472,843
Net book value at 31 December 2012	404,625	34,875	7,250	446,750

The land cost of the freehold property is estimated by the trustees at £60,000 (2011 £60,000).

All fixed assets are held for the charity's own use. 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.

10. Fixed asset investments

	31 December 2012	31 December 2011
Market value	£	£
At 1 January	13,400,133	13,335,843
Net funds (withdrawn)/ added from portfolio	(450,198)	85,025
Realised gains /(losses)	191,363	(337,026)
Unrealised gains	165,909	316,291
At 31 December	13,307,207	13,400,133

Being at market value

Listed investments

UK equities	2,343,394	3,401,934
Overseas equities	5,590,270	4,259,521
UK fixed interest	2,078,953	2,292,303
Overseas fixed interest	2,062,224	3,002,016
Foreign currency contracts	408,595	3,833

Unlisted investments

Alternative investments	822,298	439,053
Associated company	1,473	1,473
	13,307,207	13,400,133

Cost of investments	11,333,560	11,592,394
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At 31 December 2012 listed investments included the following individual holdings

	Market value of holding	Percentage of overall portfolio
	£	
1 25% Treasury Index Linked 22/11/55	655,810	5%
CG Portfolio Fund Real Return A GBP	760,760	6%
USA Treasury Notes 1 625% TIPS 15/01/18 USD	1,131,640	9%

Foreign currency contracts

At 31 December 2012 the charity had open forward exchange contracts to sell Yen, Dollars and Euros with a total sterling value of £4m. The settlement date for these contracts was 16 January 2013, 15 February 2013 and 15 March 2013. 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 2012 was £119,807 with a profit of £104,763. The total distribution to the charitable company's shareholders was £104,000.

11. Debtors

	31 December 2012	31 December 2011
	£	£
Prepayments	224,994	266,659
Other debtors	503,628	500,606
Income tax recoverable	43,562	79,982
Action Medical Research (Trading) Ltd	-	13,008
Total	772,184	860,255

12. Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	£	£	£	£
Research grants payable (note 17)	3,277,802	5,247,607	4,825,046	3,140,071
Trade creditors	28,274	26,330	-	-
Accruals	134,249	189,517	-	-
Action Medical Research (Trading) Ltd	14,926	-	-	-
Taxation and other social security costs	6,694	5,995	-	-
Deferred income	166,589	171,846	-	-
Total	3,628,534	5,641,295	4,825,046	3,140,071

13. Pension scheme

The pension charge for the year comprises

	2012	2011
	£	£
Action Medical Research group personal pension plan	98,190	94,406

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 2013 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

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 2012 the charity was committed to making the following annual payments during the next year in respect of operating leases

	Motor vehicles 2012 £	Motor vehicles 2011 £
Leases which expire		
Within one year	8,709	1,800
Within two to five years	9,500	13,765
	<u>16,209</u>	<u>15,565</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 2012 the total of this restricted income was £807,347 (2011 £1,299,488) and the amount utilised from this to fund the relevant research and other related costs was £401,231 (2011 £1,074,878)

At 31 December 2012 the charity had restricted funds carried forward totalling £192,966 (2011 £372,966). This balance all relates to the Walkinshaw Research Training Fellowship 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 2012 £	31 December 2011 £
Research grants payable		
Amounts outstanding at 1 January	8,387,678	7,834,871
New research grants awarded	2,959,133	3,000,182
Amounts paid during the year	(3,243,963)	(2,447,375)
Amount outstanding at 31 December	<u>8,102,848</u>	<u>8,387,678</u>
The outstanding balance is payable		
Within one year (note 12)	3,277,802	5,247,607
After more than one year (note 12)	4,825,046	3,140,071
	<u>8,102,848</u>	<u>8,387,678</u>

Analysis of awards made in 2012 – please see list on pages 21- 24

Analysis of awards made in 2012

Institution	Short Title	Grant award £
Neurosciences Unit, Institute of Child Health, London in conjunction with the Department of Clinical Neurophysiology, Great Ormond Street Hospital, London and Young Epilepsy, Lingfield, Surrey	Epilepsy in children - studying sleep and memory	123,892
Clinical and Molecular Genetics Unit, Institute of Child Health and Department of Cell and Developmental Biology, University College London This project is part funded by the Walkinshaw research training fellowship fund	Neurological disorders and liver disease caused by manganese toxicity	200,000
Department of Medicine, Chelsea and Westminster Hospital and Department of Surgery and Cancer, Imperial College London	Diabetes in pregnancy and type two diabetes in children	189,234
Nuffield Department of Orthopaedics, Rheumatology and Musculoskeletal Science, Nuffield Orthopaedic Centre and Department of Engineering, Oxford University	Flat feet in children - when is surgery required?	183,004
School of Pharmacy at Queen's University Belfast This project is funded by a generous donation from The Henry Smith Charity	Drug monitoring in neonates	94,154
Department of Veterinary Medicine, University of Cambridge, Department of Physiology, Anatomy and Genetics, University of Oxford and Department of Paediatric Haematology, King's College Hospital, London	Sickle cell disease and renal complications	91,290
Institute of Molecular and Experimental Medicine and Department of Child Health, School of Medicine, Cardiff University and South Wales Clinical Psychology Doctoral Training Programme in conjunction with the Endocrine and Diabetes Department, Prince Charles Hospital, Mid Glamorgan, Wales This project is funded by a generous donation from The Henry Smith Charity	Thyroid function screening during pregnancy	107,853

Analysis of awards made in 2012

Institution	Short Title	Grant award £
Clinical Experimental Sciences Division and Department of Paediatric Respiratory Medicine, University Hospital Southampton and Southampton University, Department of Paediatric Sleep Medicine, Evelina Children's Hospital, Guys St Thomas's NHS Trust, London, Department of Respiratory Medicine, Sheffield Children's Hospital and Department of Public Health Sciences and Medical Statistics, University of Southampton	Down syndrome and sleep apnoea	199,752
Institute of Infection, Immunity and Inflammation, University of Glasgow	Multiple sclerosis in children - a new treatment target?	51,824
Department of Developmental Neuroscience and Department of Computing Science, Newcastle University and Child Development Centre, Children's Services, The Newcastle upon Tyne NHS Hospitals Foundation Trust	Cerebral palsy - upper limb rehabilitation	109,372
This project is funded by a generous donation from The Henry Smith Charity		
Department of Infection, Immunity and Inflammation, University of Leicester, Department of Paediatrics, Leicester Royal Infirmary and Institute for Lung Health, Glenfield Hospital, Leicester	Asthma severity and fungal infection	133,642
Portex Respiratory Unit and Department of Statistics and Epidemiology, Institute of Child Health, University College London in conjunction with the Department of Respiratory Medicine, Royal Brompton Hospital, London	Cystic fibrosis and lung function	135,693
Nuffield Department of Clinical Neurosciences, University of Oxford and Oxford University Hospitals NHS Trust	Ataxias in children	173,364
This project is funded by a generous donation from The Henry Smith Charity		
School of Bioscience, Cardiff University	Smith-Lemli-Opitz syndrome	173,809
This project is funded by a generous donation from The Henry Smith Charity		

Analysis of awards made in 2012

Institution	Short Title	Grant award £
School of Pharmacy, University College London and Centre for Molecular Microbiology and Infection, Imperial College London	Meningitis and sepsis linked to gut development	114,845
Department of Engineering, University of Hull in conjunction with University Orthopaedics, Human Development and Health, University of Southampton and Southampton General Hospital	Perthes' disease	139,348
MRC Social, Genetic and Developmental Psychiatry Centre, Institute of Psychiatry, King's College London	ADHD - preterm birth as a risk factor	169,944
School of Mechanical Engineering, and Leeds Institute of Molecular Medicine, University of Leeds, Spinal and Orthopaedic Clinic and Leeds Regional Paediatric Cystic Fibrosis Centre, Leeds General Infirmary in conjunction with Respiratory Medicine, St James's University Hospital, Leeds	Spine curvature - helping children with scoliosis breathe	135,692
Ear Institute, University College London	Auditory processing disorders	19,140
Complex Motor Disorder Service, Evelina Children's Hospital, London Rayne Institute, King's College London	Dystonia and deep brain stimulation	54,500
Ophthalmology Group, University of Leicester, Robert Kilpatrick Clinical Sciences Building, Leicester Royal Infirmary and the Department of Ophthalmology and Strabismus, NIHR BRC Moorfields Eye Hospital and University College London Institute of Ophthalmology	Amblyopia (lazy eye)	199,207
Division of Surgery and Interventional Science, The Royal Free Hospital, University College London, Paediatric Cardiology Department, Evelina Children's Hospital, United Medical and Dental School of Guy's and St Thomas' Hospital and Division of Imaging Sciences, King's College London	Congenital heart disease - developing stents specifically for children	149,374
Molecular Medicine Unit and General Adolescent Paediatrics Unit, University College London, Institute of Child Health, London in conjunction with the Department of Paediatrics, Bradford Royal Infirmary	Primary ciliary dyskinesia	118,734

Analysis of awards made in 2012

Institution	Short Title	Grant award £
College of Medicine and College of Human and Health Sciences, Swansea University	MRSA and C difficile infections - developing new antibiotics from maggot secretions	10,000
		3,077,667
Grant adjustments		(118,534)
Total grant spend 2012		<hr/> 2,959,133 <hr/>

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 Remington-Hobbs
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
Jenny Edwards
Sarah Moss

Scientific advisory panel

Chair
Professor Sarah Bray BA MPhil PhD – effective
January 2012
Professor Andrew JT George MA PhD DSc - retired
October 2012

Professor Cosimo De Bari MD PhD – retired June
2012

Professor David Edwards MA MBBS DSc MRCR
FRCP FRCPCH, FMedSci – appointed November
2012

Dr Adam Gibson PhD

Professor Judith Goodship MD FRCP – appointed
August 2012

Professor N J Klein MRCP PhD

Professor Sailesh Kotecha PhD FRCPCH

Professor Thomas MacDonald PhD FRCPath FMedSci

Professor Neil Marlow DM FRCP FRCPCH FMedSci
– retired February 2013

Dr Lucy Raymond MA DPhil FRCP – retired June
2012

Mr James Robb MD FRCS

Dr Rod Scott MBChB PhD

Professor Gordon Smith MD PhD FMedSci

Dr Caroline Stewart PhD CEng SRCS

Professor Catherine Williamson MRCP

Professor Dieter Wolke PhD – appointed December
2012