



Medical Research Scotland
55th Annual Report and Accounts
2008-09

*Medical Research Scotland is the operational name
of the Scottish Hospital Endowments Research Trust (SHERT)
Recognised in Scotland as a charity with Scottish Charity No. SC014959*

Medical Research Scotland

As Scotland's largest charity funder of medical research, Medical Research Scotland is committed to:

- supporting people in the early stages of their careers in medical research in Scotland
- supporting only the highest-quality clinical and laboratory-based medical research, which is aimed at improving understanding of the basic mechanisms of disease processes; or the diagnosis, treatment or prevention of disease; or the advancement of medical technology.

PATRON

HRH The Princess Royal

MEMBERS

The following served as Members of the Trust during the year:

*Professor S Moira Brown, OBE, PhD, FRCPath, FRSE (Chairman)

Dr Marie Boyd, BSc, PhD

Dr Denise Coia, MBChB, FRCPsych

Professor William Cushley, BSc, PhD

*Mr Frederick Dalgarno, LLB, DipIM, CA

Professor David J Harrison, BSc, MBChB, MD, FRCPath, FRCPE, FRCSEd

Professor Margarete Heck, BSc, PhD (*until 8 May 2008*)

Dr Karen Horsburgh, BSc, PhD

Professor Allan M. Mowat, BSc, MBChB, PhD, FRCPath

*Mr John Naylor, OBE, MA, CCMI

*Ms Fiona Nicolson, MA, LLB, DipLP

Professor Michael Steel, BSc, MBChB, PhD, DSc, FRCPE, FRCSE, FRCPath

*Mr Alan A Stewart

Professor Stephen J Wigmore, BSc, MBBS, MD, FRCSEd, FRCS

** Denotes membership of the Audit & Investment Sub-Committee*

PRINCIPAL ADDRESS

Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE

SECRETARIES

Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh EH3 9EE

SCIENTIFIC ADVISER

Dr Joan C M Macnab PhD, FRCPath

AUDITORS

Chiene + Tait, Chartered Accountants and Registered Auditors, 61 Dublin Street, Edinburgh EH3 6NL

INVESTMENT MANAGER

Martin Currie Investment Management Ltd, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2ES

Medical Research Scotland is the operational name of the Scottish Hospital Endowments Research Trust (SHERT), which is recognised as a charity in Scotland with Charity No. SC014959.

Foreword

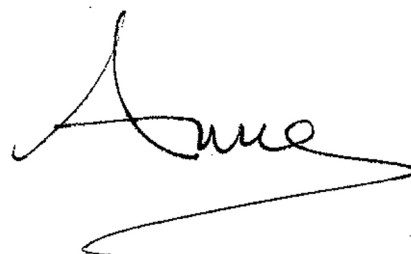


BUCKINGHAM PALACE

I am pleased to introduce the *Annual Report* of Medical Research Scotland for the year 2008-09. I have watched its progress during this my first year as its Patron and have been interested to learn more of both the excellent research work it supports and also of the progress made by many of those whom it has supported in the past. I look forward to meeting some of them in Edinburgh in the summer.

These are difficult financial times for all charities which rely on donations and investment income to fund the research so urgently required to meet the global healthcare challenges facing us all. This is particularly the case for Medical Research Scotland, which is committed to supporting those on whom the future quality of the country's research base depends.

I am confident that, with the proper support, Medical Research Scotland will take the appropriate steps to ensure that it can continue to make a difference to Scotland, its early-career researchers and thus the health of the wider population.



Her Royal Highness The Princess Royal, Patron

Chairman's Report

This year I stand down as Chairman of Medical Research Scotland and my report is therefore slightly more personal than it would normally be. When I was invited to Chair what was then The Scottish Hospital Endowments Research Trust (an NDPB) in 2001, I had little concept of what the job entailed and certainly little idea of the time commitment.

It has been an extremely busy 8 years with many changes. We celebrated 50 years of supporting medical research in Scotland; we became a fully independent charity; we changed our name to Medical Research Scotland; our grant applications, reviews and reports are now in a fully automated 'online' format; we increased our grant funding to £150,000 over 3 years; we instituted a Research Open Day where Members and grantholders meet to discuss their research and, latterly, we have been privileged to receive the patronage of Her Royal Highness, The Princess Royal. An exciting few years and hopefully I leave with Medical Research Scotland well placed to take on all the challenges of the next several years.

What has not changed is our commitment to supporting young people as they start out in their careers in medical research in Scotland. Whether in medicine or in basic science, it is clear that what we do in funding high-quality research is vital in the progression of careers. To me, that has been the greatest privilege of being Chairman of this charity. To hear about and see young clinicians and scientists getting ahead in research and in their chosen fields brings enormous satisfaction. A fair proportion of my 'day job' in my 40 years in medical research has been in the supervision of PhD and MD students and I have had a lifelong commitment to the support of young people in this immensely satisfying career. What could be better than knowing that what you do is helping to improve health care and treatment?

The world has been hit by an economic crisis the likes of which have been unknown in our time. Consequently our investments have significantly reduced in value and although up until now we have managed to retain an annual income of ~£1M to spend on grant funding, it is unclear whether that can be maintained in the near future. Fortunately, through prudent management over the past few years, we have an income reserve that can be used until, hopefully, the financial climate improves. However, it will be important to continue to be prudent with our resources and it will become increasingly important to encourage donations to Medical Research Scotland. No easy task in this economic climate, where nearly everyone has been affected to some degree and with every charity competing for a slice of the cake. Hopefully the uniqueness of Medical Research Scotland, with its Scottish identity and its focus on young people can be capitalised upon. In July, we held a reception at the Palace of Holyroodhouse, at which our Patron HRH, The Princess Royal was present. This provided an opportunity to highlight the work of Medical Research Scotland to a wider audience.

Being Chairman of Medical Research Scotland has been a privilege which I have enjoyed enormously. The Trust functions well and the Members work as an excellent team. I am grateful to all those who have come and gone during my time. Their task is not an easy one but everyone has given of their time and expertise unstintingly. There are a few people whom I must single out for particular thanks. Dr Joan Macnab who is unique in her commitment to this charity and in the enormous amount of work she does for it – I could not have done the job without her guidance and support and I am greatly indebted to her for her friendship; Simon Mackintosh and Alexander Garden of Turcan Connell who act as Secretaries to the Trust and have guided me through the various nuances of charity work, not least the legal and fiscal aspects; Fred Dalgarno who has chaired the Audit & Investment Committee with sound judgement and, latterly, has been deputy Chairman; and Fiona Selkirk who has masterminded the web and the publications with humour in times of stress. The list of those requiring thanks would be too long for this report, suffice to say that I am most grateful to all of you.

I have no doubts about a good future for Medical Research Scotland and I shall continue to watch progress over the years. My successor will be David Harrison, Professor of Pathology at the University of Edinburgh, who has been a Member of Medical Research Scotland for the last couple of years. I wish him well.

Professor S. Moira Brown, OBE, PhD, FRCPath, FRSE
Chairman

Members' Report

The Members present their report along with the financial statements of the Trust for the year ended 31st March 2009. The financial statements have been prepared in accordance with the accounting policies set out in Note 1 to the Accounts and comply with the Trust's constitutive legislation and also with the Statement of Recommended Practice: *Accounting and Reporting by Charities 2005*.

Objectives and Activities

The objectives of the Trust are to:

- Receive and hold endowments, donations and bequests.
- Make grants from these to promote medical research in Scotland.
- Engage in fundraising activities for the purposes of the Trust.
- Develop and exploit ideas and exploit intellectual property.

The Trust aims to improve health standards by funding research of the highest quality into the cause, diagnosis, treatment and prevention of all forms of illness and genetic disorders, and into the advancement of medical technology.

The Trust fulfils its objects by supporting research-minded members of the scientific, medical, nursing, midwifery and allied health professions by giving them the opportunity to pursue high-calibre research either independently or in collaboration with colleagues in their own or other universities, major hospitals and research units in Scotland.

The Trust intends to increase its provision of research support and further encourage young doctors, scientists, nurses, midwives and those in the allied health professions. It also intends to augment the funds available to it to help sustain the outstanding contributions of Scottish medical research to health care throughout the world.

Grant-making Policy

The Trust aims to support research of the highest quality. It has a rigorous system of assessment of grants before they reach Members. There is an outline application procedure before selecting those invited to submit full applications. The Trust's Scientific Adviser obtains references from at least two independent referees, preferably more. The scientific Members of the Trust then consider which applications to invite to submit full applications. Thereafter the Members of the Trust consider the full applications for support and select from among those in accordance with the Trust's priorities.

After award, grantholders are required to submit progress and final reports and also a post-grant check-up. Progress and final reports are scored by the scientific Members and any found to be unsatisfactory are followed up. The purpose of the post-grant completion check is to assess the grantholder's subsequent progress and what publications and possible intellectual property exploitation may flow from a project which the Trust has supported. An annual report is also received from the IP Manager of each administering institution in respect of each grant.

Grant Awards

During the 2008-09 Financial Year, the Members awarded a total of seven Research Project grants for work into kidney disease, melanoma, cystic fibrosis, bacterial infection, papillomavirus and cancer drug treatment and for durations of between 12 months and three years. Further information about these can be found in the *Annual Review 2008-09*. The total grant spend is up significantly on last year.

Achievements and Performance

The Trust's **Five-Year Plan** for 2004-09 and performance against it are summarised as follows:

1. To assist in a smooth transition from the Trust's current status to that of an independent Scottish charity.
This has been achieved.
2. To maintain awareness of its work within the research community, the Health Service generally and among potential donors, both individual and corporate, and other charitable trusts.
Work on this continues – see the Annual Plan for detail.
3. To increase its income from legacies and donations.
Work on this continues – see the Annual Plan for detail.
4. To continue with the annual Grantholders' day.
This has again been held this year (the Research Open Day).

The Trust's **Annual Plan** for 2008-2009 and performance against it are summarised as follows:

1. To continue to raise awareness of the Trust and in particular the new operational name and seek to maximise the benefit of the Patronage of Her Royal Highness The Princess Royal. This will include seeking to increase the number of high-quality applications for research funding.
Work on this continues and an event was held at the Palace of Holyroodhouse in July 2009 to which senior members of the Scottish academic, research and health communities were invited.
2. To continue to develop the Trust's policy in relation to fundraising and maximise the benefit of the Patronage of Her Royal Highness The Princess Royal. To this end an *ad hoc* Fundraising Sub-Committee will be established.
The Fundraising Sub-Committee has been established and has been involved in the organisation of the July event at Palace of Holyroodhouse to which potential donors and Solicitors involved in Wills and Executries (among others) were invited.
3. To continue the review of the Trust's services in line with the timetable agreed and to keep the membership under review both in terms of advance planning ahead of re-appointments and retirements and ensuring a wide breadth of expertise.
We are delighted to report that Professor David Harrison will take up office as Chairman in November 2009. Work on the review of the Trust's services, and reviewing the Membership continues.
4. To review the structure of the Tyson Fellowship.
*Having considered the future use of the **Tyson Bequest**, it was agreed not to continue to offer the Fellowship, but to encourage members of the Nursing, Midwifery & Allied Health Professions to apply for standard project grants. It was further agreed to provide instead some partnership funding for a trial period of three years, to the new Scottish Senior Clinical Fellowship Scheme. Established by the Scottish University Medical Schools, in partnership with the Scottish Funding Council, Scotland's Board for Academic Medicine and the UK Academy of Medical Sciences, this scheme provides a research-focused entry point to a permanent clinical academic career in medicine or dentistry in Scotland, seeking to maintain Scotland's international reputation in the field.*
5. To continue to keep under very close review the Trust's investment portfolio and its income.
The Investment Managers provide monthly reports to the Audit & Investment Committee, meet with that Committee twice a year, report to the full Trust meeting once a year and, in these turbulent times, the Secretaries have been meeting with the Investment Managers in between meetings.
6. To have the Trust's *Annual Report & Accounts* and *Annual Review* printed and the *Annual Review* distributed before 30th September 2008.
This was achieved and, further, the Annual Review 2007-08 was Highly Commended in the Association of Medical Research Charities Science Communication awards.
7. To continue to monitor and develop the operation of and systems involved with the online grant application process, particularly in light of the new three-year grant awards and the updated reporting requirements in respect of awarded grants.
The new reporting system is working well and the Trust's operational procedures for the declaration and recording of Members' Conflicts of Interest in applications have been tightened through the implementation of a facility within the secure online system.

Plans for the Future

The Trust's **Annual Plan** for 2009-2010 is as follows:

1. To continue to raise awareness of the Trust and seek to increase the number of high-quality applications for research funding, including from engineers and physical scientists from whom it was agreed in August 2008 applications should be accepted.
2. To continue to develop the Trust's fundraising and maximise the benefit of the patronage of HRH The Princess Royal. An event, attended by Her Royal Highness took place in summer 2009 and further fundraising and marketing ideas will be considered by the Fundraising/Marketing Sub-committee.
3. To appoint a new Chairman of the Trust with effect from autumn 2009 and to continue to keep the broader membership under review, both in terms of advance planning ahead of re-appointments and retirements and ensuring a wide breadth of expertise.
4. To consider opportunities for partnership funding, and in particular to pursue the possibility of collaboration on the Scottish Senior Clinical Fellowship Scheme.
5. To continue the review of the Trust's services in line with the timetable agreed
6. To continue to keep under very close review the Trust's investment portfolio and, in particular, its income
7. To continue to monitor and develop the operation of and systems involved with the online grant application process and to implement a system allowing for conflicts of interests to be declared online
8. To have the Trust's *Annual Report & Accounts* and *Annual Review* printed and the *Annual Review* distributed before 30 September, 2009.

A new **Five-year Plan** is being prepared and will be finalised once the new Chairman has taken office in the autumn.

Financial Review

The Trust can only spend income and it is therefore reliant on the income from its investments, and also on legacies, donations and royalties. The annual investment income is supplemented by an Income Investment Fund which was created at a time when there was a surplus of income. Income generated on the investment portfolio and related cash deposits was £1,105,862 during the year, compared with £1,182,389 in 2007-08.

Investment Policy and Performance

The remit given to the Trust's investment manager, Martin Currie Investment Management Limited, is to manage the fund conservatively with the objective of maintaining the real value of income whilst protecting capital growth. The investment manager may invest in UK and Foreign Equities, Fixed Interest Securities, Regulated Collective Investment Schemes managed by an associate of Martin Currie and Investment Trusts managed within Martin Currie or elsewhere.

The investment manager is prohibited from investing directly in the tobacco sector and alcohol-related stocks. The Investment Manager reports to the Members of the Trust in writing four times a year, provides monthly statements to the Members of the Audit & Investment sub-committee and reports in person at meetings on a regular basis. The benchmark selected comprises 80% FTSE All Share and 20% FTSE World ex-UK against which performance is monitored and reported on in writing and at meetings.

In the year under review, the total return on the Trust's portfolio was -29.96% compared with a return on the benchmark of -27.32%. As at 31st March 2009, the value of the Trust's investment portfolio (including capital cash) was £19,439,437, compared with £28,887,613 at 31st March 2008 and a value as at 27 August 2009 of £23,734,178.

Reserves Policy

Under the National Health Service (Scotland) Act 1978 it is the duty of the Trust to hold and administer funds on Trust for the purpose of assisting the conduct of research into specified matters. The Trust has power to accept, hold and administer property on Trust. The Trust has a limited power to borrow money or draw upon capital to meet expenditure of a capital nature, but otherwise may only spend its income. The Trust's investments are divided into Restricted and Unrestricted Funds. Restricted Funds support research into specific diseases; the Unrestricted Funds are available for supporting any area of the Trust's work. In addition, the Trust has an Income Investment Fund. This Fund, although invested, is part of the Unrestricted Income Fund and is therefore available to be drawn down in the discretion of the Members of the Trust from time to time.

The surplus shown on the Trust's income fund is in contrast to the deficit which appeared for a number of years, although the surplus is significantly less than last year. The deficit originally arose principally as a result of a change to the way in which the Trust had to account for its grant expenditure (under SORP 2005) and, as explained in previous years' *Annual Reports*, it was always expected that this deficit would indeed in time be eliminated. Another factor is that as a result of its rigorous application review process and its stated policy of only funding the highest-quality research the Trust had awarded fewer, smaller grants in earlier years. The Trust has taken the positive step of increasing future commitments through the recent change of grant awards to a maximum of £150,000 over three years and more grants are thus likely to be in progress at any one time compared with the old two-year grants. The Trust has also committed to support the new Scottish Senior Clinical Fellowship Scheme. With continued stock market volatility and dividend cuts, as well as a reduced legacy income last year, the Members will be monitoring the income and expenditure very closely over the year ahead.

The Trust continues to seek to meet expenditure commitments as they fall due for payment out of its predictable flow of income and, if required, the Income Investment Fund and expects to be able to do so.

Structure, Governance and Management

The Trust is a body corporate constituted under the Hospital Endowments (Scotland) Act 1953 (repealed and re-enacted by the National Health Service (Scotland) Act 1978) all as subsequently amended, most recently by the Smoking, Health and Social Care (Scotland) Act 2005, which repealed the Trust's non-departmental public body status. The Trust was established to receive and hold endowments, donations and bequests and to make grants

from these funds to promote medical research in Scotland. It is empowered by the National Health Service and Community Care Act 1990 to engage in fundraising activities for the purposes of the Trust. It is also required by the Health & Medicines Act 1988 where feasible to develop and exploit ideas and to exploit intellectual property.

The Trust funds are administered in terms of this legislation by a body of Members who receive no fee or remuneration for their services. Members are appointed by the existing Members of the Trust and, in accordance with the Standing Orders of the Trust, the minimum number of Members is six and the maximum is fifteen. In accordance with the constitutive legislation, Members may not be appointed for a period exceeding four years, and are eligible for re-appointment only once.

The Members meet twice-yearly to agree the broad strategy and areas of activity for the Trust, including considering grant applications, investment, reserves and risk management policies and performance. There is also an Audit & Investment sub-committee which meets normally twice a year to consider accounting and investment issues in more detail. Other sub-committees are convened where appropriate. The day-to-day administration of grants and processing and handling of applications prior to consideration by the Trust (or the relevant sub-committee) is dealt with by the Trust Secretaries and Scientific Adviser.

In considering new grant applications, outline applications are received and reviewed by the scientific Members in conjunction with independent referee reports obtained by the Scientific Adviser. The Trust also has power to co-opt Members in order to provide particular expertise or cover a temporary absence of a Member, so as to ensure a breadth of expertise among the members when considering applications.

In addition to ensuring a breadth of expertise among the scientific Members, consideration is also given to ensuring that other skill requirements among the Members are met. New Members may be sought by open advertisement or through dialogue with the research universities.

The induction process for any newly appointed Member comprises a welcome pack including a brief history of the Trust, a copy of the constitutive legislation, guidance on the duties and responsibilities of charity trustees, a copy of the most recent *Annual Report & Accounts* and any other relevant documentation. There is an opportunity to discuss particular issues with either the Chairman or the Trust Secretaries, and there is an explanation of the grant-making process and the organisational structure.

There is also training offered to both new and existing Members at Trust meetings and this is at least annually, but more frequently if appropriate.

Risk Management

The Members have assessed the major risks to which the Trust is exposed, in particular those relating to the operations and finances of the Trust, have reviewed those risks, both in the Audit & Investment sub-committee and at full Trust meetings, and are satisfied that systems are in place to mitigate exposure to the major risks. The following processes have been established:

- Regular Members' meetings to consider the plans, policies, finances and strategic direction of the Trust.
- Regular meetings of the Audit & Investment sub-committee to consider the Trust's finances.
- Monthly meetings of the relevant staff of the Secretaries to consider the plans, policies, finances and strategic direction of the Trust together with any associated risks.
- The Audit & Investment sub-committee receives monthly reports from the Investment Manager to consider both investment performance and risk.
- Monthly financial reconciliations prepared by the Secretaries.
- Six-monthly checks by the external accountants of the monthly financial reconciliations.
- Annual statutory accounts are audited by independent external accountants.

Accounts

The accounts for the year to 31st March 2009 form part of this *Report* and are presented on the following pages.

Statement of Members' responsibilities in respect of the accounts

The Members are responsible for preparing the Report and the accounts in accordance with applicable law and regulations.

Law applicable to charities in Scotland requires the Members to prepare accounts for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year. In preparing the accounts the Members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Members are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the accounts comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, and the National Health Service (Scotland) Act 1978. The applicable law also sets out the Members' responsibilities for the preparation and content of the Members' Report.

The Members 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.

Approved by the Members and authorised to be signed on their behalf by:

Professor S Moira Brown (Chairman)
28th August 2009

STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 March 2009

	Notes	Unrestricted Income Fund	Unrestricted Capital Fund	Restricted Income Funds	Restricted Capital Funds	Total 2009	Total 2008
Incoming Resources							
<i>Incoming resources from generated funds</i>							
Voluntary income:							
Legacies & donations	5	(108)	-	625	-	517	102,806
Activities for generating funds:							
Royalties	6	37,740	-	-	-	37,740	58,951
Investment income	7	827,893	-	277,969	-	1,105,862	1,182,389
Total incoming resources		865,525	-	278,594	-	1,144,119	1,344,146
Resources Expended							
<i>Costs of generating funds</i>							
Costs of generating voluntary income							
Investment	8	5,697	-	1,899	-	7,596	17,282
management cost	9	17,526	32,548	5,842	10,849	66,765	74,528
<i>Charitable activities</i>							
Grant-making activities							
Grants payable	10	372,619	-	266,435	-	639,054	357,494
Support costs of grant-making		142,575	-	47,525	-	190,100	156,224
<i>Governance costs</i>							
	12	34,373	-	11,458	-	45,831	44,219
Total resources expended		572,790	32,548	333,159	10,849	949,346	649,747
Net incoming/(outgoing) resources before transfers							
		292,735	(32,548)	(54,565)	(10,849)	194,773	694,399
Gross transfers between funds							
	18	59,423	-	(59,423)	-	-	-
Net incoming resources before revaluations and investment asset disposals							
		352,158	(32,548)	(113,988)	(10,849)	194,773	694,399
Net realised (loss)/gain on sale of investments							
		-	(1,423,025)	-	(525,780)	(1,948,805)	264,499
Net incoming resources after realised gains/losses on sale of investments							
		352,158	(1,455,573)	(113,988)	(536,629)	(1,754,032)	958,898
Unrealised loss on investments							
	14	-	(5,528,757)	-	(2,046,139)	(7,574,896)	(4,320,441)
Net movement in funds		352,158	(6,984,330)	(113,988)	(2,582,768)	(9,328,928)	(3,361,543)
Fund balances at 1 April 2008		511,143	20,702,629	1,853,728	7,632,992	30,700,492	34,062,035
Fund balances at 31 March 2009	19	863,301	13,718,299	1,739,740	5,050,224	21,371,564	30,700,492

The Charity has no recognised gains or losses other than those included in the Statement of Financial Activities. All activities relate to continuing operations. *The notes on pages 13-21 form part of these accounts.*

BALANCE SHEET
At 31 March 2009

	Notes	£	2009 £	£	2008 £
Fixed assets					
Investments at market value	14		18,104,384		28,522,543
Current assets					
Debtors	15	134,275		231,518	
Cash at bank - at Secretaries		2,804,887		2,447,232	
- at Investment Manager		1,362,553		392,570	
		-----		-----	
			4,301,715		3,071,320
			-----		-----
Creditors: Amounts falling due within one year					
Creditors	16	41,879		32,597	
Grants payable	17	917,053		788,311	
		-----		-----	
			958,932		820,908
			-----		-----
Net current assets			3,342,783		2,250,412
			-----		-----
Total assets less current liabilities			21,447,167		30,772,955
			-----		-----
Creditors: Amounts falling due after more than one year					
Grants payable	17		(75,603)		(72,463)
			-----		-----
Net assets	19		21,371,564		30,700,492
			=====		=====
Unrestricted Funds					
Unrestricted Capital Fund	2		13,718,299		20,702,629
Unrestricted Income Fund			863,301		511,143
			-----		-----
			14,581,600		21,213,772
			-----		-----
Restricted Funds					
Restricted Capital Funds	4	5,050,224		7,632,992	
Restricted Income Funds	3	1,739,740		1,853,728	
		-----		-----	
			6,789,964		9,486,720
			-----		-----
			21,371,564		30,700,492
			=====		=====

Approved by the Members and authorised to be signed on their behalf by:

Professor S Moira Brown (Chairman)

28th August 2009

The notes on pages 13-21 form part of these accounts.

NOTES to the ACCOUNTS
For the year ended 31 March 2009

1. Accounting policies

The accounts are prepared under the historical cost convention modified to include the revaluation of investments at market value, and they comply with applicable accounting standards, the Statement of Recommended Practice - Accounting and Reporting by Charities 2005 (SORP), and the Charities Accounts (Scotland) Regulations 2006.

Incoming resources

Dividend income and interest on government stocks are credited when they become ex-dividend. Accrued interest on fixed interest stocks received on disposal and acquisition is taken to the income and expenditure account. Deposit interest receivable is accounted for on an accruals basis.

Where the Charity has elected to take shares instead of cash dividends under enhanced scrip dividend offers, the cash equivalent is included as income. The income of the Charity includes, where applicable, any recoverable tax deducted at source.

Investment income arising from the capital funds is allocated to the appropriate Unrestricted Income or Restricted Income Fund to which it relates.

Legacies and donations are included in the period in which they are receivable, which is when the Charity becomes entitled to the resource, based on the Members' best estimate given the information available to them. Legacies and donations given for general medical research are included in Unrestricted Funds, and those given for research into specific medical conditions or illnesses at the request of the donor are included within Restricted Funds. Unless the donor has specified that the legacies or donations must be held as capital, the amounts will be included initially within the Income Funds. An appropriation is made to Capital Funds thereafter at the discretion of the Members.

Gifts in Kind are recorded at their market value at the date of donation.

Royalties are receivable from the commercial exploitation of the intellectual property resulting from research funded (in whole or in part) by the Charity. Royalty receipts are credited to revenue in the period receivable.

Resources expended

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended. All charitable expenses and costs of generating funds are apportioned between Unrestricted and Restricted Income Funds 75% and 25% respectively. The Members consider this allocation reasonable based on the balance on the Unrestricted and Restricted Funds. The Trust is not VAT registered so expenditure is shown inclusive of any VAT.

Costs of generating funds comprise those costs directly attributable to managing the investment portfolio and raising investment income and fundraising costs for raising donations and legacy income. Grant-making activities comprise grants payable, and support costs for processing grants and applications. Governance costs relate to costs incurred in respect of strategic or constitutional matters and also compliance with statutory reporting requirements. Where the Secretaries' fees cannot be directly attributed to these categories, they are estimated 35% (2008: 35%) to Governance activities, and 65% (2008: 65%) to Grant-making activities.

Investment management fees

Investment management fees are allocated 65% to capital funds and 35% to income funds in line with the investment objectives and expected long-term return on the investment portfolio.

Foreign Exchange Gains and Losses

Transactions in foreign currencies are recorded at an average rate over the financial period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All currency differences are taken to the SOFA.

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

1. Accounting policies (cont'd)

Grants

Grants payable are charged to the statement of financial activities when the application is approved and a valid expectation created with the recipient that the grant will be paid. Where the grant offer or an element thereof, is conditional, such grants are not recognised as expenditure until the conditions are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but are not accrued as expenditure.

Investments

Investments are included in the accounts at market value at the year end, the unrealised gain or loss being applied to Unrestricted or Restricted Capital Funds as appropriate.

Land is included at agricultural value, being the appropriate estimate of market value.

Gains or losses arising on the sale of investments during the year are taken to capital.

Fund accounting

The nature and purpose of each fund are explained in notes 2, 3, 4 and 19.

2. Unrestricted Designated Capital Fund

	2009	2008
	£	£
Balance at 1 April 2008	20,702,629	23,678,803
Resources expended	(32,548)	(36,332)
Net realised (losses)/gains on sale of investments	(1,423,025)	195,014
Unrealised losses on investments	(5,528,757)	(3,134,856)
	-----	-----
Balance at 31 March 2009	13,718,299	20,702,629
	=====	=====

The Unrestricted Designated Capital Fund is derived from legacies, bequests and donations which were donated, or allocated by the Members, for the purposes of general medical research and which form the Unrestricted Funds of the Charity.

3. Restricted Income Funds

Movement during the year was as follows:

	As at 1 April 2008	Investment income	Legacies & Donations	Grants	Costs of generating funds, support & admin costs	Transfers	As at 31 March 2009
	£	£	£	£	£	£	£
Neurological diseases	-	11,537	625	(24,882)	(2,769)	15,489	-
Cancer	619,602	116,764	-	(145,779)	(28,028)	-	562,559
Arthritis	361,341	55,007	-	-	(13,204)	-	403,144
Diabetes	22,323	5,403	-	-	(1,297)	-	26,429
Kidney	25,741	10,781	-	(28,007)	(2,588)	-	5,927
Cardiac & Vascular diseases	312,824	69,842	-	(68,678)	(16,765)	-	297,223
Miscellaneous conditions	511,897	8,635	-	911	(2,073)	(74,912)	444,458
	-----	-----	-----	-----	-----	-----	-----
	1,853,728	277,969	625	(266,435)	(66,724)	(59,423)	1,739,740

The Restricted Income Funds are derived from the Restricted Capital Funds of the Charity.

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

4. Restricted Capital Funds

Movement during the year was as follows:

	As at 1 April 2008	Costs of generating funds	Realised losses on investments	Unrealised losses on investments	Transfers	As at 31 March 2009
	£	£	£	£	£	£
Neurological diseases	316,806	(450)	(21,822)	(84,925)	-	209,609
Cancer	3,206,315	(4,557)	(220,859)	(859,501)	-	2,121,398
Arthritis	1,510,494	(2,147)	(104,047)	(404,911)	-	999,389
Diabetes	148,377	(211)	(10,221)	(39,775)	-	98,170
Kidney	296,038	(421)	(20,392)	(79,357)	-	195,868
Cardiac & Vascular diseases	1,917,846	(2,726)	(132,106)	(514,108)	-	1,268,906
Miscellaneous conditions	237,116	(337)	(16,333)	(63,562)	-	156,884
	-----	-----	-----	-----	-----	-----
	7,632,992	(10,849)	(525,780)	(2,046,139)	-	5,050,224
	=====	=====	=====	=====	=====	=====

The Restricted Capital Funds are derived from legacies, bequests and donations which were donated for specific areas of medical research and which form the Restricted Funds of the Charity.

5. Legacies and Donations

	Unrestricted Income Fund	Restricted Income Funds	Total 2009	Total 2008
	£	£	£	£
Legacies	(1,108)	-	(1,108)	101,806
Donations	1,000	625	1,625	1,000
	-----	-----	-----	-----
	(108)	625	517	102,806
	=====	=====	=====	=====

In the year ended 31 March 2008, the Charity accrued income relating to the residue of a legacy based on an estimate of £7,000 provided by the executor. The actual residue of the legacy received amounted to £5,892, and the over-accrual of £1,108 is therefore accounted for in the current year as noted above.

6. Royalties

	Unrestricted Income Fund	Restricted Income Fund	Total 2009	Total 2008
	£	£	£	£
Royalties	37,740	-	37,740	58,951
	=====	=====	=====	=====

Royalty income arising from research funded by the charity varies from year to year depending on the research undertaken, and cannot be reliably ascertained until receipt.

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

7. Investment income

	Unrestricted Income Fund £	Restricted Income Funds £	Total 2009 £	Total 2008 £
UK listed investments	713,288	240,353	953,641	1,014,759
Interest on cash deposits	114,605	36,801	151,406	166,880
Rent receivable	-	815	815	750
	-----	-----	-----	-----
	827,893	277,969	1,105,862	1,182,389
	=====	=====	=====	=====

8. Costs of generating voluntary income

	2009 £	2008 £
Fundraising and marketing – support costs (Note 11)	7,596	17,282
	=====	=====

9. Investment management costs

	2009 £	2008 £
Investment Manager's fee	66,765	74,528
	=====	=====

10. Grant-making activities

	2009 £	2008 £
Grants payable in respect of medical research (Note 17)	639,054	357,494
Support costs (Note 11)	190,100	156,224
	-----	-----
	829,154	513,718
	=====	=====

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

11. Support costs

Support costs are allocated to activities as detailed below:

	Generating Voluntary Income £	Grants payable £	Governance costs £	2009 £	2008 £
Secretaries' fee	-	67,640	33,782	101,422	102,355
Stationery, printing and postage	-	5,104	-	5,104	4,531
Bank charges and interest	-	-	-	-	9,689
Miscellaneous	-	71,061	-	71,061	30,151
Marketing	7,596	-	-	7,596	21,642
Staff costs					
Scientific Adviser	-	44,421	-	44,421	36,086
Other staff costs	-	1,874	-	1,874	2,028
	-----	-----	-----	-----	-----
	7,596	190,100	33,782	231,478	206,482
	=====	=====	=====	=====	=====

Bases of allocation

Where costs are directly attributable to an activity, they are allocated to that activity. Where items of expenditure relate to more than one activity, the cost is apportioned on the basis of usage or staff time as appropriate, and allocated to each activity on that basis. Secretaries' fees are allocated on the basis of staff time with the exception of fees for specific work which are allocated to the relevant activity.

The increase in Miscellaneous expenses in the year ended 31 March 2009 is attributable to a number of website projects during the year, and website costs and administration fees being predominantly related to grant applications rather than marketing and fundraising.

The Members did not receive any direct remuneration for their services during the year (2008: £nil).

Meeting expenses amounting to £851 (2008: £866) were reimbursed to three (2008: six) of the Members.

12. Governance costs

	2009 £	2008 £
Secretaries' fee – support of governance activities (Note 11)	33,782	32,974
Accountancy fees – audit services	5,554	5,464
- accounts preparation	6,495	5,781
	-----	-----
	45,831	44,219
	=====	=====

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

13. Staff costs

	2009	2008
	£	£
Gross wages	41,880	31,209
Employer's National Insurance	4,415	3,176
Fees	-	3,729
	-----	-----
	46,295	38,114
	=====	=====

The average number of employees during the year was as follows:

	No.	No.
Scientific Adviser	1	1
Administrative assistant (part-time)	1	1
	==	==

No employee received emoluments above £60,000.

14. Investments

	Investment property	UK Stock Exchange listed	Total
	£	£	£
Market value at 1 April 2008	27,500	28,495,043	28,522,543
Additions	-	5,312,662	5,312,662
Disposals	-	(8,155,925)	(8,155,925)
Net unrealised investment losses in the year	-	(7,574,896)	(7,574,896)
	-----	-----	-----
Market value at 31 March 2009	27,500	18,076,884	18,104,384
	=====	=====	=====
Historical cost	27,500	22,916,906	22,944,406
	=====	=====	=====

The Charity is a joint beneficiary of an estate comprising potential development land. The potential development land has not yet been sold and has been included in the accounts as an investment property. The land included in the balance sheet is at agricultural value as a development value can not be quantified with reasonable accuracy.

	Market value
	£
At the balance sheet date the following holdings exceed 5% of the total portfolio:	
Martin Currie Global Alpha Fund B shares	3,203,946
British Petroleum Plc	1,639,420
Royal Dutch Shell B shares	1,035,339
	=====

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

15. Debtors

	2009	2008
	£	£
Accrued income	134,275	231,518
	=====	=====

16. Creditors: amounts falling due within one year

	2009	2008
	£	£
Accrued fees	41,879	32,597
	=====	=====

17. Grants

	2009		2008	
	£	£	£	£
(a) Reconciliation of grants payable				
At 1 April 2008		860,774		1,170,161
Awards made and authorised in the year	663,747		491,777	
Grant awards cancelled and recovered	(24,294)		(55,025)	
Grant provision adjustments	(399)		(79,258)	
	-----		-----	
Grants payable for the year		639,054		357,494
Grants paid during the year		(507,172)		(666,881)
		-----		-----
At 31 March 2009		992,656		860,774
		=====		=====
	Unrestricted	Restricted	2009	2008
	Income Fund	Income Fund	Total	Total
	£	£	£	£
(b) Grants falling due within one year:				
Grants payable	518,907	398,146	917,053	788,311
	=====	=====	=====	=====
(c) Grants falling due after more than one year:				
Year to 31 March 2011	22,118	53,485	75,603	72,463
	=====	=====	=====	=====
Total grants payable	541,025	451,631	992,656	860,774
	=====	=====	=====	=====

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

17. Grants (cont'd)

(d) Grants awarded
 Grants awarded and authorised during the year were as follows:

Principal Grantholder	Administering Institution	£	£
<i>New grants awarded</i>			
Parish	University of St Andrews	75,202	
Ishizaki	University of Edinburgh	80,380	
Roe	University of Glasgow	45,567	
Ferenbach	University of Edinburgh	28,007	
Maffia	University of Strathclyde	68,678	
Walker	University of Glasgow	56,126	
Wheate	University of Strathclyde	73,573	
		-----	427,533
 <i>Conditional Grants awarded in previous years, now unconditional and authorised</i>			
Albagha	University of Edinburgh	36,154	
Mitchell	University of Aberdeen	43,103	
Donaldson	University of Glasgow	72,053	
Dear	University of Edinburgh	19,889	
Sutherland	University of Glasgow	33,060	
Harvey	University of Dundee	12,435	
Miles	University of St Andrews	14,766	
Stanfield	University of Edinburgh	4,754	
		-----	236,214
		-----	663,747
		=====	

(e) Commitments

In addition to the amounts committed and accrued noted above, the Members have also authorised certain grants which are subject to the recipient fulfilling certain conditions. The total amount authorised but not accrued as expenditure at 31 March 2009 was £525,298 (2008: £579,944), of which £174,608 is expected to be payable within one year if certain conditions are satisfied (2008: £141,762).

NOTES to the ACCOUNTS (cont'd)
For the year ended 31 March 2009

18. Transfers between funds

There was a transfer during the year of £149,824 from the Unrestricted Income Fund to the Restricted Income Funds. The transfer was made in respect of awards agreed late in the year ended 31 March 2008 which were originally allocated to Unrestricted Funds, but subsequently identified as to be made from Restricted Funds on the basis of the medical conditions being researched.

There was also a transfer during the year of £90,401 from the Unrestricted Income Fund to Restricted Income Funds; this was to eliminate the deficit on the Neurological diseases fund.

19. Analysis of net assets between funds

	Investments	Net Current Assets	Creditors falling due after more than one year	Total
	£	£	£	£
Unrestricted Funds				
Unrestricted Capital Fund	12,640,089	1,078,210	-	13,718,299
Unrestricted Income Fund	903,291	(17,872)	(22,118)	863,301
	-----	-----	-----	-----
	13,543,380	1,060,338	(22,118)	14,581,600
	-----	-----	-----	-----
Restricted Funds				
Restricted Capital Funds	4,561,004	489,220	-	5,050,224
Restricted Income Funds	-	1,793,225	(53,485)	1,739,740
	-----	-----	-----	-----
	4,561,004	2,282,445	(53,485)	6,789,964
	-----	-----	-----	-----
Total Funds	18,104,384	3,342,783	(75,603)	21,371,564
	=====	=====	=====	=====

The Unrestricted Funds represent the funds which the Members are free to use in accordance with the charitable objects.

The Restricted Funds are derived from legacies, bequests and donations which were donated for specific areas of medical research and which form the Restricted Funds of the Charity. The Members may only use these Restricted Funds to make grants for medical research into the specific areas noted within the original terms of the legacy, bequest or donation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDICAL RESEARCH SCOTLAND

We have audited the accounts of Medical Research Scotland for the year ended 31 March 2009 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the charity's Members, 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 charity's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Members and auditors

The Members' responsibilities for preparing the Members' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Members' Responsibilities.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We confirm that we are eligible to act as auditor in terms of section 25 of the Companies Act 1989.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006, and the National Health Service (Scotland) Act 1978.

We also report to you if, in our opinion the information given in the Members' Report is not consistent with the accounts, if the charity has not kept proper accounting records, if the charity's accounts are not in agreement with these accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and Accounts, and consider whether it is consistent with the audited accounts. The other information contains only the Chairman's Report and the Members' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity as at 31 March 2009 and of its incoming resources and application of resources, for the year then ended; and
- the accounts have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006, and the National Health Service (Scotland) Act 1978.

CHIENE + TAIT

Chartered Accountants and Registered Auditors

61 Dublin Street, Edinburgh EH3 6NL

_____2009