



Medical Research Scotland
62nd Annual Report and Financial Statements
2015-16

*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 independent comprehensive charity funder of medical research, Medical Research Scotland is committed to:

- supporting people in the early stages of their careers in biomedical research in Scotland
- supporting only the highest-quality clinical and laboratory-based 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 during the year:

Professor Philip Winn, BA, PhD, FRSB, FAPS, SRPharmS

Professor Andrew H Baker, BSc, PhD, FAHA, FESC, FRSE

Professor John R Brown, CBE, BSc, PhD, MBA, FRSE

Professor Bernard A Conway, BSc, PhD

*Mr Brian Duffin, MA, FFA, CCMi

Mr Scott Johnstone, BEng(Hons), MBA, CEng, FIET FIMechE

*Professor Walter Nimmo, CBE, BSc, MD, FRCP, FRCA, FANZCA, FRSE

*Mr Graham Paterson, MBA, FCCA

*Dr David Stretton BSc, PhD, LL.M (*resigned on 29th September 2015*)

Dr Jennifer M Woof BSc, PhD, FHEA, FRSB

Professor Andrea Nolan OBE, FRSE, MRCVS

*Mr Barry Rose, BSc (from 1st January 2016)

** 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 Alex M Graham, PhD

AUDITORS

Scott-Moncrieff, Exchange Place 3, Semple Street, Edinburgh EH3 8BL

INVESTMENT MANAGER

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

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Foreword



BUCKINGHAM PALACE

As Patron, I am delighted that the work of Medical Research Scotland continues to develop and grow. The mission of the Charity is to help develop the careers of talented biomedical scientists with direct support for both undergraduate and postgraduate students. The work done by all of Medical Research Scotland's scientists helps enhance relationships between Scotland's Universities and industry.

It was a particular pleasure this year to be able to support the work of Medical Research Scotland in outreach programmes for secondary school pupils. The event that I attended at the Dundee Science Centre displayed the work of Medical Research Scotland Vacation Scholars and PhD students. The secondary school pupils who visited this exhibition were clearly enthused by what they experienced and I hope that Medical Research Scotland will be able to continue this valuable programme.

I am pleased to note that the Board of Medical Research Scotland has again been refreshed by the recruitment of new members and hope that it will continue actively to promote the value of collaborative research between academia and industry to deliver benefit in biomedical sciences.

The science sponsored by Medical Research Scotland is intended to have a high impact in both academia and Scotland's life science industries, developing new drugs, medical devices and diagnostic tools to benefit healthcare globally. I wish Medical Research Scotland every success in its continuing mission to promote excellent research and develop the careers of a talented cohort of students.

HRH The Princess Royal

Chairman's Report

This last academic year saw continuing progress for Medical Research Scotland. Our mission remains focused on helping scientists in the early stages of their careers to develop in ways that will bring benefit to themselves, their institutions and to Scotland's life science industries.

We support the development of biomedical scientists by funding research that will lead to the award of doctorates. The numbers of PhD students we support continues to grow and we have been able to provide further resources for this programme – both the number and value of studentships has increased. Medical Research Scotland continues to support doctoral students by working in partnership with colleagues in life science industries, developing the drugs, devices and diagnostics that will provide for ever more effective and efficient health care in Scotland and around the world. The work is vitally important in itself, but additionally our approach helps our students understand the close and necessary interdependence of academia, industry and primary health care.

We have also cemented further our relationship with the Daphne Jackson Trust, supporting Fellowships to help scientists return to research after a career break. We have lengthened our support for these from two years to three – all on a part time basis – and will support Medical Research Scotland sponsored Daphne Jackson Fellows in the coming year.

Medical Research Scotland is also supportive of undergraduates, through the award of Vacation Scholarships that enable students to spend time in the summer working in academic laboratories, usually just before starting their final year of study. This is a valuable experience, letting undergraduates understand what full time research in a lab is actually like. The numbers applying for these bursaries have increased dramatically, from 67 applications for the summer of 2015 to 134 applications for the current year.

We also continue our relationship with secondary schools. Two well attended "Meet the Researcher Showcase" events were held this year, at the Aberdeen and Dundee Science Centres. These events give senior pupils an opportunity to talk to students supported by Vacation Scholarships or PhD Studentships. The event in Dundee was attended by our Royal Patron, HRH The Princess Royal. It is of significant value to us that our Royal Patron takes such a close interest and continues actively to support us.

The Board of Trustees at Medical Research Scotland continues to evolve. After valuable and valued service Dr David Stretton stood down this year, while Mr Barry Rose joined us, bringing his considerable experience of financial services to the Board.

Our financial position remains secure, enabling us to maintain both the numbers of awards we would like, and their value. During the year, funds were received through royalties, donations from individuals (including online), legacies and trust giving. All donations are acknowledged individually and highlighted on our website.

The Board of Medical Research Scotland is not complacent. We look all the time to improve the way in which we work and to adapt to changing circumstances – and of course these are turbulent times in national and international political life. In the coming year we will have a strategic review of our work so that we can consolidate or change in ways that are most appropriate to providing support for the best quality biomedical research in Scotland.

Professor Philip Winn
Chairman

Trustees' Report

The Trustees present their report along with the Financial Statements of the Trust for the year ended 31st March 2016. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 to the Financial Statements and comply with the Trust's constitutive legislation the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102 applicable in the UK and Republic of Ireland (FRS 102) published on 16th July 2014 (as amended).

Objectives and Activities

The objectives of the Trust are to:

- Receive and hold endowments, donations and bequests;
- Awarding funding 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 objectives by providing a range of opportunities to support and encourage research-minded individuals to pursue high-calibre research in biomedicine, independently or in collaboration with colleagues in their own or other universities, major hospitals and research units in Scotland, or with trading companies operating in healthcare-related fields. Through its short Undergraduate Vacation Scholarships, commercially-linked PhD Studentships and its support of part-time Daphne Jackson Trust Fellowships, the Trust offers provision for biomedical researchers. The awards help to prepare the recipient researchers for a career, or return to a career, in academia or the health-related commercial sector.

Grant-making Policy

The Trust aims to support research of the highest quality. It has a rigorous system of assessment of funding applications before they reach Trustees.

Funding decisions for the PhD Studentship awards are taken in a two-stage process. Applications, detailing a defined research project, are subject to expert peer review by members of the specially-appointed PhD Studentship Panel, who are first provided (by the Scientific Adviser) with sufficient information about each to enable them to declare any possible conflict of interest in any application. The Panel members then review the applications independently and their reports are subsequently considered by all the Panel members meeting in committee. Recommendations for funding are then made to the Trustees, who take the final decisions. Those accepting the offer of funding then select appropriately highly-motivated and qualified students following advertisement and interview by a group comprising the academic institution and representatives from both the company and the Trust. Following appointment of suitable students, recipients of PhD awards must submit annual reports providing information about progress on both the academic and company aspects of the award. These are scored by the scientific Trustees to ensure that the work is progressing satisfactorily before payment of subsequent years' fees is made.

Vacation Scholarship applications are reviewed separately and independently by the scientific and medical Trustees, who make recommendations to the Trustees. The final

funding decisions are taken by all the Trustees in light of those recommendations and available funds. After completion of the Vacation Scholarship, a short report is required from the award holder and the student. These reports are reviewed by all the Trustees.

All continuing project award holders are required to submit progress and final reports and also a post-completion report. Progress and final reports are scored by the scientific trustees and any found to be unsatisfactory are followed up. The purpose of the post-completion check is to assess the award holder'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 Intellectual Property Manager of each administering institution in respect of each project awarded.

The Trust also sponsors a number of Daphne Jackson Trust Fellowships with Trustees participating in the funding decisions taken by the Daphne Jackson Trust. Progress reports are received by the Trust from recipients of these Fellowships on a six monthly basis.

Funding Awarded

During the 2015-16 Financial Year the Trustees awarded a total of 15 PhD Studentships (13 in 2014-15) and 48 Undergraduate Vacation Research Scholarships (30 in 2014-15). The topics of the PhD Studentships cover a wide range including liver injury, diabetes, fibrosis and cancer, many having drug development as their primary focus. Vacation Scholarships were held at the following universities:- Aberdeen, Abertay, Dundee, Edinburgh, Edinburgh Napier, Glasgow, Heriot-Watt, St Andrews, Stirling, Strathclyde and West of Scotland. Further information about all the awards formally accepted can be found on the Trust's website: www.medicalresearchscotland.org.uk. The total value of the funding awarded amounted to £1,098,179.

Achievements and Performance

The Trust's **Annual Plan** for 2015-16 and performance against it are summarised as follows:

1. To continue to raise awareness of the Trust and particularly its new funding strategy within the academic and business communities in Scotland, seeking to ensure appropriately high-quality applications.

The availability of the PhD Studentships and Vacation Scholarships was widely circulated among the academic and commercial biomedical sectors. The number and quality of the applications received suggest these continue to be increasingly popular and competitive.

2. To review the PhD Studentship Award process and criteria.

The Trustees reviewed the criteria for appointment of Students and it was confirmed during the period that Medical Research Scotland would normally expect Students to have been awarded a minimum of an upper second class undergraduate honours degree in a relevant subject. The Standard Conditions for the PhD Studentship Award will be reviewed in the coming year.

3. To make up to 15 PhD Studentship Awards for suitably high-quality, relevant projects submitted by university/industry collaborations, to make funds available for up to 50 Undergraduate Vacation Research Scholarships and also to seek to appoint up to three Daphne Jackson Fellowships for those seeking to return to biomedical research following a career break.

15 PhD Studentships and 48 Undergraduate Vacation Research Scholarships were awarded. The Trustees agreed to support two Daphne Jackson Trust Fellowship awards.

4. To develop marketing opportunities in relation to schools events and/or Science Festivals.

Two successful Meet the Researcher Showcase events were held at Aberdeen Satrosphere Science Centre and Dundee Science Centre on 8th and 9th March 2016 respectively, the latter of which Her Royal Highness The Princess Royal kindly attended.

5. To keep under review the membership of the Trust in light of retirements and resignations and the need to ensure that there is the appropriate breadth of expertise needed for the continued good governance of the Trust.

During the period, one Trustee retired and one new Trustee with the appropriate expertise was appointed.

6. To review the Trust's services in line with the agreed timetable.

The Trustees noted that the appointment of the Investment Managers should be reviewed in the coming year.

7. To continue to keep under close review the Trust's investment portfolio and, in particular, its income.

The asset allocation of the portfolio was reviewed in detail by the Trust's Audit & Investment Committee in consultation with the Trust's Investment Managers.

8. To have the Trust's Annual Report & Financial Statements printed and available from its website during 2015.

The Annual Report & Financial Statements was printed on 30th October 2015 and is available on the Trust's website.

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 £1,197,993 during the year which includes accumulated income, compared with £1,134,267 in 2014-15 and royalties were £112,204 compared with £117,883.

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 in stocks exposed to the production of alcohol. The Investment Manager reports to the Members 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, against which performance is monitored and reported on in writing and at meetings, comprises 60% FTSE All Share, 20% MSCI Emerging Markets Index and 20% MSCI World High Dividend Yield Index.

The year under review was a challenging one for equity markets. The total return on the Trust's overall portfolio was -3.9%, moderately behind the return on the benchmark of -3.2%. The core UK equity portfolio delivered a -4.0% return, broadly in-line with the FTSE-All Share Index over the period. The holding in the Martin Currie Global Equity Income Fund produced a smaller negative return but failed to keep pace with its relevant benchmark, and whilst the holding in the Martin Currie Emerging Markets Fund kept pace with its benchmark over the period under review, emerging markets were one of the weakest equity asset classes globally and hence the position had a detrimental impact on overall returns.

As at 31st March 2016, the value of the Trust's investment portfolio (including capital cash) was £32,481,921, compared with £34,949,955 at 31st March 2015 and a value as at 27th October 2016 of £37,190,172, a decrease of £2,468,034 and increase of £4,708,251 respectively.

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 from time to time.

The Trust's expenditure on Charitable activities has increased again during the period and, in turn, the income surplus continues to reduce. The continued and increasing support by the Trust of PhD Scholarship Awards, Vacation Scholarship Awards and Daphne Jackson Trust Fellowships and the development of these funding streams will increase expenditure year on year.

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.

At the end of the reporting period, the total funds held by the charity amounted to £35,198,680 with £9,694,204 of that amount representing Restricted Funds and so unavailable for general purposes.