


THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

The White House, 70 High Road, Bushey Heath, Hertfordshire WD23 1GG

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2001



The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

Errata

Page 5

The reference to the Statement of Financial Activities at the foot of the page should be to page 19 (*not 18*).

Page 13

The reference to Note 1 in the first paragraph should be to page 21 (*not 20*).

Pages 19 and 20

Reference is to be made to the Notes on pages 21 to 24 (*not 20 to 24*).

THE GOVERNING BODY

for the year ended 31 December 2001

Dr Anne L McLaren, DBE, MA, DPhil, FRCOG, FRS, *Chair*

Peter W Allen, MA, FCA, CIMgt, *Hon Treasurer*

W Lawrence Banks, CBE

G James M Buckley

Professor H John Evans, CBE, PhD, FRCPE, FRSE

C Edward Guinness, CVO (*until June 2001*)

Hon Rory M B Guinness

Professor Sir Alec J Jeffreys, DPhil, FRS

Dr Alan J Munro, PhD

Professor Richard N Perham, ScD, FRS

Professor J G Patrick Sissons, MD, FRCP, FRCPath

Professor Anne E Warner, PhD, FRS

Secretary, and Clerk to the Governors: F K Cowey, MA, BSc, DAS

Address of principal office of the charity:

The White House
70 High Road
Bushey Heath
Hertfordshire WD23 1GG

Professional advisors

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Investment Advisors

J P Morgan Fleming Asset Management Ltd
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ

Auditors

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6HR

FINANCIAL REPORT OF THE GOVERNING BODY

for the year ended 31 December 2001

The Institute is a company limited by guarantee and has charitable status. The Trustees of the Institute are the members of the Governing Body.

Six members of the Governing Body are appointed by the members at the Annual General Meeting. Up to four members are co-opted by the Governing Body, although there are currently only three such appointees. One member is Lord Iveagh's representative and the final member is a representative of the Royal Society.

The Governing Body presents the financial statements of the Institute for the year ended 31 December 2001. A separate Report of the Governing Body is prepared.

Results

The results of the Institute for the year ended 31 December 2001 are set out on page 5. The net deficit for the financial year is £70,000 (2000: net deficit £940,000).

The value of the Institute's cash and investments has decreased in aggregate by £5.1 million during the year (2000: £2.24 million decrease). The governors confirm that sufficient funds are available to fulfil the obligations of the Institute.

Principal activities

The object of the charity is to further knowledge into preventive medicine. The income of the Institute is utilised to support medical research, through the award of fellowships assessed by the Scientific Advisory Committee who are appointed to advise the Governing Body on these fellowships. Five fellowships have been awarded during 2001.

Consideration of risk

The Institute carries out an annual review of the risks that the organisation faces and reviews the effectiveness of the controls necessary to mitigate and monitor these risks.

Future operations

It is expected that during the financial year 2002 a further three fellowships will be awarded.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 9 to the financial statements.

Financial issues and investments

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives. The last are achieved through the award of senior research fellowships. Costs tend to increase year by year due to inflation and other salary changes.

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments. The Governing Body wishes to award in perpetuity as many fellowships to candidates of an appropriate standard as it can prudently grant. Therefore it seeks to maximise its investment return by prudent management consistent with an acceptable level of risk. The Institute has appointed investment managers to administer its funds on a discretionary basis, within the following overall limits:

	%
Equities	70-90
UK equities	55-75
Overseas equities	15-25
Fixed interest and cash	10-30
UK bonds	5-25
Overseas bonds	0-5
Property	0-5
Cash	0-5

The performance of the investment portfolio is reviewed by the Investment Sub-Committee which has at least three meetings each year with the investment managers and which receives detailed monthly valuation and transaction

FINANCIAL REPORT OF THE GOVERNING BODY (CONTINUED)

for the year ended 31 December 2001

reports. The investment policy is reviewed on an annual basis by the Governing Body.

Reserves policy

Reserves are necessary to safeguard the Institute against any shortfalls of net income which may arise and to enable the Institute to continue to award fellowships, each for five years. The reserves are also needed to authorise the occasional extension of fellowships and, in some years, to award additional fellowships.

The policy of the Governors is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that sufficient funds remain available to enable them to award Lister Institute Research Fellowships in perpetuity. The reserves policy is reviewed on an annual basis by the Governing Body.

Governing Body

The members of the Governing Body who served at any time during 2001 are shown on page 1.

Governors' responsibilities

The governors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the income and expenditure of the Institute for that period.

The governors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2001.

The governors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The governors are responsible for keeping

proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000. The governors are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors to the Institute will be proposed at the Annual General Meeting.



DR ANNE L McLAREN

Chair

25 June 2002

REPORT OF THE AUDITORS

to the members of The Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine ("the Institute") which comprise the Statement of Financial Activities, the Balance Sheet and the related notes, as set out on pages 5 to 12.

Respective responsibilities of governors and auditors

The governors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of governors' responsibilities. The Institute's governors also act as trustees for the charitable activities of the Institute.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board, and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the governors' report is not consistent with the financial statements, if the Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Financial Report of the Governing Body only.

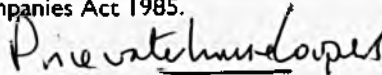
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs at 31 December 2001 and of its net outgoing resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
London

25 June 2002

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
INCOME AND EXPENDITURE			
Incoming resources			
Investment income	2	902	952
Interest receivable		12	16
Other income	3	32	46
Total incoming resources		946	1,014
Less costs of generating funds		(43)	(46)
Funds available for charitable application		903	968
Charitable expenditure			
Cost of activities in furtherance of the charity's objects:			
Grants awarded during the year	7, 8	(1,163)	(1,562)
Decrease in grants liability from previous fellowship awards		397	-
Salaries	4	(42)	(51)
Other costs		(12)	(12)
Support Costs	5, 6	(153)	(283)
Charitable and administrative expenditure		(973)	(1,908)
Total resources expended		(1,016)	(1,954)
Net resources expended		(70)	(940)
NET GAINS/(LOSSES) ON INVESTMENT ASSETS			
Realised	15	195	1,126
Unrealised	15	(4,795)	(2,744)
Net movements in funds		(4,670)	(2,558)
Capital and funds brought forward		29,606	32,164
Capital and funds carried forward		24,936	29,606

All items in the above Statement of Financial Activities relate to continuing operations. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown. The notes set out on pages 7 to 12 form part of these financial statements.

BALANCE SHEET

at 31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	9	238	244
Investments	10	29,217	34,722
		29,455	34,966
Current assets			
Debtors	11	81	122
Cash at bank and in hand		1,135	775
		1,216	897
Creditors			
Amounts falling due within one year	12	(355)	(497)
Net current assets		861	400
Total assets less current liabilities		30,316	35,366
Long term liabilities			
Grants	7, 8	(4,846)	(5,196)
Pensions	13	(534)	(564)
Net assets		24,936	29,606
<i>represented by</i>			
Unrestricted funds			
General	15	24,936	29,606

The Governors have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 25 June 2002.

Anne T. Laver *Rubén Prodan* | Members of the
Governing Body

The notes set out on pages 7 to 12 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

i PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are as follows:

a Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

b Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful life of the fixed assets concerned. The principal annual rate used for this purpose is:

Land and buildings 2%

The capitalisation limit for fixed assets is set at £10,000.

Expenditure incurred on minor office equipment is written off on acquisition.

c Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the general fund in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

d Royalties

Royalties are accounted for on an accruals basis.

e Grants

Provision is made at the time of making a grant for the full cost over the expected life of the fellowship, which may be up to five years. Whilst payment of grants in the second and subsequent years of a fellowship continues to be subject to performance by the recipient, the policy is considered necessary to reflect the Governors' experience that only in rare cases are grants not continued for the expected full term.

f Charitable expenditure

Charitable expenditure comprises all expenditure directly relating to the objects of the charity.

g Supplementary pensions and staff pensions

Provision is made in the financial statements for the total estimated future supplementary payments, discounted to reflect the timing of the payments. This represents the estimated amount that would have to be invested were the supplementary pensions to be separately funded ("the notional investment").

In addition, provision is also made for the total estimated future pension costs for one employee still in service with the Institute.

The provision for future supplementary pension costs and the charge to the Statement of Financial Activities are calculated every three years by an independent professionally qualified actuary. Any surplus or deficiency in the provision is recognised immediately.

The provision and charge to income have been calculated on the basis of an actuarial valuation as at 1 January 2001, using the following main assumptions:

- The number of persons to whom supplementary pensions are paid will not increase significantly
- The return on the notional investment will be 5%
- Employees currently in service will retire at 65

2 INCOME FROM FIXED ASSET INVESTMENTS

	2001	2000
	£'000	£'000
Listed investments	902	952

3 OTHER INCOME

	2001	2000
	£'000	£'000
Rental income	8	7
Royalty income	24	39
	32	46

The royalties relate to the DNA probe which is being marketed by a licensee.

4 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2000: nil). Travel expenses incurred by members of the Governing Body in connection with their attendance at meetings are reimbursed. Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £600 (2000: £600) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was 3 (2000: 4), all of whom were employed in an administrative capacity. No employee earned £40,000 p.a. or more.

Managing and administering the charity

	2001	2000
	£'000	£'000
Gross salaries	79	94
Employer's national insurance and state pension contributions	6	8
	85	102

The salary costs are divided between support costs and costs of activities in furtherance of the charity's objects.

5 SUPPORT COSTS

	2001	2000
	£'000	£'000
Salaries	42	51
Pension costs	50	151
Miscellaneous	61	81
	153	283

6 MISCELLANEOUS EXPENDITURE

	2001 £'000	2000 £'000
Office expenses	6	17
Travel expenses	6	6
Auditors' remuneration – audit fee	9	9
– non-audit fee	2	2
Professional fees	6	6
Depreciation	6	6
General expenses	16	24
Royalty payments	10	11
	61	81

7 GRANT LIABILITY

	2001 £'000	2000 £'000
Movements in the grant liability during the year were as below:		
Liability at beginning of year	5,196	4,998
Estimated cost of grants approved during the year	1,163	1,562
Changes made to previous fellowship awards	(397)	–
Cash paid on existing grants	(1,116)	(1,364)
Liability at end of year	4,846	5,196

8 GRANTS AWARDED

The five fellowships were awarded to individuals at the following institutions:

	2001 £'000
University of Cambridge	236
University of Manchester	202
University of Manchester	231
University of Manchester	255
University of York	239
Total grants awarded	1,163

9 TANGIBLE FIXED ASSETS

	Land and buildings £'000
Cost	
At 1 January 2001	273
Additions	–
Disposals	–
At 31 December 2001	273
Depreciation	
At 1 January 2001	29
Charge for year	6
Disposals	–
At 31 December 2001	35
Net book value	
At 31 December 2001	238
At 31 December 2000	244

10 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end. Included in bank and cash is £650,406 (2000: £346,143) of cash held on deposit by the investment manager as part of the investment portfolio.

	2001 £'000	2000 £'000
Market value at beginning of year	34,722	36,504
Purchases during the year at cost	3,401	7,819
Proceeds of sales during the year	(4,306)	(7,983)
Changes in market value of assets held as at 31 December 2001	(4,600)	(1,618)
Market value at year-end	29,217	34,722
Historical cost at year-end	27,330	28,113

The market value of investments at the year-end includes £6.98 million of listed investments which are from outside the UK.

Significant shareholdings, exceeding 5% of the value of investments, exist in the following:

	2001 £'000	2000 £'000
Vodafone Group plc	1,471	1,961
GlaxoSmithKline plc	1,523	1,743

11 DEBTORS

	2001 £'000	2000 £'000
Prepayments and accrued income	80	121
Other debtors	1	1
	81	122

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Accruals	311	375
Other creditors: including taxation and social security	44	122
	355	497

13 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service, and provision for one current employee's pension costs. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions paid are increased annually in line with published government figures.

The results of the actuarial valuation carried out in 2001 determined the provision brought forward at 1 January 2000 to have been insufficient to cover future supplementary pension payments and the costs associated with providing pensions for one current employee. This was reflected in the charge to the Statement of Financial Activities in accordance with the Institute's accounting policy to recognise any deficiency immediately.

Movements in the pension provision during the year were as below:

	2001	2000
	£'000	£'000
Provision at beginning of year	564	502
Charge to Statement of Financial Activities	50	151
Pensions paid	(80)	(89)
Provision at end of year	534	564

14 DONATIONS RECEIVED TO DATE

Donations have been received to date from:

	£'000
Dr Ludwig Mond (1893)	2
Berridge Trustees (1893-1898)	46
Worshipful Company of Grocers (1894 and 1969-1973)	15
Lord Iveagh (1900)	250
Lord Lister's Bequest (1913-1923)	19
William Henry Clarke Bequest (1923-1926)	7
Rockefeller Foundation (1935-1936)	3
Wolfson Foundation (1969-1973)	300
Jenner Memorial Studentship Fund (1984)	48
Professor William Bulloch Bequest (1990)	6
Other donations and legacies (1891-1998)	72
Centenary donations:	
Coopers & Lybrand	5
Guinness plc	5
ICI plc	5
Worshipful Company of Grocers	5
Coutts & Co	5
MacFarlanes	1
Donation of shares in Mediwatch	1
	799

15 UNRESTRICTED GENERAL FUND

	Realised	Unrealised	Total
	£'000	£'000	£'000
Balance at beginning of year	23,205	6,401	29,606
Movement in value of fixed asset investments	195	(4,795)	(4,600)
Deficit for the year	(70)	-	(70)
Balance at end of year	23,330	1,606	24,936

16 RELATED PARTY TRANSACTIONS

A member of the Governing Body, Professor Sir Alec Jeffreys, received royalty payments of £5,029 during 2001 (2000: £6,762). There were no other related party transactions in the year.

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

The White House, 70 High Road, Bushey Heath, Hertfordshire WD23 1GG

REPORT OF THE GOVERNING BODY

for the year ended 31 December

2001



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for the year ended 31 December 2001

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St Martins Office
440 Strand
London WC2R 0QS

Investment Advisors

J P Morgan Fleming Asset Management Ltd
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ

SCIENTIFIC ADVISORY COMMITTEE

for the year ended 31 December 2001

Professor Richard N Perham, ScD, FRS, *Chair*

Professor Sir Leszek K Borysiewicz, PhD, FRCP

Professor Nicholas D Hastie, PhD, FRSE

Professor Louise N Johnson, FRS (*Appointed October 2001*)

Professor E Birgitte Lane, FRSE (*Appointed July 2001*)

Professor Robert H Michell, DSc, FRS

Professor Alan B Rickinson, FRCP, FRS

Professor Janet M Thornton, CBE, FRS (*Resigned August 2001*)

Professor Cheryll Tickle, FRS (*Retired June 2001*)

ANNUAL GENERAL MEETING 25 JUNE 2002

REPORT OF THE GOVERNING BODY

THE YEAR 2001 saw the 20th anniversary of the launch of the Lister Institute Research Fellowship scheme. The success of the Fellows and former Fellows and the continued high quality of the applicants testifies to the quality of the people who have been appointed as Fellows in the past and to the prestigious reputation of the fellowships. I think, therefore, we can say quite assuredly that the Trustees, that is to say our predecessors as Governors, 'got it right' in their vision of the scheme and that the successive members of the Scientific Advisory Committee have 'got it very right' in their selection of Fellows. Unfortunately, past success is no guarantee of future triumphs and the Lister Institute cannot afford to rest on its laurels. The fellowship scheme operates within a changing scientific, economic and social environment. It is therefore essential to continually keep reviewing the nature of the scheme, the way in which it is funded, the recipients of awards and the research itself. This has been the basis of much of the behind-the-scenes work in 2001. As a result it has become increasingly clear that the Institute not only faces intense competition for good scientists for its fellowships, but increasing financial pressure which it cannot afford to ignore if it is to continue to operate in perpetuity. These considerations form the basis of much of the contents of this report.

Governing Body

The only change to occur in the membership of the Governing Body during this year was the retirement of Mr Edward Guinness as a co-opted member. He served the Institute for 32 years so that he witnessed not only the 'death' of the old Institute but the rebirth and, to his delight, the success of the new Institute. The Governors thank him sincerely for all his years of unflagging, dedicated support and wish him a long and happy retirement. Because of the fundamental review of its finances and direction the Institute is having to carry out, it was agreed by the Governors that no new appointment would be made until the strategic decisions relating to the way ahead have been taken. The intention then would be to appoint a person with the necessary experience and expertise to address the concerns and challenges identified.

Scientific Advisory Committee

The Governors have to report that Professor Cheryl Tickle, University of Dundee, retired by rotation from the Committee in 2001. The Governing Body wish to thank Professor Tickle for the important contribution that she has made to the Scientific Advisory Committee (SAC) over the last seven years and wish her every success in her career. The Governors would also like to congratulate Professor Cheryl Tickle on the award of a Royal Society Research Professorship. Professor Tickle was one of two female recipients of the award this year and is only the 54th person to be so honoured since the professorships were established in 1922. Professor Tickle has been replaced on the Committee by Professor Birgitte Lane, also from the University of Dundee, who will maintain the expertise in developmental biology that Professor Tickle supplied.

In addition the Governors wish to report, with regret, that Professor Janet Thornton, University College London, resigned from the Scientific Advisory Committee prior to her move to Cambridge to become Director of the European Bioinformatics Institute. In the light of this appointment and the added responsibilities of the post, Professor Thornton felt that she could not fulfil her SAC responsibilities properly. Professor Thornton has since been replaced by Professor Louise Johnson from the University of Oxford. Professor Johnson will bring a great deal of valuable experience and expertise in the area of structural biochemistry to the Committee. Because she is a replacement member, her appointment will be for five years rather than the usual six.

Institute Membership

Six Fellows who completed their fellowships either at the end of 2000 or during 2001 have been welcomed into membership. The new members are Professor Ian Day, University of Southampton; Dr Jeremy Derrick, University of Manchester Institute of Science & Technology; Professor Caroline Dive, University of Manchester; Dr Tom Evans, Imperial College School of Medicine; Dr Catherine Nobes, University College London; and Professor Robert White, University of Glasgow.

The Governors also wish to report that three existing members of the Institute, who were serving as representatives of their university or organisations, have resigned. Having retired from his post at the University of Strathclyde, Professor Sir John Arbutnott

resigned as representative of the Royal Irish Academy and has been replaced by Professor Ronan O'Regan, University College Dublin. Similarly, following his own retirement Professor Sir Henry Harris retired as representative of the University of Oxford and has been replaced by Professor Judith Armitage. Following a change of responsibilities within the University of Manchester, Professor Michael Grant felt that he too needed to resign as representative of the university. He has now been replaced by Professor Colin Stirling. The Governors are particularly delighted by the nomination of Professors Armitage and Stirling, who are both former Lister Research Fellows, as they believe that this will strengthen the ties between the Institute and the universities. The Governors are also delighted to report that Professor Alan Rickinson, University of Birmingham, has accepted their invitation to membership of the Institute after one year of service on the Scientific Advisory Committee.

On a sadder note the Governors have to report the death of Dr Ruth Sanger, FRS, a former member of the original Lister Institute and later head of the MRC Unit at the Institute. Dr Sanger died on 4 June 2001. It is also with great sadness that the Governors note the death of Dr Rosa Beddington who worked at the National Institute for Medical Research. Dr Beddington, who died on 18 May 2001 at the age of 45, was the second former Lister Fellow to be honoured by election to the Royal Society. Her early death from cancer is not only a personal tragedy but a significant loss to science and, in particular, to the continued progress in the field of developmental biology.

Financial Matters

Given the success of Lister Research Fellows in winning promotions and the fact that costs and salaries continue to rise, the Institute's expenditure likewise continues to rise. Unfortunately, this increased commitment has to be set against a financial market that has seen, for the second successive year, a decline in equity values. This is the first time this has happened since the early 1970s. Unfortunately too, it has coincided with the progressive erosion of the Advanced Corporation Tax credits and the continued decline in royalties. This combination of circumstances, which has resulted in a fall in income, has forced the Institute to undertake a fundamental review not only of its finances but of its longer term strategy and to investigate options for increasing its reserves and enhancing its cash flow while reducing its expenditure.

(a) Financial Statements

This year's Financial Statements are the first to be completed in line with the new Statement of Recommended Practice (SORP 2000) published by the Charity Commission. The practice, established last year, of making a full provision in the first year for the total cost over the expected life of each fellowship has been continued. It has also been necessary for the first time to allocate expenditure either to the support of charitable activities or to administration and management. No clear guidelines are laid down by the Charity Commission for this allocation, but the approach of allocating some of the staff salary costs to the Institute's charitable activities and likewise identifying as a separate item the direct investment management costs, that could be deemed a necessary cost of income generation, has been approved by the auditors. Other staff costs and expenditure incurred supporting the Governors have been left within management and administration expenses. The Financial Statements for 2001 show a capital and funds balance at the year-end of £24.94 million (2000: £29.61 million). After setting up provisions for the fellowships awarded in 2001 the grants liability at the end of the year was £4.85 million (2000: £5.20 million). The gross income for the year was £946,000 (2000: £1.01 million). This fall can be attributed to a decline in investment income and to the continued decline in the royalty income received by the Institute. In part the decline in the investment income reflects the state of the financial market, but it also reflects the continued reduction in the tax credits allowed to charities. These credits will fall to zero in 2004 corresponding to a loss of 15-20% of the Institute's investment income over the five-year period 1999-2004.

The estimated costs of fellowships approved during 2001 were £1.16 million (2000: £1.56 million). The Institute's actual cash expenditure on grants during the year declined from £1.36 million in 2000 to £1.12 million in 2001. This reduction reflects the fact that one Fellow has been on leave all year while she completes her clinical training and two other Fellows were granted six months' leave to undertake specialist training overseas. As presented in the Financial Statements, and after making the necessary provisions and adjustments, the total resources expended for the year declined to £1.02 million (2000: £1.95 million). £400,000 of this decline can be attributed to the recalculated provision for previous grants made and another £400,000 in the provision for grants made in 2001 because of the lower age limit and the absence of a clinical Fellow. General support costs

have also fallen because the Institute has reverted to its normal staff level of three following the handover period that preceded Mrs Richards' retirement. In 2000 there were also special items of expenditure arising from pension provisions for Mrs Richards and publishing the *Concise History of the Lister Institute*. In addition, in 2000 there was a significantly increased provision for pension costs following the actuarial evaluation of the supplementary pensions paid by the Institute. This increased contribution arose from the unusual longevity of the former staff members of the Lister Institute. A further increased provision, albeit smaller, has also been made this year.

Adopting SORP 2000 has had the effect of giving a more accurate picture of financial costs and efficiency. Under SORP 2000 rules the real costs of management and administration can be seen to be 13% of total expenditure rather than 20%, while the direct expenditure on grants has risen from 80% to 83%. If supplementary pension payments are excluded, as they are a discretionary item, the actual management and administration costs fall to 8%. This represents a creditable performance in the quest to maximise charitable expenditure.

(b) Reserve and Investment Policies

Under the terms of SORP 2000 the Institute's trustees are required to demonstrate not only that they have considered all the financial and management risks facing the Institute, but also have taken steps to avoid them where possible and to minimise them when avoidance is not possible. The major risks identified by the Governors all relate to the consequences of external factors. Examples include large rises in academic salaries, prolonged market stagnation or collapse and the imposition of overhead charges on grants paid to the universities. It was agreed that if any of these risks actually occurred there would be significant negative implications for the Institute's finances which would necessitate a significant review of, and reduction in, the Institute's charitable activities. This conclusion reinforced the recognition by the Governors that they needed to review the Institute's strategy and take steps to cut back on expenditure.

The Institute's reserves policy, which is reviewed annually by the Governors, is to maintain sufficient financial resources to provide income to meet current and future commitments as they fall due. There is also the expectation that the funds will remain at sufficiently high levels to generate enough income for the Institute to be able to award its

own Research Fellowships in perpetuity. In order to ensure this it was agreed that a prudent minimum value for the Institute's reserves would be £30 million less current liabilities, not allowing for all provisions and charges. It was felt, however, that £32 million would be advisable and ideally, the figure should be £35 million. Having decided on this policy at the end of 2000, the equity market declined steadily throughout the first half of 2001 so that by the end of August assets had fallen below £32 million for the first time. The tragic events of 11 September triggered a further stock market fall but by the end of December the Institute's assets had climbed back to £30 million. As the markets continued to be characterised by significant volatility and signs of plateauing, at least in the short term, it was agreed that the Institute should actively look for alternative sources of income to boost its reserves and reduce the number of fellowships awarded in order to reduce its future financial commitments and expenditure.

The Institute's investment policy is to continue with the total return strategy of meeting its financial commitments from a mixture of investment income and capital growth. There has been no significant re-structuring of the investment portfolio over the last year and the representatives of J P Morgan Fleming Asset Management, who look after the Institute's investments, believe the key to successful implementation of the investment policy is stock selection rather than asset category selection. In fact they maintain that 80% of the investment returns come from stock selection with perhaps 20% from asset selection. The policy statement includes a clear definition of acceptable and unacceptable investments and sets limits to the extent to which investments can be made in the various asset categories. A minor adjustment to the investment restrictions has been made this year at the investment manager's request in order to enable them to diversify holdings in fixed income funds by investing in a general bond fund which can include gilts, overseas government bonds and corporate bonds. The investment policy is discussed on a regular basis with the investment managers and benchmark targets and levels of expected return commensurate with acceptable levels of risk are agreed annually. The policy is confirmed or amended annually by the Governing Body.

(c) Investment Markets

Following the fall in share prices over the first nine months of the year there was a market recovery from the end of October but it was not sufficient to wipe out the losses

that accumulated earlier in the year. This means, despite the fact that the Institute's funds performed better than the peer group benchmark and the FTSE index, the General Fund's value declined significantly in 2001. In addition, equity values have demonstrated a significant volatility within and between sectors. In contrast to the equity markets, positive returns have been earned from the bond market and also from the property fund investment. At the year-end, investments were categorised as follows: UK Equities 63%, Overseas Equities 21%, UK Fixed Interest 8%, Overseas Bonds 3%, Property 3%, Cash 2%. (In 2000, comparable figures were: UK Equities 66%, Overseas Equities 21%, UK Gilts 7%, Overseas Bonds 2%, Property 3%, Cash 1%.)

(d) Income from the Exploitation of Research

The gross royalty income received by the Institute in 2001 was £24,000 (2000: £39,000). After payments to third parties, the royalty income fell to £14,000 (2000: £28,000). This year-on-year decline is attributable to the fall in royalties paid to the Institute by Cellmark Diagnostics and the cessation of royalties paid by the University of Leicester for the sale of DNA gyrase. With regard to Cellmark Diagnostics, the reduced payment reflects the changing pattern of the company's business activities and their increased reliance on PCR technology. In the case of the University of Leicester and royalties from DNA gyrase sales, the former Lister Institute Research Fellow, Professor Tony Maxwell, has now moved to the John Innes Centre where they are currently in the process of re-establishing production facilities and developing a customer base. Whether this will be successful, is unclear at this stage.

The Institute continues to hold shares in the start-up company, Prolifix, some of whose technology is based on an invention of Professor Nick La Thangue, a former Lister Institute Research Fellow. The company hopes to get its first products through into clinical trials within a couple of years. A patent assignment and revenue-sharing agreement has also been reached with Cancer Research Ventures relating to a patent filed by Dr Magdalena Zernicka-Goetz, a Lister Institute Fellow at the Wellcome/CRC Institute in Cambridge. Some industrial interest has been expressed in this patent but, as yet, its long term prospects are unclear.

Research Fellowship Scheme

(a) Current Status and Activities

Although the Lister Institute does not have the financial resources to match other major charities like the Wellcome Trust, the big cancer charities or research councils such as the MRC, its fellowships continue to be regarded as highly prestigious awards and a significant career and research opportunity. The success of the Scientific Advisory Committee in picking 'winners' and the commitment of the Fellows and former Fellows to research is easily demonstrated by the succession of high quality, high impact papers published by them and the regularity with which they win awards and promotions. Of those former Fellows remaining in British universities two-thirds hold personal chairs, whilst 60% of former Fellows overall also hold chairs, even taking into account those who have moved into industry or who work in research institutions that do not award professorships.

The changing academic and research environment is reflected in the fact that this year the Lister Institute made the application forms available electronically. This experiment worked very well and will be continued in the future. 151 enquiries were received for the 2002 fellowships. This is a slight increase from last year's 129 enquiries but still a significant drop from 2000 and even more so from 1999. A large part of the drop has undoubtedly been due to the lowering of the age limit, but some may be due to the increased competition for fellowships from other sources. This year, 25 enquiries were received from overage applicants; of these only six were approved, five of them leading to applications. Applications were also received from two candidates who were overage and their requests to proceed were subsequently approved by the Institute. Of the 51 applications received (2001: 46) four were from clinicians and 45% were from women, a significant rise from the 30% recorded in 2001. There were no significant changes in the numbers of those applicants who were originally from overseas or who were tenured (28% and 23% respectively). This year 41% of the applicants were within two years of the age limit, a rise from 2001 when only 30% were within this category. It is hoped that the rise in both enquiries and applications is evidence that the decline in interest in the Institute's fellowship scheme has 'bottomed out'.

The Fellowship Weekend was held once again at Christ's College, Cambridge, at the beginning of September and, as usual, was highly successful. Four Fellows, Dr Kim

Watson, University of Oxford, Professor Gurdial Besra, University of Newcastle, Dr Joan Boyes, Institute of Cancer Research, and Professor Nigel Scrutton, University of Leicester, spoke for the first time. Other talks were given by Dr Jeremy Derrick, UMIST, Dr Frances Platt, University of Oxford, and Professor Robert White, University of Glasgow, who were all in the final year of their respective fellowships, and by Dr Phillip Hawkins from the Babraham Institute and Professor Bernard Connolly, University of Newcastle, who are both former Fellows.

(b) Research Fellowship Awards

Five fellowships were awarded in 2001. The recipients were:

Dr Hilary Ashe, University of Sheffield

Dr Dawn Coverley, University of York

Dr Dino Giussani, University of Cambridge

Dr Cathy Tournier, University of Manchester

Dr Alan Whitmarsh, University of Manchester

Dr Ashe was subsequently given permission to delay the commencement of her fellowship by three months and to transfer it to the University of Manchester. Dr Ashe's interests are in the developmental regulation of gene expression. During the course of the investigation it is proposed to investigate how different transcriptional outputs are generated from an activity gradient and the role of transcriptional activator and repressor binding sites in this.

Dr Coverley is currently based at the Wellcome/CRC Institute in Cambridge and is transferring her work on the control of mammalian cell proliferation and its de-regulation in cancer to the University of York. Specifically, Dr Coverley proposes to look at the DNA replication complex assembly and activation, focusing on cycle independent kinase proteins and their role in the replication initiation process.

Dr Giussani's research interests are targeted at understanding foetal well-being during development and preventing post-natal diseases, which might result from intra-uterine stresses. The objectives of the research proposed during the fellowship are to characterise the effect on the cardiovascular system of foetal exposure to adverse conditions, to determine the physiological mechanisms mediating these effects and to establish whether or not foetal adaptation to these adverse conditions persists into post-natal life.

Subsequently, the Governors have given Dr Giussani permission to take a nine-month sabbatical that will enable him to look at disease occurrence in human populations within the Andes comparing high and low altitude populations across the social spectrum.

Dr Tournier's interests are in understanding how mitogen-activated protein kinase signalling pathways regulate cell fate. Within the University of Manchester the objectives of her research group are to elucidate the molecular mechanisms by which these kinases promote neuronal apoptosis. The Lister Research Fellowship will be used to test the hypothesis that kinase-dependent apoptosis is an essential mechanism by which stress produced during brain injury (e.g. stroke, infections and neuro-degenerative disorders) mediates neuronal death. It is hoped that the information gained from this project will lead to the recognition of brain-specific molecules involved in the apoptotic process. These molecules in turn could constitute targets for the development of novel drugs for the prevention of damage to the nervous system.

Dr Alan Whitmarsh's aims are to understand the mechanisms underlying the regulation of intra-cellular signalling pathways. The objectives of his research group at the University of Manchester are to elucidate the novel signalling mechanisms by which scaffold proteins regulate mitogen-activated protein kinase pathways and to establish the biological importance of the scaffold proteins in coupling intra-cellular pathways to cell functions. Overall it is hoped that the studies will contribute to understanding the mechanisms that cells employ to ensure correct responses to extra-cellular stimuli.

(c) Current Lister Institute Research Fellows

The Governors warmly congratulate:

Dr Anant Parekh, University of Oxford, on the award of the Wellcome Prize in Physiology for 2002 by the UK Physiological Society.

Dr Andrew Sharrocks, University of Manchester, on the award of the Tenovus Medal for 2002.

Dr David Strutt, University of Sheffield, on his promotion to Reader with effect from 1 October 2001.

Dr Kim Watson, University of Oxford, on her promotion to Reader, with effect from 1 October 2001, at which date she transferred her fellowship to the University of Reading.

The Governors warmly congratulate **Dr Catherine Nobes**, University College London, on the award of a MRC Senior Research Fellowship and **Dr Magdalena Zernicka-Goetz**, University of Cambridge on the award of a Wellcome Trust Senior Research Fellowship. The first of these came into effect on 1 October 2001, the latter from 1 April 2002. This is the first time that current Fellows have been awarded these prestigious senior research fellowships and this achievement is confirmation of the value of the Lister Institute Research Fellowships in developing the research careers of young scientists.

The Governors wish to report that the following Fellows completed their fellowships:

On 28 February 2001:

Dr Caroline Dive, University of Manchester, after five years.

On 30 September 2001:

Dr Catherine Nobes, University College London, after four years.

Dr Jeremy Derrick, UMIST, after five years

Professor Robert White, University of Glasgow, after five years.

The Governors also wish to report that:

Dr Frances Sanderson, University of Oxford, has been on leave from her fellowship for the whole of 2001 in order to complete her clinical training.

Dr Andrew Carmichael, University of Cambridge, and **Professor Jonathan Walto**, University of Sheffield, were given six months' sabbatical from their fellowship to undertake specialist training. Dr Carmichael went to Emory University in the United States to learn new techniques relevant to his research on T cells. Professor Walto visited the Technical Research Centre of Finland to be trained in small-angle x-ray scattering methodology.

Dr Kim Watson was granted six months' leave with effect from 1 October in order to facilitate the transfer of her research group from the University of Oxford to the University of Reading.

(d) Former Lister Institute Research Fellows

The Governors warmly congratulate:

Dr Wendy Bickmore, MRC Human Genetics Unit Edinburgh, on her election as a member of EMBO in 2001 and for being nominated as the Charles Darwin Award Lecturer 2001 at the British Association for the Advancement of Science.

Professor Julian Blow, University of Dundee, on the award of a personal chair in Chromosome Maintenance from November 2001.

Dr Mark Buttner on his appointment as Honorary Reader at the University of East Anglia from 1 August 2001.

Professor Barry Halliwell on his appointment as Deputy Director of the Office of Life Sciences and Head of the Department of Biochemistry at the National University of Singapore from 1 July 2001.

Professor Simon Kroll on his election as a Fellow of the Academy of Medical Sciences 2001.

Professor Pedro Lowenstein on his appointment as Director and Head of the Gene Therapeutics Research Institute at Cedars Sinai Medical Center, Los Angeles and as Professor of Medicine at the University of California, Los Angeles from 1 September 2001.

Professor Jane McKeating, University of Birmingham, on her appointment as a visiting Professor at the Rockefeller University in New York from 1 January 2001.

Professor Tony Maxwell, John Innes Centre, on his appointment as Honorary Professor of Biological Sciences at the University of East Anglia from 1 August 2001.

Professor Colin Taylor, University of Cambridge, on his appointment as Professor of Cellular Pharmacology from 1 October 2001.

The Governors wish to endorse and reiterate the congratulations of the Chair to:

Professor Sir Leszek Borysiewicz, Imperial College School of Medicine, on the award of a knighthood in the New Year's Honours List 2001. They also wish to extend their congratulations on his appointment as Principal of the Imperial College School of Medicine with effect from 1 February 2001.

(e) Lister Institute Research Fellowships: The Way Ahead

While ultimately the strategic direction and the range of activities of the Institute must be set by the Trustees, the views of the Fellows and former Fellows were sought as part of the ongoing review. A number of general conclusions could be drawn from the responses received. Firstly, the Fellows and former Fellows were unanimous in their belief that the research fellowship scheme had been, and still is, very successful and continues to meet the needs of the recipients. They therefore felt that the existing format was essentially correct and that, as far as possible any changes should be kept to the minimum. They also believed strongly that the Institute's name, independence and the status of the fellowships, should be protected. The third point made was that while any enhancement of the fellowship's terms, whether it be consumables, salary or technical support, would be highly desirable, it is not absolutely essential. They also recognised that the Institute cannot afford to compete directly with bodies such as the Wellcome Trust or the MRC. Instead, they advised that the Institute should concentrate on maintaining its own unique niche and ethos and, as far as possible, should keep its fellowships attractive rather than strive to be directly competitive. The point was made too that the Lister Institute is not the only body to be suffering from falling fellowship applications. The final general comment was that the Institute should emphasise more strongly its many achievements and market itself more actively within the academic community if it wants to maintain fellowship application rates.

None of the Fellows and former Fellows really felt in a position to comment on the financial strategy or position of the Institute but in general their view was that the Institute should not indulge in fundraising since it has no obvious captive set of supporters. On the operational side the Fellows were unanimous that the senior research fellowship status should be preserved and, if the only way to do this was to reduce the number of fellowships awarded per annum, this should be done, albeit reluctantly. However they did not feel the scheme would be viable if the number of fellowships dropped below three per year nor did they feel it would be advantageous to maintain the current level of fellowships but only award them on an every-other-year basis. Special pleading was made in equal measure for tenured and non-tenured researchers, and also for clinical and non-clinical candidates leading to the overall conclusion that the current mix of Fellows should be maintained. Similarly it was felt to be in the interest of the

Fellows to continue the policy of allowing them to choose their own research area. The duration of the fellowships was also thought to be about right for a prestigious award.

Conclusion

Thanks to modern technology we live in what is often termed a global village. This concept applies as much to scientific research as it does to leisure, industry and the financial sector. Scientific advances generate new technologies which can underpin existing industries and generate new ones. The charitable sector has played a significant part in ensuring that the UK is at the forefront of progress in the internationally important pharmaceutical industry, in healthcare and in biotechnology. Despite its relatively small size, the Lister Institute too has played a key part in the achievement of the UK's international reputation for biological research.

In what may be my last report, I would like to thank my fellow Governors for all their advice and support over the years. I would also like to express my thanks to the staff at the Institute, members of the Scientific Advisory Committee and the members of the Investment Sub-Committee for all their hard work and dedicated support of the Institute and its objectives. Thanks to the success of the former Fellows, the influence of the Lister Institute is much greater than its actual size should merit. So, on behalf of the Governors, I would like to thank all those Fellows and former Fellows whose hard work and commitment to the fellowship scheme have done so much to enhance the Institute's reputation and, by their interactions, to ensure that being a Lister Institute Research Fellow is a unique and possibly life-changing experience. Finally, I would like to express our thanks to those former Governors and Scientific Advisory Committee members whose advice, support and assistance have contributed so much to the continuing success of the fellowship scheme. We wish them every success and happiness in their retirement, in their future careers and hope that our paths will continue to cross.

Anne McLaren, Chair



THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

The White House, 70 High Road, Bushey Heath, Hertfordshire WD23 1GG

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2002



The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

THE GOVERNING BODY

for the year ended 31 December 2002

Dr Bridget M Ogilvie, DBE, ScD, FRCPath, FIBid, FmedSci, *Chairman (from October 2002)*

Dr Anne L McLaren, DBE, MA, DPhil, FRCOG, FRS, *Chair (until September 2002)*

Peter W Allen, MA, FCA, *Hon Treasurer*

Mr W Lawrence Banks, CBE

G James M Buckley

Professor H John Evans, CBE, PhD, FRCPE, FRSE

Hon Rory M B Guinness

Professor Sir Alec J Jeffreys, DPhil, FRS

Dr Alan J Munro, PhD (*until November 2002*)

Professor Richard N Perham, FCD, FRS

Professor J G Patrick Sissons, MD, FRCP, FRCPath

Professor Anne E Warner, PhD, FRS

Secretary, and Clerk to the Governors: F K Cowey, MA, BSc, DAS

Address of principal office of the charity:

The White House
70 High Road
Bushey Heath
Hertfordshire WD23 1GG

Professional advisors

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Investment Advisors

J P Morgan Fleming Asset Management (UK) Ltd
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

FINANCIAL REPORT OF THE GOVERNING BODY

for the year ended 31 December 2002

The Institute is a company limited by guarantee and has charitable status. The Trustees of the Institute are the members of the Governing Body.

Six members of the Governing Body are appointed by the members at the Annual General Meeting. Up to four members are co-opted by the Governing Body, although there are currently only three such appointees. One member is Lord Iveagh's representative and the final member is a representative of the Royal Society.

The Governing Body presents the financial statements of the Institute for the year ended 31 December 2002. A separate Report of the Governing Body is prepared.

Results

The results for the Institute for the year ended 31 December 2002 are set out on page 5. The net income for the financial year is £861,000 (2001: net deficit £70,000).

The value of the Institute's cash and investments has decreased in aggregate by £6.6 million during the year (2001: £5.1 million decrease). The governors confirm that sufficient funds are available to fulfil the obligations of the Institute.

Principal activities & future operations

The object of the charity is to further knowledge into preventive medicine. The income of the Institute is utilised to support medical research, through the award of fellowships assessed by the Scientific Advisory Committee who are appointed to advise the Governing Body on these fellowships. Three fellowships have been awarded during 2002 (2001: five). No fellowships will be awarded in the financial year 2003 due to financial prudence. The future activities of the Institute are under review with a view to implementing a new financially sustainable scheme in 2004 that would address the Institute's charitable objects.

Consideration of risk

The Institute carries out an annual review of the risks that the organisation faces and reviews the effectiveness of the controls necessary to mitigate and monitor these risks.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 11 to the financial statements.

Financial issues and investments

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives. The last are achieved through the award of senior research fellowships. Costs tend to increase year by year due to inflation and other salary changes.

The Governing Body wishes to make in perpetuity as many awards to candidates of an appropriate standard as it can prudently grant. The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk. The Institute has appointed investment managers to administer its funds on a discretionary basis, which on the advice of the investment managers is held within the following overall limits:

	%
Equities	70-90
UK equities	55-75
Overseas equities	15-25
Fixed interest and cash	10-30
UK bonds	5-25
Overseas bonds	0-5
Property	0-5
Cash	0-5

The performance of the investment portfolio is reviewed by the Investment Sub-Committee, which has at least three meetings each year with the investment managers and which receives

FINANCIAL REPORT OF THE GOVERNING BODY (CONTINUED)

for the year ended 31 December 2002

detailed monthly valuation and transaction reports. The investment policy is reviewed on an annual basis by the Governing Body.

Reserves policy

The policy of the Governors is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity. The reserves policy is reviewed on an annual basis by the Governing Body.

Governing Body

The members of the Governing Body who served at any time during 2002 are shown on page 1.

Governors' responsibilities

The governors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the income and expenditure of the Institute for that period.

The governors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2002.

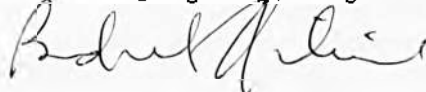
The governors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000. The governors are also responsible for

safeguarding the assets of the Institute and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Institute will be proposed at the next annual general meeting.



DR BRIDGET M OGILVIE

Chairman

24 June 2003

INDEPENDENT AUDITORS' REPORT

to the members of The Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine ("the Institute") which comprise the Statement of Financial Activities, the Balance Sheet and the related notes.

Respective responsibilities of governors and auditors

The governors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of governors' responsibilities.

The Institute's governors also act as trustees for the charitable activities of the Institute.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Institute's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the governors' report is not consistent with the financial statements, if the Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any

apparent misstatements or material inconsistencies with the financial statements. The other information comprises the governors' report only.


Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs at 31 December 2002 and of its net incoming resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PRICEWATERHOUSECOOPERS LLP

Chartered Accountants and Registered Auditors
London

24 June 2003

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
INCOME AND EXPENDITURE			
Incoming resources			
Investment income	2	898	902
Interest receivable		29	12
Other income	3	13	32
Total incoming resources		940	946
Charitable expenditure			
Costs of generating funds	4	(23)	(43)
Costs of activities in furtherance of the charity's objects:			
Grants awarded during the year	9, 10	(740)	(1,163)
Decrease in grants liability from previous fellowship awards	9	871	397
Support Costs	6	(57)	(54)
Management & Administration	7, 8	(130)	(153)
Total resources expended		(79)	(1,016)
Net income/(expenditure)		861	(70)
NET GAINS/(LOSSES) ON INVESTMENT ASSETS			
Realised	17	(2,415)	195
Unrealised	17	(3,731)	(4,795)
Net movements in funds		(5,285)	(4,670)
Capital and funds brought forward		24,936	29,606
Capital and funds carried forward		19,651	24,936

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown.

The notes set out on pages 7 to 12 form part of these financial statements.

BALANCE SHEET

as at 31 December 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	11	233	238
Investments	12	22,883	29,217
		23,116	29,455
Current assets			
Debtors	13	79	81
Cash at bank and in hand		858	1,135
		937	1,216
Creditors			
Amounts falling due within one year	14	(432)	(355)
Net current assets		505	861
Total assets less current liabilities		23,621	30,316
Long term liabilities			
Grants	9, 10	(3,479)	(4,846)
Pensions	15	(491)	(534)
Net assets		19,651	24,936
<i>represented by</i>			
Unrestricted funds			
General	17	19,651	24,936

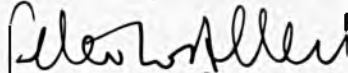
The Governors have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 24 June 2003



DR BRIDGET M OGILVIE
PETER W ALLEN

Members of the
Governing Body



The notes set out on pages 7 to 12 form part of these financial statements.
Auditors' Report on page 4.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

I PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2000), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are as follows:

a Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

b Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful life of the fixed assets concerned. The principal annual rate used for land and buildings is 2%. The capitalisation limit for fixed assets is set at £10,000. Expenditure incurred on minor office equipment is written off on acquisition.

c Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the general fund in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

d Incoming Resources

All incoming resources, with the exception of royalty income, are accounted for on a receivable basis.

e Royalties

Royalties are accounted for on an accruals basis.

f Grants

Provision is made at the time of making a grant for the full cost over the expected life of the fellowship, which may be up to five years. Whilst payment of grants in the second and subsequent years of a fellowship continues to be subject to performance by the recipient, the policy is considered necessary to reflect the Governors' experience that only in rare cases are grants not continued for the expected full term.

g Charitable expenditure

Expenditure is accounted for on an accruals basis. Charitable expenditure comprises all expenditure directly relating to the objects of the charity.

The allocation of expenditure between support costs and management and administration costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as management and administration costs with the exception of a proportion of salary and related costs, which have been incurred conducting activities in furtherance of the charity's objects. These have been classified as support costs. The prior year figures have been reclassified to comply with this treatment.

h Supplementary pensions and staff pensions

Provision is made in the financial statements for the total estimated future supplementary payments, discounted to reflect the timing of the payments. This represents the estimated amount that would have to be invested were the supplementary pensions to be separately funded ("the notional investment").

The provision for future supplementary pension costs and the charge to the Statement of Financial Activities are calculated every three years by an independent professionally qualified actuary. Any surplus or deficiency in the provision is recognised immediately.

The provision and charge to income have been calculated on the basis of an actuarial valuation as at 1 January 2001, using the following main assumptions:

- The number of persons to whom supplementary pensions are paid will not increase;
- The return on the notional investment will be 5%.

Existing employees are subject to a defined contribution scheme which is expensed as incurred. Employees currently then in service will retire at 65.

2 INCOME FROM FIXED ASSET INVESTMENTS

	2002	2001
	£'000	£'000
Listed investments	865	902
Unlisted investments	33	—
	898	902

3 OTHER INCOME

	2002	2001
	£'000	£'000
Rental income	8	8
Royalty income	5	24
	13	32

4 COSTS OF GENERATING FUNDS

	2002	2001
	£'000	£'000
Investment management fees	23	43

5 GOVERNING BODY AND STAFF COSTS

5 (a) Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2001: nil). Travel expenses of £1,329 (2001: £1,370) incurred by members of the Governing Body in connection with their attendance at meetings are reimbursed.

Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £600 (2001: £600) was paid to one of the members.

(b) Employee information

The average number of persons employed by the Institute during the year was 3 (2001: 3), all of whom were employed in an administrative capacity. No employee earned £50,000 p.a. or more.

(c) Staff Costs

	2002	2001
	£'000	£'000
Gross salaries and pension contributions	86	79
Employer's national insurance and state pension contributions	6	6
	92	85

The salary costs are divided between support costs and management & administration costs.

6 SUPPORT COSTS

	2002	2001
	£'000	£'000
Salaries, pension contributions and employer's national insurance	46	42
Other costs	11	12
	57	54

7 MANAGEMENT & ADMINISTRATION COSTS

	2002	2001
	£'000	£'000
Salaries, pension contributions and employer's national insurance	46	42
Supplementary pension costs	40	50
Miscellaneous (Note 8)	44	61
	130	153

8 MISCELLANEOUS EXPENDITURE

	2002	2001
	£'000	£'000
Office expenses	12	6
Travel expenses	3	6
Auditors' remuneration – audit fee	7	9
– non-audit fee	–	2
Professional fees	3	6
Depreciation	5	6
General expenses	13	16
Royalty payments	1	10
	44	61

9 GRANTS LIABILITY

Movements in the grant liability during the year were as below:

	2002	2001
	£'000	£'000
Liability at beginning of year	4,846	5,196
Estimated cost of grants approved during the year	740	1,163
Changes made to provisions for fellowship awards	(871)	(397)
Cash paid on existing grants	(1,236)	(1,116)
Liability at end of year	3,479	4,846

10 GRANTS AWARDED IN THE YEAR

The three fellowships were awarded to individuals at the following institutions:

	2002
	£'000
University of Cambridge	233
University of Cambridge	252
Imperial College of Medicine, Science and Technology	255
Total grants awarded	740

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings
	£'000
Cost	
At 1 January 2002 and 31 December 2002	273
Depreciation	
At 1 January 2002	35
Charge for year	5
At 31 December 2002	40
Net book value	
At 31 December 2002	233
At 31 December 2001	238

12 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end. Included in bank and cash is £637,814 (2001: £650,406) which are held by the investment manager as part of the investment portfolio.

	2002	2001
	£'000	£'000
Market value at beginning of year	29,217	34,772
Purchases during the year at cost	4,823	3,401
Proceeds of sales during the year	(5,011)	(4,306)
Changes in market value of assets held as at the year-end	(6,146)	(4,600)
Market value at year-end	22,883	29,217
Historical cost at year-end	24,681	27,330

The market value of investments at the year-end includes £5.54 million (2001: £6.98 million) of listed investments, which are outside the UK.

Significant shareholdings, exceeding 5% of the value of investments, exist in the following:

	2002	2001
	£'000	£'000
JPMF Instl Continental Europe Fd 'C'	2,359	-
Fledgling Bond Fund Units	2,481	-
Vodafone Group plc	-	1,471
GlaxoSmithKline plc	-	1,523

13 DEBTORS

	2002	2001
	£'000	£'000
Prepayments and accrued income	49	51
Other debtors	30	30
Total debtors	79	81

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£'000	£'000
Taxation and social security	2	—
Other creditors	—	44
Accruals	430	311
Total creditors falling due within one year	432	355

15 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions paid are increased annually in line with published government figures.

The results of the actuarial valuation carried out in 2001 determined the provision brought forward at 1 January 2000 to have been insufficient to cover future supplementary pension payments. This was reflected in the charge to the Statement of Financial Activities in accordance with the Institute's accounting policy to recognise any deficiency immediately.

Movements in the pension provision during the year were as below:

	2002	2001
	£'000	£'000
Provision at beginning of year	534	564
Charge to Statement of Financial Activities	40	50
Pensions paid	(83)	(80)
Provision at end of year	491	534

16 DONATIONS RECEIVED TO DATE

Donations have been received to date from:

	£'000
Dr Ludwig Mond (1893)	2
Berridge Trustees (1893-1898)	46
Worshipful Company of Grocers (1894 and 1969-1973)	15
Lord Iveagh (1900)	250
Lord Lister's Bequest (1913-1923)	19
William Henry Clarke Bequest (1923-1926)	7
Rockefeller Foundation (1935-1936)	3
Wolfson Foundation (1969-1973)	300
Jenner Memorial Studentship Fund (1984)	48
Professor Williequest (1990)	6
Other donations and legacies (1891-1998)	72
Centenary donations:	
Coopers & Lybrand	5
Guinness plc	5
ICI plc	5
Worshipful Company of Grocers	5
Coutts & Co	5
MacFarlanes	1
Donation of shares in Mediwatch	1
	795

17 UNRESTRICTED GENERAL FUND

	Realised	Unrealised	Total
	£'000	£'000	£'000
Balance at beginning of year	23,330	1,606	24,936
Movement in value of fixed asset investments	(2,415)	(3,731)	(6,146)
Income for the year	861	—	861
Balance at end of year	21,776	(2,125)	19,651

18 RELATED PARTY TRANSACTIONS

A member of the Governing Body, Professor Sir Alec Jeffreys, received royalty payments of £843 during 2002 (2001: £5,029). There were no other related party transactions in the year.


THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

The White House, 70 High Road, Bushey Heath, Hertfordshire WD23 1GG

REPORT OF THE GOVERNING BODY

for the year ended 31 December

2002



The Lister Institute of Preventive Medicine
is a company limited by guarantee (England 34479)
and a registered charity (206271)

THE GOVERNING BODY

for the year ended 31 December 2002

Dr Anne L McLaren, DBE, MA, DPhil, FRCOG, FRS, *Chairman (Retired September 2002)*

Dr Bridget M Ogilvie, DBE, ScD, FRS, *Chairman (Appointed October 2002)*

Mr Peter W Allen, MA, FCA, *Hon Treasurer*

Mr W Lawrence Banks, CBE

Mr G James M Buckley

Professor John H Evans, CBE, PhD, FRCPE, FRSE

Hon Rory M B Guinness

Professor Sir Alec J Jeffreys, DPhil, FRS

Dr Alan J Munro, PhD (*Retired November 2002*)

Professor Richard N Perham, ScD, FRS

Professor J G Patrick Sissons, MD, FRCP, FRCPath

Professor Anne E Warner, PhD, FRS

Secretary, and Clerk to the Governors: F K Cowey, MA, BSc, DAS

Professional advisors

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Auditors

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Investment Advisors

J P Morgan Fleming Asset Management (UK) Ltd
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ

SCIENTIFIC ADVISORY COMMITTEE

for the year ended 31 December 2002

Professor Richard N Perham, ScD, FRS, *Chairman*

Professor Sir Leszek K Borysiewicz, PhD, FRCP (*Retired June 2002*)

Professor Nicholas D Hastie, PhD, FRSE, FRS

Professor Dame Louise N Johnson, FRS

Professor J Simon Kroll, FRCP, FRCPC (*Appointed July 2002*)

Professor E Birgitte Lane, FRSE

Professor Robert H Michell, DSc, FRS

Professor Alan B Rickinson, FRCP, FRS

ANNUAL GENERAL MEETING 24 JUNE 2003

REPORT OF THE GOVERNING BODY

OVER the 21 years in which Lister Institute Research Fellowships have been awarded, a total of 95 young scientists have accepted the opportunity offered to develop their research careers. Based on the track record of the 72 former Fellows, they have all been capable and motivated enough to grasp this opportunity with both hands. Unfortunately, this continued success in the field of research is now being threatened by the pressure of events elsewhere. Since 1999 stock markets have been in decline and tax regimes have changed and this has had a serious impact on the financial strength of the Institute. The Governors' concerns in this case were reflected in the 2001 Annual Report and in 2002 the views of Fellows and former Fellows were sought as to the way forward. With hindsight, the actions taken were not drastic enough, but the period of debate and enquiry has provided a sound platform from which further, more extensive action can be taken. This process of change is currently underway but the results of this activity will not be apparent until the 2003 report. However, the Governors believe that rather than simply responding to a threat they are also seizing an opportunity to allocate the Institute's resources in a more cost effective way. In the meantime there is the ongoing success of the Fellows to applaud.

Governing Body

The last year has seen a couple of changes to the membership of the Governing Body; the first was the retirement of Dr Anne McLaren, the Chairman of the Governing Body. Dr McLaren had provided enthusiastic and unflagging support for the Institute for 21 years, starting as a member and later, the Chairman of the Scientific Advisory Committee as the representative of the Royal Society on the Governing Body and, finally, acting as its Chairman. Her advice, support and careful stewardship will be greatly missed and we wish her well in her retirement from the Institute knowing that this will give her more time to take on other duties and to continue her research. In her place the other Governors are

delighted to welcome Dr Bridget Ogilvie to the position of Chairman. Dr Ogilvie brings with her a formidable record of achievement, including having been the Director of the Wellcome Trust, a Director of AstraZeneca, a Trustee of Cancer Research UK and a former Chairman of Copus, the Royal Society led body in the communication of science. Given the uncertain times facing the Institute, this expertise and experience is doubly welcome. The other retirement from the Governing Body involved Dr Alan Munro. Dr Munro, the former Master of Christ's College, Cambridge, had valuable experience in academia and business development and made viable contributions to the discussions of the Investment Sub-Committee, where his input will be sorely missed. The rest of the Governors wish Dr Munro a long and happy retirement.

Scientific Advisory Committee

The Governors have to report that Professor Sir Leszek Borysiewicz, Imperial College School of Medicine, retired by rotation from the Committee in 2002. The Governors wish to thank Professor Borysiewicz for the important contributions he made over the last six years and wish him every success in his ongoing career. Professor Borysiewicz has been replaced on the Committee by Professor Simon Kroll, also from Imperial College School of Medicine, where he leads the molecular infectious diseases group at St Mary's Hospital campus. Professor Kroll, like Professor Borysiewicz, is a former Lister Institute Research Fellow and he will provide the clinical expertise previously supplied by Professor Borysiewicz.

The Governors would like to congratulate Professor Nicholas Hastie on his election as a Fellow of the Royal Society in 2002. Professor Hastie, who is the Director of the MRC Human Genetics Unit, University of Edinburgh, has played an important role in improving understanding in mammalian developmental genetics, genome organisation and gene expression. The Governors also want to warmly congratulate Professor Louise Johnson who is at the Laboratory of Molecular Biophysics, University of Oxford, on the award of a DBE in the 2003 New Year's Honours List for her contribution to biophysics.

Institute Membership

Six Fellows, who completed their fellowships during 2002, have been welcomed into membership. The new members are Dr Vincent Cunliffe, University of Sheffield; Dr Ilan Davis, University of Edinburgh; Dr Frances Platt, University of Oxford; Professor Andrew Sharrocks,

University of Manchester; Professor Jonathan Waltho, University of Sheffield; and Dr Magdalena Zernicka-Goetz, University of Cambridge.

The Governors, having decided that maintaining a sense of community is more important than the ability to attend regularly the AGM or Weekend Meetings, changed the Institute's policy about inviting Fellows to membership and decided to include those Fellows who move abroad on completion of their Fellowships. As a result the Governors are delighted to welcome to membership five former Fellows, namely Professor Dennis Burton, Scripps Research Institute, La Jolla; Dr Marius Clore, NIH, Bethesda, Maryland; Professor Kieran Kirk, University of Canberra; Professor Pedro Lowenstein, Cedar-Sinai Medical Center, Los Angeles; and Professor Jane McKeating, Rockefeller University of New York.

The Governors are also delighted to report that Professor Birgitte Lane, University of Dundee, and Professor Dame Louise Johnson, University of Oxford, have accepted their invitation to membership of the Institute after one year of service on the Scientific Advisory Committee. The Governors also wish to report that Professor Nicholas Hastie has been re-appointed by the University of Edinburgh as its representative within the membership.

The Governors also heartily congratulate Professor Sir Peter Lachmann on the award of a Knighthood in the 2002 Birthday Honours List for his services to medical science. Sir Peter, a former member of the Scientific Advisory Committee, has been an enthusiastic supporter of the Institute in the decade since he left the Committee, during which period he has made significant contributions to the advancement of biomedical and biological science.

Financial Matters

The Lister Institute's Senior Research Fellowships are each held for five years and represent a financial commitment for that period. This means the Institute cannot respond quickly to changes in the financial environment and adjust its expenditure accordingly. For example the commitments made to Fellows in 1999, when finances were robust, have to be honoured until 2004. Equally, in terms of expenditure the reduction in the number of fellowships awarded in 2002 will not begin to be felt until 2003.

While the Governors are delighted that Lister Institute Research Fellows continue to win promotions, it does mean that costs and salaries continue to rise faster than inflation. Even with the reduction in the number of fellowships awarded in 2002, the Institute's expenditure will not diminish significantly until 2004. Having peaked in 1999, unfortunately

the financial markets have been in decline ever since. 2002 was the third successive year of declining equity values – making this the most prolonged fall for more than 50 years. This drop in the market value of the Institute's funds has been paralleled by reduced share dividends, falling interest rates, and shrinking royalties and also by the progressive loss of ACT Credits imposed by the current government. As a direct consequence of these changes the annual income has dropped by around 35% from the average for the period 1997 to 1999. As a result the current level of expenditure is unsustainable and the Governors have therefore undertaken a much more comprehensive review of the Institute's fellowship scheme and other funding options. Having said that, the Institute's finances are still very sound with nearly £20 million in its General Fund at year-end.

(a) Financial Statements

As last year, this year's Financial Statements were completed in line with the Statement of Recommended Practice laid down by the Charity Commission. The Financial Statements for 2002 show a capital and funds balance at the year end of £19.61 million (2001: £24.94 million). As presented in the Financial Statements, and after making the necessary provisions and adjustments, the total resources expended for the year declined significantly to £122,000 (2001: £1.02 million). Virtually all of this apparent fall in expenditure is attributable to a credit arising from the re-calculation of the provision for previously awarded grants, together with contributions from the lower cost of the 2002 fellowship awards and the early termination of some fellowships. After setting up provisions for the three fellowships awarded in 2002 at a cost of £740,000 (2001: £1.16 million), the grants liability at the end of the year was £3.48 million (2001: £4.85 million).

The gross income for the year was £940,000 (2001: £946,000). Within this the investment income was virtually constant from 2001 to 2002, and the royalty income declined significantly. However, the fall in the latter was compensated by monies received from the sale of Prolifix shares which the Lister Institute had been given in lieu of royalties following its support of Professor Nick La Thangue while he was a Fellow working at NIMR.

Management and administration costs increased slightly compared to 2001, largely due to staff changes which resulted in staff numbers increasing to four for three months and necessitated making a pension provision for Mrs Perry. As in previous years a further increased provision, albeit small, has been made for the supplementary pension scheme; this, as in previous years, is attributable to the commendable longevity of the recipients of the

supplementary pension. Using the SORP 2000 rules, the real cost of management and administration can be seen to be around 12% of the total expenditure and if the supplementary pension payments are excluded since they are discretionary, the actual management and administration costs fall to around 8%.

(b) Reserve and Investment Policies

In line with the terms of SORP 2000 the Institute's Governors have considered the financial and management risks facing the Institute and have taken the appropriate steps to avoid or minimise their consequences. As last year, the major risks identified all relate to external factors, for example the continued decline of the stock markets, coupled to stock volatility and the anticipated slow recovery, has a significant impact on the Institute's ability to fund its activities. Likewise the government report, which praised the efforts of the medical research charities, but suggested that they should pay more direct costs in support of the research they fund rather than overheads, could add significantly to the costs of research when implemented, as could the recommendations that post-doctoral workers should be granted a £4,000 rise and more should be done to develop a clear career structure within universities. All these considerations reinforced the Governors' opinion that it was an appropriate time to review and then change the activities of the Lister Institute. They also recognised, however, that any action of this nature would also bring with it its own risk and it was therefore important that any change should be well thought through and implemented carefully.

The Institute's Reserve Policy is to maintain sufficient financial resources to provide income to meet current and future commitments as they fall due. During the year the Governors recognised that the policy was being breached because the annual expenditure was, and would continue to be, in excess of the total income. Unless corrected, or there is a significant capital appreciation of the fund, this would lead to a significant draw-down of the reserves over a period of years. This, in turn, would threaten the ability of the Institute to continue its charitable activities in perpetuity. The Governors therefore have agreed in the current market to set matching income and expenditure targets. Once achieved, this will ensure that the capital fund is not drawn-down and, over time, should provide opportunities for renewed capital and income growth. Once this has happened expenditure targets can be re-adjusted accordingly.

The Institute continued to use the services of J P Morgan Fleming Asset Management throughout 2002 and their staff met regularly with the Investment Sub-Committee. As advised by the investment manager, the Institute's investment policy was not changed significantly over the last year but continued to be a total return rather than a risk management strategy. In the light of the need to review its charitable funding activities and achieve a sustainable level of income, the Governors decided it was also appropriate to review the provision of its investment management advice. The Investment Sub-Committee therefore have had meetings with a number of other investment managers who offer a diversity of styles, strategy and sizes. This step, which follows the Charity Commission's recommendations, has been done in the full knowledge of J P Morgan Fleming Asset Management. As yet, no decision has been taken as to whether or not the Institute should change its investment policy and/or its investment managers. This will be a subject for decision in 2003.

(c) Investment Markets

The whole of 2002 was characterised by a high level of volatility in equities in all major markets, but the downward trend of the last two years continued throughout the year. In the first quarter of 2002 the capital fund's value remained more or less constant, but the second and third quarters both recorded significant market falls, while the fourth quarter witnessed a slight recovery. The Institute's General Fund, therefore, ended the year around 22% lower than it started, a performance very slightly exceeding the WM unconstrained charity universe benchmark. At the year-end investments were in the following categories: UK equities 59%, Overseas equities 20%, UK fixed interest 11%, Overseas bonds 4%, Property 4%, Cash 2%. In 2001 the corresponding figures were: UK equities 63%, Overseas equities 21%, UK fixed interest 8%, Overseas bonds 3%, Property 3%, Cash 2%.

(d) Income from the Exploitation of Research

The gross royalty income received by the Institute in 2002 was £5,000 (2001: £24,000). Because of the need to correct an overpayment of royalties in 2001 the royalties received from Cellmark Diagnostics, which would have declined significantly anyway, effectively fell to zero. The Institute did however receive a £5,000 goodwill payment from the John Innes Centre, in recognition of the Lister Institute's contribution to the development of DNA Gyrase through its support of Professor Tony Maxwell while at the University of Leicester.

The Governors decided they preferred a lump sum payment rather than the uncertain promise of returns payable on a reducing scale over five years.

The Institute was the holder of shares in the start-up company, Prolifix, following its support for Professor Nick La Thangue while he was a Fellow at NIMR. Prolifix was the subject of a takeover by a Danish company, TopoTargets, during 2002 and the Governors decided that they would take the cash offered rather than receive shares in TopoTargets, since returns on these shares would be uncertain. In total the Institute received approximately £26,000 for the sale of its shares and a further £5,000 for the separate sale of an HIV project to another biotechnology company, Novapharmus.

Research Fellowship Scheme

(a) Current Status and Activities

The current and former Fellows continue to do well in their chosen areas of research and it is always a delight to be able to report all the honours and promotions they receive. From visiting current Fellows in their universities it is obvious that they feel part of a broader fellowship. One example of this is the fact that Fellows and former Fellows are frequently nominated by each other to provide seminars at other universities and there is an increasing network of contacts and collaborations as the community grows and covers an increasingly wide area of biological science. It is noticeable, too, in conversation that former Fellows still feel a sense of allegiance to the Lister Institute and wish it well many years after ceasing to be Fellows themselves. A key element in the development of this community is the Fellowship Weekend which provides a mix of high level scientific research and opportunities for social interaction and networking. The 2002 meeting was, once again, held at Christ's College, Cambridge and as usual was highly successful. Five Fellows spoke for the first time, namely Dr Ilan Davis, University of Edinburgh; Dr Andrew Fry, University of Leicester; Dr Peter McGlynn, University of Nottingham; Dr Anant Parekh, University of Oxford; and Dr Anne Rosser, Cardiff University. Talks were also given by Dr Andrew Carmichael, Addenbrookes Hospital, Cambridge; Dr Sally Prigent, University of Leicester; and Professor Jonathan Waltho, University of Sheffield; all of whom were just completing their fellowships. The final speaker was Professor Nick La Thangue, University of Glasgow, a former Fellow who talked about his research on the regulation of the cell cycle, its implications for cancer and his

experience as Chief Scientific Officer with the start-up company, Prolifix. The conference dinner was also the occasion for a presentation to Dr Anne McLaren to mark her retirement from the Institute.

(b) Research Fellowship Awards 2002

As part of the Governors' initiative to reduce expenditure, only three fellowships were awarded in 2002. The recipients were:

Dr Ian Adams, University of Cambridge;

Dr Jessica Downs, University of Cambridge;

Dr Tristan Rodriguez, NIMR.

Dr Adams, who is based at the Wellcome/Cancer Research UK Institute, proposes to investigate the molecular basis of how mouse germ cells initiate meiosis. Specifically, Dr Adams proposes to investigate the role of MAK, a kinase expressed in mammalian germ cells. MAK is also a homologue of a kinase that drives a switch from the mitotic to meiotic cell cycles in yeasts. The focus of this research programme will be to investigate the role of MAK in the entry of male and female germ cells into the meiotic cell cycle. This research has implications not only for the understanding of male and female infertility problems, but also has relevance to sexual development and may provide insight into molecular defects associated with germ cell tumours. Dr Jessica Downs, the Lister-Jenner Fellow, who is based in the Biochemistry Department at Cambridge, is proposing to use a combination of genetic and biochemical approaches in yeast to investigate the role of chromatin in DNA repair. In particular she is interested in DNA double-strand breaks, which can be generated deliberately or accidentally in cells. Particular thrusts to the research are analysis of the biological functions of the histone proteins within the nucleosome, establishing the role of histone phosphorylation in determining chromatin activity and structure, and identifying and characterising proteins interacting with the phosphorylation site as well as ascertaining the role of chromatin modification enzymes in DNA repair. It is also hoped to develop an *in-vitro* DNA repair assay. Understanding DNA double-stranded break repair could help provide the framework for potential diagnostic and preventive strategies for cancer and it may also open up possibilities for the development of targets for both cancer therapy and the treatment of retroviral infections. Dr Tristan Rodriguez will be based at the MRC Clinical Sciences Centre on the Hammersmith Campus of Imperial College School of Medicine. The overall aim of his

work is to investigate the molecular and cellular basis of the development of the anterior-posterior axis in mammalian embryos, focusing on the role of the anterior visceral endoderm (AVE). The AVE is essential for the development of this axis and has a key role in determining the anterior patterning. The aim of the research is to determine the molecular mechanisms underlying the induction and regulation of gene expression of the AVE and in turn to identify the signals and cues responsible for AVE cell movement and finally how the AVE imparts pattern on the underlying epiblast. The work will be based on mice but, as the genes are highly conserved in all animals, analysis of development in the mouse has relevance to understanding congenital abnormalities and other pathological conditions and defective tissue repairs in human beings.

(c) Current Lister Institute Research Fellows

The Governors warmly congratulate:

Professor Peter Cullen, University of Bristol, on the award of a personal Chair with effect from 1 August 2002.

Dr Vincent Cunliffe, University of Sheffield, on the award of a lectureship position, with effect from 1 October 2002.

Dr Ilan Davis, University of Edinburgh, on the award of a Wellcome Trust Senior Research Fellowship with effect from 1 July 2002.

Professor Anant Parekh, University of Oxford, on the award of a proleptic lectureship in Cardiovascular Physiology and his election to Academia Europaea, both with effect from 1 April 2002, and also on the award of a professorship in Physiology and his election to the Monsanto Senior Research Fellowship, Exeter College, Oxford, both with effect from October 2002.

Professor Anne Rosser, University of Wales College of Medicine, on the award of a personal Chair in Clinical Neuroscience, with effect from 1 January 2003 and an Honorary Chair at Cardiff University.

Professor Andrew Sharrocks, University of Manchester, on the award of a personal Chair from 1 June 2002.

Dr Kim Watson, University of Reading, on her election as a Fellow of the Royal Society of Medicine (June 2001), as a Member of the Institute of Biology (June 2002) and on her

appointment as an invited Professor to the EU Faculty of INBB (Istituto Nazionale di Biostruttura e Biosistemi) from June 2002.

The Governors wish to report that a number of Fellows completed their fellowships during 2002:

On 31 March 2002:

Dr Frances Platt, University of Oxford, after five years.

Dr Magdalena Zernicka-Goetz, University of Cambridge, after four years and eight months.

On 30 April 2002:

Professor Jonathan Waltho, University of Sheffield, after five years.

On 30 June 2002:

Dr Ilan Davis, University of Edinburgh, after two years and one month.

On 30 September 2002:

Dr Vincent Cunliffe, University of Sheffield; **Dr Sally Prigent**, University of Leicester; and **Professor Andrew Sharrocks**, University of Manchester; all after five years.

The Governors note that the award of a Wellcome Trust Fellowship to **Dr Ilan Davis** represents a second successive year that a Fellow has resigned early in order to take up one of these prestigious awards.

The Governors also wish to report that:

Professor Gurdyal Besra, University of Birmingham, was granted six months leave from his fellowship with effect from 1 February 2002 while he transferred his fellowship and research group from the University of Newcastle to the University of Birmingham.

Dr Darren Monckton, University of Glasgow and his colleague, Professor Keith Johnson, collaborated with an artist, Jacqueline Donechie, in the production of a book entitled "DM (Dystrophia Myatonica) a photographic and text-based study of Myatonic Dystrophy".

Professor Anne Rosser, University of Cardiff, transferred her fellowship to the University of Wales College of Medicine with effect from 6 January 2003.

Dr Frances Sanderson completed eighteen months clinical training and resumed her fellowship at the John Radcliffe Hospital, Oxford on 1 July 2002.

The Governors approved an agreement between the University of Reading and Eli Lilly for **Dr Kim Watson** to undertake a short programme of research on behalf of Eli Lilly.

(d) Former Lister Research Fellows

The Governors warmly congratulate:

Dr Viki Allen, University of Manchester, on her promotion to Senior Lecturer from 1 October 2002.

Professor Julian Blow, University of Dundee, on his election as a Fellow of the Royal Society of Edinburgh from March 2002.

Professor Sir Leszek Borysiewicz on his appointment as Chairman of the Joint Medical Advisory Committee to the Higher Education Funding Council 2002.

Professor Graham Boulnois on his appointment as a Partner in Schroder Ventures Life Sciences Advisers (UK) Limited in 2001.

Professor Caroline Dive, University of Manchester, on the award of a personal Chair in Molecular Pharmacology from 1 January 2002.

Professor Allan Herbison on the award of a Wellcome Trust Overseas Research Fellowship and his appointment as professor in the Department of Physiology, University of Otago, New Zealand from 1 September 2002.

Professor Sir Alec Jeffreys who has been awarded an Honorary Fellowship of the Royal Society of Medicine and whose work has been honoured by the Royal Society of Chemistry with a National Historic Chemical Award, September 2002.

Professor David Kipling, University of Wales College of Medicine, on the award of a personal Chair from 1 February 2002.

Professor Kiaran Kirk, University of Canberra, who was awarded a Roche Medal of the Australian Society for Biochemistry and Molecular Biology in 2002 and elected to an overseas fellowship at Churchill College, Cambridge, in January 2003.

Professor Alex Law on his appointment as professor at the Nanyang Technological University, Singapore from 1 April 2002.

Dr James McCormack who was appointed Vice-President for Discovery Research UK for OSI Pharmaceuticals from June 2002.

Professor Jane McKeating on her appointment as professor at the Rockefeller University, New York, from January 2002.

Professor Ian Roberts, University of Manchester, on his appointment as Research Dean in the School of Biological Sciences with effect from 1 January 2002.

Professor Colin Stirling, University of Manchester, who has been appointed Education Dean, School of Biological Sciences, from 1 April 2002.

The Governors also wish to report that there has been some commercial interest in the RNAi patent filed by Dr Magdalena Zernicka-Goetz, University of Cambridge. Exploitation is being handled by Cancer Research Technology and a royalty sharing agreement is in place.

(e) Lister Institute Charitable Activities: The Way Ahead

As reported last year, in the middle of the second year of declining markets, the Governors reviewed the activity of the Institute and consulted the Fellows and former Fellows for their advice and opinions. At that point in time it was concluded that expenditure at a level equivalent to a rolling total of 15 Fellows, that is to say, three fellowships per year was sustainable. The consensus view of the Fellows and former Fellows was that the fellowship scheme met the needs of young scientists within the academic community and, therefore, they advised that there should be no significant change to the nature of the scheme. In their opinion it would remain viable with three fellowships per year, but no lower than this. Based on these conclusions the Governors committed the Institute to the award of three fellowships in 2002. However, as the financial situation worsened it became obvious during the latter part of 2002 that 15 fellowships per year represented a non-sustainable level of expenditure and that at the most 10, that is to say two awards per year, could be afforded. This too was conditional on the cost of fellowships not altering dramatically and expenditure being brought down as quickly as possible.

In recognition of this situation the Governors decided that the 2003 fellowship round had to be cancelled and that the time should instead be spent on a detailed review of the Institute's charitable activities and alternative funding options facing the Institute. The Secretary was empowered to undertake this review, bearing in mind certain strict require-

ments; these were that the charitable activities should remain firmly focused on furthering enhanced understanding in the field of preventive medicine through the support of underpinning biological and biomedical research; that the scheme adopted should be prestigious to preserve the name and reputation of the Lister Institute and, third, the new initiative should be forward looking, focusing on young scientists and, finally, the activity should be sustainable, given the Institute's level of resources. This means the Lister Institute should not commit itself to long-term expenditure and rising costs, since the financial and funding environment could change dramatically, as has been the case in the last few years. The Governors' view was that the Lister Institute should not remain out of sight of the academic community for longer than necessary and it would therefore be advisable that the new funding scheme should be announced in 2003 and come into effect in 2004. The new scheme should also be capable of being phased in as the existing fellowship scheme ran down. The outcome of the review will be dealt with fully in next year's Annual Report, but it is hoped that some announcements will be made at the 2003 AGM.

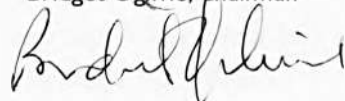
Conclusion

A government report, published in 2002, paid tribute to the role of the charitable sector and, particularly, the medical research charities in furthering biological and biomedical research in the UK and recognised that these bodies have played an invaluable part in maintaining the international status of the UK in these very important areas. The Lister Institute is proud of the contributions it has made over the last 20 years and of the contributions its 95 Fellows and former Fellows are now making to both education and to our understanding of the complexity of all living organisms. A key part of the success of the Lister Institute is obviously down to the individuals involved. Whilst not wishing to single out individuals in terms of Fellows, former Fellows or Governors, I would like to thank the Governing Body for inviting me to serve as Chairman, the Investment Sub-Committee and the Scientific Advisory Committee for their on-going advice and support for the Institute and the staff of the Institute itself for all their hard work.

Making an exception to the above generality, I would like to thank specifically Dr Anne McLaren for the years of hard work and enthusiastic advice, support and direction that she has given to the Institute, whether that be through the Scientific Advisory Committee or the

Governing Body or even just through casual conversations with young Fellows and former Fellows at the Weekend Meetings. While the last contribution may appear to be intangible, or perhaps even trivial, its value can perhaps best be measured by the generosity of their donations to Anne's retirement collection. Here indeed many people were saying a heartfelt 'Thank You' which, on behalf of the Governors, I can do no more than echo and repeat. We wish her and all the former Scientific Advisory Committee members and Governors every success and happiness in their future careers or retirement and hope that our paths will continue to cross.

Bridget Ogilvie, *Chairman*

A handwritten signature in black ink, appearing to read 'Bridget Ogilvie', written in a cursive style.

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

The White House, 70 High Road, Bushey Heath, Hertfordshire WD23 1GG

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2003



The Lister Institute of Preventive Medicine
is a company limited by guarantee (England 34479)
and a registered charity (206271)

THE GOVERNING BODY

for the year ended 31 December 2003

Dame Bridget M Ogilvie, DBE, ScD, FMedSci, FRS, *Chair*

Mr Peter W Allen, MA, FCA, *Hon Treasurer*

Mr W Lawrence Banks CBE

Professor Graham J Boulnois, PhD (*Appointed December 2003*)

Mr G James M Buckley

Professor H John Evans, CBE, PhD, FRCPE, FRSE (*Retired June 2003*)

Hon Rory M B Guinness

Dr Stephen C Inglis, PhD (*Appointed March 2003*)

Professor Sir Alec J Jeffreys, DPhil, FRS

Professor Richard N Perham ScD, FRS

Professor J G Patrick Sissons MD, FRCP, FRCPath

Professor Geoffrey L Smith, PhD, FMedSci, FRS (*Appointed June 2003*)

Professor Anne E Warner, PhD, FRS

Secretary, and Clerk to the Governors: F K Cowey, MA, BSc, DAS

Address of principal office of the charity

The White House

70 High Road

Bushey Heath

Hertfordshire, WD23 1GG

Solicitors

Macfarlanes

10 Norwich Street

London EC4A 1BD

Bankers

Messrs Coutts & Co

St Martins Office

440 Strand

London WC2R 0QS

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London WC2N 6RH

Investment Advisors (until 15 May 2003)

J P Morgan Fleming Asset Management (UK) Ltd

Finsbury Dials

20 Finsbury Street

London EC2Y 9AQ

Investment Advisors (from 16 May 2003)

UBS Laing & Cruickshank Investment

Management Limited

Broadwalk House

5 Appold Street

London EC2A 2DA

FINANCIAL REPORT OF THE GOVERNING BODY

for the year ended 31 December 2003

The Institute is a company limited by guarantee and has charitable status. The Trustees of the Institute are the members of the Governing Body.

Six members of the Governing Body are appointed by the members at the Annual General Meeting. Up to four members are co-opted by the Governing Body and there are currently four such appointees. One member is Lord Iveagh's representative and the final member is a representative of the Royal Society.

The Governing Body presents the financial statements of the Institute for the year ended 31 December 2003. A separate Report of the Governing Body is prepared.

Results

The results for the Institute for the year ended 31 December 2003 are set out on page 5. The net income for the financial year is £811,000 (2002: net income £861,000).

The value of the Institute's cash and investments has increased in aggregate by £2.6 million during the year (2002: £6.6 million decrease). The governors confirm that sufficient funds are available to fulfil the obligations of the Institute.

Principal activities & future operations

The object of the charity is to further knowledge into preventive medicine. The income of the Institute is utilised to support medical research. In the past the Institute awarded fellowships on the advice of its Scientific Advisory Committee, who are appointed by the Trustees. No fellowships were awarded in 2003 (2002: three) due to financial prudence. Instead 2003 was spent in reviewing the Institute's activities and developing a new financially sustainable scheme for launch in 2004. It has been agreed that the new scheme will take the form of Research Prizes. These will be three year fixed (£150,000) awards. The number

of prizes awarded will be increased as the commitment to the current Fellows declines.

Consideration of risk

The Institute carries out an annual review of the risks that the organisation faces and reviews the effectiveness of the controls necessary to mitigate and monitor these risks.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 10 to the financial statements.

Financial issues and investments

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives. The last are achieved through the support of existing senior research fellowships and in the future through the Research prizes. The expenditure on fellowships will finish in 2007.

As the prizes are fixed sum awards the future commitment is known and can be regulated by altering the number of prizes awarded each year. This will be done in light of the income generated from the total return investment strategy. The income in turn will be highly sensitive to the rate of return obtained on its investments and this will be reviewed annually before fresh commitments are made.

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk. In May 2003 the Institute appointed new investment managers, UBS Laing & Cruickshank, to administer its funds on a discretionary basis, which, on the advice of the investment managers, are held within the following overall limits:

FINANCIAL REPORT OF THE GOVERNING BODY (CONTINUED)

for the year ended 31 December 2003

	%
Equities	70-90
UK equities	50-70
Overseas equities	10-25
Fixed interest and cash	10-30
UK bonds	5-25
Overseas bonds	0-5
Property	0-5
Cash	3-10
Other investments	
Absolute Return Funds (hedge funds etc)	0-5
Property	0-5

The performance of the investment portfolio is reviewed by the Investment Sub-Committee, which has at least three meetings each year with the investment managers and which receives detailed monthly valuation and transaction reports. The investment policy is reviewed on an annual basis by the Governing Body.

Reserves policy

The policy of the governors is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity. The adequacy of the level of reserves and the continuing appropriateness of the policy is reviewed on an annual basis by the Governing Body, who remain satisfied with the current position.

Governing Body

The members of the Governing Body who served at any time during 2003 are shown on page 1.

Governors' responsibilities

The governors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the income and expenditure of the Institute for that period.

The governors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003.

The governors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000. The governors are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Pricewaterhouse-Coopers LLP as auditors of the Institute will be proposed at the next annual general meeting.


DAME BRIDGET M OGILVIE

Chairman

22 June 2004

INDEPENDENT AUDITORS' REPORT

to the members of The Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine ("the Institute") which comprise the Statement of Financial Activities, the Balance Sheet and the related notes.

Respective responsibilities of governors and auditors

The governors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of governors' responsibilities. The Institute's governors also act as trustees for the charitable activities of the Institute.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Institute's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the governors' report is not consistent with the financial statements, if the Institute has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for

our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the governors' report only.

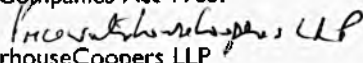
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs at 31 December 2003 and of its net incoming resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
22 June 2004

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
INCOME AND EXPENDITURE			
Incoming resources			
Investment income	2	861	898
Interest receivable		25	29
Other income	3	15	13
Total incoming resources		901	940
Charitable expenditure			
Costs of generating funds	4	(12)	(23)
Costs of activities in furtherance of the charity's objects			
Grants awarded during the year	9	0	(740)
Decrease in grants liability from previous fellowship awards	9	158	871
Support costs	6	(68)	(57)
Management & Administration	7,8	(94)	(90)
Pension costs	14	(74)	(40)
Total resources expended		(90)	(79)
Net income/(expenditure)		811	861
NET GAINS/(LOSSES) ON INVESTMENT ASSETS			
Realised	16	(2,534)	(2,415)
Unrealised	16	5,694	(3,731)
Net movements in funds		3,971	(5,285)
Capital and funds brought forward		19,651	24,936
Capital and funds carried forward		23,622	19,651

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown.

The notes set out on pages 7 to 12 form part of these financial statements.

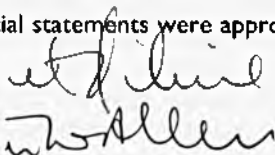
BALANCE SHEET

as at 31 December 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	10	227	233
Investments	11	24,092	22,883
	3	24,319	23,116
Current assets			
Debtors	12	104	79
Cash at bank and in hand		2,261	858
		2,365	937
Creditors			
Amounts falling due within one year	13	(384)	(432)
Net current assets		1,981	505
Total assets less current liabilities		26,300	23,621
Long term liabilities			
Grants	9	(2,175)	(3,479)
Pensions	14	(503)	(491)
Net assets		23,622	19,651
<i>Represented by</i>			
Unrestricted funds			
General	16	23,622	19,651

The Governors have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 22 June 2004.



DR BRIDGET M OGILVIE
PETER W ALLEN

Members of the
Governing Body

The notes set out on pages 7 to 12 form part of these financial statements.
Auditors' Report page 4.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2000), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are as follows:

a Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

b Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful life of the fixed assets concerned. The principal annual rate used for this purpose is:

Land and buildings 2%

The capitalisation limit for fixed assets is set at £10,000.

Expenditure incurred on minor office equipment is written off on acquisition.

c Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the general fund in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

d Incoming resources

All incoming resources, with the exception of royalty income, are accounted for on a receivable basis.

e Royalties

Royalties are accounted for on an accruals basis.

f Grants

Provision is made at the time of making a grant for the full cost over the expected life of the fellowship, normally five years. Whilst payment of grants in the second and subsequent years of a fellowship continues to be subject to performance by the recipient, the policy is considered necessary to reflect the Governors' experience that only in rare cases are grants not continued for the expected full term.

g Charitable expenditure

Expenditure is accounted for on an accruals basis. Charitable expenditure comprises all expenditure directly relating to the objects of the charity. The allocation of expenditure between support costs and management and administration costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as management and administration costs with the exception of a proportion of salary and related costs, which have been incurred conducting activities in furtherance of the charity's objects. These have been classified as support costs.

h Supplementary pensions and staff pensions

Provision is made in the Financial Statements for the estimated future supplementary payments. The provision and charge to income are reviewed annually by the Governors in the knowledge that the number of persons receiving the supplementary pensions will not increase. Existing employees are subject to a defined contribution scheme which is expensed as incurred. Employees currently then in service will retire at 65.

2 INCOME FROM FIXED ASSET INVESTMENTS

	2003	2002
	£'000	£'000
Listed investments	861	865
Unlisted investments	–	33
	861	898

3 OTHER INCOME

	2003	2002
	£'000	£'000
Donations	1	–
Rental income	10	8
Royalty income	4	5
	15	13

4 COSTS OF GENERATING FUNDS

	2003	2002
	£'000	£'000
Investment management	12	23

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2002: nil). Travel expenses of £1,639.90 (2002: £1,329) incurred by members of the Governing Body in connection with their attendance at meetings are reimbursed. Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £600 (2002: £600) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was 3 (2002: 3), all of whom were employed in an administrative capacity. No employee earned £50,000 pa or more.

Staff Costs

	2003	2002
	£'000	£'000
Gross salaries and pension contributions	82	86
Employer's national insurance and state pension contributions	7	6
	89	92

Salary costs are divided between support costs and management & administration costs.

6 SUPPORT COSTS

	2003	2002
	£'000	£'000
Salaries, pension contributions and employer's national insurance	48	46
Other costs	20	11
	68	57

7 MANAGEMENT & ADMINISTRATION COSTS

	2003	2002
	£'000	£'000
Salaries, pension contributions and employer's national insurance	40	43
Miscellaneous (note 8)	54	47
	94	90

8 MISCELLANEOUS EXPENDITURE

	2003	2002
	£'000	£'000
Office expenses	14	12
Travel expenses	4	3
Auditors' remuneration – audit fee	7	7
– non-audit fee	–	–
Professional fees	7	3
Depreciation	5	5
General expenses	12	13
Honorarium	3	3
Royalty payments	2	1
	54	47

9 GRANTS LIABILITY

Movements in the grant liability during the year were as below:

	2003	2002
	£'000	£'000
Liability at beginning of year	3,479	4,846
Estimated cost of grants approved during the year	–	740
Changes made to provisions for fellowship awards	(158)	(871)
Cash paid on existing grants	(1,146)	(1,236)
Liability at end of year	2,175	3,479

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings
Cost	£'000
At 1 January 2003 and 31 December 2003	272
Depreciation	
At 1 January 2003	40
Charge for year	(5)
At 31 December 2003	45
Net book value	
At 31 December 2003	227
At 31 December 2002	233

11 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end. Included in bank and cash is £2,140,868 (2002: £637,814) which are held by the investment manager as part of the investment portfolio.

	2003	2002
	£'000	£'000
Market value at beginning of year	22,883	29,217
Purchases during the year at cost	11,555	4,823
Proceeds of sales during the year	(13,506)	(5,011)
Changes in market value of assets held as at the year-end	3,160	(6,146)
Market value at year-end	24,092	22,883
Historical cost at year-end	20,523	24,725

The market value of investments at the end of the year includes £4.78 million (2002: £5.54 million) of listed investments, which are outside the UK.

Significant shareholdings, exceeding 5% of the value of investments, exist in the following:

	2003	2002
	£'000	£'000
JPMF Insd Continental Europe Fd 'C'	-	2,359
Fledgling Bond Fund Units	1,171	2,481
Vodafone Group plc	-	1,471
GlaxoSmithKline plc	-	1,523
BP	1,137	-

12 DEBTORS

	2003	2002
	£'000	£'000
Prepayments and accrued income	87	49
Other debtors	17	30
Total debtors	104	79

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£'000	£'000
Taxation and social security	2	2
Accruals	382	430
Total creditors falling due within one year	384	432

14 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions paid are increased annually in line with published government figures.

The results of the actuarial valuation carried out in 2001 determined the provision brought forward at 1 January 2000 to have been insufficient to cover future supplementary pension payments. This was reflected in the charge to the Statement of Financial Activities in accordance with the Institute's accounting policy to recognise any deficiency immediately.

Movements in the pension provision during the year were as below:

	2003	2002
	£'000	£'000
Provision at beginning of year	491	534
Charge to Statement of Financial Activities	74	40
Pensions paid	(61)	(83)
Provision at end of year	503	491

15 DONATIONS

Donations have been received to date from:

	£'000
Dr Ludwig Mond (1893)	2
Berridge Trustees (1893-1898)	46
Worshipful Company of Grocers (1894 and 1969-1973)	15
Lord Iveagh (1900)	250
Lord Lister's Bequest (1913-1923)	19
William Henry Clarke Bequest (1923-1926)	7
Rockefeller Foundation (1935-1936)	3
Wolfson Foundation (1969-1973)	300
Jenner Memorial Studentship Fund (1984)	48
Professor William Bulloch Bequest (1990)	6
Other donations and legacies (1891-1998)	72
<i>Centenary donations:</i>	
Coopers & Lybrand	5
Guinness plc	5
ICI plc	5
Worshipful Company of Grocers	5
Coutts & Co	5
MacFarlanes	1
Donation of shares in Mediwatch (sold in the year)	1
John & Celia Bonham Christie Charitable Trust	1
	796

16 UNRESTRICTED GENERAL FUND

	Realised	Unrealised	Total
	£'000	£'000	£'000
Balance at beginning of year	21,776	(2,125)	19,651
Movement in value of fixed asset investments	(2,534)	5,694	3,160
Income for the year	811	–	811
Balance at end of year	20,053	3,569	23,622

17 RELATED PARTY TRANSACTIONS

A member of the Governing Body, Professor Sir Alec Jeffreys, received royalty payments of £619 during 2003 (2002: £843). There were no other related party transactions in the year.

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

The White House, 70 High Road, Bushey Heath, Hertfordshire WD23 1GG

REPORT OF THE GOVERNING BODY

for the year ended 31 December

2003

A large, faded, grayscale image of a man's face, likely a historical figure, occupies the right side of the page. The image is semi-transparent and serves as a background element.

The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

THE GOVERNING BODY

for the year ended 31 December 2003

Dr Bridget M Ogilvie, DBE, ScD, FMedSci, FRS, *Chairman*

Mr Peter W Allen, MA, FCA, *Hon Treasurer*

Mr W Lawrence Banks, CBE

Professor Graham J Boulnois, PhD (*Appointed December 2003*)

Mr G James M Buckley

Professor John H Evans, CBE, PhD, FRCPE, FRSE (*Retired June 2003*)

Hon Rory M B Guinness

Dr Stephen C Inglis, PhD (*Appointed March 2003*)

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Richard N Perham, ScD, FRS

Professor J G Patrick Sissons, MD, FRCP, FRCPath

Professor Geoffrey L Smith, PhD, FMedSci, FRS (*Appointed June 2003*)

Professor Anne E Warner, PhD, FRS

Secretary, and Clerk to the Governors: F K Cowey, MA, BSc, DAS

Professional advisors

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Investment Advisors (until 15 May 2003)

J P Morgan Fleming Asset Management (UK) Ltd
Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ

Investment Advisors (from 16 May 2003)

UBS Laing & Cruickshank Investment
Management Limited
Broadwalk House
5 Appold Street
London EC2A 2DA

The SCIENTIFIC ADVISORY COMMITTEE

for the year ended 31 December 2003

Professor Richard N Perham, ScD, FRS, *Chairman*

Professor Jean D Beggs, FRSE, FRS (*Appointed July 2003*)

Professor Nicholas D Hastie, FRSE, FRS (*Retired June 2003*)

Professor Dame Louise N Johnson, FRS

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor E Birgitte Lane, FRSE

Professor Robert H Michell, DSc, FMedSci, FRS

Professor Linda Partridge, CBE, FRSE, FRS (*Appointed December 2003*)

Professor Alan B Rickinson, FRCP, FMedSci, FRS

ANNUAL GENERAL MEETING 10 SEPTEMBER 2004

REPORT OF THE GOVERNING BODY

The year 2003 was one of change for many charities as they sought to curb expenditure and reduce commitments following three years of falling markets and income but increasing costs. For the Lister Institute itself 2003 was the first year, for over 100 years, that it did not make a further commitment to the support of new research as, even in the transition period between the research and production activity of the late 1970s and the fellowship scheme in the early 1980s, the Lister Institute gave grants to its former staff members to help them establish new careers in academia. Nevertheless, despite the lack of fellowship awards, 2003 was a busy year for the staff and Governors of the Institute as steps were taken to lay down a secure financial foundation and plan the path forward.

Governing Body

Following the retirement of Dr Alan Munro at the end of 2002, 2003 saw the retirement of Professor John Evans. Including his time on the Scientific Advisory Committee, Professor Evans had given 22 years of wholehearted support to the Lister Institute, 22 years of regularly commuting from Edinburgh! Professors Evans' enthusiasm and experience will be missed by the Governing Body and all the Governors wish him well in his retirement. Dr Munro was replaced early in the year by Dr Stephen Inglis, the Director of the National Institute for Biological Standards and Control, who has experience in science and science management. Professor Evans was replaced by Professor Geoffrey L Smith, Professor of Virology at Imperial College London (St Mary's Campus). Professor Smith is a former Lister Institute Research Fellow, and will bring to the Governing Body an understanding of the problems facing young academic scientists as well as insight into leading areas of research. The other new member of the Governing Body is Professor Graham Boulnois, who was elected to fill the vacant co-opted member place. Professor Boulnois is also a former Lister Institute Research Fellow but has spent a number of years in big pharmaceutical companies and is now a partner in Schroder Ventures Life Sciences Advisers, which gives him insight into industrial research and the development of new business opportunities. The Members can therefore be assured that the Lister Institute is being guided by Governors with a wide range of views and relevant experience. The Governors were also delighted to re-elect Professor Richard Perham as

a co-opted Member in order that, in his role as Chairman of the Scientific Advisory Committee, he could continue to oversee the replacement of the fellowship scheme.

The Governors are pleased to report to Members of the Institute that Dr Bridget Ogilvie and Professor Geoffrey Smith were elected as Fellows of the Royal Society in 2003 and Professor Perham was elected as Master of St John's College, Cambridge, from 1 January 2004.

Scientific Advisory Committee

The Governors have to report that Professor Nick Hastie, Director of the MRC Human Genetics Unit Edinburgh, retired from the Committee by rotation in 2003. The Governors wish to thank Professor Hastie for the contributions he has made over the last six years and wish him every success in the future. Professor Hastie has been replaced by Professor Jean Beggs, University of Edinburgh, whose expertise is in the similar areas of molecular biology and molecular genetics.

It had been observed in the last few years of the fellowship scheme that the breadth of proposals was increasing and it was becoming more difficult to provide expertise to cover all disciplines within the Scientific Advisory Committee (SAC) itself. The Committee members felt that moving to any new scheme would probably increase rather than diminish this challenge and the Governors agreed to increase the size of the Committee. Following on from this decision the Governors are, therefore, delighted to announce that Professor Linda Partridge, University College London, has accepted their invitation to be an additional Member of the SAC, where she will contribute expertise in cell biology and genetics.

Institute Membership

Three Fellows who completed their fellowships during 2003 have been welcomed into membership. The new members are Dr Joan Boyes, Institute of Cancer Research, London; Dr Penny Rashbass, University of Sheffield and Dr David Strutt, University of Sheffield.

The Governors are delighted to report that Professor Nick Hastie, University of Edinburgh, and Professor Eleanor Riley, University of London, have been re-elected for a further three years as the representative of their respective universities. Professor Kingston Mills has been elected as the new representative of the University of Dublin in place of Professor Keane, who has retired. Dr Paul Massey who, for many years, was the representative of the Worshipful Company of Grocers, has also retired. The Grocers' Company, who are long-term benefactors of the Institute and had two representatives on the original Council of the Institute, have indicated their delight in retaining a link with the Lister and intend to appoint a new representative.

It is with sadness that the Governors have to report the death of two distinguished former staff members, Professor Walter Morgan and Dr Winifred Watkins, who were both enthusiastic supporters of the Lister Institute and its activities. Walter Morgan, who died in February 2003 at the age of 102, had the remarkable distinctions of being a Fellow of the Royal Society for 50 years, a staff member of the Lister Institute for 50 years and the last Director of the Institute. Dr Watkins was a colleague of and collaborator with Professor Morgan, winning a number of awards with him. She too had the distinction of being elected a Fellow of the Royal Society, a rare achievement at that time, and was still active in research at the time of her death in October 2003 at the age of 79. Both could be described as unwitting founders of molecular immunology and together made significant contributions to the understanding of blood groups. A memorial meeting was held for Professor Morgan in Cambridge in September 2003. This was attended by members of his family, friends and former colleagues as well as some of the former Lister Institute Research Fellows who knew him through his association with the Lister Institute. Speakers at the meeting were the Secretary, Keith Cowey; Dr David Aminoff, University of Michigan; Dr Michael Creeth and Professor Marcela Contreras.

Financial Matters

(a) Overview

The period 2000 to 2002 saw no drop in expenditure but a fall in both income and in the capital value of the Institute's funds, with the operating deficit being covered by a

withdrawal of capital. Following the detailed review of its finances and activities referred to in last year's Annual Report, it was recognised that the continuing drawdown of capital was not sustainable and action was needed. The Governors therefore agreed to terminate the Institute's highly successful and prestigious fellowship scheme with immediate effect and spend a year developing a new funding initiative that would meet the Institute's charitable objectives. As a result of this decision there will be a steady reduction in expenditure on the current Fellows from 2003, finishing in 2007. A financial commitment will be made to the new award scheme in 2004. From 2007 it is intended that new commitments will be made in line with the available financial resources to ensure sustainability.

(b) Investment Managers

As part of the review referred to above, the Governing Body, through its Investment Sub-Committee, carried out an analysis of its investment and management needs. Following discussions the Investment Sub-Committee shortlisted for interview six investment managers with a spread of management styles and sizes. A further round of meetings was held with three of these before it was decided to move the Institute's investment portfolio from JPMorgan Fleming Asset Management to UBS Laing & Cruickshank. A formal transfer of the funds occurred on 16 May 2003.

The Governors would like to thank the staff of J P Morgan Fleming Asset Management for many years of support and service and wish both them and the company every success in the future.

(c) Investment Markets

The early part of 2003 was characterised by a continued high level of volatility in equities, although there was the continuation of the downward trend of the previous three years. The market then slumped sharply in March. At the end of March the value of the portfolio was £21.61 million (*1 January 2003, £24.73 million*). For the rest of the year, although there was continued volatility within market sectors and between stocks, the general trend was up, and by the year end the FTSE stood higher than it had at the beginning. On 16 May, when the fund was formally transferred to UBS Laing & Cruickshank, the Institute's portfolio was worth £23.76 million. At that date the composition of the portfolio was 60% UK equities, 11% overseas equities, 4% property, 4% overseas bonds, 10%

fixed interest, 10% cash. By 31 December 2003 the value of the Institute's funds were £26.06 million and UK equities represented 59% of the fund, overseas equities 17%, fixed interest 10%, cash 7%, overseas bonds 4% and property 3%. Although in overall terms there are no appreciable differences between these two portfolios, there has been a significant change in the number and type of stocks held. Over the six-month period from 30 June to 31 December, during which period the fund was largely of UBS Laing & Cruickshank's choosing, there was a capital gain of £2.3 million, an income of £364,000 and a return of 11.5% against the WM index return of 10.8%.

(d) Financial Statements

The Financial Statements for 2003 show a capital and funds balance at the end of the year of £23.62 million (2002: £19.61 million). This represents a net gain in funds over the twelve-month period of £3.97 million (2002: a reduction of £5.29 million). As presented in the Financial Statements, and after making the necessary provisions and adjustments, the total resources expended for the year are shown as £90,000 (2002: £79,000). In 2002 the figure was unusually low because of the very large (£740,000) credit arising from a recalculation of the grants' liability. In 2003 the apparent expenditure has remained low as there were no new fellowships awarded and there was a credit arising from the resignation of one Lister Institute Research Fellow. By the year-end the liability for the current research fellowships was £2.18 million (2002: £3.48 million). Expenditure, and hence the commitment, to the fellowship scheme will continue to decline over the next few years and cease in 2007.

The gross income for the year was £901,000 (2002: £940,000). The reduction in investment income has arisen partly because the new investment manager, UBS Laing & Cruickshank, has reduced the size of the holding in bonds which pay higher rates of interest, but also due to the fact that some major companies have dividends which are paid in dollars and the dollar has declined significantly against the pound in the last year. Management and administration costs have not changed appreciably although the Financial Statements record an increase in support costs. To a large extent this is due to the increased advertising costs incurred supporting the launch of the new funding initiative. As in previous years an increased provision has been made for the supplementary pension scheme reflecting the longevity of the Lister's pensioners and the need to take into account inflation and the pension rights of surviving spouses.

(e) Risk Management

In line with the terms of SORP 2000 the Institute's Governors have again reviewed the financial and management risks facing the Institute and have taken the appropriate steps to avoid, or at least minimise, their consequences. One example is the cancellation of the Lister Institute Research Fellowship scheme; another is the recruitment of new Governors with the expertise and experience appropriate for the changing circumstances facing the Institute; a third is the change in investment managers.

(f) Reserve & Investment Policies

The Institute's reserve policy is to maintain sufficient financial resources, that is to say a large enough capital fund, to generate the income needed to meet both its current and future charitable commitments as they fall due. The value of this fund will be maintained to ensure this situation continues in perpetuity. Looking forward, the Governors have set a conservative income target and intend to set a matching expenditure target. It is believed that a capital sum of £25 million, which the Institute's funds currently exceed, will provide the basis for a period of sustainable charitable activity as well as covering management and administration costs. If there is a period of prolonged market growth and increased returns, then the Institute will cautiously raise its spending targets.

A new investment policy has been agreed with UBS Laing & Cruickshank. The asset category ranges are broadly similar to those used in the past; the one major difference is that the new investment managers are allowed to commit up to 5% of the Institute's fund on alternative investments, for example funds of hedge funds. The investment policy continues to be based on a total return strategy and a target of 4% real total return has been set as a customised benchmark. In addition the returns will be calibrated against those of the WM charity universe. The Investment Sub-Committee will meet regularly (three or four times a year) with UBS Laing & Cruickshank management. The latter will also submit monthly valuations and more detailed quarterly reports to the Committee.

Charitable Activities

(a) The Way Forward—Lister Institute Research Prizes

The charitable objectives of the Institute are to further understanding and progress in preventive medicine by promoting biomedical excellence in the UK. In the past this has been achieved through the award of research fellowships, but as explained earlier the Institute's financial situation, as well as changes within the academic environment, made the Governors decide that this scheme had to be terminated, involving as it did an open-ended financial commitment. Although the fellowship scheme was still attracting outstanding candidates, it was also recognised that there are now many more awards available to young academics than there were 20 years ago. The Lister Institute's funds are extremely limited and it was felt important that they should be seen to make a difference. Following extensive discussions with the Scientific Advisory Committee, and consultations with current and former Fellows and members of the Institute, the Governing Body unanimously agreed that the Institute's charitable objectives should remain the same, that the name of the Lister Institute should be preserved, that the new awards must also be highly prestigious, and that the Institute should continue to target the young clinical or non-clinical scientist seeking to develop his or her research career. In the end the Governing Body agreed that these criteria could all be met by the award of Research Prizes. These prizes would also provide the flexible funding needed for the holders to pursue their research as cost effectively and efficiently as possible.

The Lister Institute Research Prizes will be awarded to young clinical and non-clinical scientists, based on the quality of their research proposal and its implications for preventive medicine. Proposals will not be constrained by disease or disciplines. Each Lister Institute Research Prize will be worth £150,000 and the money will be available as a lump sum. Each recipient will be known as a Lister Institute Prize Fellow for the duration of the award period. Recipients of the Research Prizes will be asked to initiate the award period within 12 months of becoming eligible to use the funds and the funds should normally be committed by the end of the third year. The Governors and the Scientific Advisory Committee agreed that, subject to the Institute's approval, the awards would be personal and transferable between all UK research institutions. An important element of the Research Prize scheme is that the funds available can be spent at the time and in

the way selected by the Prize Fellow. By way of example the Prize Fellows will be able to spend the money on equipment, travel, consumables, salary for a replacement lecturer, visiting scientists, post-doctoral researchers, and/or PhD students etc. The only restriction will be that the money cannot be spent on providing or augmenting a personal salary. It was agreed that any post-doctoral scientist, clinical or non-clinical, tenured or non-tenured, including Research Council and research charity employees, who would normally have guaranteed employment for the period of the award, could apply. Typically they would be holders of university appointments or other equivalent research positions or holders of long-term fellowships. The applicants would also have not less than three years' and no more than ten years' post-doctoral experience on 1 October of the year in which they apply.

The Weekend Meeting, which has been one of the key features of the fellowship scheme and has contributed much to the sense of a "Lister Community", will be retained and Research Prize winners will be invited to speak at that meeting.

(b) The current status of the Research Prize initiative

The Lister Institute Research Prize initiative was formally launched at the beginning of November 2003. Leaflets were sent to all relevant heads of departments and research contract officers in universities and research institutes within the UK. Advertisements were placed in key journals, the Institute's website was re-launched and letters and information were sent to all Members and current Fellows of the Institute. As a result of this activity the Institute received 100 applications, significantly more than were ever received for the fellowship scheme (the maximum number was 80 in 1999). It was also noticeable that the most important factors encouraging a response were personal recommendations, university notice boards and websites.

(c) Fellowship Activities

The 2003 Weekend Meeting was once again held at Christ's College, Cambridge and as usual was highly successful. The only significant change this year was the fact that in the morning a memorial meeting was held for Professor Walter Morgan. First-time speakers were Dr Kostas Tokalidis, Dr Cathy Tournier and Dr Alan Whitmarsh, all from the University of Manchester, and Dr Dino Giussani from the University of Cambridge. Talks

were also given by Dr David Strutt, University of Sheffield; Professor Peter Cullen, University of Bristol, and Dr Joan Boyes, Institute of Cancer Research, who were all in the final year of their fellowships. The other speakers were two former Fellows: Professor Keith Fox, University of Southampton, and Dr James McCormack, who is Vice President of UK Discovery in OSI Pharmaceuticals. The Secretary, Mr Keith Cowey, gave a presentation on the new Lister Institute Research Prize scheme. This generated a lively and thoughtful discussion, which continued outside the lecture room and provided very valuable feedback for the Governors.

(d) Current Lister Institute Research Fellows

The Governors warmly congratulate:

Dr Dino Giussani, University of Cambridge, on the award of an honorary professorship at the University of Chile in 2002;

Dr Peter McGlynn, University of Aberdeen, on his promotion to Reader on 1 September 2003. Dr McGlynn had also moved his fellowship from the University of Nottingham to the University of Aberdeen on 1 September 2003;

Dr Penny Rashbass, University of Sheffield, on her promotion to Senior Lecturer on 1 September 2003;

Professor Nigel Scrutton, University of Leicester, on the award of the Charmian Medal of the Royal Society of Chemistry for 2003;

Dr David Strutt, University of Sheffield, who was awarded a Wellcome Trust Senior Research Fellowship from 1 October 2003;

Dr Kostas Tokatlidis, University of Manchester, who was appointed Associate Professor in the University of Crete from 1 October 2003.

The Governors wish to report that a number of Fellows completed their fellowships in 2003:

On 31 March 2003 **Dr Andrew Carmichael**, Addenbrooke's Hospital, Cambridge, after five years. Dr Carmichael had also been granted six months' technical leave from his fellowship for specialist training in the United States;

On 31 August 2003 **Dr Penny Rashbass**, University of Sheffield, after five years;

On 30 September 2003 **Dr Kostas Tokatlidis**, University of Manchester, who resigned his fellowship after two years and five months on his transfer to the University of Crete;

On 30 September 2003 **Dr Darren Monckton**, University of Glasgow, and **Dr David Strutt**, University of Sheffield, both after five years. The Governors note that the award of a Wellcome Trust Senior Research Fellowship to Dr Strutt is the third such award that has been gained by Lister Institute Research Fellows;

On 31 December 2003 **Dr Joan Boyes**, Institute of Cancer Research, London, and **Professor Peter Cullen**, University of Bristol, after five years.

The Governors also wish to report that **Dr Kim Watson**, University of Reading, was granted four months' maternity leave from August to November 2003 and that her fellowship will be extended by a corresponding period.

(e) Former Lister Institute Research Fellows

The Governors warmly congratulate:

Professor Jeffrey Almond on his promotion to Senior Vice President for Research & External R & D in Aventis Pasteur, 2003;

Dr Anthony Berendt on his appointment as Medical Director of the Nuffield Orthopaedic Centre, Oxford, 2003;

Professor Tom Evans on his appointment as Professor of Molecular Microbiology in the University of Glasgow following his move from Imperial College (Hammersmith) on 1 November 2003;

Professor Keith Fox, University of Southampton, on his appointment as Head of Division of Biochemistry & Molecular Biology, September 2002;

Dr Ian Jackson, MRC Human Genetics Unit, on his election as President of the International Mammalian Genome Society, 2002-2004;

Dr Wolf Reik, Babraham Institute, on his election as a member of EMBO and as a Fellow of the Academy of Medical Sciences, 2003;

Professor Jenny Rivett, University of Bristol, on the award of a personal chair in the Department of Biochemistry from 1 August 2003;

Professor Robert White, University of Glasgow, on the award of the Young Cancer Researcher of the Year for 2003 by the European Association for Cancer Research;

Professor Stephen Yeaman, University of Newcastle, on his election as a Fellow of the Royal Society of Edinburgh in 2002.

The Governors wish to report that:

Professor Caroline Dive, University of Manchester, transferred to the Patterson Institute of Cancer Research at the Christie Hospital, Manchester on 1 September 2003. Professor Dive will remain Professor of Pharmacology at the University of Manchester;

Dr Katherine Nobes transferred her MRC Senior Research Fellowship to the University of Bristol from University College London on 1 October 2003.

The Governors also wish to report that there has been a continued commercial interest in the RNAi patent filed by **Dr Magdalena Zernicka-Goetz** from the University of Cambridge. Exploitation is being handled by Cancer Research Technology, but development has been slowed by the competing and overlapping claims of a number of different RNAi related patents. The Governors also acknowledge, with thanks, that the Institute received nearly £2,500 in royalties from Orchid Biosciences, arising from the original agreement with Cellmark Diagnostics relating to DNA Fingerprinting. Although the technology is still valid, its use has largely been superseded commercially by PCR technology which is faster and cheaper. Little in the way of royalties can be expected in the future.

Conclusion

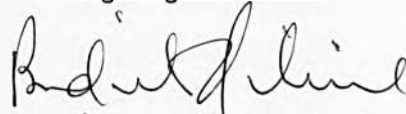
Last year may have been a busy one and a year of change for the Lister Institute, but 2004 will be equally busy. The financial environment may appear to be stabilising, but changes and challenges arising from new legislation and the changing academic environment will continue to pose questions and challenges for the Institute and its Governors.

In this context the Institute's membership of the Association of Medical Research Charities (AMRC) is important. Future legislation that could impact on the Institute includes the new Charities Bill, EU Clinical Trials regulations and the Human Tissues Bill. The AMRC is maintaining both awareness of, and lobbying in connection with, these issues and is making an input into the debate on university funding and animal rights. We can also look forward to the excitement of the new Research Prizes, and the on-going achievements of both our current and former Fellows.

Although it is sad to record the termination of the fellowship scheme, it could be that it had had its day and it is now time for the Institute to move on and use its limited resources in new ways, leaving the fellowship area open to those with deeper pockets. Looking back, the Institute can be justifiably proud of the achievements of its Fellows in the last 20 years; certainly a survey of the scientific press shows the significant contributions made by former Lister Institute Research Fellows while their continued attendance at Weekend Meetings shows the sense of community that has developed. Maintaining this sense of fellowship will be one of the challenges for the future.

While it is impossible to congratulate and thank all those who have contributed so much in the last 20 years, it is important to record general thanks to all Governors and members of the Scientific Advisory Committee for their individual and collective advice and enthusiastic support. We also need to thank the staff at the Institute who ensure that day-to-day operations of the Institute proceed smoothly and that one year passes seamlessly into the next.

Bridget Ogilvie, Chairman



5 August 2004


THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2004



The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

THE GOVERNING BODY

for the year ended 31 December 2004

Dame Bridget M Ogilvie, DBE, ScD, FMedSci, FRS, *Chairman*

Mr Peter W Allen, MA, FCA, CIMgt, *Hon Treasurer (until 30 June 2005)*

Mr W Lawrence Banks, CBE

Professor Graham J Boulnois, PhD (*Appointed December 2003*)

Mr G James M Buckley

Mr Michael French, BSc(Eng), FCA, *Hon Treasurer (from 1 July 2005)*

Hon Rory M B Guinness

Dr Stephen C Inglis, PhD

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Richard N Perham, ScD, FMedSci, FRS

Professor Peter Ratcliffe, FMedSci, FRS (*Appointed December 2004*)

Professor J G Patrick Sissons, MD, FMedSci, FRCP, FRCPath (*Retired December 2004*)

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryl A Tickle, CBE, FRSE, FMedSci, FRS (*Appointed December 2004*)

Professor Anne E Warner, PhD, FRS (*until November 2004*)

Secretary, and Clerk to the Governors: F K Cowey, MA, BSc, DAS (*until 30 September 2004*)

Secretary and Director: Dr T A Hince, PhD (*Appointed 1 October 2004*)

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Registered Office

Macfarlanes*
10 Norwich Street
London EC4A 1BD

Auditors

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1 Embankment Place
London WC2N 6RH

Investment Advisors

UBS Laing & Cruickshank Investment
Management Limited
1 Curzon Street
London W1J 5UB

*The business address of the charity is PO Box 1083,
Bushey, Hertfordshire WD23 9AG

THE SCIENTIFIC ADVISORY COMMITTEE

for the year ended 31 December 2004

Professor Richard N Perham, ScD, FMedSci, FRS, *Chairman*

Professor Jean D Beggs, FRSE, FRS

Professor Robert Irvine, MA, FIBiol, FMedSci, FRS (*Appointed July 2004*)

Professor Dame Louise N Johnson, DBE, FRS

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor E Birgitte Lane, FRSE, FMedSci

Professor Robert H Mitchell, DSc, FMedSci, FRS (*Retired July 2004*)

Professor Linda Partridge, CBE, FRSE, FMedSci, FRS

Professor Alan B Rickinson, FRCP, FMedSci, FRS

Professor Brian Spratt, FMedSci, FRS (*Appointed June 2004*)

CHAIRMAN'S ANNUAL REPORT

on behalf of the Governing Body for the year ended 31 December 2004

THE YEAR 2004 initiated a new era for the Lister Institute in its long and prestigious history of supporting biomedical research. The new Research Prize Fellowship scheme was launched and elicited much interest from the research community. In addition there was a restructuring of the Institute's administration coupled with a move to home-based working and the intention to dispose of the White House.

We have also taken the decision to combine into a single and reformatted document the report of the Governing Body and the Institute's statutory financial statements and to retitle them as the Institute's 'Annual Report and Financial Statements'. Greater details on all the Lister Institute's activities are provided on the following pages.

Governing Body

The year saw the loss of two long-standing members of the Governing Body: Professor Patrick Sissons, through retirement and, sadly, Professor Anne Warner through ill-health. The Institute is indebted to both for their guidance and wise counsel which they gave to the Institute's affairs whilst serving on its Governing Body and for Professor Anne Warner as one-time member of its Scientific Advisory Committee. We offer Professor Warner every good wish for a speedy recovery and send to Professor Sissons our best wishes in his new role as Regius Professor of Physic at the University of Cambridge. Their places will be filled by Professors Peter Ratcliffe (University of Oxford) and Professor Cheryl Tickle (University of Dundee, and a former member of the Scientific Advisory Committee) who takes over from Anne Warner as the Royal Society's representative on the Governing Body.

Sadly, this is the last full financial year in which Peter Allen will be the Institute's Treasurer as he steps down at the end of June 2005. Peter has been associated with the Institute, in different ways, for over thirty years and for the last seven as its Treasurer.

The Institute is greatly indebted to him, not only for his excellent financial stewardship but also for his wise counsel on so many matters as a member of the Governing Body. In his place we welcome Michael French as our new Treasurer.

Scientific Advisory Committee

Professor Robert (Bob) Michell (University of Birmingham) retired, through rotation, in 2004, and as indicated in last year's report, the Institute welcomes Professor Jean Beggs, FRS (University of Edinburgh) to the Scientific Advisory Committee. The Governors also appointed two new members in Professors Robin Irvine, FRS (University of Cambridge), who brings expertise in cell signalling and Brian Spratt, FRS (Imperial College London) who adds knowledge in bacteriology and infection.

The combined expertise and experience of the Scientific Advisory Committee was much needed in the difficult task of selecting the three recipients of the new Lister Research Prize Fellowships from a field of 100 applicants. The Governing Body is indebted to them and the guidance of their Chair, Professor Richard Perham, in this difficult task.

Staffing and Administration

The changes to the Lister Institute's support for research, through the closure to new applicants of the long established and prestigious Lister Institute Fellowship scheme and the switch to Lister Institute Research Prizes, with their single financial payment, had implications for the administrative structure of the Institute. The Governing Body concluded that the Institute could not justify its current level of staffing, or the continued ownership of the White House. One sad outcome of this decision was the departure of Mr Keith Cowey who had served the Institute for more than nine years as Secretary and Clerk to the Governing Body. The smooth running of the Institute, the transition from fellowships to prizes and the effective and unique maintenance of the Lister Community through the membership owed a great deal to Keith Cowey and we are pleased that he will remain associated with the Institute as a member.

In his place we were pleased to appoint Dr Trevor Hince, recently retired from Cancer Research UK as its Executive Director of Research, Management and Planning, to a part time role as Director and Secretary of the Institute. Not only will he now lead a small home-based team with an enhanced role for Mrs Naomi King as Administrator, but

his expertise will also help the Institute develop its future funding plans as more funds become available with the termination, over the next three years, of the existing Lister Research Fellowships.

Institute Membership

Seven Fellows, who completed their fellowships in 2004, have been welcomed into membership. The new members are: Dr Andrew Carmichael (Addenbrooke's Hospital, Cambridge); Dr Peter Cullen (University of Bristol); Dr Darren Monckton (University of Glasgow); Dr Sally Prigent (University of Leicester); Dr Frances Sanderson (Charing Cross Hospital, London); Professor Nigel Scrutton (University of Leicester) and Dr Kostas Tokatidis (Institute of Molecular Biology & Biotechnology, Heraklion, Greece) together with Mr Keith Cowey.

David Harris has been welcomed to membership as the representative of the Worshipful Company of Grocers, replacing Dr Paul Massey who retired last year.

Financial Matters

(a) Overview

Following the review of the Lister Institute's financial position and activities, outlined in last year's report, the implementation of the new Prize Fellowship scheme, and a general improvement in the performance of our investments, the Governors are pleased to report a more healthy and stable situation. Three Prizes were awarded in 2004, another three candidates have been selected to receive 2005 awards and the Governors look forward to expanding the scheme in the future as funds become available.

(b) Investment Markets

The year 2004 was the first full year in which our funds were under the management of UBS Laing and Cruickshank. At the start of the year the Institute's portfolio was worth £26.06 million. At that date the composition of the portfolio was 61% UK equities, 15% overseas equities, 10% fixed interest, 7% cash, 4% overseas bonds and 3% property. 2004 began with high hopes that a combination of relatively low interest rates, low inflation, and rapidly expanding economies would lead to a positive market background, at least until we saw the beginning of tighter monetary circumstances in the United States.

The year saw plenty of dark clouds attempting to drench investors' enthusiasm. However, in the background, economic statistics were in general pleasing. Although the international economic cycle was moving towards a peak, leaving inevitable concerns over the eventual trend of corporate profitability, the immediate prosperity enabled most companies to give strong consideration to increasing dividends, with the result that the yield on the FT All-Share Index stood at 3.1% net, twice covered by earnings: this seemed on any basis a reasonable level, and the balance of advantage continued to lie with investment rather than cash. By 31 December the value of the Institute's fund was £27.75 million. UK equities represented 62% of the fund, overseas equities 14%, fixed interest 10%, cash 6%, overseas bonds 2%, hedge funds 3% and property 3%. Over the twelve-month period there was a capital gain of £2 million, an income of £965,644 and a return of 11.8% against the WM index return of 11.1%.

(c) Financial Statements

The Financial Statements for 2004 which follow, show a capital and funds balance at the end of the year of £25.82 million (2003: £23.62 million). This represents a net gain in funds over the twelve-month period of £2.2 million (2003: £3.97 million). As presented in the Financial Statements, and after making the necessary provisions and adjustments, the total resources expended for the year are shown as £594,000 (2003: £90,000), the increase being mainly due to the award of three new Prize Fellowships, each of £150,000. With the cessation of the previous Fellowship scheme there was little new expenditure other than £62,000 associated with the relocation of a Fellow and by the year-end the liability for the old research fellowships was £1.22 million (2003: £2.17 million) and will continue to decline in future years, ceasing in 2007.

The gross income for the year was £1.06 million (2003: £901,000), resulting from a modest increase in investment income and the receipt of a royalty payment resulting from the scientific activities of a Fellow. Management and administration costs have not changed appreciably although the Financial Statements record a small increase in support costs, largely due to the costs of restructuring the administrative support. In future years we expect to see the management and support cost reduce reflecting the new working arrangements. As in previous years an increased provision has been made for the supplementary pension scheme reflecting the longevity of the Lister pensioners and the need to take into account inflation and the potential pension requirements for surviving spouses.

(d) Risk Management

In line with the terms of SORP 2000 the Institute's Governors have again reviewed the financial and management risks facing the Institute and have taken the appropriate steps to avoid, or at least minimise, their consequences. An example is the introduction of the new Prize Fellowship scheme with its single upfront financial award to recipients.

(e) Reserve & Investment Policies

The Institute's current reserve policy is to maintain sufficient financial resources, that is to say a large enough capital fund, to generate the income needed to meet both its current and future charitable commitments as they fall due. The Governors have set a conservative income target and intend to set a matching expenditure target. It is believed that a capital sum of £25 million, which the Institute's funds currently exceed, will provide the basis for a period of sustainable charitable activity as well as covering management and administration costs.

The investment policy is agreed with UBS Laing & Cruickshank management and the asset balance ranges are detailed in the Financial Statements. The Investment Sub-Committee meet regularly (three times a year) with UBS Laing & Cruickshank management. The latter also submit monthly valuations and more detailed quarterly reports to the Committee.

The Governors will keep under review the investment policy to ensure that it meets the financial requirements of the Institute in line with the demands of its present activities or as new opportunities arise.

Charitable Activities

The charitable objectives of the Institute are to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK. This tradition has been maintained by the introduction of the Lister Institute Prize Fellowship scheme, the background to which was described in last year's report. However, to recap: the scheme will be open to young clinical and non-clinical researchers with between three and ten years' post-doctoral research experience in any area of biomedical research relevant to preventive medicine. Each Prize will provide £150,000 as a lump sum to be spent at the recipient's discretion in any way to enhance his or her

research activity, other than their own personal salary. The award is for a period of three years, during which time the recipient will be called a Lister Institute Prize Fellow. It was recognised that, since the applicant would need to have his or her salary granted from another source for the duration of the fellowship, the Prize would be available to researchers who already held personal awards (fellowships from other agencies) or who worked in research councils or charity-funded institutions, as well as the more traditional university appointments.

(a) Lister Research Prizes

The wide advertising of the new scheme ensured an unprecedented 100 applications from which the Scientific Advisory Committee, aided by reviews from international scientific experts, interviewed nine candidates and awarded three Prizes.

Lister Institute Research Prizes for 2004 were awarded to:

Dr Oliver Bilker (Imperial College London) for his work which seeks to understand at the molecular level how the complex life cycle of the malaria parasite is regulated and, from this, potentially develop new inhibitors of parasite development.

Dr Nia Bryant (University of Glasgow) for her studies on secretory pathways and particularly, using a combination of yeast genetics and biochemistry to understand the insulin-regulated trafficking of the glucose transporter GLUT4, perturbation in which underlies Type 2 diabetes.

Dr Paul Lehner (University of Cambridge and Addenbrooke's Hospital) for his studies on MHC class I antigen presentation and the mechanisms employed by pathogens to interfere with this pathway, in particular the role of heat shock proteins in the stimulation and cross-presentation of human dendritic cells.

(b) Current Lister Fellows

The following continue to hold Lister Research Fellowships, which provide both their personal salary and research support and are scheduled to terminate on the dates indicated:

Fellow/Location	Research	Due to finish
Dr Ian Adams University of Edinburgh	Entry of mouse primordial germ cells into meiosis	2007
Dr Hilary Ashe University of Manchester	Dpp signalling in the <i>Drosophila</i> embryo	2006
Professor Gurdyal Besra University of Birmingham	Mycobacterial cell wall biosynthesis: structure, function and biological implications in tuberculosis	2005
Dr Dawn Coverley University of York	Regulation of mammalian DNA replication complex assembly	2006
Dr Jessica Downs University of Cambridge	Interfaces between DNA double strand break repair and chromatin	2007
Dr Andrew Fry University of Leicester	Cell cycle regulation of the centrosome	2005
Dr Dino Giussani University of Cambridge	Modulation of fetal cardiovascular function by reversible adverse intrauterine conditions: consequences for later life	2006
Dr Peter McGlynn University of Aberdeen	Maintaining genome stability: causes and consequences of damage to replication forks	2005
Professor Anant Parekh University of Cambridge	Regulation of calcium signalling and calcium-dependent exocytosis in mast cells	2005
Dr Tristan Rodriguez Imperial College London	The role of the anterior visceral endoderm in establishing the anterior/posterior axis of the mouse embryo	2007
Professor Anne Rosser University of Wales College of Medicine	Mechanisms underlying embryonic neural precursor cell differentiation and therapeutic role in neural degeneration	2005
Dr Cathy Tournier University of Manchester	Requirement of JNK for the stress response following brain injury	2006
Dr Kimberley Watson University of Reading	Structural biology of insulin response proteins	2005
Dr Alan Whitmarsh University of Manchester	Role of scaffold proteins in regulating the specificity of the JNK signalling pathway: a critical mediator of stress responses in cells	2006

Members of the Scientific Advisory Committee receive an annual report from each Fellow as well as an updated list of their publications and confirm their satisfaction with the progress, productivity and obvious high standard of their research activities.

(c) Fellowship Activities

The 2004 Weekend Meeting was again held at Christ's College, Cambridge and deemed to be a great success.

The new Research Prize Fellows each gave a presentation and at the evening dinner were formally presented with a scroll by the Chairman. Informally, they were welcomed by the membership into the wider Lister Community. Other scientific speakers at the meeting were:

from the current Fellows:

Dr Hilary Ashe (University of Manchester)

Dr Dawn Coverley (University of York)

Dr Kimberley Watson (University of Reading)

from former Fellows:

Professor Tom Evans (University of Glasgow)

Dr Darren Monckton (University of Glasgow)

Dr Penny Rashbass (University of Sheffield)

Professor Nigel Scrutton (University of Leicester)

Professor Colin Taylor (University of Cambridge)

All speakers maintained the traditional high standards and, in the usual Lister style, the topics ranged from bacteria to mammals and from DNA replication to neural development, taking in transcription, signalling and structural biology on the way!

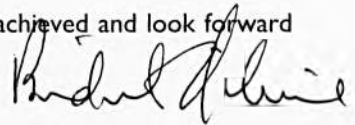
Conclusion

The Lister Institute has successfully launched its new Prize Fellowships and looks forward to the future development of this innovative funding scheme, which offers unparalleled flexibility to the recipients and anticipates the expansion of the scheme as finances become available.

The Lister Institute does not operate in isolation, neither do its Fellows and on all sides we are exposed to increasing legislation and control, applicable not only to the operation of the charity but also to the conduct of the research which it supports. In these circumstances membership of a wider, informed and concerned community is important and the Lister Institute continues to be grateful for the guidance and support

which it gains by membership of the Association of Medical Research Charities.

We look forward to the future with optimism as a restructured institution with an innovative funding scheme and more sustainable finances. As always it is a pleasure to thank all who have supported and guided the Lister Institute for the past year; the membership and fellowship, the Scientific Advisory Committee, the staff and members of the Governing Body. We can all take pride in what we have achieved and look forward to future successes.



BRIDGET M OGILVIE

Chairman

FINANCIAL REPORT OF THE GOVERNING BODY

for the year ended 31 December 2004

The Institute is a company limited by guarantee and has charitable status. The Trustees of the Institute are the members of the Governing Body.

Six members of the Governing Body are appointed by the members at the Annual General Meeting. Up to four members are co-opted by the Governing Body and there are currently four such appointees. One member is Lord Iveagh's representative and the final member is a representative of the Royal Society.

The Governing Body presents the financial statements of the Institute for the year ended 31 December 2004. Details of other activities have been presented in the Chairman's Annual Report.

Results

The results for the Institute for the year ended 31 December 2004 are set out on page 16. The net income for the financial year is £469,000 (2003: net income £811,000).

The value of the Institute's cash and investments has increased in aggregate by £1.6 million during the year (2003: £2.6 million increase). The Governors confirm that sufficient funds are available to fulfil the obligations of the Institute.

Principal activities & future operations

The object of the charity is to further knowledge into preventive medicine. The income of the Institute is utilised to support medical research. In the past the Institute awarded Senior Fellowships on the advice of its Scientific Advisory Committee, who are appointed by the Trustees, but no fellowships were awarded in 2003 due to financial prudence. In 2004 three of the new Research Prize Fellowships were awarded. Each Prize Fellowship provides an award of £150,000 which must be spent in three years, although the funds are provided to the host institution at the commencement of the award. (Since one Prize Fellowship will not be taken up until 2005 it has been represented as a creditor in the Balance Sheet and designated a

Prize Award Credit in note 13 to the financial statements). The number of Prize Fellowships awarded will be increased as the commitment to the current Senior Fellows declines.

Consideration of risk

The Institute carries out an annual review of the risks that the organisation faces and reviews the effectiveness of the controls necessary to mitigate and monitor these risks.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 10 and 11 to the financial statements.

Since the year-end, contracts have been exchanged for the sale of the White House, the charity's property at Bushey Heath, for a price in excess of book value, with completion in October 2005.

Financial issues and investments

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives. The last are achieved through the support of existing Senior Research Fellowships and through the new Research Prize Fellowships. The expenditure on existing Senior Fellowships will finish in 2007.

As the Prize Fellowships are fixed sum awards the future commitment is known and can be regulated by altering the number of prizes awarded each year. This will be done in light of the income generated from the total return investment strategy. The income in turn will be highly sensitive to the rate of return obtained on its investments and this will be reviewed annually before fresh commitments are made.

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments consistent with an acceptable level of risk. The Institute's investment

FINANCIAL REPORT OF THE GOVERNING BODY (CONTINUED)

for the year ended 31 December 2004

managers, UBS Laing and Cruickshank, administer its funds on a discretionary basis, which, on the advice of the investment managers, are held within the following overall limits:

	%
Equities	50-90
UK equities	40-70
Overseas equities	10-25
Fixed interest and cash	10-40
UK bonds	5-25
Overseas bonds	0-5
Cash	3-10
Other investments	0-20
Absolute Return Funds (hedge funds etc)	0-10
Property	0-10

The performance of the investment portfolio is reviewed by the Investment Sub-Committee, which has at least three meetings each year with the investment managers and which receives detailed monthly valuation and transaction reports. The investment policy is reviewed on an annual basis by the Governing Body.

Reserves policy

The policy of the Governors is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity. The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Governing Body, who remain satisfied with the current position.

Governing Body

The members of the Governing Body who served at any time during 2004 are shown on page 1.

Governors' responsibilities

The Governors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the income and expenditure of the Institute for that period.

The Governors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2004.

The Governors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000. The Governors are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Pricewaterhouse-Coopers LLP as auditors of the Institute will be proposed at the next annual general meeting.



BRIDGET M OGILVIE

Chairman

18 July 2005

INDEPENDENT AUDITORS' REPORT

to the members of The Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine ("the Institute") which comprise the Statement of Financial Activities, the Balance Sheet and the related notes.

Respective responsibilities of governors and auditors

The governors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of governors' responsibilities. The Institute's governors also act as trustees for the charitable activities of the Institute.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the governors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent

misstatements or material inconsistencies with the financial statements. The other information comprises the governors' report only.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Institute'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs at 31 December 2004 and of its net incoming resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
18 July 2005

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
INCOME AND EXPENDITURE			
Incoming resources			
Investment income	2	960	861
Interest receivable		18	25
Other income	3	85	15
Total incoming resources		1,063	901
Charitable expenditure			
Costs of generating funds	4	–	(12)
Costs of activities in furtherance of the charity's objects			
Prizes awarded in year	9	(450)	–
Grants awarded in year	9	(62)	–
Decrease in grants liability from previous fellowship awards	9	158	158
Support costs	6	(83)	(68)
Management & Administration	7,8	(115)	(94)
Pension costs	14	(42)	(74)
Total resources expended		(594)	(90)
Net income		469	811
NET GAINS ON INVESTMENT ASSETS	16	1,732	3,160
Net movements in funds		2,201	3,971
Capital and funds brought forward		23,622	19,651
Capital and funds carried forward		25,823	23,622

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown.

The notes set out on pages 18 to 23 form part of these financial statements

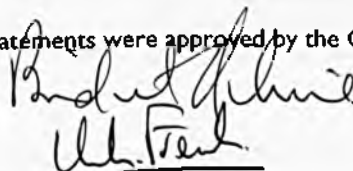
BALANCE SHEET

as at 31 December 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	10	222	227
Investments	11	25,710	24,092
		25,932	24,319
Current assets			
Debtors	12	73	104
Cash at bank and in hand	11	2,242	2,261
		2,315	2,365
Creditors			
Grants	9	(702)	(860)
Other amounts falling due within one year	13	(712)	(384)
Net current assets		901	1,121
Total assets less current liabilities		26,833	25,440
Long term liabilities			
Grants	9	(522)	(1,315)
Pensions	14	(488)	(503)
Net assets		25,823	23,622
<i>represented by</i>			
Unrestricted funds			
General	16	25,823	23,622

The Governors have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 18 July 2005



BRIDGET M OGILVIE
MICHAEL FRENCH

Members of the
Governing Body

The notes set out on pages 18 to 23 form part of these financial statements.
Auditors' Report page 15.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

I PRINCIPAL ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2000), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

a Basis of accounting

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

b Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful life of the fixed assets concerned. The principal annual rate used for this purpose is:

Land and buildings 2%

The capitalisation limit for fixed assets is set at £10,000.

Expenditure incurred on minor office equipment is written off on acquisition.

c Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the general fund in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

d Incoming resources

All incoming resources, with the exception of royalty income, are accounted for on a receivable basis.

e Royalties

Royalties are accounted for on an accruals basis.

f Grants and prizes

Provision is made at the time of making a grant for the full cost over the expected life of the fellowship, normally five years. Whilst payment of grants in the second and subsequent years of a fellowship continues to be subject to performance by the recipient, the policy is considered necessary to reflect the Governors' experience that only in rare cases are grants not continued for the expected full term. The cost of Prize Awards (Prize Fellowships) is charged in the year awarded.

g Charitable expenditure

Expenditure is accounted for on an accruals basis. Charitable expenditure comprises all expenditure directly relating to the objects of the charity. The allocation of expenditure between support costs and management and administration costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as management and administration costs with the exception of a proportion of salary and related costs, which have been incurred conducting activities in furtherance of the charity's objects. These have been classified as support costs.

h Supplementary pensions and staff pensions

Provision is made in the Financial Statements for the estimated future supplementary payments. The provision and charge to income are reviewed annually by the Governors in the knowledge that the number of persons receiving the supplementary pensions will not increase. Existing employees are subject to a defined contribution scheme which is expensed as incurred.

2 INCOME FROM FIXED ASSET INVESTMENTS

	2004	2003
	£'000	£'000
Listed investments	960	861
	960	861

3 OTHER INCOME

	2004	2003
	£'000	£'000
Donations	–	1
Rental income	10	10
Royalty income	75	4
	85	15

4 COSTS OF GENERATING FUNDS

	2004	2003
	£'000	£'000
Investment management fees	–	12

5 GOVERNING BODY AND STAFF COSTS**Emoluments of members of the Governing Body**

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2003: nil). Travel expenses of £955 (2003: £1,640) incurred by members of the Governing Body in connection with their attendance at meetings are reimbursed. Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,154 (2003: £600) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was 3 (2002: 3), all of whom were employed in an administrative capacity. One employee's emoluments, including a severance payment, were between £60,000 and £70,000 (2003: no employees). Pension contributions of £5,372 (2003: £5,719) were paid by the Institute in respect of this employee.

Staff Costs

	2004	2003
	£'000	£'000
Gross salaries and pension contributions	119	82
Employer's national insurance and state pension contributions	7	6
	126	88

Salary costs are divided between support costs and management & administration costs.

6 SUPPORT COSTS

	2004	2003
	£'000	£'000
Salaries, pension contributions and employer's national insurance	63	48
Other costs	20	20
	83	68

Effective from 2004, honoraria costs are included in "Other costs" in support costs

7 MANAGEMENT & ADMINISTRATION COSTS

	2004	2003
	£'000	£'000
Salaries, pension contributions and employer's national insurance	63	40
Miscellaneous (note 8)	52	54
	115	94

8 MISCELLANEOUS EXPENDITURE

	2004	2003
	£'000	£'000
Office expenses	8	14
Travel expenses	4	4
Auditors' remuneration -- audit fee	8	7
Professional fees	12	7
Depreciation	5	5
General expenses	15	12
Honorarium	—	3
Royalty payments	—	2
	52	54

9 GRANTS LIABILITY

Movements in the grant liability during the year were as below:

	2004	2003
	£'000	£'000
Liability at beginning of year	2,175	3,479
Estimated cost of grants approved during the year	62	—
Changes made to provisions for fellowship awards	(158)	(158)
Cash paid on existing grants	(855)	(1,146)
Liability at end of year	1,224	2,175
of which sum: Amounts due within one year	702	860
Long term liabilities	522	1,315

Prior year values have been restated to show separately amounts due within one year.

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings
Cost	£'000
At 1 January 2004 and 31 December 2004	272
Depreciation	
At 1 January 2004	45
Charge for year	(5)
At 31 December 2004	50
Net book value	
At 31 December 2004	222
At 31 December 2003	227

Since the year-end, contracts have been exchanged for the sale of the White House, the charity's property at Bushey Heath, for a price in excess of book value, with completion in October 2005.

11 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end. Included in bank and cash is £1.7 million (2003: £2.1 million) which is held by the investment manager as part of the investment portfolio.

	2004	2003
	£'000	£'000
Market value at beginning of year	24,092	22,883
Purchases during the year at cost	7,002	11,555
Proceeds of sales during the year	(7,116)	(13,506)
Changes in market value of assets held as at the year-end	1,732	3,160
Market value at year-end	25,710	24,092
Historical cost at year-end	20,835	20,523

The market value of investments at the year-end includes £4.75 million (2003: £4.78 million) of investments which are listed outside the UK.

At 31 December 2004 no single shareholding exceeds 5% of the total value of investments. At 31 December 2003 such material investments were Fledgling Bond Fund units (£1.17 million) and BP plc shares (£1.14 million).

12 DEBTORS

	2004	2003
	£'000	£'000
Prepayments and accrued income	65	87
Other debtors	8	17
Total debtors	73	104

13 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£'000	£'000
Taxation and social security	4	2
Prize award creditor	150	-
Accruals	558	382
Total creditors falling due within one year	712	384

14 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions paid are increased annually in line with published government figures.

Following the last actuarial valuation in 2001 a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2004	2003
	£'000	£'000
Provision at beginning of year	503	491
Charge to Statement of Financial Activities	42	74
Pensions paid	(57)	(62)
Provision at end of year	488	503

15 DONATIONS RECEIVED TO DATE

Donations have been received to date from:

	£'000
Dr Ludwig Mond (1893)	2
Berridge Trustees (1893-1898)	46
Worshipful Company of Grocers (1894 and 1969-1973)	15
Lord Iveagh (1900)	250
Lord Lister's Bequest (1913-1923)	19
William Henry Clarke Bequest (1923-1926)	7
Rockefeller Foundation (1935-1936)	3
Wolfson Foundation (1969-1973)	300
Jenner Memorial Studentship Fund (1984)	48
Professor William Bulloch Bequest (1990)	6
Other donations and legacies (1891-1998)	72
<i>Centenary donations:</i>	
Coopers & Lybrand	5
Guinness plc	5
ICI plc	5
Worshipful Company of Grocers	5
Courts & Co	5
MacFarlanes	1
Donation of shares in Mediwatch (sold in 2003)	1
John & Celia Bonham Christie Charitable Trust	1
	796

16 UNRESTRICTED GENERAL FUND

	Total £'000
Balance at beginning of year	23,622
Net realised/unrealised gains on fixed asset investments	1,732
Income for the year	469
Balance at end of year	25,823

The general fund is represented by a realised balance of £20.95 million (2003: £20.05 million) and an unrealised balance of £4.87 million (2003: £3.57 million).

17 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year. A member of the Governing Body, Professor Sir Alec Jeffreys, received royalty payments of £619 in 2003.



THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2005



The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

THE GOVERNING BODY

for the year ended 31 December 2005

Dame Bridget M Ogilvie, DBE, ScD, FMedSci, FRS, *Chairman*

Mr Peter W Allen, MA, FCA, CIMgt, *Hon Treasurer (Retired 30 June 2005)*

Mr W Lawrence Banks, CBE

Professor Graham J Boulnois, PhD

Mr G James M Buckley

Mr Michael French, BSc(Eng), FCA, *Hon Treasurer (Appointed 1 July 2005)*

Hon Rory M B Guinness

Dr Stephen C Inglis, PhD

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Richard N Perham, ScD, FMedSci, FRS

Professor Peter Ratcliffe, FMedSci, FRS

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryl A Tickle, CBE, FRSE, FMedSci, FRS

Secretary and Director: Dr Trevor A Hince, PhD

Solicitors

Macfarlanes
10 Norwich Street
London EC4A 1BD

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Registered Office

Macfarlanes*
10 Norwich Street
London EC4A 1BD

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Investment Advisors

UBS Wealth Management (UK) Limited
1 Curzon Street
London W1J 5UB

*The business address of the charity is
PO Box 1083, Bushey, Hertfordshire WD23 9AG

THE SCIENTIFIC ADVISORY COMMITTEE

for the year ended 31 December 2005

Professor Richard N Perham, ScD, FRS, FMedSci, *Chairman*

Professor Jean D Beggs, CBE, FRSE, FRS

Professor Robin Irvine, MA, FIBiol, FMedSci, FRS

Professor Dame Louise N Johnson, DBE, FRS (*Resigned May 2005*)

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor E Birgitte Lane, FRSE

Professor Linda Partridge, CBE, FRSE, FRS

Professor David Rice, MA, DPhil (*Appointed September 2005*)

Professor Alan B Rickinson, FRCP, FMedSci, FRS

Professor Brian Spratt, FRS

Dr Fiona Watt, FRS (*Appointed September 2005*)

CHAIRMAN'S ANNUAL REPORT

on behalf of the Governing Body for the year ended 31 December 2005

THE YEAR 2005 was one of consolidation following the changes announced in last year's Annual Report. The Prize Fellowship scheme continued into its second year, attracting a large number of high quality applications and the subsequent award of three Prizes. The Institute's business premises, the White House in Bushey, was sold and the administration of the Institute has settled well into home working arrangements. On the financial side, of great comfort to the Governing Body was the increasing strength of the stock market and the consequential beneficial effect on our own portfolio and the income that we derive from it.

Governing Body

As presaged in last year's report, Peter Allen stood down as Hon Treasurer of the Institute and retired from the Governing Body. Last year I paid tribute to Peter's commitment and his association with the Institute over many years, and it was therefore fitting that the Governing Body should hold a small luncheon in his honour. In July Michael French took over as Hon Treasurer and was duly elected a member of the Governing Body at the AGM in September. Michael brings considerable experience to the role and we are confident that the Institute will continue to prosper under his financial guidance.

The Governing Body and indeed all members of the Institute, were particularly delighted by the award of the 2005 Lasker Award for Clinical Medical Research to Professor Sir Alec Jeffreys, a Governor and one of the first Lister Fellows. This is one of the most prestigious awards in biomedical research and it is a great tribute to Alec and his work that he should share the 2005 award with Ed Southern, another renowned

British scientist. In the Lasker's own words "two scientists who revolutionized human genetics and forensic science in two related breakthroughs".

It is the practice of the Institute that there is turnover on the Governing Body and members therefore only serve for a limited period. Next year, we shall sadly lose through retirement Mr Lawrence Banks and Mr James Buckley and we shall be seeking their replacements.

The scale of the Institute's activities and the smooth manner in which the Institute is run gave confidence to the Governing Body to reduce their formal meetings to two per year, with more business being conducted by telephone or email. The two meetings were held in April and immediately prior to the Fellows' Weekend in September. This latter meeting comprised both a formal session and then, over dinner, the opportunity to discuss in an informal setting the future direction and strategy for the Institute. It is also clear that more detailed work may be delegated to appropriate sub-committees of the Governing Body as is already the case with the Scientific Advisory Committee and it is likely that an expansion of the role for the Investment Committee will take place to give it a wider financial remit.

Scientific Advisory Committee

The Governors have to report that Professor Louise Johnson (University of Oxford) resigned from the Committee due to pressure of other work. Her expertise and shrewd analysis of candidates will be missed by the committee. The Governors appointed two new members in Professor David Rice (University of Sheffield), an ex-Fellow who brings expertise in structural biology and Dr Fiona Watt (Cancer Research UK) who is an acknowledged world expert in stem cell biology.

The combined expertise and experience of the Scientific Advisory Committee was again much needed in the difficult task of selecting the three recipients for the new Lister Research Prize Fellowships from a field of 67 applicants. Whilst members of the Scientific Advisory Committee appreciated the very high quality of presentations by each of the eight short-listed candidates, choosing the three Prize winners was considerably more taxing and, yet again, the Committee and indeed the Institute is indebted to the Chairman of the Scientific Advisory Committee, Professor Richard Perham, for his guidance and wise counsel.

Staffing and Administration

In last year's report I set out the rationale for the revision to the Institute's administration and I am very happy to report that the new arrangements are working well with the maintenance of the high standard of efficiency that members of the Governing Body and the Fellows have come to expect from the administrative team. The smooth transition to home working was in no small measure due to the commitment and efficiency of Naomi King in her new role of Administrator. In January the Institute had to say farewell to its part-time accountant, John Ruis, and in his place welcomed Jacky Wilson to the role and it is a great credit to her that she immediately saw us successfully through the audit process.

The sale of the White House had major implications for the storage and retrieval of the Institute's files, many of which go back to the formative days of the Institute and were therefore very important to the history of biomedical research in the UK. It was therefore with relief and pleasure that most of the archival material was readily accepted by the Wellcome Trust History of Medicine unit and now forms part of their national archiving scheme.

Although the Institute has only a small workforce, it is still essential that our Human Resources policies and procedure match our needs and meet the ever-changing legislative requirements. This year, therefore, we conducted a thorough review and instigated a new set of procedures and policies. These are tailored to our needs as a small employer and the fact that the staff are home-based and now provide us with a practical and robust framework in which to operate.

Institute Membership

Six Fellows, who completed their fellowships in 2005, have been welcomed into membership. The new members are: Professor Gurdyal Besra, University of Birmingham; Dr Andrew Fry, University of Leicester; Dr Peter McGlynn, University of Aberdeen; Professor Anant Parekh, University of Oxford; Professor Anne Rosser, University of Wales College of Medicine, and Dr Kimberley Watson, University of Reading.

The Governors are delighted to report that Dr Fiona Watt, Cancer Research UK, and a member of the Scientific Advisory Committee, has accepted their invitation to membership of the Institute.

Financial Matters

(a) Overview

The strong performance of the stock market, the proceeds from the sale of the White House coupled with a further decline in the expenditure on the previous Fellowship scheme and the award of just three new Research Prizes led to a very healthy year-end position. The Governors are very pleased to report a growth in our investments to £32.45 million, a position on a par with our investment level before the major decline, a few years ago, which prompted the review of our activities. Since 2004, the initiation of the scheme, three new Prizes have been awarded every year and three candidates have been selected to receive the 2006 awards. However, the Governors are confident that the present financial position will enable the Institute to increase both the value of the award and the number in future years.

(b) Investment Markets

At the start of 2005 the Institute's portfolio (including cash) was worth over £27 million. At that date the composition of the portfolio was 62% UK equities, 14% overseas equities, 10% fixed interest, 6% cash, 2% overseas bonds, 3% hedge funds and 3% property.

2005 began as a year of modest expectations. With President Bush returned to power, investors looked with apprehension towards a seemingly inevitable attempt to rein in the expansive fiscal and monetary policies that had assisted his re-election, against a background of continued problems in the Middle East. In the event the year passed reasonably happily in the United States, with two obvious exceptions. In the spring the coincidence of stuttering consumer demand with debt downgrades for General Motors and Ford, took its toll of Wall Street and, especially, of a number of debt-related hedge funds. Meanwhile, two natural catastrophes in the early autumn provided a further reminder of the importance of natural forces, disrupting a good part of the United States oil infrastructure, and causing a further escalation in gasoline prices. Despite this the United States managed to record a satisfactory growth figure of 3.5% for the year, with corporate profitability growth running, once again, in double digits.

The rise in the Dollar provides one key to the strength of the United Kingdom market. Effectively the 25% of the FTSE All-Share Index capitalisation provided by natural resource stocks earns its income in Dollars. The majority of the other FTSE companies

also hold substantial international assets—a matter of crucial importance given that the domestic economy flagged to give GDP growth of 1.7%, against the Chancellor's original forecast of over 3%. Overall the world economy was expected to grow by 3.1% in 2005. With the United States providing the main "engine" results elsewhere were much as expected, with manufacturing weak in Europe (excepting Germany). Conversely official statistics suggested an increase in Chinese manufacturing of 16%, year on year, and India, South Korea and Taiwan all recorded figures in excess of 8%, contributing to an increase in overall reserves to a figure in excess of \$1 trillion. A reviving Japan provided the most obvious feature amongst the major markets: elsewhere, particular strength was found in the natural resource economies – Canada, Brazil and Russia.

By 31 December the value of the Institute's fund was over £32 million. UK equities represented 60% of the fund, overseas equities 17%, fixed interest 8%, cash 1%, overseas bonds 2%, hedge funds 4% and property 8%. Over the twelve-month period there was a capital gain of over £5 million, an income of just over £961,000 and a return of 22.2% against the WM index return of 20.4%.

(c) Financial Statements

The Financial Statements for 2005 which follow, show a capital and funds balance at the end of the year of £31.59 million (2004: £25.82 million). This represents a net gain in funds over the 12 month period of £5.7 million (2004: £2.2 million). As presented in the Financial Statements, and after making the necessary provisions and adjustments, the total resources expended for the year are shown as £801,000 (2004: £594,000). With holders of the previous fellowships coming to the end of their tenure there was no new expenditure and by the year-end the liability for this old Research Fellowship scheme was £594,000 (2004: £1.22 million); this will decline further, ceasing in 2007.

The gross income for the year was £1.30 million (2004: £1.06 million) the increase over 2004 resulting mainly from the proceeds of the sale of the White House. Management and administration costs have decreased in the year, as was predicted with the change to the administrative arrangements and home-based working. The pension provision of £496,000 has been re-calculated to take account, sadly, of the death of four pensioners, but also to reflect the longevity of the Lister pensioners and the need to take into account inflation and the potential payments for surviving spouses.

(d) Risk Management

In line with the terms of SORP 2000 the Institute's Governors have again reviewed the financial and management risks facing the Institute and have taken the appropriate steps to avoid, or at least minimise, their consequences. Next year the Institute will be undertaking a detailed review of its "risk map" to take account of our switch to the new Prize Fellowship scheme and the implications of home-based working.

(e) Reserve & Investment Policies

The Institute's current reserve policy is to maintain sufficient financial resources, that is to say a large enough capital fund, to generate the income needed to meet both its current and future charitable commitments as they fall due. The Governors have set a conservative income target and intend to set a matching expenditure target. It is believed that a minimum capital sum of £25 million will provide the basis for a period of sustained charitable activity as well as covering management and administrative costs. The fact that the capital sum now stands considerably above this will enable the Governors to consider future levels of expenditure.

The investment policies are agreed with UBS Wealth Management (UK) Limited and the asset allocation classes and ranges are detailed in the Financial Statements. The Investment Sub-Committee meet regularly (three times a year) with UBS Wealth Management (UK) Limited, the latter also submit monthly valuations and more detailed quarterly reports to the Committee.

The Governors will keep under review the investment policy to ensure that it meets the financial requirements of the Institute in line with the demands of its present activities or as new opportunities present themselves.

Charitable Activities

The charitable activities of the Institute remain to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK. It is now clear that the high quality of former Senior Lister Research Fellows is being matched by the recipients of the new Prize Fellowships. The competition for the new Fellowships remains very high with large numbers of applicants, clearly indicating that the scheme meets a need in the research community. It is also clear that the value of the Prize,

£150,000, and the very flexible manner in which it may be used to further the recipient's research are greatly appreciated and potentially provide the opportunity for more innovative research than might be possible with much of the more constrained research funding from other agencies.

It is still too early to assess the scheme as a whole, although this will be undertaken at some point in the future, but it is clear that its availability to those who already hold fellowships or personal awards from other agencies has widened its appeal and brought some very high quality individuals into the Lister fold. To ensure appropriate recognition of Prize Fellowship holders within their own institutions and to promote the scheme more widely, the Lister initiated a series of presentation ceremonies for the recipients. These events were staged in the Fellows' host institution where he/she presented a faculty or divisional seminar and were subsequently presented with a commemorative glass memento by the Chairman. These occasions not only highlighted the obvious excellence of the Prize Fellows but enabled the scheme to be explained to other potential candidates. It has been of considerable pleasure to the Institute that universities have readily embraced the occasion and, in particular, that vice chancellors or their deputies have taken time out from their hectic schedules to attend the seminars and subsequently host a reception and/or dinner. The Lister is particularly grateful to the Universities and the Prize Fellows for making these events such enjoyable occasions.

(a) Lister Research Prizes

Lister Institute Research Prizes for 2005 were awarded to:

Professor Daniel Davis (Imperial College London) for his work on communication between cells, particularly of the immune system, and often via protein transport and protein-protein interactions which occurs to regulate cell function.

Dr Tomoyuki Tanaka (University of Dundee) whose research aims to understand the molecular mechanisms underlying the kinetochore-microtubule interaction, which is a highly dynamic and complex process which determines proper chromosome segregation.

Dr Christopher Thompson (University of Manchester) for his studies which seek to identify and characterise genes that control cell fate, choice and social behaviour in the *Dictyostelium amoebae*.

(b) Current Lister Fellows

The following continue to hold Lister Research Fellowships, which provide both their personal salary and research support and are scheduled to terminate on the dates indicated:

<i>Fellow/Location</i>	<i>Research</i>	<i>Due to finish</i>
Dr Ian Adams University of Edinburgh	Entry of mouse primordial germ cells into meiosis	2007
Dr Hilary Ashe University of Manchester	Dpp signalling in the <i>Drosophila</i> embryo	2006
Dr Dawn Coverley University of York	Regulation of mammalian DNA replication complex assembly	2006
Dr Jessica Downs University of Cambridge	Interfaces between DNA double strand break repair and chromatin	2007
Dr Dino Giussani University of Cambridge	Modulation of fetal cardiovascular function by reversible adverse intrauterine conditions: consequences for later life	2006
Dr Tristan Rodriguez Imperial College London	The role of the anterior visceral endoderm in establishing the anterior/posterior axis of the mouse embryo	2007
Dr Cathy Tournier University of Manchester	Requirement of JNK for the stress response following brain injury	2006
Dr Alan Whitmarsh University of Manchester	Role of scaffold proteins in regulating the specificity of the JNK signalling pathway: a critical mediator of stress responses in cells	2006

Members of the Scientific Advisory Committee receive an annual report from each Fellow as well as an updated list of their publications and confirm their satisfaction with the progress, productivity and obvious high standard of their research activities.

(c) Fellowship Activities

The 2005 Weekend Meeting was, as is now tradition, held at Christ's College, Cambridge and enjoyed by all, with much interest in the scientific presentations.

The new Research Prize Fellows each gave a seminar and, at the evening dinner, were formally presented with a scroll by the Chairman. As is typical of the Lister community



Above: Manchester's Prize Fellow Chris Thompson (second from left) with (from left-to-right) Professor Martin Humphries (Associate Dean for Research, Faculty of Life Sciences), Dame Bridget Ogilvie, Dr Trevor Hince, and Professor Dame Nancy Rothwell (Vice President for Research) at the reception following his seminar given at the University of Manchester.

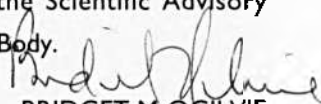
Below: Prize Fellows Daniel Davies and Oliver Bilker, both of Imperial College, (second and third from left respectively) with (from left-to-right) Sir Leszek Borysiewicz (Deputy Rector, Imperial College and former Lister Fellow), Dame Bridget Ogilvie, Dr Trevor Hince and Professor Michael Selkirk (Head of Cell and Molecular Biology Division, Imperial College) at the reception following their seminars given at Imperial College, London.



they were made very welcome and much out-of-meeting discussion could be observed. Other scientific speakers at the meeting were: Dr Peter McGlynn, Dr Jessica Downs, Dr Andrew Fry, Professor Bob Lightowers, Dr Ian Adams, Dr Tristan Rodriguez, Professor Mark Buttner and Professor Gurdyal Besra. All the Fellows maintained the inevitably high standards of presentation, although some had to compete with the off-stage activities of a particularly heavy thunderstorm! As usual, the programme covered a wide variety of research areas, ranging from DNA replication and DNA packaging, extending to the role of centrosomes and microbial genetics in disease, followed by insights into embryology and germ cell development and concluding with the role of antibiotic type peptides and the identification of new drug targets for tuberculosis. The diversity of presentation topics again underlines the wide spread of research areas that the Lister is prepared to support. One slight sadness about the weekend was the fact that speakers on the Saturday morning found themselves addressing a rather depleted audience and thought will need to be given to the format for future fellowship meetings.

Conclusion

This year has seen the Lister successfully reduce its administrative structure and move to home-based working; confirmation of acceptance and desire for the new Research Prize Fellowship scheme by the academic community and a very satisfactory strengthening of our financial position. All of this gives us great confidence for the future and potentially the opportunity to expand our activities, although initially this is most likely to be in the value of the new Prize Fellowships (increasing to £175,000) and then in their number. However, next year the Institute will produce its research strategy and, no doubt, this will give the opportunity to consider our future role in the UK's biomedical research community. We have successfully negotiated a period of change which, at times, has put greater pressure on many associated with the Institute and therefore it is with particular pleasure and satisfaction that I thank all those who have supported and guided the Institute in the past year, the membership and fellowship, the Scientific Advisory Committee, the staff and particularly members of the Governing Body.



BRIDGET M OGILVIE

Chairman

FINANCIAL REPORT OF THE GOVERNING BODY

for the year ended 31 December 2005

The Institute is a company limited by guarantee and has charitable status. The Trustees of the Institute are the twelve members of the Governing Body.

Six members of the Governing Body are appointed by the members at the Annual General Meeting. Up to four members are co-opted by the Governing Body and there are currently four such appointees. One member is Lord Iveagh's representative and the final member is a representative of the Royal Society.

The Governing Body presents the financial statements of the Institute for the year ended 31 December 2005. Details of charitable activities are presented in the Chairman's Annual Report (pages 3-11).

Results

The results for the Institute for the year ended 31st December 2005 are set out on page 16. The net income for the financial year is £501,000 (2004: net income £469,000).

The value of the Institute's cash and investments has increased in aggregate by £5million during the year (2004: £1.6million increase). The Governors confirm that sufficient funds are available to fulfil the obligations of the Institute.

Principal activities & future operations

The object of the charity is to further knowledge into preventive medicine. The income of the Institute is utilised to support medical research. In the past the Institute awarded Senior Fellowships on the advice of its Scientific Advisory Committee, who are appointed by the Trustees, but this scheme closed to new applicants in 2002 and the last of the current Fellows will complete their fellowships in 2007.

In 2004 the Institute introduced the new Research Prize Fellowships and funded three; in 2005 another three awards were made. Each Prize Fellowship provides an award of £150,000 which must be spent in three years, although the funds are provided to the host institution at the

commencement of the award. (Since one Prize Fellowship will not be taken up until 2006 it has been represented as a creditor in the Balance Sheet).

The number of Prize Fellowships awarded will be increased as the commitment to the current Senior Fellows declines.

In 2005 the Institute sold its administrative offices and moved to home-based working for its administrative staff thereby reducing its operating costs.

Consideration of risk

The Institute carries out an annual review of the risks that the organisation faces and reviews the effectiveness of the controls necessary to mitigate and monitor these risks.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 10 & 11 to the financial statements.

The sale of the White House, the charity's property at Bushey Heath, was completed in October 2005 at a price of £552,000 (£535,000 net after deducting £17,000 selling costs).

Financial issues and investments

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives. The last are achieved through the support of existing Senior Research Fellowships and through the new Research Prize Fellowships. The expenditure on existing Senior Fellowships will finish in 2007.

As the Prize Fellowships are fixed sum awards the future commitment is known and can be regulated by altering the number of prizes awarded each year. This will be done in light of the income generated from the total return investment strategy. The income in turn will be highly sensitive to the rate of return obtained on the Institute's investments and this will be reviewed annually before fresh commitments are made.

The Institute's investment objective is to develop

FINANCIAL REPORT OF THE GOVERNING BODY (CONTINUED)

for the year ended 31 December 2005

and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk. The Institute's investment managers, UBS Wealth Management (UK) Limited, administer its funds on a discretionary basis, which, on the advice of the investment managers, are held within the following overall limits:

Equities	50-90	%
UK equities	40-70	
Overseas equities	10-25	
Fixed interest and cash	10-40	
UK bonds	5-25	
Overseas bonds	0-5	
Cash	3-10	
Other investments	0-20	
Absolute Return Funds (hedge funds etc)	0-10	
Property	0-10	

The performance of the investment portfolio is reviewed by the Investment Sub-Committee, which has at least three meetings each year with the investment managers and which receives detailed monthly valuation and transaction reports.

The investment policy is reviewed on an annual basis by the Governing Body.

Reserves policy

The policy of the Governors is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity. The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Governing Body, who remain satisfied with the current position.

Governing Body

The members of the Governing Body who served at any time during 2005 are shown on page 1.

Governors' responsibilities

The Governors are required by United Kingdom company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Institute as at the end of the financial year and of the income and expenditure of the Institute for that period.

The Governors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005.

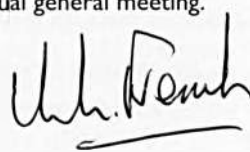
The Governors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000. The Governors are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Institute will be proposed at the next annual general meeting.

MICHAEL L FRENCH
Treasurer
7 July 2006



INDEPENDENT AUDITORS' REPORT

to the members of The Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine for the year ended 31 December 2005 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

As set out in the statement of trustees' responsibilities, the charity's trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). We have been appointed auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the charity's trustees in accordance with paragraph 6(2) of the 1995 Regulations (as amended by the 2000 Regulations) made under Part VI, Charities Act 1993 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the

Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the trustees' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

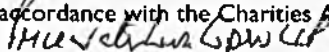
Basis of audit opinion

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 trustees in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charity's affairs at 31 December 2005 and of its net incoming resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
7 July 2006

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
INCOME AND EXPENDITURE			
Incoming resources			
Investment income	2	910	960
Interest receivable		62	18
Sale of fixed asset property	10	317	–
Other income	3	13	85
Total incoming resources		1,302	1,063
Charitable expenditure			
Costs of generating funds	4	(25)	–
Costs of activities in furtherance of the charity's objects			
Prizes awarded in year		(450)	(450)
Grants awarded in year	9	–	(62)
Changes to existing grants	9	(128)	158
Support costs	6	(57)	(83)
Management & Administration	7.8	(75)	(115)
Pension costs	14	(66)	(42)
Total resources expended		(801)	(594)
Net income		501	469
NET GAINS ON INVESTMENT ASSETS			
Net movements in funds	16	5,275	1,732
Capital and funds brought forward		25,823	23,622
Capital and funds carried forward		31,599	25,823

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown.

The notes set out on pages 18 to 23 form part of these financial statements.

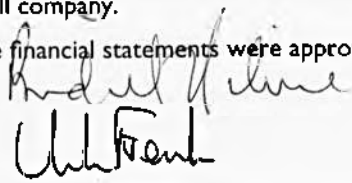
BALANCE SHEET

as at 31 December 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	10	–	222
Investments	11	32,451	25,710
		32,451	25,932
Current assets			
Debtors	12	101	73
Cash at bank and in hand		531	2,242
		632	2,315
Creditors			
Grants	9	(398)	(702)
Other amounts falling due within one year	13	(394)	(712)
		(160)	901
Net current assets/(liabilities)			
		32,291	26,833
Long term liabilities			
Grants	9	(196)	(522)
Pensions	14	(496)	(488)
		31,599	25,823
Net assets			
		31,599	25,823
<i>represented by</i>			
Unrestricted funds			
General	16	31,599	25,823

The Governors have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 7 July 2006.



BRIDGET M OGILVIE
MICHAEL FRENCH

Members of the
Governing Body

The notes set out on pages 18 to 23 form part of these financial statements.
Auditors' Report page 15.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

I PRINCIPAL ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2000), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

a Basis of accounting

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

b Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful life of the fixed assets concerned. The principal annual rate used for this purpose is:

Land and buildings 2%

The capitalisation limit for fixed assets is set at £10,000.

Expenditure incurred on minor office equipment is written off on acquisition.

c Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the general fund in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

d Incoming resources

All incoming resources are accounted for on a receivable basis.

e Grants and prizes

Provision is made at the time of making a grant for the full cost over the expected life of the fellowship, normally five years. Whilst payment of grants in the second and subsequent years of a fellowship continues to be subject to performance by the recipient, the policy is considered necessary to reflect the Governors' experience that only in rare cases are grants not continued for the expected full term. The cost of Research Prize Fellowships is charged in the year awarded.

f Charitable expenditure

Charitable expenditure comprises all expenditure directly relating to the objects of the charity and is accounted for on an accruals basis. The allocation of expenditure between support costs and management and administration costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as management and administration costs with the exception of a proportion of salary and related costs, which have been incurred conducting activities in furtherance of the charity's objects. These have been classified as support costs.

g Supplementary pensions and staff pensions

Full provision is made in the Financial Statements for the costs of future supplementary payments. The provision and charge to income are reviewed annually by the Governors in the knowledge that the number of persons receiving the supplementary pensions will not increase. Existing employees participate in a defined contribution scheme the costs of which are expensed as incurred.

2 INCOME FROM FIXED ASSET INVESTMENTS

	2005	2004
	£'000	£'000
Listed investments	910	960
	910	960

3 OTHER INCOME

	2005	2004
	£'000	£'000
Rental income	7	10
Royalty income	6	75
	13	85

4 COSTS OF GENERATING FUNDS

	2005	2004
	£'000	£'000
Investment management fees	25	-

In addition to the commission payable per transaction, fees due to UBS Wealth Management (UK) Limited are £25,407 (2004: nil)

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2004: nil). Travel expenses of £1,295 (2004: £955) incurred by members of the Governing Body in connection with their attendance at meetings are reimbursed. Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,282 (2004: £1,154) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was 3, 2 of whom are part-time (2004: 3), all were employed in an administrative and support capacity.

Staff Costs

	2005	2004
	£'000	£'000
Gross salaries and pension contributions	75	119
Employer's national insurance and state pension contributions	7	7
	82	126

The salary costs are divided between support costs and management & administration costs.

6 SUPPORT COSTS

	2005	2004
	£'000	£'000
Salaries, pension contributions and employer's national insurance	41	63
Other costs	16	20
	57	83

7 MANAGEMENT & ADMINISTRATION COSTS

	2005	2004
	£'000	£'000
Salaries, pension contributions and employer's national insurance	41	63
Miscellaneous (note 8)	34	52
	75	115

8 MISCELLANEOUS EXPENDITURE

	2005	2004
	£'000	£'000
Office expenses	10	8
Travel expenses	2	4
Auditors' remuneration – audit fee	9	8
Professional fees	3	12
Depreciation	4	5
General expenses	6	15
	34	52

9 GRANTS LIABILITY

Movements in the grant liability during the year were as below:

	2005	2004
	£'000	£'000
Liability at beginning of year	1,224	2,175
Estimated cost of grants approved during the year	–	62
Changes made to provisions for fellowship awards	128	(158)
Cash paid on existing grants	(758)	(855)
Liability at end of year	594	1,224
<i>of which sum:</i> Amounts due within one year	398	702
Long term liabilities	196	522

10 TANGIBLE FIXED ASSETS

	Freehold land and buildings
Cost	£'000
At 1 January 2005	272
Disposal during the year	(272)
At 31 December 2005	–
Depreciation	
At 1 January 2005	(50)
Charge for year	(4)
Disposal during the year	54
At 31 December 2005	–
Net book value	
At 31 December 2005	–
At 31 December 2004	222

The sale of the White House, the charity's property at Bushey Heath, was completed in October 2005 for a price of £552,000 which, after deducting costs relating to the sale of £17,000 together with a depreciation charge in the year of £4,000 resulted in a net profit of £317,000.

11 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end. Included in bank and cash is £230,000 (2004: £1.7 million) which is held by the investment managers as part of the investment portfolio.

	2005	2004
	£'000	£'000
Market value at beginning of year	25,710	24,092
Purchases during the year at cost	7,007	7,002
Proceeds of sales during the year	(5,366)	(7,116)
Changes in market value of assets held as at the year-end	5,100	1,732
Market value at year-end	32,451	25,710
Historical cost at year-end	23,860	20,835

The market value of investments at the year-end includes £2.1 million (2004: £4.75 million) of investments which are listed outside the UK.

At 31 December 2005 no single shareholding exceeds 5% of the total value of investments (2004: none).

12 DEBTORS

	2005	2004
	£'000	£'000
Prepayments and accrued income	95	65
Other debtors	6	8
Total debtors	101	73

13 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£'000	£'000
Taxation and social security	4	4
Prize award creditor	150	150
Accruals	240	558
Total creditors falling due within one year	394	712

14 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions paid are increased annually in line with published government figures.

Following the last actuarial valuation in 2001 a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2005	2004
	£'000	£'000
Provision at beginning of year	488	503
Charge to Statement of Financial Activities	66	42
Pensions paid	(58)	(57)
Provision at end of year	496	488

15 DONATIONS RECEIVED TO DATE

Donations have been received to date from:

	£'000
Dr Ludwig Mond (1893)	2
Berridge Trustees (1893-1898)	46
Worshipful Company of Grocers (1894 and 1969-1973)	15
Lord Iveagh (1900)	250
Lord Lister's Bequest (1913-1923)	19
William Henry Clarke Bequest (1923-1926)	7
Rockefeller Foundation (1935-1936)	3
Wolfson Foundation (1969-1973)	300
Jenner Memorial Studentship Fund (1984)	48
Professor William Bulloch Bequest (1990)	6
Other donations and legacies (1891-1998)	72
<i>Centenary donations:</i>	
Coopers & Lybrand	5
Guinness plc	5
ICI plc	5
Worshipful Company of Grocers	5
Coutts & Co	5
MacFarlanes	1
Donation of shares in Mediwatch	1
John & Celia Bonham Christie Charitable Trust	1
	796

16 UNRESTRICTED GENERAL FUND

	Total £'000
Balance at beginning of year	25,823
Net realised/unrealised gains on fixed asset investments	5,275
Income for the year	501
Balance at end of year	31,599

The general fund is represented by a realised balance of **£23.78 million** (2004: £20.95 million) and an unrealised balance of **£7.81 million** (2004: £4.87 million).

17 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year (2004: none).

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

REPORT OF THE GOVERNING BODY

for the year ended 31 December

2006



The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

THE GOVERNING BODY

for the year ended 31 December 2006

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS, *Chairman*

Mr Michael French, BSc (Eng), FCA, *Hon Treasurer*

Mr W Lawrence Banks, CBE (*Retired 30 June 2006*)

Professor Graham J Boulnois, PhD

Mr G James M Buckley (*Retired 30 June 2006*)

Hon Rory M B Guinness

Dr Stephen C Inglis, PhD

Professor Robin F Irvine, FIBiol, FMedSci, FRS (*Appointed 8 September 2006*)

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Richard N Perham, ScD, FMedSci, FRS (*Retired 8 September 2006*)

Professor Peter Ratcliffe, FMedSci, FRS

Mr John G Rhodes, MA (*Appointed 1 July 2006*)

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryll A Tickle, CBE, FRSE, FMedSci, FRS

SENIOR MANAGEMENT

Secretary and Director: Dr Trevor A Hince, PhD

Business Address

PO Box 1083

Bushey

Hertfordshire, WD23 9AG

Registered Office

Macfarlanes

10 Norwich Street

London EC4A 1BD

Solicitors

Macfarlanes

10 Norwich Street

London EC4A 1BD

Investment Advisors to 4 June 2007

UBS Wealth Management (UK) Ltd

1 Curzon Street

London W1J 5UB

Bankers

Messrs Coutts & Co

St Martins Office

440 Strand

London WC2R 0QS

Investment Advisors from 4 June 2007

Schroder & Co Limited

100 Wood Street

London EC2V 7ER

Partners Capital

5 Young Street

London W8 5EH

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London WC2N 6RH

Website: www.lister-institute.org.uk

Telephone: 01923 801886

THE SUB-COMMITTEES

for the year ended 31 December 2006

THE SCIENTIFIC ADVISORY COMMITTEE

Professor Richard N Perham, ScD, FMedSci, FRS *Chairman (Retired September 2006)*

Professor Robin F Irvine, MA, FIBiol, FMedSci, FRS *Chairman (Appointed September 2006)*

Professor Jean D Beggs, CBE, FRSE, FRS

Professor Tim Bliss, FMedSci, FRS *(Appointed July 2006)*

Dr David Ish-Horowicz, FRS, PhD *(Appointed July 2006)*

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor E Birgitte Lane, FRSE *(Resigned July 2006)*

Professor Linda Partridge, CBE, FRSE, FRS

Professor Mark B Pepys, FRS *(Appointed October 2006)*

Professor David W Rice, MA, DPhil

Professor Alan B Rickinson, FRCP, FMedSci, FRS

Professor Brian Spratt, FRS

Professor Fiona Watt, FRS

Secretary: Dr Trevor A Hince, PhD

THE FINANCE AND INVESTMENT COMMITTEE

Mr Michael French, BSc (Eng), FCA, *Chairman*

Mr W Lawrence Banks, CBE *(Retired 30 June 2006)*

Mr G James M Buckley *(Retired 30 June 2006)*

Hon Rory M B Guinness

Dr Stephen C Inglis, PhD

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS

Mr John G Rhodes, MA *(Appointed 1 July 2006)*

Secretary: Dr Trevor A Hince, PhD

CHAIRMAN'S ANNUAL REPORT

for the year ended 31 December 2006

THE YEAR 2006 saw positive developments for the Institute; the value of our investment portfolio increased, there was an excess of income over expenditure, and we were able to increase the value of the three Prize Fellowship awards to £175,000 each. New arrangements for meetings of the Governing Body worked well and the modification to the format of the Fellows' meeting was well received. Finally the Financial Report of the Governing Body and Financial Statements, which follow this report, have been produced to comply with the greater disclosure requirements of SORP 2005, and consequently enabling my chairman's 'report' to be more a commentary on the year's activities.

Governing Body and Administrative Matters

Governing Body

This year has seen the departure from the Governing Body, through rotation, of three key individuals who have given advice and expertise in vital elements of the Lister Institute's activities. Lawrence Banks has consistently provided the Governing Body with sound and prudent investment advice and it is in no small measure due to his contribution that we have maintained such a solid financial position. James Buckley has been our legal expert and has ensured that we have not got into difficulties over staffing matters and the disposal of the White House. Richard Perham, who chaired the Scientific Advisory Committee, has overseen the transition to the new Prize Fellowship scheme and been responsible for ensuring that the high standards of scientific excellence, that we expect in all Lister Fellows, was maintained with the recipients of the new award. Richard also ensured that the application and review process for the new scheme was conducted with efficiency and without placing too much administrative work on either the applicant or the members of the Scientific Advisory Committee. The success of the scheme is a tribute to him. All of these men have contributed greatly to the Institute and their presence will be missed on the Governing Body. Nevertheless, however difficult it will be to fill their shoes, it is important that there is a rotation of our Trustees.

It is a great pleasure to welcome two new Trustees in Professor Robin Irvine and Mr John Rhodes. Robin has been a member of the Scientific Advisory Committee for some years and it was a natural choice, unanimously and enthusiastically supported by all members of the Scientific Advisory Committee, that he should take over its chairmanship. Robin brings not only impeccable scientific credentials, and a wealth of experience with other grant-giving bodies, but a great belief in the importance of supporting young researchers at crucial stages in their careers. John Rhodes joins the Governing Body as our new legal 'expert', having previously been a senior partner with the law firm Macfarlanes. However it is already clear that John's expertise extends well beyond legal matters and he is providing excellent advice on many aspects of the Lister's activities including our investment strategy. The Lister is fortunate that it can attract individuals of such calibre and, as Chair, I am particularly grateful for the time and dedication given by all members of the Governing Body. The Institute is seeking one new Trustee who will bring expertise on the investment side and be familiar with the new investment 'tools' that are now part of a diversified portfolio. We are in discussion with a number of individuals and expect to make an early appointment.

The format of holding only two Governing Body meetings per year, one of which precedes the Fellows' Meeting in September, is working well and there is no difficulty in conducting business between meetings through e-mail or telephone. The former Investment sub-Committee has been strengthened and given greater delegated powers over the Institute's financial activities with reworked terms of reference as the Finance and Investment Committee, under the very able chairmanship of Michael French.

Administration

The Institute continues to be run efficiently via the home-based working arrangements of the Director and his small support team of Naomi King (Administrator) and Jacky Wilson (Accountant). It is a tribute to all three that requirements of the Trustees and the Fellowship are so well met from so small an administrative base.

It was a great sadness to the Trustees, the Fellowship, former colleagues and all associated with the Institute to learn of the premature death in July 2006 of Keith Cowey. Keith had been the Secretary of the Institute from 1995 until 2004 and had overseen many changes in its operation including the switch to the then new Prize Fellowship scheme. His familiar face and friendliness at the Fellows' meeting will be sadly missed by all.

Institute Membership

Three Fellows, who completed their fellowships in 2006, have been welcomed into membership. The new members are: Dr Dino Giussani, University of Cambridge; Dr Cathy Tournier, University of Manchester; and Dr Alan Whitmarsh, University of Manchester.

The Trustees are delighted to report that Professor Tim Bliss, National Institute for Medical Research, Dr David Ish-Horowicz, Cancer Research UK London Research Institute, and Professor Mark Pepys, Royal Free and University College Medical School, all members of the Scientific Advisory Committee, have accepted their invitation to membership of the Institute.

Financial Matters

The year has seen further improvements in the Lister's finances due both to strong stock markets across the world and therefore the performance of the Lister's portfolio and a continuing reduction in the funding needed for the remaining Senior Lister Fellows, such that we end the year in a strong position. Further details on the Institute's finances may be found on pages 15 and 16 and in the Statement of Financial Activities on page 18.

Scientific Activities

Scientific Advisory Committee

The selection of Prize Fellows and the monitoring of their research, and that of the remaining Senior Lister Fellows, is at the core of the Lister's activities and in this regard the Trustees are reliant on the expertise of the Scientific Advisory Committee.

Richard Perham chaired the selection of the 2006 Prize Fellows by the Committee who had the difficult task of selecting three Prize winners from an initial 57 applicants. The Committee operates an initial long-listing process to arrive at twenty or so applicants whose research and career performance is subjected to very detailed peer review including the opinions of world experts in their particular areas of research. From this rigorous process eight candidates were selected for interview by members of the Scientific Advisory Committee and from these the eventual three Prize winners selected. As always this was a difficult task as the quality of all short-listed candidates was particularly high and

members of the Governing Body are indebted to the Scientific Advisory Committee and its chair for the thoroughness with which they undertake this process. It was therefore gratifying that the Institute was a recipient of the Association of Medical Research Charities' Certificate of Best Practice in Medical & Health Research Peer Review. To maintain the high standards of peer review required it is important to monitor the applications to the Institute and adjust the expertise on the Scientific Advisory Committee accordingly. We are seeing increasing applications concerned with the neurosciences and developmental biology and have strengthened the expertise on the Scientific Advisory Committee in these areas.

Finally, it is a particular pleasure to record the award of CBEs, in the 2006 Queen's Birthday Honours List to Professors Jean Beggs and Nick Hastie, respectively a current and former member of the Scientific Advisory Committee.

2006 Lister Research Prize Winners

The recipients of the 2006 Lister Research Prizes, who each received the increased award of £175,000 were:

Dr Vincenzo Costanzo (Cancer Research UK, Clare Hall Laboratories) for his work on the processes that promote the repair of damaged DNA. Defects in DNA repair mechanisms are seen in many cancer-prone syndromes.

Dr Fiona Gribble (Cambridge Institute of Medical Research) whose research is investigating the hormone Glucagon-like-Peptide-I whose release from the gut plays a major role in insulin release following a meal.

Dr Daan van Aalten (University of Dundee) for his research on the determination of the structures and molecular mechanisms of substrate recognition by the O-GlcNac transferase class of enzymes which have key roles in diabetes, Alzheimer's disease and cancer.

During 2006 the Institute continued the successful practice of presentation ceremonies for Prize Fellows in their own institutions, in order both to promote the scheme and to highlight the excellence of the Fellows. The Lister is particularly grateful to the Universities and the Prize Fellows for making these events such enjoyable occasions.

Presentation Ceremonies



Left: Prize Fellow Dr Nia Bryant, University of Glasgow, (2004) following her seminar.

Below: Prize Fellow Dr Vincenzo Costanzo (2006) with Dame Bridget Ogilvie and Professor Tomas Lindahl at Cancer Research UK Clare Hall Laboratories following his seminar.



Current Lister Fellows

The following continue to hold Lister Senior Fellowships, which provide both their personal salary and research support, and are scheduled to terminate on the dates indicated:

Fellow	Title of Research	Due to finish/ Finished during
Dr Ian Adams University of Edinburgh	Entry of mouse primordial germ cells into meiosis	Dec. 2007
Dr Hilary Ashe University of Manchester	Dpp signalling in the <i>Drosophila</i> embryo	June 2007
Dr Dawn Coverley University of York	Regulation of mammalian DNA replication complex assembly	June 2007
Dr Jessica Downs University of Cambridge	Interfaces between DNA double strand break repair and chromatin	Nov. 2007
Dr Dino Giussani University of Cambridge	Modulation of fetal cardiovascular function by reversible adverse intrauterine conditions: consequences for later life	Sept. 2006
Dr Tristan Rodriguez Imperial College London	The role of the anterior visceral endoderm in establishing the anterior/posterior axis of the mouse embryo	Sept. 2007
Dr Cathy Tournier University of Manchester	Requirement of JNK for the stress response following brain injury	Sept. 2006
Dr Alan Whitmarsh University of Manchester	Role of scaffold proteins in regulating the specificity of the JNK signalling pathway: a critical mediator of stress responses in cells	Sept. 2006

The following were awarded Lister Prize Fellowships in previous years:

<i>Fellow</i>	<i>Title of Research</i>	<i>Date awarded</i>
Dr Oliver Billker Imperial College London	In search of the Xanthurenic acid receptor of malaria parasites – a potential target for transmission control	2004
Dr Nia Bryant University of Glasgow	Using yeast as a model system to understand the insulin-dependent trafficking of GLUT4 in adipocytes	2004
Professor Daniel Davis Imperial College London	Nanotubes and synapses in immune cell communication	2005
Professor Paul Lehner Cambridge Institute for Medical Research	The role of HSP70 in MHC class I mediated antigen presentation in human dendritic cells	2004
Dr Tomoyuki Tanaka University of Dundee	Mechanisms of kinetochore-microtubule interaction	2005
Dr Chris Thompson University of Manchester	Identifying and characterising genes that control cell fate choice and social behaviour	2005

Research Strategy

During the year we produced a Research Strategy document and published it on our web site. The document is important in setting out the background to our current scientific activities and seeking to answer key questions about why we support research, how we do so, who is able to apply, from where and for what areas of research funding is available. Not only is this useful to potential applicants but it helps the Institute to focus on what it is trying to achieve in its support of research. It is also important to appreciate that research funding mechanisms must change as circumstances in the biomedical and academic environ-

ment in which we function change; a funding scheme that was appropriate five years ago may not be what is required today either for the charity or for potential recipients of the support. Consequently the Lister will be reviewing its Prize Fellowship scheme in 2008/9 following five years of operation.



Prize Fellows Professor Paul Lehner (2004) and Dr Fiona Gribble (2006), both of the Institute of Medical Sciences Cambridge, at the presentation ceremonies following their seminars, with (from left to right) Dr Trevor Hince, Professor Paul Luzio, Dame Bridget Ogilvie and Professor Patrick Sissons.

Fellowship Activities

The 2006 Fellows' meeting was again held at Christ's College Cambridge but this year followed a slightly altered format. As reported last year, attendance for the Saturday morning sessions had been dwindling and it was decided that for 2006 the meeting would close with the traditional dinner on the Friday night and departure of delegates after breakfast on the Saturday. As a result there were five scientific sessions, the first of which being presentations by the new Prize Fellows and commencing at the earlier time of 10am,

following the Institute's AGM. The remaining three sessions produced the usual high quality talks and the speakers covered a wide range of subject areas:

- Professor Andrew Sharrocks – signalling pathways
- Professor Anne Rosser – cell replacement in neurodegeneration
- Professor Stephen Perkins – the structures of antibody and complement proteins
- Professor Caroline Dive – targeting apoptosis pathways in cancer treatment, and
- Professor Anant Parekh – the regulation of cell calcium concentration.

Not only is the Fellows' meeting an ideal opportunity for scientific interchange but it provides to the Trustees the clearest evidence of the extremely high quality of the research conducted by Lister Fellows.

An innovation to the 2006 meeting was the 'Special Lister Lecture' which was given by Professor Sir Alec Jeffreys on Genetic fingerprinting. That Alec should give the first of these lectures was entirely appropriate following his 2005 Lasker Award for Clinical Medicine. The lecture was both informative and amusing, mixing scientific data with anecdotes, and enabling the whole audience to appreciate the importance of genetic fingerprinting and its impact on 21st Century life. Younger members of the audience took inspiration from the fact, widely heralded by Alec, that much of the initial work had been done on a Lister Fellowship award!

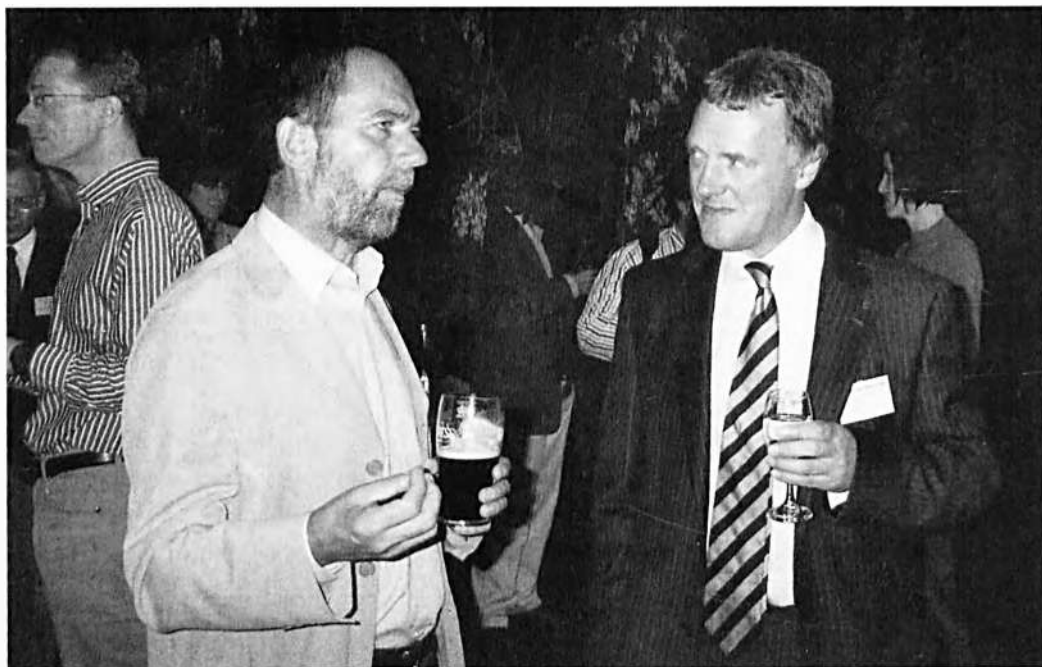
A survey amongst the participants indicated a clear preference for the one-day format and it is clear that a new pattern for the Fellows' meeting has been established.

Conclusion

The confidence for the future which I expressed in last year's report has proved to be well founded. As we go forward, in 2007 into the fourth year of the Prize Fellowship scheme, this is underlined by yet another increase in the value of each prize to £200,000. The Institute will also be taking forward discussions about an association with another prestigious organisation in the biomedical research field, jointly to recognize and promote research in preventive medicine. The strength of the Lister Institute is in large measure determined by the quality of those associated with it and it is therefore a pleasure both to congratulate and thank the membership and fellowship, the Scientific Advisory Committee, the Finance and Investment Committee, the staff and especially members of the Governing Body.

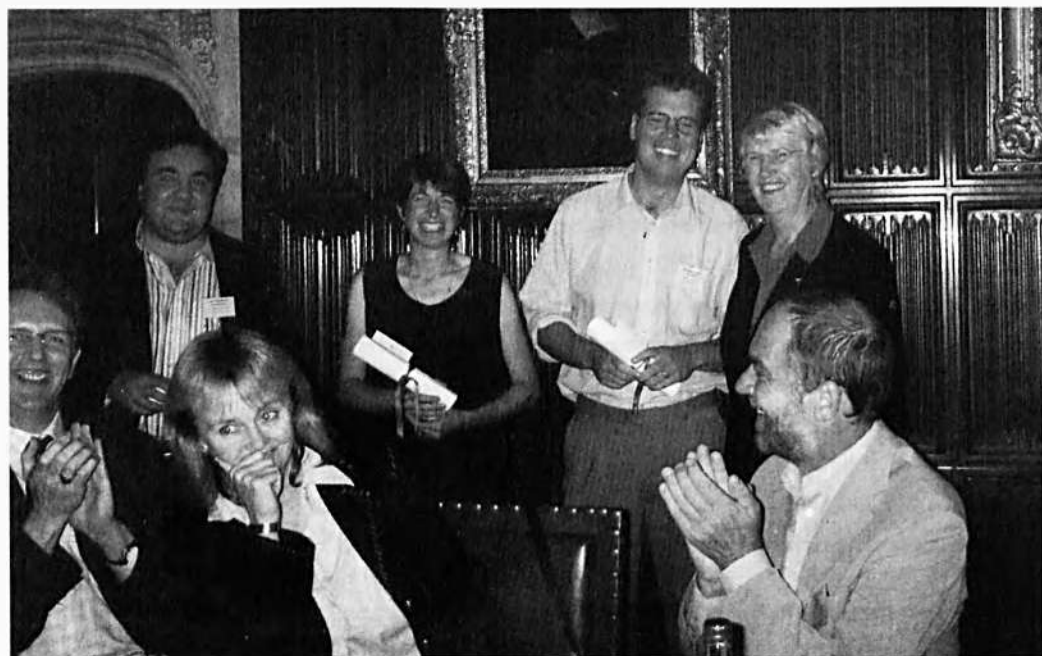
BRIDGET M OGILVIE
Chairman

Fellows' Meeting, Cambridge, 2006



Above: Trustees Professor Sir Alec Jeffreys and Professor Peter Ratcliffe exchange views in the Master's Garden.

Below: Chairman Dame Bridget Ogilvie presenting scrolls to the 2006 prizewinners at the celebratory dinner.



REPORT OF THE GOVERNING BODY

for the year ended 31 December 2006

The Governing Body presents its Annual Report under the Charities Act 1993 together with the audited Financial Statements of the Charity for the year ended 31 December 2006. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 (page 20) to the Financial Statements and comply with the Companies Act 1985, the requirements of the Statement of Recommended Practice 2005 *Accounting and Reporting by Charities*, and the documents governing the constitution of the Charity.

Reference and administrative details

Reference and administrative information is set out on page 1 of this report.

Members of the Governing Body, Directors and Trustees

The members of the Governing Body are, for the purposes of company law, Directors of the Institute and, for the purposes of charity law, Trustees of the Institute and throughout this report are collectively referred to as the Trustees.

Details of the Trustees serving throughout the year, unless otherwise stated, are set out on page 1.

Structure, governance and management

Constitution

The Institute is registered with the Charity Commissioners for England and Wales (registration number 206271). It is incorporated and registered in England and Wales under the Companies Act 1985 as a company limited by guarantee and not having a share capital (company number 34479). It is governed by its Memorandum and Articles of Association and has charitable status.

Appointment and re-appointment of Trustees

The Trustees are the twelve members of the Governing Body of whom six are appointed by the members at the annual general meeting. A maximum of four further Trustees are appointed by the

Governing Body and there are currently four such appointees. One additional member is Lord Iveagh's representative and the final member is a representative of the Royal Society. Trustees, other than the two nominated representatives and exceptionally those appointed by the Governing Body, serve for a maximum of six years and a system of planned rotation is in place. When considering appointment or nomination for election as Trustees the Governing Body has regard to the specialist skills needed.

Induction and training of Trustees

New Trustees undergo induction sessions with the Chairman, Treasurer and Director during which they will gain an understanding of the Institute's structure, activities, financial position and future strategies. Prior to appointment they will attend, as 'observer', one meeting of the Governing Body. New Trustees will also be made aware of their legal obligations with regard to the charity and company law. In addition, new Trustees will be advised of appropriate literature and training courses.

Organisation

The Institute is governed by its Governing Body which is responsible for setting policies, authorising actions on all significant operational issues and ensuring legality and good practice. The Governing Body meets formally twice a year.

Specific authorities are delegated to two sub-Committees in particular areas. The Scientific Advisory Committee (see page 2 for membership) has responsibility for the selection of the Lister Prize Fellows, the monitoring of their scientific activities and those of the remaining Lister Senior Fellows, as well as providing scientific and medical advice to the Governing Body as required. The Finance and Investment Committee (see page 2 for membership) has responsibility for interaction with the Institute's investment advisers, ensuring implementation of the Institute's investment policy and monitoring performance. It also prepares and submits to the Governing Body the annual budget.

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2006

and subsequently monitors performance against it. It also advises the Governing Body, as required, on other financial and risk matters.

The routine management of the Institute's activities is undertaken by its Director, aided by the Administrator and the Accountant. All staff work from home.

Risk Management

The Trustees assess the risks facing the Institute and review the effectiveness of the controls to monitor and mitigate against them.

A Risk Management Register is maintained and formally reviewed annually by the Governing Body.

The key controls used by the Institute include:

- Formal agendas for all Council meetings
- Strategic planning, budgeting and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Regular review of Fellows' scientific reports

The principal risk facing the Institute lies in its ability to maintain and protect the value in real terms of its endowed funds and to generate on a long term basis a consistently high overall return on its original endowment. This risk is mitigated by the Institute's appointment of experienced fund managers with a proven track record; by internal controls that allow close and regular monitoring of their performance against benchmarks; by the Institute's requirement of its fund managers to re-tender periodically and competitively for appointment, and by regular meetings that formally review investment performance and policy and include one-to-one presentations by the fund managers.

Objectives and activities

The statutory Object of the Institute is to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK.

When founded in 1891, the Institute sought to

achieve this objective by establishing a research institute specialising in the area of 'infections' and their prevention by immunization and other means. It complemented the research activities by the production and supply of materials such as vaccines and toxins.

The Institute continued in this mode until the late 1970s when increasing financial and regulatory pressures caused the cessation of these activities. Funds from the resultant sale of land and buildings created the capital fund from which present day activities are financed; at 31 December 2006 that fund stood at £34.146m. From the 1980s the Institute has pursued its objective by the provision of grant funding to facilitate the research and careers of high quality individuals working in areas of biomedicine relevant to preventive medicine. It has done this because it believes that the acquisition and advancement of knowledge is crucial to the understanding of health and disease and that research to achieve this is driven forward by high quality individuals and their supporting staff.

Principal activities

In pursuance of this objective during 2006 the Institute has continued funding for the Senior Fellowship scheme, which closed to new applicants in 2002, and the Prize Fellowships.

Achievement and Performance

During the year the Institute has maintained funding for the remaining eight Senior Lister Fellows at a cost of £388,000 (see note 9, page 22), with three Fellows completing their fellowships in the year. The remaining five Senior Fellows will complete the five years of their fellowships in 2007. The Scientific Advisory Committee has monitored the performance of the Lister Senior Fellows, and that of the current six Lister Prize Fellows, through detailed review of the annual reports on their research which include details of all publications and presentations. The Scientific Advisory Committee has reported to the Trustees that it is of the view that all Fellows are undertaking high quality research and producing new information

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2006

that will contribute significantly to our knowledge of disease, its causes, treatment and prevention.

In 2006 the work of one Fellow, Dr Dawn Coverley, was brought closer to development for direct patient benefit through the formation of a start-up biotech company, Cizzle, in which the Institute received an allocation of shares.

Three Lister Prize Fellowships were awarded in 2006 to Drs Vincenzo Costanzo, Fiona Gribble, and Daan van Aalten, from a field of 57 initial applicants, following extensive scientific review of their applications and final interview by the Scientific Advisory Committee. (More details of the Prize Fellows and their research is provided on page 6). Each Prize Fellowship provides £175,000 which may be spent over five years on the recipient's research, although funds are provided to the host institution at the commencement of the award. One of the three Prize Fellowships awarded in 2006 will not be taken up until 2007.

More details of the Institute's activities are set out in the Chairman's Report on page 3.

Financial review

Allocation of resources

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives. In the year income from investments and other sources totalled £1.414m, including a £233,400 special dividend from our investment in the Hilton Group. The resources expended totalled £731,000 of which £642,000 was associated with the Institute's charitable activities. During the year the liability for the existing Senior Fellowships fell from £594,000 to £202,000, as these started progressively to come to an end.

As the Prize Fellowships are fixed sum awards, the future commitment is known and can be regulated by altering the number and/or value of prizes awarded each year. This will be done in light of the income generated from the total return investment

strategy. The income in turn will be sensitive to the rate of return obtained on the Institute's investments and this will be reviewed annually before fresh commitments are made.

Investment policy and performance

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk. The Institute's investment advisors in 2006, UBS Wealth Management (UK) Ltd, administered its funds on a discretionary basis which, on the advice of the investment managers, were held within the following overall limits:

	%
Equities	50–90
UK equities	40–70
Overseas equities	10–25
Fixed interest and cash	10–40
UK bonds	5–25
Overseas bonds	0–5
Cash	3–10
Other investments	0–20
Absolute Return Funds (hedge funds etc)	0–10
Property	0–10

The Institute has in place an ethical investment policy which does not permit direct investment in tobacco or tobacco-related companies.

The performance of the investment portfolio is reviewed by the Finance and Investment Committee, which has at least three meetings each year with the investment advisors and which receives detailed monthly valuation and transaction reports. Over the year the fund has grown from £32.451m to £34.146m with, at year-end, a composition of 56% UK equities, 17% overseas equities, 4% hedge funds, 9% property, 8% UK and overseas fixed interest and 6% cash. The investment policy is reviewed on an annual basis by the Governing Body.

During 2007 the Trustees have reviewed the investment management arrangements and, following a competitive process, appointed on 4 June 2007

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2006

in succession to UBS Wealth Management (UK) Ltd, two new investment managers, Schroder & Co and Partners Capital, each of whom have been allocated one-half of the portfolio to manage.

Reserves policy

The policy of the Trustees is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity. The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Governing Body, who remain satisfied with the current position.

Plans for the future

The Institute's future policy is to continue to pursue its current objectives. It will therefore maintain the Prize Fellowship scheme, subject to a review of its effectiveness in 2009 after five years of operation. The completion of the remaining Senior Fellowship awards in 2007 will mean that more funds will potentially be available to devote to the Prize Fellowship scheme. The Governing Body, with the advice of the Scientific Advisory Committee, will consider increasing either or both the value of the Prizes and their number.

The Institute will also be considering the possibility of an association with another bio-medically related organisation for the promotion and recognition of research in preventive medicine through a new funding initiative.

Statement of responsibilities of Trustees

Company law requires the trustees, as directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of its incoming resources and application of resources for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are

reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's directors, the Trustees certify that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

By Order of the Governing Body

BRIDGET M OGILVIE

Chairman

11 July 2007

MICHAEL L FRENCH

Treasurer

11 July 2007

INDEPENDENT AUDITORS' REPORT

to the Members of the Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine for the year ended 31 December 2006 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The Lister Institute of Preventive Medicine for the purposes of company law) for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the Financial Statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed. We read the Trustees' Report and consider the implications for

our report if we become aware of any apparent misstatements within it.

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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company'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 financial statements 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 financial statements.

Opinion

In our opinion: the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2006 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended; the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the Trustees' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

11 July 2007

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2006

	Notes	2006 £'000	2005 <i>restated</i> £'000
Incoming resources			
Incoming resource from generated funds:			
Investment income	2	1,372	972
Sale of property		–	317
Other incoming resources	3	42	13
Total incoming resources		1,414	1,302
Resources expended			
Costs of generating funds:			
Investment management costs	4	(45)	(25)
Charitable activities:			
Prizes awarded in year	6	(646)	(613)
Changes to existing grants	9	4	(128)
Governance costs	7	(44)	(35)
Total resources expended		(731)	(801)
Net incoming resources before recognised gains and losses			
		683	501
Gains/(losses) on investment assets			
	14	3,131	5,275
Net movements in funds			
		3,814	5,776
Total funds brought forward			
		31,599	25,823
Total funds carried forward			
		35,413	31,599

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown.

The notes set out on pages 20 to 24 form part of these financial statements.

BALANCE SHEET

as at 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Investments	10	34,146	32,451
		34,146	32,451
Current assets			
Debtors	11	127	101
Cash at bank and in hand		2,220	531
		2,347	632
Current liabilities			
Creditors:			
Grants	9	(202)	(398)
Other amounts falling due within one year	12	(402)	(394)
Net current assets/(liabilities)		1,743	(160)
Total assets less current liabilities		35,889	32,291
Creditors:			
Amounts falling due after more than one year:			
Grants	9	-	(196)
Pensions	13	(476)	(496)
Net assets		35,413	31,599
<i>represented by</i>			
Unrestricted funds	14	35,413	31,599
Total charity funds		35,413	31,599

The Trustees have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 11 July 2007

BRIDGET M OGILVIE		Members of the Governing Body
MICHAEL FRENCH		

The notes set out on pages 20 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

I PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005), applicable accounting standards and the Companies Act 1985. The comparative figures for 2005 have been restated to comply with the presentational requirements of SORP 2005. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the general fund in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

Incoming resources

All incoming resources are accounted for on a receivable basis.

Grants and prizes

Provision is made at the time of making a grant for the full cost over the expected life of the fellowship, normally five years. Whilst payment of grants in the second and subsequent years of a fellowship continues to be subject to performance by the recipient, the policy is considered necessary to reflect the Trustees' experience that only in rare cases are grants not continued for the expected full term.

The cost of Research Prize Fellowships is charged in the year awarded.

Charitable expenditure

Charitable expenditure comprises all expenditure directly relating to the objects of the charity and is accounted for on an accruals basis. The allocation of expenditure between governance and management, administration & support costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as falling into the latter category with the exception of a proportion of salary and related costs which have been classified as governance costs.

Supplementary pensions and staff pensions

Full provision is made in the Financial Statements for the costs of future supplementary payments. The provision and charge to income are reviewed annually by the Trustees in the knowledge that the number of persons receiving the supplementary pensions will not increase. Existing employees participate in a defined contribution scheme the costs of which are expensed as incurred.

Cash flow statement

The Charity has taken advantage of the exemption provided by Financial Reporting Standard No 1 for small charities for not preparing a cash flow statement.

2 INVESTMENT INCOME

	2006	2005 <i>restated</i>
	£'000	£'000
Income from fixed asset investment	1,332	910
Bank interest receivable	40	62
	<u>1,372</u>	<u>972</u>

3 OTHER INCOMING RESOURCES

	2006	2005
	£'000	£'000
Rental income	-	7
Royalty income	42	6
	<u>42</u>	<u>13</u>

4 COSTS OF GENERATING FUNDS

	2006	2005
	£'000	£'000
Investment management fees	45	25

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2005: nil). Travel expenses of £1,118 (2005: £1,295) incurred by members of the Governing Body in connection with their attendance at meetings are reimbursed.

Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,923 (2005: £1,282) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was three, two of whom are part-time (2005: three), all were employed in an administrative and support capacity.

Staff costs

	2006	2005
	£'000	£'000
Gross salaries and pension contributions	68	75
Employer's national insurance and state pension contributions	7	7
	<u>75</u>	<u>82</u>

The salary costs are allocated under governance where related to statutory accounts preparation, the balance being reported within management, administration and support costs.

6 COST OF PRIZES AWARDED

	2006	2005 <i>restated</i>
	£'000	£'000
Prizes awarded during the year	525	450
Management, administration and support costs (see Note 8)	83	97
Pension costs	38	66
	646	613

7 GOVERNANCE COSTS

	2006	2005 <i>restated</i>
	£'000	£'000
Audit remuneration	11	9
Staff costs	9	10
Trustee expenses	24	16
	44	35

8 MANAGEMENT, ADMINISTRATION & SUPPORT COSTS

	2006	2005 <i>restated</i>
	£'000	£'000
Salary-related costs	66	72
Office expenses	11	10
Travel expenses	4	2
Professional fees	2	3
Depreciation	–	4
General expenses	–	6
	83	97

9 GRANTS LIABILITY

Movements in the grant liability during the year were as below:

	2006	2005
	£'000	£'000
Liability at beginning of year	594	1,224
Estimated cost of grants approved during the year	–	–
Changes made to provisions for fellowship awards	(4)	128
Cash paid on existing grants	(388)	(758)
Liability at end of year	202	594
Amounts due within one year	202	398
Long term liabilities	–	196

10 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end. Included in bank and cash is £1,992,493 (2005: £230,000) which is held by the investment manager as part of the investment portfolio.

	2006 £'000	2005 £'000
Market value at beginning of year	32,451	25,710
Purchases during the year at cost	2,863	7,007
Proceeds of sales during the year	(4,532)	(5,366)
Changes in market value of assets held as at the year-end	3,364	5,100
Market value at year-end	34,146	32,451
Historical cost at year-end	22,969	23,860

The market value of investments at the year-end includes £2.4 million (2005: £2.1 million) of investments which are listed outside the UK.

At 31 December 2006 no single shareholding exceeds 5% of the total value of investments (2005: none).

11 DEBTORS

	2006 £'000	2005 £'000
Prepayments and accrued income	85	95
Other debtors	42	6
Total debtors	127	101

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Taxation and social security	3	4
Prize award creditor	175	150
Accruals	224	240
Total creditors falling due within one year	402	394

13 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions are increased annually in line with published government figures.

Following the last actuarial valuation in 2001 a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2006 £'000	2005 £'000
Provision at beginning of year	496	488
Charge to Statement of Financial Activities	38	66
Pensions paid	(58)	(58)
Provision at end of year	476	496

14 TOTAL CHARITABLE FUNDS

	2006	2005
	£'000	£'000
Balance at beginning of year	31,599	25,823
Net realised/unrealised gains on fixed asset investments	3,131	5,275
<u>Net incoming resources</u>	<u>683</u>	<u>501</u>
Balance at end of year	35,413	31,599

15 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year (2005: none).

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2007



The Lister Institute of Preventive Medicine
is a company limited by guarantee (*England 34479*)
and a registered charity (*206271*)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2007

THE GOVERNING BODY

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS, *Chairman*

Mr Michael French, BSc (Eng), FCA, *Hon Treasurer*

Professor Graham J Boulnois, PhD

Hon Rory M B Guinness

Mr Andrew Hutton, MA (*Elected 7 September 2007*)

Dr Stephen C Inglis, PhD

Professor Robin F Irvine, FIBiol, FMedSci, FRS

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Peter Ratcliffe, FMedSci, FRS

Mr John G Rhodes, MA

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryl A Tickle, CBE, FRSE, FMedSci, FRS

SENIOR MANAGEMENT

Secretary and Director: Dr Trevor A Hince, PhD

Business Address

PO Box 1083
Bushey
Hertfordshire, WD23 9AG

Solicitors

Macfarlanes
20 Cursitor Street
London EC4A 1LT

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Registered Office

Macfarlanes
20 Cursitor Street
London EC4A 1LT

Investment Advisors

Schroders & Co Limited
100 Wood Street
London EC2V 7ER

Partners Capital, LLP

5 Young Street
London W8 5EH

Investment Advisors to 4 June 2007

UBS Wealth Management (UK) Ltd
1 Curzon Street
London W1J 5UB

Website: www.lister-institute.org.uk

Telephone: 01923 801886

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2007

THE SCIENTIFIC ADVISORY COMMITTEE

Professor Robin F Irvine, MA, FIBiol, FMedSci, FRS, *Chairman*

Professor Jean D Beggs, CBE, FRSE, FRS

Professor Tim Bliss, FMedSci, FRS

Professor Mary Collins, PhD, FMedSci (*Appointed September 2007*)

Dr David Ish-Horowicz, FRS, PhD

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor Linda Partridge, CBE, FRSE, FRS (*Resigned April 2007*)

Professor Mark B Pepys, FRS

Professor David W Rice, MA, DPhil

Professor Alan B Rickinson, FRCP, FMedSci, FRS (*Retired May 2007*)

Professor Brian Spratt, FRS

Professor Fiona Watt, FRS

Secretary: Dr Trevor A Hince, PhD

THE FINANCE AND INVESTMENT COMMITTEE

Mr Michael French, BSc (Eng), FCA, *Chairman*

Hon Rory M B Guinness

Mr Andrew Hutton, MA (*Elected May 2007*)

Dr Stephen C Inglis, PhD

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS

Mr John G Rhodes, MA

Secretary: Dr Trevor A Hince, PhD

CHAIRMAN'S ANNUAL REPORT

for the year ended 31 December 2007

THE YEAR 2007 marked the end of an era for the Institute. On 31st December Dr Ian Adams formally completed his Senior Lister Fellowship and in so doing brought to a close this very successful funding scheme. Since its inception 25 years ago, 96 Fellowships have been awarded and by so doing launched or enhanced the careers of many scientists and clinicians. The successes of many of the early Fellows is testament to the wise choices made and, hopefully, the career boost which the fellowship provided. It would be wrong to name individuals but amongst the holders of early Fellowships are now the Chief Executive Officer of the Medical Research Council, a University Vice-Chancellor and the winner of a Lasker prize. Many other former Fellows have received national and international awards, academic recognition and progressed to important roles in academia, medicine and industry. The Lister can be proud that it initiated and maintained such a prestigious fellowship scheme.

It is therefore a great sadness that in 2007 one of the major supporters of the Lister Senior Fellowships – Dame Anne McLaren – should have died tragically in a car accident. Anne had been on the Scientific Advisory Committee, in the 1980s, when some of the first fellowships were awarded and again between 1990 and 1994 as its chair. Her ability to judge scientific quality and potential can be seen from the Fellows appointed during these periods. She became chair of the Lister's Governing Body from 1994 to 2002. Many of her obituaries have highlighted her informality, her approachability, her real interest in young researchers as well as her intellect and ability to assess 'good' science – all of these attributes benefitted the Lister Institute during her period of stewardship. It was therefore only fitting that the Governing Body should decide to make a substantial donation (£20,000) to the "Anne McLaren Fund" in memory of her long association with the Institute. Fittingly, the intention is that the fund will be used to aid women in science who often have to overcome many hurdles in maintaining an academic career; an issue that was very important to Anne.

It is also with great sadness that the Institute learned of the death of Professor John Evans who had been both a member of the Scientific Advisory Committee and the Governing Body (1997-2002). One of his many attributes and so vital to his role with the Institute was his concern for nurturing young scientists and developing their careers. Both Anne and John shared a love of science, a belief that it should be fun and that the future of research lay in the hands of young researchers who should be helped and encouraged in their careers, something the Institute has tried to do.

Governing Body and Administrative Matters

Governing Body and Administration

I am delighted to welcome Mr Andrew Hutton as a new Trustee and member of the Finance and Investment Committee. Andrew joins us with a wealth of experience from the finance/investment world and his knowledge has already proved invaluable in our dealings with the Institute's new investment advisors, described below

The many formal Governing Body 'motions' required to establish the new investment accounts tested our 'electronic meetings' strategy but it worked well justifying the decision to hold only two meetings per year. The administrative team of Naomi King (Administrator), Jacky Wilson (Accountant) and Director Trevor Hince continues to work well from its home environments and the Trustees together with the Membership are grateful for the support that it provides.

Institute Membership

Five Fellows, who completed their fellowships in 2007, have been welcomed into membership. The new members are: Dr Ian Adams, University of Edinburgh; Dr Hilary Ashe, University of Manchester; Dr Dawn Coverley, University of York; Dr Jessica Downs, University of Sussex and Dr Tristan Rodriguez, Imperial College London. In addition, I am delighted to report that Scientific Advisory Committee member Professor Mary Collins, University College London, has accepted the Governors' invitation to membership of the Institute.

Financial Matters

This year the Institute reviewed its investment management arrangements and following a competitive tendering and review process appointed two new sets of advisors, each to look after one-half of the portfolio: Schroders and Co Limited and Partners Capital LLP. The selection process was rigorous with considerable 'background' appraisal even to reach the short-list of the five firms who were interviewed by the Institute's Finance and Investment Committee. I am particularly grateful to all of its members, under the calm leadership of Michael French, for guiding the Institute through to this important decision. However the selection of new advisors is only the first stage of a complicated set of procedures for the establishment of the new accounts and the transfer of assets, and again, the Institute is indebted to Michael French, John Rhodes and Trevor Hince for overseeing the many and varied processes and

bringing them to a successful conclusion. I should also like to express the Institute's thanks to UBS Wealth Management (UK) Ltd, who had managed the Lister's portfolio for many years, for their professionalism in the efficient transfer of assets to the new managers in June.

Schroders and Partners Capital assumed responsibility for the portfolio just as the economic and financial environments entered difficult times and it is thanks to their careful construction of diversified portfolios that the Institute's investments weathered the storm reasonably well and ended the year with an increased overall value. Looking forward, and whilst continuing to be aware of the problems in the financial markets, the Institute is in good financial shape to continue, if not expand, its funding schemes particularly as the financial demands of the old Senior Fellowship Scheme are now completed. Further details on the Institute's finances may be found on pages 15 and 16 and in the Statement of Financial Activities on page 18.

Scientific Activities

Scientific Advisory Committee

The selection of Prize Fellows and the monitoring of their research, and that of the remaining Senior Lister Fellows, is the heart of the Lister's activities and in this regard Trustees are reliant on the expertise of the Scientific Advisory Committee.

Under its new Chairman, Professor Robin Irvine, the Committee had the extremely difficult task of selecting the eventual three Prize winners from an initial field of 47 applicants. The committee followed its normal practice of long-listing candidates (17) on whom a very thorough peer review assessment was made of their research proposals, achievements and careers to date, involving the opinions of world experts in the candidates' various research fields. From this rigorous process eight candidates were selected for interview by members of the Scientific Advisory Committee. Once again, they were faced with a very difficult task of choosing between exceptional individuals, with varied research backgrounds and working in different research areas. I and other Trustees are extremely grateful for the care and dedication with which members of the Scientific Advisory Committee undertake this task and that they so willingly give up their time to do so. It is therefore a pleasure to thank Professors Linda Partridge and Alan Rickinson, who stood down this year, for all their hard work and to welcome Professor Mary Collins to the Scientific Advisory Committee.

Finally, it is a pleasure to record the award of a CBE, in the 2008 New Year's honours list, to Professor Brian Spratt, a member of the Scientific Advisory Committee.

2007 Lister Research Prize Winners

The recipients of the 2007 Lister Research Prizes, who each received the increased award of £200,000 were:

Dr Nina Balthasar (University of Bristol) for her work on identifying the novel CREB co activator TORC2's role in the hypothalamic pathways controlling energy homeostasis.

Professor Kenneth Smith (Cambridge Institute of Medical Research) for his research on the control of infection and autoimmunity by an inhibitory receptor FcγRIIb.

Dr Fiona Wardle (University of Cambridge) for her work on the transcriptional control of mesodermal cell differentiation in vertebrates

Current Lister Fellows

The following held Lister Senior Fellowships during 2007, which provided funds for both their personal salary and research costs, and which terminated on the dates indicated:

<i>Fellow</i>	<i>Title of Research</i>	<i>Due to finish/ Finished during</i>
Dr Ian Adams University of Edinburgh	Entry of mouse primordial germ cells into meiosis	December 2007
Dr Hilary Ashe University of Manchester	Dpp signalling in the Drosophila embryo	June 2007
Dr Dawn Coverley University of York	Regulation of mammalian DNA replication complex assembly	June 2007
Dr Jessica Downs University of Cambridge	Interfaces between DNA double strand break repair and chromatin	November 2007
Dr Tristan Rodriguez Imperial College London	The role of the anterior visceral endoderm in establishing the anterior/posterior axis of the mouse embryo	September 2007

The following were awarded Lister Prize Fellowships in previous years:

Fellow	Title of Research	Date awarded
Dr Oliver Billker Imperial College London	In search of the Xanthurenic acid receptor of malaria parasites – a potential target for transmission control	2004
Dr Nia Bryant University of Glasgow	Using yeast as a model system to understand the insulin-dependent trafficking of GLUT4 in adipocytes	2004
Dr Vincenzo Costanzo Cancer Research UK Clare Hall Laboratories	The role of ATM and ATR in preventing genomic instability	2006
Professor Daniel Davis Imperial College London	Nanotubes and synapses in immune cell communication	2005
Dr Fiona Gribble Cambridge Institute for Medical Research University of Cambridge	Secretion of incretin hormones from the mouse intestine	2006
Professor Paul Lehner Cambridge Institute for Medical Research	The role of HSP70 in MHC class I mediated antigen presentation in human dendritic cells	2004
Dr Tomoyuki Tanaka University of Dundee	Mechanisms of kinetochore-microtubule interaction	2005
Dr Chris Thompson University of Manchester	Identifying and characterising genes that control cell fate choice and social behaviour	2005
Professor Daan van Aalten University of Dundee	Structural mechanisms and specificity of O-GlcNAc signalling in the eukaryotic cell	2006

Fellowship Activities

The one-day format for the AGM and Fellows meeting was repeated in 2007 following the very positive response of the Membership to its introduction in 2006. Whilst the venue for the meeting remained as Christ's College, Cambridge the location moved to the Plumb Auditorium within the college due to the very major re-building works taking place on the college campus. In fact, this move proved particularly popular with speakers and audience alike as both enjoyed the facilities and comfort of the auditorium. As usual, the scientific sessions commenced with talks from the new Prize winners who, as always, impressed with the quality of their research and the confidence of their presentations.

The other three scientific sessions were as varied as usual and provided a series of high quality talks. The speakers and their topics were:

- Professor Anthony Clarke – protein folding, the role of chaperones
- Professor Jane McKeating – Hepatitis C virus in liver disease
- Dr Catherine Nobes – Eph receptor signalling
- Professor Ian Day – influence of genetic diversity on disease
- Professor David Kipling – Werner's (premature ageing) syndrome



The Plumb Auditorium, the new location for the AGM and Fellows' meeting, proved very popular with both delegates and speakers who enjoyed its facilities and ambience.



The 2007 Research Prize winners (from l to r): Fiona Wardle, Ken Smith, Nina Balthasar with their presentation scrolls

The audience of former Fellows and Members showed their continuing interest in the speakers' research through their many questions and comments. The vibrancy of these sessions clearly indicates the enthusiasm of the members for others' research and underlines the true fellowship of the Lister Institute.

The Special Lister Lecture was given by Professor Graham Boulnois, a former Senior Fellow, currently a member of the Governing Body and, most importantly for the subject of his talk, a Partner in Schroder Ventures Life Sciences LLP. Professor Boulnois outlined the steps needed in today's world to convert the results of good biomedical research into products for human health and highlighted the key role of venture capital in the establishment of start-up companies. His thought-provoking talk prompted many questions and comments as well as discussion which continued over dinner and well into the late evening!

Conclusion

With the conclusion of the Senior Fellowship scheme this has been a year of change for the Institute, but all institutions must move forward. I am delighted to report that in 2008 we shall be awarding four Prize Fellowships each of £200,000 and that, in the light of the interim review of the scheme that has just been completed, Trustees feel it to be fulfilling its original objectives, working well in providing critical funding to outstanding individuals and that it should continue.

Against a difficult economic and investment backdrop the Institute's investment portfolio has stood up reasonably well, although we are experiencing further downturns at the start of 2008. Nevertheless Trustees feel sufficiently confident to continue the discussions of a new funding initiative with the Academy of Medical Sciences. There is much detail to be decided but, in essence, the Institute and the Academy would jointly launch a new international prize in biomedical research, reflecting and enhancing the world status that the UK has in this area. This will be a huge undertaking and between now and any potential announcement in late 2008 much work needs to be done, but the establishment of a new prestigious international prize – 'The Lister' – would ensure that the Lister's name is enhanced and permanently associated with international research excellence. That the Institute is able to consider such a step is a tribute to the quality and commitment of the people associated with it and I extend my thanks to the Membership and Fellowship, the staff, members of the Scientific Advisory and Finance and Investment Committees and particularly my fellow Trustees.

BRIDGET M OGILVIE
Chairman



2007 Lister Research Prize winner Nina Balthasar receiving her much coveted Lister paperweight from Bridget Ogilvie after her presentation at Bristol.

Fellows' Meeting, Cambridge, 2007



Above: Stephen Inglis and Bridget Ogilvie in the Master's garden at Christ's College, Cambridge

Below: Patrick Sissons, Bridget Ogilvie, Ken Smith, Robin Irvine, Trevor Hince and Paul Luzio after Ken Smith's presentation at Cambridge.





Above: Former Hon Treasurer Peter Allen and current Hon Treasurer Michael French with Trevor Hince, Director and Secretary

Below: Three former Fellows (from l to r): Graham Boulnois, Alec Jeffreys and David Rice



REPORT OF THE GOVERNING BODY

for the year ended 31 December 2007

The Governing Body presents its Annual Report under the Charities Act 1993 together with the audited Financial Statements of the Charity for the year ended 31 December 2007. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 (page 20) to the Financial Statements and comply with the Companies Act 1985, the requirements of the Statement of Recommended Practice 2005 "Accounting and Reporting by Charities", and the documents governing the constitution of the Charity.

Reference and administrative details

Reference and administrative information is set out on pages 1 and 2 of this report.

Members of the Governing Body, Directors and Trustees

The members of the Governing Body are, for the purposes of company law, Directors of the Institute and, for the purposes of charity law, Trustees of the Institute and throughout this report are collectively referred to as the Trustees.

Details of the Trustees serving throughout the year, unless otherwise stated, are set out on page 1.

Structure, governance and management

Constitution

The Institute is registered with the Charity Commissioners for England and Wales (registration number 206271). It is incorporated and registered in England and Wales under the Companies Act 1985 as a company limited by guarantee and not having a share capital (company number 34479). It is governed by its Memorandum and Articles of Association and has charitable status.

Appointment and re-appointment of Trustees

The Trustees are the twelve members of the Governing Body of whom six are appointed by the members at the annual general meeting. A maximum

of four further Trustees are appointed by the Governing Body and there are currently four such appointees. One additional member is Lord Iveagh's representative and the final member is a representative of the Royal Society. Trustees, other than the two nominated representatives and exceptionally those appointed by the Governing Body, serve for a maximum of six years and a system of planned rotation is in place. When considering appointment or nomination for election as Trustees, the Governing Body has regard to the specialist skills needed.

Induction and training of Trustees

New Trustees undergo induction sessions with the Chairman, Treasurer and Director during which they will gain an understanding of the Institute's structure, activities, financial position and future strategies. Prior to appointment they will attend, as an 'observer', one meeting of the Governing Body. New Trustees will also be made aware of their legal obligations with regard to the charity and company law. In addition, new Trustees will be advised of appropriate literature and training courses.

Organisation

The Institute is governed by its Governing Body which is responsible for setting policies, authorising actions on all significant operational issues and ensuring legality and good practice. The Governing Body meets formally twice a year.

Specific authorities are delegated to two sub-Committees in particular areas. The Scientific Advisory Committee (see page 2 for membership) has responsibility for the selection of the Lister Prize Fellows, the monitoring of their scientific activities and those of the remaining Lister Senior Fellows, as well as providing scientific and medical advice to the Governing Body as required. The Finance and Investment Committee (see page 2 for membership) has responsibility for interaction with the Institute's investment advisers, ensuring implementation of the Institute's investment policy and monitoring performance. It also prepares and

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2007

submits to the Governing Body the annual budget, and subsequently monitors performance against it. It also advises the Governing Body, as required, on other financial and risk matters.

The routine management of the Institute's activities is undertaken by its Director, aided by the Administrator and the Accountant. All staff work from home.

Risk Management

The Trustees assess the risks facing the Institute and review the effectiveness of the controls to monitor and mitigate against them. A Risk Management Register is maintained and formally reviewed annually by the Governing Body.

The key controls used by the Institute include:

- Formal agendas for all Council meetings
- Strategic planning, budgeting and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Regular review of Fellows' scientific reports

The principal risk facing the Institute lies in its ability to maintain and protect the value in real terms of its endowed funds and to generate on a long term basis a consistently high overall return on its original endowment. This risk is mitigated by the Institute's appointment of experienced fund managers with a proven track record; by internal controls that allow close and regular monitoring of their performance against benchmarks; by the Institute's requirement of its fund managers to re-tender periodically and competitively for appointment, and by regular meetings that formally review investment performance and policy and include one-to-one presentations by the fund managers.

Objectives and activities

The statutory Object of the Institute is to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK.

When founded in 1891, the Institute sought to achieve this objective by establishing a research institute specialising in the area of 'infections' and their prevention by immunisation and other means. It complemented the research activities by the production and supply of materials such as vaccines and toxins.

The Institute continued in this mode until the late 1970s when increasing financial and regulatory pressures caused the cessation of these activities. Funds from the resultant sale of land and buildings created the capital fund from which present day activities are financed; at 31 December 2007 that fund stood at £37.101m. From the 1980s the Institute has pursued its objective by the provision of grant funding to facilitate the research and careers of high quality individuals working in areas of biomedicine relevant to preventive medicine. It has done this because it believes that the acquisition and advancement of knowledge is crucial to the understanding of health and disease and that research to achieve this is driven forward by high quality individuals and their supporting staff.

Principal activities

In pursuance of this objective, during 2007 the Institute has continued funding for the Senior Fellowship scheme, which closed to new applicants in 2002, and the Prize Fellowships.

Achievement and Performance

During the year the Institute has completed funding for the remaining four Senior Lister Fellows at a cost of £217,000 (see note 10, page 22), with all Fellows concluding their fellowships in the year. The Scientific Advisory Committee has monitored the performance of the Lister Senior Fellows, and that of the current nine Lister Prize Fellows, through detailed review of the annual reports on their research which include details of all publications and presentations. The Scientific Advisory Committee has reported to Trustees that it is of the view that all Fellows are undertaking high quality research and producing new information that will contribute significantly to our knowledge

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2007

of disease, its causes, treatment and prevention.

Three Lister Prize Fellowships were awarded in 2007 to Drs Nina Balthasar and Fiona Wardle, and Professor Kenneth Smith, from a field of 47 initial applicants, following extensive scientific review of their applications and final interview by the Scientific Advisory Committee. (More details of the Prize Fellows and their research is provided on page 6). Each Prize Fellowship provides £200,000 which may be spent over five years on the recipient's research, although funds are provided to the host institution at the commencement of the award.

Investment policy and performance

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk. As indicated in last year's report and following a competitive process, two new investment advisors were appointed, who each took over one half of the portfolio in June.

The Institute's investment advisors for the first half of 2007, UBS Wealth Management (UK) Ltd, administered its funds on a discretionary basis. From 4 June two new investment advisors were appointed to manage the portfolio: Schroders and Co Limited (Schroders Charities) and Partners Capital LLP, who both operate under mandates agreed in advance with the Finance and Investment Committee. These mandates set out overall target asset allocation with allowable ranges for each category of asset. The value of the portfolio at the conclusion of its management by UBS was £37.399m when all holdings, except for £1.817m which was transferred as stocks to Schroders, were liquidated and transferred in cash to Partners Capital and Schroders such that each became responsible for one half of the portfolio (see note 11, page 23).

Both investment advisors invest on a total returns basis through a variety of pooled funds and in accordance with the Institute's "Investment Policy Statement" which states the overall investment objective and sets the investment return

objectives, the risk parameters, the performance measures and review procedures for the portfolio. The investment advisors are informed at the beginning of the financial year of the Institute's likely cash requirements, both in terms of the amount and the timing of any draw-down, and are asked to keep in an income or cash account sufficient funds to meet them. The Institute has in place an ethical investment policy which does not permit direct investment in tobacco or tobacco-related companies.

The Institute's overall financial return objective is to preserve and if possible enhance the purchasing power of its portfolio assets, net of costs and approved withdrawals, over rolling three-year periods. This goal is synonymous with the pursuit of a time-weighted net return on portfolio assets that equals and if possible exceeds cost inflation, as measured by the UK Consumer Price Index, plus the Institute's long term spending rate of 4% measured over corresponding three-year periods.

The performance of the investment portfolio is reviewed by the Finance and Investment Committee, which has at least three meetings each year with the investment advisors and which receives detailed quarterly valuation and transaction reports. Over the year, and latterly in difficult trading and economic conditions, the fund has grown from £34.146m to £37.101m after withdrawals of £650,000.

More details of the Institute's activities are set out in the Chairman's Report on pages 3 to 10.

Financial review

Allocation of resources

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives—operating on a total returns basis. In the year, income from investments and other sources totalled £885,000. The resources expended totalled £825,000 of which £711,000 was associated with the Institute's

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2007

charitable activities. During the year the liability for the existing Senior Fellowships was settled in full as the remaining fellowships terminated.

As the Prize Fellowships are fixed sum awards, the future commitment is known and can be regulated by altering the number and/or value of prizes awarded each year. This will be done in light of the income generated from the total return investment strategy. The income in turn will be sensitive to the rate of return obtained on the Institute's investments and this will be reviewed annually before fresh commitments are made. In the year Trustees felt able to increase the value of the Prizes to £200,000 each, whilst maintaining the number of awards at three.

Reserves policy

The policy of the Trustees is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity. The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Governing Body, who remain satisfied with the current position.

Plans for the future

The Institute's future policy is to continue to pursue its current objectives. It will therefore maintain the Prize Fellowship scheme, subject to a review of its effectiveness in 2008.

The Institute is in discussion with The Academy of Medical Sciences about an association to launch jointly a new international prize in bio-medical research.

Statement of responsibilities of Trustees

Company law requires the trustees, as directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of its incoming resources and application of resources for that period. In preparing those financial statements, the Trustees are required to:

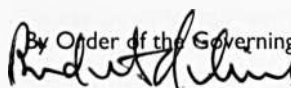
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going-concern basis unless it is inappropriate to presume that the company will continue in business.

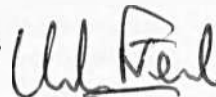
The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Institute and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's directors, the Trustees certify that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

By Order of the Governing Body

BRIDGET M OGILVIE
Chairman


MICHAEL L FRENCH
Treasurer

7 July 2008

7 July 2008

INDEPENDENT AUDITORS' REPORT

to the Members of the Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The Lister Institute of Preventive Medicine for the purposes of company law) for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the Financial Statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed. We have read the Trustees' Report and consider the implications for

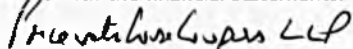
our report if we become aware of any apparent misstatements within it.

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 judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company'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 financial statements 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 financial statements.

Opinion

In our opinion:
the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2007 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended; the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the Trustees' Report is consistent with the financial statements.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

7 July 2008

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Incoming resources			
Incoming resources from generated funds:			
Investment income	2	875	1,372
Other incoming resources	3	10	42
Total incoming resources		885	1,414
Resources expended			
Costs of generating funds:			
Investment management costs	4	(73)	(45)
Charitable activities:			
Prizes awarded in year	6	(676)	(646)
Changes to existing grants	10	(15)	4
Donations	7	(20)	—
Governance costs	8	(41)	(44)
Total resources expended		(825)	(731)
Net income/(expenditure) for year		60	683
Gains/(losses) on investment assets		1,361	3,131
Net movements in funds		1,421	3,814
Total funds brought forward		35,413	31,599
Total funds carried forward		36,834	35,413

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate statement has been shown.

The notes set out on pages 20 to 24 form part of these financial statements.

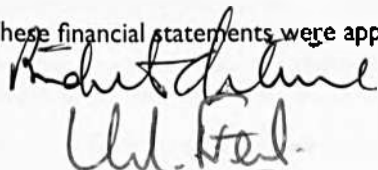
BALANCE SHEET

as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	11	37,101	34,146
Total fixed assets		37,101	34,146
Current assets			
Debtors	12	11	127
Cash at bank and in hand		250	2,220
Total current assets		261	2,347
Current liabilities			
<i>Creditors: amounts falling due within one year</i>			
Grants	10	–	(202)
Creditors and accruals	13	(112)	(402)
Net current assets/(liabilities)		149	1,743
Total assets less current liabilities		37,250	35,889
<i>Creditors: amounts falling due after more than one year</i>			
Pensions	14	(416)	(476)
Net assets		36,834	35,413
<i>represented by</i>			
Unrestricted funds		36,834	35,413
Total charity funds		36,834	35,413

The Trustees have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 7 July 2008



BRIDGET M OGILVIE
MICHAEL FRENCH

Members of the
Governing Body

The notes set out on pages 20 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

I PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included at the base of the SOFA as realised and unrealised investment gains in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

Incoming resources

All incoming resources are accounted for on a receivable basis.

Prizes and grants

The cost of Research Prize Fellowships is charged in the year awarded. Under the previous Fellowship Grant scheme, which has now been discontinued, provision was made at the time of making a grant for the full cost over the expected life of the fellowship, normally five years. Whilst payment of grants in the second and subsequent years of a fellowship was subject to performance by the recipient, the policy was considered necessary to reflect the Governors' experience that only in rare cases are grants not continued for the expected full term. By 31 December 2007 all grants liabilities had been settled in full.

Charitable expenditure

Charitable expenditure comprises all expenditure directly relating to the objects of the charity and is accounted for on an accruals basis. The allocation of expenditure between governance and management, administration and support costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as falling into the latter category with the exception of a proportion of salary and related costs which have been classified as governance costs.

Governance costs

In addition to Audit remuneration governance costs comprise the proportion of staff costs associated with the time spent on the preparation of the statutory accounts and other governance issues together with Trustees and Honoraria remuneration provided to members of the Institute's Scientific Advisory Committee for their duties in selecting the Prize Fellows.

Supplementary pensions and staff pensions

Full provision is made in the Financial Statements for the costs of future supplementary payments. The provision and charge to income are reviewed annually by the Trustees in the knowledge that the number of persons receiving the supplementary pensions will not increase. Existing employees participate in a defined contribution scheme, the costs of which are expensed as incurred.

Cash flow statement

The Charity has taken advantage of the exemption provided by Financial Reporting Standard No 1 for small charities for not preparing a cash flow statement.

2 INVESTMENT INCOME

	2007	2006
	£'000	£'000
Income from fixed asset investment	856	1,332
Bank interest receivable	19	40
	875	1,372

The reduction in the current year's investment income compared with the prior year reflects the Institute's change to a total return investment strategy.

3 OTHER INCOMING RESOURCES

	2007	2006
	£'000	£'000
Royalty income	10	42

4 COSTS OF GENERATING FUNDS

	2007	2006
	£'000	£'000
UBS Wealth Management (UK) Ltd	-	45
Partners Capital, LLP	48	-
Schroders & Company Ltd	25	-
Investment management fees	73	45

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2006: nil). Travel expenses of £688 were paid relating to the claims of five members in connection with their attendance at meetings (2006: £1,118).

Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,923 (2006: £1,923) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was three, two of whom are part-time (2006: three). All were employed in an administrative and support capacity. No employees earn over £60k p.a. (2006: nil).

Staff costs

	2007	2006
	£'000	£'000
Gross salaries and pension contributions	70	68
Employer's national insurance and state pension contributions	7	7
	77	75

The salary costs are allocated under governance where related to statutory accounts preparation, the balance being reported within management, administration and support costs.

6 COST OF PRIZES AWARDED

	2007	2006
	£'000	£'000
Prizes awarded during the year	600	525
Support costs (see Note 9)	86	83
Pension costs	(10)	38
	676	646

7 DONATIONS

	2007	2006
	£'000	£'000
Donations during the year	20	-

A donation of £20,000 was paid to The Anne McLaren Memorial fund (2006: nil). See Chairman's report on page 3.

8 GOVERNANCE COSTS

	2007	2006
	£'000	£'000
Audit remuneration	10	11
Staff costs	10	9
Trustee expenses	21	24
	41	44

9 SUPPORT COSTS

	2007	2006
	£'000	£'000
Salary-related costs	67	66
Office expenses	12	11
Travel expenses	3	4
Professional fees	4	2
	86	83

10 GRANTS LIABILITY

Movements in the grant liability during the year were as below:

	2007	2006
	£'000	£'000
Liability at beginning of year	202	594
Changes made to provisions for fellowship awards	15	(4)
Cash paid on existing grants	(217)	(388)
Liability at end of year	-	202

11 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end.

	2007	2006
	£'000	£'000
Market value at beginning of year	34,146	32,451
Purchases during the year at cost	43,857	2,863
Proceeds of sales during the year	(42,482)	(4,532)
Reinvested income for the year	219	–
Cash draw-downs	(650)	–
Changes in market value of assets held as at the year-end	2,011	3,364
Market value at year-end	37,101	34,146

The high level of purchases and sales during the year reflects the sale and reinvestment of the Institute's entire investment portfolio on the change of investment managers.

The portfolio's asset allocation as at 31 December 2007 was as follows:

	£'000
Equities	18,425
Fixed interest	3,992
Other (including property, private equity, commodities and alternatives)	12,832
Cash	1,852
	37,101

At 31 December 2007 no single shareholding exceeded 5% of the total value of investments (2006: none).

12 DEBTORS

	2007	2006
	£'000	£'000
Prepayments and accrued income	1	85
Other debtors	10	42
Total debtors	11	127

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£'000	£'000
Taxation and social security	3	3
Prize award creditor	–	175
Accruals	109	224
Total creditors falling due within one year	112	402

14 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions are increased annually in line with published government figures.

Following the last actuarial valuation in 2001, a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2007	2006
	£'000	£'000
Provision at beginning of year	476	496
Charge to Statement of Financial Activities	(10)	38
Pensions paid	(50)	(58)
Provision at end of year	416	476

15 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year (2006: none).

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2008



The Lister Institute of Preventive Medicine
is a company limited by guarantee (England 34479)
and a registered charity (206271)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2008

THE GOVERNING BODY

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS, *Chairman*

Mr Michael French, BSc (Eng), FCA, *Hon Treasurer*

Professor Graham J Boulnois, PhD

Hon Rory M B Guinness

Mr Andrew Hutton, MA

Dr Stephen C Inglis, PhD

Professor Robin F Irvine, FIBiol, FMedSci, FRS

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Peter Ratcliffe, FMedSci, FRS

Mr John G Rhodes, MA

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryll A Tickle, CBE, FRSE, FMedSci, FRS

SENIOR MANAGEMENT

Secretary and Director: Dr Trevor A Hince, PhD

Business Address

PO Box 1083

Bushey

Hertfordshire, WD23 9AG

Solicitors

Macfarlanes

20 Cursitor Street

London EC4A 1LT

Bankers

Messrs Coutts & Co

St Martins Office

440 Strand

London WC2R 0QS

Auditors

PricewaterhouseCoopers LLP

1 Embankment Place

London WC2N 6RH

Registered Office

Macfarlanes

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London EC4A 1BD

Investment Advisors

Schroders & Co Limited

100 Wood Street

London EC2V 7ER

Partners Capital LLP

5 Young Street

London W8 5EH

Website: www.lister-institute.org.uk

Telephone: 01923 801886

THE SCIENTIFIC ADVISORY COMMITTEE

Professor Robin F Irvine, FIBiol, FMedSci, FRS, *Chairman*

Professor Jean D Beggs, CBE, FRSE, FRS (*Resigned May 2008*)

Professor Wendy Bickmore, BA, PhD, FMedSci, FRSE (*Appointed September 2008*)

Professor Tim Bliss, FMedSci, FRS

Professor Mary Collins, PhD, FMedSci

Dr David Ish-Horowicz, FRS, PhD

Professor J Simon Kroll, FRCP, FMedSci, FRCPC

Professor Irene Leigh, OBE, MD, FRCP, FMedSci (*Appointed September 2008*)

Professor Mark Pepys, FRS

Professor David W Rice, MA, DPhil

Professor Brian Spratt, FRS

Professor Fiona Watt, FRS (*Resigned May 2008*)

Secretary: Dr Trevor A Hince, PhD

THE FINANCE AND INVESTMENT COMMITTEE

Mr Michael French, BSc (Eng), FCA, *Chairman*

Hon Rory M B Guinness

Mr Andrew Hutton, MA

Dr Stephen C Inglis, PhD

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS

Mr John G Rhodes, MA

Secretary: Dr Trevor A Hince, PhD

CHAIRMAN'S ANNUAL REPORT

for the year ended 31 December 2008

THE activities of the Lister Institute in 2008 were, like those of most similar organisations, greatly influenced by the global economic crisis and its impact on the value of investments. The value of the Institute's investment portfolio fell by just over 21% during the year, after planned cash withdrawals, to stand at £28m at year-end. Nevertheless the Institute has been able to maintain expenditure on its core activity – the Prize Fellowship scheme.

The proposed association of the Institute with the Academy of Medical Sciences for the purpose of jointly awarding a new UK International Prize in Bio-Medicine has been the major topic for discussion and debate within the Institute occupying many hours of work this year. A jointly commissioned study and a series of meetings have taken place between the Institute and the Academy and we are particularly grateful to Mrs Mary Manning and Sir John Bell for their enthusiastic and important contributions. The outcome was unanimous agreement amongst the Governing Body on a nine-point document as the basis for further detailed discussion with the Academy. One of these points proved to be crucial going forward – that the Institute should give (financial) priority to maintaining its Prize Fellowship scheme. As the negative impact of the global economic downturn on the value of the Institute's investments became apparent, it starkly indicated that the Institute would not be able to fund both an International Prize and maintain the Prize Fellowship scheme. Therefore, with reluctance, the Lister Institute had to withdraw from the discussions; however we hope that there might be opportunities for association with the Academy in the future.

Another of the points from the Governing Body's discussions was that the Institute should associate itself with the outreach activities, particularly involving schools and colleges, which had been seen as an important component of the International Prize scheme. The Institute will continue to explore this concept to see whether, via our existing Prize Fellows, there are ways that we can communicate to young people the 'excitement' of science.

Whilst the dramatic fall in the value of the Institute's investments has curtailed our future plans, the decision taken when the Prize Fellowship scheme was initiated – that they should be of defined amounts and provided as one-off payments for the Fellows' research activities via their host institutions – has meant that the Institute knows the costs going forward and can plan with certainty. Therefore in 2008 we were able to increase the number of Prizes to four whilst maintaining their value; a very positive action in the economic circumstances.

Governing Body and Administrative Matters

Governing Body and Administration

It is a great pleasure to report that following his appointment to the Finance and Investment Committee, Mr Andrew Hutton was unanimously elected to the Governing Body by the membership. In the current financial situation it is a real comfort to the Institute to have the benefit of the expertise which comes from his long experience in investment management. The Governors were also delighted that Professor Peter Ratcliffe agreed to a further period of appointment to the Governing Body. With an increasing number of the Prize Fellows having a medical background, the advice of one who is so heavily involved in medical education and training is essential.

I should also express my appreciation for the trust and honour which the Governing Body and the Membership has shown by inviting me to continue as the Institute's Chairman for up to a further three years.

The commitment of the members and the strength of the Governing Body was clearly demonstrated by the long and detailed discussions which we had over the Institute's association with the Academy of Medical Sciences for the establishment of the International Prize. There was a wide spectrum of views across the Governing Body concerning many aspects of the proposal and its appropriateness for the Institute, yet no member felt unable to put their point of view and encourage debate and questioning by the others. The outcome was a unanimously agreed set of statements that would have formed the framework for our discussions with the Academy. The process showed the ability of the Governing Body to cope with 'hard' decisions and underlined the real depth of feeling for the Institute and its future held by every one of its Trustees.

During the year the Institute strengthened its procedures for the "declaration of interests" by Trustees and others in connection with committee business.

The administration of the Institute continues to run smoothly, and at a reduced cost, thanks to the efforts of Trevor Hince and his small team of Naomi King and Jacky Wilson. The Trustees, the Fellowship and Membership continue to be grateful for the support and service which they provide.

Institute Membership

The Trustees are delighted that Professor Irene Leigh, University of Dundee, who joined the Scientific Advisory Committee this year, has accepted their invitation to membership of the Institute.

Financial Matters

The year 2008 saw a major fall in the value of the Institute's investment portfolio, from £37m to £28m, due entirely to the global economic crisis and its impact on stock markets and other forms of investment around the world. Members of the Institute's Finance and Investment Committee met regularly with our two investment advisors: Partners Capital and Schroders to monitor the situation, and reported both formally and informally to the Governing Body. Both Partners Capital and Schroders have worked hard during the year to adjust the asset distribution in the portfolios and minimise losses. There is no doubt that the diversified portfolios have stood up better than the heavily equity-weighted one that the Institute had a few years ago, but it has been impossible to avoid the consequences of the current downturn. Nevertheless the view of the Finance and Investment Committee is that both firms have performed as well as could be expected in the circumstances and that the strategies put in place have been appropriate.

The Institute's investments are managed on a "total returns" basis such that when cash is required to finance its activities it has to be taken from the portfolios requiring that "liquidity" is maintained appropriately. The fact that the Prizes are of a known amount (£200,000 each) and awarded at a set time in the year and that the Institute's administrative costs are relatively constant throughout the year (£50,000 per quarter) greatly helps this process. The completion of the old senior fellowship scheme has also simplified the financial requirements.

The Governing Body took the view that despite the fall in the value of the Institute's investments the value of the Prize Fellowships should be maintained at £200,000 and their number increased to four for 2008. Spending plans for future years will be reviewed on the basis of portfolio performance but the current absolute level of the investments indicates that the Institute will be able to award three Prizes at the same value in 2009; awards thereafter will depend on circumstances.

As I have stated earlier, the fall in the value of the investments and the bleak economic outlook did mean that the Institute could not afford to pursue the association with the Academy of Medical Sciences for the joint award of the International Prize given that the bulk of the costs in the early years would have been borne by the Institute.

Further details on the Institute's finances may be found on pages 15 to 16 and in the Statement of Financial Activities on page 18.

Scientific Activities

Scientific Advisory Committee

The Institute, like all medical research charities, is indebted to those scientists and clinicians who give up their time so freely to sit on scientific advisory committees and review research proposals. The Institute is particularly fortunate in the dedication shown by the members of its Scientific Advisory Committee (SAC) and their thoroughness in the review of the work of the Lister Prize Fellows and the annual selection of new ones. However there are times when pressure of other work means that members have to stand down and this year we were sorry to lose Professors Jean Beggs and Fiona Watt who left the SAC after many years of hard work, for which the Institute is extremely grateful. In their places it is a pleasure to welcome Professors Wendy Bickmore, a former Senior Lister Fellow, and Irene Leigh and hope that both will enjoy their time on the committee.

The main task for the Scientific Advisory Committee is the selection, through review of written proposals and then interview, of the Prize Fellows. This year there were 47 applicants to review, but with the ability to award four Prizes. After two rounds of rigorous review, one so importantly involving the written comments of international experts, the Scientific Advisory Committee was faced with the daunting task of interviewing eleven candidates in one day. Under the inspired chairmanship of Professor Robin Irvine and detailed logistical planning, with one candidate flying into Heathrow that morning, members of the Committee were exposed to eleven excellent scientific talks covering a wide range of research topics. All the candidates were of very high quality and members of the SAC had an extremely hard task in selecting the eventual four Prize Fellows, underlined by Robin Irvine's opening remark that "any of the candidates could have justified a prize"!

It is extremely gratifying to the Trustees that the Prize Fellowship scheme continues to attract candidates of such high quality and is fulfilling a real funding need in the research community. The SAC continues to be impressed by the scientific reports of the Prize Fellows and their appraisal appears to be matched by their own institutions given the number of Fellows that have been awarded personal professorships.

2008 Lister Research Prize Winners

The recipients of the 2008 Lister Research Prizes, who each received the award of £200,000 were:

Prize Winner	Title of Research
Dr Simon Bullock MRC Laboratory of Molecular Biology	Mechanisms and neuronal functions of motor-driven transport
Dr Rebecca Fitzgerald MRC Cancer Cell Unit	Translational research programme for prevention of oesophageal adenocarcinoma
Dr Holger Gerhardt Cancer Research UK London Research Institute	Endothelial guidance in vascular patterning
Dr Juan Martin-Serrano King's College London	Functional parallels between HIV-1 budding and the last step of cell division



The 2008 Lister Research Prize Winners receive their presentation scrolls from Dame Bridget Ogilvie. Clockwise from bottom left: Dr Holger Gerhardt, Dr Juan Martin-Serrano and Dr Rebecca Fitzgerald. Dr Simon Bullock, bottom right, was unable to be present at the Presentation Ceremony at Christ's College, Cambridge



Current Lister Fellows

The following were awarded Lister Prize Fellowships in previous years:

Fellow	Title of Research	Awarded
Dr Nina Balthasar University of Bristol	Identifying the novel CREB coactivator TORC2's role in the hypothalamic pathways controlling energy homeostasis	2007
Dr Oliver Billker Wellcome Trust Sanger Institute, Cambridge	In search of the Xanthurenic acid receptor of malaria parasites – a potential target for transmission control	2004
Dr Nia Bryant University of Glasgow	Using yeast as a mould system to understand the insulin-dependent trafficking of GLUT4 in adipocytes	2004
Dr Vincenzo Costanzo Cancer Research UK Clare Hall Laboratories	The role of ATM and ATR in preventing genomic instability	2006
Professor Daniel Davis Imperial College London	Nanotubes and synapses in immune cell communication	2005
Dr Fiona Gribble Cambridge Institute for Medical Research University of Cambridge	Secretion of incretin hormones from the mouse intestine	2006
Professor Paul Lehner Cambridge Institute for Medical Research University of Cambridge	The role of HSP70 in MHC class I mediated antigen presentation in human dendritic cells	2004
Professor Kenneth Smith Cambridge Institute for Medical Research University of Cambridge	Control of infection and autoimmunity by an inhibitory Fc receptor FcγRIIb	2007
Dr Tomoyuki Tanaka University of Dundee	Mechanisms of kinetochore-micro-tubule interaction	2005
Dr Chris Thompson University of Manchester	Identifying and characterising genes that control cell fate choice and social behaviour	2005
Professor Daan van Aalten University of Dundee	Structural mechanisms and specificity of O-GlcNAc signalling in the eukaryotic cell	2006
Dr Fiona Wardle University of Cambridge	Transcriptional control of mesodermal cell differentiation in vertebrates	2007

Fellowship Activities

The Institute returned to Christ's College, Cambridge, for its AGM and Fellows' meeting again, using the much liked Plumb Auditorium venue. This year the AGM seemed particularly well attended and the report on discussions with the Academy of Medical Sciences concerning the proposed International Prize prompted much interest with many questions and comments from the Membership.

The scientific sessions commenced with talks by three of the four 2008 Prize winners, all of whom gave outstanding presentations and no doubt benefited from the interested questioning and comments from the audience. The remaining three scientific sessions maintained the high quality with the "Lister trademark" mix of subject matter, including a practical demonstration of our ability to localise sound.

The speakers and their topics were:

- Professor Julian Blow – the precise duplication of chromosomal DNA in each cell cycle
- Professor Chris Dowson – pathogens, populations and penicillin
- Professor Andrew King – auditory learning: implications for cochlear implantation
- Professor Tony Maxwell – DNA topoisomerase and drug targeting

Professor Chris Higgins delivers the Special Lister Lecture



The sessions were chaired by members of the SAC and they, together with the audience of former Fellows and Members, kept the speakers on their toes with their questions and comments. Whilst it is easy to see the benefit of subject-specific scientific meetings there is still a place for the general meeting, like the Lister's, where different disciplines can interact and bring fresh insights to the interpretation of results, especially if conducted within the close community that is the Lister Institute.

The 2008 Special Lister Lecture was given by Professor Chris Higgins, one of the first Lister Senior Fellows, and recently appointed Vice-Chancellor and Warden of Durham University. In a fascinating and insightful talk entitled "Back to the future at Durham University" he outlined his own philosophy for research and factors that had influenced its direction. In a career that started as a PhD student at Durham working on the problem of protein transport, Professor Higgins explained how this area had occupied him for most of his research career and how lessons learned, experiences gained and the interaction with others provided useful parallels for the conduct of research at the university and national level. Professor Higgins' personal, yet philosophical, talk stimulated many questions and discussion and was clearly greatly enjoyed by the audience.

As always the throb of talk and discussion which epitomises a Lister meeting continued through the Reception, into Dinner, and beyond!

Conclusion

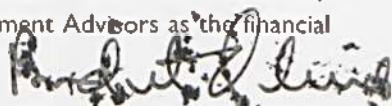
Again this year I have, with Trevor Hince, attended several "Presentation ceremonies" where new Prize Fellows have given seminars in their own host institutions. It is always pleasing to see prize winners in their home environment and have the pleasure of talking to their colleagues, not least because of the opportunity which it gives to promote the Lister Institute and encourage applications from younger researchers. It is therefore very satisfying that applications for the 2009 prizes are up by 25%, with the quality remaining as high as ever. On behalf of the Institute I should like to thank those in the Universities and Colleges that have hosted these events for their warm hospitality and especially the support which they give to their own Lister Prize Fellows.

During the year many Lister Fellows and former Fellows gained academic distinctions and recognition for their work and it is a great tribute to the Lister Institute and those who have guided its actions in the past that many of the Fellows highlight the importance which the Lister Fellowship has had in shaping their advancement.

It is not clear when we shall see the end of the recession or when and at what speed any

recovery will take place or, indeed, whether the “formula” for relating our expenditure to the level of, and return on, our investments will hold in the future. Nevertheless the Institute will continue to manage its funds as prudently as it can with a view to maintaining the Prize Fellowship scheme at the highest level that we can afford.

The Institute is guided and influenced by those associated with it, working together to develop and promote its strength and purpose. In a year of challenge it is a great pleasure to thank all those associated with the Institute for their support and commitment to “The Lister”; the Membership, the Fellowship, members of the Scientific Advisory Committee, the staff, my fellow Trustees and particularly those who under Michael French’s calm leadership as Honorary Treasurer have spent many hours with our Investment Advisors as the financial picture has unfolded during the year.



BRIDGET M O'GLVIE

Chairman

An attentive audience enjoys one of the presentations



Fellows' Meeting, Cambridge, 2008

Dame Bridget Ogilvie
and Frank Kelly, Master
of Christ's College ▼



▲ Alan Munro and Richard Perham



▲ Chris Higgins and
Leszek Borysiewicz

Michael French
and Bill Shaw ▶



Tristan Rodrigues
and Andrew Fry ◀



▲ David Ish-Horowicz
and Holger Gerhardt



◀ Fiona Wardle and
Rebecca Fitzgerald



Peter McGlynn
and John Rhodes ▶



Malcolm Ferguson-Smith
and Keith Peters



◀ Ita Askonas
and Alec Jeffries



REPORT OF THE GOVERNING BODY

for the year ended 31 December 2008

The Governing Body presents its Annual Report under the Charities Act 1993 together with the audited Financial Statements of the Charity for the year ended 31 December 2008. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 (page 20) to the Financial Statements and comply with the Companies Act 1985, the requirements of the Statement of Recommended Practice 2005 "Accounting and Reporting by Charities", and the documents governing the constitution of the Charity.

Reference and administrative details

Reference and administrative information is set out on pages 1 and 2 of this report.

Members of the Governing Body, Directors and Trustees

The members of the Governing Body are, for the purposes of company law, Directors of the Institute and, for the purposes of charity law, Trustees of the Institute and throughout this report are collectively referred to as the Trustees.

Details of the Trustees serving throughout the year, unless otherwise stated, are set out on page 1.

Structure, governance and management

Constitution

The Institute is registered with the Charity Commissioners for England and Wales (registration number 206271). It is incorporated and registered in England and Wales under the Companies Act 1985 as a company limited by guarantee and not having a share capital (company number 34479). It is governed by its Memorandum and Articles of Association and has charitable status.

Appointment and re-appointment of Trustees

The Trustees are the twelve members of the Governing Body of whom six are appointed by the members at the annual general meeting. A maximum of four further Trustees are appointed by the Governing Body and there are currently four such appointees.

One additional member is Lord Iveagh's representative and the final member is a representative of the Royal Society. Trustees, other than the two nominated representatives and exceptionally those appointed by the Governing Body, serve for a maximum of six years and a system of planned rotation is in place. When considering appointment or nomination for election as Trustees, the Governing Body has regard to the specialist skills needed.

Induction and training of Trustees

New Trustees undergo induction sessions with the Chairman, Treasurer and Director during which they will gain an understanding of the Institute's structure, activities, financial position and future strategies. Prior to appointment they will attend, as an "observer", one meeting of the Governing Body. New Trustees will also be made aware of their legal obligations with regard to the charity and company law. In addition, new Trustees will be advised of appropriate literature and training courses.

Organisation

The Institute is governed by its Governing Body which is responsible for setting policies, authorising actions on all significant operational issues and ensuring legality and good practice. The Governing Body meets formally twice a year.

Specific authorities are delegated to two sub-Committees in particular areas. The Scientific Advisory Committee (see page 2 for membership) has responsibility for the selection of the Lister Prize Fellows and the monitoring of their scientific activities, as well as providing scientific and medical advice to the Governing Body as required. The Finance and Investment Committee (see page 2 for membership) has responsibility for interaction with the Institute's investment advisors, ensuring implementation of the Institute's investment policy and monitoring performance. It prepares and submits to the Governing Body the annual budget, and subsequently monitors performance against it. It also advises the Governing Body, as required, on other financial and risk matters.

The routine management of the Institute's activities is undertaken by its Director, aided by the Administrator and the Accountant. All staff work from home.

Risk Management

The Trustees assess the risks facing the Institute and review the effectiveness of the controls to monitor and mitigate against them. A Risk Management Register is maintained and formally reviewed annually by the Governing Body.

The key controls used by the Institute include:

- Formal agendas for all Council meetings
- Strategic planning, budgeting and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Regular review of Fellows' scientific reports

The principal risk facing the Institute lies in its ability to maintain and protect the value in real terms of its investments and to generate from them on a long term basis a consistently high overall return. This risk is mitigated by the Institute's appointment of experienced fund managers with a proven track record; by internal controls that allow close and regular monitoring of their performance against benchmarks; by the Institute's requirement of its fund managers to re-tender periodically and competitively for appointment, and by regular meetings that formally review investment performance and policy and include one-to-one presentations by the fund managers.

Objectives and activities

The statutory Object of the Institute is to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK.

When founded in 1891, the Institute sought to achieve this objective by establishing a research institute specialising in the area of "infections" and their prevention by immunisation and other means. It complemented the research activities by the production and supply of materials such as vaccines and toxins.

The Institute continued in this mode until the late 1970s when increasing financial and regulatory pressures caused the cessation of these activities. Funds from the resultant sale of land and buildings created the capital fund from which present day activities are financed; at 31 December 2008 that fund stood at £28.231m. From the 1980s the Institute

has pursued its objective by the provision of grant funding to facilitate the research and careers of high quality individuals working in areas of biomedicine relevant to preventive medicine. It has done this because it believes that the acquisition and advancement of knowledge is crucial to the understanding of health and disease and that research to achieve this is driven forward by high quality individuals and their supporting staff.

Principal activities

In pursuance of this objective, during 2008 the Institute has awarded four new Prize Fellowships.

Achievement and Performance

The Scientific Advisory Committee has monitored the performance of the current twelve Lister Prize Fellows, through detailed review of the annual reports on their research which include details of all publications and presentations. The Scientific Advisory Committee has reported to Trustees that it is of the view that all Fellows are undertaking high quality research and producing new knowledge that will contribute significantly to our understanding of disease, its causes, treatment and prevention.

Four Lister Prize Fellowships were awarded in 2008 to Drs Simon Bullock, Rebecca Fitzgerald, Holger Gerhardt and Juan Martin-Serrano from a field of 47 initial applicants, following extensive scientific review of their applications and final interview by the Scientific Advisory Committee. (More details of the Prize Fellows and their research is provided on page 7). Each Prize Fellowship provides £200,000 which may be spent over five years on the recipient's research, although funds are provided to the host institution at the commencement of the award.

The Institute maintained its commitment to fostering scientific interchange and collaboration within the Fellowship by holding its 24th Annual Research Fellowship meeting at Christ's College, Cambridge.

The Institute made a small grant of £10,000 to the Academy of Medical Sciences to enable it to undertake an exploratory study on the feasibility and practicalities of awarding jointly with the Lister Institute a new International Prize in biomedicine (see page 3).

Public Benefit

In so far as the statutory objectives, aims and activities of The Lister Institute of Preventive Medicine are to further understanding in preventive medicine by promoting biomedical research as set out on page 14 of this Report, the Trustees are satisfied that they fully comply with the duty in section 4 of the Charities Act 2006, namely to have due regard to the public benefit guidance published by the Charity Commission.

The public benefit of the Institute's grant making is clearly identifiable in the "Achievement and Performance" paragraphs on page 14 and in the list of Research Prize Fellows together with their areas of research on page 8 of the Chairman's report. All Lister Fellows are actively encouraged, where appropriate, to develop their research findings for potential public benefit and the Scientific Advisory Committee has regard to this when reviewing their research reports. The Lister Institute therefore benefits the public or a sector of it without imposing any restrictions. Applications from individuals are only accepted when demonstrably consistent with the charitable objectives of the Institute.

Investment policy and performance

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk.

As indicated in last year's report the Institute's investment portfolio is now split between Schroders and Co Limited (Schroders Charities) and Partners Capital LLP who both operate under mandates agreed in advance with the Finance and Investment Committee. These mandates set out overall target asset allocation with allowable ranges for each category of asset.

Both investment advisors invest on a total returns basis through a variety of pooled funds and in accordance with the Institute's "Investment Policy Statement" which states the overall investment objective and sets the investment return objectives, the risk parameters, the performance measures and review procedures for the portfolio. The investment advisors are informed at the

beginning of the financial year of the Institute's likely cash requirements, both in terms of the amount and the timing of any draw-down, and are asked to keep in an income or cash account sufficient funds to meet them. The Institute has in place an ethical investment policy which does not permit direct investment in tobacco or tobacco-related companies.

The Institute's overall financial return objective is to preserve and if possible enhance the purchasing power of its portfolio assets, net of costs and approved withdrawals, over rolling three-year periods. This goal is synonymous with the pursuit of a time-weighted net return on portfolio assets that equals and if possible exceeds cost inflation as measured by the UK Consumer Price Index plus the Institute's long term spending rate of 4% measured over corresponding three-year periods.

The performance of the investment portfolio is reviewed by the Finance and Investment Committee, which has at least two meetings each year with the investment advisors. However, in view of the state of the markets and general economic position in 2008, the Finance and Investment Committee met with advisors on four occasions to review performance and appropriate "defensive" adjustments of the portfolio. In addition the Institute receives detailed quarterly valuation and transaction reports. In a very difficult year the fund has fallen from £37.101m to £28.231m after withdrawals of £1.000m.

More details of the Institute's activities are set out in the Chairman's Report on pages 3 to 11.

Financial review

Allocation of resources

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives – operating on a total returns basis. The total return on investments for the year was a loss of £7.722m including income from investments of £308,000.

The resources expended totalled £1.012m of which £850,000 was associated with the Institute's charitable activities.

As the Prize Fellowships are fixed sum awards, expenditure can be regulated by altering the number and/or value of prizes awarded each year. This will be done in light of the income generated from the total return investment strategy and the absolute value of the investments. The income in turn will be sensitive to the rate of return obtained on the Institute's investments and this will be reviewed annually before fresh commitments are made. In the year, despite the falling value of the investment portfolio and returns, the Trustees felt it important to maintain the value of the Prizes at £200,000 each and to honour the commitment to increase the number to four.

Reserves policy

The policy of the Trustees is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity.

The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Trustees. Despite the current downturn in the level of investments they feel satisfied with the policy over the long-term and the ability of the Institute to maintain appropriate levels of activity in the short-term.

Plans for the future

The Institute's future policy is to continue to pursue its current objectives. It will therefore maintain the Prize Fellowship scheme which it sees as a funding priority.

The Institute continued discussions with the Academy of Medical Sciences concerning an association to provide jointly a new International Prize in biomedical research and reached agreement on key issues. However the reduction in the value of Institute's investments and the fact that use of capital would be required to maintain the existing Prize Fellowship scheme meant that the Institute could not afford to fund the International Prize and reluctantly had to withdraw from discussions with the Academy.

Statement of responsibilities of Trustees

The Trustees (who are also directors of the Institute for the purposes of company law) are responsible for preparing the Annual Report 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 the 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 for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records which 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 1985. 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.

In so far as the Trustees are aware:

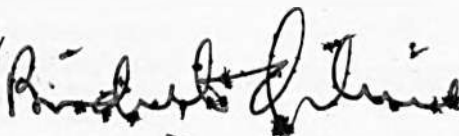
- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

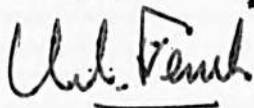
PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

By Order of the Governing Body

BRIDGET M OGILVIE
Chairman



MICHAEL FRENCH
Treasurer



7 July 2009

INDEPENDENT AUDITORS' REPORT

to the Members of the Lister Institute of Preventive Medicine

We have audited the financial statements ("the financial statements") of The Lister Institute of Preventive Medicine for the year ended 31 December 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes.

These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The Lister Institute of Preventive Medicine for the purposes of company law) for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report and the Chairman's Annual Report. We consider the

implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company'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 financial statements 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 financial statements.

Opinion

In our opinion: the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2008 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended; the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the Trustees' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

7 July 2009

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Incoming resources			
Incoming resource from generated funds:			
Investment income	2	308	875
Other incoming resources	3	8	10
Total incoming resources		316	885
Resources expended			
Costs of generating funds:			
Investment management costs	4	(122)	(73)
Charitable activities:			
Prizes awarded in year	6	(850)	(676)
Changes to existing grants		–	(15)
Donations		–	(20)
Governance costs	7	(40)	(41)
Total resources expended		(1,012)	(825)
Net income/(expenditure) for the year		(696)	60
Gains/(losses) on investment assets		(8,030)	1,361
Net movements in funds		(8,726)	1,421
Total funds brought forward		36,834	35,413
Total funds carried forward		28,108	36,834

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate income and expenditure statement has been shown.

The notes set out on pages 20 to 24 form part of these financial statements.

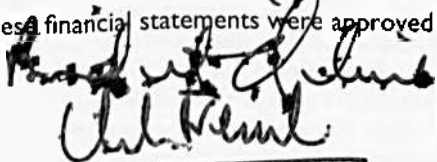
BALANCE SHEET

as at 31 December 2008

	Notes	2008 £'000	2007 £'000
<i>Fixed assets</i>			
Investments	9	28,231	37,101
Total fixed assets		28,231	37,101
<i>Current assets</i>			
Debtors	10	6	11
Cash at bank and in hand		265	250
Total current assets		271	261
<i>Current liabilities</i>			
<i>Creditors: amounts falling due within one year</i>			
Creditors and accruals	11	(68)	(112)
Net current assets/(liabilities)		203	149
Total assets less current liabilities		28,434	37,250
<i>Creditors: amounts falling due after more than one year</i>			
Pensions	12	(326)	(416)
Net assets		28,108	36,834
<i>represented by</i>			
Unrestricted funds		28,108	36,834
Total charity funds		28,108	36,834

The Trustees have taken advantage of the exemptions conferred by part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 7 July 2009



BRIDGET M OGILVIE
MICHAEL FRENCH

Members of the
Governing Body

The notes set out on pages 20 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

I PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005), applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included at the base of the Statement of Financial Activities as realised and unrealised investment gains or losses in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

Incoming resources

All incoming resources are accounted for on a receivable basis.

Prizes and grants

The cost of Research Prize Fellowships is charged in the year awarded.

Resources Expended

The costs of generating funds include those fees payable to the Institute's investment fund managers for the management of the Institute's investment portfolio. These are accounted for on an accruals basis. Charitable expenditure comprises all expenditure directly relating to the objects of the charity and is accounted for on an accruals basis. The allocation of expenditure between governance and management, administration and support costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as falling into the latter category with the exception of a proportion of salary and related costs which have been classified as governance costs.

Governance costs

In addition to auditor's remuneration, governance costs comprise the proportion of staff costs associated with the time spent on the preparation of the statutory accounts and other governance issues together with Trustees and Honoraria remuneration provided to members of the Institute's Scientific Advisory Committee for their duties in selecting the Prize Fellows.

Supplementary pensions and staff pensions

An estimate of the full provision is made in the Financial Statements for the costs of future supplementary payments. The provision and charge to income are reviewed annually by the Trustees in the knowledge that the number of persons receiving the supplementary pensions will not increase. Existing employees participate in a defined contribution scheme, the costs of which are expensed as incurred.

Cash flow statement

The Charity has taken advantage of the exemption provided by Financial Reporting Standard No.1 for small charities from the obligation to prepare a cash flow statement.

Taxation

The Institute is registered under the Charities Act 1993 and is therefore not liable to Corporation Tax on its income and gains when applicable to, and applied for, charitable purposes.

2 INVESTMENT INCOME

	2008	2007
	£'000	£'000
Income from fixed asset investments	296	856
Bank interest receivable	12	19
	308	875

The reduction in the current year's investment income compared with the prior year reflects the Institute's change to a total return investment strategy.

3 OTHER INCOMING RESOURCES

	2008	2007
	£'000	£'000
Royalty income	8	10

4 COSTS OF GENERATING FUNDS

	2008	2007
	£'000	£'000
Partners Capital LLP	74	48
Schroders & Company Ltd	48	25
Total investment management fees	122	73

Investment management fees referred to here are those accrued fees relating to the management of the Institute's investment portfolios in 2008. The fees implicit in note 9 are presented on a cash receipt basis.

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2007: nil). Travel expenses of £798 were paid relating to the claims of five members in connection with their attendance at meetings (2007: £688).

Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,875 (2007: £1,923) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was three, two of whom are part-time (2007: three). All were employed in an administrative and support capacity. No employees earn over £60k p.a. (2007: nil).

Staff costs

	2008	2007
	£'000	£'000
Gross salaries and pension contributions	71	70
Employer's national insurance and state pension contributions	7	7
	78	77

The salary costs are allocated under governance where related to statutory accounts preparation, the balance being reported within management, administration and support costs.

6 COST OF PRIZES AWARDED

	2008	2007
	£'000	£'000
Prizes awarded during the year	810	600
Support costs (see Note 8)	83	86
Pension costs	(43)	(10)
	850	676

7 GOVERNANCE COSTS

	2008	2007
	£'000	£'000
Auditor's remuneration	10	10
Staff costs	10	10
Trustee expenses	20	21
	40	41

8 SUPPORT COSTS

	2008	2007
	£'000	£'000
Salary-related costs	68	67
Office expenses	8	12
Travel expenses	3	3
Professional fees	4	4
	83	86

9 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end.

	2008	2007
	£'000	£'000
Market value at beginning of year	37,101	34,146
Purchases during the year at cost	8,845	43,857
Proceeds of sales during the year	(9,981)	(42,482)
Reinvested income for the year	296	219
Cash withdrawn	(1,000)	(650)
Net change in market value	(7,030)	2,011
Market value at year-end	28,231	37,101

The portfolio's asset allocation as at 31 December 2008 was as follows:

	£'000
Equities	12,504
Fixed interest	2,021
Other (including property, private equity, commodities and alternatives)	11,302
Cash	2,404
	28,231

At 31 December 2008 no single shareholding exceeded 5% of the total value of investments (2007: none).

10 DEBTORS

	2008	2007
	£'000	£'000
Prepayments and accrued income	-	1
Other debtors	6	10
Total debtors	6	11

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£'000	£'000
Taxation and social security	3	3
Accruals	65	109
Total creditors falling due within one year	68	112

12 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions are increased annually in line with published government figures.

Following the last actuarial valuation in 2001, a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2008	2007
	£'000	£'000
Provision at beginning of year	416	476
Charge to Statement of Financial Activities	(43)	(10)
Pensions paid	(47)	(50)
Provision at end of year	326	416

13 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year (2007: none).

THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2009



The Lister Institute of Preventive Medicine
is a company limited by guarantee (England 34479)
and a registered charity (206271)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2009

THE GOVERNING BODY

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS, *Chairman*

Mr Michael French, BSc (Eng), FCA, *Hon Treasurer*

Professor Graham J Boulnois, PhD

Hon Rory M B Guinness

Mr Andrew Hutton, MA

Dr Stephen C Inglis, PhD (*Retired 4 September 2009*)

Professor Robin F Irvine, FIBiol, FMedSci, FRS

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Tony Minson, PhD (*Appointed 4 September 2009*)

Professor Peter Ratcliffe, FMedSci, FRS

Mr John G Rhodes, MA

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryll A Tickle, CBE, FRSE, FMedSci, FRS

SENIOR MANAGEMENT

Secretary and Director: Dr Trevor A Hince, PhD

Business Address

PO Box 1083
Bushey
Hertfordshire WD23 9AG

Registered Office

Macfarlanes
10 Norwich Street
London EC4A 1BD

Solicitors

Macfarlanes
20 Cursitor Street
London EC4A 1LT

Investment Advisors

Schroders & Co Limited
100 Wood Street
London EC2V 7ER

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Partners Capital LLP

5 Young Street
London W8 5EH

Website: www.lister-institute.org.uk

Telephone: 01923 801886

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2009

THE SCIENTIFIC ADVISORY COMMITTEE

Professor Robin F Irvine, FIBiol, FMedSci, FRS, *Chairman*

Professor Wendy Bickmore, BA, PhD, FMedSci, FRSE

Professor Tim Bliss, FMedSci, FRS

Professor Mary Collins, PhD, FMedSci

Dr David Ish-Horowicz, PhD, FRS

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor Irene Leigh, OBE, MD, FRCP, FMedSci

Professor Mark Pepys, FRS

Professor David W Rice, MA, DPhil

Professor Brian Spratt, FRS

Secretary: Dr Trevor A Hince, PhD

THE FINANCE AND INVESTMENT COMMITTEE

Mr Michael French, BSc (Eng), FCA, *Chairman*

Hon Rory M B Guinness

Mr Andrew Hutton, MA

Dr Stephen C Inglis, PhD (*Retired 4 September 2009*)

Professor Tony Minson, PhD (*Appointed 4 September 2009*)

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS

Mr John G Rhodes, MA

Secretary: Dr Trevor A Hince, PhD

CHAIRMAN'S ANNUAL REPORT

for the year ended 31 December 2009

I AM VERY PLEASED to be able to report that in 2009 the financial position of the Institute greatly improved with an increase in the value of our investment portfolios back above £31m as a result of rises in the international stock markets. Despite this increase it is clear that the economic outlook is still very uncertain with fluctuating stock markets and concern over the level of national debt. The comfort for the Institute is that our prudent approach to expenditure and the flexibility in the value and number of awards that we make enable us to adapt as necessary. This year we were able to award three Prize Fellowships at £200,000 each and have every intention of maintaining that number next year.

If the financial/economic future is uncertain the scientific one certainly is not. This year the Institute had a 25% increase in the number of applicants for its Prize Fellowship scheme with an incredibly high standard that made selection of the three prize winners even harder. It was also pleasing that applications came from individuals in institutions that had previously not put forward candidates. Indeed, two of the Prize winners work in Institutions new to the Lister Prize Fellowship scheme – the University of Birmingham and the MRC Human Genetics unit, Edinburgh. The scientific 'strength' of the Institute was also demonstrated by an excellent Fellows' meeting at Christ's College, Cambridge with outstanding talks from current and former Fellows.

Governing Body and Administrative Matters

Governing Body and Administration

Turnover amongst the Trustees of any charity is highly desirable since it brings in individuals with new ideas and prevents complacency in the charity's governance. The Lister Institute fully embraces this concept and operates a programme of regular rotation amongst the members of its Governing Body. However, the downside is that it means we have to bid farewell to people who have served the Institute for many years—in 2009 Dr Stephen Inglis stood down as a Trustee. Stephen was a wonderful member of the Governing Body, always

thoughtful and constructive about the Institute's affairs and willing to express a considered view on new issues as they arose. He also served on the Finance and Investment committee where he was a close questioner of our investment advisors, often pinpointing a key issue in their commentary on the Institute's investment portfolios.

In his place I am delighted to welcome Professor Tony Minson to the Governing Body. Tony is a much respected Professor of Virology at Cambridge and a former Pro-Vice Chancellor for Planning and Resources of the university. He therefore brings a wealth of knowledge about research funding in the higher education sector and through his other roles of the issues facing medical research charities. Tony will also sit on the Institute's Finance and Investment Committee.

The Governing Body continues to meet twice in the year and these meetings together with the inter-meeting business conducted electronically via the Director ensure that the Trustees are fully involved in all the issues facing the Institute. The format for the meeting in September, which takes place on the evening before the AGM and Fellows' meeting, and concludes with dinner is much appreciated by members of the Governing Body as it affords the opportunity for a more wide-ranging and informal discussion of issues that would not be possible within the confines of a formal meeting agenda.

In times of financial prudence I am pleased to report that the running costs of the Institute have remained the same as last year. This is in no small measure due to the efficiency of the small administrative team of Trevor Hince (Director), Naomi King (Administrator) and Jacky Willson (Accountant) and I know that the chairmen of the two Governing Body sub-committees would wish to join me in thanking them all for the work that they do to ensure that the Institute runs smoothly.

The Governing Body had had some concerns about falling numbers in those attending the Fellows' meeting and discussed various options concerning the format and location of the event. Whilst not wishing to be complacent, the general view was that the level of attendance was appropriate for an organisation of our size and that Christ's College Cambridge was an excellent venue and should remain our preferred option. Before next year's meeting the Membership will be asked for their views and consulted over any changes but, from remarks made by Members this year, it is unlikely that there will be any radical alterations. Another topic involving the Fellowship is the provision of 'outreach activities' and this was discussed by the Governing Body and on which the views of the Members will be sought.

Institute Membership

Two of the first Prize Fellows, Dr Oliver Billker and Professor Paul Lehner, who completed their fellowships in 2009 have been welcomed into membership.

Financial Matters

As I reported earlier the Institute's financial position improved through a rise in the value of our investment portfolios to £31m, but also because of a planned reduction in expenditure to £851,000 (the Institute reverted to the award of three Prize Fellowships in 2009) and a small increase in income.

In times of financial and economic uncertainty it is of great comfort to me and other Trustees to know that the Finance and Investment Committee led by Michael French as Honorary Treasurer is so thorough in reviewing all aspects of the Institute's financial affairs. During the year it has met regularly with our Investment Advisors and discussed all aspects of the two portfolios, questioning their composition and importantly the degree of risk and liquidity inherent in their construction.

The Committee has also taken a very prudent approach to levels of current and future expenditure and, whilst not wishing to constrain unduly the Institute's activities, has sought to ensure that we can continue at current levels of activity. Looking to the future the Committee has indicated that we should, in 2011, review the level of the Prize Fellowship award, £200,000 since 2007, to ensure that its purchasing power is not unduly reduced.

Further details on the Institute's finances may be found on pages 15 to 16 and summarised in the Statement of Financial Activities on page 18.

Scientific Activities

Scientific Advisory Committee

Within the Institute it is customary to refer to the 'New' Prize Fellowship scheme yet it is now five years since the first awards were made and in total 19 Prize Fellows appointed. It is very pleasing to see how careers have developed with several Prize Fellows attaining Professorships and Readerships within their universities and others moving to new institutions and establishing their own research laboratories. When a new funding scheme is established it is difficult to be certain that it will be successful – for both the provider and the recipients. I and the other Trustees believe that we can be satisfied that the Prize Fellowship scheme is fulfilling a need and that through its operation good science is supported and the careers of excellent young researchers enhanced. Feedback from recipients indicates that one of the greatest attractions of the funding scheme is the financial flexibility which it provides enabling the money to be spent when and how best suits the research programme and particularly the opportunity to open up new avenues of research that may spin out from the

central research theme. The scheme is now recognised within the UK's biomedical research community and each year the Institute receives between 40 and 60 high quality applications, making the selection of the eventual Prize Fellows ever more difficult.

The task of undertaking the rigorous three-stage selection process falls to members of the Scientific Advisory Committee under the very able chairmanship of Professor Robin Irvine and culminates in a day of intensive interviews with the short-listed candidates. At this stage the quality of the candidates is always of the highest and the task of choosing the three Prize Fellows very difficult for the Committee. Sometimes the Committee identifies aspects of the research that would benefit from further work, or an idea yet to be brought to fruition via a critical publication. In these cases the ability of candidates to come back with fresh applications in future years, provided that they still meet all the eligibility criteria, is a very positive aspect of the scheme. Several candidates have been successful the second time round and, justifiably, very good research and individuals supported. I and the other Trustees would like to express our thanks to all members of the Scientific Advisory Committee for the vital task which they perform. In addition we should also thank all the expert reviewers who have provided written comments on the candidates; their assessments are so important in helping the Committee reach its decisions.

2009 Lister Research Prize Winners

The recipients of the 2009 Lister Research Prizes, who each received the award of £200,000, were:

Prize Winner	Title of Research
Dr Juan Burrone MRC Centre for Developmental Neurobiology King's College London	The role of neuronal activity during synapse formation
Dr Andrew Jackson MRC Human Genetics Unit Western General Hospital Edinburgh	Cellular pathways determining human brain size
Dr Grant Stewart CRUK Institute for Cancer Studies University of Birmingham	Investigating the role of the RIDDLE syndrome gene in promoting repair of DNA damage

Current Lister Fellows

The following were awarded Lister Prize Fellowships in previous years:

Fellow	Title of Research	Awarded
Dr Nina Balthasar University of Bristol	Identifying the novel CREB coactivator TORC2's role in the hypothalamic pathways controlling energy homeostasis	2007
Dr Oliver Billker Wellcome Trust Sanger Institute, Cambridge	In search of the Xanthurenic acid receptor of malaria parasites – a potential target for transmission control	2004
Dr Simon Bullock MRC Laboratory of Molecular Biology, Cambridge	Mechanisms and neuronal functions of motor-driven transport	2008
Dr Nia Bryant University of Glasgow	Using yeast as a model system to understand the insulin-dependent trafficking of GLUT4 in adipocytes	2004
Dr Vincenzo Costanzo Cancer Research UK Clare Hall Laboratories	The role of ATM and ATR in preventing genomic instability	2006
Professor Daniel Davis Imperial College London	Nanotubes and synapses in immune cell communication	2005
Dr Rebecca Fitzgerald MRC Cancer Cell Unit Cambridge	Translational research programme for prevention of oesophageal adenocarcinoma	2008
Dr Holger Gerhardt Cancer Research UK London Research Institute	Endothelial guidance in vascular patterning	2008
Dr Fiona Gribble Cambridge Institute for Medical Research University of Cambridge	Secretion of incretin hormones from the mouse intestine	2006
Professor Paul Lehner Cambridge Institute for Medical Research University of Cambridge	The role of HSP70 in MHC class I mediated antigen presentation in human dendritic cells	2004
Dr Juan Martin-Serrano King's College London	Functional parallels between HIV-1 budding and the last step of cell division	2008

Continued overleaf

<i>Fellow</i>	<i>Title of Research</i>	<i>Awarded</i>
Professor Kenneth Smith Cambridge Institute for Medical Research University of Cambridge	Control of infection and autoimmunity by an inhibitory Fc receptor FcγRIIb	2007
Dr Tomoyuki Tanaka University of Dundee	Mechanisms of kinetochore-microtubule interaction	2005
Dr Chris Thompson University of Manchester	Identifying and characterising genes that control cell fate choice and social behaviour	2005
Professor Daan van Aalten University of Dundee	Structural mechanisms and specificity of O-GlcNAc signalling in the eukaryotic cell	2006
Dr Fiona Wardle University of Cambridge	Transcriptional control of mesodermal cell differentiation in vertebrates	2007

From left to right: Dr Juan Burrone, Dr Bridget Ogilvie, Dr Juan Martin Serrano and Dr Trevor Hince after a joint presentation held at King's College London.



Fellowship Activities

The year 2009 marked the twenty-fifth anniversary of the Institute's Fellows' meetings and the programme of talks certainly lived up to the established high standards. The first scientific session was devoted to presentations from the newly appointed Prize Fellows, plus one from 2008 who had been unable to attend that year's meeting. As usual the quality of the talks was exceptional and the interest of the meeting was reflected in the number of questions and the discussion. The other scientific sessions that followed emphasised the spread of research activities that have been supported by the Institute and the quality of its former Fellows, plus one current Prize Fellow now in the final year of his award. By 2010 the first Prize Fellows will be completing their fellowships and will increasingly feature on the meeting's future programmes.

The speakers and their topics were:

- Dr Oliver Billker – Molecular regulation of malaria transmission to the mosquito
- Professor Shamshad Cockcroft – Traffic between the endoplasmic reticulum and the Golgi
- Professor Barry Potter – Anticancer drug discovery: from concept to clinic
- Professor Magdalena Zernicka-Goetz – Cell fate decisions in the mouse embryo

The 2009 Special Lister Lecture was given by Professor Sir Leszek Borysiewicz, one of the very first Senior Lister Fellows and currently Chief Executive of the Medical Research Council. In a real *tour de force* entitled 'Global Challenges in Preventive Medicine', he explained through different examples the successes and difficulties in developing and implementing strategies in preventive medicine. In the area of infectious disease he illustrated how the acceptability issues of an intervention programme may now be more challenging than the development of the protective agent(s). Professor Borysiewicz further explained that prevention strategies may require both screening and intervention and that benefits may not be seen

Professor Sir Leszek Borysiewicz giving the special Lister Lecture



for decades. He further emphasised the complexities and future challenges by discussing non-communicable diseases and preventable mortality in the developing world. The questions and discussion which followed his presentation obviously indicated the engagement of the audience with the thought-provoking and challenging issues which Professor Borysiewicz had so clearly set out.

Traditionally, the meeting concluded with a Reception and Dinner and in the true spirit of a Lister meeting with discussion and debate that went on well into the night!



2009 Prizewinners— from left to right: Dr Juan Burrone, Dr Andrew Jackson and Dr Grant Stewart

Conclusion

In many respects 2009 has been a quiet year for the Institute, with satisfaction that we were able to award three Prize Fellowships and that our investment portfolios have made up some of the losses incurred in 2008.



Dr Bridget Ogilvie with 2007 Prizewinner Professor Kenneth Smith

There is still a large degree of global economic uncertainty, the effects of the 'banking crisis' will impact for years to come and levels of national debt will affect the spending plans of future governments. Expenditure in UK universities is likely to fall which will surely impact on their research capabilities, yet the enthusiasm of young researchers remains high and the importance of charitable support for biomedical research, like that provided by the Lister, is vital to sustaining a world class research effort. As Trevor Hince and I have visited universities to attend presentation ceremonies for the new Prize Fellows we have been struck by the pace of research and the vitality of the young researchers – something we must sustain.

It is always a pleasure to record the successes of former Fellows and it was a delight to the whole

Institute to learn that Professor Sir Leszek Borysiewicz is to become the next Vice-Chancellor of the University of Cambridge—we wish him well in this exciting and demanding role.

A great strength of the Institute is the people associated with it and it is therefore a great pleasure to express my thanks to the Membership, the staff, members of our committees and my fellow Trustees for all that they do to maintain and develop the Lister Institute.

BRIDGET M OGILVIE
Chairman

Delegates enjoying the Institute's hospitality in the Master's Garden at Christ's College Cambridge



REPORT OF THE GOVERNING BODY

for the year ended 31 December 2009

The Governing Body presents its Annual Report under the Charities Act 1993 as amended in 2006 together with the audited Financial Statements of the Charity for the year ended 31 December 2009. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 (page 20) to the Financial Statements and comply with the Companies Act 2006, the requirements of the Statement of Recommended Practice 2005 *Accounting and Reporting by Charities*, and the documents governing the constitution of the Charity.

REFERENCE AND ADMINISTRATIVE DETAILS

Reference and administrative information is set out on pages 1 and 2 of this report.

Members of the Governing Body, Directors and Trustees

The members of the Governing Body are, for the purposes of company law, Directors of the Institute and, for the purposes of charity law, Trustees of the Institute and throughout this report are collectively referred to as the Trustees.

Details of the Trustees serving throughout the year, unless otherwise stated, are set out on page 1.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Institute is registered with the Charity Commissioners for England and Wales (registration number 206271). It is incorporated and registered in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital (company number 34479). It is governed by its Memorandum and Articles of Association and has charitable status.

Appointment and re-appointment of Trustees

The Trustees are the twelve members of the Governing Body of whom six are appointed by the members at the annual general meeting. A maximum of four further Trustees are appointed by the Governing Body and there are currently four such appointees. One additional member is Lord Iveagh's representative and the final member is a representative of the Royal Society. Trustees, other than the

two nominated representatives and exceptionally those appointed by the Governing Body, serve for a maximum of six years and a system of planned rotation is in place. When considering appointment or nomination for election as Trustees, the Governing Body has regard to the specialist skills needed.

Induction and training of Trustees

New Trustees undergo induction sessions with the Chairman, Treasurer and Director during which they will gain an understanding of the Institute's structure, activities, financial position and future strategies. Prior to appointment they will attend, as an 'observer', one meeting of the Governing Body. New Trustees will also be made aware of their legal obligations with regard to the charity and company law. In addition, new Trustees will be advised of appropriate literature and training courses.

Organisation

The Institute is governed by its Governing Body which is responsible for setting policies, authorising actions on all significant operational issues and ensuring legality and good practice. The Governing Body meets formally twice a year.

Specific authorities are delegated to two sub-Committees in particular areas. The Scientific Advisory Committee (see page 2 for membership) has responsibility for the selection of the Lister Prize Fellows and the monitoring of their scientific activities, as well as providing scientific and medical advice to the Governing Body as required. The Finance and Investment Committee (see page 2 for membership) has responsibility for interaction with the Institute's investment advisors, ensuring implementation of the Institute's investment policy and monitoring performance. It prepares and submits to the Governing Body the annual budget, and subsequently monitors performance against it. It also advises the Governing Body, as required, on other financial and risk matters.

The routine management of the Institute's activities is undertaken by its Director, aided by the Administrator and the Accountant. All staff work from home.

Risk Management

The Trustees assess the risks facing the Institute and review the effectiveness of the controls to monitor and mitigate against them. A Risk Management Register is maintained and formally reviewed annually

by the Governing Body.

The key controls used by the Institute include:

- Formal agendas for all Governing Body meetings
- Strategic planning, budgeting and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Regular review of Fellows' scientific reports

The principal risk facing the Institute lies in its ability to maintain and protect the value in real terms of its investments and to generate from them on a long term basis a consistently high overall return. This risk is mitigated by the Institute's appointment of experienced fund managers with a proven track record; by internal controls that allow close and regular monitoring of their performance against benchmarks; by the Institute's requirement of its fund managers to re-tender periodically and competitively for appointment, and by regular meetings that formally review investment performance and policy and include one-to-one presentations by the fund managers.

OBJECTIVES AND ACTIVITIES

The statutory Object of the Institute is to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK.

When founded in 1891, the Institute sought to achieve this objective by establishing a research institute specialising in the area of 'infections' and their prevention by immunisation and other means. It complemented the research activities by the production and supply of materials such as vaccines and toxins.

The Institute continued in this mode until the late 1970s when increasing financial and regulatory pressures caused the cessation of these activities. Funds from the resultant sale of land and buildings created the funds from which present-day activities are financed; at 31 December 2009 these funds stood at £31.019m. From the 1980s the Institute has pursued its objective by the provision of grant funding to facilitate the research and careers of high quality individuals working in areas of biomedicine relevant to preventive medicine. It has done this because it believes that the acquisition and advancement of knowledge is crucial to the understanding of health and disease and

that research to achieve this is driven forward by high quality individuals and their supporting staff.

Principal activities

In pursuance of this objective, during 2009 the Institute awarded three new Prize Fellowships.

Achievement and Performance

The Scientific Advisory Committee has monitored the performance of the current sixteen Lister Prize Fellows, through detailed review of the annual reports on their research which include details of all publications and presentations. The Scientific Advisory Committee has reported to Trustees that it is of the view that all Fellows are undertaking high quality research and producing new knowledge that will contribute significantly to our understanding of disease, its causes, treatment and prevention.

Three Lister Prize Fellowships were awarded in 2009 to Drs Juan Burrone, Andrew Jackson and Grant Stewart from a field of 60 initial applicants, following extensive scientific review of their applications and final interview by the Scientific Advisory Committee. (More details of the Prize Fellows and their research are provided on page 6). Each Prize Fellowship provides £200,000 which may be spent over five years on the recipient's research, although funds are provided to the host institution at the commencement of the award.

The Institute maintained its commitment to fostering scientific interchange and collaboration within the Fellowship by holding its 25th Annual Research Fellowship meeting at Christ's College, Cambridge.

Public Benefit

In so far as the statutory objectives, aims and activities of The Lister Institute of Preventive Medicine are to further understanding in preventive medicine by promoting biomedical research as set out on this page, the Trustees are satisfied that they fully comply with the duty in section 4 of the Charities Act 2006, namely to have due regard to the public benefit guidance published by the Charity Commission.

The public benefit of the Institute's grant-making is clearly identifiable in the 'Achievement and Performance' paragraphs above and in the list of Research Prize Fellows together with their areas of research on pages 7 and 8 of the Chairman's report. All Lister Fellows are actively encouraged, where

appropriate, to develop their research findings for potential public benefit and the Scientific Advisory Committee has regard to this when reviewing their research reports. The Lister Institute therefore benefits the public or a sector of it without imposing any restrictions. Applications from individuals are only accepted when demonstrably consistent with the charitable objectives of the Institute.

Investment policy and performance

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk.

The Institute's investment portfolio is split between Schroders and Co Limited (Schroders Charities) and Partners Capital LLP who both operate under mandates agreed in advance with the Finance and Investment Committee. These mandates set out an overall target asset allocation with allowable ranges for each category of asset.

Both investment advisors invest on a total returns basis through a variety of pooled funds and in accordance with the Institute's 'Investment Policy Statement' which states the overall investment objective and sets the investment return objectives, the risk parameters, the performance measures and review procedures for the portfolio. The investment advisors are informed at the beginning of the financial year of the Institute's likely cash requirements, both in terms of the amount and the timing of any draw-down, and are asked to keep in an income or cash account sufficient funds to meet them. The Institute has in place an ethical investment policy which does not permit direct investment in tobacco or tobacco-related companies.

The Institute's overall financial return objective is to preserve and if possible enhance the purchasing power of its portfolio assets, net of costs and approved withdrawals, over rolling three-year periods. This goal is synonymous with the pursuit of a time-weighted net return on portfolio assets that equals and if possible exceeds cost inflation as measured by the UK Consumer Price Index plus the Institute's long-term spending rate of 4% measured over corresponding three-year periods.

The performance of the investment portfolio is reviewed by the Finance and Investment Committee, which has at least two meetings each year with the investment advisors. However, in view of the state of

the markets and general economic position in 2009, the Finance and Investment Committee met with advisors on three occasions to review performance, liquidity within the portfolio, and the due diligence undertaken on potential new investment vehicles. In addition the Institute receives detailed quarterly valuation and transaction reports. In a fluctuating year the fund has risen from £28.231m to £31.019m after withdrawals of £700,000.

More details of the Institute's activities are set out in the Chairman's Report on pages 3 to 11.

FINANCIAL REVIEW

Allocation of resources

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives – operating on a total returns basis. The total return on investments for the year was a gain of £3.664m including income from investments of £402,000.

The resources expended totalled £851,000 of which £702,000 was associated with the Institute's charitable activities.

As the Prize Fellowships are fixed sum awards, expenditure can be regulated by altering the number and/or value of prizes awarded each year. This will be done in light of the income generated from the total return investment strategy and the absolute value of the investments. The income in turn will be sensitive to the rate of return obtained on the Institute's investments and this will be reviewed annually before fresh commitments are made. In the year, despite the rising value of the investment portfolio and returns, but conscious of the continuing economic uncertainties, the Trustees felt it prudent to revert to the award of three Prizes and to maintain their value at £200,000 each.

Reserves policy

The policy of the Trustees is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity.

The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Trustees. Despite the current downturn in the level of investments they feel

satisfied with the policy over the long-term and the ability of the Institute to maintain appropriate levels of activity in the short-term.

Plans for the future

The Institute's future policy is to continue to pursue its current objectives. It will therefore maintain the Prize Fellowship scheme which it sees as a funding priority.

The Institute will also examine ways in which an 'outreach activity' aimed at increasing the awareness of young people about biomedical research, particularly as a career, might be developed using the unique resource of its prestigious Research Fellowship community.

The Institute will instigate a revision of its Memorandum and Articles of Association to ensure that they better reflect the current structure of the Institute and its activities.

Statement of responsibilities of Trustees

The Trustees (who are also directors of the Institute for the purposes of company law) are responsible for preparing the Trustees' Report 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. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper 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. 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.

In so far as the Trustees are aware: there is no relevant audit information of which the charitable company's auditor is unaware; and the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

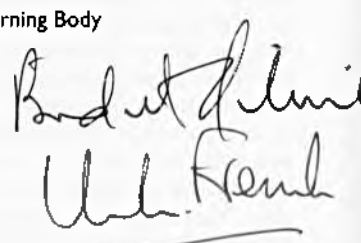
PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

By Order of the Governing Body

BRIDGET M OGILVIE
Chairman

MICHAEL FRENCH
Treasurer

14 July 2010



INDEPENDENT AUDITORS' REPORT

to the Members of the Lister Institute of Preventive Medicine

We have audited the financial statements of the Lister Institute of Preventive Medicine for the year ended 31 December 2009 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the Trustees (who are also the directors of the charitable company for the purposes of company law) for preparing the Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view, are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records; if the charitable company's financial statements are not in agreement with the accounting records and returns; if we have not received all the information and explanations we require for our audit; or if certain disclosures of Trustees' remuneration specified by law are not made.

We read the other information contained in the Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report, the Chairman's

Statement and all of the other information listed on pages 1 and 2. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company'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 financial statements 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 financial statements.

Opinion

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 2009 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended; the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; the financial statements have been prepared in accordance with the Companies Act 2006; and the information given in the Trustees' Report is consistent with the financial statements.

Murray Legg (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 July 2010

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
<i>Incoming resources</i>			
Incoming resource from generated funds:			
Investment income	2	402	308
Other incoming resources	3	8	8
Total incoming resources		410	316
<i>Resources expended</i>			
Costs of generating funds:			
Investment management costs	4	(107)	(122)
Charitable Activities:			
Prizes awarded in year		(600)	(810)
Support costs	6	(102)	(105)
Governance costs	7	(42)	(40)
Total resources expended		(851)	(1,077)
Net expenditure		(441)	(761)
Gains/(losses) on investment assets		3,262	(8,030)
Pension actuarial (losses)/gains		(39)	65
Net movements in funds		2,782	(8,726)
Total funds brought forward		28,108	36,834
Total funds carried forward		30,890	28,108

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate income and expenditure statement has been shown.

The notes set out on pages 20 to 24 form part of these financial statements.

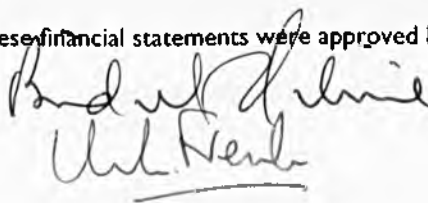
BALANCE SHEET

as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments	9	31,019	28,231
Total fixed assets		31,019	28,231
Current assets			
Debtors	10	22	6
Cash at bank and in hand	11	205	265
Total current assets		227	271
Current liabilities			
<i>Creditors: amounts falling due within one year</i>			
Creditors and accruals	12	(15)	(68)
Net current assets		212	203
Total assets less current liabilities		31,231	28,434
<i>Creditors: amounts falling due after more than one year</i>			
Pension liability	13	(341)	(326)
Net assets		30,890	28,108
represented by			
Unrestricted funds		30,890	28,108
Total charity funds		30,890	28,108

The Trustees have taken advantage of the exemptions conferred by the Companies Act 2006, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 14 July 2010



BRIDGET M OGILVIE
MICHAEL FRENCH

Members of the
Governing Body

The notes set out on pages 20 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

I PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005), applicable accounting standards and the Companies Act 2006. The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the Statement of Financial Activities as realised and unrealised investment gains or losses in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

Incoming resources

All incoming resources are accounted for on a receivable basis.

Prizes and grants

The cost of Research Prize Fellowships is charged in the year awarded.

Resources Expended

The costs of generating funds include those fees payable to the Institute's investment fund managers for the management of the Institute's investment portfolio. These are accounted for on an accruals basis. Charitable expenditure comprises all expenditure directly relating to the objects of the charity and is accounted for on an accruals basis. The allocation of expenditure between governance and management, administration and support costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as falling into the latter category with the exception of a proportion of salary and related costs which have been classified as governance costs.

Governance costs

In addition to auditor's remuneration, governance costs comprise the proportion of staff costs associated with the time spent on the preparation of the statutory accounts and other governance issues together with honoraria remuneration provided to members of the Institute's Scientific Advisory Committee for their duties in selecting the Prize Fellows.

Supplementary pensions and staff pensions

An estimate of the full provision is made in the Financial Statements for the costs of future supplementary payments. The provision and charge to income are reviewed annually by the Trustees in the knowledge that the number of persons receiving the supplementary pensions will not increase. The pension costs are assessed in accordance with actuarial advice and these costs are accounted for in accordance with FRS17. Existing employees participate in a defined contribution scheme, the costs of which are expensed as incurred. These disclosures are made in accordance with FRS17.

Cash flow statement

The Charity has taken advantage of the exemption provided by Financial Reporting Standard No 1 for small charities from the obligation to prepare a cash flow statement.

Taxation

The organisation is a registered charity and has obtained exemptions from taxation under Section 505 of the Income and Corporation Taxes Act 1988. This exemption will remain as long as income is compatible with that section and expenditure is applied to charitable purposes only.

2 INVESTMENT INCOME

	2009	2008
	£'000	£'000
Income from fixed asset investments	401	296
Bank interest receivable	1	12
	402	308

3 OTHER INCOMING RESOURCES

	2009	2008
	£'000	£'000
Royalty income	8	8

4 COSTS OF GENERATING FUNDS

	2009	2008
	£'000	£'000
Partners Capital LLP	50	74
Schroders & Company Ltd	57	48
Total investment management fees	107	122

Investment management fees referred to here are those accrued fees relating to the management of the Institute's investment portfolios in 2009.

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2008: nil). Travel expenses of £521 were paid relating to the claims of five members in connection with their attendance at meetings (2008: £798 five members).

Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,875 (2008: £1,875) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was three (2008: three), two of whom are part-time. All were employed in an administrative and support capacity. No employees earn over £60k p.a. (2008: nil).

Staff costs

	2009	2008
	£'000	£'000
Gross salaries and pension contributions	71	71
Employer's national insurance and state pension contributions	7	7
	78	78

The salary costs are allocated under governance where related to statutory accounts preparation, the balance being reported within support costs.

6 SUPPORT COSTS

	2009	2008
	£'000	£'000
Support costs (see Note 8)	83	83
Pension costs (see Note 13)	19	22
	102	105

7 GOVERNANCE COSTS

	2009	2008
	£'000	£'000
Auditor's remuneration	10	10
Staff costs	10	10
Honoraria and events	22	20
	42	40

No non-audit services were provided by the auditors during the year (2008: none).

8 SUPPORT COSTS

	2009	2008
	£'000	£'000
Salary-related costs	68	68
Office expenses	9	8
Travel expenses	3	3
Professional fees	3	4
	83	83

9 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end

	2009	2008
	£'000	£'000
Market value at beginning of year	28,231	37,101
Purchases during the year at cost	11,112	8,845
Proceeds of sales during the year	(10,343)	(8,711)
Reinvested income for the year	369	296
Movement in un-invested cash	(1,612)	(1,270)
Cash withdrawn	(700)	(1,000)
Net Change in market value	3,962	(7,030)
Market value at year-end	31,019	28,231

9 INVESTMENTS (continued)

The portfolio's asset allocation was as follows:

	2009	2008
	£'000	£'000
<i>UK investments</i>		
Equities	6,730	5,862
Fixed interest	2,253	711
Other (including private equity, property, commodities and alternatives)	3,754	3,297
Cash	267	1,645
Total UK investments	13,004	11,515
<i>Non-UK investments</i>		
Equities	9,507	7,794
Fixed interest	1,695	1,306
Other (including private equity, property, commodities and alternatives)	6,661	6,858
Cash	152	758
Total non-UK investments	18,015	16,716
Total investments	31,019	28,231

At 31 December 2009 no single shareholding exceeded 5% of the total value of investments (2008: none).

10 DEBTORS

	2009	2008
	£'000	£'000
Accrued income	22	6

11 CASH

	2009	2008
	£'000	£'000
Cash at bank	205	265

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Taxation and social security	2	3
Accruals	13	65
Total creditors falling due within one year	15	68

13 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions are accounted for and presented in accordance with the requirements of FRS17.

Following the last actuarial valuation in 2001, a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2009	2008
	£'000	£'000
Liability at beginning of period	326	416
Plus interest cost	19	22
Plus actuarial gains and losses	39	(65)
Benefits paid	(43)	(47)
Liability at end of period	341	326

The tables below state the FRS17 actuarial assumptions upon which the valuation of the scheme was based.

Principal actuarial assumptions

Valuation at 31 December 2009

	2009	2008
	£'000	£'000
Rate of increase to pensions in payment	3.25%	2.9%
Rate used to discount scheme liabilities	5.6%	6.4%

The post-retirement mortality assumption uses the "00" series standard mortality tables with Medium Cohort improvements and underpins of 1% per annum.

14 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year (2008: none).


THE LISTER INSTITUTE OF PREVENTIVE MEDICINE

PO Box 1083, Bushey, Hertfordshire WD23 9AG

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2010



The Lister Institute of Preventive Medicine
is a company limited by guarantee (England 34479)
and a registered charity (206271)

The Institute was founded in 1891 and for the next 80 years played a vital role in the development of the laboratory aspects of preventive medicine as an independent research institute in the UK.

Financial pressures in the 1970s led to the closure of the research and production facilities and the conversion of the Lister Institute into a highly successful trust awarding prestigious Research Fellowships from 1982 which in 2003, again because of financial pressures, were revised to become Prize Fellowships.

The cover portrait of Lord Lister reproduced by courtesy of the Royal Veterinary College

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2010

THE GOVERNING BODY

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS, *Chairman*

Mr Michael French, BSc (Eng), FCA, *Hon Treasurer*

Professor Graham J Boulnois, PhD (*Retired 17 September 2010*)

Hon Rory M B Guinness

Mr Andrew Hutton, MA

Professor Robin F Irvine, FIBiol, FMedSci, FRS

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Sir Alex Markham, DSc, FRCP, FRCPath, FMedSci (*Appointed 17 September 2010*)

Professor Tony Minson, PhD

Professor Peter Ratcliffe, FMedSci, FRS

Mr John G Rhodes, MA

Professor Geoffrey L Smith, PhD, FMedSci, FRS

Professor Cheryl A Tickle, CBE, FRSE, FMedSci, FRS

SENIOR MANAGEMENT

Secretary and Director: Dr Trevor A Hince, PhD

Business Address

PO Box 1083
Bushey
Hertfordshire WD23 9AG

Registered Office

Macfarlanes
10 Norwich Street
London EC4A 1BD

Solicitors

Macfarlanes
20 Cursitor Street
London EC4A 1LT

Investment Advisors

Schroders & Co Limited
100 Wood Street
London EC2V 7ER

Bankers

Messrs Coutts & Co
St Martins Office
440 Strand
London WC2R 0QS

Partners Capital LLP

5 Young Street
London W8 5EH

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Website: www.lister-institute.org.uk

Telephone: 01923 801886

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2010

THE SCIENTIFIC ADVISORY COMMITTEE

Professor Robin F Irvine, FIBiol, FMedSci, FRS, *Chairman*

Professor Wendy Bickmore, BA, PhD, FMedSci, FRSE

Professor Tim Bliss, FMedSci, FRS

Professor Mary Collins, PhD, FMedSci

Professor David Holden, FMedSci, FRS (*Appointed 17 September 2010*)

Dr David Ish-Horowicz, PhD, FRS

Professor J Simon Kroll, FRCP, FMedSci, FRCPCH

Professor Irene Leigh, OBE, MD, FRCP, FMedSci

Professor Patrick Maxwell, FMedSci (*Appointed 17 September 2010*)

Professor Mark Pepys, FRS (*Retired 17 September 2010*)

Professor David W Rice, MA, DPhil

Professor Brian Spratt, FRS (*Retired 17 September 2010*)

Secretary: Dr Trevor A Hince, PhD

THE FINANCE AND INVESTMENT COMMITTEE

Mr Michael French, BSc (Eng), FCA, *Chairman*

Hon Rory M B Guinness

Mr Andrew Hutton, MA

Professor Sir Alex Markham, DSc, FRCP, FRCPATH, FMedSci (*Appointed 17 September 2010*)

Professor Tony Minson, PhD

Dame Bridget M Ogilvie, DBE, AC, ScD, FMedSci, FRS

Mr John G Rhodes, MA

Secretary: Dr Trevor A Hince, PhD

CHAIRMAN'S ANNUAL REPORT

for the year ended 31 December 2010

THE YEAR 2010 has seen a small but continued improvement in the Institute's finances with a rise in the value of our investment portfolio to just over £33m. Whilst it would be foolish to be over optimistic about the future performance of our investments, or indeed the global economy overall, it is nice to be out of the depths of the 2008 troubles and able to consider some small expansion in the Institute's activities as well as continuing the award of three Prize Fellowships, each of £200,000.

During the year the Governing Body continued its discussions on the development of an 'outreach programme' and consulted with the Membership over possible options. The outcome was a decision to take forward two initiatives. The first is the introduction, in 2011, of a Lister Summer Studentship Scheme which will provide current and former Fellows with the opportunity to gain funding for a young person, most likely an undergraduate, to spend a short period in their laboratory to experience research at first hand. Whilst there are several such schemes available from other funders it was felt that the knowledge of secure funding from the Lister would enable its Fellows to be in a position to offer places to the best individuals. Often such summer studentships lead to the individual taking up a PhD place in the laboratory after graduation or gaining the insight that they want to do research somewhere thus encouraging bright people towards a career in biomedical research. The scheme will be trialled for a three-year period at the rate of twenty studentships per year, each providing £2,000, and it is gratifying that the purse-strings can be loosened a little to finance this initiative.

From the Institute's dialogue with its current and former Fellows it became clear that several were engaged in activities which took science to schools/colleges either by the provision of talks or laboratory visits, and that many would like to become involved in such initiatives. As a result the Institute will, as its second initiative, establish a user-friendly page on its web-site whereby schools/colleges seeking a speaker can access the page and identify potential Lister speakers in their area. Work will also need to be done in publicising this facility to schools/colleges through appropriate educational outlets and resource centres.

Governing Body and Administrative Matters

Governing Body and Administration

Last year I reported that the Governing Body had decided that a revision to the Institute's Memorandum and Articles of Association was necessary; work has continued on these and new Articles will be presented to the Membership at the AGM in the autumn of 2011.

The opportunity has been taken not only to update references to relevant legislation but also to revise the 'objects' clauses to reflect better the current activities of the Institute whilst providing flexibility and adhering to the broad principles established when the Institute was founded.

Key to oversight of the Institute is the work of the Governing Body, and its sub-committees, and the new Articles will permit a small expansion in the membership of this body so that, as and when needed, new expertise can be brought on board. However the broad principle of membership rotation remains as important as ever. Nevertheless it is hard and sad to say 'goodbye' to a member who has brought particular expertise and had a long and close association with the Institute, but this year we had to bid farewell to Professor Graham Boulnois. Graham was a Lister Jenner Fellow from 1986-91 and joined the Governing Body in December 2003. He has always contributed thoughtfully to our discussions and the Institute has benefitted particularly from his expertise in aspects of intellectual property and the commercialisation of research outputs. In 2007 he gave the Special Lister Lecture entitled 'Translating good science into successful companies'.

I shall be stepping down from the Chairmanship of the Institute at the AGM in 2011 and the Governing Body placed the process of identifying my successor in the very capable hands of Alec Jeffreys and Trevor Hince. The culmination of their deliberations was the Governing Body's unanimous and enthusiastic appointment of Professor Sir Alex Markham as chairman-elect. It was felt that it would be sensible for him to spend a year as an appointed Member, getting to know the Institute and its workings before taking over the reins in 2011. It is therefore a great pleasure to welcome him to the Governing Body. Professor Sir Alex Markham is currently Professor of Medicine at the University of Leeds and brings a wealth of expertise from a very distinguished career spanning the pharmaceutical industry, academia, leadership of a major UK charity (Cancer Research UK) and government advisor on health issues. I have had the pleasure of working with Alex in a number of situations and I know that the Institute will be in very safe hands as it faces new challenges and opportunities. I know too that Alex will be very well supported by the administrative team of Trevor Hince (Director), Naomi King (Administrator) and Jacky Wilson (Accountant) and with the chairmen of the two sub-committees. I should like to thank them all for the continued smooth and efficient running of the Institute during my happy years as Chairman.

Institute Membership

Two Prize Fellows, Dr Tomoyuki Tanana and Professor Daniel Davis, who completed their fellowships in 2010, have been welcomed into membership.

Financial Matters

At the time I became Chairman in 2002 the value of Lister's investment portfolio had fallen dramatically and it was clear that the much valued and, when first set up, pioneering scheme of 5-year Fellowships was no longer financially possible. In consequence, no awards were made for a year during which our award strategy was reconsidered resulting in the current scheme of Prize Fellowships. Therefore I am especially pleased to report that in this my last report as Chairman, the Institute's investment portfolio finished the year some £2m up on 2009 with a value of £33.3m and, with expenditure contained, the finances are on an upward trend. However the vagaries of the global stock markets, coupled with other world events, show that this is still not the time for unbounded optimism and that 'prudence' must continue as the financial 'watchword'. This is aptly illustrated by the performance of the Lister's portfolio which rose gently through the spring, fell back in early summer and remained low until September when it rose, then plateaued, only to rise again in December. Against such a changing financial picture it is important for the Institute to have sound financial advice and I am indebted to our Treasurer, Michael French, and all members of the Finance and Investment Committee for their collective wisdom and the time which they devote to consideration of the Institute's financial affairs. During the year this committee has met on several occasions with our investment advisors Schroders Charities and Partners Capital, reviewing their performance, discussing investment strategies including the levels of risk and liquidity in the portfolios and, importantly, ensuring due diligence procedures are in place for their own operation and those of the funds in which they invest.

The advice from the Finance and Investment Committee has been for continued prudence, with the number of Prize Fellowships to remain at three and their value at £200,000. However it was felt that their value should be reviewed later on and that the Institute could afford the introduction of a summer studentship scheme in 2011 at a cost of £40,000.

Further details on the Institute's finances may be found on pages 15 and 16 and summarised in the Statement of Financial Activities on page 18.

Scientific Activities

Scientific Advisory Committee

This year saw the appointment of the Institute's 22nd Prize Fellow and the completion of their Fellowships by two others, bringing to four the number of completed Prize Fellowships, such that the funding scheme is now well established. The number of applications remains at around 50 and the quality of individuals continues to be as high as ever, as does the research

of the existing Fellows as assessed by members of the Scientific Advisory Committee (SAC). It is clear that with the current financial stringencies in universities and potential alterations to the funding provided by other agencies the total flexibility of the Lister's award of £200,000 remains as desirable as ever. It is also pleasing that each year we see applications from departments and universities that have not previously been associated with the Lister.

All of the above means that the task of selecting the eventual three Prizes Fellows is as important as ever and the Institute is indebted to members of the SAC for the time and effort which they devote to the process. In the final stages of the evaluation process the Committee is aided by the opinions of international expert reviewers; we are not unaware of the time and effort which the provision of these reviews takes and the Institute wishes to express its thanks to all who provide them. However the final selection is made following interview with the candidates and discussion amongst members of the SAC. Often this is very difficult since candidates will vary greatly in their fields of research, as shown by this year's winners, and their levels of experience as well as the impact which the award of the Prize might have on their situation; but under the skilled chairmanship of Professor Robin Irvine they always choose three exceptional individuals. This year the SAC were joined for the interviews by Professor Andrew King, a former Lister Fellow, to offer his expertise in an area in which three of the candidates worked and the Institute is extremely grateful to him for this.

Like other Lister committees, turnover of membership is built into the operation of the SAC and this year Professors Mark Pepys and Brian Spratt stepped down to be replaced respectively by Professors Patrick Maxwell and David Holden. The Institute thanks the departing members for all their hard work and welcomes the new members to what, we hope, they will find a rewarding experience.

2010 Lister Research Prize Winners

The recipients of the 2010 Lister Research Prizes, each receiving the award of £200,000, are:

<i>Prize Winner</i>	<i>Title of Research</i>
Dr Josef Kittler University College London	Miro family proteins as regulators of synaptic bioenergetics and a locus for mitochondrial dysfunction in neurological disease
Dr Robin May University of Birmingham	The molecular basis of latency and dissemination during cryptococcosis
Dr Sarah Teichmann MRC Laboratory of Molecular Biology, Cambridge	Decoding genetic switches in T helper cell differentiation



Dr Josef Kittler



Dr Robin May



Dr Sarah Teichmann

Current Lister Fellows

The following were awarded Lister Prize Fellowships in previous years:

Fellow	Title of Research	Awarded
Dr Nina Balthasar University of Bristol	Identifying the novel CREB coactivator TORC2's role in the hypothalamic pathways controlling energy homeostasis	2007
Dr Simon Bullock MRC Laboratory of Molecular Biology, Cambridge	Mechanisms and neuronal functions of motor-driven transport	2008
Dr Nia Bryant University of Glasgow	Using yeast as a model system to understand the insulin-dependent trafficking of GLUT4 in adipocytes	2004
Dr Juan Burrone Kings College London	The role of neuronal activity during synapse formation	2009
Dr Vincenzo Costanzo Cancer Research UK Clare Hall Laboratories	The role of ATM and ATR in preventing genomic instability	2006
Dr Rebecca Fitzgerald MRC Cancer Cell Unit Cambridge	Translational research programme for prevention of oesophageal adenocarcinoma	2008
Dr Holger Gerhardt Cancer Research UK London Research Institute	Endothelial guidance in vascular patterning	2008

Continued overleaf

Fellow	Title of Research	Awarded
Dr Fiona Gribble Cambridge Institute for Medical Research University of Cambridge	Secretion of incretin hormones from the mouse intestine	2006
Dr Andrew Jackson Western General Hospital Edinburgh	Cellular pathways determining human brain size	2009
Dr Juan Martin-Serrano King's College London	Functional parallels between HIV-1 budding and the last step of cell division	2008
Professor Kenneth Smith Cambridge Institute for Medical Research University of Cambridge	Control of infection and autoimmunity by an inhibitory Fc receptor FcγR11b	2007
Dr Grant Stewart University of Birmingham	Investigating the role of the RIDDLE syndrome gene in promoting repair of DNA damage	2009
Dr Chris Thompson University of Manchester	Identifying and characterising genes that control cell fate choice and social behaviour	2005
Professor Daan van Aalten University of Dundee	Structural mechanisms and specificity of O-GlcNAc signalling in the eukaryotic cell	2006
Dr Fiona Wardle Kings College London	Transcriptional control of mesodermal cell differentiation in vertebrates	2007

Fellowship Activities

Following the discussions last year about the format and venue for the Fellows' meeting and the decision to remain at Christ's College Cambridge, the weather, the college and especially the speakers combined to give us an outstanding meeting. It was therefore sad that the numbers attending were slightly down on previous years, largely as the result of the need to alter the date, putting the meeting later in September than normal.

As usual the opening session was dedicated to talks from the newly appointed Prize Fellows. This year they were given more time for their presentations and they responded magnificently providing three excellent talks. The topics varied widely but the high standard, depth of knowledge and enthusiasm of the speakers was constant, demonstrating clearly to the Fellowship the really high quality of the individuals awarded Prize Fellowships. The other

speakers maintained this standard with a series of excellent presentations covering a varied range of topics from the nanotube connection of NK cells to their target cells through to the exhibition of social behaviour in 'slug' formation by the single-celled *Dictyostelium discoideum*. Two of the talks were given by Prize Fellows nearing the completion of their fellowships indicating the increasingly important role that this group of fellows will have in the Institute's activities.

The speakers and their topics were:

- Professor Daniel Davis – Nanotubes and synapses in immune cell biology
- Professor Victoria Allan – Function and regulation of the microtubule motor, cytoplasmic dynein
- Dr Nia Bryant – Using yeast as a model system to understand insulin-regulated trafficking
- Dr Christopher Thompson – Simple variation in developmental signalling can generate complex natural variation in social behaviour
- Dr Nicholas Holmes – Isoforms as compensators for fewer genes? Examples from immune regulation

The 2010 Special Lister Lecture was given by Professor Geoffrey Smith, a Lister Jenner Fellow from 1988, currently a Professor at the Wright-Fleming Institute, Imperial College London and a member of the Lister's Governing Body since 2004, with the intriguing title of

'Living with the Lister Institute: A Family Fellowship'. All became clear in an enthralling two-part talk in which he described his family's early relationship with Lord Lister when his great grandfather was a medical student taught by Lister in Edinburgh from 1871 and subsequently worked as one of his 'surgical dressers'. Professor Smith accompanied this part of his presentation with a brief,

Professor Geoffrey Smith delivering the 2010 Special Lister Lecture



but very informative, history of Lister's work and many achievements, illustrated by some original documents. In the second part, Professor Smith described his own work on vaccinia virus (VACV), the smallpox vaccine. Originally awarded a Lister Jenner Fellowship to identify and delete the VACV virulence genes, this culminated in the discovery of a number of VACV proteins that suppress the immunological response to infection. He subsequently went on to describe the fascinating mechanism that the virus uses to spread from cell to cell whereby after infection the virus causes to be displayed on the cell surface a complex of proteins that mark the cell as infected and cause subsequently infecting virions to be repulsed such that they 'jump' to uninfected cells. The volume of questions and interest, not only in his own work but also in the history of Lord Lister, clearly signalled the impact of this very special Lister Lecture!

The Fellows' meeting concluded with the traditional Reception and Dinner against the usual background throb of chatter and exchange of views – the mark of a successful Lister meeting.

It is always pleasing to hear of the progress of Fellows and former Fellows as their careers develop and they move institutions or gain academic honours. It is no less of an achievement, or pleasure to the Institute, when a young Fellow sets up his or her own laboratory for the first time, or gains promotion within their institution than when a more senior Lister figure gains some high office. However this year I really must record the Institute's congratulations to two former Fellows and senior figures. Firstly to Sir Leszek Borysiewicz, who gave last year's Special Lister Lecture, on taking up his appointment as the Vice-Chancellor of Cambridge University, one of the most important and demanding posts in UK academia. Secondly, to Professor Geoffrey Smith who moves from Imperial College to become Head of the Department of Pathology at Cambridge. The Lister wishes both every success in their new roles.

Professor Leslie Collier – a tribute

The Lister Institute has a long and distinguished history from its formation as a pioneering research Institute in 1891 to its present-day role as a provider of prestigious fellowships. Over the years many people have contributed to this evolution but only one has been both an important scientific 'player' and a chronicler of the Institute's history – that person is Leslie Collier and it was with great sadness that the Institute learned of his death in March 2011, aged 90. Leslie joined the Virology department of the Institute in 1948, becoming its Deputy Director in 1968 and in 1974 was appointed as Director of the Vaccines and Sera Laboratory at Elstree. In 1976 he joined the Institute's



Governing Body. Leslie Collier's greatest scientific achievement was in perfecting a heat-stable vaccine against smallpox achieved through the addition of a soluble protein, peptone, to the vaccine preparation which could then be freeze-dried and was stable for many months. The availability of a readily transportable vaccine enabled the World Health Organization to initiate their successful smallpox eradication campaign in 1967. Leslie Collier's other scientific interest was in trachoma, a disease causing blindness in the tropics, one of his major contributions being the confirmation of *Chlamydia trachomatis* as the causative agent. After leaving the Institute in 1978, with the closure of the Elstree facility, Leslie Collier became Professor of Virology in the University of London and a plaque at the London School of Hygiene and Tropical Medicine, unveiled in 1987, recognises his enormous contribution to smallpox eradication. Leslie was very much a 'Lister Institute man' and he was the obvious person to approach to write a history of the Institute which was published in 2000 as the 'Concise History'. Leslie Collier made many contributions to preventive medicine and I, together with the Governing Body and all Members of the Institute, wish to record our recognition of his great achievements – he will be sadly missed by many.

Conclusion

One of the most enjoyable aspects of the 'Lister year' is travelling to institutions to hear the new Prize Fellows give seminars to their colleagues in their own environment. This year Trevor Hince and I have been to Birmingham (Dr Stewart), Cambridge (Dr Bullock) and Kings College London (Drs Burrone and Martin-Serrano). Such events help to underline the achievement of the Fellow in gaining the award as well as publicising these fellowships; often success in one year is followed by more applications from the same institution the next! Discussion with senior academics feeds back to the Institute that the award of a Lister Prize is often the trigger for the provision of more local resources, and it is pleasing that institutions are able to respond in this way even in today's tight financial situations. I would like to express my thanks to all the institutions which hosted these events not only for their hospitality but also for their support of the Lister Fellows.

As always, the Fellows meeting was a great success, not only giving an insight into the high quality research of those



who gave presentations but also the opportunity to talk with the Fellows and Members generally. This provides a first-hand opportunity to experience the enthusiasm for their research, to learn of their concerns and their thoughts on the Institute itself.

It is clear that now and in the immediate future, the opportunities and funding for research are getting tougher. Many factors will contribute to this: the financial pressures on universities as their funding models change, reorganisations within the health service, the effect of the Government's tightening of departmental budgets – particularly as they affect the Research Councils, and the review of their funding strategies by many agencies. In all of this what must be protected is the opportunity for the best young researchers to be recognised and supported; and here the Lister Institute has a key role to play as its funding schemes recently have focused on this group. It may be that our funding scheme might want revision, or monies spent in a different way but I am confident that the Lister Institute, under the chairmanship of Alex Markham, will be up to these challenges. The history of the Lister is one of change and adaptation as circumstances demand which has enabled the impact of the Institute on the UK's biomedical research effort to be far greater than might be thought possible for a relatively small charity. I see no reason for this to change!

During my term as Chairman I have been supported by so many people and I owe thanks to all my colleagues on the Governing Body, particularly those who had to 'educate' a new chairman; to all members of the Finance and Scientific sub-committees who do so much of the detailed work on which the Institute depends, to the staff who have given unfailing support and not least to the entire Membership who have shown me so clearly what it is to be a member of the 'Lister family'.

It has been a great pleasure and a privilege to have been a part of the Lister for a small portion of its long and distinguished life and I wish the Institute and all associated with it every success for the future.

BRIDGET M OGILVIE
Chairman

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2010

The Governing Body presents its Annual Report under the Charities Act 1993 as amended in 2006 together with the audited Financial Statements of the Charity for the year ended 31 December 2010. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 (page 20) to the Financial Statements and comply with the Companies Act 2006, the requirements of the Statement of Recommended Practice 2005 *Accounting and Reporting by Charities*, and the documents governing the constitution of the Charity.

REFERENCE AND ADMINISTRATIVE DETAILS

Reference and administrative information is set out on pages 1 and 2 of this report.

Members of the Governing Body, Directors and Trustees

The members of the Governing Body are, for the purposes of company law, directors of the Institute and, for the purposes of charity law, Trustees of the Institute and throughout this report are collectively referred to as the Trustees.

Details of the Trustees serving throughout the year, unless otherwise stated, are set out on page 1.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Institute is registered with the Charity Commission for England and Wales (registration number 206271). It is incorporated and registered in England and Wales under the Companies Act 2006 as a company limited by guarantee and not having a share capital (company number 34479). It is governed by its Memorandum and Articles of Association and has charitable status.

Appointment and re-appointment of Trustees

The Trustees are the twelve members of the Governing Body of whom six are appointed by the members at the annual general meeting. A maximum of four further Trustees are appointed by the Governing Body and there are currently four such appointees. One additional member is Lord Iveagh's representative and the final member is a representative of the Royal Society. Trustees, other than the

two nominated representatives and exceptionally those appointed by the Governing Body, serve for a maximum of six years and a system of planned rotation is in place. When considering appointment or nomination for election as Trustees, the Governing Body has regard to the specialist skills needed.

Induction and training of Trustees

New Trustees undergo induction sessions with the Chairman, Treasurer and Director during which they will gain an understanding of the Institute's structure, activities, financial position and future strategies. Prior to appointment they will attend, as an 'observer', one meeting of the Governing Body. New Trustees will also be made aware of their legal obligations with regard to the charity and company law. In addition, new Trustees will be advised of appropriate literature and training courses.

Organisation

The Institute is governed by its Governing Body which is responsible for setting policies, authorising actions on all significant operational issues and ensuring legality and good practice. The Governing Body meets formally twice a year.

Specific authorities are delegated to two sub-Committees in particular areas. The Scientific Advisory Committee (see page 2 for membership) has responsibility for the selection of the Lister Prize Fellows and the monitoring of their scientific activities, as well as providing scientific and medical advice to the Governing Body as required. The Finance and Investment Committee (see page 2 for membership) has responsibility for interaction with the Institute's investment advisors, ensuring implementation of the Institute's investment policy and monitoring performance. It prepares and submits to the Governing Body the annual budget, and subsequently monitors performance against it. It also advises the Governing Body, as required, on other financial and risk matters.

The routine management of the Institute's activities is undertaken by its Director, aided by the Administrator and the Accountant. All staff work from home.

Risk Management

The Trustees assess the risks facing the Institute and review the effectiveness of the controls to monitor and mitigate against them. A Risk Management Register is maintained and formally reviewed annually

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2010

by the Governing Body.

The key controls used by the Institute include:

- Formal agendas for all Governing Body meetings
- Strategic planning, budgeting and management accounting
- Formal written policies
- Clear authorisation and approval levels
- Regular review of Fellows' scientific reports

The principal risk facing the Institute lies in its ability to maintain and protect the value in real terms of its investments and to generate from them on a long term basis a consistently high overall return. This risk is mitigated by the Institute's appointment of experienced fund managers with a proven track record; by internal controls that allow close and regular monitoring of their performance against benchmarks; by the Institute's requirement of its fund managers to re-tender periodically and competitively for appointment, and by regular meetings that formally review investment performance and policy and include one-to-one presentations by the fund managers.

OBJECTIVES AND ACTIVITIES

The statutory Object of the Institute is to further understanding and progress in preventive medicine by promoting excellence in biomedical research in the UK.

When founded in 1891, the Institute sought to achieve this objective by establishing a research institute specialising in the area of 'infections' and their prevention by immunisation and other means. It complemented the research activities by the production and supply of materials such as vaccines and toxins.

The Institute continued in this mode until the late 1970s when increasing financial and regulatory pressures caused the cessation of these activities. Funds from the resultant sale of land and buildings created the funds from which present-day activities are financed; at 31 December 2010 these funds stood at £33.344m. From the 1980s the Institute has pursued its objective by the provision of grant funding to facilitate the research and careers of high quality individuals working in areas of biomedicine relevant to preventive medicine. It has done this because it believes that the acquisition and advancement of knowledge is crucial to the understanding of health and disease

and that research to achieve this is driven forward by high quality individuals and their supporting staff.

Principal activities

In pursuance of this objective, during 2010 the Institute awarded three new Prize Fellowships.

Achievement and Performance

The Scientific Advisory Committee has monitored the performance of the current eighteen Lister Prize Fellows, through detailed review of the annual reports on their research which include details of all publications and presentations. The Scientific Advisory Committee has reported to Trustees that it is of the view that all Fellows are undertaking high quality research and producing new knowledge that will contribute significantly to our understanding of disease, its causes, treatment and prevention.

Three Lister Prize Fellowships were awarded in 2010 to Drs Kittler, May and Teichmann from a field of 47 initial applicants, following extensive scientific review of their applications and final interview by the Scientific Advisory Committee. (More details of the Prize Fellows and their research are provided on page 6). Each Prize Fellowship provides £200,000 which may be spent over five years on the recipient's research, although the funds are provided to the host institution at the commencement of the award.

The Institute maintained its commitment to fostering scientific interchange and collaboration within the Fellowship by holding its 26th Annual Research Fellowship meeting at Christ's College, Cambridge.

Public Benefit

In so far as the statutory objectives, aims and activities of The Lister Institute of Preventive Medicine are to further understanding in preventive medicine by promoting biomedical research as set out above, the Trustees are satisfied that they fully comply with the duty in section 4 of the Charities Act 2006, namely to have due regard to the public benefit guidance published by the Charity Commission.

The public benefit of the Institute's grant-making is clearly identifiable in the 'Achievement and Performance' paragraphs above and in the list of Research Prize Fellows together with their areas of research on pages 7 and 8 of the Chairman's report. All Lister Fellows are actively encouraged, where appropriate, to develop their research findings for

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2010

potential public benefit and the Scientific Advisory Committee has regard to this when reviewing their research reports. The Lister Institute therefore benefits the public or a sector of it without imposing any restrictions. Applications from individuals are only accepted when demonstrably consistent with the charitable objectives of the Institute.

Investment policy and performance

The Institute's investment objective is to develop and maintain its financial resources through the selection of investments, consistent with an acceptable level of risk.

The Institute's investment portfolio is split between Schroders and Co Limited (Schroders Charities) and Partners Capital LLP who both operate under mandates agreed in advance with the Finance and Investment Committee. These mandates set out an overall target asset allocation with allowable ranges for each category of asset.

Both investment advisors invest on a total returns basis through a variety of pooled funds and in accordance with the Institute's 'Investment Policy Statement' which states the overall investment objective and sets the investment return objectives, the risk parameters, the performance measures and review procedures for the portfolio. The investment advisors are informed at the beginning of the financial year of the Institute's likely cash requirements, both in terms of the amount and the timing of any draw-down, and are asked to keep in an income or cash account sufficient funds to meet them. The Institute has in place an ethical investment policy which does not permit direct investment in tobacco or tobacco-related companies.

The Institute's overall financial return objective is to preserve and if possible enhance the purchasing power of its portfolio assets, net of costs and approved withdrawals, over rolling three-year periods. This goal is synonymous with the pursuit of a time-weighted net return on portfolio assets that equals and if possible exceeds cost inflation as measured by the UK Consumer Price Index plus the Institute's long-term spending rate of 4% measured over corresponding three-year periods.

The performance of the investment portfolio is reviewed by the Finance and Investment Committee, which had two meetings in the year with the investment advisors to review performance, liquidity within the portfolio, and the due diligence undertaken on potential new investment vehicles. In addition the

Institute receives detailed quarterly valuation and transaction reports. In a fluctuating year the fund has risen from £31.019m to £33.344m after withdrawals of £800,000.

More details of the Institute's activities are set out in the Chairman's Report on pages 3 to 12.

FINANCIAL REVIEW

Allocation of resources

The Institute, which does not seek to raise funds from the public, depends primarily on investment returns to meet its pension payments, administrative expenditure and charitable objectives – operating on a total returns basis. The total return on investments for the year was realised/unrealised gains of £2.879m and investment income of £379,000.

The resources expended totalled £876,000 of which £713,000 was resources expended for the Institute's charitable activities.

As the Prize Fellowships are fixed sum awards, expenditure can be regulated by altering the number and/or value of prizes awarded each year. This will be done in light of the income and realised/unrealised gains generated from our investment portfolio. This will be sensitive to the performance of our investments and will be reviewed annually before fresh commitments are made. In the year, despite the rising value of the investment portfolio and returns but conscious of the continuing economic uncertainties, the Trustees felt it prudent to continue the award of three Prizes and to maintain their value at £200,000 each.

Reserves policy

The policy of the Trustees is to maintain adequate financial resources to provide income to meet current and future commitments as they fall due and ensure that adequate funds remain available to enable them to make awards in perpetuity.

The adequacy of the level of reserves and the continuing appropriateness of the policy are reviewed on an annual basis by the Trustees. Despite the current downturn in the level of investments compared with the high of 2007 they feel satisfied with the policy over the long-term and the ability of the Institute to maintain appropriate levels of activity in the short-term.

REPORT OF THE GOVERNING BODY

for the year ended 31 December 2010

Plans for the future

The Institute's future policy is to continue to pursue its current objectives. It will therefore maintain the Prize Fellowship scheme which it sees as a funding priority.

The Institute decided that a way of developing its outreach activities was through the award of up to twenty summer studentships per year, from 2011, to its current and former Fellows to enable undergraduates to work with them and gain experience of research at first hand. Each studentship provides £2,000 for the recipient to work in a Fellow's laboratory for up to ten weeks.

Through its Fellowship the Institute is also providing the opportunity for schools to receive talks from active researchers on science and biomedical subjects.

The Institute has conducted a revision of its Memorandum and Articles of Association to ensure that they better reflect the current structure of the Institute and its activities. The new Articles will be presented to the Membership at the AGM in 2011 for formal adoption.

Statement of Trustee responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in England and Wales 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 charity and of the incoming resources and application of resources of the charity 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 Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of its Memorandum and Articles of Association. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Trustees are aware: there is no relevant audit information of which the charitable company's auditor is unaware; and the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

By Order of the Governing Body

BRIDGET M OGILVIE
Chairman

MICHAEL FRENCH
Treasurer

7 July 2011

INDEPENDENT AUDITORS' REPORT

to the Members of The Lister Institute of Preventive Medicine

We have audited the financial statements of The Lister Institute of Preventive Medicine for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Balance Sheet, 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).

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 16, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2010 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;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report 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 requires us to report to you if, in our opinion:

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

Murray Legg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

7 July 2011

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
<i>Incoming resources</i>			
Incoming resource from generated funds:			
Investment income	2	379	402
Other incoming resources	3	9	8
Total incoming resources		388	410
<i>Resources expended</i>			
Costs of generating funds:			
Investment management costs	4	(120)	(107)
Charitable Activities:			
Prizes awarded in year		(600)	(600)
Support costs	6	(113)	(102)
Governance costs	7	(43)	(42)
Total resources expended		(876)	(851)
Net expenditure		(488)	(441)
Gains on investment assets		2,879	3,262
Pension actuarial losses		(16)	(39)
Net increase in funds		2,375	2,782
Total funds brought forward		30,890	28,108
Total funds carried forward		33,265	30,890

All items in the above Statement of Financial Activities relate to continuing operations for both years. The Institute has no other recognised gains and losses other than as stated above and hence no separate income and expenditure statement has been shown.

The notes set out on pages 20 to 24 form part of these financial statements.

BALANCE SHEET

as at 31 December 2010

	Notes	2010 £'000	2009 £'000
<i>Fixed assets</i>			
Investments	9	33,344	31,019
Total fixed assets		33,344	31,019
<i>Current assets</i>			
Debtors	10	36	22
Cash at bank and in hand	11	241	205
Total current assets		277	227
<i>Current liabilities</i>			
<i>Creditors: amounts falling due within one year</i>			
Creditors and accruals	12	(25)	(15)
Net current assets		252	212
Total assets less current liabilities		33,596	31,231
<i>Creditors: amounts falling due after more than one year</i>			
Pension liability	13	(331)	(341)
Net assets		33,265	30,890
<i>represented by</i>			
Unrestricted funds		33,265	30,890
Total charity funds		33,265	30,890

The Trustees have taken advantage of the exemptions conferred by the Companies Act 2006, on the grounds that the Institute is entitled to the benefit of those exemptions as a small company.

These financial statements were approved by the Governing Body on 7 July 2011

BRIDGET M OGILVIE	Members of the
MICHAEL FRENCH	Governing Body

The notes set out on pages 20 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2010

I PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005), applicable accounting standards and the Companies Act 2006. The Financial Statements are prepared in accordance with the historical cost convention modified by the revaluation of investments. The principal accounting policies adopted in the preparation of the Financial Statements are as follows:

Incoming resources

All incoming resources are accounted for on a receivable basis.

Prizes and grants

The cost of Research Prize Fellowships is charged in the year awarded.

Resources Expended

The costs of generating funds include those fees payable to the Institute's investment fund managers for the management of the Institute's investment portfolio. These are accounted for on an accruals basis. Charitable expenditure comprises all expenditure directly relating to the objects of the charity and is accounted for on an accruals basis. The allocation of expenditure between governance and management, administration and support costs is reviewed on an annual basis to ensure the allocation is appropriate. Indirect costs are generally treated as falling into the latter category with the exception of a proportion of salary and related costs which have been classified as governance costs.

Governance costs

In addition to auditor's remuneration, governance costs comprise the proportion of staff costs associated with the time spent on the preparation of the statutory accounts and other governance issues together with honoraria remuneration provided to members of the Institute's Scientific Advisory Committee for their duties in selecting the Prize Fellows.

Supplementary pensions and staff pensions

An estimate of the full provision is made in the Financial Statements for the costs of future supplementary payments. The provision and charge to income are reviewed annually by the Trustees in the knowledge that the number of persons receiving the supplementary pensions will not increase. The pension costs are assessed in accordance with actuarial advice and these costs are accounted for in accordance with FRS17. Existing employees participate in a defined contribution scheme, the costs of which are expensed as incurred. These disclosures are made in accordance with FRS17.

Investments

Investments are shown at market value in the balance sheet. Changes in the market value are included in the Statement of Financial Activities as realised and unrealised investment gains or losses in the year in which they arise. Investments denominated in foreign currencies are valued at year-end rates of exchange.

Cash flow statement

The Charity has taken advantage of the exemption provided by Financial Reporting Standard No 1 for small charities from the obligation to prepare a cash flow statement.

Taxation

The organisation is a registered charity and has obtained exemptions from taxation under Section 505 of the Income and Corporation Taxes Act 1988. This exemption will remain as long as income is compatible with that section and expenditure is applied to charitable purposes only.

2 INVESTMENT INCOME

	2010	2009
	£'000	£'000
Income from fixed asset investments	378	401
Bank interest receivable	1	1
	379	402

3 OTHER INCOMING RESOURCES

	2010	2009
	£'000	£'000
Royalty income	9	8

4 COSTS OF GENERATING FUNDS

	2010	2009
	£'000	£'000
Partners Capital LLP	53	50
Schroders & Company Ltd	67	57
Total investment management fees	120	107

Investment management fees referred to here are those accrued fees relating to the management of the Institute's investment portfolios in 2010.

5 GOVERNING BODY AND STAFF COSTS

Emoluments of members of the Governing Body

No member of the Governing Body received any emoluments in respect of services to the Institute during the year (2009: nil). Travel expenses of £977 were paid relating to the claims of eight members in connection with their attendance at meetings (2009: £521, five members).

Members of the Governing Body who are also members of the Scientific Advisory Committee receive remuneration in relation to their services to the committee. Remuneration of £1,875 (2009: £1,875) was paid to one of the members.

Employee information

The average number of persons employed by the Institute during the year was three (2009: three), two of whom are part-time. All were employed in an administrative and support capacity. No employees earn over £60k p.a. (2009: nil).

Staff costs

	2010	2009
	£'000	£'000
Gross salaries and pension contributions	73	71
Employer's national insurance and state pension contributions	7	7
	80	78

The salary costs are allocated under governance where related to statutory accounts preparation, the balance being reported within support costs.

6 SUPPORT COSTS

	2010	2009
	£'000	£'000
Support costs (see Note 8)	95	83
Pension costs (see Note 13)	18	19
	113	102

7 GOVERNANCE COSTS

	2010	2009
	£'000	£'000
Auditor's remuneration	11	10
Staff costs	10	10
Honoraria and events	22	22
	43	42

No non-audit services were provided by the auditors during the year (2009: none).

8 SUPPORT COSTS

	2010	2009
	£'000	£'000
Salary-related costs	70	68
Office expenses	11	9
Travel expenses	3	3
Professional fees	11	3
	95	83

Included in the Professional fees of £11k is an amount of £8k related to work carried out by Macfarlanes LLP to review and update the memorandum and articles of association.

9 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end

	2010	2009
	£'000	£'000
Market value at beginning of year	31,019	28,231
Purchases during the year at cost	11,748	11,112
Proceeds of sales during the year	(13,225)	(10,343)
Reinvested income for the year	218	369
Movement in un-invested cash	705	(1,612)
Cash withdrawn	(800)	(700)
Net change in market value	3,679	3,962
Market value at year-end	33,344	31,019

9 INVESTMENTS (continued)

The portfolio's asset allocation was as follows:

	2010	2009
	£'000	£'000
<i>UK investments</i>		
Equities	7,715	6,730
Fixed interest	1,240	2,253
Other (including private equity, property, commodities and alternatives)	4,186	3,754
Cash	12	267
Total UK investments	13,153	13,004
<i>Non-UK investments</i>		
Equities	12,680	9,507
Fixed interest	1,181	1,695
Other (including private equity, property, commodities and alternatives)	5,711	6,661
Cash	619	152
Total non-UK investments	20,191	18,015
Total investments	33,344	31,019

At 31 December 2010 no single shareholding exceeded 5% of the total value of investments (2009: none).

10 DEBTORS

	2010	2009
	£'000	£'000
Debtors	36	22

11 CASH

	2010	2009
	£'000	£'000
Cash at bank	241	205

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£'000	£'000
Taxation and social security	3	2
Accruals	22	13
Total creditors falling due within one year	25	15

13 PROVISION FOR LIABILITIES AND CHARGES

This represents a provision for future supplementary pension payments, in respect of ex-employees, based on their salary and length of service. The pensions are unfunded, with payments made out of the Institute's funds as they fall due. These supplementary pensions are accounted for and presented in accordance with the requirements of FRS17.

Following the last actuarial valuation in 2001, a change was made to provide for the unidentified funding deficiency. Since then the provision has been reviewed annually by the Governing Body and additional charges have been made to cover estimated future supplementary payments.

Movements in the pension provision during the year were as below:

	2010	2009
	£'000	£'000
Liability at beginning of period	341	326
Plus interest cost	18	19
Plus actuarial gains and losses	16	39
Benefits paid	(44)	(43)
Liability at end of period	331	341

The tables below state the FRS17 actuarial assumptions upon which the valuation of the scheme was based.

Principal actuarial assumptions

Valuation at 31 December 2010	2009	2008
	£'000	£'000
Rate of increase to pensions in payment	3.1%	3.25%
Rate used to discount scheme liabilities	5.3%	5.6%

The post-retirement mortality assumption uses the PCA00 base tables (year of birth) with improvements equal to medium cohort with a 1% minimum.

14 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year (2009: none).

