

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December

2014



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 2014

THE GOVERNING BODY

Professor Sir Alex Markham, DSc, FRCP, FRCPath, FMedSci, *Chairman*

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

Professor Wendy Bickmore, BA, PhD, FMedSci, FRSE

Professor Janet Darbyshire, CBE, FRCP, FFPH, FMedSci (*Resigned 10 February 2014*)

Professor Dame Kay Davies, CBE, DBE, MA, DPhil, FMedSci, FRCP(hon), FRCPath, FRS

Hon Rory M B Guinness

Professor Douglas Higgs, MBBS, MRCP, FRCPath, DSc, FRCP, FRCPath, FRS

Mr Andrew Hutton, MA, CFA

Professor Sir Alec J Jeffreys, DPhil, FMedSci, FRS

Professor Patrick Maxwell, FRCP, FMedSci

Professor Tony Minson, PhD, FMedSci

Mr Matthew Pintus, BA

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

SENIOR MANAGEMENT

Secretary and Director: Dr Trevor A Hince, PhD

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Bankers

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St Martins Office
440 Strand
London WC2R 0QS

Partners Capital LLP
5 Young Street
London W8 5EH

Auditors

Kingston Smith LLP
Devonshire House
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London EC1M 7AD

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LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2014

THE SCIENTIFIC ADVISORY COMMITTEE

Professor Patrick Maxwell, FRCP, FMedSci, *Chairman*

Dr Ian Adams, BSc, PhD

Professor Jon Cohen, FRCP, FMedSci

Professor Mary Collins, PhD, FMedSci (*Retired 5 September 2014*)

Professor William Deakin, PhD, FRCPsych, FMedSci

Professor Annette C Dolphin, PhD

Professor David Holden, FMedSci, FRS

Professor Corinne Houart, PhD (*Appointed 5 September 2014*)

Professor John Iredale, FRCP, FMedSci, FRSE

Professor Nick Lemoine, MD, PhD, FRCPATH, FMedSci

Professor Kate Storey, PhD, FRSE (*Retired 5 September 2014*)

Professor Jonathan Waltho, BSc, PhD

Professor Colin Watts, FRS, FRSE, FMedSci (*Appointed 5 September 2014*)

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, CFA

Professor Sir Alex Markham, DSc, FRCP, FRCPATH, FMedSci

Professor Tony Minson, PhD, FMedSci

Mr Matthew Pintus, BA

Secretary: Dr Trevor A Hince, PhD

CHAIRMAN'S ANNUAL REPORT

for the year ended 31 December 2014

THE YEAR 2014 has seen some significant 'milestones' for the Institute: the year-end value of its investments at £37.296m now exceeds the pre-financial crisis level of 2007 and the number of applications for the Prize Fellowships was the highest since 2005. We were able to award four Prize Fellowships and increase the number of summer studentships to twenty-five. In addition, the Institute was able to secure the funding for activities in 2015 by banking the necessary funds in advance.

On the research front, Lister Fellows and former Fellows continued to undertake excellent research, publish high-impact papers and gain academic advancement. Of course, the Institute appreciates that it cannot take sole credit for these achievements since its Fellows will receive personal support and funding from many other agencies. However, on speaking to Fellows it is very clear that the flexibility which the Lister award of £200,000 gives them, whether to appoint new staff, buy equipment or pursue new lines of research, is worth far more than the simple cash value of the award.

Governing Body and Administrative Matters

Governing Body and Administration

The Governing Body has met twice during the year, once in April and then before the start of the September Fellows' meeting in Cambridge. However, the provision in the Institute's Articles that matters can be resolved and approved by e-mail has also meant that important issues can and have been dealt with rapidly. I am particularly grateful to my fellow Trustees for the speed with which they respond to Lister matters and the obvious deep consideration which they give to the Institute's business whether dealing with it electronically or at meetings. This year we were very sorry to bid farewell to Professor Janet Darbyshire from the Governing Body as she had to step down because of pressure from her other commitments. The Governing Body gave detailed thought to a potential replacement and decided that there would be great benefit in seeking somebody who had held a Lister Prize Fellowship in the recent past and would be able to bring first-hand experience of being a young researcher in today's academic environment – we are delighted that Professor Rebecca Fitzgerald, a Prize winner in 2008, will become a Trustee in 2015. I and the other Trustees were equally delighted, and relieved, that Michael French was persuaded to stay on

for a further three years as the Institute's Honorary Treasurer and re-elected at the AGM.

The Institute continues to be run very smoothly by Trevor Hince and his small team of Naomi King and Jacky Wilson. They all contribute to making the lives of Trustees and Committee Members very straightforward for which we thank them sincerely. Sadly, Trevor Hince has indicated that he wishes to retire from the post of Director next year, or soon after, so we shall begin the daunting task of finding his successor. He will be an almost impossible act to follow.

Institute Membership

Three Prize Fellows, Dr Juan Burrone, MRC Centre for Developmental Neurobiology, King's College London, Professor Andrew Jackson, MRC Human Genetics Unit, Western General Hospital and Dr Grant Stewart, CRUK Institute for Cancer Studies, University of Birmingham, who completed their fellowships in 2014, have been welcomed into Membership.

Financial Matters

It is very pleasing to be able to report a second year of strong financial growth, which saw further gains for the Institute's investments such that they finished the year at £37.296m. This is above the pre-financial crisis level of 2007. However, this achievement is the greater because the decision was taken during the year to 'top-slice' and bank the funds needed to cover, in full, the required 2015 expenditure (hence the high level of 'cash at bank' shown in the Balance Sheet on page 25). This decision was taken on the advice of the Finance and Investment Committee who felt that it would be prudent to capitalise on the strong market performance in 2014 and safeguard future expenditure, given the uncertainty of future market returns and the patchy nature of the economic recovery. Thus, in 2014 the Institute was not only able to support four Prize Fellows (£800,000), expand the Summer Studentship scheme to twenty-five (£50,000) but also to guarantee at least this level of funding in 2015. The Institute's operational costs remained low at £150,000, but investment management fees rose to £214,000 (a consequence of the strong performance of the portfolio). The Institute's total expenditure for 2014 was £1.214m. The one area that saw an increase in costs was investment management, driven by the strong portfolio growth and the triggering of

'performance fees' for one of our firms of advisors. However, it is a very comfortable position for the Chairman of a charity to be able to report increased expenditure on the key objectives and to know that we will be able to do so the following year; for this I am indebted to the Hon Treasurer and the Finance and Investment Committee for their wise counsel.

Michael French and his colleagues on the Finance and Investment Committee have certainly served the Institute well, not only in their regular twice-yearly meetings with our current investment advisors, Partners Capital LLP and Cazenove Capital Management (Schroders), but also in their scrutiny of the Institute's own finances and a willingness to maximise expenditure on science. I and all members of the Governing Body are extremely grateful to the 'finance team' for their diligence and efforts and particularly to Michael French for explaining it all so clearly to us!

Last year I reported that the Institute had appointed new auditors, Kingston Smith LLP, and I am delighted that their first audit was 'trouble free' and that they were able to make some very helpful suggestions – the Institute looks forward to an ongoing association with them.

Further details on the Institute's finances may be found on pages 20 and 21 and are summarised in the Statement of Financial Activities on page 24.

Scientific Activities

Scientific Advisory Committee

With the increase in the number of applications, the work of the Scientific Advisory Committee in selecting the eventual Prize Fellows becomes even harder and the Institute is indebted to its members for their dedication. This year we were sorry to part with two members; Professor Mary Collins, after completing her six-year term, and Professor Kate Storey who, because of the pressure of her other commitments, had to step down. In their places the Institute is pleased to welcome Professors Corrine Houart (Kings College, London) and Colin Watts (University of Dundee) and hopes that they will enjoy their time on the SAC and gain satisfaction from helping the careers of young researchers.

It was pleasing to see the Summer Studentship scheme extended to twenty-five recipients. This enables Lister Fellows and former Fellows to be able to offer places to outstanding students who then have the opportunity to experience research in a first-rate

laboratory. After the studentship is completed the Institute is sent both a scientific report and a personal statement on their experience by the student. In most cases it reinforces the student's wish to go on to do research via PhD training, but in some it identifies that a career in research is not for them; both are satisfactory outcomes!

2014 Lister Research Prize Fellowship Winners

The recipients of the 2014 Lister Research Prize Fellowships, who each received the award of £200,000, were:

<i>Prize Winner</i>	<i>Title of Research</i>
 <p>Dr M Madan Babu MRC Laboratory of Molecular Biology Cambridge</p>	Dynamics of tRNA abundance and the regulation of protein expression levels
 <p>Dr Emmanuel Boucrot University College London</p>	Mechanisms of cargo selection and vesicle formation in a novel pathway of endocytosis
 <p>Dr Robert Ryan University of Dundee</p>	Molecular basis of chronic antibiotic-resistant biofilm infections: a potential path towards development of strategies for therapeutic intervention
 <p>Dr Melina Schuh MRC Laboratory of Molecular Biology Cambridge</p>	Mechanisms of aneuploidy in human oocytes

Current and Former Lister Prize Fellows

The following have been awarded Lister Research Prize Fellowships since the inception of the Prize Fellowship scheme. This is an outstanding group of scientists and represents a major contribution to the well-being of UK biomedical research:

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 The 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 York	Using yeast as a model system to understand the insulin-dependent trafficking of GLUT4 in adipocytes	2004
Dr Simon Bullock MRC Laboratory of Molecular Biology, Cambridge	Mechanisms and neuronal functions of motor-driven transport	2008
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 Victoria Cowling University of Dundee	Regulation and function of the 7-methylguanosine cap	2011
Professor Daniel Davis Imperial College London	Nanotubes and synapses in immune cell communication	2005
Professor Simon Draper The Jenner Institute Oxford	Development of next-generation broadly-neutralising vaccines against the blood stage infection of human malarialias	2013
Professor Michael Eddleston University of Edinburgh	Prevention of deaths from late respiratory failure in organo-phosphorus pesticide poisoning	2011
Professor Sherif El-Khamisy University of Sheffield	The repair of oxidative and topoisomerase induced chromosomal strand breaks and human disease	2013
Professor Rebecca Fitzgerald University of 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 University of Cambridge	Secretion of incretin hormones from the mouse intestine	2006
Dr Andrew Jackson University of Edinburgh	Cellular pathways determining human brain size	2009
Dr Josef Kittler University College London	Miro family proteins as regulators of synaptic bio-energetics and a locus for mitochondrial dysfunction in neurological disease	2010
Dr Robert Klose University of Oxford	Biochemical isolation and functional dissection of the CpG island proteome	2011
Dr David Komander MRC Laboratory of Molecular Biology Cambridge	Bacterial interference with the ubiquitin system	2012
Professor Paul Lehner University of Cambridge	The role of HSP70 in MHC Class 1 mediated antigen presentation in human dendritic cells	2004
Dr David Lyons University of Edinburgh	Elucidating mechanisms of myelinated axon formation, function and repair using zebrafish	2012
Dr Juan Martin-Serrano King's College London	Functional parallels between HIV-1 budding and the last step of cell division	2008
Dr Robin May University of Birmingham	The molecular basis of latency and dissemination during cryptococcosis	2010
Dr Akhilesh Reddy University of Cambridge	Peroxisomes and redox oscillations in the circadian (24 hour) clockwork	2012
Dr Tatjana Sauka-Spengler Weatherall Institute of Molecular Medicine, Oxford	Decoding gene regulatory circuits controlling multipotency of neural crest	2013
Professor Kenneth Smith 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 Anne Straube University of Warwick	Microtubule-actin crosstalk in cell migration	2013
Professor Tomoyuki Tanaka University of Dundee	Mechanisms of kinetochore-microtubule interaction	2005

Continued opposite

<i>Fellow</i>	<i>Title of Research</i>	<i>Awarded</i>
Dr Sarah Teichmann The Wellcome Trust Sanger Institute and EMBL-EBI, Cambridge	Decoding genetic switches in T helper cell differentiation	2010
Professor 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

Once again the location of Christ's College, Cambridge, the lovely autumn weather and most importantly the quality and enthusiasm of the speakers combined to provide a memorable Fellows' meeting. The attendance was high and the delegates were provided with an outstanding and diverse set of presentations. This year, with four new Prize Fellows and one Prize Fellow who had been unable to present in a previous year, the morning's programme belonged to the 'new blood' and they did the Institute proud! The four Prize Fellows listed on page 8 were joined by Dr Akhilesh Reddy, and between them covered topics which ranged from the dynamics of tRNA abundance; a novel pathway for endocytosis; mechanisms of aneuploidy in humans; via targets for combating bacterial antibiotic resistance to the operation of circadian clocks. Whilst the science might have been diverse, what united the programme was the quality, depth of knowledge and enthusiasm of the speakers – here were young researchers 'on top of their game'. In the afternoon former Fellows showed that they had not been idle since winning Lister Fellowships, with Ken Smith giving a 'tour de force' talk on 'Genomics, Immunity and the Biology of Clinical Outcome' and Hilary Ashe a comprehensive and clear explanation of BMP signalling and its impact on development.

The 2014 Special Lister Lecture was given by Professor Phillip Hawkins who had been a Fellow from 1988-1993 and in 2013 was elected as a Fellow of the Royal Society. Professor

Hawkins explained with incredible clarity the very complex area of signalling via PI3-kinases (PI3Ks). These kinases catalyse the phosphorylation of inositol phospholipids in the cell membrane, which then act as messengers to regulate many aspects of cellular function. Phillip Hawkins' latest research is shedding new light on the way in which the composition of the lipid backbone in the molecule might be regulated. As usual the lecture stimulated a wealth of questions and discussions.

Following a Reception in the Fellows' garden the meeting concluded with the presentation of scrolls to the new Fellows and the Institute Dinner.

Conclusion

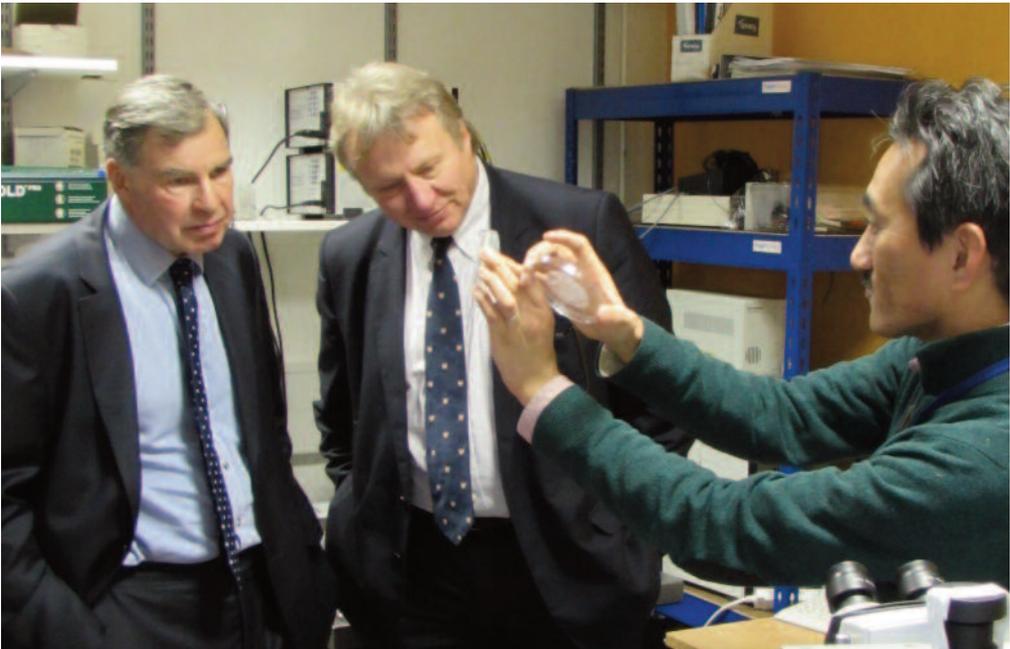
One of the most enjoyable parts of the Chairman's role is travelling to institutions to hear the Prize Fellows give seminars in their home environment. This year Trevor Hince and I visited Oxford to hear talks by Simon Draper and Tatjana Sauka Spengler, and Sheffield for a presentation by Sherif El-Khamisy plus a tour of the Department of Molecular Biology and Biotechnology and its impressive facilities. This format was repeated at Warwick with a very enjoyable day both listening to Anne Straube's talk but also touring the new Mechano-chemical Cell Biology Building and seeing demonstrations from several of Anne's colleagues. All these events are unique, reflecting both the character of the speaker and that of their departments, each with their differing aspirations and local capabilities. What is common to all is the exceptionally high quality of the presentations, the high regard in which the Lister Prize Fellows are held by their colleagues and the undoubted impact which the receipt of the prize has had on their research. What is also pleasing is that the Lister Prize more often than not results in additional support, either in terms of facilities or funding, from the host institution. It can also bring academic advancement and it is very pleasing to be able to congratulate the following recent Prize Fellows on their awards of 'Professorships' – Simon Draper (Oxford), Michael Eddleston (Edinburgh), Rebecca Fitzgerald (Cambridge), Andrew Jackson (Edinburgh), Robert Klose (Oxford), Robin May (Birmingham) and Sherif El-Khamisy (Sheffield). I should like to express my own and the Institute's thanks to the host institutions that have welcomed us to 'presentation events' this year and extend this to all the institutions that house Lister Fellows for the support which they give them. By working

with these institutions, I think it is very obvious that the Lister Institute is indeed ‘nurturing the future leaders in biomedical research’!

At this point it is fitting that I pay tribute to Professor Patrick Maxwell and all the members of the Scientific Advisory Committee since it is eminently clear that they are doing an excellent job in selecting the very best individuals for the award of Lister Prizes. I must also thank all my colleagues on the Governing Body for all their hard work and support, not least for ensuring that we are now able to award at least four prizes each year. It is, however, clear to me that the Lister Institute is a ‘family’ and its strength comes from all its members, whether they be Fellows, Trustees, Committee members, Members of the Institute or Staff – it is a pleasure to be associated with you all and to all I owe my sincere thanks.

ALEX MARKHAM
Chairman

The Institute’s Director Dr Trevor Hince and Professor Sir Alex Markham pay close attention to a demonstration at the University of Bradford.



The 2014 Annual Fellows' Meeting at Christ's College, Cambridge

Pictured on this page:

Right (l-r): Professor Sir Alec Jeffreys and Professor Chris Higgins, both Lister Fellows in the early 1980s

Middle left: Professor Ilan Davis, Dr David Horowicz and Professor Kate Storey

Middle right: Professor Paul Lehner and Dr Trevor Hince

Bottom: Governor Mr Andrew Hutton talks with Dr Melina Schuh (left) and Dr Anne Straube





SAC member Professor Nick Lemoine and former Fellow Professor Andrew Jackson enjoy a pre-dinner drink in the Master's Garden



Former SAC member Professor Mary Collins

Lunch and an opportunity to discuss the morning's talks



REPORT OF THE GOVERNING BODY

for the year ended 31 December 2014

The Governing Body presents its Annual Report under the Charities Act 2011 together with the audited Financial Statements of the Charity for the year ended 31 December 2014. The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 (page 26) 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 3 and 4 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 3.

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 Articles of Association and has charitable status.

Appointment and Re-appointment of Trustees

The Trustees are the fifteen members of the Governing Body of whom six are appointed by the members at the annual general meeting. A maximum of six further Trustees are appointed by the Governing Body and there are currently four such appointees. One additional member is Lord Iveagh's representative, another is Professor Sir Alec Jeffreys who was appointed to life-membership, and the final member, Professor Cheryl Tickle, is the representative of the Royal Society. Trustees, other than the two nominated representatives, Professor Sir Alec Jeffreys and exceptionally those appointed by the Governing Body, generally serve for a maximum of six years and a system of planned rotation is in place. Currently two positions are deliberately being kept vacant. 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 'observers', one meeting of the Governing Body. New Trustees will also be made aware of their legal obligations with regard to 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 4 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 4 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 specific risk of bribery associated with any of the Institute's activities has been reviewed and clear policies and procedures have been developed and communicated to all Trustees, staff and Members.

The Institute maintains a 'Register of Interests'

for all Governing Body and committee members as well as principal staff and operates a clear declaration of interests policy and procedures for all meetings.

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 investment 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 investment managers to re-tender periodically and competitively for appointment – last review October 2012, and by regular meetings that formally review investment performance and policy and include one-to-one presentations by the investment 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. Proceeds from the resultant sale of land and buildings created the investment funds from which present-day activities are financed; at 31 December 2014 these funds stood at £37.296m. 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 bio-medicine 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 2014 the Institute awarded four new Prize Fellowships. In addition, the Institute has continued its Summer Studentship scheme which enables up to twenty-five undergraduates per year to work with Lister Fellows or former Fellows in order to gain experience of biomedical research with the hope that they might consider it as a career.

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. The reports of the research undertaken by the Summer Students have also been reviewed and found to be very satisfactory.

Four Lister Prize Fellowships were awarded in 2014 to Drs Babu, Boucrot, Ryan and Schuh from a field of 84 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 8).

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.

Twenty-five Summer Studentships were awarded in 2014, each is a £2,000 student bursary and is paid to the host institution at the commencement of the award for the support of the student for up to a ten-week period.

The Institute maintained its commitment to fostering scientific interchange and collaboration within the Fellowship by holding its 30th 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 page 17 of this Report, the Trustees are satisfied that they fully comply with the duty in section 17 of the Charities Act 2011, 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 8 to 11 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 accepted only when demonstrably consistent with the charitable objectives of the Institute.

Impact

The impact of the activities of a medical research charity can be measured at many levels ranging from the growth of knowledge to direct patient/public benefit. Often the transition from the former to the latter may take many years and the involvement of several organisations. The Institute requires that the results of the research it supports are published and disseminated; that, where appropriate, significant intellectual property is protected via patents; and that its commercial development is encouraged. Several biotechnology companies have been formed around the findings of Institute-sponsored research and there are several interactions with large pharmaceutical companies. A prime example of the impact of research is DNA fingerprinting, which was discovered by Sir Alec Jeffries when a Lister Fellow and has become an indelible part of society, helping to prove innocence or guilt in criminal cases, resolving immigration arguments and clarifying paternity. This year the Institute entered into two more 'research exploitation' agreements with the host institutions of Prize Fellows; an essential first step in moving research findings towards help for patients and the public.

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 Cazenove Capital Management 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 managers invest on a total returns basis through a variety of pooled funds

and in accordance with the Institute's overarching "Investment Policy Statement" (IPS) 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 Institute's IPS was revised in the autumn of 2013 and specific versions agreed for each of the investment managers to reflect their individual investment approaches. The Institute's IPS is reviewed annually. The investment managers 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 3-4% 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 year that saw strong stock market growth the fund has risen from £37.250m to £37.296m, despite withdrawing both the funds required for 2014 (£1.000m) and also those for

2015 (£1.000m). The decision to withdraw and bank the 2015 cash requirement was based both on the strong growth of the portfolio but also concerns about future market volatility and performance.

More details of the Institute's activities are set out in the Chairman's Report on pages 5 to 13.

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 provision payments, administrative expenditure and expenditure in furtherance of the Charity's objectives. The total return on investments for the year was realised/unrealised gains of £1.628m and investment income of £597,000.

The resources expended totalled £1.214m of which £973,000 were 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, due to the substantial increase in the value of the investment portfolio and good returns, the Trustees felt able to award four Prizes and to maintain their value at £200,000 each. The Summer Studentship scheme at a total cost of £50,000 can be reviewed each year with regard to both number and value.

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. As the current level of investments now just exceeds 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.

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 Summer Studentship scheme will also be maintained together with the opportunity for schools to receive talks from the Institute's Fellowship on science and biomedical subjects as part of an 'outreach' programme.

Statement of Trustee Responsibilities

The Trustees (who are also directors of The Lister Institute of Preventive Medicine for the purposes of company law) are responsible for preparing the Trustees' 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 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 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 judgments 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;
- 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.

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

By Order of the Governing Body

ALEX F MARKHAM
Chairman

MICHAEL FRENCH
Treasurer

17 June 2015

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 2014 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).

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

Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial state-

ments sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report and from preparing a Strategic Report.

Nicholas Brooks (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP,
Statutory Auditor

Devonshire House
60 Goswell Road
London EC1M 7AD

17 June 2015

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2014

	Notes	2014	2013
		£'000	£'000
Incoming resources			
Incoming resource from generated funds:			
Investment income	2	597	490
Other incoming resources	3	48	9
Total incoming resources		645	499
Resources expended			
Costs of generating funds:			
Investment management costs	4	(214)	(180)
Charitable Activities:			
Prizes & Summer Studentships	6	(973)	(964)
Governance costs	8	(27)	(25)
Total resources expended		(1,214)	(1,169)
Net expenditure		(569)	(670)
Gains on investment assets		1,628	3,972
Pension actuarial losses	13	(14)	(10)
Net movement in funds		1,045	3,292
Total funds brought forward		37,293	34,001
Total funds carried forward		38,338	37,293

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 26 to 30 form part of these financial statements.

BALANCE SHEET

as at 31 December 2014

Company no. 34479

	Notes	2014	2013
		£'000	£'000
Fixed assets			
Investments	9	37,296	37,250
Total fixed assets		37,296	37,250
Current assets			
Debtors	10	48	8
Cash at bank and in hand	11	1,441	650
Total current assets		1,489	658
Current liabilities			
Creditors: amounts falling due within one year	12	(263)	(429)
Net current assets		1,226	229
Total assets less current liabilities		38,522	37,479
Creditors: amounts falling due after more than one year			
Pension provision	13	(184)	(186)
Net assets		38,338	37,293
represented by			
Unrestricted funds		38,338	37,293
Total charity funds		38,338	37,293

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 17 June 2015.

ALEX F MARKHAM	Members of the
MICHAEL FRENCH	Governing Body

The notes set out on pages 26 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2014

1 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 Part 11, Chapter 3 of the Corporation Tax Act 2010. This exemption will remain as long as income is compatible with that section and expenditure is applied to charitable purposes only.

2 INVESTMENT INCOME

	2014	2013
	£'000	£'000
Income from fixed asset investments	594	489
Bank interest receivable	3	1
	597	490

3 OTHER INCOMING RESOURCES

	2014	2013
	£'000	£'000
Royalty income	48	9

Royalty income is earned from Cancer Research Technology as a result of Revenue sharing related to Mammalian Cell research studies.

4 COSTS OF GENERATING FUNDS

	2014	2013
	£'000	£'000
Partners Capital LLP	122	93
Cazenove Capital Management	92	87
Total investment management fees	214	180

Investment management fees referred to here are those accrued fees relating to the management of the Institute's investment portfolios in 2014.

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 (2013: nil). Travel expenses of £1,287 were paid relating to the claims of six members in connection with their attendance at meetings (2013: £1,366, seven 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. An honorarium of £1,500 (2013: £1,500) was paid to one of the members, via the member's University, in 2014.

Employee information

The average number of persons employed by the Institute during the year was three (2013: three), two of whom are part-time. All were employed in an administrative and support capacity. No employees earn over £60k p.a. (2013: nil).

Staff costs

	2014	2013
	£'000	£'000
Gross salaries	78	76
Pension contributions	3	3
Employer's national insurance	8	8
	89	87

The salary costs are allocated under governance where related to statutory accounts preparation, the balance being reported within charitable activities.

6 PRIZES & SUMMER STUDENTSHIPS

	2014	2013
	£'000	£'000
Prize awards	800	800
Prize award – unspent element refunded	0	(1)
Summer Studentship payments	50	42
Support costs (see Note 7)	45	47
Salaries (see Note 5)	78	76
	973	964

7 SUPPORT COSTS

	2014	2013
	£'000	£'000
Office expenses	9	8
Travel expenses	3	4
Professional fees	3	5
Honoraria and events	21	20
Pension costs (see Note 13)	9	10
	45	47

These costs are all considered to be costs to support resources expended on charitable activities.

8 GOVERNANCE COSTS

	2014	2013
	£'000	£'000
Auditors' remuneration	10	10
Staff costs (see Note 5)	11	11
Honoraria and events	6	4
	27	25

No non-audit services were provided by the auditors during the year (2013: none).

9 INVESTMENTS

Listed investments are valued at middle market quotations ruling at the year-end

	2014	2013
	£'000	£'000
Market value at beginning of year	37,250	33,965
Purchases during the year at cost	7,981	9,095
Proceeds of sales during the year	(9,360)	(8,579)
Reinvested income for the year	418	310
Movement in un-invested cash	1,379	(513)
Cash withdrawn	(2,000)	(1,000)
Net change in market value	1,628	3,972
Market value at year-end	37,296	37,250

The portfolio's asset allocation was as follows:

	2014	2013
	£'000	£'000
<i>UK investments</i>		
Equities	7,569	9,042
Fixed interest	2,482	2,397
Other (including private equity, property, commodities, alternatives and inflation-linked bonds)	3,862	3,328
Cash	512	586
Total UK investments	14,425	15,353
<i>Non-UK investments</i>		
Equities	15,461	14,281
Other (including private equity, property, commodities and alternatives)	6,538	7,182
Cash	872	434
Total non-UK investments	22,871	21,897
Total	37,296	37,250

At 31 December 2014 no single shareholding exceeded 5% of the total value of investments (2013: none).
Historical cost related to the closing position of 2014 was £27.6m (2013: £27.1m).

10 DEBTORS

	2014	2013
	£'000	£'000
Accrued income	48	8

11 CASH

	2014	2013
	£'000	£'000
Cash at bank	1,441	650

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£'000	£'000
Taxation and social security	3	3
Accruals and deferred expenditure	260	426
Total creditors falling due within one year	263	429

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.

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

	2014	2013
	£'000	£'000
Liability at beginning of period	186	191
Plus interest cost	9	10
Plus actuarial gains and losses	14	10
Benefits paid	(25)	(25)
Liability at end of period	184	186

The tables below state the FRS17 actuarial assumptions used to estimate the pension provision.

Principal actuarial assumptions

Valuation at 31 December 2014

	2014	2013
Rate of increase to pensions in payment	3.0%	3.0%
Rate used to discount scheme liabilities	5.0%	5.0%

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 (2013: none).

