



The **Academy** *of*
Medical Sciences

(A Charitable Company Limited by Guarantee)

Annual Report and Financial Statements

31 March 2006

Registered Charity No: 1070618
Registered Company No: 3520281

THE ACADEMY OF MEDICAL SCIENCES

THE ACADEMY OF MEDICAL SCIENCES

Annual Report and Financial Statements for the year ending 31 March 2006

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THE ACADEMY OF MEDICAL SCIENCES

Administrative Details

Name of Charity: The Academy of Medical Sciences

Registered Charity No: 1070618

Registered Company No: 3520281

**Principal Address:
(and Registered Office)** 10 Carlton House Terrace
London
SW1Y 5AH

Principal Bankers: Lloyds TSB Bank Plc
39 Threadneedle Street
London
EC2R 8AU

Auditors: Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Honorary Officers of the Academy of Medical Sciences:

President: Professor Sir Keith Peters FRS PMedSci

Emeritus Regius Professor of Physic in the School of Clinical Medicine, University of Cambridge

Vice-President: Sir John Skehel FRS FMedSci

Director, National Institute for Medical Research

Vice-President: Professor Sir Michael Rutter CBE FRS FBA FMedSci

Professor of Developmental Psychopathology, Institute of Psychiatry

Treasurer: Sir Colin Dollery FMedSci (Retired 17 November 2005)

Senior Consultant, GlaxoSmithKline Research and Development

Treasurer: Professor Ian Lauder FMedSci (Elected 17 November 2005)

Dean, Leicester Warwick Medical School

Registrar: Professor Patrick Vallance FMedSci

Head of the Division of Medicine, University College London

THE ACADEMY OF MEDICAL SCIENCES

Administrative Details

Ordinary Members of Council:

Professor Colin Bird CBE FRSE FMedSci	resigned 17 November 2005
Professor Dame Carol Black DBE FMedSci	resigned 17 November 2005
Professor Stephen Bloom FMedSci	
Professor Andrew Bradley FMedSci	
Professor Jonathan Cohen FMedSci	resigned 17 November 2005
Professor Sir Alan Craft FMedSci	
Professor Julia Goodfellow CBE FMedSci	resigned 17 November 2005
Professor George Griffin FMedSci	
Professor Christopher Haslett OBE FRSE FMedSci	
Professor Martin Humphries FMedSci	appointed 17 November 2005
Professor Susan Iversen CBE FMedSci	
Professor Eve Johnstone CBE FMedSci	
Professor Christopher Kennard FMedSci	
Professor Tom Kirkwood FMedSci	resigned 17 November 2005
Professor Robert Lechler FMedSci	appointed 17 November 2005
Professor Peter McGuffin FMedSci	appointed 17 November 2005
Professor Paul Morgan FMedSci	appointed 17 November 2005
Professor Stephen O'Rahilly FRS FMedSci	
Professor Linda Partridge CBE FRS FRSE FMedSci	appointed 17 November 2005
Professor Mark Pepys FRS FMedSci	
Professor Dame Nancy Rothwell DBE FRS FMedSci	resigned 17 November 2005
Professor Stephen Smith FMedSci	appointed 17 November 2005
Professor John Tooke FMedSci	
Professor Herman Waldmann FRS FMedSci	

Co-opted members of Council:

Professor John Bell FMedSci	
Professor David Delpy FRS FREng FMedSci	
Professor Barry Furr OBE FMedSci	
Professor Roger Jones FMedSci	resigned 17 November 2005
Professor Eric Thomas FMedSci	
Professor Graham Watt FMedSci	appointed 17 November 2005

The Officers are the Trustees of the charity and the directors of the company.

The Executive Director during the period of audit was Mrs Mary Manning.

THE ACADEMY OF MEDICAL SCIENCES

Report of the Council for the year ending 31 March 2006

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Academy of Medical Sciences is a registered charity and a company limited by guarantee. The company was incorporated on 2 March 1998. The Academy is governed by its Memorandum and Articles of Association. The Council members, who are the Trustees of the Academy, are directors under company law.

The Academy promotes advances in medical science and campaigns to ensure these are converted as quickly as possible into healthcare benefits for society. The current Fellowship of over 800 leading medical scientists from hospitals, academia, industry and the public service together make up an integrated, national resource, outside the framework of government, to advise on public policy issues in medical science and healthcare.

The Academy is run by a Council of 23 Fellows, elected from the body of the Fellowship. Council meets 5 times a year, in February, April, June, October and November. The five Honorary Officers - President, Vice-Presidents, Treasurer and Registrar - are elected by Council from nominations received from the Fellowship. Council may, from time to time, co-opt additional Fellows to provide balance or expert advice. New Council members are provided with information packs relating to their responsibilities as trustees of the charity and the Academy is currently considering further ways to enhance the induction of Council members.

Fellows elected to Council hold office for three years before retiring at the Annual General Meeting. The Honorary Officers retire by rotation, one of the five being required to retire each year. In November 2005 Sir Colin Dollery retired from his office of Treasurer having steered the Academy through a period of growth with much success. Professor Ian Lauder was welcomed as the new Treasurer at the AGM in November 2005.

The Honorary Officers and the Council set the strategic direction of the organisation and oversee the work of the small secretariat based in London. Academy activities and studies are selected by Council for the contribution they make to national debate and policy-making and are informed by the independent opinion, experience and expertise of the Fellowship. The Finance Committee, chaired by the Treasurer, oversees the financial management of the Academy. It meets three times a year and reports regularly to Council. Its responsibilities include that of audit committee and general purposes.

Risk Assessment

The Finance Committee advises Council and the Honorary Officers on the risks to which the Academy is exposed. It does this by regularly reviewing all elements of Academy business to ensure that potential risks are identified and processes implemented to mitigate those risks.

The Fellowship

Candidates are elected to the Fellowship each year, primarily for their outstanding contribution to the advancement of medical science, for their innovative application of existing scientific knowledge, or for their conspicuous service to medical science and healthcare through their leadership or administrative prowess.

The annual election is overseen by the Registrar. The call for nominations is issued in July, with a deadline for nominations at the end of September. No Fellow may nominate more than four candidates for election to the Academy in any one year. The nomination form must be signed personally by three Fellows of the Academy. All candidates are assessed by one of seven sectional committees. Fellows with relevant experience are asked to provide referees' reports. The sectional committees make recommendations to Council in April and newly elected Fellows are admitted to the Academy in a ceremony in June. 40 new Fellows were elected in April 2005.

Fellows hold leading positions in medical schools and universities, in laboratories, in the civil service, and within industry, particularly the pharmaceutical industry. The diversity of talent and experience amongst the Academy Fellowship ensures that the Academy is well placed to address complex issues in medical science and healthcare with authority. When combined with their personal networks of colleagues at home and abroad, the reach and influence of the Academy Fellowship is powerful and broad-based. Fellows and external advisers serve the Academy, without compensation, in a range of activities: as members of working groups, as speakers and participants at symposia, and as providers of evidence for Academy projects and consultation responses. A key event in September 2005 was the Fellows' meeting with the Chief Medical Officer to discuss the nation's preparations for pandemic 'flu, and the subsequent written evidence to the House of Lords Select Committee on the same topic.

THE ACADEMY OF MEDICAL SCIENCES

Report of the Council

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Fellowship (continued)

Fellows act as Academy representatives on external bodies: for example, the Board of the UK Clinical Research Collaboration, and the Advisory Board to the Department of Health's National Institute for Health Research. The Academy's President serves as Co-Chairman of the Prime Minister's Council for Science and Technology.

OBJECTIVES AND ACTIVITIES

The Academy is committed to improving the future of the nation's health through advances in biomedical research and health science. The overall aim of the Academy is to ensure that the UK retains its position as a world-class leader in biomedical research.

The Academy seeks:

- 1 to influence the development and implementation of national policy in matters of medical science and healthcare, and to ensure that public policy in biomedicine is robustly evidence-based;
- 2 to promote the translation of novel science and technologies from bench to bedside, drawing on the opportunities offered by the National Health Service;
- 3 to attract and develop the brightest individuals to careers in biomedical science in academe and in industry;
- 4 to build effective partnerships between medical scientists at the interface of academe and industry.

The Academy recognises that it cannot attempt to cover all the issues of the day but it can play a significant role as a catalyst, urging others to action, forming strategic partnerships and sharing expertise and experience where appropriate. Partners are drawn from higher education, learned societies, the research councils, medical research charities, industry, public bodies, legal profession, regulatory agencies, medical royal colleges and many others.

ACHIEVEMENTS FOR THE YEAR

Medical Science Policy

A core activity of the Academy is the production of independent and influential policy reports on medical science and healthcare in their wide scientific and societal context. The reports are highly respected and have had a profound effect on many different sectors of the medical community. These studies are usually undertaken by working groups of Academy Fellows, with support from external experts as appropriate, and typically last for 18 months, including stages of wide consultation, comprehensive analysis of the evidence and expert peer-review. They are well researched, deal proactively with current issues in society, and have provided a mechanism for opening up informed debate.

In the year under review, the Academy published 'Personal data for public good: using health information in medical research', the report of a working group chaired by Professor Robert Souhami, CBE FMedSci. An important feature of the report's development was an afternoon workshop attended by over 60 patients and patient representatives. This consultation with medical research 'users' will become a regular component in future policy studies.

From time to time the Academy may undertake specific commissions from Government when invited to do so, as long as these meet the Academy's corporate objectives and do not compromise its independence. 'Brain Science, addiction and drugs', was commissioned by the Department of Health in August 2005. Supported also by the Office of Science and Innovation with funds to cover a major exercise in public consultation, this new policy study will report in 2007. The Academy welcomes the opportunity to play a leading role in analysing the challenges and determining long-term policy in this controversial area.

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Report of the Council

ACHIEVEMENTS FOR THE YEAR

Medical Science Policy (continued)

Increasingly the solutions of the future will depend on a multi-disciplinary approach, with experts drawn from the biological, physical and engineering sciences, and the Academy has actively sought new partnerships and collaborations to enhance its work. An international symposium, with speakers drawn from the USA, Canada, Australia and Europe, was held in June to examine the socio-economic benefits of medical research. In July the Academy joined GlaxoSmithKline and the Wellcome Trust to host a one-day meeting on the topic 'Public Trust and Biomedical Research'. Work in progress during the year under review included studies on 'Systems Biology – opportunities in biomedicine and engineering', jointly with the Royal Academy of Engineering, and 'The use of non-human primates in biomedical research', jointly with the Royal Society, Medical Research Council and the Wellcome Trust.

The Academy responds to consultations from Government, Parliament and other organizations. Consultation responses in the period April 2005 - March 2006 included: a response to the House of Lords Science and Technology Select Committee inquiry into 'Pandemic Influenza'; to the Department of Health on 'Best Research for Best Health: a new national health research strategy'; to the HEFC consultation on the RAE 2008 draft panel criteria; and a response to the Department of Health Consultation on Regulations to be made under the Human Tissue Act 2004.

The Academy provides MPs and Peers with timely and relevant briefings, either around specific pieces of legislation or as part of more general Parliamentary debates. The Academy's 2005 work on the Mental Capacity and Human Tissue Bills showed the benefits of using Fellows to provide evidence in support of policy positions and of initiating strategic collaborations with other organisations where greater impact could be achieved. In these particular cases the partner organisations were the MRC, the Wellcome Trust, Cancer Research UK, Association of Medical Research Charities and Royal College of Physicians.

Industry FORUM

Working with industry is a core objective of the Academy. The FORUM, an initiative that brings together biomedical scientists from academe and industry, has over 25 active members including representatives from the major pharmaceutical and biotech companies. The role of the Forum is to provide a mechanism for debate around key issues at the industry-academe interface: to promote the value of industry as a place for employment or collaboration; to raise awareness of new technologies and developments, both nationally and internationally; and to provide expert analysis on the development and safety testing of new medicines, particularly around animal testing and clinical trials.

In November 2005, the Forum report on 'Safer Medicines' was launched and the implementation of the recommendations has continued to be a key focus of subsequent FORUM activity. A new series of medical science briefings was established with meetings in September and November on 'Progress and prospects for stem cell research' and 'Is stress real?' In March 2006 the annual Forum lecture was delivered by Dr Tim Rolph, Discovery Site Head, Pfizer UK, on the topic 'The Human genome, realising pharmaceutical opportunities'.

Education and Training

The future of academic medicine in the UK depends on the next generation of brilliant young researchers and clinicians who will be tomorrow's leaders in the field. To this end, two committees of Academy Fellows meet regularly to keep a watching brief over developments in training and career structures, focusing on clinical and non-clinical academic research. The progress of the UK Clinical Research Collaboration (UKCRC) and the NHS Modernising Medical Careers Agenda has been monitored in the year.

A Department of Health grant has enabled the Academy to develop a mentoring programme to assist Clinician Scientist Fellows with their personal and professional development. Mentoring is now widely acknowledged as a vital component of a successful research career and the Academy's expertise, and strong reputation, has attracted interest from other funding bodies. Throughout the year, the Academy worked closely with The Health Foundation to launch a new clinical scientist award scheme. Further expansion of the Department of Health mentoring scheme is planned.

THE ACADEMY OF MEDICAL SCIENCES

Report of the Council

ACHIEVEMENTS FOR THE YEAR

Education and Training (continued)

Work on the dedicated careers website continued throughout the year and, with help from an advisory group of young scientists from the clinic and laboratory, will continue to be refined and updated. Additional funding will be sought from the Department of Health and from charitable sources.

An important role for the Academy is to promote excellence in medical science and this is achieved through the annual programme of prestigious science lectures. In July, Sir Aaron Klug, FRS, HonFMedSci delivered the Raymond and Beverley Sackler Distinguished Lecture in the Medical Sciences in Manchester; in November, Professor Kim Nasmyth FRS delivered the 2005 Jean Shanks Lecture to Fellows and guests attending the Annual General Meeting; and also in November 2005 Sir Gustav Nossal AC FRS delivered the third in the series of lectures on international health: 'Global health advances in a troubled world: 2005 a turning point?'

Research Fellowships

A strong cadre of scientists and clinicians is critical to ensuring that the UK continues to engage in the highest quality research and teaching at national and international levels.

Grant making policy

The Academy's prestigious research and training fellowships are offered to clinical researchers of exceptional ability who have the potential to become leaders in their field. The fellowships are widely publicised and candidates are scrutinised by external referees. The final appointments are made by an expert panel of academic clinicians. All fellowships are portable. Grant holders are required to submit annual reports and these are sent out for review.

The Academy has continued to oversee and support the progress of the current cohort of Fellows funded by The Health Foundation, the Allgemeines Treuunternehmen Foundation and the Primary Immunodeficiency Association. In 2005, the non-clinical careers committee, chaired by Professor Keith Gull, FRS FMedSci, undertook a review of non-clinical research fellowships in the biomedical sciences (The Freedom to Succeed – published July 2005). The report has been well received from both the academic and funding communities. Significantly, it has already made an impact on the policies of major funders such as the Medical Research Council (MRC), who has responded to the report's recommendations by increasing the length of their Career Development Awards and helping fellows to build continuing research support by allowing them to apply for other MRC grants. In addition, there are indications that the report will feed into the analysis of fellowship schemes operated by other funders, such as the Royal Society, BBSRC and the Royal Society of Edinburgh. In order to review more thoroughly the impact of the report, consideration is being given to holding a meeting in the autumn of 2006.

The Academy Office

The staff are a valuable asset to the Academy and, though small in number, bring considerable talent and energy to its work. 2005/06 saw changes of several members of staff, but despite this, the ambitious work plan set out in the budget was very largely achieved. Staff numbers have now increased to a complement of 11 permanent staff in January 2006. The long-term vision for the Academy secretariat is that the team should remain relatively small with many of the core services outsourced to external providers. The Academy's current premises at 10 Carlton House Terrace are comfortable, prestigious and well located and the Academy is much indebted to the generous support of the British Academy, in whose building it resides. However, the space is becoming increasingly inadequate, with pressure on office accommodation, storage, and services (telephones, IT). These shortcomings will be addressed, though the timescale for achieving the ultimate goal of a dedicated Headquarters building for the Academy must inevitably be uncertain. As a first step towards this goal the Finance Committee established a Relocation Fund from the unrestricted reserves of the Academy and this fund had a balance of £625,000 at 31 March 2006.

THE ACADEMY OF MEDICAL SCIENCES

Report of the Council

PLANS FOR THE FUTURE

In preparation for the development of a new 5-year strategic plan, the Academy held two focus group meetings of Academy Fellows in 2005, in London and Edinburgh. Further contributions to the Plan were generated by Council at their 2-day meeting in Sussex in October 2005, and by the staff at their retreat in Windsor in January 2006. The Plan (to be published in June 2006) identifies several key areas for future development: for example, the importance of engaging the Fellowship more fully in the work of the Academy; and of improving communications strategically and effectively to increase the visibility of the Academy at home and abroad.

Two new goals were identified: the potential for the Academy to look beyond the UK and Europe, to contribute to the development of global health, and the need to engage with the public to build confidence and participation in the practice of medical research, and to address public concerns. Assent for research cannot be assumed since the public is generally unfamiliar with medical research and how it leads to innovation. Moreover, public uncertainty or unease often accompanies areas of 'new' scientific discovery or treatment, especially when these developments have been extensively debated in the media. The issues are complex and challenging, as has been clearly demonstrated by the Academy's most recent report 'Personal information for public good: using health information in medical research'.

The Academy has already built strong links throughout Europe thanks to its involvement in the work of the Federation of European Academies of Medicine. But the inclusion of global health in the strategic plan represents a significant re-focusing of Academy effort and recognition that the expertise of organisations such as the Academy of Medical Sciences should be put to work to alleviate the health burden of the developing world. There is much relevant expertise within the Academy Fellowship that could be mobilised. The Academy will work with external stakeholders to identify areas where Academy input could be of value. It will also build on existing international links – with the Institute of Medicine (IOM) in the USA, the Federation of European Academies of Medicine, and the InterAcademy Medical Panel – to develop a network of potential partners.

FINANCIAL REVIEW

2005/06 has been a challenging but successful year, with the further development of existing activities and the introduction of new projects. This is reflected in increases in both the income and expenditure for the year and a surplus on total funds of £546,000.

The Statement of Financial Activities at page 13 includes income and expenditure associated with the clinical research training fellowships and these are discussed below. However, in order to review the core activities of the Academy it is helpful to exclude these fellowship figures. Accordingly, income from core activities was £1,018,000 for the year and expenditure £693,000. These figures indicate that income has stayed broadly in line with the previous year but expenditure has increased by around 23% from £561,000 to £693,000.

This increase is due to Council's ambitious targets for the year, to develop activities and supplement resources in key areas. Medical science policy and education and training were both areas that showed significant increases in expenditure.

Expenditure on medical science policy increased from £143,000 to £263,000. Salary costs increased as two additional policy officers were taken on to support an extended portfolio of working groups and projects. Direct costs also increased, as two significant working groups completed their work and published reports. At the end of the year the policy group consisted of 4 full-time members of staff and a freelance senior advisor and had a full calendar of projects for 2006/07.

Another new post was created in the area of education & training with the recruitment of an Officer to undertake further development of mentoring activities. Expenditure increased to £97,000 from £76,000 in the previous year. The Academy also took on a new role of consultant under a contract with The Health Foundation, advising on the establishment and implementation of a new fellowship scheme. As a direct result of the increasing variety of Academy activities, VAT registration was applied for in February 2006.

Staff and overhead costs increased during the year, in line with the budget. Rent and service charge payments made up nearly 30% of the increase in overheads, with 56% resulting from office and IT costs as the Academy renewed its computer network arrangements.

THE ACADEMY OF MEDICAL SCIENCES

Report of the Council

FINANCIAL REVIEW (continued)

Clinical Research Training Fellowships

Funding from The Health Foundation for the 10 Clinical Research Training Fellowships makes up over 50% of the Academy's income, and grants paid out under the scheme amount to 60% of total expenditure, representing a significant part of the Academy's charitable activities.

In 2005/06 just over £1.3 million was received from the Health Foundation for fellowship funding compared to £800,000 in the previous year. This was due to increases in many of the salary costs under the scheme following the implementation of the new NHS consultant contracts that were introduced in 2003. The overall impact on the Health Foundation scheme will be a 20% increase in the cost of salary funding. The £1.3 million included an amount of £166,000 representing funding of backdated salaries and an increase in the current year's salaries of £190,000.

Reserves Policy

The Finance Committee regularly reviews the level of unrestricted reserves retained, with particular reference to 3-year income and expenditure forecasts, with the objective of safeguarding the Academy's activities against potential shortfalls in funding. The Finance Committee's review of the reserves policy in February 2006 confirmed that the retention of 6 months expenditure on core activities was still appropriate.

The Committee also confirmed that any unrestricted reserves, in excess of the target level, should continue to be transferred to the designated Relocation Fund. This fund was set up in 2005 in response to the continuing pressure on office space and facilities at 10 Carlton House Terrace and the requirement to pay a full market rent by April 2007.

In accordance with the reserves policy, £225,000 was transferred from the General Fund to the Relocation Fund, giving balances on unrestricted reserves at 31 March 2006 of £625,000 in the Relocation Fund and £428,783 in the General Fund. The level of free reserves (General Fund less the net book value of fixed assets) was £411,413. The Finance Committee will continue to monitor the policy, to ensure that the target level of free reserves continues to meet the requirements of the Academy.

At 31 March 2006 total reserves were £2.11 million with £856,000 in restricted reserves and £200,000 as permanent endowment. The balance of £1.05 million was held in unrestricted reserves, £429,000 in the General Fund and £625,000 in the Designated Relocation Fund.

Fundraising

The Academy gratefully acknowledges the generosity of the many trusts, foundations, and personal contributions it has received. The Academy is particularly indebted to the generous support from GlaxoSmithKline, the Welton Foundation, Cancer Research UK, the Foulkes Foundation, AstraZeneca, St John's College, Cambridge and the University Hospitals Association.

Appointment of Auditors

On 1 May 2006 Kingston Smith transferred their business to Kingston Smith LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Academy's consent has been given to treating the appointment of Kingston Smith as extending to Kingston Smith LLP under the provision of section 26(5) of the Companies Act 1989. Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

THE ACADEMY OF MEDICAL SCIENCES

Statement of Council's Responsibilities

Company law requires the Council, (who are the Trustees of the charity and directors of the company) to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charitable company at the end of the financial year and of the surplus or deficit of the charitable company for that period. In preparing those accounts, the Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Council are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the accounts 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.

The Council are also responsible for ensuring that the Report of the Council and other information included in the annual report is prepared in accordance with Company law in the United Kingdom.

Approved by the Council on 5 October 2006 and signed on its behalf by:



Professor Sir Keith Peters FRS PMedSci
President

THE ACADEMY OF MEDICAL SCIENCES

Independent Auditors' Report to the Members of the Academy of Medical Sciences

We have audited the financial statements of The Academy of Medical Sciences for the year ended 31 March 2006, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters that we are required to include in an auditor's report addressed to them. 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 Auditors

The trustees' (who are also the directors of the Academy of Medical Sciences for the purposes of company law) responsibilities 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) 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).

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 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' Annual Report, which incorporates the Directors' Report required by the Companies Act 1985, and report to you our opinion on whether it is consistent with the financial statements.

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 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 the United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2006 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the Trustees' Annual Report is consistent with the financial statements.



Devonshire House
60 Goswell Road
London EC1M 7AD

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Date: 11 October 2006

THE ACADEMY OF MEDICAL SCIENCES

Statement of Financial Activities for the year ending 31 March 2006

	Note	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Fund £	Total 2006 £	Total 2005 £
Incoming Resources						
<i>Incoming resources from charitable activities</i>						
Fellows' subscriptions		154,665	-	-	154,665	149,535
Academy activities		4,805	-	-	4,805	4,295
Education and training		-	62,250	-	62,250	30,000
Clinical research training fellowships	4	-	1,301,036	-	1,301,036	803,826
Medical science & industry (Forum)		66,075	-	-	66,075	79,949
<i>Incoming resources from generated funds</i>						
Donations		465,580	167,334	-	632,914	703,266
Bank interest		56,434	40,979	-	97,413	76,137
Total Incoming Resources		747,559	1,571,599	-	2,319,158	1,847,008
Resources Expended						
<i>Charitable activities</i>						
Academy activities		131,723	13,778	-	145,501	150,680
Education and training		29,838	67,275	-	97,113	76,325
Clinical research training fellowships	4	3,463	1,076,547	-	1,080,010	998,354
Medical science policy		122,924	139,660	-	262,584	142,742
Medical science & industry (Forum)		83,420	719	-	84,139	110,582
Costs of generating funds		10,325	68	-	10,393	10,747
Governance costs		93,018	479	-	93,497	69,956
Total Resources Expended	2	474,711	1,298,526	-	1,773,237	1,559,386
Net incoming resources for the year/Net income for the year	5	272,848	273,073	-	545,921	287,622
Funds brought forward 1 April 2005		780,935	582,966	200,000	1,563,901	1,276,279
Funds carried forward 31 March 2006		1,053,783	856,039	200,000	2,109,822	1,563,901

All amounts relate to continuing operations.

The charitable company has no gains or losses other than the result for the year.

All figures for 2005 have been re-stated in accordance with SORP 2005.

The notes on pages 15-22 form part of these financial statements.

THE ACADEMY OF MEDICAL SCIENCES

Balance Sheet as at 31 March 2006

	Note	2006 £	2005 £
Tangible Fixed Assets	6	17,370	20,709
Current Assets			
Debtors	7	128,148	25,873
Cash on deposit		2,485,918	1,776,396
Cash at bank and in hand		85,903	86,510
		2,699,969	1,888,779
Current Liabilities			
Creditors: amounts falling due within one year	8	(607,517)	(345,587)
Net Current Assets		2,092,452	1,543,192
Net Assets	10	2,109,822	1,563,901
Represented by:			
Permanent Endowment Fund		200,000	200,000
Restricted Funds		856,039	582,966
Unrestricted Funds:			
General Fund		428,783	380,935
Designated Fund		625,000	400,000
Total Funds	9	2,109,822	1,563,901

The accounts were approved by the Council on 5 October 2006 and signed on its behalf by:



President

Professor Sir Keith Peters FRS PMedSci



Treasurer

Professor Ian Lauder FMedSci

The notes on pages 15-22 form part of these financial statements.

THE ACADEMY OF MEDICAL SCIENCES

Notes to the Financial Statements for the year ending 31 March 2006

1 Accounting policies

The principal accounting policies applied in the preparation of the financial statements of the charitable company are described below.

a) Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention and comply with the Companies Act 1985. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities: Statement of recommended practice" published in March 2005, and applicable accounting standards. Where appropriate, comparative figures have been restated.

b) Incoming resources

All income is accounted for as soon as the Academy has entitlement to the income and there is certainty of receipt and the amount is quantifiable.

c) Resources expended

All expenditure is accounted for on an accruals basis and has been listed under headings that aggregate all the costs related to that activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with the use of the resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key areas of activity. Overheads and other salaries, described as **support costs**, are allocated between expense headings on the basis of the average amount of staff time spent on each activity, except where the terms of restricted funding specifies a particular overhead recovery.

Governance costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements. The costs of Council meetings and the Annual General Meeting, together with related Fellows' travel costs, are included.

Clinical Research Training Fellowships are charged in the year when the conditions for each award are fulfilled.

d) Tangible fixed assets

All capital expenditure greater than £500 is capitalised on the balance sheet. Depreciation is provided on a straight-line basis on all tangible fixed assets so as to write them off over their anticipated useful economic lives at the following annual rates:

Furniture and office equipment	10%
Computer equipment	25%

e) Funds

Unrestricted funds comprise a General Fund, held for the general objects of the Academy's work, and a Designated Fund that has been allocated by the Finance Committee to cover the costs of the eventual relocation from 10 Carlton House Terrace. Restricted income funds are funds used for specific purposes as laid down by the donor. Expenditure that meets these criteria is identified to the specific fund. Permanent endowment funds are restricted funds that the donor has stated are to be held as capital.

f) Tax status

The charitable company is a registered charity and is not subject to corporation tax on its current activities.

g) Pension policy

The Academy operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Academy in an independently administered scheme. The pension cost charge represents the amounts payable by the Academy amounting to £19,284 (2005: £11,126).

THE ACADEMY OF MEDICAL SCIENCES

Notes to the Financial Statements

2 Resources expended

a) Analysis of total resources expended

	Direct Costs £	Grant Funding £	Support Costs £	Total 2006 £	Total 2005 £
Charitable activities					
Academy activities	106,820	-	38,681	145,501	150,680
Education and training	68,270	-	28,843	97,113	76,325
Fellowships	7,534	1,041,637	30,839	1,080,010	998,354
Medical science policy	197,575	-	65,009	262,584	142,742
Medical science & industry	62,272	-	21,867	84,139	110,582
Costs of generating funds	8,310	-	2,083	10,393	10,747
Governance costs	78,919	-	14,578	93,497	69,956
Total resources expended	529,700	1,041,637	201,900	1,773,237	1,559,386

b) Analysis of support costs

	Cost of Premises £	Office & IT costs £	Staff & related costs £	Total 2006 £	Total 2005 £
Academy activities	12,732	12,241	13,708	38,681	29,884
Education and training	9,494	9,128	10,221	28,843	15,171
Fellowships	10,151	9,759	10,929	30,839	40,607
Medical science policy	21,398	20,573	23,038	65,009	38,696
Medical science & industry	7,198	6,920	7,749	21,867	22,651
Costs of generating funds	686	659	738	2,083	1,828
Governance costs	4,799	4,613	5,166	14,578	14,076
Total support costs	66,458	63,893	71,549	201,900	162,913

Support costs are allocated on the basis of average staff time except where the terms of restricted funding specify a particular overhead recovery.

c) Analysis of governance costs

	2006 £	2005 £
Legal & professional fees	989	1,906
Audit fees	7,000	6,462
Audit fees – previous year	485	875
Other services from auditors	-	456
Costs of AGM & Council meetings	9,630	9,494
Staff costs	45,146	36,688
Strategy planning	15,669	-
Allocated support costs	14,578	14,075
Total governance costs	93,497	69,956

THE ACADEMY OF MEDICAL SCIENCES

Notes to the Financial Statements

3 Trustee and employee information

a) Trustee information

None of the Council (trustees) received or waived emoluments in the current or preceding year. During the year 15 Council members (2005: 15) received reimbursed travel expenses of £8,667 (2005: £6,096).

b) Employee information

	2006	2005
	£	£
Salaries	269,718	228,549
Employer's national insurance	28,739	24,157
Employer's pension contributions	19,284	11,126
	<hr/>	<hr/>
	317,741	263,832
	<hr/> <hr/>	<hr/> <hr/>

There were 11 employees at the end of the year, with an average full-time equivalent (FTE) of 8 during the year (2005: 9, FTE 8).

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	2006	2005
	Number	Number
£60,001 - £70,000	1	1

Pension contributions paid by the Academy relating to higher paid employees as defined above amounted to £6,804 (2005: £6,150).

4 Clinical Research Training Fellowships

The Health Foundation (THF) has entered into agreements with the Academy of Medical Sciences to provide funding to support the award of 10 clinical academic fellowships in surgery, anaesthesia and radiology. THF will provide up to £4.4 million of funding, in annual instalments over 5 years, subject to the satisfactory progress of the projects and funding conditions that have to be met before the funds will be released to the Academy. The scheme will expire in 2008, with a possible extension of the Senior Surgical posts with further funding until 2012.

During the year £1,301,036 was received from The Health Foundation and the Academy expended £975,030 on research salaries and expenses to participating institutions as shown below.

A Fellowship was agreed in 2004 with the Primary Immunodeficiency Association (PiA) to fund the research expenses and part of the salary of a Clinician Scientist Fellowship in clinical immunology. The total of the grant over 5 years is £307,008 to be paid in annual instalments subject to a formal review process. Expenditure of £11,146 was paid during the year and the project has been deferred to Summer 2006 due to maternity leave. Consequently no contribution was received from PiA during the year.

In 2003 a sum of £176,646 was received from a Swiss Charitable Foundation, Allgemeines Treuunternehmen, to be used for funding research in the field of healthy nutrition. In May 2004 the Academy entered into a grant agreement with the University of Cambridge to fund salary and research expenses totalling £165,666 over 3 years for a project entitled "European Prospective Investigation of Cancer". Expenditure of £55,461 was incurred during the year as shown below.

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Notes to the Financial Statements

4 Clinical Research Training Fellowships (continued)

Fellowship	Grants to Individuals £	Area of research
The Health Foundation Fellowships	724,980 114,145 135,905	Surgery Anaesthesia Radiology
	975,030	
Primary Immunodeficiency Association Fellowship	11,146	Clinical Immunology
Other Fellowships	55,461	Nutrition
Total Grant Funding of Fellowships	1,041,637	

The income and expenditure received and paid under these Fellowships is shown as part of restricted income and expenditure and the balances retained appear in Note 9 to these financial statements.

Total resources expended on Fellowships are shown as £1,080,010 on the Statement of Financial Activities (page 13). This includes £1,041,637 of grant funding, £7,534 of salary costs of staff working directly on the Fellowships and £30,839 of support costs.

	£
Grants outstanding 1 April 2005	269,519
Grants falling due in year	1,041,637
Grants paid in year	(1,115,204)
	195,952

Grants outstanding at 31 March 2006 are shown as a creditor in Note 8.

5 Net Incoming Resources

	2006 £	2005 £
<i>This is stated after charging:</i>		
Depreciation	10,565	5,507
Auditors' remuneration	7,000	6,462

Under the terms of the Wellcome Trust grant given to The British Academy in 1996, The Academy of Medical Sciences was provided with accommodation at 10 Carlton House Terrace on a rent free basis for an initial period of 5 years. Under the terms of a new agreement between The British Academy and The Academy of Medical Sciences, there is a further 4-year transition period, with rental payments commencing from 1 January 2003, moving to full market rental from 1 January 2007. Rental payments of £31,234 were charged in the year.

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Notes to the Financial Statements

6 Tangible Fixed Assets

	Furniture & Office Equipment £	Computer Equipment £	Total £
Cost			
At 1 April 2005	78,117	8,903	87,020
Additions	1,230	10,256	11,486
Disposals	(21,599)	-	(21,599)
	<u>57,748</u>	<u>19,159</u>	<u>76,907</u>
At 31 March 2006	57,748	19,159	76,907
	<u>57,748</u>	<u>19,159</u>	<u>76,907</u>
Depreciation			
At 1 April 2005	63,067	3,244	66,311
Charge for the year	5,775	4,790	10,565
Disposals	(17,339)	-	(17,339)
	<u>51,503</u>	<u>8,034</u>	<u>59,537</u>
At 31 March 2006	51,503	8,034	59,537
	<u>51,503</u>	<u>8,034</u>	<u>59,537</u>
Net Book Value			
At 31 March 2006	6,245	11,125	17,370
	<u>6,245</u>	<u>11,125</u>	<u>17,370</u>
At 31 March 2005	15,050	5,659	20,709
	<u>15,050</u>	<u>5,659</u>	<u>20,709</u>

7 Debtors

	2006 £	2005 £
Trade debtors	87,500	1,925
Prepayments	32,214	21,733
Accrued income	7,529	2,087
Other debtors	905	128
	<u>128,148</u>	<u>25,873</u>
	128,148	25,873

8 Creditors

	2006 £	2005 £
Amounts falling due within one year:		
Grants payable	195,952	269,519
Trade creditors	342,989	60,055
Accruals and deferred income	57,220	16,013
VAT	11,356	-
	<u>607,517</u>	<u>345,587</u>
	607,517	345,587

Grants payable are transferred to trade creditors once invoice claims from host institutions have been received. Trade creditors include £244,696 from the University of Oxford relating to one Fellowship.

THE ACADEMY OF MEDICAL SCIENCES

Notes to the Financial Statements

9 Movement on Funds

	Balance 1 April 2005 £	Income £	Expenditure £	Transfers £	Balance 31 March 2006 £
Permanent Endowment					
Jean Shanks Memorial Fund	150,000	-	-	-	150,000
Sackler Fund	50,000	-	-	-	50,000
	200,000	-	-	-	200,000
Restricted Funds					
The Health Foundation:					
Fellowships	283,775	1,315,345	(989,338)	-	609,782
Administration	72,309	4,642	(13,513)	-	63,438
Consultancy	-	30,205	(30,205)	-	-
UHA Fund	47,751	3,157	(6,382)	-	44,526
DOH Mentoring Scheme	19,458	31,161	(34,953)	-	15,666
Project: Brain Science, Addiction & Drugs	-	70,000	(34,026)	-	35,974
Policy Studies	3,454	97,822	(97,288)	-	3,988
Fixed Asset Fund	5,015	-	(5,015)	-	-
Jean Shanks Memorial Fund:					
Interest on endowment	7,037	6,401	(10,583)	-	2,855
Sackler Fund:					
Interest on endowment	-	2,134	(2,134)	-	-
Allgemeines Treuunternehmen	128,468	7,603	(63,064)	-	73,007
PiA Fellowship	13,609	705	(11,851)	-	2,463
Foulkes Foundation	2,090	2,424	(174)	-	4,340
	582,966	1,571,599	(1,298,526)	-	856,039
Unrestricted Funds					
General Fund	380,935	747,559	(474,711)	(225,000)	428,783
Designated Relocation Fund	400,000	-	-	225,000	625,000
	780,935	747,559	(474,711)	-	1,053,783
Total Funds	1,563,901	2,319,158	(1,773,237)	-	2,109,822

THE ACADEMY OF MEDICAL SCIENCES

Notes to the Financial Statements

9 Movement on Funds (continued)

The Jean Shanks Memorial Fund: the sum of £150,000 is to be held in perpetuity to fund an annual Jean Shanks Memorial Lecture. Income arising from the investment of the donation is treated as a restricted fund.

The Sackler Fund: the sum of £50,000 was donated by The Raymond and Beverly Sackler Foundation to be held in perpetuity to fund an annual lecture. Income arising from the investment of the donation is treated as a restricted fund.

The Health Foundation (formerly The PPP Foundation)

Fellowships: The Health Foundation (THF) provides funding to cover salaries and research expenses for 10 clinical academic fellowships. THF send funding for each year in advance and this is held by the Academy to pay grant claims from host institutions, received on a quarterly basis. The balance of this fund represents the amounts still to be claimed from the current year's funding.

Administration: At the outset of the Fellowship Scheme, The Health Foundation provided funding to cover the Academy's administrative costs in running the scheme for a period of 11 years. The balance at 31 March 2006 represents amounts held to cover administrative costs to the end of the scheme.

Consultancy: The Health Foundation commissioned the Academy to act as consultants for a new fellowship scheme to be set up in 2005. The fee was fully utilised during the year.

The UHA Fund: represents the funds of the University Hospitals Association (England and Wales) following its removal from the Central Register of Charities. The Fund is restricted to use on projects that advance education, study, research and communication in University Hospitals, Medical and Dental Schools and Faculties of Medicine and Dentistry in England and Wales.

The DOH Mentoring Scheme: this is the balance still to be spent under Department of Health funding for the design and implementation of a mentoring scheme to support researchers in receipt of Clinician Scientist Awards.

Project – Brain Science, Addiction & Drugs: this represents funding received from the Office of Science and Innovation (OSI) – Foresight programme, to be used for the Academy's work on a joint DOH/OSI project on Brain Science, Addiction & Drugs to be completed in 2007.

The Policy Studies Fund: this arises from specific funding received by the Academy from time to time to support policy studies and working groups, and the salaries of policy staff.

The Fixed Asset Fund: arose from a restricted donation for the purchase of furniture, against which depreciation is charged. The furniture was fully depreciated in the year.

Allgemeines Treuunternehmen: this Swiss Charitable Foundation made a donation of CHF400,000 in 2003 to fund a project entitled "European Prospective Investigation of Cancer" that commenced in September 2004. The balance represents funding for the final year of the project together with a contribution towards administrative costs.

PiA Fellowship: this represents the balance remaining from the first year of grant funding from the Primary Immunodeficiency Association (PiA) to support a Clinician Scientist Fellowship in clinical immunology over 5 years.

Foulkes Foundation: this represents unexpended amounts from an annual donation to be used for bursaries to young researchers. The annual donation is £2,500 including £250 for administration costs.

Designated Fund: the Finance Committee has allocated a sum of £625,000 from the unrestricted reserves of the Academy to hold in readiness against costs relating to the eventual relocation of the Academy from 10 Carlton House Terrace.

THE ACADEMY OF MEDICAL SCIENCES

Notes to the Financial Statements

10 Analysis of Net Assets

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Fund £	Total £
Fixed assets	17,370	-	-	17,370
Cash on deposit, at bank and on hand	1,114,776	1,257,045	200,000	2,571,821
Other net current assets/(liabilities)	(78,363)	(401,006)	-	(479,369)
	1,053,783	856,039	200,000	2,109,822

11 Company Status and Membership

The company is a company limited by guarantee and does not have a share capital. In the event of the company being wound up, the liability of each member is limited to £10. At 31 March 2006 there were 809 members.

12 Related Party Transactions

During the year a donation of £31,880 was received from Cancer Research UK, a charity for which two members of Council, Professor Barry Furr OBE FMedSci and Sir John Skehel FRS FMedSci (to September 2005) acted as trustees.

Professor Sir Keith Peters FRS PMedSci is a trustee of The Health Foundation and £1,301,036 was received as Fellowship grants from this organisation during the year. A further amount of £30,000 was received from The Health Foundation under a contract for services.

Professor John Bell FMedSci was a member of the Council of the University of Oxford until September 2005. Grant payments amounting to £112,229 were expended in the year to the University under a Fellowship award.