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**INSTITUTE FOR ANIMAL HEALTH  
(LIMITED BY GUARANTEE)**

TRUSTEES' REPORT AND FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2009

Registered no 559784

Charity registered no 228824

# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2009**

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**Trustees:** The Biotechnology and Biological Sciences Research Council  
Mr T M T Key DL, MA, FRICS

**Director of the Institute:** Professor M W Shirley PhD, BSc, MIBiol, CBiol

**Secretary:** R S Shaw BA ACA

**Registered office:** Compton  
Newbury  
Berkshire  
RG20 7NN

**Auditor:** Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
Kingfisher House  
1 Gilders Way  
St James Place  
Norwich  
NR3 1UB

**Bankers:** HSBC Bank plc  
1 Mansion House Street  
Newbury  
Berkshire  
RG14 5ET

<b>Solicitors:</b>	Charles Russell LLP Buryfields House Bury Fields Guildford Surrey GU2 4AZ	Manches LLP 3 Worcester Street Oxford OX1 2PZ
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# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **REPORT OF THE TRUSTEES**

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<b>INDEX</b>	<b>PAGE</b>
Report of the trustees	1 - 5
Report of the independent auditor	6 - 7
Principal accounting policies	8 - 10
Statement of financial activities	11
Income and expenditure account	12
Statement of total recognised gains and losses	12
Balance sheet	13
Cash flow statement	14
Notes to the trustees' report and financial statements	15 - 29

# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **REPORT OF THE TRUSTEES**

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The Trustees have pleasure in submitting their annual report together with the financial statements for the year ended 31 March 2009.

### **Structure, Governance and Management**

#### ***Status of the Institute***

The Institute is a company limited by guarantee (registered number 559784) and a registered charity (number 228824). Members of the Institute shall be those persons from time to time appointed by the trustee directors.

#### ***The Trustee Board and its interests***

The members of the Trustee Board during the year were:

Professor K Gull CBE, FRS, FMedSci, PhD, BSc	(resigned 27 March 2009)
Sir John James Skehel FRS, FMedSci	(resigned 27 March 2009)
Mr T M T Key DL, MA, FRICS	
Mr W W Madders MBE, FRAGS	(resigned 27 March 2009)
Professor Q A McKellar BVMS, PhD, DVM DipECVPT CBiol, FIBiol, FRAGS, MRCVS, FRSE	(resigned 27 March 2009)
Professor H R P Miller BVMS, PhD, MRCVS, FRSE, FMedSci	(resigned 27 March 2009)
Professor D H Molyneux HonFRCP, DSc, PhD, MA	(resigned 27 March 2009)
Professor S Iversen CBE, FMedSci, MA, PhD, ScD	(resigned 27 March 2009)
Professor R B Freedman MA, DPhil	(appointed 1 February 2009, resigned 27 March 2009)
Mr P C Gemmill	(appointed 1 February 2009, resigned 27 March 2009)
Mr M J Samuel MA, ACMA	(appointed 1 February 2009, resigned 27 March 2009)
The Biotechnology and Biological Sciences Research Council	(appointed 27 March 2009)

The power to appoint Members of the Trustee Board was previously with the Secretary of State for Trade and Industry, the Department for Environment, Food and Rural Affairs (Defra) and the Secretary of State for Scotland, or bodies appointed by them. With the approval of those departments the power has been exercised de facto by the Biotechnology and Biological Sciences Research Council (BBSRC).

Trustee directors are appointed for a period of up to three years, when they are eligible for re-appointment.

The Trustee Board operates through the Institute's Memorandum and Articles and the Conditions of Grant agreement signed by the Institute and its sponsoring body, BBSRC.

BBSRC fulfills its role as Corporate Trustee through a team of individual representatives appointed by BBSRC Council.

#### ***Trustee induction and training***

The Institute continually reviews its practices for induction and Trustee training. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

#### ***Organisation of the Institute***

The Institute is organised into four strategic Science Programmes spanning two sites, supported by an Operations Division, headed by the Deputy Director (Operations), and several support service groups. Each Science Programme is managed by a Head of Programme who reports to the Deputy Director (Science) of the Institute. The Deputy Director (Science) and Deputy Director (Operations) both report to the Director of the Institute (the Director).

An Institute Executive Board of the Director, the two Deputy Directors and certain other key managers, meets monthly to review progress towards the Institute's objectives and to take corporate managerial and operational decisions within the annual strategy and objectives set by the Trustee Board and agreed with the BBSRC.

The Trustee Board and its committee structure work closely with the Director and senior management of the Institute and are responsible for corporate governance and for the Institute's scientific strategy and strategic plans.

# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **REPORT OF THE TRUSTEES**

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### ***Employee consultation***

The Institute recognises all appropriate Trade Unions representing staff employed at its laboratories. However, the Unions recognised for collective bargaining are Prospect (formerly known as IPMS) and PCS (Public and Commercial Services). An Institute Negotiating and Consultative Committee (INCC) is in place, with membership drawn equally from the management and Trade Union sides. This provides the necessary machinery for dealing with the consultation and negotiation of the terms and conditions of service agreed by the BBSRC Joint Negotiating and Consultative Committee (JNCC), which at a national level represents all staff within the Research Council and other JNCC organisations.

### ***Disabled persons***

The Institute has an established policy of encouraging the employment of disabled persons wherever this is practicable and makes reasonable adjustments to working conditions or to physical features of its premises without which disabled persons would be placed at a substantial disadvantage in comparison with people who are not disabled. The Institute specifically has detailed policies to ensure:

- full and fair consideration of applications
- equal access to progression within the Institute, training and career development.

### ***Policy and practice on payment of suppliers***

It is the Institute's policy and practice to settle undisputed sums due to suppliers within the suppliers' standard or specifically agreed credit terms. The average credit period taken during the year was 31 days (2008: 18 days).

### ***Risk management***

The Institute conducts its own review of the major risks to which it is exposed and systems have been established to mitigate those risks. These systems fall within an ISO 9001 certified quality system that not only assures the appropriate standards of the established procedures but also allows periodic review and where appropriate audit through the Institute's ISO 9001 compliant internal audit process and external audit by BSI, to ensure that they are being followed and are fit-for-purpose.

Following the appointment of a Risk Manager in April 2009, the Institute continues to improve and extend the current system of managing its risks through a risk register database, which allows risks to be managed more efficiently.

The Trustee Board's Finance and General Purpose Committee is responsible for reviewing the Institute's systems of internal control and financial and other monitoring systems; reviewing the external and internal audit programmes, considering the major findings of investigations and management's response; reviewing the Institute's statement on internal control systems prior to endorsement by the Trustee Board; and generally focusing on the management of risk and contingency plans for all business critical projects.

### ***Trustees' indemnity insurance***

The Institute maintains liability insurance for its Trustees, with an annual aggregate cover limit for all claims against them in that capacity. The Trustees have also been granted a qualifying third party provision under section 309 of the Companies Act 1985. Neither the Institute's indemnity nor insurance provides cover in the event that a Trustee is proved to have acted fraudulently or dishonestly.

# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **REPORT OF THE TRUSTEES**

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### **Objectives and activities**

#### ***Objective and Mission of the Institute***

The primary objective of the Institute is "to conduct and promote scientific research on infectious diseases of farm animals, including exotic diseases and to develop appropriate methods for their control; and on matters concerned with animal health and ancillary thereto, and to publish the results of such research".

The mission of the Institute, for the benefit of the public at large, is "to deliver high quality fundamental, strategic and applied science into infectious animal diseases that currently affect or threaten the UK and, from that knowledge, to advance veterinary and medical science, enhance the sustainability of livestock farming, improve animal welfare, safeguard the supply and safety of food, and protect public health and the environment".

#### ***Public interest activities of the Institute during the year***

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Institute's objectives and mission and planning its scientific activities for the year.

Research at the Institute is focused on understanding the intimate interactions between pathogens and their hosts, with a view to developing improved strategies to control, prevent or limit infections. Linked to this goal are practical advances in the rapid and accurate diagnosis of infections, differentiation between infected and vaccinated animals, improvement in current vaccines, development of new control methods, expansion of surveillance and Reference Laboratory capacities, and the further development and improvement of epidemiology and modelling capabilities. As such, the Institute occupies a unique niche within the United Kingdom for basic, strategic and applied research into infectious diseases of large animals and poultry with the ability to integrate cutting-edge laboratory studies, at the molecular and cellular level, with work in host species at the whole animal and population levels.

Research at the Institute is undertaken through four strategic Science Programmes that bring together shared interests in pathogens or themes. The four Science Programmes are in the areas of Livestock Infectious Disease, Avian Infectious Disease, Foot and Mouth Disease and Vector-Borne Disease.

In the year, the Institute received 34 awards valued at £11,048,000 for fundamental and strategic research from United Kingdom (BBSRC and Defra) and overseas (European Union, Food and Agriculture Organisation) funders.

Eight of the 34 awards involve collaborations with other UK research institutions, 3 with overseas laboratories and 2 with industrial partners. Thirteen of the 34 awards are annually renewable grants from Defra, EU and FAO for the support of the reference laboratories at the Institute's Pirbright laboratory with a total value of approximately £2,800,000.

### **Financial review**

The Statement of Financial Activities on page 11 and the Balance Sheet on page 13 have been prepared in accordance with the Statement of Recommended practice (SORP) 2005.

#### ***Results for the year***

Total incoming resources, before fund transfers, amounted to £47,602,000 (2008: £46,685,000). Investment in tangible fixed assets in the year totalled £12,333,000 (2008: £11,150,000). This was substantially funded by grants from BBSRC, Defra and other grant awarding bodies.

#### ***Review of key developments and activities of the Institute during the year***

In August 2007 there was an outbreak of Foot and Mouth Disease in Surrey, the source of which was traced, by an independent enquiry conducted by Professor Brian Spratt to the Pirbright site which the Institute shares with Merial Animal Health Limited. The enquiry concluded that the outbreak had been caused by leakage of contaminated waste water from the drainage system shared by the Institute and Merial.

In October 2008 proceedings were issued against the Institute, Merial Animal Health Limited and The Secretary of State for the Environment, Food and Rural Affairs on behalf of fourteen claimants who sought compensation for losses suffered as a result of the 2007 outbreak and which were not, it was alleged, covered by the statutory compensation scheme.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## REPORT OF THE TRUSTEES

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### Financial review (continued)

In February 2009, the Institute and Merial Animal Health Limited settled the claims of seven of the claimants. In March 2009 the remaining claims with respect to the October 2008 proceedings were struck out on grounds that they had no basis in law and no realistic prospect of succeeding at trial. This litigation is now at an end.

As a consequence of the various regulatory investigations carried out during late 2007 and early 2008, the Institute identified a major programme of infrastructure works that needs to be carried out over a three year period with respect to compliance and health & safety and business continuity. Good progress has been made during the year on this substantial 3 year programme of infrastructure works but many key buildings have, as a result of the required works, not been available to the users, resulting in some delays in several science projects.

Following the Follett Review in 2006, the relationship between the BBSRC and its Institutes in particular relating to Governance has been given detailed consideration and the Institute has worked closely with BBSRC since that time to determine and implement the most appropriate governance model, taking into account the delivery of its mission and legal and charity law aspects of the proposed changes. From 27 March 2009 the implementation of the results of that governance review began with the resignation of all governor members with the exception of Tim Key who remained a Trustee director, and Professor Keith Gull who remained as the sole member. BBSRC was appointed as a Corporate Trustee director of the Institute.

On 27 July 2009 it was announced by the Government that over £100m of investment would be made by the Department for Business, Innovation and Skills in the redevelopment of the UK's world leading animal disease research laboratories at the Institute's site at Pirbright. It is anticipated that this redevelopment of the Pirbright site will be completed by 2013.

### Reserves

Unrestricted general fund balances are allowed to accumulate only to such a level as is required to enable the Institute to respond to anticipated year on year variations in funding without exposing the Institute to undue financial risk. At 31 March 2009 unrestricted general funds showed a deficit of £5,210,000 (2008: £2,200,000).

### Financial Risk Management Objectives and Policies

In common with other businesses, the Institute aims to minimise financial risk. The measures used by the Trustees to minimise this risk include the preparation of profit and cash flow forecasts, regular monitoring of actual performance against these forecasts and ensuring that adequate financing facilities are in place to meet the requirements of the business. Costs are carefully monitored to ensure they remain within the constraints of the budget.

### Key performance indicators

The Institute continues to consider and determine the most appropriate Key Performance Indicators by which the development, performance or position of the various elements of its operations can be effectively measured.

The following are considered to be among the Key Performance Indicators:

	2009	2008
Grant and contract income (excludes restricted) (£'000)	23,506	25,471
Cost of scientific research (£'000)	33,736	32,637
Staff costs (£'000)	14,928	14,180
Number of staff (number)	356	379

### Subsidiary undertaking

The Institute's subsidiary undertaking, Avrico Limited, last traded in 2003 and is currently dormant. Avrico Limited was formed as part of the Institute's role in the 2001 UK Foot and Mouth outbreak and provided diagnostic and testing services to Defra.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## REPORT OF THE TRUSTEES

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### Plans for future periods

#### *Future activities*

In September 2009 the Institute announced changes to its science strategy and its intention to consolidate activities onto the Pirbright site by 2013. This major strategic initiative will result in a substantial programme of change over the next three years. Together with the Research Councils UK move towards a shared service centre for certain administrative activities, which the Institute is scheduled to join in late 2010, this will provide a challenging environment in the immediate future.

### Statement of responsibilities of the Trustee Board

The Trustees (who are also directors of The Institute for Animal Health for the purposes of company law) are responsible for preparing the Report of the Trustees 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 of the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on 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 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Trustees is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

In addition to its specific statutory responsibilities, the Trustee Board plays an important role in the corporate governance of the Institute. Working through the Director, it reviews and challenges strategic aspects of the Institute's sustainable capital investment programme, estate management strategy, human resource policies and information management systems.

### Auditor

A resolution for the re-appointment of Grant Thornton UK LLP as auditor of the Institute is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE TRUSTEE BOARD



R S Shaw  
Secretary

11 DECEMBER 2009





## **REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

We have audited the financial statements of Institute for Animal Health (Limited by Guarantee) for the year ended 31 March 2009 which comprise the principal accounting policies, the statement of financial activities, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and notes 1 to 29. These financial statements have been prepared under 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 so that we might state to the charitable 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 anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the trustees and auditor**

The Trustees' (who are also the directors of Institute for Animal Health for the purposes of company law) responsibilities for preparing the Report of the trustees 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 the trustee board 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 whether the information given in the Report of the trustees is consistent with the financial statements.

In addition, we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We read the Report of the trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because records in relation to research contracts at 31 March 2005 were based upon the scientists' estimate of work done in the absence of time and costs records. These balances form the opening balances for the year ended 31 March 2006, and therefore form part of the calculation of the income recognised from continuing research projects in the years ended 31 March 2006, 31 March 2007, 31 March 2008 and 31 March 2009. There were no other satisfactory audit procedures that could be adopted to confirm that the amounts recorded as at 31 March 2005, and hence the project income in relation to ongoing contracts that started before 31 March 2005 was properly recorded in the years ended 31 March 2009, 31 March 2008, 31 March 2007, 31 March 2006 and 31 March 2005.

In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.



Grant Thornton

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE) (CONTINUED)**

**Qualified opinion arising from limitation in audit scope**

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the amount of work done on research projects in previous periods, in our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to project balances:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

In our opinion the information given in the Report of the trustees is consistent with the financial statements.

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS

NORWICH

*21 December 2009.*

# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **PRINCIPAL ACCOUNTING POLICIES**

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The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Institute's financial statements.

### **BASIS OF ACCOUNTING**

The financial statements have been prepared under the historical cost convention, subject to the revaluation of investments and fixed assets which meet certain conditions. The financial statements meet with the requirements of the Companies Act 1985 and have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities 2005. The financial statements comply with applicable United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), so far as these requirements are appropriate. Significant departures from applicable United Kingdom Accounting Standards are disclosed below.

### **GROUP FINANCIAL STATEMENTS**

The Institute is exempt from the requirement to prepare consolidated financial statements by virtue of section 229(2) of the Companies Act 1985 as the result of its dormant subsidiary undertaking, Avrico Limited, is not material for the purposes of providing a true and fair view. Accordingly, these financial statements present information about the Institute as an individual entity and not its group.

The associated companies had £Nil net assets and £Nil operating results for the years ended 31 March 2009 and 31 March 2008 and have also been excluded from the consolidation on the grounds of these being immaterial to the Institute's financial statements.

### **GOING CONCERN**

The financial statements are prepared on a going concern basis. This is considered appropriate in the light of continuing financial support expected to be provided by BBSRC.

### **FIXED ASSETS**

Fixed assets with a cost of £3,000 or more are depreciated to their estimated residual values basis as set out below. Plant and machinery, fixtures and fittings with a cost of less than £3,000 are expensed in year of purchase.

Leasehold land	over the term of the lease on a straight line basis
Leasehold buildings	20 - 60 years on a straight line basis
Plant and machinery	5 years on a straight line basis
Fixtures, fittings, tools and equipment	5 years on a straight line basis

No depreciation is provided on assets in course of construction.

Fixed assets other than land and buildings are stated at cost. Only land and buildings in which the Institute has a substantive formal legal interest are periodically revalued with any revaluation surplus or deficit taken to the appropriate fund. Buildings occupied and maintained by the Institute in which the Institute has no formal legal interest or only a very restricted one are stated at cost.

Revaluations of buildings were carried out by Powis Hughes and Associates as follows:

Compton site - January 2006, Pirbright site - January 2006.

These valuations were carried out on the basis of depreciated replacement cost/value in use. External valuations are carried out every five years with interim informal valuations being carried out after three years.

# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **INCOMING RESOURCES**

Income comprises unencumbered grants received from research councils; contract income from collaborative, commissioned and competitively awarded research projects; sales of produce from research farm operations; income from miscellaneous charitable activities; commercial and residential rents from the letting of Institute controlled property; and interest earned on the temporary investment of surplus funds.

Income is recognised when the Institute becomes legally entitled to the income and the amount can be quantified with reasonable accuracy. All core BBSRC grants are recognised as revenue in the year they are received. Other grant income of a revenue nature is credited to income as the related research costs are incurred. Grant income received in advance of conditions being met is deferred until those conditions are fully satisfied.

### **UNRESTRICTED FUNDS**

Income received which is not designated by the provider to be applied for specific purposes to an extent which exceeds the constraints of the Institute's constitution is accounted for within unrestricted general funds.

### **RESTRICTED AND DESIGNATED FUNDS**

Income received by way of grants, sponsorship, donation or legacy which is designated by the provider as to be applied for specific purposes is accounted for within restricted funds. Awards applied within the terms dictated by the awarding authority on the acquisition or improvement of tangible fixed assets are also accounted for within restricted funds when the balance of such funds is reduced by the transfer of amounts to unrestricted funds equivalent to any depreciation or amortisation charges over the expected useful life of the asset. The current accounting treatment is not in accordance with Statement of Standard Accounting Practice 4 but the departure is made in order to give a true and fair view.

Unrestricted designated funds comprise sums set aside for specific purposes including the acquisition and improvement of tangible fixed assets, the presentation of scientific conferences, and contributions towards capital to be replaced using the fully economic costing policy adopted by the Institute. Funds applied in support of investment in tangible fixed assets are transferred to restricted funds.

### **TRANSFERS BETWEEN FUNDS**

A transfer is made between the restricted fund and the general reserve to offset the reduction in value of the restricted fund caused by depreciation and other factors affecting the assets represented by the fund.

### **RESOURCES EXPENDED**

Costs of charitable activities comprises costs incurred directly or in support of scientific research whether carried out in the Institute's own facilities or in other laboratories.

Costs of generating funds represents the costs associated with trading and raising income including the Institute's rental activities and tenant services and investments.

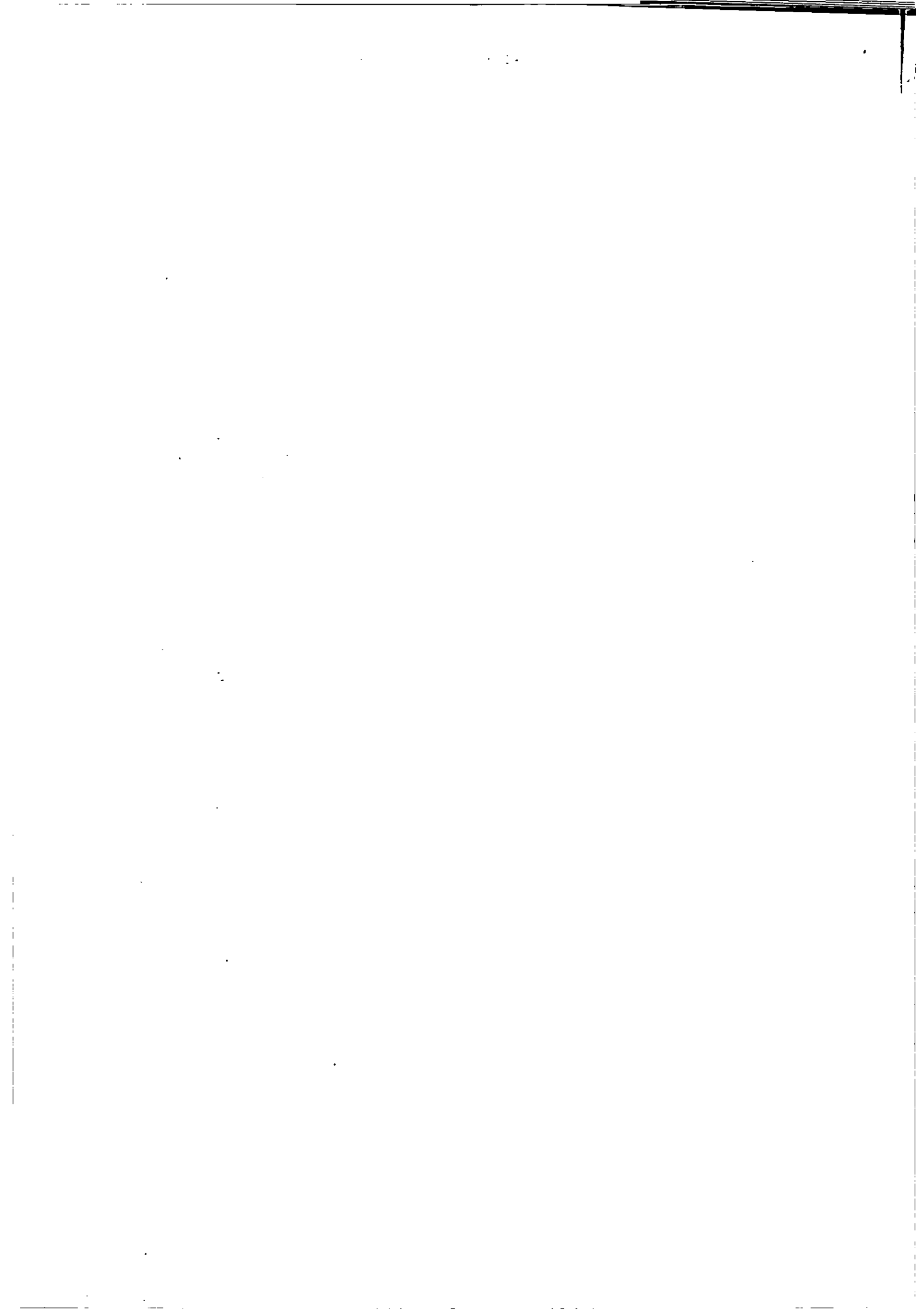
Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Institute and include the audit fees, legal advice for trustees, annual report costs and costs linked to the strategic management of the Institute.

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly. Support costs, representing the staffing and associated costs of finance, personnel and general administration in supporting the operations of the Institute, are apportioned on an appropriate basis.

### **STOCK**

Trading stocks are valued at the lower of cost and net realisable value.

Research stocks are carried forward as stock as required by Statement of Standard Accounting Practice 9.



# **INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **LEASED ASSETS**

Rentals payable under operating leases are charged to the income and expenditure account evenly over the lease term.

Assets acquired under finance leases are capitalised as tangible fixed assets and depreciated over their useful lives. Finance charges and interest are taken to the income and expenditure account in proportion to the remaining balance of capital repayments or net obligations outstanding.

### **FOREIGN CURRENCY TRANSLATION**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

### **RESERVES**

Unrestricted general fund balances are allowed to accumulate only to such a level as is required to enable the Institute to respond to anticipated year-on-year variations in funding without exposing the Institute to undue financial risk. The target for such balances has accordingly been set at 2.5% of recurrent annual income and a ceiling has been set at 10% of recurrent annual income.

### **INVESTMENTS**

The policy of the Institute is to write down investments where a permanent diminution in value is deemed to have occurred. In this instance, the amount will be written off against the income and expenditure account.

### **PENSION COSTS**

The cost of providing pension and related benefits is charged to the statement of financial activities as directed by the BBSRC. The scheme is a defined benefit scheme as explained in note 10 but there are no separately identifiable assets and the actuarial cost to the Institute is not known. Consequently it is not possible to supply the information referred to in Financial Reporting Standard 17 and the Institute has accounted for the scheme as though it were a money purchase scheme.

### **FINANCIAL INSTRUMENTS**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

### **Trade and other debtors**

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

### **Cash and cash equivalents**

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2009

	Note	Unrestricted General funds £'000	Designated funds £'000	Restricted funds £'000	2009 Total Funds £'000	2008 Total Funds £'000
<b>Incoming resources</b>						
<i>Incoming resources from generated funds</i>	1					
<i>Activities for generating funds</i>						
Rental income and tenant services		337	-	-	337	319
Investment income		227	-	1	228	251
<i>Incoming resources from charitable activities</i>	2					
Grants and contracts		21,384	2,122	18,596	42,102	41,288
Research farm operation		1,541	-	-	1,541	1,194
Rental income and tenant services - science		1,961	-	-	1,961	1,977
Staff restaurant and nursery		178	-	-	178	182
Other charitable income	3	1,094	-	161	1,255	1,474
<b>Total incoming resources</b>		<b>26,722</b>	<b>2,122</b>	<b>18,758</b>	<b>47,602</b>	<b>46,685</b>
<b>Resources expended</b>						
<i>Costs of generating funds</i>	4					
Fundraising trading: costs of goods sold and other costs		676	-	176	852	755
Investment management costs		20	-	-	20	16
<i>Charitable activities</i>	4					
Grants and contracts for scientific research		24,334	-	9,402	33,736	32,637
Research farm operation		2,260	-	491	2,751	1,948
Other charitable activities		1,862	-	883	2,745	2,325
<i>Governance costs</i>	6	441	-	-	441	541
<b>Total resources expended</b>		<b>29,593</b>	<b>-</b>	<b>10,952</b>	<b>40,545</b>	<b>38,222</b>
<b>Net (outgoing)/incoming resources before revaluation of fixed assets and transfers</b>		<b>(2,871)</b>	<b>2,122</b>	<b>7,806</b>	<b>7,057</b>	<b>8,463</b>
Loss on revaluation of fixed asset investments for charity's own use	13	(33)	-	-	(33)	(19)
Transfers	25	(106)	-	106	-	-
<b>Net movement in funds</b>		<b>(3,010)</b>	<b>2,122</b>	<b>7,912</b>	<b>7,024</b>	<b>8,444</b>
Balances brought forward		(2,200)	4,044	122,795	124,639	116,195
<b>Balances carried forward</b>		<b>(5,210)</b>	<b>6,166</b>	<b>130,707</b>	<b>131,663</b>	<b>124,639</b>

The accompanying accounting policies and notes form an integral part of these financial statements.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Income</b>			
Gross income		27,106	28,926
Other operating income		1,738	1,784
Capital grant release		10,952	8,658
		<u>39,796</u>	<u>39,368</u>
<b>Less: Expenditure</b>			
Staff costs	10	(14,928)	(14,180)
Other expenditure		(25,617)	(24,042)
		<u>(40,545)</u>	<u>(38,222)</u>
<b>Net (deficit)/income for the financial year</b>		<u>(749)</u>	<u>1,146</u>
<b>Note of historical cost surplus</b>			
Reported (deficit)/surplus for the year		(749)	1,146
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	12	2,139	2,203
<b>Historical cost surplus for the year</b>		<u>1,390</u>	<u>3,349</u>

A detailed analysis of income and expenditure by source is included in the Statement of Financial Activities.

The above results relate to continuing activities.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Net (deficit)/income for the financial year		(749)	1,146
Unrealised loss on investments	13	(33)	(19)
<b>Total recognised gains and losses for year</b>		<u>(782)</u>	<u>1,127</u>



# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

BALANCE SHEET AT 31 MARCH 2009

Registered number 559784

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible fixed assets	12	128,527	121,100
Investments	13	52	85
		<u>128,579</u>	<u>121,185</u>
<b>Current assets</b>			
Stocks	14	1,190	1,217
Debtors	15	5,735	6,317
Cash at bank and in hand	16	7,831	6,197
		<u>14,756</u>	<u>13,731</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(10,594)</u>	<u>(8,741)</u>
<b>Net current assets</b>		<u>4,162</u>	<u>4,990</u>
<b>Total assets less current liabilities</b>		<u>132,741</u>	<u>126,175</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(336)	(636)
<b>Provision for liabilities</b>		(742)	(900)
<b>Net assets</b>		<u>131,663</u>	<u>124,639</u>
<b>Financed by</b>			
<i>Unrestricted</i>			
General funds	19	(5,210)	(2,200)
Designated funds	19	6,166	4,044
<i>Restricted</i>			
General funds	19	92,011	82,017
Revaluation reserve	19	38,505	40,644
Other restricted reserve	19	191	134
<b>Total funds</b>	19	<u>131,663</u>	<u>124,639</u>

These financial statements were approved by the board of Governing Council and authorised for issue on 11 December 2009

Professor J Brownlie

For and on behalf of the Biotechnology and Biological Sciences Research Council

Mr T M T Key

Trustee

The accompanying accounting policies and notes form an integral part of these financial statements.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009	2008
		£'000	£'000
Net cash outflow from operating activities	22	(4,383)	(2,655)
<b>Return on investments and servicing of finance</b>			
Interest received		228	251
Net cash inflow for returns on investment and servicing of finance		228	251
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(12,632)	(11,150)
Proceeds from sale of tangible fixed assets		25	57
Net cash outflow for capital expenditure		(12,607)	(11,093)
Net cash outflow before financing		(16,762)	(13,497)
<b>Financing</b>			
Capital grants		18,396	15,817
Net cash inflow from financing		18,396	15,817
Increase in cash in the year	23,24	1,634	2,320

The accompanying accounting policies and notes form an integral part of these financial statements.

**INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)****NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2009

**1 INCOMING RESOURCES FROM GENERATED FUNDS**

	2009 £'000	2008 £'000
Rental income and services to tenants	337	319
Investment income - bank interest received (note 11)	228	251
	<u>565</u>	<u>570</u>

**2 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES**

	2009 £'000	2008 £'000
<b>Grant income</b>		
Recurrent grant from UK research councils	10,269	10,190
Contract income	35,998	34,562
	<u>46,267</u>	<u>44,752</u>
Less: Deferred income (note 17)	(4,165)	(3,464)
	<u>42,102</u>	<u>41,288</u>
Research farm operation	1,541	1,194
Rental income and tenant services - science	1,961	1,977
Staff restaurant and nursery	178	182
Other charitable income (note 3)	1,255	1,474
	<u>47,037</u>	<u>46,115</u>

The analysis by region is set out below:

	2009 £'000	2008 £'000
United Kingdom	45,081	44,171
Europe: EEC Commission	1,125	1,091
Other	350	106
North America	173	111
Others	308	636
	<u>47,037</u>	<u>46,115</u>

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### INCOMING RESOURCES FROM CHARITABLE ACTIVITIES (CONTINUED)

#### Analysis of grant income

	Unrestricted £'000	Restricted £'000	2009 Total £'000	2008 Total £'000
<b>BBSRC</b>				
- Core Strategic Grant	10,269	-	10,269	10,190
- Competitive Project Grant	4,265	81	4,346	4,685
- Compliance works	-	5,899	5,899	3,585
- Other grants	184	12,545	12,729	12,377
<b>Total BBSRC</b>	<b>14,718</b>	<b>18,525</b>	<b>33,243</b>	<b>30,837</b>
Defra "Umbrella" contract commission projects	4,042	19	4,061	3,996
Defra competitive projects	74	-	74	135
Defra Surveillance	2,077	-	2,077	2,912
Other government departments, public sector (see below)	512	2	514	1,164
European Union	1,014	50	1,064	1,091
Industry, levy boards	416	-	416	228
Trusts, foundations, charities	104	-	104	244
Universities	323	-	323	349
Other grant income	226	-	226	332
<b>Total incoming resources - grants and contracts</b>	<b>23,506</b>	<b>18,596</b>	<b>42,102</b>	<b>41,288</b>
<b>Other government departments, public sector</b>				
Department of Health	-	-	-	13
Veterinary Laboratories Agency	385	2	387	876
Medical Research Council	-	-	-	9
Other	127	-	127	266
	<b>512</b>	<b>2</b>	<b>514</b>	<b>1,164</b>
<b>Other operating income</b>			<b>2009 £'000</b>	<b>2008 £'000</b>
Rents receivable			1,510	1,533
Interest receivable			228	251
			<b>1,738</b>	<b>1,784</b>

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 3 OTHER CHARITABLE INCOME

	Unrestricted £'000	Restricted £'000	Total 2009 £'000	Total 2008 £'000
<b>Ancillary trades and activities</b>				
Royalties	173	-	173	371
Diagnostic kits	360	-	360	498
Consultancy	285	-	285	286
Other	276	161	437	319
	<u>1,094</u>	<u>161</u>	<u>1,255</u>	<u>1,474</u>

### 4 ANALYSIS OF RESOURCES EXPENDED

	Staff costs £'000	Other direct costs £'000	Allocated support costs £'000	Total 2009 £'000	Total 2008 £'000
<b>Unrestricted funds</b>					
<i>Costs of generating funds</i>					
Rental income and tenant services	-	393	283	676	587
Investment management costs	-	15	5	20	16
<i>Charitable expenditure</i>					
Grants and contracts for scientific research	10,364	4,127	9,843	24,334	25,247
Research farm operation	412	1,585	263	2,260	1,571
Rental income and tenant services - science	207	107	799	1,113	1,014
Staff restaurant and nursery	-	578	125	703	551
Other charitable activities	-	-	46	46	37
<i>Governance costs</i>	111	133	197	441	541
<b>Total unrestricted resources expended</b>	<u>11,094</u>	<u>6,938</u>	<u>11,561</u>	<u>29,593</u>	<u>29,564</u>
<b>Restricted funds</b>					
<i>Charitable expenditure</i>	13	160	10,779	10,952	8,658
<b>Total restricted resources expended</b>	<u>13</u>	<u>160</u>	<u>10,779</u>	<u>10,952</u>	<u>8,658</u>
<b>Total resources expended</b>	<u>11,107</u>	<u>7,098</u>	<u>22,340</u>	<u>40,545</u>	<u>38,222</u>
<i>Total resources expended - 2008</i>	<u>10,779</u>	<u>8,835</u>	<u>18,608</u>	<u>38,222</u>	

Included in allocated support costs are normal staff costs of £3,821,100 (2008: £3,401,000).

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 5 ANALYSIS OF SUPPORT COSTS

	Housing rental income and tenant services £'000	Investment management £'000	Grants for scientific research £'000	Research farm operation £'000	Science rental income and tenant services £'000	Staff restaurant and nursery £'000	Other charitable £'000	Governance £'000	Total 2009 £'000	Total 2008 £'000	Basis of allocation
<b>Unrestricted</b>											
Premises	146	-	6,282	73	729	55	-	-	7,285	6,785	% of floor area
Financial costs	15	5	339	41	27	15	15	62	519	478	time spent
Management	56	-	1,355	56	23	26	15	67	1,598	545	time spent
Human resources	58	-	423	23	-	18	-	58	580	500	time spent
Information technology	6	-	1,292	56	14	7	14	-	1,389	1,566	time spent
Purchasing and procurement	2	-	152	14	6	4	2	10	190	197	time spent
	283	5	9,843	263	799	125	46	197	11,561	10,071	
<b>Restricted</b>											
Depreciation	146	-	4,124	196	390	24	-	-	4,880	5,002	
Repairs / compliance	30	-	5,278	295	296	-	-	-	5,899	3,535	
	176	-	9,402	491	686	24	-	-	10,779	8,537	
	459	5	19,245	754	1,485	149	46	197	22,340	18,608	

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 6 ANALYSIS OF GOVERNANCE COSTS

	2009 £'000	2008 £'000
Legal and professional	75	206
External audit fees	47	45
Other services provided by external auditor - VAT advisory	4	24
Company secretarial costs	111	102
Trustee expenses	5	8
Governance meetings	2	2
Shared services project	-	14
Apportionment of staff and support (shared services project £116,000)	197	140
	<u>441</u>	<u>541</u>

### 7 OPERATING COSTS

	2009 £'000	2008 £'000
<b>Operating costs stated after charging</b>		
Auditor's remuneration		
- audit services	47	45
- non-audit services	4	24
Depreciation	4,822	4,995
Loss on disposal of fixed assets	58	7
Hire of plant and machinery	6	7
Rental of land and buildings	242	234
	<u>4,822</u>	<u>4,995</u>

Operating costs are stated net of laboratory supplies carried forward in stock amounting to £202,000 (2008: £135,000).

### 8 CHANGES IN RESOURCES AVAILABLE FOR CHARITY USE

	Unrestricted funds £'000	Designated funds £'000	Restricted funds £'000	2009 Total £'000	2008 Total £'000
Net movement in funds for the year	(3,010)	2,122	7,912	7,024	8,444
Net increase in tangible fixed assets for direct charitable purposes	(4,318)	-	(3,076)	(7,394)	(6,091)
	<u>(7,328)</u>	<u>2,122</u>	<u>4,836</u>	<u>(370)</u>	<u>2,353</u>

### 9 REMUNERATION OF THE MEMBERS OF THE GOVERNING COUNCIL

None (2008: none) of the members of the Governing Council received any remuneration from the Institute during the year. Eight (2008: Five) members of the Governing Council were reimbursed £4,522 (2008: £7,513) for travel expenses incurred during the year.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 10 STAFF NUMBERS AND COSTS

The average number of persons employed by the Institute (including members of the Governing Council) during the year, analysed by category, was as follows:

	Number of employees 2009	2008
Office, management and estate support	75	76
Research farm	11	10
Scientific	270	293
	<u>356</u>	<u>379</u>

The aggregate payroll costs of these persons were as follows:

	2009 £'000	2008 £'000
Wages and salaries - normal	11,895	11,317
Social security costs	822	780
Other pension costs	2,211	2,083
	<u>14,928</u>	<u>14,180</u>

Employees of the council are members of the Research Councils' Pension Schemes, which are funded on a pay-as-you-go basis principally through employer and employee contributions and annual grant-in-aid. The pension schemes are by analogy to the Principal Civil Service Pension Scheme (PCSPS), except that while the schemes that are defined benefit schemes and provide retirement and related benefits on final emoluments, redundancy and injury benefits are administered and funded by the council. The pension schemes are administered by the Research Councils' Joint Superannuation Services and the schemes' finances are administered by the BBSRC. A separate Research Councils' Pension Schemes Account was published for the year ended 31 March 2009 and contains the further disclosure of information under the relevant accounting standard.

The council pays employers' contributions, at a percentage of scheme members' pensionable pay and emoluments assessed by the Government Actuary's Department on a periodical basis. The rate from 1 April 2005 was 21.3%, which was established following GAD's most recent assessment. The pension costs represent contributions payable by the Institute to the scheme and amount to £2,211,000 (2008: £2,083,000).

The number of staff with emoluments greater than £60,000 was:

	2009 Number	2008 Number
£60,000 - £69,999	8	5
£70,000 - £79,999	4	4
£80,000 - £89,999	1	1
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
	<u></u>	<u></u>

The number of staff earning over £60,000 for whom retirement benefits are accruing under defined benefit schemes amounted to fourteen (2008: eleven) and the amounts paid in the year were £200,866 (2008: £150,366).



# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 11 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Bank interest receivable	228	251

### 12 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Payments on account and assets in course of construction £'000	Total £'000
<b>Group and charity</b>					
Cost/revaluation					
At 1 April 2008	96,590	12,860	1,260	30,215	140,925
Additions	1	500	23	11,809	12,333
Disposals historic	(341)	(40)	-	-	(381)
At 31 March 2009	96,250	13,320	1,283	42,024	152,877
Depreciation					
At 1 April 2008	7,893	10,672	1,260	-	19,825
Charge for year historic	1,811	849	23	-	2,683
Charge for year revaluation	2,139	-	-	-	2,139
Disposals historic	(279)	(18)	-	-	(297)
At 31 March 2009	11,564	11,503	1,283	-	24,350
Net book value at 31 March 2009	84,686	1,817	-	42,024	128,527
Net book value at 31 March 2008	88,697	2,188	-	30,215	121,100

Buildings revaluations (2006 and 2001) comprise:

	£'000
Compton (2006)	50,305
Pirbright (2006)	38,719
Revalued amount	89,024

**INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)****NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2009

**TANGIBLE FIXED ASSETS (CONTINUED)**

The net book value of land and buildings comprises:

	2009 £'000	2008 £'000
Short leasehold land	15,516	16,333
Short leasehold buildings (subject to formal lease)	69,170	72,364
	<u>84,686</u>	<u>88,697</u>

Details of leased assets included within fixed assets are:

**Plant and machinery**

Cost brought forward at 1 April 2008	110	231
Disposals	(2)	(121)
Accumulated depreciation brought forward	(110)	(231)
Depreciation on disposals	2	121

Net book value at 31 March 2009

-	-
---	---

Net obligations under finance lease contracts are secured on the assets acquired.

	2009 £'000	2008 £'000
Net book value of fixed assets used for direct charitable purposes	<u>128,527</u>	<u>121,100</u>

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 13 INVESTMENTS

	2009 £'000	2008 £'000
<b>UK listed investments held as fixed assets</b>		
Market value at 1 April 2008	85	104
Unrealised loss	(33)	(19)
	<hr/>	<hr/>
Market value at 31 March 2009	52	85
	<hr/>	<hr/>
Represented by:		
Dairy Farmers of Britain	-	2
Genus plc	21	28
Dairy crest	31	55
	<hr/>	<hr/>
Total	52	85
	<hr/>	<hr/>

#### Investment in subsidiary undertaking

Avrico Limited, which is incorporated in England and Wales, previously undertook Foot and Mouth disease testing on behalf of the Institute and was dormant during the current and previous year. The Institute owns the entire share capital of 100 ordinary shares of £1 each.

The assets and liabilities of the subsidiary were:

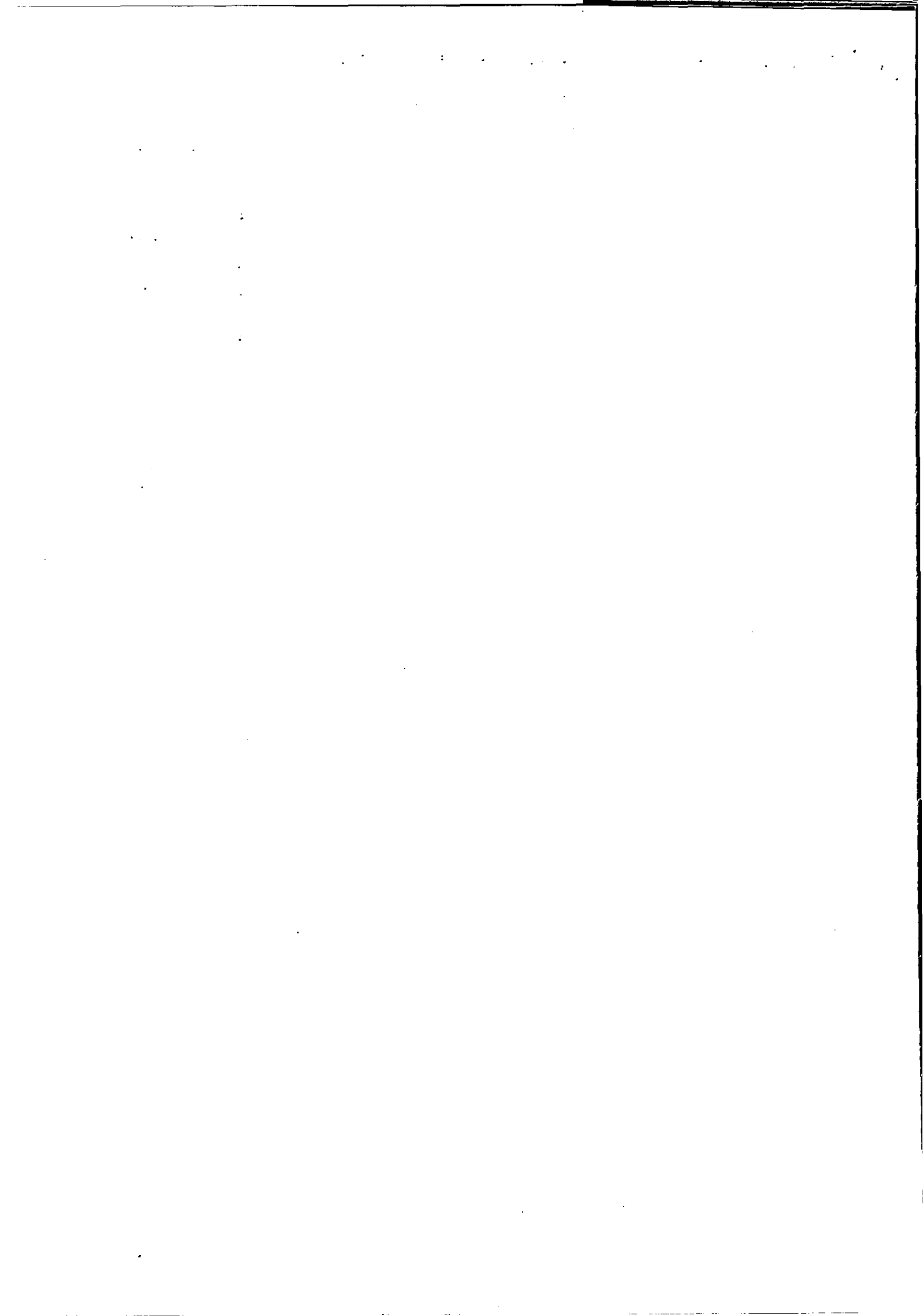
	2009 £'000	2008 £'000
Current assets	-	-
Creditors: amounts falling due within one year	(8)	(8)
	<hr/>	<hr/>
Net liabilities	(8)	(8)
	<hr/>	<hr/>
Aggregate share capital and reserves	(8)	(8)
	<hr/>	<hr/>

The Institute has provided for the deficit shown by the subsidiary undertaking by writing off the amount owed to it by Avrico Limited.

#### Investment in associated undertakings

Genecom Limited was incorporated in July 2004 as a company limited by guarantee. The company was established by way of grants from the Department of Innovation, Universities and Skills and the European Regional Development Fund and is a new business development vehicle. The primary aim of the company is to build capacity to develop more effective commercial exploitation platforms for the members technologies, share experience and expertise. The Institute has equal membership in this company with Roslin Institute and the Moredun Research Institute. The company's turnover for the year ended 31 March 2009 was £575,000 (2008: £418,000) and its net assets as at 31 March 2009 were £35,917 (2008: £Nil).

Genomia Management Limited was formed on 16 April 2004 and is also a company limited by guarantee. The company was established by way of grants from the Department of Innovation, Universities and Skills and the European Regional Development Fund. The company manages the Genomia Fund the objective of which is to assist in the development of research output from the members into commercially realisable opportunities. The Institute has equal membership in this company with Roslin Institute, Moredun Research Institute, Rowett Research Institute and the Scottish Agricultural College. The company's turnover for the year ended 31 March 2009 was £224,000 (2008: £188,000) and its net assets as at 31 March 2009 were £Nil (2008: £Nil).



# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 14 STOCKS

	2009 £'000	2008 £'000
Farm	988	1,082
Laboratory supplies	202	135
	<u>1,190</u>	<u>1,217</u>

The Institute's stock consists of farm stocks used for non-research purposes and stock of laboratory supplies for research purposes.

### 15 DEBTORS

	2009 £'000	2008 £'000
Trade debtors	1,005	1,157
Other debtors	3,201	1,966
Prepayments	202	368
Accrued income	1,327	2,826
	<u>5,735</u>	<u>6,317</u>

### 16 CASH AT BANK AND IN HAND

	2009 £'000	2008 £'000
Cash at bank	7,830	6,109
EU Co-ordinators account	-	87
Cash in hand	1	1
	<u>7,831</u>	<u>6,197</u>

An amount equivalent to the EU Co-ordinators account is held within other creditors (note 17).

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Loan from BBSRC	600	300
Trade creditors	2,142	1,128
Taxation and social security	329	559
Other creditors	907	2,170
Accruals	2,451	1,120
Deferred income	4,165	3,464
	<u>10,594</u>	<u>8,741</u>

The loan from the BBSRC is interest free and unsecured.

### 18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £'000	2008 £'000
Loan from the BBSRC (note 17)	<u>336</u>	<u>636</u>

### 19 FUNDS

	Balance 1 April 2008 £'000	Net incoming/ (outgoing) resources £'000	Transfer between funds £'000	Balance 31 March 2009 £'000
Unrestricted - General	(2,200)	(3,005)	(5)	(5,210)
- Designated	4,044	2,122	-	6,166
Restricted				
Capital fund	82,017	9,994	-	92,011
Revaluation reserve	40,644	(2,139)	-	38,505
Other restricted reserve	134	52	5	191
	<u>124,639</u>	<u>7,024</u>	<u>-</u>	<u>131,663</u>

The capital fund has been set up to assist in identifying those funds that are not free funds and it represents the net book value of tangible fixed assets held by the charity and amounts received for capital but not yet spent. Where grants are insufficient to meet the full cost of the assets, transfers are made from the other funds as appropriate, representing their contribution towards the overall cost of the asset.

# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### FUNDS (CONTINUED)

#### Analysis of net assets between funds

	Fixed assets £'000	Net current assets £'000	Creditors due after more than one year/ Provisions £'000	Total £'000
<b>Restricted funds</b>				
Restricted capital reserve	90,022	1,989	-	92,011
Revaluation reserve	38,505	-	-	38,505
Other restricted reserve	-	191	-	191
<b>Unrestricted funds - General</b>	52	(4,184)	(1,078)	(5,210)
- Designated	-	6,166	-	6,166
	<b>128,579</b>	<b>4,162</b>	<b>(1,078)</b>	<b>131,663</b>

## 20 COMMITMENTS

### (a) Capital commitments at the end of the financial year for which no provision has been made:

	2009 £'000	2008 £'000
Authorised but not contracted for	10,904	88,172

The capital commitments of £10,904,000 (2008: £88,172,000) will be significantly funded by the BBSRC.

### (b) Operating lease commitments

The Institute is committed to the following annual charges in respect of:

	2009 £'000	2008 £'000
<b>Land and buildings</b>		
Expiring after five years	226	234

## 21 INSURANCE

In line with government policy:

- No insurance against property losses is affected by the Institute except that required by statute.
- No premiums are paid under the Employers' Liability (Compulsory Insurance) Act 1969. A certificate of indemnity has been given by the relevant Government department.

The Institute has entered a policy of insurance to indemnify trustees and officers against legal or other costs incurred as a consequence of their action or inaction as trustees or officers of the Institute. The premium and related costs in respect of this policy were £2,640 (2008: £2,640).

**INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)**

**NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2009

**22 RECONCILIATION OF CHANGE IN RESOURCE TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2009 £'000	2008 £'000
Net incoming resources	7,057	8,463
Interest receivable	(228)	(251)
Depreciation charged	4,822	4,995
Loss on disposal of fixed assets	58	7
Capital grants received	(18,396)	(15,817)
Decrease/(increase) in stocks	27	(184)
Decrease/(increase) in debtors	582	(1,106)
Increase in creditors	1,853	338
(Decrease)/increase in provisions	(158)	900
	<hr/>	<hr/>
Net cash outflow from operating activities	(4,383)	(2,655)
	<hr/>	<hr/>

**23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2009 £'000	2008 £'000
Increase in cash in year	1,634	2,320
	<hr/>	<hr/>
Movement in net funds in year	1,634	2,320
Net funds at 1 April 2008	5,261	2,941
	<hr/>	<hr/>
Net funds at 31 March 2009	6,895	5,261
	<hr/>	<hr/>

**24 ANALYSIS OF NET FUNDS**

	At 1 April 2008 £'000	Cash flow £'000	At 31 March 2009 £'000
Cash at bank and in hand	6,197	1,634	7,831
Loans from BBSRC	(936)	-	(936)
	<hr/>	<hr/>	<hr/>
	5,261	1,634	6,895
	<hr/>	<hr/>	<hr/>



# INSTITUTE FOR ANIMAL HEALTH (LIMITED BY GUARANTEE)

## NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 25 TRANSFERS BETWEEN FUNDS

	Unrestricted general funds £'000	Unrestricted designated funds £'000	Restricted funds £'000
<b>Year ended 31 March 2009</b>			
Designation of funds	(5)	-	5
Funds applied on capital expenditure	(101)	-	101
	<u>(106)</u>	<u>-</u>	<u>106</u>
<b>Year ended 31 March 2008</b>			
Designation of funds	(6)	-	6
Funds applied on capital expenditure	-	(371)	371
	<u>(6)</u>	<u>(371)</u>	<u>377</u>

### 26 CONTINGENT ASSETS AND LIABILITIES

There is a contingent liability to account to the Biotechnology and Biological Sciences Research Council for the net proceeds of disposal of fixed assets acquired with grant assistance and for recurrent grant in excess of the financing requirements.

Any indebtedness by the Institute to its bankers is secured by a fixed and floating charge on the assets of the Institute. There was no such net indebtedness at 31 March 2009 or 31 March 2008.

The Institute has been subject to an investigation by the Health & Safety Executive following an incident at Compton. The outcome of the investigation is currently uncertain as is any potential financial penalty. Hence no provision has been made in the financial statements (2008: £Nil).

In August 2007 there was an outbreak of Foot and Mouth Disease in Surrey, the source of which was traced, by an independent enquiry conducted by Professor Brian Spratt to the Pirbright site which the Institute shares with Merial Animal Health Limited. The enquiry concluded that the outbreak had been caused by leakage of contaminated waste water from the drainage system shared by the Institute and Merial.

In October 2008 proceedings were issued against the Institute, Merial Animal Health Limited and The Secretary of State for the Environment, Food and Rural Affairs on behalf of fourteen claimants who sought compensation for losses suffered as a result of the 2007 outbreak and which were not, it was alleged, covered by the statutory compensation scheme.

In February 2009, the Institute and Merial Animal Health Limited settled the claims of seven of the claimants. In March 2009 the remaining claims with respect to the October 2008 proceedings were struck out on grounds that they had no basis in law and no realistic prospect of succeeding at trial.

No further details of these proceedings are disclosed in this note, for either the current year or preceding year, as doing so might seriously prejudice the Institute's position and the ongoing legal process.

The Institute submitted request for additional funding to the BBSRC in relation to the additional cost projected on BBSRC funded contracts caused by restrictions placed on the use of facilities. In August 2009 the BBSRC agreed to additional funding. Accordingly no provision has been made as at 31 March 2009 (2008: £778,000).

**NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 March 2009

**27 RESTRICTED FUNDS AND UNRESTRICTED DESIGNATED FUNDS**

Restricted funds comprise grants received from funders specifically to be applied in the acquisition or improvement of tangible fixed assets or otherwise applied for such purposes within the terms of delegated authority or permitted virement. Unrestricted designated funds comprise sums set aside for specific purposes including the acquisition and improvement of tangible fixed assets, the presentation of scientific conferences, and contributions towards capital to be replaced using the fully economic costing policy adopted by the Institute. Funds applied in support of investment in tangible fixed assets are transferred to restricted funds.

The unexpended balance of restricted funds and unrestricted designated funds is invested in temporary deposits and appears in the balance sheet under current assets.

**28 BUILDINGS REVALUATION - UNREALISED GAIN**

The reserve resulting from the revaluations carried out between 2000 and 2006 has been depreciated assuming a life of 20 years. The balance of the reserve as at 31 March 2009 is as follows:

	£'000
Revaluation reserve brought forward	40,644
Depreciation charged (note 12)	(2,139)
	<hr/>
Revaluation reserve carried forward	<b>38,505</b>

The Compton and Pirbright premises of the Institute's leasehold property were revalued during January 2006 by Powis Hughes and Associates Chartered Surveyors at an estimated depreciated replacement cost of £89,024,000. This revaluation did not include the recently completed isolation unit in Pirbright valued at a further £6,733,000.

The 2007 depreciation charge included £250,000 of impairment charge relating to all buildings in Scotland that were transferred to another BBSRC funded Institute on 31 March 2007.

On an historical cost basis, the leasehold property would have been included at an original cost of £107,441,000 (2008: £98,830,000) and aggregate depreciation of £22,094,000 (2008: £20,562,000)

**29 RELATED PARTY TRANSACTIONS**

**Biotechnology and Biological Science Research Council (BBSRC)**

The Institute for Animal Health is affiliated with the BBSRC along with seven other Institutes. During the year, the BBSRC charged the Institute £358,000 (2008: £785,000) for Computing Centre costs and £413,000 (2008: £232,000) for other costs. Grants received from BBSRC are detailed in note 2.

**Genecom Limited**

During the year the Institute provided goods and services to Genecom Limited amounting to £6,085 (2008: £33,250). At the year end the Institute was owed £30,708 (2008: £33,250).

**Genomia Management Limited**

The Institute received a grant of £45,397 (2008: £10,000) from Genomia Management Limited in the year. The balance of grants committed but not yet received at the year end amounted to £Nil (2008: £39,614).