

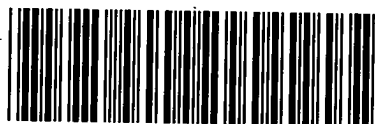
**THE PIRBRIGHT INSTITUTE
(LIMITED BY GUARANTEE)**

**TRUSTEES' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

31 MARCH 2014

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Company registered number 559784
Charity registered number 228824

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

Trustees:

Professor Q McKellar CBE - Chair
Mr R Butler
Dr A Craig
Dr T Kanellos
Mr T Key MBE
Mr R Louth
Dr V Mayatt
Sir B Ross
Professor D Rowlands
Mr M Samuel
Professor J Stephenson

Director of the Institute: Professor J Fazakerley BSc, MBA, PhD, FSB, FRCPath

Secretary: Mr R S Shaw BA ACA

Registered office:

Pirbright Laboratory
Ash Road
Pirbright
Woking
Surrey
GU24 0NF

Auditor:

Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Bankers:

Lloyds TSB Bank Plc
5 High Street
Swindon
SN1 3EN

Solicitors:	Charles Russell LLP Buryfields House Bury Fields Guildford Surrey GU2 4AZ	Penningtons Manches LLP 3 Worcester Street Oxford OX1 2PZ
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INDEX	PAGE
Report of the Trustees incorporating the Strategic Report	1 - 6
Independent auditor's report	7 - 8
Principal accounting policies	9 - 11
Statement of financial activities	12
Balance sheet	13
Cash flow statement	14
Notes to financial statements	15 – 29

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

REPORT OF THE TRUSTEES INCORPORATING THE STRATEGIC REPORT

The Trustee Board has pleasure in submitting its annual report together with the financial statements for the year ended 31 March 2014.

Structure, Governance and Management

Status of the Institute

The Pirbright Institute (the Institute) is a company limited by guarantee (registered number 559784) and a registered charity (number 228824), with statutory directors (Trustee Directors) who form the Trustee Board. Members of the Institute shall be those persons from time to time appointed by the Trustee Directors.

The Trustee Board and its interests

The directors of the Trustee Board during the year were:

The Biotechnology and Biological Sciences Research Council (BBSRC) (resigned 21 November 2013)

Professor Q McKellar CBE (appointed 21 November 2013) - Chair

Mr R Butler (appointed 19 December 2013)

Dr A Craig (appointed 21 November 2013)

Dr T Kanellos (appointed 21 November 2013)

Mr T Key MBE

Mr R Louth (appointed 12 December 2013)

Dr V Mayatt (appointed 12 December 2013)

Sir B Ross (appointed 19 December 2013)

Professor D Rowlands (appointed 12 December 2013)

Mr M Samuel (appointed 21 November 2013)

Professor J Stephenson (appointed 12 December 2013)

Trustee Directors are appointed by the existing Trustee Directors for a period of up to three years, when they are eligible for re-appointment.

The Trustee Board operates through the Institute's Articles Of Association and the Institute Grant Agreement between the Institute and its sponsoring body, BBSRC.

BBSRC fulfilled its role as Corporate Trustee Director, up to its resignation on 21 November 2013, through a team of individual representatives appointed by the 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 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.

The Institute is organised into three strategic Science Programmes spanning two sites, supported by an Operations Division, headed by the Director of Operations and several support service groups. Each Science Programme is managed by a Head of Programme who reports to the Director of the Institute (the Director), as does the Director of Operations. The Trustee Directors have created a Scientific Advisory Board, to provide assistance and recommendations to the Trustee Board regarding the scientific strategy and operations of the Institute.

An Institute Executive Board comprising the Director, the Director of Operations and certain other key managers, meets every month 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, as its main funder.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

REPORT OF THE TRUSTEES INCORPORATING THE STRATEGIC REPORT

Employee consultation

The Institute recognises all appropriate Trade Unions representing staff employed at its laboratories. However, the Unions recognised for collective bargaining are Prospect 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 41 days (2013: 24 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.

The Institute continues to improve and extend the current system of managing its risks through a risk register database, maintained by the Institute's Risk Manager, 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 Trustee Directors, 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 233 of Companies Act 2006. Neither the Institute's indemnity nor insurance provides cover in the event that a Trustee Director is proved to have acted fraudulently or dishonestly. The premium and related costs in respect of this policy were £7,844 (2013: £2,067).

Objectives and activities

Objective and Mission of the Institute

The primary objective of the Institute is "to conduct and promote scientific surveillance and research on virus diseases and to develop appropriate methods for their control".

The mission of the Institute, for the benefit of the public at large, is "Research and surveillance to prevent virus diseases of livestock and virus transmission from animals to humans".

Public interest activities of the Institute during the year

The Trustee Board has 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, primarily viruses, 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 three strategic Science Programmes. The three Science Programmes are in the areas of Avian Virus Diseases, Livestock Virus Disease and Vector-Borne Virus Diseases.

Strategic Report

Achievements and Performance

In the year, the Institute began 31 new externally funded fundamental and strategic research projects with a total value of approximately £13.3m supported by funders from the United Kingdom (principally BBSRC, DEFRA and the Wellcome Trust) and overseas (principally the European Union, the United States National Institute for Health and Department of Homeland Security, the World Health Organisation For Animal Health and the Food and Agriculture Organisation(FAO)).

8 of the 31 projects begun this year involve collaborations with other United Kingdom research institutions, 8 with overseas laboratories and 2 with industrial partners. 2013/14 was a notably successful year in terms of both overall success rates and income generation. The level of grant application activity and overall success rate increased markedly. The success rate in applications to BBSRC (the principal funder of competitively won grants) was well above the national average. Income was significantly boosted by two exceptionally large awards which began this year. Grant income has overall decreased from the prior year, which is primarily a result of reduced capital grants as the DP1 project has neared completion.

There are some uncertainties and challenges ahead which should be noted, namely:

- The potential retirement of a number of high income-generating senior staff over the coming years - key posts for recruitment have been identified and a search committee initiated
- The challenges of maintaining the level of income against a background of static or reduced funding opportunities from the Institute's principal funders – the Institute is seeking to widen the pool of organisations from which it receives funding, with particular focus on the EU
- The impact of the building development programme on grant applications and delivery of science is not yet clear

The Institute's facilities provide a 'National Capability', a resource unique to the UK with a complement of scientific expertise and physical resources that are not replicated elsewhere within the higher education or commercial animal health sectors. Funding from BBSRC underpins this capability and makes The Pirbright Institute an attractive location for potential collaborators from all sectors. The Institute is seeking in particular to increase its engagement with industry through its National Capability.

In addition to fundamental and strategic research, The Pirbright Institute provides expertise and capacity for laboratory investigations to monitor livestock for high consequence viral diseases and underpins global disease control efforts. Specifically, the Institute provides Reference Laboratories in respect of 10 exotic viral diseases of livestock. This work is supported through an additional 11 annually renewable grants from DEFRA, EU and FAO with a total value of approximately £2.7m.

Originally established to support the delivery of Science, the Institute has a farm located adjacent to its research facility at Compton in Berkshire, which has both a commercial dairy and an arable operation. As part of its ongoing review of operations and consolidation onto one site, at Pirbright, a decision was made after the year end to close down the dairy operation at Compton and to undertake a review to determine how best to continue its arable operations at the farm. The dairy operation has now been closed and the cattle sold but no final decision has yet been made regarding the future of the arable operation.

Statement of Responsibilities of the Trustee Board

The Trustee Directors are responsible for preparing the Report of the Trustees incorporating the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustee Directors to prepare financial statements for each financial year. Under that law the Trustee Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustee Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and 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 Trustee Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustee Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee Directors confirm that:

- so far as each Trustee Director is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustee Directors 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 of the Institute, it reviews and challenges strategic aspects of the Institute's sustainable capital investment programme, estate management strategy, human resource policies and information management systems.

Basis of accounting

The Statement of Financial Activities on page 12 and the Balance Sheet on page 13 have been prepared in accordance with the Statement of Recommended Practice: (Accounting and Reporting by Charities) 2005.

Annually the Trustee Directors review the company's key accounting policies to ensure that they continue to be in accordance with the requirements of the Charity SORP and within best accounting practice. No significant changes have been made to these policies from those used in the year ended 31 March 2013. The accounting policies applied by The Pirbright Institute are detailed on pages 9 to 11.

The financial statements are prepared on a going concern basis. Financial forecasts have been prepared to the 31 March 2017 which is considered appropriate in the light of continuing financial support expected to be provided by BBSRC and also the current cash reserves of the Institute. There is however significant uncertainty as described in note 22, relating to the contingent liability for dilapidations and decommissioning costs becoming payable in relation to the Compton site.

It is currently unclear whether the liability will be paid by the Institute or the landlord, or whether the liability is accurately quantifiable. If the liability were to be payable by the Institute, adjustments would be required to the financial statements to provide for any amounts involved.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

REPORT OF THE TRUSTEES INCORPORATING THE STRATEGIC REPORT

Although the amount is unknown, the potential magnitude of the liability is likely to have a significant impact on the financial statements and would not be able to be funded out of the available cash reserves. Notwithstanding the uncertainty around this potential liability, the Trustees have concluded that it remains appropriate to prepare the financial statements on a going concern basis. This reflects their assessment that in the event that such a liability is payable by the Institute, it would take an extended period of time for such a liability to be agreed and settled. The Trustees also believe it highly unlikely that they would be required to fund the cost without more resources being provided by BBSRC.

Results for the year

Total incoming resources, before fund transfers, amounted to £61,553,000 (2013: £82,994,000). Investment in tangible fixed assets in the year totalled £22,422,000 (2013: £50,107,000). This was substantially funded by grants from BBSRC, Defra and other grant awarding bodies.

Business Review and 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:

	2014	2013
Grant and research income (excludes restricted) (£'000)	34,998	29,013
Cost of scientific research (excludes restricted) (£'000)	27,707	28,389
Staff costs (£'000)	17,783	15,820
Average number of staff (number)	376	355

Grant and research income has increased by £1.8m compared to the prior period. The Core Strategic Grant has decreased from £11.3m to £11.0m however other unrestricted BBSRC grants increased from £9.2m to £9.5m. DEFRA funding has decreased between the two periods with grants of £6.4m in 2013 compared to £6.0m in 2014. Staff costs have increased by £2.0m mainly due to the increase in staff numbers and also the redundancy costs associated with the relocation to Pirbright from Compton. Investment within the new laboratories at Pirbright has continued with £22.4m capital additions within the year.

Principal risks and uncertainties

The principal risk and uncertainty for the Institute is that it may not be able to maintain the level of long term funding required to fully achieve its goal of being a world leading high containment facility for research into viral pathogens. Given the fact that the bulk of the Institute's funding is currently from BBSRC and that cuts in government spending are likely to impact the volume of grants available, the Institute is seeking to mitigate this risk by diversifying its sources of funding.

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 incoming resources 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.

Credit risk

New customers are actively credit checked and the debts are actively chased by the credit control department.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

REPORT OF THE TRUSTEES INCORPORATING THE STRATEGIC REPORT

Liquidity risk

Working capital requirements are regularly reviewed in conjunction with available financing facilities as part of routine financial management.

Funds and reserves policies

Unrestricted funds

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 2014 unrestricted general funds showed a surplus of £3,500,000 (2013: surplus of £3,385,000). This is in line the policy of maintaining free reserves of between £3,000,000 and £4,000,000, in order to support financial solvency and manage uncertainty.

Designated funds

The use of the unrestricted designated fund as set out in note 15 comprise of sums set aside for specific purposes as decided by the Trustees to support ongoing non-operational activity being the continued development of the Pirbright site in support of the construction programme. This covers activity such as the occupation/licencing and equipping of the new buildings and comes to £13,827,000.

Restricted income funds

The Institute has been undertaking a significant building programme within the Pirbright site for which funding has been received from BBSRC. The funding of this programme is via grants which are held within the restricted fund and comes to a total of £240,608,000. This funding is solely and specifically granted for the purpose of the building programme hence the inclusion within the restricted fund.

Subsidiaries and related parties

The Institute's subsidiary undertaking, Avrigo Limited, last traded in 2003 and is currently dormant. Avrigo 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.

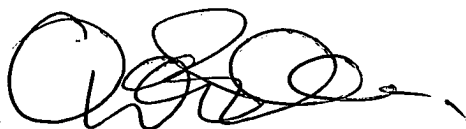
The Institute also has investments in two associate undertakings. Genecom Limited was incorporated in July 2004 as a company limited by guarantee. The company was established by way of grants from the Department of Innovation, Universities and Skills and the European Regional Development Fund and is 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.

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.

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.

The Report of the Trustees incorporating the Strategic Report was approved and signed on behalf of the Trustee Directors on 20 November 2014.



Professor Q McKellar CBE
Trustee Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

We have audited the financial statements of The Pirbright Institute (Limited by Guarantee) for the year ended 31 March 2014 which comprise the Principal accounting policies, the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 Trustee Directors and auditor

As explained more fully in the Statement of Responsibilities of the Trustee Board set out on page 4, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Basis for qualified opinion on financial statements

Included in Tangible Fixed Assets shown on the Balance Sheet is an amount of £47,665,000 (2013: £58,238,000) in respect of Land and Buildings. Land and Buildings are subject to an accounting policy of revaluation. The last revaluation was carried out in January 2006. In our view this constitutes a departure from *FRS 15 Tangible Fixed Assets*, Land and Buildings should have a full valuation conducted by a qualified valuer at least every five years. The financial effects of the departure from *FRS 15 Tangible Fixed Assets* on the financial statements have not been determined. In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the financial statements.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE PIRBRIGHT
INSTITUTE (LIMITED BY GUARANTEE)**

(CONTINUED)

Emphasis of Matter – contingent liability

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the Principal Accounting Policies concerning the Institute's ability to continue as a going concern, and the disclosures made in note 22a to the financial statements concerning a contingent liability at the Compton site for dilapidations and decommissioning costs.

It is currently unclear whether such a liability will be paid by the Institute, or whether the liability is accurately quantifiable. If the liability were to be payable by the Institute, adjustments would be required to the financial statements to provide for any amounts involved.

Although the amount is unknown, the potential magnitude of the liability if payable would be likely to have a significant impact on the financial statements and would not be able to be funded out of the Institute's available cash reserves.

Our opinion on the financial statements is not modified in respect of this matter.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees incorporating the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustee Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

**CAROL RUDGE
SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF GRANT THORNTON UK LLP
STATUTORY AUDITOR, CHARTERED ACCOUNTANTS
LONDON**

20 November 2014

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

PRINCIPAL ACCOUNTING POLICIES

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 2006 and have been prepared in accordance with the Statement of Recommended Practice: (Accounting and Reporting by Charities) 2005.

The financial statements are prepared on a going concern basis. Financial forecasts have been prepared to the 31 March 2017 which is considered appropriate in the light of continuing financial support expected to be provided by BBSRC and also the current cash reserves of the Institute. There is however significant uncertainty as described in note 22a, relating to the contingent liability for dilapidations and decommissioning costs becoming payable in relation to the Compton site.

It is currently unclear whether the liability will be paid by the Institute or the landlord, or whether the liability is accurately quantifiable. If the liability were to be payable by the Institute, adjustments would be required to the financial statements to provide for any amounts involved.

Although the amount is unknown, the potential magnitude of the liability is likely to have a significant impact on the financial statements and would not be able to be funded out of the available cash reserves. Notwithstanding the uncertainty around this potential liability, the Trustees have concluded that it remains appropriate to prepare the financial statements on a going concern basis. This reflects their assessment that in the event that such a liability is payable by the Institute, it would take an extended period of time for such a liability to be agreed and settled. The Trustees also believe it highly unlikely that they would be required to fund the cost without more resources being provided by BBSRC.

GROUP FINANCIAL STATEMENTS

The Institute is exempt from the requirement to prepare consolidated financial statements by virtue of section 405(2) of the Companies Act 2006 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, as detailed in note 10, have also been excluded from the consolidation on the grounds of these being immaterial to the Institute's financial statements.

INCOMING RESOURCES

Income comprises unencumbered grants received from research councils; grant 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. Grant income including research grants received in advance of conditions being met is deferred until those conditions are fully satisfied. Sales of produce are recognised on dispatch, rental and interest income is recognised based on the period to which it relates.

Capital grants are recognised in the statement of financial activities when entitlement passes, and once the criteria of certainty and measurement are met.

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.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

PRINCIPAL ACCOUNTING POLICIES

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 (see note 4).

RESTRICTED INCOME FUNDS

Income received by way of grants, sponsorship, donation or legacy which is directed by the provider as to be applied for specific purposes is accounted for within restricted income. 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 income funds in full. The balance of the restricted fixed asset fund is reduced by the depreciation or amortisation charges over the expected useful life of the asset. This treatment has been applied to reflect the assets being on land owned by a third party, therefore at the end of the lease they will revert to that third party (see further explanation below regarding the ownership of land and buildings). In addition, as detailed in note 22, 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.

DESIGNATED FUNDS

Unrestricted designated funds comprise sums set aside by the trustees 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 full economic costing policy adopted by the Institute.

UNRESTRICTED FUNDS

Income received which is not directed 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.

FIXED ASSETS

Fixed assets with a cost of £10,000 or more are capitalised and depreciated to their estimated residual values basis as set out below. Plant and machinery, fixtures and fittings with a cost of less than £10,000 are expensed in year of purchase.

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 the course of construction.

The Institute includes in its financial statements leasehold land and buildings owned by third parties, that it occupies and enjoys through peppercorn leases, at their full value. The current lease for the Pirbright site ends in March 2015, and the lease for the Compton site ends in December 2015. Neither lease have as yet been renewed. The trustees consider that in substance the risks and rewards of ownership of the assets have passed to the Institute, and as such follow a policy of recognising the assets on the balance sheet to reflect the continuing occupancy of these assets for the foreseeable future. The only circumstance under which the Institute could be asked to vacate the site is due to a failure to deliver the required programme, which in the trustees view is highly unlikely.

The leasehold land and buildings are depreciated over their useful economic lives, due to the long term commitment from BBSRC beyond the current lease terms. At the Pirbright site, this ranges from 2 to 50 years, recognising the planned closure of certain buildings.

As a consequence of the decision to close the Compton site and transfer all the Institute's operations to Pirbright, the depreciation on the leasehold land and buildings at Compton has now been accelerated to write down the majority of the remaining leasehold land and buildings at that site to their anticipated net book value of £Nil at 31 March 2017 (being the current anticipated date of closure of the Compton site).

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

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

PRINCIPAL ACCOUNTING POLICIES

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. However the trustees consider that the significant and on-going improvements to the Pirbright site, and the closure of the Compton site, mean that it would not be feasible to obtain up to date valuations. As such, no valuations have been obtained since January 2006.

LEASED ASSETS

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis 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.

INVESTMENTS

Quoted investments are valued at market value. Investments in subsidiary undertakings are carried at the lower of cost and net realisable value. The policy of the Institute is to write down investments where a permanent diminution in value is deemed to have occurred. Fair value movements are reflected in the Statement of Financial Activities.

STOCK

Farm and laboratory supplies are valued at the lower of cost and net realisable value.

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.

PENSION COSTS

The cost of providing pension and related benefits is charged to the statement of financial activities. The scheme is a defined benefit scheme as explained in note 8 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 defined contribution scheme.

TAXATION

The Pirbright Institute is a registered charity within the meaning of the UK Taxes Acts and is, therefore, eligible to claim exemptions to income tax and capital gains tax.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 March 2014

	Note	Unrestricted funds £'000	Restricted funds £'000	2014 Total Funds £'000	2013 Total Funds £'000
Incoming resources					
<i>Incoming resources from generated funds</i>	1				
<i>Voluntary income</i>					
Core strategic grant		11,006	-	11,006	11,321
<i>Activities for generating funds</i>					
Rental income and tenant services		122	-	122	106
Investment income		307	-	307	627
<i>Incoming resources from charitable activities</i>	2				
Grants and contracts		19,481	26,555	46,036	66,836
Research farm operation		1,597	-	1,597	1,626
Rental income and tenant services		883	-	883	838
Other charitable income		1,602	-	1,602	1,640
Total incoming resources		34,998	26,555	61,553	82,994
Resources expended					
<i>Costs of generating funds</i>	3				
Rental income and tenant services		258	421	679	739
Investment management costs		9	-	9	22
<i>Charitable activities</i>	3				
Scientific research		27,707	17,564	45,271	39,931
Research farm operation		2,367	890	3,257	2,760
Rental income and tenant services		886	1,399	2,285	2,679
Other charitable activities		482	64	546	536
Governance costs	5	458	-	458	371
Total resources expended		32,167	20,338	52,505	47,038
Net incoming/(outgoing) resources before transfers		2,831	6,217	9,048	35,956
Transfers	15	659	(659)	-	-
Net incoming resources/net income/expenditure for the year		3,490	5,558	9,048	35,956
Other recognised gains and losses					
(Loss)/Gain on revaluation of fixed asset investments for charity's use	10	(17)	-	(17)	24
Net movement in funds		3,473	5,558	9,031	35,980
Balances brought forward		13,854	245,060	258,914	222,934
Balances carried forward	15	17,327	250,618	267,945	258,914

All incoming resources and resources expended derive from continuing activities.

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

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

BALANCE SHEET AT 31 MARCH 2014

Company number 559784

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	9	231,593	221,911
Investments	10	96	113
		<u>231,689</u>	<u>222,024</u>
Current assets			
Stocks	11	1,474	1,286
Debtors	12	9,013	9,082
Cash at bank and in hand		39,946	38,651
		<u>50,433</u>	<u>49,019</u>
Creditors: amounts falling due within one year	13	<u>(14,177)</u>	<u>(12,129)</u>
Net current assets		<u>36,256</u>	<u>36,890</u>
Total assets less current liabilities		<u>267,945</u>	<u>258,914</u>
Net assets		<u>267,945</u>	<u>258,914</u>
Financed by			
Unrestricted funds	15	17,327	13,854
Restricted			
General funds	15	240,608	237,112
Other restricted reserve	15	10,010	7,948
Total funds	16	<u>267,945</u>	<u>258,914</u>

The Institute includes in its financial statements leasehold land and buildings owned by third parties, these are detailed further in note 9.

These financial statements were approved by the Board of Trustees and authorised for issue on 20 November 2014.



Professor Q McKellar CBE

Trustee Director



Mr M Samuel

Trustee Director

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

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

CASH FLOW STATEMENT

For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash outflow from operating activities	19	(3,146)	(212)
Return on investments and servicing of finance			
Interest received		307	627
Net cash inflow for returns on investment and servicing of finance		307	627
Capital expenditure			
Payments to acquire tangible fixed assets		(22,422)	(50,107)
Capital grants		26,555	49,144
Proceeds from sale of tangible fixed assets		1	3
Net cash inflow/(outflow) for capital expenditure		4,134	(960)
Increase/(decrease) in cash in the year	20,21	1,295	(545)

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

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

1 INCOMING RESOURCES FROM GENERATED FUNDS

	2014 £'000	2013 £'000
<i>Voluntary income</i>		
BBSRC – core strategic grant	11,006	11,321
<i>Activities for generating funds</i>		
Rental income and services to tenants	122	106
Investment income - bank interest receivable	307	627
	<u>11,435</u>	<u>12,054</u>

2 INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2014 £'000	2013 £'000
Grant income		
BBSRC – other grants	32,325	54,245
Research Grants	13,711	12,591
	<u>46,036</u>	<u>66,836</u>
Research farm operation	1,597	1,626
Rental income and services to tenants	883	838
Other charitable activities	1,602	1,640
	<u>50,118</u>	<u>70,940</u>

The analysis by region is set out below:

	2014 £'000	2013 £'000
United Kingdom	47,343	69,826
Europe	1,613	613
North America	68	80
Others	1,094	421
	<u>50,118</u>	<u>70,940</u>

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

INCOMING RESOURCES FROM CHARITABLE ACTIVITIES (CONTINUED)

Analysis of grant income

	Unrestricted £'000	Restricted £'000	2014 Total £'000	2013 Total £'000
BBSRC				
- Competitive Project Grant – research grants	3,693	-	3,693	4,101
- Other grants	5,770	26,555	32,325	54,245
Total BBSRC	9,463	26,555	36,018	58,346
DEFRA "Umbrella" contract commission projects	4,223	-	4,223	4,476
DEFRA Surveillance	1,787	-	1,787	1,895
Other government departments, public sector	159	-	159	103
European Union	1,613	-	1,613	613
Industry, levy boards	241	-	241	320
Trusts, foundations, charities	601	-	601	476
Other research grant income	1,394	-	1,394	607
Total incoming resources – grants including research	19,481	26,555	46,036	66,836

Ancillary trades and activities

Other charitable income consists of trades and activities which are ancillary to the charitable activities of the Institute:

	Unrestricted £'000	Restricted £'000	Total 2014 £'000	Total 2013 £'000
Royalties	159	-	159	245
Diagnostic kits	320	-	320	740
Other	1,123	-	1,123	655
Total	1,602	-	1,602	1,640

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

3 ANALYSIS OF RESOURCES EXPENDED

	Staff costs £'000	Other direct costs £'000	Allocated support costs £'000	Total 2014 £'000	Total 2013 £'000
Unrestricted funds					
<i>Costs of generating funds</i>					
Rental income and tenant services	-	-	258	258	348
Investment management costs	-	3	6	9	22
<i>Charitable expenditure</i>					
Grants and contracts for scientific research	10,648	6,720	10,339	27,707	28,389
Research farm operation	234	1,859	274	2,367	2,209
Rental income and tenant services	-	(25)	911	886	1,610
Other charitable activities	-	320	162	482	471
<i>Governance costs</i>	127	176	155	458	371
Total unrestricted resources expended	11,009	9,053	12,105	32,167	33,420
Restricted funds					
<i>Cost of generating funds</i>	-	-	421	421	391
<i>Charitable expenditure</i>	-	-	19,917	19,917	13,227
Total restricted resources expended	-	-	20,338	20,338	13,618
Total resources expended	11,009	9,053	32,443	52,505	47,038
<i>Total resources expended – 2013</i>	<i>9,674</i>	<i>8,204</i>	<i>29,160</i>	<i>47,038</i>	

Included in allocated support costs are normal staff costs of £6,016,746 (2013: £4,757,183).

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

4 ANALYSIS OF SUPPORT COSTS

	Rental income and tenant services £'000	Investment management costs £'000	Grants and contracts for scientific research £'000	Research farm operation £'000	Science rental income and tenant services £'000	Staff restaurant and nursery £'000	Other charitable activities £'000	Governance £'000	Total 2014 £'000	Total 2013 £'000	Basis of allocation
Unrestricted											
Premises	169	-	7,269	84	844	64	-	-	8,430	10,659	% of floor area
Financial costs	17	6	379	46	29	17	17	69	580	385	time spent
Management	2	-	41	2	1	1	-	2	49	1,559	time spent
Human resources	55	-	407	22	-	17	-	56	557	549	time spent
Information technology	9	-	1,796	78	20	10	20	-	1,933	1,839	time spent
Purchasing and procurement	6	-	447	42	17	11	5	28	556	551	time spent
	<u>258</u>	<u>6</u>	<u>10,339</u>	<u>274</u>	<u>911</u>	<u>120</u>	<u>42</u>	<u>155</u>	<u>12,105</u>	<u>15,542</u>	
Restricted											
Depreciation / (profit)/loss on disposal of fixed assets	382	-	10,766	510	1,019	64	-	-	12,741	12,938	
Repairs / compliance	39	-	6,798	380	380	-	-	-	7,597	680	
	<u>421</u>	<u>-</u>	<u>17,564</u>	<u>890</u>	<u>1,399</u>	<u>64</u>	<u>-</u>	<u>-</u>	<u>20,338</u>	<u>13,618</u>	
	<u>679</u>	<u>6</u>	<u>27,903</u>	<u>1,164</u>	<u>2,310</u>	<u>184</u>	<u>42</u>	<u>155</u>	<u>32,443</u>	<u>29,160</u>	

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

5 ANALYSIS OF GOVERNANCE COSTS

	2014 £'000	2013 £'000
Legal and professional	107	2
External audit fees	68	51
Company secretarial costs	127	124
Apportionment of staff and support	156	194
	<u>458</u>	<u>371</u>

6 OPERATING COSTS

	2014 £'000	2013 £'000
Operating costs stated after charging:		
Auditor's remuneration		
- audit services	60	51
- taxation advisory services	8	-
Depreciation	12,744	12,907
(Profit)/Loss on disposal of fixed assets	(3)	31
Hire of plant and machinery	2	43
Rental of land and buildings	277	279
	<u></u>	<u></u>

Operating costs are stated net of laboratory supplies carried forward in stock amounting to £82,998 (2013: £107,466)

7 REMUNERATION OF THE MEMBERS OF THE TRUSTEE BOARD

None (2013: none) of the members of the Trustee Board received any remuneration from the Institute during the year. Five members (2013: one member) of the Trustee Board had travel expenses of £4,116 (2013: £3,459) reimbursed during the year and one member (2013: one member) received consultancy fees of £5,000 (2013: £5,000), as permitted under the Institute's articles.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

8 STAFF NUMBERS AND COSTS

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

	Number of employees	
	2014	2013
Office, management and estate support	142	127
Research farm	5	8
Scientific	229	220
	<hr/>	<hr/>
	376	355
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	13,480	12,035
Social security costs	1,052	867
Other pension costs	3,251	2,918
	<hr/>	<hr/>
	17,783	15,820
	<hr/>	<hr/>

Employees of the council are members of the Research Councils' Pension Schemes, which are funded principally through employer and employee contributions. 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 capability ill health 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. It is an unfunded scheme, and 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 defined contribution scheme.

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 for the year was 26.0%, which was established following GAD's most recent assessment. The pension costs represent contributions payable by the Institute to the scheme and amount to £3,251,182 (2013: £2,918,382).

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

	2014	2013
	Number	Number
£60,000 - £69,999	7	7
£70,000 - £79,999	2	2
£80,000 - £89,999	6	2
£110,000 - £119,999	1	1

The number of staff earning over £60,000 for whom retirement benefits are accruing under defined benefit schemes amounted to sixteen (2013: twelve) and the amounts paid in the year were £309,396 (2013: £242,286).

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

9 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
Group and charity					
Cost/revaluation					
At 1 April 2013	122,585	8,719	1,283	159,679	292,266
Additions	630	4,386	-	17,406	22,422
Disposals	(20)	(8)	-	-	(28)
At 31 March 2014	123,195	13,097	1,283	177,085	314,660
Depreciation					
At 1 April 2013	64,347	4,725	1,283	-	70,355
Charge for year historic	6,122	1,537	-	-	7,659
Charge for year revaluation	5,085	-	-	-	5,085
Disposals historic	(24)	(8)	-	-	(32)
At 31 March 2014	75,530	6,254	1,283	-	83,067
Net book value at 31 March 2014	47,665	6,843	-	177,085	231,593
Net book value at 31 March 2013	58,238	3,994	-	159,679	221,911
Buildings revaluations comprise:					£'000
Compton (2006)					50,305
Pirbright (2006)					38,719
Revalued amount					89,024

All of the tangible assets of the Charity are used for charitable purposes.

The Institute includes in its financial statements leasehold land and buildings owned by third parties, that it occupies and enjoys through peppercorn leases, at their full value. The current lease for the Pirbright site ends in March 2015, and the lease for the Compton site ends in December 2015. Neither lease have as yet been renewed. The trustees consider that in substance the risks and rewards of ownership of the assets have passed to the Institute, and as such follow a policy of recognising the assets on the balance sheet to reflect the continuing occupancy of these assets for the foreseeable future. The only circumstance under which the Institute could be asked to vacate the site is due to a failure to deliver the required programme, which in the trustees view is highly unlikely.

The Charity's land and buildings were revalued by Powis Hughes, external Chartered Surveyors, as at January 2006 on the basis of depreciated replacement cost.

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

For the year ended 31 March 2014

TANGIBLE FIXED ASSETS (CONTINUED)

The net book value of land and buildings comprises:

	2014 £'000	2013 £'000
Short leasehold land	12,005	12,636
Short leasehold buildings (subject to formal lease)	35,660	45,156
	<u>47,665</u>	<u>57,792</u>

Details of leased assets other than land and buildings included within fixed assets are:

Plant and machinery

Cost brought forward at 1 April 2013	36	36
Disposals	-	-
Accumulated depreciation brought forward at 1 April 2013	(36)	(36)
Depreciation on disposals	-	-
	<u>-</u>	<u>-</u>
Net book value at 31 March 2014	<u>-</u>	<u>-</u>

	2014 £'000	2013 £'000
Net book value of fixed assets used for direct charitable purposes	231,593	221,911

10 INVESTMENTS

	2014 £'000	2013 £'000
UK listed investments held as fixed assets		
Market value at 1 April 2013	113	89
Unrealised profit	(17)	24
	<u>96</u>	<u>113</u>
Market value at 31 March 2014	<u>96</u>	<u>113</u>
Represented by:		
Genus plc	39	62
Dairy Crest	57	51
	<u>96</u>	<u>113</u>
Total	<u>96</u>	<u>113</u>

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

INVESTMENTS (CONTINUED)

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, 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:

	2014 £'000	2013 £'000
Current assets	-	-
Creditors: amounts falling due within one year	(8)	(8)
Net liabilities	(8)	(8)
Aggregate share capital and reserves	(8)	(8)

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 2014 was £Nil (2013: £265,000) and its net assets as at 31 March 2014 were £66,000 (2013: £67,000).

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 2014 was £268,000 (2013: £643,000) and its net assets as at 31 March 2014 were £Nil (2013: £Nil).

11 STOCKS

	2014 £'000	2013 £'000
Farm	1,391	1,179
Laboratory supplies	83	107
	1,474	1,286

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

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

For the year ended 31 March 2014

12 DEBTORS

	2014	2013
	£'000	£'000
Trade debtors	614	480
Other debtors	5,585	6,308
Prepayments	477	1,005
Accrued income	2,337	1,289
	<u>9,013</u>	<u>9,082</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£'000	£'000
Trade creditors	2,584	1,215
Taxation and social security	348	486
Other creditors	829	1,431
Accruals	6,223	4,458
Deferred income	4,193	4,539
	<u>14,177</u>	<u>12,129</u>

14 RECONCILIATION OF MOVEMENT IN ACCRUED AND DEFERRED INCOME

	2014	2013
	£'000	£'000
Accrued income	2,337	1,289
Deferred income	(4,193)	(4,539)
	<u>(1,856)</u>	<u>(3,250)</u>
Net deferred research grant income at the beginning of the year	(3,250)	(4,305)
Research grant income received during the year	(12,317)	(11,536)
Research grant money released to SOFA during the year	13,711	12,591
	<u>(1,856)</u>	<u>(3,250)</u>

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

15 FUNDS

	Balance 1 April 2013 £'000	Net incoming/ (outgoing) resources £'000	Transfer between funds £'000	Balance 31 March 2014 £'000
Unrestricted funds:				
General	3,385	(544)	659	3,500
Designated	10,469	3,358	-	13,827
Restricted income funds:				
Fixed Asset Fund	237,112	7,130	(3,634)	240,608
Other restricted funds:				
Repairs and Maintenance	6,417	(814)	(5,603)	-
Fixed Asset Project Support Costs	-	2,300	2,880	5,180
Equipment	-	-	3,000	3,000
BCIC Projects	-	(2,841)	3,292	451
Hostel	1,471	-	(155)	1,316
Redundancy	-	436	(436)	-
Other	60	6	(3)	63
	<u>258,914</u>	<u>9,031</u>	<u>-</u>	<u>267,945</u>

Unrestricted designated funds

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.

Restricted income funds

Restricted income 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 as specified by the grants provided.

	2014 £'000	2013 £'000
Fixed Asset Fund		
Balance brought forward	237,112	202,163
Grants received	19,871	47,887
Depreciation / profit/(loss) on disposal and fixed assets (note 6)	(12,741)	(12,938)
Transfers	(3,634)	-
Balance carried forward	<u>240,608</u>	<u>237,112</u>

The Fixed Asset Fund is not an endowment fund, but represents funding received, principally from BBSRC, for the past and future acquisition of tangible fixed assets. These assets are built on land that is not owned by The Pirbright Institute. 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.

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

Other restricted funds

Repairs and Maintenance grants received principally from BBSRC specifically to be applied in the improvement of tangible fixed assets and maintenance of facilities.

Fixed Asset Project Support Cost grants have been received from BBSRC to provide funding towards support costs and overrun costs relating to the DPI capital projects.

The Equipment fund contains funding received from BBSRC for the purchase of equipment.

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

BCIC project income was received specifically for use on the BCIC projects.

The Hostel funds were received from BBSRC to cover the cost of the rents payable at the Compton site.

Redundancy funds have been specifically received from BBSRC to fund the redundancies in the year.

Transfers between funds

	Unrestricted general funds £'000	Unrestricted designated funds £'000	Restricted funds £'000
Transfer of funds to general reserves	659	-	(659)

The transfers during the year are as follows:

- A transfer of £2,880k has been to appropriately reflect an 'Extension of Time' grant received from BBSRC in 2011 in the Fixed Asset Project Support Costs fund. This funding was provided to cover the costs of any time delays in the DP1 project.
- Transfers of £3,000k and £3,292k respectively were made to ensure that the specific funding for Equipment and BCIS Projects are reflected in separate funds rather than together as part of the larger Repairs and Maintenance fund.
- In 2012, £750k was received for A Block capital works. This work has however been completed using general reserves, therefore the funding has been transferred to match the expenditure.
- Other minor transfers relating to the Fixed Asset fund and the Repairs and Maintenance fund to appropriately reflect the remaining balances in each fund.
- The Redundancy restricted fund transfer of £436k has been made to ensure that expenditure incurred for redundancies, for which restricted income has been received, is appropriately matched.
- The Hostel restricted fund transfer of £155k has been made to set rents paid in the year against the restricted grant received for this purpose.
- Other restricted fund transfers of £3k have been made to ensure expenditure relating to the NIDO Course fund is appropriately allocated.

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Fixed assets £'000	Net current assets £'000	Total £'000
Unrestricted funds	96	17,231	17,327
Restricted funds			
Capital fund	221,580	9,015	230,595
Revaluation reserve	10,013	-	10,013
Other restricted funds	-	10,010	10,010
	231,689	36,256	267,945

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

17 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 2014 is as follows:

	£'000
Revaluation reserve brought forward	15,095
Depreciation charged (note 9)	(5,085)
Disposals	3
	<hr/>
Revaluation reserve carried forward	10,013
	<hr/>

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 £87,090,000 (2013: £86,480,000) and aggregate depreciation of £49,914,000 (2013: £43,816,000).

18 COMMITMENTS

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

	2014 £'000	2013 £'000
Authorised but not contracted for	24,646	4,390
	<hr/>	<hr/>

The capital commitments of £24,646,000 (2013: £4,390,000) will be significantly funded by the BBSRC.

(b) Operating lease commitments

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

	2014 £'000	2013 £'000
Land and buildings		
Expiring after five years	266	264
	<hr/>	<hr/>
Plant and Machinery		
Expiring within five years	92	69
	<hr/>	<hr/>

THE PIRBRIGHT INSTITUTE (LIMITED BY GUARANTEE)

NOTES TO THE TRUSTEES' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

	2014 £'000	2013 £'000
Net incoming resources	9,046	35,956
Interest receivable	(307)	(627)
Depreciation charged	12,744	12,907
(Profit)/Loss on disposal of fixed assets	(3)	31
Capital grants received	(26,555)	(49,144)
Increase in stocks	(188)	(86)
Decrease/(increase) in debtors	69	5,384
Increase/(Decrease) in creditors	2,048	(4,633)
Net cash outflow from operating activities	<u>(3,146)</u>	<u>(212)</u>

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £'000	2013 £'000
Increase/(Decrease) in cash in year	1,295	(545)
Movement in net funds in year	1,295	(545)
Net funds at 1 April 2013	38,651	39,196
Net funds at 31 March 2014	<u>39,946</u>	<u>38,651</u>

21 ANALYSIS OF NET FUNDS

	At 1 April 2013 £'000	Cash flow £'000	At 31 March 2014 £'000
Cash at bank and in hand	38,651	1,295	39,946
	<u>38,651</u>	<u>1,295</u>	<u>39,946</u>

22 CONTINGENT LIABILITIES

- a. There is a contingent liability for the Institute to return leasehold land and buildings to their original condition at the end of the leases. The trustees consider that in substance the risks and rewards of ownership of the assets have passed to the Institute, and as such follow a policy of recognising the assets on the balance sheet to reflect the continuing occupancy of these assets for the foreseeable future. The only circumstance under which the Institute could be asked to vacate the site is due to a failure to deliver the required programme, which in the trustees view is highly unlikely. As a result, in relation to the Pirbright site, it is deemed improbable by the trustees that a transfer of economic benefit will be required to settle any obligation for dilapidations or decommissioning costs, therefore no provision has been made. It is not considered practicable to quantify the potential liability at the balance sheet date.

As a consequence of the decision to close the Compton site and transfer all the Institute's operations to Pirbright, the potential for significant dilapidations and decommissioning costs becoming payable in relation to that site is more imminent. The current lease ends in December 2015. The trustees have to date been unable to obtain assurance from BBSRC regarding whether these costs will ultimately be paid by the Institute, and fundamentally whether they are quantifiable at this stage. As such, at the balance sheet date the Institute has not been able to determine whether such a provision is required and if it is, for what quantity.

- b. There is also 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. No such liabilities existed at either 31 March 2014 or 31 March 2013.
- c. Certain buildings have been zero rated for Value Added Tax. There is a contingent liability to HMRC should the use of these buildings change within 10 years. No such liabilities existed at either 31 March 2014 or 31 March 2013.

23 RELATED PARTY TRANSACTIONS

Biotechnology and Biological Science Research Council (BBSRC)

The BBSRC provides substantial funding to the Institute. The Pirbright Institute is affiliated with the BBSRC along with seven other Institutes. Details of grants received from BBSRC are detailed in notes 1 and 2. During the year, the BBSRC charged the Institute £188 (2013: £2,423) for Computing Centre costs and £83,718 (2013: £111,739) for other costs.