

**Institute of Grassland and Environmental  
Research  
(Limited by Guarantee)  
Annual Report of the Governing Body**

Governors' report and financial  
statements

Company number 473454

Charity number 272150

31 March 2007

## Contents

Governors' report	1
Statement of Governors' responsibilities in respect of the Governors' Report and the financial statements	11
Independent auditors' report to the members of the Institute of Grassland and Environmental Research (Limited by Guarantee)	12
Statement of financial activities	14
Note of historical cost surpluses and deficits	15
Summary income and expenditure account	15
Balance sheet	16
Cash flow statement	17
Reconciliation of cash flows to movement in net funds	17
Notes	18

## **Governors' report**

### ***Reference and Administrative Details of the Charity, its Trustees and Advisers***

The Governors, who are trustees of the charity under Charity Law and who are also directors of the charity for the purposes of the Companies Act, present their annual report and the audited financial statements for the year ended 31 March 2007. The Governors have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" revised 2006 in preparing the report and financial statements of the charity.

#### ***Name***

Institute of Grassland and Environmental Research (IGER) (Limited by Guarantee)  
Company number: 473454  
Charity number: 272150

#### ***Principal Advisers***

##### **Accountants:**

KPMG LLP  
Marlborough House  
Fitzalan Court  
Fitzalan Road  
Cardiff  
CF24 OTE

##### **Solicitors:**

Humphrey Roberts & Bott  
1 Alfred Place  
Aberystwyth  
Ceredigion

##### **VAT:**

Grant Thornton  
Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

##### **Valuers and Land Agents:**

Aled Ellis & Co Ltd  
16 Terrace Road  
Aberystwyth

##### **Bankers:**

National Westminster Bank plc  
North West Wales Corporate Office  
Castle Square  
Caernarfon  
Gwynedd  
LL55 2AA

##### ***Registered Office***

Plas Gogerddan, Aberystwyth, Ceredigion, SY23 3EB

## **Governors' report** *(continued)*

### **Structure, governance and management**

#### **Members of the Governing Body (during the year ended 31 March 2007)**

Professor Alan Gray (Chairman)  
Mr Tim Bennett\*  
Professor Keith Edwards  
Professor Peter Gregory  
Mr Jim Harrison\*  
Dr Giles Lemaire  
Professor Noel Lloyd  
Mr John Lloyd Jones  
Professor John MacLeod  
Professor John MacRae  
Professor Jamie Newbold  
Mr Don Thomas  
Professor Deri Tomos  
Professor Tony Trinci  
Professor Paul Worsfold\*  
Ms Caroline Drummond  
Mr David Munday  
Professor Michael Winter

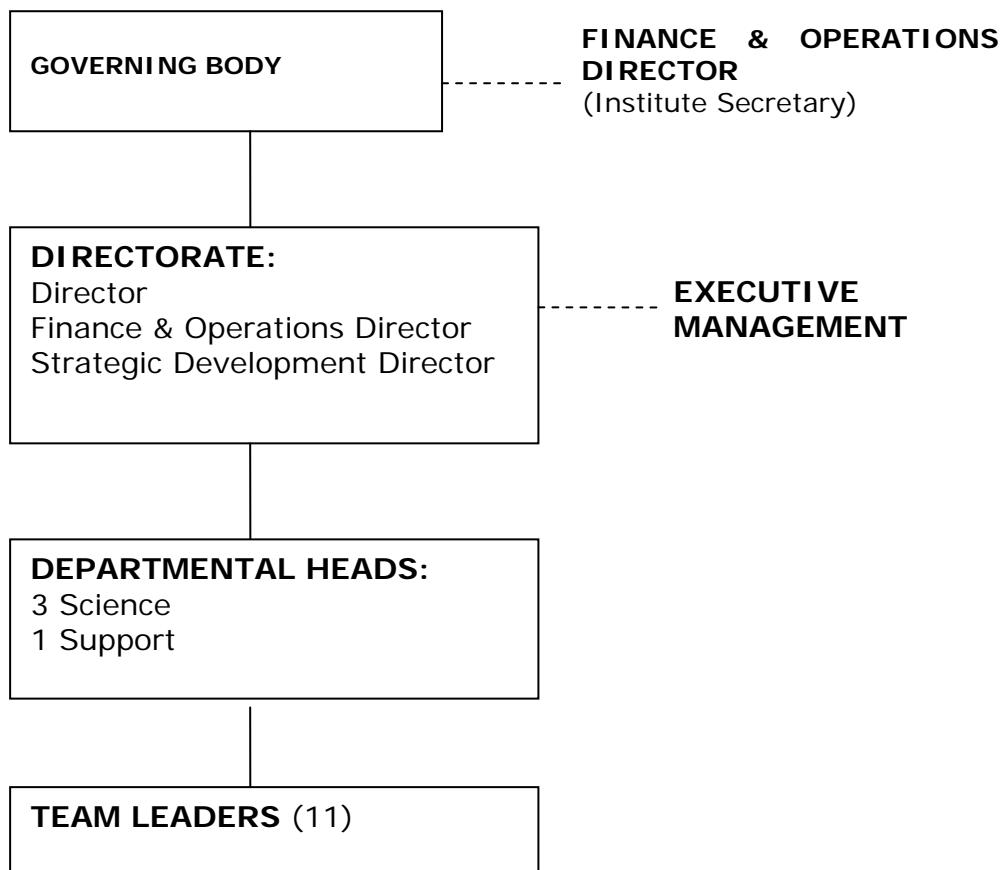
#### **Secretary**

Mr SGA Durbin

\*(Term completed in year)

**Governors' report** *(continued)*

**Organisational Structure**



The full Governing Body meets twice a year and those meetings are also attended by the Director and the Finance & Operations Director. In addition, Governors attend various committees throughout the year to consider, inter alia:

- (a) Finance, Audit and General Purposes;
- (b) Recruitment and Retention; and
- (c) Science Matters.

The Finance, Audit and General Purposes Committee is a full committee of the Governing Body, chaired by a senior Governing Body member and attended by at least two other Governing Body members, including the Chairman. The Committee is also attended by the Director, the Finance & Operations Director and a senior member from the Finance Department of the Institute.

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

The Institute is both a registered charity and a company limited by guarantee. The members of the Governing Body are detailed above. Members of the Governing Body act as trustees for the purposes of the Charities Act 1993 and as directors for the purposes of the Companies Act 1985 and are appointed in accordance with the Memorandum and Articles of Association following nominations by the BBSRC.

## **Governors' report** *(continued)*

### ***Biotechnology and Biological Science Research Council (continued)***

IGER is a BBSRC sponsored Institute, with the majority of funds coming from the public sector. Under the Institute's Memorandum and Articles, and a Conditions of Grant Agreement between the Institute and BBSRC, certain powers and authorities are subject to BBSRC approval. In practice, therefore, the members of the Governing Body share some responsibilities with the BBSRC which, in effect, acts as a shadow director for Companies Act purposes.

The day-to-day activities of the Institute are managed by the Institutes Research Director whose primary reporting line is to the Chief Executive of the BBSRC.

BBSRC acknowledges the limitations placed on members of the Governing Body and has agreed to indemnify individual members who act honestly, reasonably, in good faith and without negligence. Under the indemnity, members of the Governing Body will not be required to meet from their own personal resources any personal civil liability which is incurred in the execution of their duties.

BBSRC have announced their intention to change the status of their Institutes over the coming years to either 'further in' or 'further out', with the latter expected to move from under BBSRC to the University sector. This conclusion followed the Governance report by Follett on best practice and recognition that long term financial sustainability required changing the existing relationships. As a result IGER was asked to consider either joining with Rothamsted as a 'further in' Institute or approaching the University sector to consider 'further out' options. After careful consideration of the mission and objectives of the Institute and in particular the medium to long term science strategy, the Governors considered that the University option was the most viable and that by joining with the University of Wales Aberystwyth (UWA) and through collaboration with Bangor, Rothamsted and other similar establishments, the science and mission of the Institute could be secured. As a result, the Institute has commenced detailed discussions for merging its activities with that of Aberystwyth University and concurrently, for science delivery, with Bangor in the Institute of Sustainable Land Use.

### ***Wholly Owned Subsidiary***

IGER Technologies is a dormant company that is a wholly owned subsidiary of IGER, whose purpose would be the commercial exploitation of Intellectual Property and other opportunities from the Institute. The Director and the Finance & Operations Director are directors of the company.

### ***Objectives and Activities***

The Institute is a charitable company limited by guarantee and was set up on 30th September 1949. It is governed by the Memorandum and Articles of Association which were last amended on 5th November 1998 and 18th November 2004 respectively. Its objects are to promote and educate, for the public benefit, research and other scientific work bearing on eco-systems, in particular grassland; animal husbandry; and matters ancillary thereto and to publish the useful results of such research.

The main activity is that of independent research into grassland and the environment in the UK in order to determine viable options for grassland-dominated landscapes and land use systems that lead to a sustainable rural economy, a multi-functional healthy environment, and a safe and high quality food chain. This is undertaken by integrated research aimed at better understanding the interactions between plants, soil, microbes, livestock, food, the environment and humans.

The Institute has a strong commitment to communicate its research effectively to beneficiaries and policy makers; to educate in the broad areas of its science; to generate direct economic benefit; and to apply its skills, both alone and with partners, to generate income in appropriate areas that are complementary to its core activities.

## **Governors' report** *(continued)*

### ***The Governing Body***

The members of the Governing Body, who act as trustees and directors, are all guarantors of the company, of an amount not exceeding £1, during the period of their appointment as a governor and for a further year after resignation. In addition to the main Governing Body, there is one committee established to consider finance, audit and other matters. In addition, a number of governors sit on operational committees in areas such as science review and farm and land resources management.

Governors are appointed by the Governing Body in consultation with the BBSRC on behalf of the Secretary of State for Science and Innovation, the Secretaries of State for Scotland, Wales and for Environment, Food and Rural Affairs.

### ***Governance, Appointments and Recruitment***

As a company limited by guarantee, IGER advertises for replacement Governors directly in the press (The Times) against a person specification that seeks to maintain an appropriate balance of skills, knowledge and experience across the Body. Selection is managed by the Chairman, a senior Governor and the Director of the Institute, and appointment is made by the Governing Body after discussion with the Institute's sponsor Research Council the Biotechnology and Biological Science Research Council (BBSRC).

IGER is keen to develop a well informed, effective Governing Body that is willing and competent to challenge management while ensuring that the aims of the organisation are well understood, and that the management acts accordingly. The formal procedures for inducting all new Governors into the organisation involves meetings with the Chairman of the Governing Body and other senior staff as appropriate. In addition to induction, Governors are encouraged to undergo continuing training, and opportunities are provided to facilitate direct interaction with senior scientists at the Institute, in order to foster a framework for open and effective communication. Governors are appointed for a maximum of two 3-year terms.

### ***Governance and Internal Control***

In line with good governance, the Governing Body members are regularly reviewed and turnover is managed to provide both continuity and new challenge to all areas of Institute activity. The number of Governors has remained constant during the year, with no new appointments or resignations.

Currently, new Governors serve an initial term of three years and may be re-elected for a further three year period, where appropriate. The Governing Body meets on a minimum of two occasions each year, with the Annual General Meeting taking place on the same day as the second full meeting.

The Finance, Audit and General Purposes Committee to which all accounting and business planning issues are devolved and which operates under specific terms of reference consists of at least three members of the Governing Body.

The Governors have overall responsibility for ensuring that the charity has appropriate systems for controls, both financial and non-financial. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- (a) the charity is operating efficiently and effectively;
- (b) its assets are safeguarded against unauthorised use or disposition;
- (c) proper records are maintained and financial information used within the charity for publication is reliable;
- (d) the charity complies with the relevant laws and regulations;

## **Governors' report** *(continued)*

### ***Governance and Internal Control*** *(continued)*

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- (a) the Strategic Plan is approved by the Governors;
- (b) regular consideration by the Governors of financial results, variance from budgets, non-financial performance indicators and benchmark reviews;
- (c) delegation of authority and segregation of duties;
- (d) identification and management of key risks including financial, reputational and operational.

### ***Risk Management***

The Governors have, with advice from their internal auditors, introduced a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Governors will continue to review the adequacy of the charity's internal financial controls to ensure they conform with guidelines issued by the Charity Commission.

Generic risk is managed through an effective control framework of delegation, policy and procedure. Specific risks are identified and mitigation strategies adopted to effectively manage those risks.

Operational risk management is delegated to the Institute Director and the Finance & Operations Director. The major risks to which the Institute is exposed, as identified by management, have been, and are continually being reviewed and systems have been established to mitigate risks. In addition, IGER has an established Finance, Audit and General Purposes Committee whose remit is to consider risk assessments. As part of the control framework operating within the host Research Council, the Research Director has delegated authority from BBSRC for risk management and is required to present an annual Business Plan and sign a Director's Annual Statement of Internal Control to BBSRC.

### ***Objectives for 2006/07***

During the year, the Institute has continued to deliver excellent science via core grant, commissions and contracts with its main stakeholders, the BBSRC and Defra (the Department for the Environment, Food and Rural Affairs), accounting for around three quarters of total income. Following the re-structuring in 2005/06 the Institute has:

- (a) refocused science delivery to new Defra objectives;
- (b) reorganised core science based on BBSRC requirements for science at international level;
- (c) reduced operational land holdings;
- (d) released Trawscoed Research Farm to BBSRC; and
- (e) restructured staff and other resources to compliment these new objectives.

This activity is the second year of a three year recovery plan due to complete by the end of 2008/09, although this plan will be overtaken by merger. However, on current performance the Institute is well placed to achieve the sustainability levels underpinning the restructure.

The asset base of the Institute on a replacement value basis was re-assessed by management from £37.2m to £33.2m as a result of this change, and the Estates Plan refocused to development of the Aberystwyth, Bronydd and North Wyke sites.

Overall, the science changes and support rationalisation has resulted in a good improvement in Defra funding, reflecting the close fit of the Institute to its main customer. Work continues on developing science themes that are in keeping with the science agenda at national and international level and the prospects for the Institute are good with the merger providing additional confidence as the skills and expertise base will expand further.

## **Governors' report** *(continued)*

### ***Achievements and Performance***

The science achievements of the Institute are summarised in annual reports published in January each year and in the Innovations newsletters published in May. These documents are available via the IGER website at: <http://www.iger.bbsrc.ac.uk/Publications/annrep.htm>

The Statement of Financial Activities for the year is set out on page 14 of the Financial Statements. A summary of the financial results and work of the Institute is set out below.

The Institute, in line with the sponsoring body's commitment to its resources and in recognition of the key role played by its people, seeks to foster excellent working conditions within a cost effective framework. A number of 'family friendly' schemes are in place and employee participation in decision making is actively encouraged.

### ***Charitable Activities***

Throughout 2006/07 the Institute continued to deliver excellent science against an increasingly difficult funding backdrop. The Institute is currently working with Defra to repackage the science delivery to meet these new objectives and, under the government RIPSS principles on sustainability, is seeking to agree a funding stream going forwards. Income in the year was over £7m from Defra underlining the strategic importance of IGER to their portfolio. Issues remain in 2007/08 with Defra particularly on support for the plant breeding programme, but the Institute is confident that the relationship developed anew over the past year will lead to continuing support. Forward projections are positive, as the Institute's core science areas are well aligned to the new Defra areas of: Climate Change and Energy; Sustainable Consumption and Production; Protecting the Countryside and Natural Resource Protection; Sustainable Rural Communities; and Sustainable Farming and Food.

### ***Financial Review***

The Institute has continued to operate effectively with improving cash flow and continuing surpluses through the reporting period following earlier restructuring. The main financial risk to the Institute is the volatility of funding from Defra. Whilst the Institute considers itself well positioned to meet the changing objectives of Defra, uncertainty remains in the short term for projects submitted but not secured. This risk is being managed both at Institute and Research Council levels reflecting its importance and scope. Restructuring and the release of Trawscoed Research Farm has enabled the Institute to lower its full economic cost base significantly helping overall financial sustainability.

### ***Results for the Year***

The result for the year is detailed on pages 14 and 15 of the financial statements.

There was a surplus of £186,084, before transfer from endowments, within unrestricted funds (2006: deficit of £133,943). There was a further impairment in value of milk quotas held by the charity of £27,151 (2006: 284,016), recognising the shift to farm subsidy from marketable quota.

Defra umbrella contracts have increased during the year to £5,446,595 (2006: £4,660,634) but Defra competitive projects have decreased to £2,126,560 (2006: £2,759,100). Defra funding remains a key risk to the Institute as Defra seeks to rebalance its research portfolio, with the breeding programme due for renewal in 2007. Discussions are ongoing with Defra to identify core areas where IGER's unique blend of skills and expertise can best be applied in support of the new Defra requirements. A significant proportion of IGER's funding is from BBSRC, the Institute's sponsor Research Council. As such, the Institute is dependent on continuing support for grants for the continuation of its scientific activities, both capital for buildings and revenue for projects. BBSRC's core research funding, in line with decisions made by Council following the 2005 Visiting Group, has increased again from £5,572,000 to £5,663,567.

An Estates Plan has been proposed to BBSRC that would see investment of around £30m over the next six to ten years to provide an Institute capable of pursuing excellent science for the foreseeable future. This has been approved in principle by the BBSRC Council Estates Committee and the first £4m released against agreed restructuring projects. The remaining investment is in part dependent on the merger conclusions with UWA.

## **Governors' report** *(continued)*

### **Results for the Year** *(continued)*

Recognising the need to diversify income streams to increase resilience, the Institute continues to actively explore new areas of funding as traditional funding patterns change, and core funding has been diverted to the area of bio-renewables as pump priming for this important science area.

Restricted funds which are provided by capital grants from BBSRC have reduced marginally to £14,395,614 (2006: £14,428,670). Investment has continued in the redevelopment of the North Wyke Research Centre and Farm with a further £300,000 invested in a new animal handling/research facility in the year. In total £1.5m will be spent on enhancements of the North Wyke site in this current refurbishment cycle. In addition £2m has been requested from BBSRC through the normal business planning processes for enhancing the system modelling of the North Wyke catchment to enhance its capability as a research platform.

Total investment in new assets was £977,546 during the year, all of which was supported by direct funding from BBSRC (2006: 1,476,370).

### **Reserves Policy**

The Governors have reviewed the reserves of the Institute. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that the total free reserves (calculated as unrestricted reserves excluding the designated fund) at 31 March 2007 of £2,641,499 will be adequate for the Institute to manage its finances in the medium term. To ensure long term sustainability, the Governors have set an annual target of £600,000 surplus to be achieved within three years. This surplus is required to meet the Institute's ongoing capital investment plans and provide resilience through reserves. This year's surplus indicates considerable progress had been made. Reserves include designated unrestricted funds of £189,000 for minor works and equipment needs over the 3 year Plan period.

### **Investment Policy**

The Governors invest liquid funds in high interest bank accounts in order to obtain reasonable returns whilst minimising potential risk. The Institute is currently considering options for ethical investment of liquid funds with the current bankers and others and will assess its ongoing investment policy in the light of these discussions. The proposed merger with UWA has meant that a review of the current banking arrangements will be delayed until it is clear whether UWA will provide banking in the future.

### **Insurance**

In line with Government policy, no commercial insurance is effected unless it is required by statute or unless it is cost effective to do so.

### **Supplier Payment Policy**

It is the Institute's policy to negotiate terms with its suppliers, and to ensure that suppliers know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms. In most instances, this requires payment within 30 days of the date of invoice.

### **Tax Status**

As IGER is a registered charity, no provision has been made for taxation. The trading profits of IGER Technologies Limited would be subject to taxation, however the company is currently dormant.

## **Governors' report** *(continued)*

### ***Employees***

The Institute Director and the Finance and Operations Director are appointed by the Governing Body and have delegated authorities to carry out operational matters on behalf of the Governing Body. All other Institute staff are BBSRC employees who are subject to BBSRC terms and conditions of service and are appointed by the Institute under delegated powers. Although the legal liability for employment rests with BBSRC, the Institute is expected to meet all staff costs arising from normal activities. Pension contributions are made to the BBSRC recommended scheme at appropriate levels, as directed by BBSRC.

### ***Employee Consultation***

The Institute recognises all appropriate Trade Unions representing staff employed at its laboratories. An Institute Negotiating and Consultative Committee is in place, with membership drawn equally from 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, 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 whenever this is practicable, and makes reasonable adjustments to working conditions or to physical features of its premises where disabled persons are placed at a substantial disadvantage in comparison with people who are not disabled.

### ***Equality & Diversity***

The Institute recognises the need to actively manage the workplace to allow equal access for all and is developing policies, together with BBSRC, that seek to ensure equality and diversity are properly considered at all stages of activity.

### ***Quality Assurance***

In order to provide an auditable, quality standard of research to our customers, the Institute has achieved the ISO9000 standard for quality assurance and control. The Institute is now reviewing its approach to Environmental Management Systems and is adopting a standard based on the requirements of ISO 14001.

### ***Disclosure of information to auditors***

The governors who held office at the date of approval of this Governors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Charity's auditors are unaware; and each governor has taken all the steps that he ought to have taken as a governor to make himself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

### ***Auditors***

In accordance with Section 384 of the Companies Act 1985, a resolution for consideration of either the reappointment of KPMG LLP as auditors of the company or re-tender of auditors is to be proposed at the forthcoming Annual General Meeting.

## Governors' report *(continued)*

### *Plans for Future Periods*

The Institute intends to continue its primary mission for independent research into grassland and the environment in the UK in order to determine viable options for grassland-dominated landscapes and land use systems that led to a sustainable rural economy, a multi-functional healthy environment, and a safe and high quality food chain. This is undertaken by integrated research aimed at better understanding the interactions between plants, soil, microbes, livestock, food, the environment and humans. This will be done within the context of the merger of the Welsh sites with the University of Wales, Aberystwyth and the transfer of North Wyke, in Devon to BBSRC. The prospects for the science mission are excellent and the Governors are confident that the proposed governance changes enhance the mission and provide the platform for ongoing international quality science.

For the research elements of the new organisations it is anticipated that the main funders will remain BBSRC (the current sponsor Research Council) and Defra. Together, they currently provide in excess of 75% of total income. The general move to understanding and manipulating land use systems to deliver a range of economic and ecosystem services based on sound scientific knowledge should enable the Institute to continue to provide a unique service to the UK public and beyond. The Institute is well positioned for a continuing high impact in its area of expertise and is excited by the prospects the new governance configuration provides.

By order of the Governing Body



AJ Gray  
Chairman

Plas Gogerddan  
Aberystwyth  
Ceredigion  
SY23 3EB

20 July 2007

## **Statement of Governors' responsibilities in respect of the Governors' Report and the financial statements**

The governors are responsible for preparing the Governors' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the governors to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period.

In preparing these financial statements, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue in its activities.

The governors 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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



KPMG LLP  
Marlborough House  
Fitzalan Court  
Fitzalan Road  
Cardiff  
CF24 0TE  
United Kingdom

## **Independent auditors' report to the members of the Institute of Grassland and Environmental Research (Limited by Guarantee)**

We have audited the financial statements of the Institute of Grassland and Environmental Research (Limited by Guarantee) for the year ended 31 March 2007 which comprise the Statement of Financial Activities, the note of historical cost surpluses and deficits, the summary income and expenditure account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 governors and auditors**

The responsibilities of the charitable company's trustees, who are also the directors of the Institute of Grassland and Environmental Research (Limited by Guarantee) for the purposes of company law, for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Governors' 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 in our opinion the information given in the Governors' Annual Report is consistent with the financial statements.

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

We read the Governors' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. We read the other information contained in the Governors' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report to the members of the Institute of Grassland and Environmental Research (Limited by Guarantee) *(continued)*

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Governors' Annual Report is consistent with the financial statements.

KPMG LLP

*Chartered Accountants  
Registered Auditor*

29 August 2007

## Statement of financial activities

for the year ended 31 March 2007

	Note	Unrestricted funds	Restricted funds	Endowments	<b>2007 Total Funds</b>	2006 Total funds
		£	£	£	£	£
<b>Incoming resources</b>						
Incoming resources from generated funds:						
Investment income		37,001	-	-	<b>37,001</b>	54,328
Incoming resources from charitable activities		18,529,764	977,546	3,938	<b>19,511,248</b>	19,715,279
Other incoming resources		2,838	-	-	<b>2,838</b>	14,461
<b>Total incoming resources</b>	2	<b>18,569,603</b>	<b>977,546</b>	<b>3,938</b>	<b>19,551,087</b>	<b>19,784,068</b>
<b>Resources expended</b>						
Charitable activities						
Governance costs		18,331,812	1,010,602	-	<b>19,342,414</b>	19,374,577
		51,707	-	-	<b>51,707</b>	49,469
<b>Total resources expended</b>	3	<b>18,383,519</b>	<b>1,010,602</b>	<b>-</b>	<b>(19,394,121)</b>	<b>19,424,046</b>
<b>Net (outgoing)/incoming resources before transfers</b>						
	13	186,084	(33,056)	3,938	<b>156,966</b>	360,022
<b>Gross transfers between funds</b>	13	180,450	-	(180,450)	-	-
<b>Net (outgoing)/incoming resources</b>		366,534	(33,056)	(176,512)	<b>156,966</b>	360,022
<b>Unrealised gains on investment assets</b>	13	-	-	23,129	<b>23,129</b>	7,653
<b>Net movement in funds</b>		366,534	(33,056)	(153,383)	<b>180,095</b>	367,675
<b>Reconciliation of Funds</b>						
<b>Total funds brought forward</b>	13	2,463,965	14,428,670	256,472	<b>17,149,107</b>	16,781,432
<b>Total funds carried forward</b>	13,14	2,830,499	14,395,614	103,089	<b>17,329,202</b>	17,149,107

Income and net movement for the year relate entirely to continuing operations.

The above results represent the total recognised gains and losses for both financial years.

## Note of historical cost surpluses and deficits

for the year ended 31 March 2007

	Unrestricted funds	Restricted funds	Endowments	<b>2007 Total funds £</b>	2006 Total funds £
	£	£	£	£	£
<b>Net (outgoing)/incoming resources</b>	186,084	(33,056)	3,938	<b>156,966</b>	360,022
<b>Difference between historic cost and revalued depreciation</b>	-	72,000	-	<b>72,000</b>	72,000
<b>Historic cost net (outgoing)/incoming resources</b>	186,084	38,944	3,938	<b>228,966</b>	432,022

## Summary income and expenditure account

for the year ended 31 March 2007

	Note	<b>2007 £</b>	2006 £
<b>Income</b>	2	<b>19,054,916</b>	19,204,620
<b>Operating costs</b>	3	<b>(18,934,951)</b>	(18,898,926)
<b>Operating results</b>	4-6	<b>119,965</b>	305,694
<b>Investment income</b>	2	<b>37,001</b>	54,328
<b>Net income for the year</b>	13	<b>156,966</b>	360,022

The summary income and expenditure account is derived from the Statement of Financial Activities on page 14 which, together with the notes to the financial statements on pages 18 to 31, provide full information on the movements during the year on all funds of the company.

**Balance sheet**  
*at 31 March 2007*

	<i>Note</i>	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	7		15,604,876		15,918,624
Investments	8		109,928		137,014
			<hr/>		<hr/>
			15,714,804		16,055,638
<b>Current assets</b>					
Stocks	9	580,655		710,896	
Debtors	10	1,991,167		1,870,178	
Current asset investments	11	103,089		256,472	
Cash at bank and in hand		1,821,894		1,003,973	
		<hr/>		<hr/>	
		4,496,805		3,841,519	
<b>Creditors: amounts falling due within one year</b>	12	(2,882,407)		(2,748,050)	
		<hr/>		<hr/>	
<b>Net current assets</b>			1,614,398		1,093,469
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			17,329,202		17,149,107
<b>Creditors: amounts falling due after more than one year</b>			-		-
			<hr/>		<hr/>
<b>Net assets</b>	13, 14		17,329,202		17,149,107
			<hr/> <hr/>		<hr/> <hr/>
<b>Endowments</b>	13, 14		103,089		256,472
<b>Restricted funds:</b>					
Capital fund	13	13,135,247		13,096,303	
Revaluation reserve	13	1,260,367		1,332,367	
		<hr/>		<hr/>	
	14		14,395,614		14,428,670
<b>Unrestricted funds</b>					
General	13	2,641,499		2,167,365	
Designated	13	189,000		296,600	
		<hr/>		<hr/>	
	13, 14		2,830,499		2,463,965
			<hr/>		<hr/>
<b>Total funds</b>	13, 14		17,329,202		17,149,107
			<hr/> <hr/>		<hr/> <hr/>

These financial statements were approved on behalf of the Governing Body on 20 July 2007 and were signed on its behalf by:



**AJ Gray**  
Chairman

**Cash flow statement**  
*for the year ended 31 March 2007*

	<i>Note</i>	<b>2007</b> £	2006 £
<b>Net cash inflow from operating activities</b>	<i>17</i>	<b>1,576,751</b>	1,830,114
Returns on investments and servicing of finance	<i>18</i>	<b>37,001</b>	54,328
Capital expenditure	<i>18</i>	<b>(972,342)</b>	(1,446,921)
		<hr/>	<hr/>
Cash inflow before use of liquid resources and financing		<b>641,410</b>	437,521
Financing		-	-
		<hr/>	<hr/>
<b>Increase in cash in the financial year</b>		<b>641,410</b>	437,521
		<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of cash flows to movement in net funds**

	<i>Note</i>	<b>2007</b> £	2006 £
Increase in cash in the financial year		<b>641,410</b>	437,521
Cash outflow from decrease in debt and lease financing		-	-
		<hr/>	<hr/>
<b>Increase in net funds in the year</b>		<b>641,410</b>	437,521
Net funds/(debt) at beginning of year		<b>1,192,049</b>	754,528
		<hr/>	<hr/>
<b>Net funds at end of year</b>	<i>19</i>	<b>1,833,459</b>	1,192,049
		<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain land and buildings. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005) and the Companies Act 1985.

Consolidated financial statements incorporating the charity's subsidiary company, IGER Technologies Limited have not been prepared because the company is dormant, has not traded since its incorporation and consequently the results and assets and liabilities of the company are not considered to be material. Details of the subsidiary are included in note 8.

#### ***Company status***

The charity is a company limited by guarantee. The members of the company are the trustees named on page 2. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

#### ***Income***

Income represents grants receivable in the year from outside granting bodies and other miscellaneous income.

Grant income related to projects is recognised to the extent the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. Some income is deferred in accordance with the SORP 2005 (see separate deferred income policy).

Income received to fund the cost of fixed assets is recognised to the extent the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy, and is included as restricted funds (see separate restricted funds policy).

Endowment income is shown in a separate fund on the face of the Statement of Financial Activities. Incoming resources from endowment funds are restricted.

#### ***Deferred Income***

Deferred income comprises:

- Income where the donor has imposed restrictions upon the receipt, which amount to pre-conditions, in the form of specified milestones which the charity has not yet achieved
- Income received in the period which the donor has given for use in the future accounting periods only

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Funds**

##### *Unrestricted funds*

Research at the Institute is funded by core strategic annual awards and competitive awards. These are included in the financial statements as unrestricted funds. Individual grants have not been split out because of the large number of projects involved. Where certain unrestricted funds have been earmarked by the governors for specific purposes they are shown as designated funds.

##### *Restricted funds*

Capital grants are awarded for restricted purposes in relation to particular investment in buildings or equipment and are shown as restricted funds.

##### *Endowment funds*

Endowment funds are subject to specific restrictions imposed by the donors.

#### **Charitable activities**

Charitable activities represent the full cost of the research performed. They include the cost of direct staff, consumable stocks and indirect costs apportioned on the basis of use. Depreciation on capital funded assets is charged directly to restricted funds on charitable activities for the year.

#### **Governance costs**

Governance costs represent the necessary compliance with statutory and constitutional requirements, and any other costs which are not direct charitable expenditure.

#### **In kind donations**

Certain grants require funding from the private sector which is given in the form of donated assets and services for use in fulfilling the terms of the grant. The value placed on these items is their value to the Institute, as recorded within the reports made to the grant making body. This value is included within incoming resources in the statement of financial activities with an equal amount recognised in resources expended.

#### **Fixed assets and depreciation**

Land and buildings are valued at either original cost or depreciated replacement cost following a revaluation in February 1993. Under the provisions of FRS 15: Tangible Fixed Assets, any revalued assets will continue to be carried at the 1993 valuation.

Assets costing less than £3,000 are not capitalised.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land	-	Over the term of the lease
Leasehold buildings	-	10 - 60 years
Plant and machinery	-	5 - 15 years
Fixtures and fittings	-	5 -10 years

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### ***Foreign currency transactions***

All foreign currency gains and losses are taken to the Statement of Financial Activities as incurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

#### ***Leases***

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income and expenditure account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental costs are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value.

Livestock are included on the basis of a professional market valuation less any provision deemed necessary.

#### ***Pensions***

The company participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Investment accounting policy***

Fixed asset investments are included in the financial statements at valuation or at cost where there is no readily available market value.

Current asset investments within special funds, which are recorded on a recognised stock exchange, are included at their quoted market value. Movements in market value are taken to the Statement of Financial Activities as unrealised gains or losses on investment assets.

**Notes** (continued)

**2 Analysis of incoming resources**

	2007	2006
	£	£
<b><i>Grants receivable from government and other public bodies</i></b>		
DEFRA "Umbrella" contract projects	5,446,595	4,660,634
DEFRA competitive projects	2,126,560	2,759,100
European Union	382,167	604,940
Other government departments	1,328,154	1,207,198
	<hr/>	<hr/>
	9,283,476	9,231,872
	<hr/>	<hr/>
<b><i>BBSRC funding</i></b>		
Competitive strategic grant	5,663,567	5,572,000
Competitive project grants	433,314	317,615
Major works	305,597	505,914
Minor works	550,907	718,158
Other grants	517,075	595,396
	<hr/>	<hr/>
	7,470,460	7,709,083
	<hr/>	<hr/>
<b><i>Income from activities for generating funds</i></b>		
VAT recovered	174,877	15,337
Income and farm operations	1,025,218	839,343
Industry and Levy Boards	733,253	1,011,068
Miscellaneous income	278,869	355,914
Royalty income	88,763	42,003
Profit on disposal of fixed assets	2,838	14,461
Donated assets and services	456,332	510,659
	<hr/>	<hr/>
	2,760,150	2,788,785
	<hr/>	<hr/>
<b>Incoming resources before investment income</b>	19,514,086	19,729,740
	<hr/>	<hr/>
<b>Investment income</b>		
Bank interest receivable	37,001	54,328
	<hr/>	<hr/>
	37,001	54,328
	<hr/>	<hr/>
<b>Total incoming resources</b>	19,551,087	19,784,068
	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation to summary income and expenditure account</b>		
Incoming resources before investment income	19,514,086	19,729,740
Less: Donated assets and services	(456,332)	(510,659)
Less: Surplus on disposal of fixed assets	(2,838)	(14,461)
	<hr/>	<hr/>
	19,054,916	19,204,620
	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**3 Analysis of resources expended**

	Direct charitable expenditure	Support costs	Governance costs	<b>Total year ended 31 March 2007</b>	Total year ended 31 March 2006
	£	£	£	£	£
<b>Expenditure</b>					
Staff costs	9,491,711	793,102	29,707	<b>10,314,520</b>	10,531,844
Laboratory supplies	1,129,782	-	-	<b>1,129,782</b>	1,237,746
Sub-contracts	1,942,393	-	-	<b>1,942,393</b>	1,077,608
Travel and subsistence	263,165	-	-	<b>263,165</b>	270,627
Repairs and maintenance	676,443	-	-	<b>676,443</b>	824,201
Rent, rates and insurance	204,479	-	-	<b>204,479</b>	240,519
Fuel and water charges	773,492	-	-	<b>773,492</b>	616,314
Equipment costing less than £3,000 and hire charges	178,427	-	-	<b>178,427</b>	218,550
Depreciation	1,245,429	43,499	-	<b>1,288,928</b>	1,267,996
Farm supplies	329,069	-	-	<b>329,069</b>	436,054
Livestock	223,440	-	-	<b>223,440</b>	288,890
Computing costs	475,946	161,357	-	<b>637,303</b>	665,232
Legal and professional charges	9,097	49,393	22,000	<b>80,490</b>	24,685
Miscellaneous	576,472	319,386	-	<b>895,858</b>	1,213,121
Donated assets and services	456,332	-	-	<b>456,332</b>	510,659
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended	17,975,677	1,366,737	51,707	<b>19,394,121</b>	19,424,046
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Reconciliation to summary income and expenditure account**

Operating costs before interest payable	<b>19,394,121</b>	19,424,046
Less: Donated assets and services	<b>(456,332)</b>	(510,659)
Less: Profit on disposal of fixed assets	<b>(2,838)</b>	(14,461)
	<hr/>	<hr/>
	<b>18,934,951</b>	18,898,926
	<hr/> <hr/>	<hr/> <hr/>

**4 Net movement**

<i>Net movement for the year is stated after charging/(crediting):</i>	<b>2007</b>	2006
	£	£
Auditors' remuneration		
- audit services	<b>22,000</b>	21,000
- non audit services	-	-
Surplus on sale of tangible fixed assets	<b>(2,838)</b>	(14,461)
Operating leases:		
Plant and machinery	<b>29,765</b>	30,138
Other	-	37,033
	<hr/>	<hr/>

**Notes** *(continued)*

**5 Remuneration of the members of the Governing Council**

None of the members of the Governing Council received any remuneration from the company during the year.

Travel and subsistence costs include refunds of expenses to trustees of £5,218 (2006: £3,342). The number of trustees receiving such refunds was 14 (2006: 10).

	<b>2007</b>	<b>2006</b>
	£	£
Expenses reimbursed to governors	<b>15,746</b>	8,222
	<u>          </u>	<u>          </u>

**6 Staff numbers and costs**

The average number of full time equivalent (FTE) persons employed by the company during the year, analysed by category, was as follows:

	<b>Number of employees (FTE)</b>	
	<b>2007</b>	2006
Office, management and services	<b>125</b>	127
Scientific	<b>179</b>	197
	<u>          </u>	<u>          </u>
	<b>304</b>	324
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	<b>2007</b>	<b>2006</b>
	£	£
Wages and salaries	<b>8,099,104</b>	8,263,464
Social security costs	<b>620,457</b>	630,530
Other pension costs (note 17)	<b>1,594,959</b>	1,637,850
	<u>          </u>	<u>          </u>
	<b>10,314,520</b>	10,531,844
	<u>          </u>	<u>          </u>

The number of staff whose emoluments exceeded certain limits was as follows:

	<b>2007</b>	2006
£50,000 - £59,999	<b>2</b>	1
£60,000 - £69,999	<b>1</b>	2
£70,000 - £79,999	-	-
£80,000 - £89,999	-	1
£90,999 - £99,999	<b>1</b>	-
	<u>          </u>	<u>          </u>

The number of staff earning over £50,000 for whom retirement benefits are accruing under defined benefit schemes amounted to 4 (2006: 4) and the amounts paid in the year was £55,158 (2006: £55,235).

**Notes** (continued)

**7 Tangible fixed assets**

	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures, fittings and equipment</b>	<b>Total</b>
	£	£	£	£
<i>Cost or valuation</i>				
At beginning of year	20,696,973	3,310,339	7,575,143	31,582,455
Additions	497,703	152,440	327,403	977,546
Disposals	-	(107,417)	(305,121)	(412,538)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	21,194,676	3,355,362	7,597,425	32,147,463
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	6,835,374	2,551,083	6,277,374	15,663,831
Charge for year	638,182	236,137	414,608	1,288,927
Disposals	-	(105,050)	(305,121)	(410,171)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	7,473,556	2,682,170	6,386,861	16,542,587
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 March 2007</b>	<b>13,721,120</b>	<b>673,192</b>	<b>1,210,564</b>	<b>15,604,876</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2006	13,861,599	759,256	1,297,769	15,918,624
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of land and buildings comprises:

	<b>2007</b>	<b>2006</b>
	£	£
Short leasehold	<b>3,767,634</b>	3,832,257
Long leasehold	<b>9,957,627</b>	10,029,342
	<hr/>	<hr/>
	<b>13,725,261</b>	13,861,599
	<hr/> <hr/>	<hr/> <hr/>

The net book value at 31 March 2007 represents fixed assets used for charitable purposes.

Land and buildings, included above at depreciated replacement cost, were valued professionally by Herring Baker Harries, 26-28 Sackville Street, London, W1X 2QL in February 1993.

In accordance with the provisions of FRS 15: Tangible Fixed Assets, the above valuation of assets has not been updated during the year.

Included in the cost of land and buildings is £90,000 of non-depreciable leasehold land (2006: £90,000).

**Notes** *(continued)*

**7 Tangible fixed assets** *(continued)*

The value of land and buildings determined according to the historical cost convention is as follows:

	<b>2007</b>	2006
	£	£
Cost	<b>21,028,115</b>	20,530,412
Accumulated depreciation	<b>(8,567,363)</b>	(8,001,181)
	<hr/>	<hr/>
Historical cost net book value	<b>12,460,752</b>	12,529,231
	<hr/> <hr/>	<hr/> <hr/>

Included in the total net book value of plant and machinery is £Nil (2006: £74,661) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £Nil (2006: £32,755).

The estimated replacement cost, as assessed by management, of land and buildings in use by the charity at the end of the year amounts to £33,234,043.

**8 Investments**

	Shares in non- quoted UK companies	Milk quotas	Total
	£	£	£
At start of year	44,539	92,475	137,014
Additions	65	-	65
Impairment	-	(27,151)	(27,151)
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>44,604</b>	<b>65,324</b>	<b>109,928</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The investments are shown at cost less any impairment. At 31 March 2007 the carrying value of milk quotas was impaired following a reduction in their market value.

In 2001, IGER Technologies Limited, a wholly owned subsidiary of IGER, was set up and the investment of £1 was included at cost. The company which is incorporated in England and Wales, has not traded since its incorporation and its only asset or liability is a £1 asset representing the unpaid share capital issued on incorporation.

**9 Stocks**

	<b>2007</b>	2006
	£	£
Livestock and farm supplies	<b>580,655</b>	710,896
	<hr/> <hr/>	<hr/> <hr/>

**10 Debtors**

	<b>2007</b>	2006
	£	£
Government grants receivable	<b>1,103,064</b>	801,370
Other debtors	<b>627,432</b>	780,838
Prepayments	<b>260,671</b>	287,970
	<hr/>	<hr/>
	<b>1,991,167</b>	1,870,178
	<hr/> <hr/>	<hr/> <hr/>

**Notes** *(continued)*

**11 Current asset investments**

	<b>2007</b>	2006
	£	£
Bank and building society deposits	<b>11,565</b>	188,076
Investments in shares (at market value)	<b>91,524</b>	68,396
	<hr/>	<hr/>
	<b>103,089</b>	256,472
	<hr/> <hr/>	<hr/> <hr/>

Current asset investments represent investments of capital endowment funds received from benefactors in prior years.

	<b>2007</b>
	£
<i>Investment in shares</i>	
At start of the year	68,396
Net gain on revaluation	23,129
	<hr/>
<b>At end of the year</b>	<b>91,525</b>
	<hr/> <hr/>

**12 Creditors: amounts falling due within one year**

	<b>2007</b>	2006
	£	£
Trade creditors	<b>285,876</b>	600,161
Amount due to BBSRC	-	337,716
Other creditors	<b>26,379</b>	46,814
Other tax and social security	<b>293,690</b>	503,618
Accruals	<b>1,138,923</b>	668,713
Deferred income	<b>1,137,539</b>	591,028
	<hr/>	<hr/>
	<b>2,882,407</b>	2,748,050
	<hr/> <hr/>	<hr/> <hr/>

Deferred income represents the unexpended element of grants awarded for specific research projects which is carried forward until the conditions of the grant are met.

The movement in deferred income may be analysed as follows:

	£
Balance at 1 April 2006	591,028
Amounts deferred during the year	996,253
Release of amounts previously deferred	(449,742)
	<hr/>
<b>Balance at 31 March 2007</b>	<b>1,137,539</b>
	<hr/> <hr/>

**Notes** (continued)

**13 Analysis of funds**

	Capital funds	Restricted	Restricted	Unrestricted other charitable funds			Total
	endowments	capital	revaluation	General	Designated	Total	
	£	£	£	£	£	£	£
Balance at 1 April 2006	256,472	13,096,303	1,332,367	2,167,365	296,600	2,463,965	17,149,107
Incoming resources	3,938	977,546	-	18,569,603	-	18,569,603	19,551,087
Outgoing resources	-	(1,010,602)	-	(18,383,519)	-	(18,383,519)	(19,394,121)
	3,938	(33,056)	-	186,084	-	186,084	156,966
Unrealised gain on investment assets	23,129	-	-	-	-	-	23,129
<i>Transfers between funds:</i>							
Transfer of endowment funds	(180,450)	-	-	180,450	-	180,450	
Release of net book value on disposal of fixed assets:							
Difference between historical cost and re-valued depreciation	-	72,000	(72,000)	-	-	-	-
<i>Designated reserves:</i>							
Backlog maintenance	-	-	-	47,600	(47,600)	-	-
Capital equipment	-	-	-	60,000	(60,000)	-	-
<b>Balance at 31 March 2007</b>	<b>103,089</b>	<b>13,135,247</b>	<b>1,260,367</b>	<b>2,641,499</b>	<b>189,000</b>	<b>2,830,499</b>	<b>17,329,202</b>

Capital funds endowments are held for a specified purpose.

Restricted capital funds comprise income received from the BBSRC in relation to capital expenditure.

The restricted revaluation reserve was created from the revaluation of certain assets funded by the restricted capital. Any excess depreciation charged as a result of the revaluation is charged against the reserve.

All other funds are shown as unrestricted funds and relate mainly to research activity on funded projects.

The designated reserves represent the Institute's matched funding for the financial year on the BBSRC supported backlog maintenance program and an amount required for capital equipment.

**14 Analysis of net assets between funds**

Fund balances at 31 March 2007 are represented by:

	Unrestricted funds	Restricted funds	Endowments	2007 Total	2006 Total
	£	£	£	£	£
Tangible fixed assets	1,209,261	14,395,614	-	15,604,875	15,918,624
Investments	109,928	-	-	109,928	137,014
Net current assets	1,511,310	-	103,089	1,614,399	1,093,469
Total net assets	2,830,499	14,395,614	103,089	17,329,202	17,149,107

**Notes** *(continued)*

**15 Commitments**

The company has entered into a number of operating leases which commit the company to pay the following annual rentals for leases which expire:

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	-	5,681	9,540	12,609
Within the second to five years	58,018	24,084	52,324	29,765
After five years	42,999	-	52,267	-
	<u>101,017</u>	<u>29,765</u>	<u>114,131</u>	<u>42,374</u>

**16 Pension scheme**

The Institute participates in the Research Council's Pension Schemes (RCPS). The Research Council's Pension Schemes are unfunded multi-employer defined benefit schemes, but the Institute are unable to identify its share of the underlying assets and liabilities.

A full actuarial valuation was carried out at 31 March 2002 and details can be found in the Research Councils' Pension Schemes Account at [www.bbsrc.ac.uk](http://www.bbsrc.ac.uk).

Employers' contributions of £1,594,959 were payable to the RCPS in the year (2006: £1,637,850) at a rate of 21.3%% (2006: 21.3%). Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

No contributions were outstanding to the schemes by the Institute at the current or preceding year end.

**17 Reconciliation of operating results to net cash inflow from operating activities**

	2007 £	2006 £
Net operating results	119,965	305,694
Depreciation charge	1,288,928	1,267,996
(Profit)/loss on sale of tangible fixed assets	(2,838)	(14,461)
Decrease in stocks	130,241	134,346
Decrease/(increase in debtors)	(120,989)	458,870
(Decrease)/increase in creditors	134,357	(606,347)
Impairment charge	27,087	284,016
	<u>1,576,751</u>	<u>1,830,114</u>

**Notes** (continued)

**18 Analysis of cash flows for headings netted in the cash flow statement**

	2007 £	2006 £
<b>Returns on investments and servicing of finance</b>		
Bank interest received	37,001	54,328
Hire purchase and finance lease interest paid	-	-
	<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>37,001</b>	<b>54,328</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(977,546)	(1,476,370)
Proceeds on sale of tangible fixed assets	5,204	35,293
Purchase of investments	-	(5,844)
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(972,342)</b>	<b>(1,446,921)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Financing</b>		
Repayment of loans	-	(337,716)
	<hr/>	<hr/>
<b>Net cash outflow from financing</b>	<b>-</b>	<b>(337,716)</b>
	<hr/> <hr/>	<hr/> <hr/>

**19 Analysis of net funds**

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand	1,003,973	817,921	<b>1,821,894</b>
Special funds - bank and building society deposits	188,076	(176,511)	<b>11,565</b>
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>1,192,049</b>	<b>641,410</b>	<b>1,833,459</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes** (continued)

**20 Related party transactions**

The Governors' consider the material transactions undertaken by the Institute during the year with parties related to the Institute were as follows:

Name of party	Relationship	Type of transaction	Transaction amount		Amount due (to)/from related party at 31 March	
			2007 £	2006 £	2007 £	2006 £
BBSRC	Parent sponsoring body	Competitive strategic grant	<b>5,663,567</b>	5,572,000	-	-
		Competitive project grants	<b>433,314,</b>	317,615	-	-
		Major works	<b>305,597</b>	505,914	-	-
		Minor works	<b>550,907</b>	718,158	-	39,065
		Capital equipment	<b>517,075</b>	531,396	-	-
		Other	-	64,000	-	-
		Amount due in respect of redundancy payments	-	(337,716)	-	337,716
		IT support	<b>590,504</b>	(578,450)	-	-

The Institute also occupies two agricultural properties owned by BBSRC for which no rental is currently paid.

There were no provisions at 31 March 2007 or 31 March 2006 in respect of amounts due to or from related parties and no amounts were written off in the year in respect of amounts due to or from related parties.

**21 Insurance**

In line with government policy:

- (a) No insurance against property losses is effected by the Institute except that required by statute.
- (b) 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. Included in other recurrent costs under support costs (note 3) are premium and related costs in respect of this policy of £3,059 (2006: £2,520).