

Registered Number: SC37444  
Scottish Charity No: SC 007269

**THE ROWETT RESEARCH INSTITUTE**  
(Limited By Guarantee, Not Having A Share Capital)

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2010**

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**THE ROWETT RESEARCH INSTITUTE**  
**(Limited By Guarantee, Not Having A Share Capital)**

**Financial Statements for the Year ended 31 July 2010**

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# **THE ROWETT RESEARCH INSTITUTE**

## **(Limited By Guarantee, Not Having A Share Capital)**

### **Report of the Governing Body for the Year ended 31 July 2010**

The Governing Body, who are the trustees and directors of the charitable company, present their report and audited financial statements for the year ended 31 July 2010. The financial statements have been prepared on the basis of the accounting policies set out in note one to the financial statements and comply with the Rowett Research Institute's ("the Trust's") Memorandum and Articles of Association, applicable law and the requirements of the Statement of Recommended Practice: Accounting and Reporting by Charities 2005.

#### **Reference and Administration Details**

##### **Governing Body**

Mr B S Pack, Chairman  
Mr D R Whiteford  
Professor Stephen Douglas Logan, Senior Vice Principal  
Professor Neva Elizabeth Haites  
Mr Moir Lockhead  
Professor Peter John Morgan

##### **Company Secretary:**

MD Secretaries Ltd  
Johnston House  
52-54 Rose Street  
Aberdeen AB10 1UD

#### **Advisors**

##### **Auditors:**

KPMG LLP  
37 Albyn Place  
Aberdeen  
AB10 1JB

##### **Bankers:**

Clydesdale Bank plc  
4 Oldmeldrum Road  
Bucksburn  
ABERDEEN  
AB21 9DT

##### **Lawyers:**

McGrigors LLP  
Johnstone House  
52-54 Rose Street  
ABERDEEN  
AB10 1UD

##### **Investments advisors:**

Brewin Dolphin  
25 Albyn Place  
ABERDEEN  
AB10 1YL

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

Greenburn Road  
Bucksburn  
Aberdeen  
AB21 9SB

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

##### **History of the Institute**

The Institute was first established by a Joint Committee of the University of Aberdeen and the North of Scotland College of Agriculture following a recommendation under the 1911 Scheme of Development Commission for promoting scientific research in animal nutrition in the Aberdeen area. It takes its name from John Quiller Rowett, a London businessman, who in 1919 provided funds to enable land to be purchased and the first laboratories to be built on the present site. In 1962 the Institute was incorporated under the Companies Act 1948, No 37444. On 30 June 2008 the Institute merged with the University of Aberdeen and the company is now a 100% owned subsidiary of the University.

It remains a company limited by Guarantee within the meaning of Part 1 of the Companies Act 2006 and is subject to the obligations imposed on such companies by the Companies Acts. It is also recognised as a Charity by the Office of the Scottish Charity Regulator (Scottish Charity Number SC007269).

##### **Membership of the Governing Body**

The Members of the Governing Body of the Institute up to the period end 31 July 2010 are shown within the reference and administration details section. Under the Merger Agreement with the University of Aberdeen, a new Board of six members replaced the existing Board with effect from 30 June 2008. Due to the experienced nature of the new members of the Governing Body, through both the Institute and University of Aberdeen, it was deemed unnecessary to offer any induction or training to the members in question. The members of the Governing Body were not paid emoluments or expenses during the period ended 31 July 2010.

# **THE ROWETT RESEARCH INSTITUTE**

## **(Limited By Guarantee, Not Having A Share Capital)**

### **Report of the Governing Body for the Year ended 31 July 2010**

#### **Organisational Structure**

Following the merger, agreement was reached that all employees, activities and assets apart from heritable land and property would transfer to the University. All employees were transferred into the employment of the University of Aberdeen's Rowett Institute of Nutrition and Health under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006 and the RERAD Rolling Programme 4 grant was assigned, with the agreement of RERAD, to the University. All administrative duties are carried out by the University of Aberdeen on behalf of the Institute. As a result the Institute has only a Governing Body and no other committees or structures in place.

#### **Objectives and Activities**

Until the merger with the University of Aberdeen, the Institute carried out an integrated scientific research programme in biological sciences of relevance to agriculture, food and health under Rolling Programme 4 (Nutrition). Following the merger these activities were transferred to the University where these activities are being continued by the Rowett Institute of Nutrition & Health.

The Institute continues to hold heritable property which is leased to the University in order that the University's Rowett Institute of Nutrition & Health can continue the research work previously undertaken independently by the Institute.

#### **Achievements and Performance and plans for future periods**

Following the merger with the University of Aberdeen on 30 June 2008, all research activity was transferred to the Rowett Institute of Nutrition and Health. The Rowett Research Institute now holds land and property and leases this to the University, this arrangement will continue for the foreseeable future.

#### **Investment Policy and Returns**

The Institute's investment managers have been given a remit to maximise the overall rate of return of the portfolio within a medium risk profile. Their performance has been monitored against the Association of Private Client Investment Managers and Stockbrokers index (APCIMS). During the period the portfolio increased in value by 8%.

#### **Principal risks and uncertainties**

As there is no ongoing activity within the Institute, other than the leasing of existing property to the University of Aberdeen, the Governing Body is of the view that the only principal risks and uncertainties relating to the Institute are managed through its investment policy. The wider capital estates strategy in the context of the University of Aberdeen, including plans for the Rowett Institute of Nutrition & Health, are discussed within the University's Annual Report and Accounts.

#### **Key performance indicators ("KPIs")**

The Governing Body are of the opinion that analysis using KPIs is not necessary for an understanding of the development or position of the business, given that there is no ongoing activity within the Institute, with the exception of the property leasing to the University of Aberdeen. The development and position of Aberdeen University, which includes the Institute, is discussed in the Group's Annual Report and Accounts.

#### **Reserves Policy**

The merger agreement between the Institute and the University of Aberdeen states that the remaining reserves held within the Institute, after the transfer of endowments received for specific purposes, will be applied to the cost of a new facility for the University of Aberdeen's Rowett Institute of Nutrition and Health at Foresterhill. This includes the endowment and capital funds which are restricted for that purpose. As the Institute is no longer undertaking any activities, the Governing Body are of the opinion that minimal unrestricted reserves are required until the construction of the new facility is commenced. The current level of unrestricted reserves is therefore considered more than appropriate for this purpose.

#### **Financial Review**

The income and expenditure account is set out on page 7 and reports a deficit of £56k for the period ended 31 July 2010 (2009: deficit £125k). The deficit relates predominantly from pre merger activity. The Governing Body confirms that, on a fund by fund basis, the Group's assets are available and adequate to fund its obligations.

Post merger the Institute has leased its facilities to the University of Aberdeen and is reviewing the most effective methods of transferring its endowments to the University.

# **THE ROWETT RESEARCH INSTITUTE**

## **(Limited By Guarantee, Not Having A Share Capital)**

### **Report of the Governing Body for the Year ended 31 July 2010**

#### **Statement of the Governing Body's Responsibilities**

The Governing Body (who are the trustees for the purpose of charity law, and also the directors of the Rowett Research Institute for the purposes of company law) are responsible for preparing the Report of the Governing Body and the financial statements in accordance with applicable law and regulations.

Company law requires the Governing Body to prepare financial statements for each financial year. Under that law, they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law, the Governing Body 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 of the excess of expenditure over income for that period. In preparing these financial statements, the Governing Body is required to:

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

The Governing Body is responsible for keeping proper 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 charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

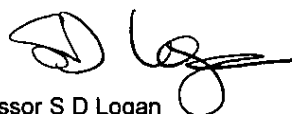
#### **Disclosure of information to auditors**

The trustees who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Trust's auditors are unaware; and each trustee has taken all reasonable steps as a trustee to make him or her aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

#### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**By order of the Governing Body**



Professor S D Logan  
Director

Johnston House  
52-54 Rose Street  
Aberdeen  
AB10 1UD

21 March 2011  
Registered Number: SC37444

# **THE ROWETT RESEARCH INSTITUTE**

## **(Limited By Guarantee, Not Having A Share Capital)**

### **Independent Auditors' Report to the Trustees and Members of the Rowett Research Institute**

We have audited the financial statements of the Rowett Research Institute for the year ended 31 July 2010 set out on pages 6 to 18. The 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 sections 495 and 496 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's trustees 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 charity, its members as a body and its trustees as a body, for our audit work, for this report or for the opinions we have formed.

#### **Respective responsibilities of the Governing Body and auditors**

The Governing Body's (who are the trustees for the purpose of charity law, and also the directors for the purposes of company law) responsibilities for preparing the Report of the Governing Body and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of the Governing Body's Responsibilities on page 3.

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with those Acts. 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, have been properly prepared in accordance with UK Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Report of the Governing Body is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate and proper accounting records, if the charitable company's statements of account are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of the Governing Body's remuneration specified by law are not made.

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

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 Governing Body 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.

**THE ROWETT RESEARCH INSTITUTE**  
**(Limited By Guarantee, Not Having A Share Capital)**

**Independent Auditors' Report to the Trustees and Members of the Rowett Research Institute**

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 July 2010 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 UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 regulation 8 of the Charities Accounts (Scotland) Regulations 2006;
- the information given in the Report of the Governing Body is consistent with the financial statements.

  
**Michael Rowley (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

*KPMG LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006*

37 Albyn Place  
Aberdeen  
AB10 1JB

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**THE ROWETT RESEARCH INSTITUTE**  
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**Statement of Financial Activities for the Year ended 31 July 2010**  
**(incorporating the statement of total recognised gains and losses)**

						16 month period Restated	
	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Capital Funds £000	Total Funds 2010 £000	Total Funds 2009 £000
<b>Incoming resources</b>							
<i>Incoming resources from generated funds</i>							
Activities for generating funds	3	-	-	-	-	-	25
Voluntary Income		-	-	-	-	-	16
Investment income	4	-	17	75	-	92	372
<i>Incoming resources from charitable activities</i>							
RERAD grants	5	-	-	-	-	-	2,455
External Research Grants		-	-	-	-	-	349
Rental Income		-	350	-	-	350	378
External Farm income		-	-	-	-	-	35
<b>Total incoming resources</b>		-	<b>367</b>	<b>75</b>	-	<b>442</b>	<b>3,630</b>
<b>Resources expended</b>							
<i>Costs of generating funds</i>							
Fundraising trading: cost of goods sold and other costs	6	-	-	-	-	-	(14)
<i>Charitable activities:</i>							
- Research	7	-	(412)	-	(751)	(1,163)	(7,822)
- Farm expenditure	8	-	-	-	-	-	(131)
<i>Governance costs</i>	11	(10)	-	-	-	(10)	(8)
<b>Total resources expended</b>		(10)	(412)	-	(751)	(1,173)	(7,975)
<b>Net incoming/(outgoing) resources before transfers</b>							
		(10)	(45)	75	(751)	(731)	(4,345)
<i>Gross transfers between funds</i>							
Surplus/(Deficit) on core activities		-	-	-	-	-	-
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>							
		(10)	(45)	75	(751)	(731)	(4,345)
<b>Other recognised gains/losses</b>							
<i>Gain on revaluation of fixed assets for the charity's own use</i>							
		-	-	-	-	-	5,706
<i>(Losses)/Gains on Investments</i>							
Realised		-	-	(1)	-	(1)	(5)
Unrealised		-	-	31	-	31	(47)
<b>Net movements in funds</b>		(10)	(45)	105	(751)	(701)	1,309
Fund balances at 1 August 2009		1,283	714	5,860	18,317	26,174	24,865
<b>Fund balance at 31 July 2010</b>		<b>1,273</b>	<b>669</b>	<b>5,965</b>	<b>17,566</b>	<b>25,473</b>	<b>26,174</b>



**THE ROWETT RESEARCH INSTITUTE**  
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**Income and Expenditure Account for the Year ended 31 July 2010**

	Notes	2010 £000	16 month period Restated 2009 £000
<b>Income</b>			
Grants from RERAD	5	-	2,455
External Research grants and royalties		-	349
External Farm income		-	35
Depreciation contribution from capital funds	18	140	187
Activities for generating funds		-	25
Investment Income	4	17	71
Rental Income		350	378
		<u>507</u>	<u>3,500</u>
<b>Expenditure</b>			
Staff costs	9	-	(1,845)
Supplies and services	10	(397)	(1,397)
Depreciation		(751)	(795)
Impairment			(1,385)
Other expenditure	11	(25)	(191)
Loss on transfer of fixed assets		-	(2,362)
Loss on sale of investment assets		(1)	(5)
		<u>(1,174)</u>	<u>(7,980)</u>
(Deficit) for the period		<u>(667)</u>	<u>(4,480)</u>
<b>Statement of Historical Cost Surpluses and Deficits</b>			
(Deficit)/Surplus for the period		(667)	(4,480)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	611	608
<b>Historical cost deficit for the year</b>		<u>(56)</u>	<u>(3,872)</u>

**THE ROWETT RESEARCH INSTITUTE**  
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**Statement of Total Recognised Gains and Losses for the Year ended 31 July 2010**

	Notes	2010 £000	16 month period Restated 2009 £000
(Deficit)/Surplus for period		(667)	(4,480)
Unrealised gain on revaluation of tangible fixed assets		-	5,706
Unrealised gain / (loss) on revaluation of investments	14	31	(47)
Net outgoing resources on capital funds excluding gain on disposal		(140)	(187)
Net incoming resources on endowment funds	20	75	317
Total recognised gains and losses relating to the year		<u>(701)</u>	<u>1,309</u>
Prior year adjustment		<u>-</u>	
Total recognised gains and losses since the last financial statements		<u>(701)</u>	

**THE ROWETT RESEARCH INSTITUTE**  
**(Limited By Guarantee, Not Having A Share Capital)**

**Balance Sheet as at 31 July 2010**

	Notes	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	13	17,566	18,317
Investments	14	401	372
		<u>17,967</u>	<u>18,689</u>
<b>Current assets</b>			
Debtors	15	60	215
Cash at bank and in hand		<u>7,591</u>	<u>7,685</u>
		<u>7,651</u>	<u>7,900</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(145)</u>	<u>415</u>
<b>Net current assets</b>		<b>7,506</b>	<b>7,485</b>
<b>Net assets</b>	26	<u><b>25,473</b></u>	<u><b>26,174</b></u>
<b>Capital and reserves</b>			
Capital Funds - restricted	18	3,890	4,030
Capital Funds - revaluation reserve	19	13,676	14,287
Endowment Funds	20	5,965	5,860
Restricted Funds (reserves)	21	659	714
Unrestricted Funds	22	<u>1,283</u>	<u>1,283</u>
		<u><b>25,473</b></u>	<u><b>26,174</b></u>

The financial statements on pages 6 to 18 were approved on behalf of the Governing Body on 21 March 2011 and were signed on its behalf by:



Professor S D Logan  
Director

**Registered Number: SC37444**

**THE ROWETT RESEARCH INSTITUTE**  
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**Cash Flow Statement for the Year ended 31 July 2010**

	Note	2010 £000	2009 £000
<b>Cash inflow/(outflow) from operating activities</b>	23	(187)	1,394
<b>Returns on investments and servicing of finance:</b>			
Bank interest received	4	17	71
Investment income received	4	75	301
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>92</u>	<u>372</u>
<b>Capital expenditure and financial investment:</b>			
Proceeds on sale of fixed asset investments		1	36
Purchase of fixed asset investments		-	(35)
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<u>1</u>	<u>1</u>
<b>(Decrease) / Increase in cash in the period</b>		(94)	1,767
<b>Reconciliation of net cash flow to movement in net funds</b>			
Movement in net funds arising from cash flows		(94)	1,767
Net funds at 1 August 2009		<u>7,685</u>	<u>5,918</u>
<b>Net funds at 31 July 2010</b>		<u>7,591</u>	<u>7,685</u>

# **THE ROWETT RESEARCH INSTITUTE**

## **(Limited By Guarantee, Not Having A Share Capital)**

### **Notes to the Financial Statements for the Year ended 31 July 2010**

#### **1 Statement of accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Companies Act 2006 and with the Statement of Recommended Practice on Accounting and Reporting by Charities: SORP 2005. They are based on the standardised accounts format issued by the Scottish Executive Environmental and Rural Affairs Department in May 1999.

The company has availed itself of Paragraph 3(3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the company's activities.

#### **Prior year adjustments**

##### ***Depreciation contribution from capital funds / Statement of Historical Cost Surpluses and Deficits***

In 2009 the Governing Body recognised £795k in income as a SSAP 4 adjustment for government grants. The government grant income is being recognised within the income statement in line with the historical cost depreciation of the underlying assets the grant was given on. This release of income to the income and expenditure account was calculated incorrectly on the basis of the total revalued asset depreciation rather than the historic cost depreciation. The contribution from capital funds income for the period to 31 July 2009 has therefore been restated to £187k from £795k to reflect the accurate calculation. The impact of this adjustment was to increase the deficit for the period by £608k.

As required by FRS15 the depreciation of tangible assets is calculated on the revalued balance of the tangible assets. The Institute has a policy, as allowed under Companies Act 2006, of transferring the excess depreciation caused by calculating the depreciation on the revalued amount rather than the historic cost amount from the revaluation reserve to retained funds. For the comparative period, this amount was the £608k which was incorrectly recognised as income as noted above. Instead, as a result of the Institute's policy of transferring the excess depreciation to retained funds, a Statement of Historic Cost Profits and Losses is required to be given and was not done last period. Management have now included the Statement of Historic Cost Profits and Losses for the comparative period showing the amount of excess depreciation transferred to retained profits last year, being the £608k.

##### ***Treatment of loss on transfer of tangible assets***

In 2009 the Governing Body included the loss on revaluation of tangible assets prior to transfer of £1,385k and the loss on transfer of assets of £2,362k within the Statement of Total Recognised Gains and Losses. Both of these losses represent realised losses on transfer of the relevant assets, and therefore should have been included within the Income Expenditure and Account rather than the Statement of Total Recognised Gains and Losses. This period management have appropriately included them within the Income and Expenditure Account. The impact of this adjustment was to increase the deficit for the period ended 31 July 2009 by £3,747k (as shown in the Income and Expenditure Account) and increase the total recognised gains and losses by the same amount (as shown in the Statement of Total Recognised Gains and Losses).

In addition to the above, management have determined that both of the above noted items should have been classified within 'resources expended' in the Statement of Financial Activities rather than within 'other recognised gains and losses'. The Statement of Financial Activities has been restated to include the loss of £3,747k in research activities increasing this balance to £7,822k for the period ended 31 July 2009. This reclassification has had no impact on the movement in funds or fund balance at 31 July 2010. However it has increased the net outgoing resources before transfers by £3,747k to £4,345k and reduced the other recognised gains and losses by £3,747k to £1,309k.

The aggregate impact of the errors noted on the treatment of losses on transfer of tangible assets and the depreciation from capital contributions was to increase the deficit for the period to July 2009 by £4,355k to £4,480k.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of tangible fixed assets and investments. A summary of the principal accounting policies, which have been applied consistently, is set out below.

In accordance with section 229 of the Companies Act 2006, the Governing Body have elected not to consolidate the activity of its subsidiary undertaking, Rowett Research Services Limited, on the grounds that its inclusion is not material for the purpose of giving a true and fair view.

# **THE ROWETT RESEARCH INSTITUTE**

## **(Limited By Guarantee, Not Having A Share Capital)**

### **Notes to the Financial Statements for the Year ended 31 July 2010**

#### **Statement of accounting policies (continued)**

##### **Research Grants**

Turnover on long term contracts is recognised up to the stage reached in the contract by reference to the value of work completed. A prudent estimate of any surplus/deficit attributable to the work completed is recognised once the outcome of the contract can be assessed with reasonable certainty.

The amounts by which payments on account exceed turnover are shown in creditors as deferred income. The costs on long term contracts not yet taken to the profit and loss account less foreseeable losses and payments on account are shown in debtors as accrued income.

##### **Tangible fixed assets**

Tangible fixed assets are capitalised at their cost of acquisition and installation. Tangible fixed assets, other than land and buildings, are revalued each year using business monitor producer price indices. Land and buildings are formally revalued every five years.

The Institute performs impairment reviews of its land and buildings whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's net realisable value and its value in use, is less than its carrying amount.

##### **Depreciation**

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the revalued cost of each asset over the following useful lives:

Freehold buildings	5 – 50 years
Plant and machinery	5 – 10 years
Vehicles	5 years
Computers	3 years

##### **Investments**

Listed investments are stated at market value, unlisted securities are stated at cost less provision for impairment. Investments in subsidiaries are included at cost except where provision is made against an identified permanent diminution in value.

##### **Government grants**

Grants for current expenditure are credited to income in the year in which they are received. Within the income and expenditure account, capital grants are credited to a capital reserve, which is reduced by contributions to the income and expenditure account in respect of the related depreciation charge. In the Statement of Financial Activities, capital grants are credited to incoming resources upon receipt.

##### **Stocks**

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

##### **Restricted income and associated expenditure**

Restricted income is any income which is for specific purposes as designated by the grantor or donor and can only be applied to those purposes, eg research grants. Rental income generated from the use of restricted fund assets is also treated as restricted, as is investment income arising from the investment of restricted funds. Where expenditure in the income and expenditure account has been financed by restricted income both have been dealt with under the accruals concept and are matching.

##### **Taxation**

The Institute has been granted charitable status by the HM Revenue & Customs and is not therefore liable to corporation tax.

##### **Pension costs**

The Institute's pension costs represent contributions payable to the Research Councils Pension Scheme (RCPS) as well as contributions made by the Institute to a group personal pension scheme.

##### **Resources expended**

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

# THE ROWETT RESEARCH INSTITUTE

(Limited By Guarantee, Not Having A Share Capital)

## Notes to the Financial Statements for the Year ended 31 July 2010

### Statement of accounting policies (continued)

#### Costs of generating funds

Costs of generating funds include all expenditure relating to residential properties and investment management.

#### Charitable Activities

Activities in furtherance of charities objectives comprise all expenditure directly relating to the objects of the Institute and the direct costs of supporting those activities and projects.

#### Governance costs

Governance costs comprise the costs of running the Institute, including strategic planning for its future development, also internal and external audit and all costs of complying with statutory requirements, such as Board and Committee meetings and preparing statutory accounts.

2	(Deficit)/Surplus for the period	12 month period ended 31 July 2010 £000	16 month period ended 31 July 2009 £000
	(Deficit)/Surplus for the period is stated after charging:		
	Auditors' remuneration		
	- Audit Service	10	8
	Hire of plant, machinery and equipment	-	1
	Depreciation	751	795
	The 2009 audit fees were paid to the Institute's previous auditors, PricewaterhouseCoopers LLP.		
3	Activities for Generating Funds		
	Rental Income	-	22
	Salaries and Consultancy Fees	-	3
		<u>367</u>	<u>25</u>
4	Investment Income		
	Bank interest	17	71
	Income from restricted endowment funds	12	1
	Income from discretionary endowment funds	63	300
		<u>92</u>	<u>372</u>
5	Grants from RERAD		
	Grants for current expenditure:		
	Core	-	2,156
	Flexible Funding	-	18
	Grants for employer's pension contributions	-	260
	Grants for death in service, early severance benefits and lump sums	-	21
		<u>-</u>	<u>2,455</u>
	Where of:		
	Included in income	-	2,455
		<u>-</u>	<u>2,455</u>
6	Costs of generating funds		
	Other expenditure	-	14
		<u>-</u>	<u>14</u>

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**Notes to the Financial Statements for the Year ended 31 July 2010**

**7 Charitable activities – Research**

	12 month period ended 31 July 2010 £000	16 month period ended 31 July 2009 £000
Salaries and related costs	-	1,605
Transfer of equipment on merger	-	2,362
Impairment of equipment on merger	-	1,385
Supplies and services (note 10)	397	1,285
Other expenditure	15	181
Support costs	-	209
Depreciation	751	795
	<u>1,163</u>	<u>7,822</u>

**8 Charitable activities – farm**

Salaries and related costs	-	51
Supplies and services	-	68
Other expenditure	-	3
Support costs	-	9
	<u>-</u>	<u>131</u>

**Employees**

**Salaries and related costs:**

Wages and salaries	-	1,479
Social security costs	-	107
Employer's pension contributions funded by RERAD	-	259
	<u>-</u>	<u>1,845</u>

The average number of employees during the period was as follows:

Research and support services	-	38
Duthie Farm	-	1
	<u>-</u>	<u>39</u>

There were no employees whose remuneration exceeded £60,000 (2009: no employees).

The members of the Governing Body received no remuneration or expenses during the current year or comparative 16 month period.

**10 Supplies and services**

Research	-	474
Maintenance and administration	397	855
Livestock etc.	-	68
	<u>397</u>	<u>1,397</u>

**11 Other expenditure**

Professional fees	25	100
Travel, subsistence and hospitality	-	33
Rates, rents and council tax	-	28
Other	-	30
	<u>25</u>	<u>191</u>

Governance costs of the charitable company for the year totalled £7,500 (2009: £8,000), comprising professional fees payable to the external auditors.



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**Notes to the Financial Statements for the Year ended 31 July 2010**

<b>12</b>	<b>Support costs</b>	<b>12 month period ended 31 July 2010 £000</b>	<b>16 month period ended 31 July 2009 £000</b>
	Support staff salaries	-	189
	Computer support	-	9
	PR costs	-	20
		<u>-</u>	<u>218</u>

Support costs have been allocated across Charitable Activities according to staff numbers.

Research	-	209
Farm	-	9
	<u>-</u>	<u>218</u>

<b>13</b>	<b>Tangible Assets</b>	<b>Land &amp; Buildings £000</b>
	<b>Cost or valuation</b>	
	<b>At 1 August 2009 and 31 July 2010</b>	<u>18,317</u>
	<b>Of which:</b>	
	Cost	848
	Valuation	<u>17,469</u>
		<u>18,317</u>
	<b>Depreciation</b>	
	At 1 August 2009	-
	Charge for period	<u>751</u>
	At 31 July 2010	<u>751</u>
	<b>Net book value</b>	
	At 31 July 2010	<u>17,566</u>
	At 31 July 2009	<u>18,317</u>

The latest valuation was carried out on 31 July 2009 and was performed by Mr A Donaldson, BLE, MRICS, Director of Estates, University of Aberdeen. The basis of valuation is depreciated replacement cost as set out in the Royal Institute of Chartered Surveyor's Statement of Asset Valuation Practice and Guidance Notes. The 31 July 2009 valuation was externally reviewed by FG Burnett, Chartered Surveyors.

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**Notes to the Financial Statements for the Year ended 31 July 2010**

<b>14 Investments</b>	<b>Listed £000</b>	<b>Subsidiary £000</b>	<b>Total £000</b>
Cost or market value at 1 August 2009	221	151	372
Add: Additions at cost	6	-	6
Less: Disposal at opening book value	(8)	-	(8)
Unrealised gain on revaluation	31	-	31
<b>Cost or market value at 31 July 2010</b>	<b>250</b>	<b>151</b>	<b>401</b>
Historical cost at 31 July 2010	222	151	373

	<b>2010 £000</b>	<b>2009 £000</b>
<b>UK listed investments are represented by:</b>		
Fixed interest securities	36	19
Equity shares	280	178
Investment trusts and unit trusts	28	24
Cash	6	-
	<b>250</b>	<b>221</b>

The following investments are greater than 5% of the market value of the portfolio:

<b>Fixed Interest Securities</b>		
Treasury Index Linked Stock 2030	14	14
<b>Equity Shares</b>		
JO Hambro	13	13
<b>Investment trusts and unit trusts</b>		
Foreign & Colonial	11	11

<b>15 Debtors</b>		
Amounts falling due within one year		
Trade debtors	-	97
Other debtors	17	89
Due by subsidiary undertaking	43	29
	<b>60</b>	<b>215</b>

<b>16 Creditors</b>	<b>2010 £000</b>	<b>2009 £000</b>
Amounts falling due within one year		
Trade creditors	-	25
Other creditors	135	53
Accruals and deferred income	10	337
	<b>145</b>	<b>415</b>

**17 Company Guarantee**

The company has charitable status and it is a company limited by guarantee not exceeding £1 per member (2009: 6 members, 2008: 11 members).

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**Notes to the Financial Statements for the Year ended 31 July 2010**

<b>18 Capital funds - restricted</b>	<b>2010</b> <b>£000</b>
At 1 August 2009	4,030
Transfer to income and expenditure account to match depreciation charge of the related assets	<u>(140)</u>
At 31 July 2010	<u>3,890</u>

The capital fund represents capital grants from RERAD or revenue income for the purchase of fixed assets which are credited to reserves and which are reduced by contributions to the income and expenditure account in respect of the related depreciation charge.

<b>19 Capital funds - revaluation reserve</b>	<b>2010</b> <b>£000</b>
At 1 August 2009	14,287
Transfer to income and expenditure account to match the depreciation charge	<u>(611)</u>
At 31 July 2010	<u>13,676</u>

<b>20 Endowment Funds</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Permanent Funds</b>		
At 1 August 2009	1,533	1,508
Investment income	12	77
Loss on sale of investments	(1)	(5)
Unrealised gain on revaluation of investments	<u>31</u>	<u>(47)</u>
At 31 July 2010	<u>1,575</u>	<u>1,533</u>
<b>Expendable Funds</b>		
At 1 August 2009	4,327	4,087
Investment income	<u>63</u>	<u>240</u>
At 31 July 2010	<u>4,390</u>	<u>4,327</u>
<b>Total endowment funds</b>		
At 31 July 2010	5,965	5,860
At 31 July 2009	5,860	5,595

Expendable funds are the proceeds from the sales of land. These funds will be used for the construction of the proposed new Institute building for the Rowett Institute of Nutrition & Health.

<b>21 Restricted Funds</b>	<b>2010</b> <b>£000</b>
Balance at 1 August 2009	714
Net movement in fund	<u>(45)</u>
Balance at 31 July 2010	<u>669</u>

Restricted funds represent retainable accumulated surpluses by the Institute on revenue funding by RERAD.

<b>22 Unrestricted Funds</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Balance at 1 August 2009	1,283	1,275
Net movement in fund	<u>(10)</u>	<u>8</u>
Balance at 31 July 2010	<u>1,273</u>	<u>1,283</u>

Transfers to unrestricted funds are the surpluses on external research contracts and core funds which are retained to finance ongoing costs.

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**Notes to the Financial Statements for the Year ended 31 July 2010**

	<b>2010</b>	Restated <b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>23 Reconciliation of Surplus to Net Cash Inflow from Operating Activities</b>		
Net outgoing resources before other recognised gains and losses	<b>(731)</b>	<b>(4,345)</b>
Salaries and related costs	-	1,605
Transfer of equipment on merger	-	2,362
Investment income	<b>(92)</b>	<b>(372)</b>
Non-operating income	-	(16)
Depreciation	<b>751</b>	795
Decrease/(Increase) in stocks	-	222
Decrease/(Increase) in debtors	<b>155</b>	2,006
(Decrease) in creditors	<b>(270)</b>	<b>(643)</b>
<b>Net cash inflow from continuing operating activities</b>	<b>187</b>	<b>1,394</b>

**24 Analysis of Net Assets Between Funds**

	<b>Capital Funds £000</b>	<b>Restricted Funds £000</b>	<b>Unrestricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>Total 2010 £000</b>	<b>Total 2009 £000</b>
Tangible fixed assets	17,566	-	-	-	<b>17,566</b>	18,317
Investments	-	-	151	250	<b>401</b>	372
Current assets	-	804	1,132	5,715	<b>7,651</b>	7,900
Liabilities	-	(145)	-	-	<b>(145)</b>	(415)
<b>Total net assets</b>	<b>17,566</b>	<b>659</b>	<b>1,283</b>	<b>5,965</b>	<b>25,473</b>	<b>26,174</b>

**25 Related Party Transactions**

Under FRS 8, companies are exempt from disclosing related party transactions where there is at least a 90% parent subsidiary relationship and where transactions are eliminated on consolidation. The company has taken advantage of this exemption and there are no other disclosable related party transactions.

**26 Ultimate Controlling Party**

The ultimate parent body and controlling party is the University of Aberdeen, Kings College, Aberdeen, Scotland AB23 3FX. Copies of the University's consolidated financial statements can be obtained from the above address.