

UNDERSTANDING ANIMAL RESEARCH

AUDITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 DECEMBER 2013

REGISTERED NUMBER: IP28954R



Chartered Accountants and
Statutory Auditors



**UNDERSTANDING ANIMAL RESEARCH
REPORT OF THE COUNCIL
FOR THE YEAR ENDED 31 DECEMBER 2013**

Vision and mission

The vision of Understanding Animal Research (UAR) is for broad understanding and acceptance of the humane use of animals in biomedical research in the UK, to advance science and medicine.

Our mission is to build and maintain informed public understanding and acceptance and a favourable policy and regulatory environment for the humane use of animals in biomedical research in the UK.

We achieve this by engaging with selected audiences and providing appropriate, evidence-based information.

The UAR approved strategy for 2011-2015 has top level goals as follows:

A. Communications: To maintain public support for animal research, and shape public opinion on the key issues which present challenges for animal research.

B. Schools education: To build public support for animal research in the future by facilitating engagement with teachers and young people in the UK about animal research.

C. Licence to operate: To ensure a favourable policy and regulatory environment for high quality animal research in the UK by engaging with policy and decision-makers.

Activities

The major activities of the organisation are to communicate to the public, to influence policy development and to run a schools education programme.

During 2013, the work of UAR, alongside other organisations within the bioscience sector, continued to contribute to a favourable public debate and policy climate for animal research.

Major achievements in 2013

During the year, Understanding Animal Research:

- Led the work to develop a Concordat on Openness on Animal Research in the UK along with stakeholders from across the bioscience sector
- Led the work to establish the European Animal Research Association
- Held the 'Big Animal Research Debate' across 31 universities. All events voted not to ban animal research
- Held a Patient Discovery Day project in five UK research establishments in collaboration with Genetic Alliance UK
- Held a joint two-day conference with the Basel Declaration in London
- Provided support for its members in the media and in relation to Freedom of Information requests
- Expanded the Science Action Network and UAR's social media following to counter misleading claims about animal research online and in social media
- Maintained and developed new content for its three websites: www.understandinganimalresearch.org.uk, www.AnimalRightsExtremism.info and www.AnimalResearch.info
- Continued its dialogue with transport companies and other sectors of the supply chain

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Major achievements in 2013, continued

- Attended conferences and science fairs to promote public engagement on animal research
- Created 13 new videos and a Procedures section for the UAR website
- Produced its first e-book on primate research
- Organised for MPs and journalists to visit animal research facilities
- Attended the main political party conferences
- Supported members and stakeholders in communicating about their animal research
- Gained high-profile proactive and reactive media coverage of animal research
- Alongside the UK Bioscience Sector Coalition, worked with the Home Office, other government departments and politicians on guidance relating to the transposition of the new EU Directive 2010/63/EU
- Engaged with Government and Parliament to ensure a continued emphasis on good science and animal welfare
- Countered the campaigning of the animal rights movement, e.g. by having complaints upheld by the Advertising Standards Authority
- Achieved on average 100 school talks per term, reaching approximately 10,000 children in 2013, and trained new volunteers in industry and academia for the school speaker programme

Governance issues for UAR

In the second half of 2013, UAR employed the Interim Director of the European Animal Research Association as the new organisation was being established and funding and strategy were being agreed with stakeholders. As EARA progressed towards being incorporated in its own right, UAR Council considered carefully the governance structure for the newly-formed Association. It was agreed that as the focus of EARA's work will not be in the UK, that the new organisation should have its own separate governing body. Wendy Jarrett, UAR CEO, sits on the Board of EARA, which includes representatives from across the EU and from both industry and not-for-profit sectors. EARA took over the employment of its Executive Director in March 2014.

During 2013, Wendy Jarrett completed the Institute of Directors' Certificate in Company Direction.

Staff and Council Changes

Alex Jenkin left UAR in 2013.

Dr Elisabeth Harley joined UAR as Media and Public Affairs Officer in March 2013, Dr Ian Le Guillou joined as Science Writer in April 2013 and Stuart Rogers joined as Education Project Officer in June 2013.

Professor Sir Nicholas Wright and Tony Causey stood down from Council in 2013.

Catherine Meaden was elected as a new Council member at the AGM in June and Professor Derek Bell, Patrick Sinnott-Smith and Karen Gardner were re-elected for a second three year term.

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Funding of UAR

The principal funding source of the organisation in 2013 was subscriptions from member organisations. UAR has over 100 institutional members, most of whom pay an annual subscription. These organisations are listed on the website. Project funding was also received from organisations wishing to support the establishment of the European Animal Research Association and for other UAR projects.

UAR achieved a surplus in 2013, which will be used to pay for infrastructure improvements and to replenish UAR's reserves following two loss-making years in 2011 and 2012.

In 2009 Understanding Animal Research was informed that there may be a future liability to provide funds to make up a possible shortfall on an historic pension scheme.

There are 12 ex-employees who, although they left Understanding Animal Research more than 9 years ago, remain as beneficiaries of the scheme. The scheme trustees originally advised that the proportion of the shortfall that may need to be borne by Understanding Animal Research could be between £25,800 and £240,800 and £30,644 was originally set aside to meet this liability. This amount was paid in full between April 2011 and April 2013.

In the intervening years there have been legal disputes concerning the interpretation of the pension scheme rules and these have reached a conclusion which is unlikely to be appealed. The conclusion of the legal process indicates that, subject to the latest actuarial valuation which will not be published until after these financial statements have been approved, Understanding Animal Research is likely to be required to fund an annual contribution of approximately £15,322 which is the level that has been paid in each of the last two years. This annual liability, which may be adjusted when future actuarial valuations are prepared, is likely to continue for a further seven years until the end of March 2020.

The total estimated additional liability is £122,573 and this was fully provided for as an exceptional item in the financial statements to 31 December 2012. The total liability at 31 December 2013 was £112,359 (December 2012: £127,681).

The annual payments are expected to be £15,322 and this amount is included in current liabilities and the balance of the overall provision, £97,037, payable in equal monthly instalments from 2014 to 2020, is included in creditors falling due after more than one year.

The funding of UAR will remain a significant issue in 2014 and 2015 but we are confident that the combination of diversification of income, income generation and prudent control on outgoings will enable UAR to balance its budget in 2014 and continue to re-build its reserves in the medium to long term.

Approved by the Council on 29 May 2014 and signed on its behalf

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Professor Frances Balkwill OBE, FMedSci
Chairman

UNDERSTANDING ANIMAL RESEARCH
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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UNDERSTANDING ANIMAL RESEARCH

President

Lord Taverne QC

Chairman

Professor Frances Balkwill OBE FMedSci

Honorary Treasurer

Mr Paul Sanders

Chief Executive

Mrs Wendy Jarrett

Members of Council

Mr Ken Applebee
Professor Derek Bell
Ms Karen Gardner
Mr Andrew Gay
Professor Max Headley
Professor Robin Lovell-Badge
Ms Catherine Meaden
Professor Jeremy Pearson
Professor Angela Roberts
Dr Patrick Sinnott-Smith

Honorary Vice Presidents

Sir Colin Berry DSc FRCPath FRCP FFPM FMedSci
Professor Colin Blakemore FMedSci FRCP(Hon) FRS
Sir Walter Bodmer FRCPath FRS FMedSci
Sir Arnold Burgen FRCP FRS FMedSci
Sir Roy Calne FRCS FRS
Mr Tam Dalyell
Sir Colin Dollery FRCP
Sir Michael Drury OBE FRCP FRCGP
Dr Leslie Iversen FRS
Baroness Knight of Collingtree DBE
The Lord Mayhew
Sir Stanley Peart FRCP FRS FMedSci
Dr Peter Read CBE
Professor Nancy Rothwell DBE FRS
Sir Richard Sykes DSc FRS FMedSci
Lord Turnberg of Cheadle FRCP FMedSci
Lord Walton of Detchant FRCP FMedSci
Baroness Warnock of Weeke DBE
Sir David Weatherall FRCP FRCPath FRS FMedSci
Lord Winston of Hammersmith DSc FRCP FRCOG FMedSci

UNDERSTANDING ANIMAL RESEARCH

COUNCIL'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The Friendly and Industrial and Provident Societies Act 1968 requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Understanding Animal Research and of the results of the society for that period. In preparing those financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the society will continue in operation.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and to enable it to ensure that the financial statements comply with The Friendly and Industrial and Provident Societies Act 1968. It is also responsible for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Council are aware:

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

UNDERSTANDING ANIMAL RESEARCH

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNDERSTANDING ANIMAL RESEARCH

We have audited the financial statements of Understanding Animal Research for the year ended 31 December 2013 which comprise the income and expenditure account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

As explained more fully in the Council's Responsibilities Statement, the Council is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 December 2013 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and with the Industrial and Provident Societies Acts 1965 to 2002.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Friendly and Industrial and Provident Societies Acts 1965 to 2002 require us to report to you if, in our opinion:

- proper books of account have not been kept by the society in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the society in accordance with the requirements of the legislation;
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement with the books of account of the society; or
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Simon Spevack FCA (senior statutory auditor)

For and on behalf of
Wellden Turnbull LLP
Chartered Accountants
Statutory Auditors

180 Piccadilly
London
W1J 9HF

Dated: 2 June 2014

UNDERSTANDING ANIMAL RESEARCH

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	NOTES	2013 £	2012 £
INCOME			
Subscriptions and donations		452,189	447,719
Grants income		143,000	50,000
Interest received		215	188
Sale of publications and services		-	15,619
Project income		179,988	109,758
Contribution to the set-up costs of EARA		51,658	-
		827,050	623,284
EXPENDITURE			
Project costs		74,652	51,352
Staff salaries and costs	5	450,832	475,453
Premises expenses		65,931	27,022
Stationery, postage and telephone		7,855	1,893
Repairs and maintenance		364	416
Sundry expenses		1,930	1,222
Staff and Council expenses	6	31,484	23,519
Communications		34,263	71,525
Grants and subscriptions		4,029	2,852
Information technology costs		17,815	16,194
Education costs		3,351	8,163
Consultancy		838	450
Foreign exchange losses		1,179	-
Audit, accountancy and bookkeeping fees		18,000	17,001
Legal and consultancy fees		238	1,202
Interest expense and bank charges		711	259
Depreciation	7	-	3,029
		713,472	701,552
OPERATING SURPLUS / (DEFICIT) FOR THE YEAR	2	113,578	(78,268)
Exceptional costs	3	-	(122,573)
CORPORATION TAX	4	41	40
RETAINED SURPLUS / (DEFICIT) FOR THE YEAR		113,537	(200,881)
ACCUMULATED SURPLUS BROUGHT FORWARD		231,283	432,164
ACCUMULATED SURPLUS CARRIED FORWARD	12	344,820	231,283

TOTAL RECOGNISED GAINS AND LOSSES - There were no recognised gains or losses other than the gains and losses as shown above.

CONTINUING OPERATIONS - None of the organisation's activities was acquired or discontinued during the above two financial years.

*The notes on pages 6 to 9
form part of these financial statements.*

UNDERSTANDING ANIMAL RESEARCH
REGISTERED NUMBER : IP28954R
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013		2012	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		-		-
CURRENT ASSETS					
Debtors	8	129,421		228,859	
Cash on deposit		450,000		328,041	
Cash at bank and in hand		74,175		31,423	
		653,596		588,323	
LESS: CURRENT LIABILITIES					
Creditors: amounts falling due within one year	9	210,742		243,684	
		210,742		243,684	
NET CURRENT ASSETS			442,854		344,639
CREDITORS: amounts falling due after more than one year	10		(97,037)		(112,359)
NET ASSETS			345,817		232,280
Financed by:					
SHARE CAPITAL					
5 (2012 - 5) shares of £1 each fully paid	14		5		5
RESERVES AND FUNDS					
Capital reserve - cancelled shares	12		992		992
Accumulated surplus	12		344,820		231,283
			345,817		232,280

Approved by the Council on 29 May 2014 and signed on its behalf by

.....

Professor Frances Balkwill OBE, FMedSci
CHAIRMAN

.....

Mr Paul Sanders
HON. TREASURER

.....

Mrs Wendy Jarrett
CHIEF EXECUTIVE

*The notes on pages 6 to 9
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UNDERSTANDING ANIMAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1 ACCOUNTING POLICIES

1.1 Accounting conventions

The financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

1.2 Cash flow statement

The Organisation has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement as it qualifies as a small entity.

1.3 Subscriptions income

Subscriptions and donations are credited to the income and expenditure account in the year to which they relate but credit is not taken in the income and expenditure account for amounts received in advance.

Income relating to projects is taken to income as it is earned by the organisation.

1.4 Depreciation of tangible assets

Depreciation is provided on tangible assets, at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life as follows:

Computer equipment	25% to 50% on cost
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1.5 Taxation

The Organisation is treated for corporation tax purposes as being mutually trading and is not liable to UK corporation tax on its operating surplus. The charge for taxation is based on investment income for the year.

1.6 Operating lease commitments

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1.7 Pension costs

The Organisation operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the income and expenditure account in the period to which they relate. These contributions are invested separately from the Organisation's assets.

2 OPERATING SURPLUS / (DEFICIT) FOR THE YEAR BEFORE TAXATION

	2013 £	2012 £
This is stated after charging:		
Audit fee	4,800	5,870
Depreciation	-	3,029
Operating leases - land and buildings	36,014	24,030
Exceptional item (note 3)	-	122,573
	<hr/> <hr/>	<hr/> <hr/>

UNDERSTANDING ANIMAL RESEARCH

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2013

3 EXCEPTIONAL ITEM

In 2009 Understanding Animal Research was informed that there may be a future liability to provide funds to make up a possible shortfall on an historic pension scheme.

There are 12 ex employees who, although they left Understanding Animal Research more than 10 years ago, remain as beneficiaries of the scheme. The scheme trustees originally advised that the proportion of the shortfall that may need to be borne by Understanding Animal Research could be between £25,800 and £240,800 and £30,644 was originally set aside to meet this liability. This amount has been paid in full between April 2011 and April 2013.

In the intervening years there have been legal disputes concerning the interpretation of the pension scheme rules and these have reached a conclusion which is unlikely to be appealed. The conclusion of the legal process indicates that, subject to the latest actuarial valuation which will not be published until after these financial statements have been approved, Understanding Animal Research is likely to be required to fund an annual contribution of approximately £15,322 which is the level that has been paid in each of the last two years. This annual liability, which may be adjusted when future actuarial valuations are prepared, is likely to continue for a further seven years until the end of March 2020.

The total estimated additional liability is £122,573 and this was fully provided for as an exceptional item in the financial statements to 31 December 2012. The total liability at 31 December 2013 is £112,359 (2012 £127,681).

The annual payments are expected to be £15,322 and this amount is included in current liabilities and the balance of the overall provision, £97,037, payable in equal monthly instalments from 2014 to 2020 is included in creditors falling due after more than one year.

4 CORPORATION TAX

Corporation tax is payable on the interest income at a rate of 20%. The charge for the year is £41 (2012 - £40).

5 EMPLOYEE INFORMATION

	2013	2012
	£	£
Staff costs:		
Salaries	373,277	286,656
Social security costs	41,404	29,831
Childcare costs	744	-
Pension costs	25,960	49,413
Consultancy services	250	109,022
Recruitment, training and other staff costs	9,197	531
	<u>450,832</u>	<u>475,453</u>

6 COUNCIL MEMBERS' EXPENSES

During the year no member received remuneration. (2012 Dr T Causey received remuneration of £13,750 and expenses of £5,108 for services as interim CEO of the organisation).

Included within staff and Council expenses are other costs in respect of Council members' travel and accommodation totalling £3,050 (2012 - £4,388).

UNDERSTANDING ANIMAL RESEARCH

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2013**

7 TANGIBLE FIXED ASSETS

	Office equipment £	Total £
Cost or valuation:		
At 1 January 2013	18,547	18,547
Additions	-	-
Disposals	(11,474)	(11,474)
	<hr/>	<hr/>
At 31 December 2013	7,073	7,073
	<hr/>	<hr/>
Depreciation:		
At 1 January 2013	18,547	18,547
Charge for the year	-	-
Disposals	(11,474)	(11,474)
	<hr/>	<hr/>
At 31 December 2013	7,073	7,073
	<hr/>	<hr/>
Net book value at 31 December 2013	-	-
	<hr/>	<hr/>
Net book value at 31 December 2012	-	-
	<hr/>	<hr/>

8 DEBTORS

	2013 £	2012 £
Trade debtors	114,170	220,755
Other debtors	5,686	5,467
Prepayments and accrued income	9,565	2,637
	<hr/>	<hr/>
	129,421	228,859
	<hr/>	<hr/>

9 CREDITORS - amounts falling due within one year

	2013 £	2012 £
Trade creditors	3,785	5,826
Corporation tax	43	40
Other taxation and social security costs	31,816	30,662
Accruals and deferred income	175,098	207,156
	<hr/>	<hr/>
	210,742	243,684
	<hr/>	<hr/>

Included in accruals and deferred income is an amount of £58,368 set aside in respect of the European Animal Research Association (EARA). During 2013 Understanding Animal Research took a leading role in the establishment of EARA, a body established to promote animal research issues across Europe.

EARA was formally incorporated in March 2014 and until that point the early funding and initial operating costs of running EARA flowed through Understanding Animal Research. In 2013 funds receivable for EARA were £110,026 and after covering operating costs, £58,368 was set aside to fund EARA in 2014.

UNDERSTANDING ANIMAL RESEARCH

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2013**

10 CREDITORS - amounts falling due after more than one year

Provision towards pension deficit

2013 £	2012 £
97,037	112,359

See note 3 for further details.

11 OBLIGATIONS UNDER OPERATING LEASES

Annual rental: amounts payable within one year on leases expiring:

 Within 1 year
 Within 2 to 5 years

2013 Land and Buildings £	2012 Land and Buildings £
-	-
27,000	27,000

12 STATEMENT OF MOVEMENTS ON RESERVES

Balance at 1 January 2013
Surplus / (Deficit) for the year

Balance at 31 December 2013

Accumulated surplus £	Capital reserve £
231,283	992
113,537	-
344,820	992

13 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

14 SHARE CAPITAL

5 (2012 - 5) shares of £1 each fully paid

2013 £	2012 £
5	5