
**HORTICULTURE RESEARCH
INTERNATIONAL**
(A COMPANY LIMITED BY GUARANTEE)

REPORT AND ACCOUNTS

◆ Year ended 31 March 1997 ◆



COMPANY NO: 173485
CHARITY REGISTRATION NO: 211581

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HORTICULTURE RESEARCH INTERNATIONAL

COMPANY INFORMATION

Board of Directors

Current members

Dr A R Burne (Acting Chairman) (appointed 25 July 1997)
Professor J A Callow
Professor T J Flowers
Professor J C Gray (appointed 30 July 1997)
Mr M G Holmes
Mr A G Jeffries (appointed 25 July 1997)
Mr D J Piccaver (appointed 25 July 1997)
Dr R F Pugh
Mr M W Rowe (appointed 25 July 1997)

Previous members

Mr J F Valentine (previous Chairman) (appointed 25 July 1997)
(resigned 24 October 1997)
Mr G Terry Pryce (previous Chairman), CBE (resigned 25 July 1997)
Mrs S R Beard (resigned 15 May 1996)
Mrs V A Boakes (resigned 25 July 1997)
Professor D Boulter, CBE (resigned 25 July 1997)
Dr P J Bunyan (resigned 25 July 1997)
Mr A P Mitchell, CBE (resigned 25 July 1997)

Chief Executive

Professor C C Payne, OBE

Secretary

Mr T G J Heller

Registered office

Wellesbourne
Warwickshire
CV35 9EF

Auditors

Robson Rhodes
Chartered Accountants
Bankfield House
132 New Walk
Leicester
LE1 7JA

Bankers

The Royal Bank of Scotland plc
79/83 Colmore Row
Birmingham
B3 2AP

Solicitors

Stones Porter
26 Farrington Street
London
EC4A 4AQ

Lawrence Graham
190 Strand
London
WC2

REPORT OF THE DIRECTORS

The directors present their annual report and the audited accounts for the year ended 31 March 1997.

Status and principal activities of the company

The Company is limited by Guarantee and has charitable status. It is an Executive Non-Departmental Public Body operating towards Next Steps lines, sponsored by the Ministry of Agriculture, Fisheries and Food (MAFF) and regulated by a Management Statement agreed with MAFF. HRI's purpose is to carry out research and development (R&D) work in support of horticulture and related industries and to exploit the results commercially. The Company is managed by a Chief Executive who reports to a non-executive Board of Directors.

Review of the development and future of the Company's activities

The year presented a number of challenges but has been one in which the company has ended the year in a stronger position financially than in April 1996. In addition, HRI has reviewed its future strategy in considerable detail during the year and has identified the key factors that we believe will be critical to the future success of the company.

The total income for 1996/97 fell in comparison with the previous year by £0.66m before amortisation of capital grants, having absorbed a reduction in MAFF commissioned research of £1.2m. The impact of the reduction in MAFF commission was considerably reduced by success in gaining an additional £600k of MAFF Open Competition and LINK research contracts, together with a small increase of £100k from commercial customers. Income from levy bodies and trusts rose substantially (by 39 per cent). Nonetheless, the overall reduction in income necessitated some difficult decisions on cost saving during the year and a number of post losses had to be declared. Overall, the reductions in government funding of research (which is occurring worldwide and is not solely restricted to the UK), have regrettably necessitated the redundancy of 52 posts at HRI during the last two years. The cost reductions achieved via post losses, the closure of Littlehampton site in 1995 and other efficiency savings, resulted in a reduction in total cost of £2.7m between the years 1995/96 and 1996/97. The full impact of the reduction in salary costs resulting from the reduction in posts will not be apparent until the 1997/98 financial year.

In previous years, we have compared the company's performance against financial targets set in HRI's Corporate Plan. This has not been undertaken this year as HRI has not been required to produce an updated Corporate Plan during the protracted period of the Prior Options Review, in which an assessment was being made of whether HRI should remain in the public sector or should be privatised. In our last Report, we stressed that it was our view that HRI was operating effectively and appropriately in the public sector, undertaking research that is for the public good. We were therefore very pleased to learn in January 1997 the government decision, following the Prior Options Review, that HRI should remain in the public sector for the time being. As a consequence of this decision we will be supplying Ministers with the company's future Business Plan during the 1997/98 financial year.

For several years we have been reporting active progress on HRI's building programme. Though this programme is now in its closing stages, 1996/97 was another active year with MAFF investing a further £5.64m. Most of the building work at Wellesbourne has now been completed and the year's activity was largely focused at East Malling, with refurbishment of the EMB and Manwaring laboratory buildings, and at Efford with the start of the new office and laboratory building.

REPORT OF THE DIRECTORS

(Continued)

Review of the development and future of the Company's activities (continued)

The scientific programme of the company has continued to be productive and is recovering well from the inevitable disruption caused by the relocations of staff from Littlehampton and East Malling during the previous two years and by the regrettable redundancies. By the end of the year there were clear signs of the scientific benefits of increased collaboration that are arising through the co-location of a larger number of scientists at Wellesbourne and by the increasingly effective network of science discipline and commodity co-ordinators that has been established across all HRI sites. As in previous years, a large number of technology transfer events have been held to ensure that the results of our research and development are passed rapidly to the end-user. During the year, the company has participated in the BBSRC Review of Institute Performance and is expecting to receive a Visiting Group in June 1997 as the final stage of the Review. The outcome of this process will determine the company's future level of BBSRC income.

With the clear evidence of continuing pressure on the public purse for R&D funding, HRI has used 1996/97 to establish a clear future strategy that recognises the key factors that need to be addressed to ensure that the company improves its position. Assisted by PA Consultants in a series of internal workshops, a clear need for change was identified. The greatest challenge facing HRI is financial viability and profitability. Amongst the steps needed to overcome this challenge, HRI must:

- generate income;
- establish its own direction and define its own identity as an organisation;
- reduce the breadth of its scientific coverage and improve its effectiveness in managing the R&D process;
- reappraise how it achieves effective technology transfer;
- improve its business development capability and the capacity to free up resources to generate new business;
- create support and awareness amongst staff and customers for HRI's corporate strategy.

These issues were developed by the Chief Executive and the Senior Management Team in a strategy document "HRI - The way Ahead 1997 Onwards", that was endorsed by the Board in September 1996. Since then, several major steps have been taken to implement the new strategy. In particular, a new Business Development director has been appointed from the commercial sector to lead HRI's business development. This appointment was made in the expectation that HRI will seek to establish (subject to MAFF approval) a wholly-owned commercial subsidiary. Secondly, HRI's senior scientists have worked to develop a more focused science strategy for the company, with clear long-term objectives. Thirdly, the company has committed itself to achieve "Investors in People" accreditation to ensure that staff objectives and expectations are more closely aligned to the shared business objectives of the company. Finally, HRI has changed its mission statement to reflect the changes proposed in the future strategy document, i.e.

"To innovate and communicate for the benefit of producers and consumers of horticultural and other plant-based products."

During 1997/98, it is likely that Ministers will make substantial changes in the membership of the HRI Board as terms of office are due for review. We believe that the present Board has helped provide a sound basis for HRI's future successful development.

REPORT OF THE DIRECTORS
(Continued)

Results

The results for the year are set out on page 7.

Fixed assets

Movements in tangible fixed assets are set out in note 8 to the accounts.

Payment of creditors

It is the Company's policy that payment to suppliers is made in accordance with the terms and conditions under which the business transactions with the suppliers are conducted, providing the supplier is complying with all terms and conditions.

The Company's trade creditors at 31 March 1997 were equivalent to 53 days of purchases.

Citizens Charter

The Company does not provide services directly to the public. It conducts its business on a customer/contractor relationship, voluntarily entered into by both parties.

Access to Government Information

HRI is not within the jurisdiction of the Parliamentary Commissioner for Administration (PCA). Its policies and objectives are set out in its Corporate Plan with results being made available in its Annual Report.

Directors

The directors at the date of this report are set out on page 1.

Charitable status

The company is registered as a charity by the Charity Commission.

Employees

During the year the company has continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the company's position and of any significant organisational changes.

The company is aware of its statutory duty to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the company, as well as generally through training and career development.

The company is an equal opportunities employer.

REPORT OF THE DIRECTORS
(Continued)

Directors' responsibilities for the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards and the Statement of Recommended Practice, Accounting by Charities, and;
- prepared the accounts on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under the Management Statement of the company, the accounting officer of the company (who is the Chief Executive) is responsible to the Accounting Officer of the Ministry of Agriculture, Fisheries and Food and accountable to Parliament for the proper and effective management of all public funds spent with the company.

Auditors

The auditors, Robson Rhodes are willing to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approval

The report of the directors was approved by the Board on 26 November 1997 and signed on its behalf by:



A R Burne
Acting Chairman

**REPORT OF THE AUDITORS
TO THE MEMBERS OF HORTICULTURE RESEARCH INTERNATIONAL**

We have audited the accounts on pages 7 to 24 which have been prepared on the basis of the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

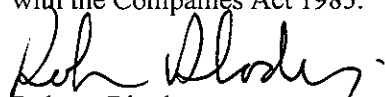
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

Fundamental uncertainty

In forming our opinion, we have considered the adequacies of the disclosures made in note 5 e) of the accounts concerning the current uncertainty as to whether the pension provision of £3.17m. will crystallise and be funded. In view of the significance of this uncertainty we consider it should be brought to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1997 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Robson Rhodes

Chartered Accountants and Registered Auditor

Leicester

26 November 1997

HORTICULTURE RESEARCH INTERNATIONAL

STATEMENT OF FINANCIAL ACTIVITIES year ended 31 March 1997

	Note	1997 £'000	1996 £'000
Income and Expenditure			
Incoming Resources			
Commission from Ministry of Agriculture, Fisheries and Food	2	10,563	11,747
Grant in aid from the Biotechnology and Biological Sciences Research Council		3,591	3,603
Commercial contracts research income			
MAFF open and link contracts	2	2,157	1,564
Other		4,770	4,671
Other receipts		1,163	1,323
Amortisation of capital grants		1,442	2,321
Total Incoming Resources		<u>23,686</u>	<u>25,229</u>
Resources Expended			
Direct charitable expenditure	4	21,380	24,015
Other expenditure:			
Management and administration	4	1,577	1,680
Total Resources Expended		<u>22,957</u>	<u>25,695</u>
Net Incoming/(Outgoing) resources for the year	3	729	(466)
Fund balances brought forward at 1 April 1996			
Reserve fund		1,521	1,521
Accumulated surpluses		173	639
Fund balances carried forward at 31 March 1997			
Reserve fund	16	1,713	1,521
Accumulated surpluses	17	710	173

Supplementary notes

- 1 The company's results for the year relate entirely to continuing operations. No acquisitions were made during the year.
- 2 The company made no recognised gains or losses during the year other than the surplus as reported above.

HORTICULTURE RESEARCH INTERNATIONAL

BALANCE SHEET
at 31 March 1997

	Note	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	8	45,459	40,916
Investments	9	-	-
		<u>45,459</u>	<u>40,916</u>
Current assets			
Stocks	10	471	463
Debtors	11	6,114	5,372
Cash at bank and in hand		1,886	3,077
		<u>8,471</u>	<u>8,912</u>
Creditors: Amounts falling due within one year	12	(4,669)	(6,487)
		<u>3,802</u>	<u>2,425</u>
Net current assets			
Capital grants: Amounts to be amortised within one year	13	(1,450)	(2,300)
		<u>2,352</u>	<u>125</u>
Total assets less current liabilities			
		<u>47,811</u>	<u>41,041</u>
Capital grants: Amounts to be amortised after more than one year	13	(41,918)	(36,626)
Provisions for liabilities and charges			
Pensions reserve fund	14	(3,170)	(2,421)
Other provisions	14	(300)	(300)
		<u>2,423</u>	<u>1,694</u>
Income funds			
Reserve fund	16	1,713	1,521
Accumulated surpluses	17	710	173
		<u>2,423</u>	<u>1,694</u>

The accounts were approved by the Board on 26 November 1997 and signed on its behalf by:

A R Burne



- Acting Chairman

C C Payne



- Chief Executive

CASH FLOW STATEMENT
year ended 31 March 1997

	1997 £'000	1996 £'000
Cashflow from operating activities	573	1,933
Servicing of finance		
Interest received	95	128
Capital expenditure and disposals		
Purchase of tangible fixed assets	(6,511)	(10,231)
Sale of tangible fixed assets	18	93
Cashflow before financing	<u>(5,825)</u>	<u>(8,077)</u>
Financing		
Capital grants received	4,634	9,453
(Decrease)/increase in cash and cash equivalents	<u>(1,191)</u>	<u>181</u>

CASHFLOW FROM OPERATING ACTIVITIES

Reconciliation of surplus for the year to net cash inflow from operating activities

Surplus/(deficit) for the year	729	(466)
Depreciation	1,968	3,112
Profit on sale of tangible fixed assets	(18)	(93)
Pension provisions and net transfers	761	594
Pensions paid	(12)	(6)
Contract claims provision	-	-
Amortisation of capital grants	(1,442)	(2,321)
Interest receivable	(95)	(128)
(Increase)/decrease in stocks	(8)	45
(Increase)/decrease in debtors	(742)	2
(Decrease)/increase in creditors	(1,818)	1,194
Capital grants receivable	1,250	-
Net cash inflow from operating activities	<u>573</u>	<u>1,933</u>

NOTES TO THE ACCOUNTS

31 March 1997

1. ACCOUNTING POLICIES

Convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards and the Statement of Recommended Practice, Accounting by Charities.

The requirements of the Treasury Guidance paper titled 'Annual reports and accounts guidance for Executive Non-Departmental bodies' have been reflected by way of notes to the accounts (see notes 8 e) and 18).

Basis of preparation

The format of the accounts has been adapted from that laid down in Part 1 of Schedule 4 to the Companies Act 1985 to suit the circumstances of the company as permitted by paragraph 3(3) of that Schedule.

Income

Grants receivable from the Biotechnology and Biological Sciences Research Council and the Commission from the Ministry of Agriculture, Fisheries and Food are recognised in the income and expenditure account on the basis of agreed programmes of work.

Research income from other bodies consists of the invoiced value (excluding VAT) for work undertaken during the year. Income arising on long term contracts is recognised on the basis of the sales value of work performed in the year.

Income from sales of produce, publications and sundry items consists of amounts invoiced during the year, excluding value added tax.

Expenditure

Expenditure is charged to the income and expenditure account as goods and services are received. The charge includes value added tax attributable to the expenditure.

Tangible fixed assets and depreciation

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

Additions to leasehold land and buildings	-	over 50 years
Plant and machinery, fixtures and fittings	-	over 3-8 years

The original cost of leasehold improvements is written off on disposal, and the original cost of equipment is written off at the earlier of disposal or the expiration of a ten year life.

Government grants

Government grants receivable for capital expenditure are credited to unamortised Capital Grants account (see note 13) and released to the income and expenditure account over the expected useful lives of the relevant assets.

Grants of a revenue nature are credited to income in the year to which they relate.

NOTES TO THE ACCOUNTS

31 March 1997

1. ACCOUNTING POLICIES (Continued)

Long term contracts

Long term contracts are those extending in excess of 12 months and any of a shorter duration in progress at 31 March which are material to the activity of the period. Attributable income is recognised proportionate to the percentage of completion of each contract. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each item to its present location and condition.

Raw materials and consumables	-	purchase cost on a first-in, first-out basis
Growing crops	-	cost of direct materials and labour plus attributable overheads by using standard industry rates

Net realisable value is based on the estimated selling prices, less further costs expected to be incurred to completion and disposal.

Pensions

Superannuation benefits are provided for eligible employees of the Biotechnology and Biological Sciences Research Council on loan to the company under a scheme administered and financed by the Council. Benefits for eligible employees of the Ministry of Agriculture, Fisheries and Food on loan to the company are provided under the Principal Civil Service Pension Scheme. The company pays an actuarially assessed Superannuation contribution, currently 12% for Industrial grade and 13½% for Non-industrial grade employees, to both these schemes. The costs for the current year are included in Note 5 under Employee costs.

The company also sets aside in the Pensions reserve fund the same level of superannuation contribution in respect of eligible employees holding contracts of employment with the company and also accumulates in the Fund any pension transfer values received in respect of these employees. This treatment is in accordance with Paragraph 31 of the Financial Memorandum to the company's Management Statement. An actuarial valuation of the company's liability in respect of Horticulture Research International employees was commissioned as at 31 March 1997. The preliminary results of the current assessment are detailed in note 5. Such valuations are carried out at each year end and annual superannuation charges are considered accordingly.

NOTES TO THE ACCOUNTS

31 March 1997

1. ACCOUNTING POLICIES (Continued)

Research and development

Research and development expenditure on externally funded commercial projects is matched with the related income. All other research and development expenditure is written off in the year it is incurred.

2. MINISTRY OF AGRICULTURE, FISHERIES AND FOOD INCOME

	1997 £'000	1996 £'000
Commission	10,563	11,747
Open contracts	1,802	1,210
Link contracts	355	354
	<u>2,157</u>	<u>1,564</u>
	<u>12,720</u>	<u>13,311</u>

3. NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR

	1997 £'000	1996 £'000
Net incoming/(outgoing) resources for the year is stated after charging:		
Auditors' remuneration		
Audit services	27	29
Other services	12	9
Directors' remuneration (see note 6)	62	61
Directors' reimbursed expenditure	9	9
Depreciation of tangible fixed assets	1,968	3,112
Operating lease charges		
Plant and machinery	46	29
Land and buildings	621	596
And after crediting:		
Amortisation of capital grants (see note 13)	1,442	2,321
Rental income	165	174
Bank interest	95	128

NOTES TO THE ACCOUNTS

31 March 1997

4. RESOURCES EXPENDED

	Direct charitable expenditure £'000	1997 Management and administration £'000	Total £'000
Employee costs	12,762	895	13,657
General operational costs	6,664	668	7,332
Depreciation	1,954	14	1,968
	21,380	1,577	22,957
	21,380	1,577	22,957
	Direct charitable expenditure £'000	1996 Management and administration £'000	Total £'000
Employee costs	13,557	911	14,468
General operational costs	7,368	747	8,115
Depreciation	3,090	22	3,112
	24,015	1,680	25,695
	24,015	1,680	25,695

5. EMPLOYEES AND EMPLOYEE COSTS

	1997 Number	1996 Number
a) Average number of persons employed during the year:		
Direct science	353	375
Direct industrial/agricultural	164	157
Direct other support	170	166
Management and administration	25	27
	712	725
	712	725

Of the 712 (1996 - 725) staff of the company, 365 (1996 - 461) are employed by the BBSRC, 79 (1996 - 94) by the Ministry of Agriculture, Fisheries and Food, and 268 (1996 - 170) by the company.

NOTES TO THE ACCOUNTS

31 March 1997

5. EMPLOYEES AND EMPLOYEE COSTS (Continued)

	1997 £'000	1996 £'000
b) Costs in respect of these staff were:		
Wages and salaries	11,231	12,054
Social security costs	817	880
Superannuation costs	1,609	1,534
	<u>13,657</u>	<u>14,468</u>
	<u><u>13,657</u></u>	<u><u>14,468</u></u>
c) Chief executive's total remuneration inclusive of superannuation costs	65	85
	<u><u>65</u></u>	<u><u>85</u></u>
d) The following number of senior employees received remuneration falling within the following ranges:		
	Number	Number
£40,001 - £50,000	11	14
	<u><u>11</u></u>	<u><u>14</u></u>

- e) As stated in note 1, the company sets aside in the Pensions reserve fund superannuation contributions in respect of eligible employees holding contracts of employment with the company and also accumulates in the Fund any pension transfer values received in respect of these employees. As at the balance sheet date the liability accrued in the accounts amounted to £3.17m (1996 - £2.42m) (see note 14). HRI does not maintain an equivalent and dedicated pool of cash and other investments for the purposes of meeting this liability.

An actuarial valuation of the company's liability in respect of Horticulture Research International employees transferring into the Principal Civil Service Pension Scheme at a future date was commissioned as at 31 March 1997. The valuation is being performed by the Government Actuary's Department. The results of the current assessment indicate a total estimated accrued pension liability of £2.87m (1996 - £2.12m) in respect of the 174 (1996 - 180) staff employed by the company at that date. The demographic and economic assumptions used for the purpose of the valuation were based on analyses of the experience of the generality of Civil Servants. The directors consider it imprudent on a year on year basis to transfer the calculated surplus on the pension reserve fund that is indicated by the actuarial assessment back to the accumulated surpluses of the company.

NOTES TO THE ACCOUNTS

31 March 1997

5. EMPLOYEES AND EMPLOYEE COSTS (Continued)

- e) The treatment of this creditor within the accounts is on the basis that crystallisation of the liability will not occur within a period of a year.

In the event of HRI being required to pay out the creditor or a significant proportion thereof without provision of additional cash financing from MAFF or other sources it may not be in a position to meet that payment. It is recognised that its ability to do so as well as continuing its core activities to carry out horticulture research and development is ultimately dependent on MAFF as its sponsoring department

6. DIRECTORS' REMUNERATION

	1997	1996
	£'000	£'000
Directors' remuneration	62	61
	<u> </u>	<u> </u>
Chairman (and highest paid director)	22	22
	<u> </u>	<u> </u>
The other directors received remuneration in the following bands:		
	Number	Number
£0 - £5,000	9	9

7. TAXATION

The company is a registered charity and therefore no corporation tax is payable.

NOTES TO THE ACCOUNTS
31 March 1997

8. TANGIBLE FIXED ASSETS

a) Tangible fixed assets on a historical cost basis are stated as follows:

	Additions to leasehold land and buildings £'000	Plant and machinery, fixtures and fittings £'000	Total £'000
Cost			
At 1 April 1996	47,052	6,544	53,596
Additions in year at cost	5,693	818	6,511
Disposals	(4,911)	-	(4,911)
Expiration of 10 year life	-	(697)	(697)
At 31 March 1997	<u>47,834</u>	<u>6,665</u>	<u>54,499</u>
Depreciation			
At 1 April 1996	7,595	5,085	12,680
Charged in year	957	1,011	1,968
Disposals	(4,911)	-	(4,911)
Expiration of 10 year life	-	(697)	(697)
At 31 March 1997	<u>3,641</u>	<u>5,399</u>	<u>9,040</u>
Net book value			
At 31 March 1997	<u>44,193</u>	<u>1,266</u>	<u>45,459</u>
At 31 March 1996	<u><u>39,457</u></u>	<u><u>1,459</u></u>	<u><u>40,916</u></u>

NOTES TO THE ACCOUNTS

31 March 1997

8. TANGIBLE FIXED ASSETS (Continued)

- b) Less than one per cent of total net book value of the tangible fixed assets recorded above relate to the management and administration function.
- c) All land occupied by Horticulture Research International is leased. It is assumed that on expiry of the leases concerned, they will be renewed in favour of the company.
- d) The disposals of leasehold land and buildings of £4.9m represents the removal from tangible fixed assets of the Littlehampton site, following its closure in 1995.
- e) In accordance with the Treasury Guidance Paper titled 'Annual reports and accounts guidance for Executive Non-Departmental bodies' tangible fixed assets restated at their current value would amount to:-

	Additions to leasehold land and buildings £'000	Plant and machinery, fixtures and fittings £'000	Total £'000
Current cost			
At 1 April 1996	78,018	13,233	91,251
Additions in year at cost	5,693	818	6,511
Transfer to revaluation reserve	569	180	749
At 31 March 1997	84,280	14,231	98,511
Depreciation			
A 1 April 1996	-	-	-
Charge for the year	1,700	1,569	3,169
Transfer to revaluation reserve	(1,700)	(1,469)	(3,169)
At 31 March 1997	-	-	-
Net book value			
At 31 March 1997	84,280	14,231	98,511
At 31 March 1996	78,018	13,233	91,251

NOTES TO THE ACCOUNTS

31 March 1997

8. TANGIBLE FIXED ASSETS (Continued)

Method of valuation

Additions to leasehold land and buildings: The existing land and buildings on all sites was professionally valued by Messrs Strutt and Parker in 1992. This valuation has been enhanced by 2% as a reflection of price inflation in the intervening period. Restructuring costs have been included at cost.

Plant and machinery, fixture and fittings: Some large items of plant were included in the Strutt and Parker valuation in 1992. All other equipment was revalued by the company during the year ended 31 March 1994, by reference to suppliers' price lists, direct quotes, or specialist estimate. These assets have been further revalued by 3.5% to reflect price inflation in the intervening period. All additional assets acquired since 31 March 1994 have been included at cost.

Additional depreciation

Additional depreciation has been calculated by reference to standard depreciation rates applied to the total revalued amount. The rates used are different to those applied for historic cost purposes, and are as follows:

Land and buildings	-	over 50 years
Plant and machinery	-	over 10 years

9. INVESTMENTS

The following are wholly owned subsidiary companies:

Malling Limited
HRI Limited
Sciencebase Limited

The issued share capital of both Malling Limited and HRI Limited consists of 3 ordinary shares of £1 each. Sciencebase Limited has share capital consisting of 2 ordinary shares of £1 each. Each of these companies is registered in England and Wales and none traded during the year.

NOTES TO THE ACCOUNTS**31 March 1997****10. STOCKS**

	1997 £'000	1996 £'000
Raw materials and consumables	413	411
Growing crops	58	52
	<u>471</u>	<u>463</u>
	<u><u>471</u></u>	<u><u>463</u></u>

The current or replacement cost of the above stocks would not be significantly different from the values stated.

11. DEBTORS

	1997 £'000	1996 £'000
Trade debtors	1,895	1,483
Amounts recoverable on contracts	1,407	1,801
Other debtors	1,654	768
Salary deposit	956	896
Prepayments	202	424
	<u>6,114</u>	<u>5,372</u>
	<u><u>6,114</u></u>	<u><u>5,372</u></u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £'000	1996 £'000
Payments received on account	1,127	1,348
Trade creditors	1,311	1,561
Other creditors	1,421	3,075
Accruals and deferred income	810	503
	<u>4,669</u>	<u>6,487</u>
	<u><u>4,669</u></u>	<u><u>6,487</u></u>

NOTES TO THE ACCOUNTS
31 March 1997

13. CAPITAL GRANTS

	1997 £'000	1996 £'000
Amounts to be amortised:		
Within one year	1,450	2,300
After more than one year	41,918	36,626
	<u>43,368</u>	<u>38,926</u>
Movement in year:		
At 1 April 1996	38,926	31,794
Additions - received and receivable		
Ministry of Agriculture, Fisheries and Food	5,627	9,181
BBSRC	256	272
Commercial contracts	1	-
Amortisation	(1,442)	(2,321)
At 31 March 1997	<u>43,368</u>	<u>38,926</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

Movements in the year:

	1997 £'000	1996 £'000
Pensions reserve fund		
At 1 April 1996	2,421	1,833
Provided in the year	601	450
Transfers in	292	230
Transfers out	(132)	(86)
Pensions paid	(12)	(6)
At 31 March 1997	<u>3,170</u>	<u>2,421</u>
Other provisions:		
Provision for contract claims		
At 1 April 1996	300	300
Provided in the year	-	-
At 31 March 1997	<u>300</u>	<u>300</u>

NOTES TO THE ACCOUNTS

31 March 1997

15. LIABILITY LIMITED BY GUARANTEE

The company is limited by the guarantee of the 10 Members, who are also the Directors, to a maximum of £1 each.

16. RESERVE FUND

	1997	1996
	£'000	£'000
Movement in the year:		
At 1 April 1996	1,521	1,521
Surplus transferred to reserve fund	192	-
At 31 March 1997	<u>1,713</u>	<u>1,521</u>
	<u><u>1,713</u></u>	<u><u>1,521</u></u>

Paragraph 31 of the Financial Memorandum to the company's Management Statement allows the company to establish a Reserve Fund for the purposes of providing for items of capital expenditure and pension costs in future years.

As a consequence of both the continued postponement of primary legislation in Parliament transferring all employees and pension liabilities into the Principal Civil Service Pension Scheme and the commencement of payment of pensions to retired former employees that part of the Reserve Fund in respect of pension costs is included as a liability (see note 14).

17. ACCUMULATED SURPLUSES

	1997	1996
	£'000	£'000
At 1 April 1996	173	639
Surplus/(deficit) transferred to/(from) accumulated surpluses	537	(466)
At 31 March 1997	<u>710</u>	<u>173</u>
	<u><u>710</u></u>	<u><u>173</u></u>

Under the conditions of grant in aid agreed between the Biotechnology and Biological Sciences Research Council and the company, any unspent balance of an annual grant will not normally be surrendered at the end of a financial year, but the Council reserves the right to make adjustments in succeeding years.

NOTES TO THE ACCOUNTS

31 March 1997

18. RESTATEMENT OF BALANCE SHEET AND STATEMENT OF FINANCIAL ACTIVITIES UNDER ALTERNATIVE ACCOUNTING RULES

In accordance with the Treasury Guidance paper titled 'Annual reports and accounts guidance for Executive Non-Departmental bodies' the effect on both the statement of financial activities and the balance sheet of disclosing the consumption of resources at current value, and inclusion of notional charges for uninsured risks and cost of capital would be as follows:-

Statement of financial activities	1997	1996
	£'000	£'000
Total incoming resources	23,686	25,229
	<hr/>	<hr/>
Resources expended stated at historical cost	22,957	25,695
Notional cost of capital employed	6,139	5,621
Notional cost of insurance	200	200
Additional depreciation calculated on the current cost of fixed assets	1,201	938
	<hr/>	<hr/>
	30,497	32,454
	<hr/>	<hr/>
Net outgoing resources for the year	(6,811)	(7,225)
	<hr/> <hr/>	<hr/> <hr/>

The notional cost reserves consist of the following:-

- a) Notional cost of capital, representing the average capital employed during the year, calculated on the basis of 6% of total capital employed. Capital employed is defined as total assets less current liabilities. The reserve only includes the charges made for the years 1997 and 1996.
- b) Notional cost of insurance represents a provision for the value of claims which would be required to be met from HRI's resources in respect of uninsured risks. The charge reflects the accumulation of notional costs charged in 1996 and 1997.

NOTES TO THE ACCOUNTS
31 March 1997

18. RESTATEMENT OF BALANCE SHEET AND STATEMENT OF FINANCIAL
ACTIVITIES UNDER ALTERNATIVE ACCOUNTING RULES (Continued)

Balance sheet

	1997 £'000	1996 £'000
Fixed assets		
Tangible assets stated at current cost (see note 8e)	98,511	91,251
Other net liabilities stated at historical cost	(43,036)	(39,222)
	<u>55,475</u>	<u>52,029</u>
Income funds		
Reserve fund	(11,876)	(5,065)
Notional cost reserve	12,160	5,821
Revaluation reserve	55,191	51,273
	<u>55,475</u>	<u>52,029</u>

Reconciliation of reserve movements

	Accumulated surpluses £'000	Reserve fund £'000	Notional cost reserve £'000	Revaluation reserve £'000
At 1 April 1995	639	1,521	-	-
Net outgoing resources for year	(639)	(6,586)	-	-
Fixed asset revaluation	-	-	-	51,273
Notional costs for year:-				
Cost of uninsured risks	-	-	200	-
Cost of capital employed	-	-	5,621	-
At 1 April 1996	<u>-</u>	<u>(5,065)</u>	<u>5,821</u>	<u>51,273</u>
Net outgoing resources for year	-	(6,811)	-	-
Fixed asset revaluation	-	-	-	3,918
Notional costs for year:-				
Cost of uninsured risks	-	-	200	-
Cost of capital employed	-	-	6,139	-
At 31 March 1997	<u>-</u>	<u>(11,876)</u>	<u>12,160</u>	<u>55,191</u>

NOTES TO THE ACCOUNTS
31 March 1997

19. COMMITMENTS

	1997 £'000	1996 £'000
a) Capital commitments: Contracted for	1,500	3,394
	<u> </u>	<u> </u>

Horticulture Research International is in the closing stages of completing a substantial capital restructuring programme. The total cost of the programme is approximately £44 million, including fees and VAT, and is being supported by HM Treasury, through the Ministry of Agriculture, Fisheries and Food. Of this amount £43 million had been spent in the six years ending 31 March 1997.

b) Leasing commitments:

The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:

	1997 £'000	1996 £'000
i) Land and buildings, leases expiring:		
Within one year		
In two to five years	273	215
Beyond five years	348	360
	<u> </u>	<u> </u>
	621	575
	<u> </u>	<u> </u>
ii) Plant and machinery, leases expiring:		
Within one year	30	27
In two to five years	16	21
Beyond five years	-	3
	<u> </u>	<u> </u>
	46	51
	<u> </u>	<u> </u>

20. CONTINGENT LIABILITIES

Insurances:

- a) Building insurance is only effected by the company in respect of the East Malling site.
- b) A policy is in existence to cover the company's liability under the Employers' Liability (Compulsory Insurance) Act 1969 for company employees, but certificates of indemnity under the Regulations of the Act are in operation from the Ministry of Agriculture, Fisheries and Food for MAFF employees and from the Office of Science and Technology for BBSRC employees.