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# Horticulture Research International

(A Company Limited by Guarantee)

## Report and Financial Statements

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◆ *Year ended 31 March 1999* ◆

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Company No: 173485  
Charity Registration No: 211581

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# **HORTICULTURE RESEARCH INTERNATIONAL**

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## **COMPANY INFORMATION**

### **Board of Directors**

#### **Current members**

**Mr P J Siddall (Chairman)**  
**Dr A R Burne**  
**Professor J A Callow**  
**Professor T J Flowers**  
**Professor J C Gray**  
**Mr M G Holmes**  
**Mr A G Jeffries**  
**Mr D J Piccaver**  
**Dr R F Pugh**  
**Mr M W Rowe**

#### **Chief Executive**

**Professor C C Payne, OBE**

#### **Secretary**

**Mr T G Heller**

#### **Registered office**

**Wellesbourne**  
**Warwickshire**  
**CV35 9EF**

#### **Auditors**

**Robson Rhodes**  
**Chartered Accountants**  
**Centre City Tower**  
**7 Hill Street**  
**Birmingham**  
**B5 4UU**

#### **Bankers**

**The Royal Bank of Scotland plc**  
**Birmingham**

#### **Solicitors**

**Dibb Lupton Allsop**  
**Birmingham**

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

### **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.

### **Business performance and corporate strategy**

The total general fund income for 1998/99 rose in comparison with the previous year by 2.4% before amortisation of capital grants.

MAFF commission receipts during the year, ignoring indexation, remained comparable to the previous period, decreasing by £17k to £9,857k and non-commissioned grants also remained comparable increasing by £63k to £2,492k. Year on year BBSRC core funding has fallen £83k, in accordance with the forecast level of funding. BBSRC finances research and development through a Competitive Strategic Grant (CSG) which is reviewed every 4 years. The last review was undertaken in 1998 and as a result funding was reduced by a total of £600k; representing an annual reduction of £150k in each of the four financial years ending 31 March 2002. The reduction of £83k during the year reflects the results of this review and is arrived at net of an indexation allowance of approximately 3%. Income from commercial contracts with other public bodies, including Levy funders and the EC, has remained almost static at £4,281k and research and other sales commissioned by the commercial sector have increased by £277k to £1,600k.

Expenditure has increased by £371k to £24,370k mainly as a result of higher employment costs. The employment costs as a proportion of total resources expended have increased 4.3% year on year. The increase in employees during the current year relates to decisions made during the prior year when additional staff were taken on to support the developing operations of the business. A voluntary redundancy programme has since been announced in 1999 that is expected to begin to have an effect during the year ended 31 March 2000.

During the year, the directors have considered the recording of grants received in respect of its fixed assets and the requirements of the Statement of Recommended Practice, Accounting by Charities in respect of such grants. There is an element of inconsistency between the Charities SORP (which regards such grants as being part of the funds of a charity) and accounting standards (which indicates that such grants could be recorded as long term liabilities) which does cause confusion on these matters. However, the directors accept that the accounts should be prepared on the basis of the Charities SORP and that these grants received would be better recorded as part of the fund reserves of the Company, rather than as liabilities, and this presentation has been adopted for these financial statements. In addition, for this year the fund reserves have been analysed into unrestricted general, unrestricted designated and restricted funds and the statement of Financial Activities now reflects all funds received and payments made within these funds classifications. The comparative figures have also been amended accordingly.

**REPORT OF THE DIRECTORS -  
(Continued)****Performance against targets**

The financial framework and assumptions within which HRI has operated to date have significantly changed and it can no longer support its infrastructure and activities without commercial income. HRI is actively developing commercial business under the registered trademark 'HortiTech'.

A draft Corporate Plan (1998 - 2003) was submitted to the Minister of Agriculture, Fisheries and Food in September 1998 and his approval was confirmed in January 1999. In addition to approving the plan MAFF also provided financial support to enable key elements of the plan to be introduced. During the 5 year period of the Corporate Plan commercial income is forecast to rise from £3.04M in 1998/99 to £8.96m in 2002/03. Performance against the first year financial targets is summarised below: -

	Corporate Plan £m	Actual £m
Public sector sales	21.11	20.89
HortiTech sales	3.04	2.47
Amortisation	<u>1.51</u>	<u>1.37</u>
Total	<u>25.66</u>	<u>24.73</u>
Net income for the year	<u>(0.01)</u>	<u>0.36</u>

HRI has progressed a number of non-financial objectives also detailed in the Corporate Plan:

- ♦ A new HRI research team network has been put in place to improve the co-ordination and delivery of science programmes across HRI's six sites.
- ♦ A new HRI Research Review Board will meet for the first time in September 1999; this will provide improved access to external scientific advice. Formal strategic science links have been established with the University of Reading and the University of Aberdeen.
- ♦ HRI has developed a policy statement on the issues surrounding Genetically Modified (GM) Crops. Spokespersons amongst HRI staff have been identified and trained and have played an active important role in the GM debate.
- ♦ The programme of work to achieve Y2K compliance is running to timetable; regular reports on progress have been submitted to government.
- ♦ "Investors in People" accreditation was achieved in May 1999.

**Financial performance**

The statement of financial activities is shown on page 10 and the summary income and expenditure account on page 11. The reserve funds of the Company are shown on the balance sheet on page 12, and in the notes to the financial statements.

**REPORT OF THE DIRECTORS -  
(Continued)**

**Fixed assets**

Movements in tangible fixed assets are set out in note 7 to the financial statements.

**Directors**

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

**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.

**Year 2000**

Many of the world's computer systems store only the last two digits of the year and need to be adapted to cope correctly with the year 2000. The Board receives regular reports from our year 2000 project team which was tasked with identifying and managing the principal risks to our business and operations. Substantial internal time has already been spent on this issue and further but not significant time is expected to be required during the period to the Year 2000. Ignoring internal time, the estimated costs of year 2000 issues has been approximately £400,000 which has been spent in the last two years and the majority of this expenditure has been supported by grants from MAFF. The residual costs left to spend on the Year 2000 project are not considered significant.

Having made enquiries of suppliers, customers and staff, the Board do not expect material disruption to our business from the year 2000 problem, but the complexity of the matter prevents any business offering absolute assurance on this issue.

**Single European currency**

The Company's accounting system will be capable of accommodating the euro regardless of which countries participate in the single currency.

**REPORT OF THE DIRECTORS -  
(Continued)**

**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 1999 were equivalent to 72 days (1998 - 58 days) of purchases.

**Citizens Charter and Open Government**

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' responsibilities for the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charitable Company and of its financial activities and income and expenditure for the year. In preparing these financial statements, 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 financial statements 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 financial statements 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.

**HORTICULTURE RESEARCH INTERNATIONAL**

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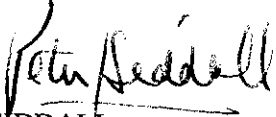
**REPORT OF THE DIRECTORS -  
(Continued)**

**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 22 September 1999 and signed on its behalf by:



P J SIDDALL  
Chairman



**STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL**

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Horticulture Research International.

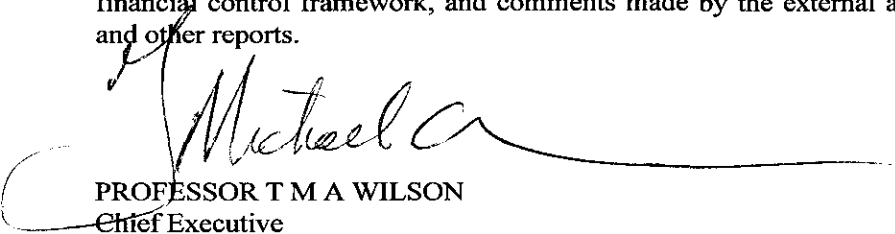
The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Directors;
- regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- as appropriate, formal project management disciplines.

Horticulture Research International is in the process of appointing internal auditors. A full audit needs assessment has been carried out and reviewed by the Audit and Accounts Committee. It is expected that the internal audit will begin a programme of work in October 1999. At least annually, the Head of Internal Audit (HIA) will provide me with a report on internal audit activity within HRI. The report will include the HIA's independent opinion on the adequacy and effectiveness of HRI's system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the Audit and Accounts Committee which oversees the work of the external auditor, the executive managers within the body which have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.



PROFESSOR T M A WILSON  
Chief Executive

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

We have audited the financial statements on pages 10 to 26 which have been prepared on the basis of the accounting policies set out on pages 14 to 17.

**Respective responsibilities of directors and auditors**

As described on page 5 the Company's directors (who also act as trustees for the charitable activities of the Company) are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 financial statements. 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 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the charitable Company's state of affairs as at 31 March 1999 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Robson Rhodes**

Chartered Accountants and Registered Auditor

Birmingham

22 September 1999

**REPORT BY THE AUDITORS TO THE MEMBERS OF HORTICULTURE RESEARCH INTERNATIONAL ON INTERNAL FINANCIAL CONTROL**

In addition to our audit of the financial statements we have reviewed the Chief Executive's statement on page 7 concerning HRI's compliance with those matters specified for our review in the DAO letter "Corporate Governance: Statement on the System of Internal Financial Control ("DAO (GEN) 13/97"). The objective of our review is to enable us to conclude on whether the Board has provided the disclosures required by DAO (GEN) 13/97 and whether the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

We carried out our review in accordance with guidance in Bulletins 1995/1 and 1996/3 issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the system of internal financial control.

**Opinion**

With respect to the Chief Executive's statement on internal financial control on page 7, in our opinion the statement has provided the disclosures required by DAO (GEN) 13/97 and it is not inconsistent with the information of which we are aware from our audit work on the financial statements.



**Robson Rhodes**

Chartered Accountants and Registered Auditor

Birmingham

22 September 1999

# HORTICULTURE RESEARCH INTERNATIONAL

## STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 1999

	Unrestricted			1999	Restated
	General funds £'000	Designated funds £'000	Restricted funds £'000	Total funds £'000	Total Funds £'000
<b>Incoming resources</b>					
MAFF commission/grants	9,857	-	6,043	15,900	11,526
BBSRC grants	3,609	-	194	3,803	3,842
Contracts research income					
MAFF open link contracts	2,492	-	-	2,492	2,429
Other	5,881	-	-	5,881	5,436
Other receipts	1,517	-	850	2,367	2,514
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources (note 2)	23,356	-	7,087	30,443	25,747
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Resources expended</b>					
Direct charitable expenditure	22,841	-	962	23,803	23,678
Fund raising and publicity	239	-	-	239	249
Management and administration	1,290	-	-	1,290	1,213
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended (note 3)	24,370	-	962	25,332	25,140
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net outgoing/(incoming) resources before transfers</b>	(1,014)	-	6,125	5,111	607
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Transfers between funds</b>					
Capital grants received grant fund amortisation	1,370	-	(1,370)	-	-
Pension fund	-	4,788	(4,788)	-	-
Absorption of surplus	(356)	356	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total transfers (notes 13,14)	1,014	5,144	(6,158)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net incoming resources</b>	-	5,144	(33)	5,111	607
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net movement in the year	-	5,144	(33)	5,111	607
Fund balances at 1 April 1998	710	1,870	43,818	46,398	45,791
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Funds balances at 31 March 1999</b>	710	7,014	43,785	51,509	46,398
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**SUMMARY INCOME AND EXPENDITURE ACCOUNT**  
**for the year ended 31 March 1999**

	Note	1999 £'000	Restated 1998 £'000
Gross income from continuing operations		24,726	24,155
Total expenditure for continuing operations		24,370	23,998
		<hr/>	<hr/>
Net income for the year	4	356	157
		<hr/> <hr/>	<hr/> <hr/>

**RECONCILIATION OF NET INCOME TO NET  
INCOMING RESOURCES FOR THE YEAR**

<b>Net income for the year</b>	356	157
Capital grants deferred and released to income	(1,370)	(1,352)
Capital grants received	337	1,802
Redundancy funding received	1,000	-
Pension funding receipt	4,788	-
Pension transfers in and receipts	962	1,142
Pension payments	(201)	(155)
Movement in pension provision	(761)	(987)
	<hr/>	<hr/>
<b>Net incoming resources for the year</b>	5,111	607
	<hr/> <hr/>	<hr/> <hr/>

A more detailed analysis of income by source is provided in the Statement of Financial Activities. The difference between the figure for total incoming resources on general funds and gross income from continuing operations is the capital grant deferred and released to income of £1.37m. The other items shown in the above reconciliation reflect receipts and payments dealt with through balance sheet movements rather than through the income and expenditure account.

There were no recognised gains or losses other than those reported above.

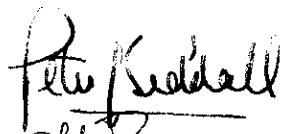
# HORTICULTURE RESEARCH INTERNATIONAL

## BALANCE SHEET at 31 March 1999

	Note	1999 £'000	Restated 1998 £'000
<b>Fixed assets</b>			
Tangible assets	7	45,533	46,564
Investments	8	-	-
		45,533	46,564
<b>Current assets</b>			
Stocks	9	365	371
Debtors	10	3,808	3,745
Cash at bank and in hand		9,991	3,214
		14,164	7,330
<b>Creditors: Amounts falling due within one year</b>	11	(3,270)	(3,339)
		10,894	3,991
<b>Net current assets</b>		10,894	3,991
<b>Total assets less current liabilities</b>		56,427	50,555
<b>Provisions for liabilities and charges</b>	12	(4,918)	(4,157)
		51,509	46,398
<b>Net assets</b>	13,14	51,509	46,398
<b>Income funds</b>			
<b>Restricted funds:</b>			
Capital grants received fund	15	42,785	43,818
Pension fund	15	-	-
Redundancy fund	15	1,000	-
<b>Unrestricted funds:</b>			
Designated funds	16	7,014	1,870
Other charitable funds	16	710	710
		51,509	46,398
		51,509	46,398

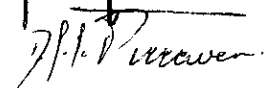
The financial statements were approved by the Board on 22 September 1999 and signed on its behalf by:

P J Siddall



- Chairman

D.J Piccaver



- Director

# HORTICULTURE RESEARCH INTERNATIONAL

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## CASH FLOW STATEMENT year ended 31 March 1999

	<b>1999</b> <b>£'000</b>	<b>1998</b> <b>£'000</b>
<b>Net cash inflow from operating activities</b>	7,465	4,222
<b>Returns on investments and servicing of finance</b>		
Interest received	180	148
<b>Capital expenditure and financial investment</b>		
Payments for tangible fixed assets	(868)	(3,042)
	<hr/>	<hr/>
<b>Increase in cash</b>	6,777	1,328
	<hr/> <hr/>	<hr/> <hr/>
<b>INCREASE IN CASH</b>		
At beginning of year	3,214	1,886
Increase in cash	6,777	1,328
	<hr/>	<hr/>
At end of year	9,991	3,214
	<hr/> <hr/>	<hr/> <hr/>
<b>RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO NET INCOMING RESOURCES</b>		
Net incoming resources	5,111	607
Depreciation	1,899	1,937
Movement in pension provision	761	987
Interest receivable	(180)	(148)
Decrease in stocks	6	100
(Increase)/Decrease in debtors	(63)	2,069
Decrease in creditors	(69)	(1,330)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	7,465	4,222
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 1999**

**1. ACCOUNTING POLICIES**

**Convention**

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

The Company is an Executive Non Departmental Public Body sponsored by the Ministry of Agriculture of Fisheries and Food (MAFF). MAFF has a significant influence on the results and financial position of the Company in that the Company receives significant income from MAFF (via commission and commercial contracts) and also has access to other resources provided by MAFF including:

- people employed by MAFF but working for HRI.
- lease of land which HRI operate their sites from.
- general funding support as the sponsoring body.

The requirements of the Treasury Guidance paper titled 'Annual reports and accounts guidance for Executive Non-Departmental Public bodies' are reflected by way of additional primary statements and notes which are set out on pages 29 to 34.

**Basis of preparation**

The presentation of the financial statements now reflects capital grants received as part of the funds of the company, rather than as short and long term liabilities as shown in prior years. This has resulted in a reclassification of items recorded in the prior period balance sheet but has not resulted in any changes in the net values of the amounts recorded. The impact on the funds of the company may be summarised as follows;

	£
Funds as previously reported	2,580
Capital grants received funds	43,818
	<hr/>
	46,398
	<hr/> <hr/>

In addition, the statement of financial activities has been extended to show incoming resources and resources expended by category of fund; being unrestricted general, unrestricted designated and restricted.

The directors consider that these changes in presentation more accurately reflect the nature of the funding made available to the company and the requirement of the Statement of Recommended Practice, Accounting by Charities.



**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 1999**

**1. ACCOUNTING POLICIES (Continued)**

**Income**

Grants receivable from the Biotechnology and Biological Sciences Research Council (BBSRC) and the Commission from the Ministry of Agriculture, Fisheries and Food (MAFF) are recognised in the statement of financial activities as received, exclusive of any relevant value added tax.

Research income from these and other bodies consists of the invoiced value (excluding value added tax) 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, to the extent that value added tax is not reclaimable by the Company.

**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

**Government grants**

Government grants receivable for capital expenditure are credited to the restricted capital grants received fund. The grants are then released to the unrestricted funds of the company (and 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.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 1999**

**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.

**Pensions**

Superannuation benefits are provided for eligible employees of BBSRC on attachment to the Company under a scheme administered and financed by the BBSRC. Benefits for eligible employees of the MAFF on attachment to the Company are provided under the Principal Civil Service Pension Scheme. The Company paid an actuarially assessed Superannuation contribution for all attached employees, to both these schemes.

The Company also sets aside in the Pensions Fund an appropriate level of superannuation contribution which is equivalent to payments which would be made into the Principal Civil Service Pension Scheme 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, in accordance with the Financial Memorandum to the Company's Management Statement. The actuarial assessment of the potential liability in respect of a transfer into the Principal Civil Service Pension Scheme is set out in note 5.

The costs of all schemes to the Company for the year are included in Note 5 under Employee costs.

**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.

**Foreign currencies**

Assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at 31 March. All other currency differences are taken to the profit and loss account.

**Taxation**

The Company is a registered charity and therefore no corporation tax is payable on the results for the year.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 1999**

**1. ACCOUNTING POLICIES (Continued)**

**Fund reserves**

The Company operates three distinct forms of fund reserve;

Restricted funds - reflects funding received which has been specifically allocated by the grantors and accepted by directors as being for a specific purpose and which will only be used to support expenditure made for that purpose.

Designated funds - reflects funding received which has been allocated by the directors as being available for specific future expenditure of the company to support larger projects.

General funds - reflects unrestricted funds not specified for a particular purpose.

**2. INCOMING RESOURCES**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Incoming resources by geographical market</b>		
United Kingdom	30,106	24,959
Other EU countries	204	782
Rest of the World	133	6
	<hr/>	<hr/>
	30,443	25,747
	<hr/> <hr/>	<hr/> <hr/>

**3. RESOURCES EXPENDED**

	<b>Direct</b>	<b>Fund raising</b>	<b>Management</b>	<b>1999</b>
	<b>charitable</b>	<b>and publicity</b>	<b>and</b>	<b>Total</b>
	<b>expenditure</b>	<b>£'000</b>	<b>administration</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employee costs	15,400	99	745	16,244
General operational costs	6,508	140	541	7,189
Depreciation	1,895	-	4	1,899
	<hr/>	<hr/>	<hr/>	<hr/>
	23,803	239	1,290	25,332
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

31 March 1999

**3. RESOURCES EXPENDED (Continued)**

	<b>Direct charitable expenditure £'000</b>	<b>Fund raising and publicity £'000</b>	<b>Management and administration £'000</b>	<b>1998 Total £'000</b>
Employee costs	14,225	103	771	15,099
General operational costs	7,527	146	431	8,104
Depreciation	1,926	-	11	1,937
	<u>23,678</u>	<u>249</u>	<u>1,213</u>	<u>25,140</u>

**4. NET INCOME FOR THE YEAR**

	<b>1999 £'000</b>	<b>1998 £'000</b>
<b>Net income for the year is stated</b>		
<b>After charging:</b>		
Auditors' remuneration		
Audit services	23	30
Non audit services *	83	23
Directors' remuneration	65	51
Directors' reimbursed expenditure	8	8
Depreciation of tangible fixed assets	1,899	1,937
Operating lease charges		
Plant and machinery	32	28
Land and buildings	608	697
Foreign exchange losses	-	92
<b>And after crediting:</b>		
Amortisation of capital grants	1,370	1,352
Rental income	192	187
Bank interest	180	148
Foreign exchange gains	69	-

\* Non audit services included fees charged for advice relating the recovery of VAT incurred in previous years

# HORTICULTURE RESEARCH INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

31 March 1999

### 5. EMPLOYEES AND EMPLOYEE COSTS

	1999	1998
	Number	Number
a) Average number of persons employed during the year:		
Direct science	352	335
Direct industrial/agricultural	185	181
Direct other support	196	181
Management and administration	33	24
	<hr/>	<hr/>
	766	721
	<hr/> <hr/>	<hr/> <hr/>

Of the 766 (1998 - 721) staff of the Company, 330 (1998 - 352) are employed by the BBSRC, 74 (1998 - 77) by the Ministry of Agriculture, Fisheries and Food, and 362 (1998 - 292) by the Company.

	1999	1998
	£'000	£'000
b) Costs in respect of these staff were:		
Wages and salaries	12,797	11,809
Social security costs	899	814
Superannuation costs	1,787	1,489
	<hr/>	<hr/>
	15,483	14,112
	<hr/> <hr/>	<hr/> <hr/>
c) Chief executive's total remuneration inclusive of superannuation costs	88	78
	<hr/> <hr/>	<hr/> <hr/>

The Chief Executive is an ordinary member of HRI's pension scheme.

d) The following number of senior employees received remuneration falling within the following ranges:

	Number	Number
£40,001 - £50,000	8	8
£50,001 - £60,000	5	3
	<hr/> <hr/>	<hr/> <hr/>

e) As stated in note 1, the Company sets aside in the Pensions 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 and as set out in notes 14 and 15, the pensions reserve fund amounted to £4.92m (1998 - £4.16m).

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 1999**

**5. EMPLOYEES AND EMPLOYEE COSTS (Continued)**

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 1999. The valuation was performed by the Government Actuary's Department. The results of the current assessment indicate a maximum accrued pension liability of £5.2m (1998 - £4.25m) in respect of the 362 (1998 - 292) 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 that the fund established to meet any future pension transfer into the Principal Civil Service Pension Scheme is adequate and the difference between the fund established and the actuarial valuation is not significant.

**6. DIRECTORS REMUNERATION**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration	65	51
	<hr/> <hr/>	<hr/> <hr/>
Chairman (and highest paid director)	24	17
	<hr/> <hr/>	<hr/> <hr/>

In addition to the above, the directors receive out of pocket expenses for attendance at meetings. These amounts are nominal and reflect direct expenditure incurred.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 1999****7. TANGIBLE FIXED ASSETS**

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

	<b>Additions to leasehold land and buildings £'000</b>	<b>Plant and machinery, fixtures and fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 1998	49,787	7,017	56,804
Additions in year at cost	261	607	868
	<hr/>	<hr/>	<hr/>
At 31 March 1999	50,048	7,624	57,672
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 1998	4,637	5,603	10,240
Charged in year	1,001	898	1,899
	<hr/>	<hr/>	<hr/>
At 31 March 1999	5,638	6,501	
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 1999	44,410	1,123	45,533
	<hr/>	<hr/>	<hr/>
At 31 March 1998	45,150	1,414	46,564
	<hr/>	<hr/>	<hr/>

Less than one per cent of total net book value of the tangible fixed assets recorded above relate to the management and administration function.

All land occupied by Horticulture Research International is leased from MAFF and one property is leased from the East Malling Trust for Horticultural Research. The directors consider that these organisations will renew the leases with the Company upon expiry, or will allow the Company to occupy the land as sitting tenants.

**8. 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.

# HORTICULTURE RESEARCH INTERNATIONAL

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 1999

### 9. STOCKS

	1999 £'000	1998 £'000
Raw materials and consumables	326	327
Growing crops	39	44
	<hr/>	<hr/>
	365	371
	<hr/> <hr/>	<hr/> <hr/>

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

### 10. DEBTORS

	1999 £'000	1998 £'000
Trade debtors	2,338	2,573
Amounts recoverable on contracts	683	446
Other debtors	470	466
Prepayments	317	260
	<hr/>	<hr/>
	3,808	3,745
	<hr/> <hr/>	<hr/> <hr/>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Payments received on account	367	409
Trade creditors	1,581	1,283
Other creditors	1,111	633
Accruals and deferred income	211	1,014
	<hr/>	<hr/>
	3,270	3,339
	<hr/> <hr/>	<hr/> <hr/>



# HORTICULTURE RESEARCH INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

31 March 1999

### 12. PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £'000	1998 £'000
Obligations in respect of the payment on transfer into the Principal Civil Service Pension Scheme	4,918	4,157

The provision at 31 March 1999 reflects the amounts needed to transfer all relevant employees back into the Principal Civil Service Pension Scheme. (see note 5)

### 13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds			1999 Total £'000	1998 Total £'000
	General funds £'000	Designated funds £'000	Restricted funds £'000		
Tangible fixed assets	-	2,748	42,785	45,533	46,564
Current assets	3,980	4,266	5,918	14,164	7,330
Total liabilities and provisions	(3,270)	-	(4,918)	(8,188)	(7,496)
	710	7,014	43,785	51,509	46,398

### 14. ANALYSIS OF FUNDS

	Unrestricted Funds			Total Funds £'000
	General funds £'000	Designated funds £'000	Restricted funds £'000	
<b>Balance at 1 April 1998</b>	710	1,870	43,818	46,398
Net (outgoing)/incoming resources before transfers	(1,014)	-	6,125	5,111
<b>Transfers between funds:</b>				
Capital grant received				
amortisation	1,370	-	(1,370)	-
Pension reserve	-	4,788	(4,788)	-
Net income	(356)	356	-	-
	710	7,014	43,785	51,509

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 1999**

**15. RESTRICTED FUNDS**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital grants received fund</b>		
At 1 April 1998	43,818	43,368
Additions - received and receivable		
MAFF	143	1,652
BBSRC	194	150
Amortisation	(1,370)	(1,352)
	<hr/>	<hr/>
At 31 March 1999	42,785	43,818
	<hr/> <hr/>	<hr/> <hr/>
Amounts to be amortised:		
Within one year	1,420	1,350
After more than one year	41,365	42,468
	<hr/>	<hr/>
	42,785	43,818
	<hr/> <hr/>	<hr/> <hr/>
<b>Pensions fund</b>		
At 1 April 1998	4,157	3,170
Provided in the year	710	818
Transfers in	252	324
Transfers out	(186)	(142)
Pensions paid	(15)	(13)
Funding received from MAFF	4,788	-
Transfer to designated funds	(4,788)	-
	<hr/>	<hr/>
	4,918	4,157
Transfer to provision for payment on transfer into the Principal Civil Service Pension Scheme	(4,918)	(4,157)
	<hr/>	<hr/>
At 31 March 1999	-	-
	<hr/> <hr/>	<hr/> <hr/>
<b>Other fund</b>		
Redundancy payment fund	1,000	-
	<hr/> <hr/>	<hr/> <hr/>

The capital grants received fund reflects capital grants received, primarily from MAFF, relating to fixed asset expenditure. The fund is being credited to unrestricted funds (and income and expenditure) over the life of the related assets.

**NOTES TO THE FINANCIAL STATEMENTS****31 March 1999****15. RESTRICTED FUNDS (Continued)**

As a consequence of the continued postponement of primary legislation in Parliament transferring all employees and pension liabilities into the Principal Civil Service Pension Scheme, a pension reserve fund has been established for the purpose of providing for the expected transfer value to be incurred in future years. MAFF paid £4.8m to the company during the year to provide tangible support for the payment of this fund, as and when the transfer to the Principal Civil Support Pension Scheme is approved. The directors will ensure that this funding and future net funding received in respect of this pension fund is "ring fenced" within cash at bank and will not be used for any other purpose.

The transfer of funding from restricted to designated funds reflects the funds received from MAFF during the year which effectively replace the funding previously established for this purpose and which can therefore be transferred into an unrestricted fund.

The redundancy payment fund was also supported by the equivalent receipt of funds from MAFF. No provisions against this fund were required at 31 March 1999.

**16. UNRESTRICTED FUNDS**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Designated funds</b>		
At 1 April 1998	1,870	1,713
Transfer from pension fund	4,788	-
Net incoming resources transferred to reserve fund	356	157
	<hr/>	<hr/>
At 31 March 1999	7,014	1,870
	<hr/> <hr/>	<hr/> <hr/>

The designated funds above are regarded by the directors as being available for specific future expenditure of the company to support larger projects.

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other charitable funds</b>		
At 1 April 1998	710	710
Surplus transferred to accumulated surpluses	-	-
	<hr/>	<hr/>
At 31 March 1999	710	710
	<hr/> <hr/>	<hr/> <hr/>

**17. 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.

**NOTES TO THE FINANCIAL STATEMENTS****31 March 1999****18. COMMITMENTS**

	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
a) Capital commitments:		
Contracted for	305	485
	<hr/>	<hr/>
b) Leasing commitments:		
The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:		
	<b>1999</b>	<b>1998</b>
	<b>£'000</b>	<b>£'000</b>
Land and buildings, leases expiring:		
Within one year	269	268
In two to five years	-	1
Beyond five years	348	344
	<hr/>	<hr/>
	617	613
	<hr/>	<hr/>
Plant and machinery, leases expiring:		
Within one year	17	18
In two to five years	15	10
	<hr/>	<hr/>
	32	28
	<hr/>	<hr/>

**19. CONTINGENT LIABILITIES****Insurances:**

Building insurance is only effected by the Company in respect of the East Malling site.

A policy exists 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.

**Other:**

Under the conditions of grant in aid agreed between the BBSRC and the Company, any unspent balance of annual grant will not normally be surrendered at the end of a financial year, but the BBSRC does reserve the right to make adjustments in succeeding years. No adjustments have been made in recent years and none are expected for 1999.

### ACCOUNTS DIRECTION

The Minister of Agriculture, Fisheries and Food, with the approval of the Treasury, hereby gives the following Direction:

1. The following requirements are additional to the requirements of the Companies Act with which HRI, as a limited company, is obliged to comply. This Direction shall apply in respect of the financial year ending 31 March 1992 and in respect of any subsequent financial year.
  2. In so far as it is not incompatible with requirements of the Companies Act, the committee shall observe all relevant guidance given in 'Government Accounting' and in 'Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies' as amended and augmented from time to time.
  3. The Committee shall observe the best commercial accounting practices including accounting standards issued or adopted by the Accounting Standards Board.
  4. In addition the Committee shall observe the following requirements:
    - a) the disclosure exemptions permitted by the Companies Act 1985 shall not apply to the Committee unless specifically approved by the Ministry and the Treasury;
    - b) in preparing its income and expenditure account, the Committee shall adopt format 2 prescribed in Schedule 4 to the Companies Act 1985 (for Profit and Loss accounts);
    - c) in preparing its balance sheet, the Committee shall adopt format 1 prescribed in Schedule 4 to the Companies Act 1985 as described in Annex C to the "Trading Accounts" booklet. The balance sheet totals shall be struck at "Total assets less current liabilities";
    - d) the accounts shall include a statement of the HRI reserve fund position as at 31 March; and
    - e) the accounts shall include an Appended note showing details of salaries of senior staff. This shall be a schedule of the number of staff in each salary band, starting at £30,000 and rising in bands of £10,000.\*
- \* *The accounts disclose in note 5(d) the number of senior staff in each salary band, starting at £40,000, having adjusted for indexation.*

**FIVE YEAR SUMMARIES - INCOME AND EXPENDITURE ACCOUNT**  
**for the year ended 31 March 1999**

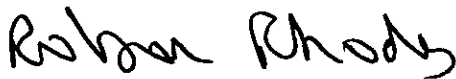
	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000
<b>Incoming resources</b>					
MAFF commission	9,857	9,874	10,563	11,747	13,247
BBSRC CSG	3,609	3,692	3,591	3,603	3,353
Commercial research income					
MAFF open link contracts	2,492	2,429	2,157	1,564	633
Other	5,881	5,436	4,770	4,671	4,799
Other receipts	1,517	1,372	1,163	1,323	1,516
Capital grants amortisation	1,370	1,352	1,442	2,321	2,118
<b>Total incoming resources</b>	<b>24,726</b>	<b>24,155</b>	<b>23,686</b>	<b>25,229</b>	<b>25,666</b>
<b>Resources expended</b>					
Direct charitable expenditure	22,841	22,536	21,380	24,015	23,723
Management and administration	1,529	1,462	1,577	1,680	1,674
	<b>24,370</b>	<b>23,998</b>	<b>22,957</b>	<b>25,695</b>	<b>25,397</b>
<b>Net incoming/(outgoing) resources</b>	<b>356</b>	<b>157</b>	<b>729</b>	<b>(466)</b>	<b>269</b>
<b>Balance Sheet</b>					
Tangible fixed assets	45,533	46,564	45,459	40,916	33,797
Current assets	14,164	7,330	8,171	8,612	7,283
Creditors due within one year	(3,270)	(3,339)	(4,669)	(6,487)	(5,293)
Provisions for liabilities and charges	(4,918)	(4,157)	(3,170)	(2,421)	(1,833)
	<b>51,509</b>	<b>46,398</b>	<b>45,791</b>	<b>40,620</b>	<b>33,954</b>
Deferred grants	43,785	43,818	43,368	38,926	31,794
Reserve fund	7,014	1,870	1,713	1,521	1,521
Accumulated surpluses	710	710	710	173	639
	<b>51,509</b>	<b>46,398</b>	<b>45,791</b>	<b>40,620</b>	<b>33,954</b>

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

We have reviewed the modified historical cost accounts on pages 30 to 34 which have been prepared in accordance with the basis of preparation set out on page 32. These modified historical cost accounts have been prepared by management in order to provide the required disclosures for reporting under Treasury guidelines for an Executive Non Departmental Public Body. The modified historical cost accounts are the responsibility of management. Our responsibility is to report on these modified historical cost accounts based on our review.

A review is limited primarily to enquiries of management, analytical procedures applied to the financial information being reviewed and, in this instance, a consideration of the basis of preparation of the modified historical cost accounts. A review provides substantially less assurance than an audit conducted in accordance with auditing standards. We have not performed an audit and, accordingly, do not express an audit opinion on the modified historical cost accounts.

Based on our review, we are not aware of any material modifications that should be made to the *modified historical cost accounts for them to be in conformity with the basis of preparation set out on page 32.*



Robson Rhodes  
Chartered Accountants and Registered Auditor

Birmingham  
22 September 1999

**MODIFIED HISTORICAL COST  
STATEMENT OF FINANCIAL ACTIVITIES  
for the year ended 31 March 1999**

	<b>General funds</b>	<b>Unrestricted designated funds</b>	<b>Restricted funds</b>	<b>1999 Total funds</b>	<b>1998 Total funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Incoming resources</b>					
MAFF commission	9,857	-	6,043	15,900	11,526
BBSRC CSG	3,609	-	194	3,803	3,842
Commercial research income					
MAFF open link contracts	2,492	-	-	2,492	2,429
Other	5,881	-	-	5,881	5,436
Other receipts	1,517	-	850	2,367	2,514
<b>Total incoming resources</b>	<b>23,356</b>	<b>-</b>	<b>7,087</b>	<b>30,443</b>	<b>25,747</b>
<b>Resources expended</b>					
Direct charitable expenditure	22,841	-	962	23,803	23,678
Fund raising and publicity	239	-	-	239	249
Management and administration	1,290	-	-	1,290	1,213
Modified historical cost adjustment:					
Notional cost of capital	6,892	-	-	6,892	6,383
Notional cost of insurance	234	-	-	234	228
Additional depreciation	1,522	-	-	1,522	1,398
<b>Total resources expended</b>	<b>33,018</b>	<b>-</b>	<b>962</b>	<b>33,980</b>	<b>33,149</b>
<b>Net outgoing/(incoming) resources before transfers</b>	<b>(9,662)</b>	<b>-</b>	<b>6,125</b>	<b>(3,537)</b>	<b>(7,402)</b>
Transfers between funds	1,014	5,144	(6,158)	-	-
<b>Net (outgoing)/incoming resources</b>	<b>(8,648)</b>	<b>5,144</b>	<b>(33)</b>	<b>(3,537)</b>	<b>(7,402)</b>
Intra fund transfers	7,126				
Revaluation during the year	4,286				
Fund balances at 1 April 1998	56,238				
<b>Funds balances at 31 March 1999</b>	<b>59,002</b>				



**MODIFIED HISTORICAL COST  
BALANCE SHEET  
at 31 March 1999**

	Note	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Tangible assets	2	103,825	102,092
Investments		-	-
		<hr/>	<hr/>
		103,825	102,092
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks		365	371
Debtors		3,808	3,745
Cash at bank and in hand		9,991	3,214
		<hr/>	<hr/>
		14,164	7,330
<b>Creditors: Amounts falling due within one year</b>		(3,270)	(3,339)
		<hr/>	<hr/>
<b>Net current assets</b>		10,894	3,991
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		114,719	106,083
<b>Provisions for liabilities and charges</b>			
Pension fund reserve		(4,918)	(4,157)
		<hr/>	<hr/>
<b>Net assets</b>		109,801	101,926
		<hr/> <hr/>	<hr/> <hr/>
Restricted funds		43,785	43,818
Designated funds		7,014	1,870
		<hr/>	<hr/>
		50,799	45,688
<b>Other unrestricted funds :</b>	3		
Revaluation reserve		58,292	55,528
Notional cost reserve		30,956	22,308
General reserves		(30,246)	(21,598)
		<hr/>	<hr/>
		109,801	101,926
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**

**31 March 1999**

**1 BASIS OF PREPARATION**

- a) The statement of financial activities and balance sheet set out in pages 30 and 31 are stated on a modified historical cost basis in accordance with HM Treasury requirements for Executive Non-Departmental Public bodies.

The basis for the calculation of the modified historical cost adjustments are as set out below:

- b) Notional cost of capital

Notional cost of capital, representing the average capital employed during the year, is calculated on the basis of 6% of total capital employed. Capital employed is defined as total assets less current liabilities.

- c) Notional cost of insurance

Notional cost of insurance represents a provision to cover the estimated value of claims in respect of uninsured risks. The annual cost is calculated on the basis of 1% of total income before amortisation of capital grants.

- d) Valuation of tangible fixed assets

Additions to leasehold land and buildings: The existing additions to land and buildings on all sites was valued by Messrs Strutt and Parker (professional valuers) in 1992. Assets acquired since the valuation have been included at cost. Assets have been enhanced by 2% per annum as a reflection of price inflation in the intervening period.

Plant and machinery, fixtures 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. Assets acquired since the valuation have been included at cost. All assets have been further revalued by 3.5% per annum to reflect price inflation in the intervening period.

- e) Additional depreciation on tangible fixed assets

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

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**  
**31 March 1999**

**2. TANGIBLE FIXED ASSETS**

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

	<b>Additions to leasehold land and buildings £'000</b>	<b>Plant and machinery, fixtures and fittings £'000</b>	<b>Total £'000</b>
<b>Current cost</b>			
At 1 April 1998	86,914	15,178	102,092
Additions in year at cost	261	607	868
Transfer to revaluation reserve	1,010	(145)	865
	<hr/>	<hr/>	<hr/>
At 31 March 1999	88,185	15,640	103,825
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 1998	-	-	-
Charged in year	1,779	1,642	3,421
Transfer to revaluation reserve	(1,779)	(1,642)	(3,421)
	<hr/>	<hr/>	<hr/>
At 31 March 1999	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 1999	88,185	15,640	103,825
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 1998	86,914	15,178	102,092
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS****31 March 1999****3. OTHER UNRESTRICTED FUNDS**

	<b>Reserve fund £'000</b>	<b>Notional cost reserve £'000</b>	<b>Revaluation reserve £'000</b>
At 1 April 1998	(21,598)	22,308	55,528
Net outgoing resources for year	(8,648)	-	-
Fixed asset revaluation	-	-	4,286
Depreciation transfer	-	1,522	(1,522)
Notional costs for year:			
Cost of uninsured risks	-	234	-
Cost of capital employed	-	6,892	-
	<hr/>	<hr/>	<hr/>
At 31 March 1999	(30,246)	30,956	58,292
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>