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# Horticulture Research International

(A Company Limited by Guarantee)

Report and Financial Statements

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◆ *Year ended 31 March 2000* ◆

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**COMPANY INFORMATION**

Board of Directors

Current members

Mr P J Siddall (Chairman)  
Dr A R Burne  
Professor J C Gray  
Mr D W Henderson  
Mr A G Jeffries  
Professor J M Lenné  
Professor P Meyer  
Mr MRA Paske  
Mr D J T Piccaver  
Mr M W Rowe

Chief Executive

Professor T M A Wilson FRSE

Secretary

Mr T G Heller

Registered office

Wellesbourne  
Warwick  
CV35 9EF

Auditors

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

Bankers

The Royal Bank of Scotland plc  
Birmingham

Solicitors

DLA  
Birmingham

**REPORT OF THE DIRECTORS**

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

**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 1999/2000 fell in comparison with the previous year by 2.7% before amortisation of capital grants.

MAFF commission receipts during the year, ignoring indexation, fell by 6.6%, decreasing by £655k to £9,202k, and non-commissioned grants also fell, by 11.5%, decreasing by £288k to £2,204k. Year on year BBSRC core funding has fallen by £408k. BBSRC finances research and development through a Competitive Strategic Grant (CSG) which is reviewed every four 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 £408k during the year reflects the results of this review and also includes a pension clawback of £350k to reflect a reduction in the employer's contribution to superannuation, from 15.6% of salary to 10.1% of salary. Income from commercial contracts with other public bodies, including Levy funders and the EC, has increased by 24% to £5,037k and research and other sales commissioned by the commercial sector have increased by £42k to £1,852k.

Expenditure has increased by £882k to £25,885k before exceptional items. The increase in overall expenditure results from inflationary pressures on the largely fixed cost base. In particular, despite a reduction in employee numbers over the year, employee costs increased by £317k as a result of the annual pay rise and change in the mix of staff. Running costs increased largely as a result of an increase in subcontract costs connected to the mix of contracts during the year.

Although management were able to control expenditure and show a significant reduction compared to budget, the overall shortfall in income resulted in the significant loss shown.

**REPORT OF THE DIRECTORS**

(continued)

**REPORT OF THE DIRECTORS (continued)**

**Performance against targets**

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 five-year period of the Corporate Plan, commercial income was forecast to rise from £3.04m in 1998/99 to £8.96m in 2002/03. Performance against the second year financial targets is summarised below:

	Corporate Plan £m	Actual £m
Public sector sales	21.14	20.67
HortiTech sales	4.35	2.05
Amortisation	<u>1.54</u>	<u>1.53</u>
Total	<u>27.03</u>	<u>24.25</u>
Net income/(deficit) for the year	<u>1.19</u>	<u>(1.64)</u>

The directors expect continuing difficulties with performance in the current financial year. This is being addressed by the introduction of a restructuring plan agreed and financed by HRI's sponsoring department, MAFF. It is fully expected that the company will return to surplus by the end of the financial year 2001/02.

Throughout the restructuring exercise, it is essential that HRI maintains and develops its current industrial and public sector customer base. To help achieve this, HRI has reorganised its scientific management to develop 15 multidisciplinary teams, which span and integrate work across all its sites. The work of the teams is strategically planned and co-ordinated by SCICOM, a committee of the most senior scientists throughout HRI. SCICOM has recently completed an extensive and critical review of HRI's overall science strategy. It will now consult with industry and public sector stakeholders on future plans to deliver value added R&D. A series of internal and external peer reviews have also taken place to assess the quantity, quality and focus of HRI's R&D portfolio, to prepare for an Institute Assessment Exercise, conducted through BBSRC, in 2001.

**REPORT OF THE DIRECTORS**

(continued)

**Financial performance**

The statement of financial activities is shown on page 8 and the summary income and expenditure account on page 9. The net assets and funds are shown on the balance sheet on page 10 and the cashflows of the Company are set out on page 11. The notes to the financial statements on pages 12-24 provide additional detail to these primary statements.

**Fixed assets**

Movements in tangible fixed assets are set out in note 6 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**

There were no significant issues arising as a result of the year 2000 problem and residual issues are not expected.

**Single European currency**

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

**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 2000 were equivalent to 42 days (1999 - 72 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.

**REPORT OF THE DIRECTORS**  
**(continued)**

**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.

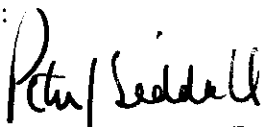
Under the Management Statement of the Company, the accounting officer of the Company (who is the Chief Executive) is responsible to the Accounting Officer of the Ministry of Agriculture, Fisheries and Food and accountable to Parliament for the proper and effective management of all public funds spent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

**Auditors**

The auditors are willing to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

**Approval**

The report of the directors was approved by the Board on 28 September 2000 and signed on its behalf by:



**P J SIDDALL**  
Chairman

## **HORTICULTURE RESEARCH INTERNATIONAL**

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### **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.

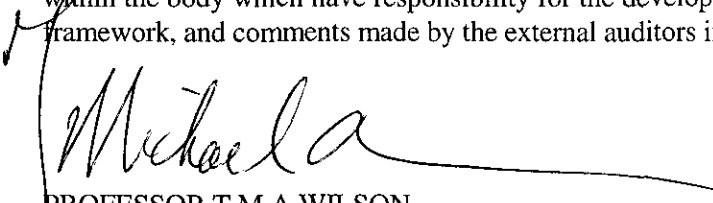
The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

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 has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risks to which the body is exposed, and the annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the body's Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the body. The report includes the HIA's independent opinion on the adequacy and effectiveness of the body'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  
28 September 20000



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

We have audited the financial statements on pages 8 to 24 which have been prepared on the basis of the accounting policies set out on pages 12 to 15.

### **Respective responsibilities of directors and auditors**

The directors (who also act as trustees for the charitable activities of the Company) are responsible for preparing the Annual Report, including as described on page 5 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charitable Company is not disclosed.

We review whether the Chief Executive's statement on page 6 reflects 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")" and we report if it does not. We are required to consider whether the board's statement on internal control cover all risks and controls, or form an opinion on the effectiveness of the charitable company's corporate governance procedures or its risk and control procedures. We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

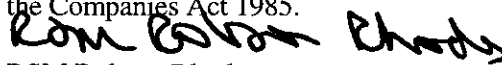
### **Basis of opinion**

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 2000 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.

  
RSM Robson Rhodes  
Chartered Accountants and Registered Auditor

Birmingham  
28 September 2000

# HORTICULTURE RESEARCH INTERNATIONAL

## STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2000

	General funds £'000	Designated funds £'000	Restricted funds £'000	2000 Total funds £'000	1999 Total Funds £'000
<b>Incoming resources</b>					
MAFF commission/grants	9,202	-	619	9,821	15,900
BBSRC grants	3,201	-	186	3,387	3,803
Commercial research income					
MAFF open and link contracts	2,204	-	-	2,204	2,492
Other	6,889	-	-	6,889	5,881
Other receipts	1,218	-	-	1,218	2,367
<b>Total incoming resources (note 2)</b>	<b>22,714</b>	<b>-</b>	<b>805</b>	<b>23,519</b>	<b>30,443</b>
<b>Resources expended</b>					
Direct charitable expenditure	24,084	-	1,000	25,084	23,803
Fund raising and publicity	276	-	-	276	239
Management and administration	1,525	-	-	1,525	1,290
<b>Total resources expended (note 3)</b>	<b>25,885</b>	<b>-</b>	<b>1,000</b>	<b>26,885</b>	<b>25,332</b>
<b>Net (outgoing)/incoming resources before transfers</b>	<b>(3,171)</b>	<b>-</b>	<b>(195)</b>	<b>(3,366)</b>	<b>5,111</b>
<b>Transfers between funds</b>					
Grant fund amortisation	1,533	-	(1,533)	-	-
Absorption of (deficit)/surplus	1,638	(1,638)	-	-	-
<b>Total transfers</b>	<b>3,171</b>	<b>(1,638)</b>	<b>(1,533)</b>	<b>-</b>	<b>-</b>
<b>Net (outgoing)/incoming resources</b>	<b>-</b>	<b>(1,638)</b>	<b>(1,728)</b>	<b>(3,366)</b>	<b>5,111</b>
Net movement in the year	-	(1,638)	(1,728)	(3,366)	5,111
Fund balances at 1 April 1999	710	7,014	43,785	51,509	46,398
<b>Funds balances at 31 March 2000</b>	<b>710</b>	<b>5,376</b>	<b>42,057</b>	<b>48,143</b>	<b>51,509</b>

**SUMMARY INCOME AND EXPENDITURE ACCOUNT  
for the year ended 31 March 2000**

	Note	2000 £'000	1999 £'000
Gross income from continuing operations		24,247	24,726
Total expenditure for continuing operations		25,885	24,370
		<hr/>	<hr/>
<b>Net (deficit)/income for the year</b>	4	<u>(1,638)</u>	<u>356</u>

**RECONCILIATION OF NET/(DEFICIT) INCOME  
TO NET (OUTGOING)/INCOMING RESOURCES  
FOR THE YEAR**

<b>Net (deficit)/income for the year</b>	(1,638)	356
Capital grants deferred and released to income	(1,533)	(1,370)
Capital grants received	805	337
Redundancy funding received	-	1,000
Pension funding receipt	-	4,788
Redundancy fund payments	(1,000)	-
	<hr/>	<hr/>
<b>Net (outgoing)/incoming resources for the year</b>	<u>(3,366)</u>	<u>5,111</u>

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 £1.53 million. The other items shown in the above reconciliation reflect receipts and payments which are recorded as part of the funds movements on the statement of financial activities but which are dealt with through balance sheet movements in preparing an income and expenditure account under the guidance of Companies Act 1985.

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

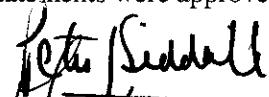
# HORTICULTURE RESEARCH INTERNATIONAL

## BALANCE SHEET at 31 March 2000

	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	6	44,711	45,533
Investments	7	-	-
		<hr/>	<hr/>
		44,711	45,533
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	8	352	365
Debtors	9	4,972	3,808
Cash at bank and in hand		7,982	9,991
		<hr/>	<hr/>
		13,306	14,164
<b>Creditors: Amounts falling due within one year</b>	10	(3,489)	(3,270)
		<hr/>	<hr/>
<b>Net current assets</b>		9,817	10,894
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		54,528	56,427
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	11	(6,385)	(4,918)
		<hr/>	<hr/>
<b>Net assets</b>	12,13	48,143	51,509
		<hr/>	<hr/>
<b>Income funds</b>			
<b>Restricted funds:</b>			
Capital grants received fund	14	42,057	42,785
Redundancy fund	14	-	1,000
		<hr/>	<hr/>
<b>Unrestricted funds:</b>			
Designated funds	15	5,376	7,014
Other charitable funds	15	710	710
		<hr/>	<hr/>
		48,143	51,509
		<hr/>	<hr/>

The financial statements were approved by the Board on 28 September 2000 and signed on its behalf by:

P J Siddall



- Chairman

T M A Wilson



- Chief Executive

**CASH FLOW STATEMENT**  
**year ended 31 March 2000**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash (outflow)/inflow from operating activities</b>	(1,127)	7,465
<b>Returns on investments and servicing of finance</b>		
Interest received	146	180
<b>Capital expenditure and financial investment</b>		
Payments for tangible fixed assets	(1,028)	(868)
	<hr/>	<hr/>
<b>(Decrease)/increase in cash</b>	(2,009)	6,777
	<hr/>	<hr/>
<b>CHANGE IN CASH</b>		
At beginning of year	9,991	3,214
(Decrease)/increase in cash	(2,009)	6,777
	<hr/>	<hr/>
At end of year	7,982	9,991
	<hr/>	<hr/>
<b>RECONCILIATION OF NET CASH (OUTFLOW)/ INFLOW FROM OPERATING ACTIVITIES TO NET (OUTGOING)/INCOMING RESOURCES</b>		
Net (outgoing)/incoming resources	(3,366)	5,111
Depreciation	1,850	1,899
Movement in pension provision	1,467	761
Interest receivable	(146)	(180)
Decrease in stocks	13	6
Increase in debtors	(1,164)	(63)
Increase/(decrease) in creditors	219	(69)
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	(1,127)	7,465
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2000**

**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 28 to 33.

**Basis of preparation**

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

**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 or on the value of work performed for long term contracts. Income arising on long term contracts is recognised on the basis noted below.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2000**

**1. ACCOUNTING POLICIES (Continued)**

**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 the restricted capital grants received fund in the year in which they are received.

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2000**

**1. ACCOUNTING POLICIES (Continued)**

**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 pays an actuarially assessed Superannuation contribution for all attached employees, to both these schemes.

In accordance with the Financial Memorandum to the Company's Management Statement the Company also sets aside a Pensions Fund for the benefit of Company employees. The Company pays into the 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. The Company accumulates in the Fund net pension transfer values received/paid and pension payments made.

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 2000

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 donor of the funds 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

	2000 £'000	1999 £'000
<b>Incoming resources by geographical market</b>		
United Kingdom	22,536	30,106
Other EU countries	914	204
Rest of the World	69	133
	23,519	30,443
	23,519	30,443

3. RESOURCES EXPENDED

	Direct charitable expenditure £'000	Fund raising and publicity £'000	Management and administration £'000	2000 Total £'000
Employee costs	15,811	120	902	16,833
General operational costs	7,428	156	618	8,202
Depreciation	1,845	-	5	1,850
	25,084	276	1,525	26,885
	25,084	276	1,525	26,885

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2000**

**3. RESOURCES EXPENDED (Continued)**

	<b>Direct charitable expenditure £'000</b>	<b>Fund raising and publicity £'000</b>	<b>Management and administration £'000</b>	<b>1999 Total £'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
	<u>23,803</u>	<u>239</u>	<u>1,290</u>	<u>25,332</u>

**4. NET (DEFICIT)/INCOME FOR THE YEAR**

	<b>2000 £'000</b>	<b>1999 £'000</b>
<b>Net deficit/(income) for the year is stated</b>		
<b>After charging:</b>		
Auditors' remuneration		
Audit services	24	24
Non audit services	46	83
Depreciation of tangible fixed assets	1,850	1,899
Operating lease charges		
Plant and machinery	42	32
Land and buildings	580	608
	<u>210</u>	<u>192</u>
<b>And after crediting:</b>		
Rental income	210	192
Bank interest	146	180
Foreign exchange gains	-	69
	<u>146</u>	<u>69</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2000

5. EMPLOYEES AND EMPLOYEE COSTS

	2000	1999
	Number	Number
a) Average number of persons employed during the year:		
Direct science	349	352
Direct industrial/agricultural	167	185
Direct other support	185	196
Management and administration	29	33
	730	766
	730	766

Of the 730 (1999 - 766) staff of the Company, 322 (1999 - 330) are employed by the BBSRC, 66 (1999 - 74) by the Ministry of Agriculture, Fisheries and Food, and 342 (1999 - 362) by the Company.

	2000	1999
	£'000	£'000
b) Costs in respect of all these staff were:		
Wages and salaries	13,340	12,797
Redundancy payments	1,033	-
Social security costs	912	899
Superannuation costs	1,548	1,787
	16,833	15,483
	16,833	15,483

(c) The remuneration of the executive management team that served during the year to 31 March 2000 was as follows:

	Leaving date	99/00			98/99		
		Salary	Pension Cont'n	Total	Salary	Pension Cont'n	Total
		£	£	£	£	£	£
Prof C Payne	31.07.99	44,665	5,267	49,932	69,307	10,812	80,119
Mr J F Best	31.08.99	43,567	6,796	50,363	38,766	6,048	44,814
Dr D Gray		46,800	4,727	51,527	49,537	7,728	57,265
Mr T G Heller		59,725	5,464	65,189	52,303	8,159	60,462
Mr D Temperley		42,105	6,291	48,396	39,514	6,164	45,678
Dr A R Thompson		58,648	8,273	66,921	51,588	8,048	59,636
Mr G C Thorburn	14.10.99	75,898	2,484	78,382	51,873	1,673	53,546
Prof T M A Wilson		75,233	11,553	86,786	-	-	0
Mr M Bradley	31.01.00	43,906	8,145	52,051	51,464	9,521	60,985
Mr R J Goodwin		39,111	3,950	43,061	36,607	5,711	42,318
Prof B Thomas		47,711	4,584	52,295	40,619	6,337	46,956

**NOTES TO THE FINANCIAL STATEMENTS****31 March 2000****5. EMPLOYEES AND EMPLOYEE COSTS (Continued)**

The pension noted above reflects the amounts paid into the company pension schemes during the year.

- (d) As stated in note 1, the Company sets aside in the Pensions superannuation fund an appropriate level of funding in respect of eligible employees holding contracts of employment with the Company. As at the balance sheet date and as set out in notes 14 and 15, the pensions reserve fund amounted to £6.38 (1999 - £4.92m).

Contributions have been paid into the scheme during the year in accordance with the level proposed by the actuary. The directors consider that the fund established to meet any future pension transfer into the Principal Civil Service Pension Scheme is adequate.

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 this assessment indicated a maximum accrued pension liability of £5.2m in respect of the 362 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 next actuarial valuation will be performed at 31 March 2001.

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
(e) The directors remuneration for the year was:		
Directors' remuneration	63	65
	<u>          </u>	<u>          </u>
Chairman (and highest paid director)	25	24
	<u>          </u>	<u>          </u>
Directors' reimbursed expenditure	9	8
	<u>          </u>	<u>          </u>

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 2000****6. 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 1999	50,048	7,531	57,579
Additions in year at cost	213	815	1,028
	<hr/>	<hr/>	<hr/>
At 31 March 2000	50,261	8,346	58,607
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 1999	5,638	6,408	12,046
Charged in year	1,005	845	1,850
	<hr/>	<hr/>	<hr/>
At 31 March 2000	6,643	7,253	13,896
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2000	43,618	1,093	44,711
	<hr/>	<hr/>	<hr/>
At 31 March 1999	44,410	1,123	45,533
	<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.

**7. 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 FINANCIAL STATEMENTS**

31 March 2000

**8. STOCKS**

	<b>2000</b> <b>£'000</b>	<b>1999</b> <b>£'000</b>
Raw materials and consumables	315	326
Growing crops	37	39
	<hr/>	<hr/>
	352	365
	<hr/> <hr/>	<hr/> <hr/>

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

**9. DEBTORS**

	<b>2000</b> <b>£'000</b>	<b>1999</b> <b>£'000</b>
Trade debtors	2,483	2,338
Amounts recoverable on contracts	1,836	683
Other debtors	160	470
Prepayments	493	317
	<hr/>	<hr/>
	4,972	3,808
	<hr/> <hr/>	<hr/> <hr/>

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2000</b> <b>£'000</b>	<b>1999</b> <b>£'000</b>
Payments received on account	33	367
Trade creditors	952	1,281
Inland Revenue	167	168
Contributions agency	135	132
Other creditors	2,034	1,111
Accruals and deferred income	168	211
	<hr/>	<hr/>
	3,489	3,270
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2000

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2000</b> <b>£'000</b>	<b>1999</b> <b>£'000</b>
Obligations in respect of the payment on transfer into the Principal Civil Service Pension Scheme	6,385	4,918

The provision at 31 March 2000 reflects the amounts needed to transfer all relevant employees back into the Principal Civil Service Pension Scheme. (see note 5).

	<b>2000</b> <b>£'000</b>	<b>1999</b> <b>£'000</b>
At 1 April 1999	4,918	4,157
Provided in the year	833	710
Interest received and receivable	262	-
Transfers in	723	252
Transfers out	(313)	(186)
Pensions paid	(38)	(15)
Funding received from MAFF	-	4,788
Transfer to designated funds	-	(4,788)
At 31 March 2000	6,385	4,918

**12. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>Unrestricted funds</b>			<b>2000</b> <b>Total</b> <b>£'000</b>	<b>1999</b> <b>Total</b> <b>£'000</b>
	<b>General</b> <b>funds</b> <b>£'000</b>	<b>Designated</b> <b>funds</b> <b>£'000</b>	<b>Restricted</b> <b>funds</b> <b>£'000</b>		
Tangible fixed assets	-	2,654	42,057	44,711	45,533
Current assets	4,199	2,722	6,385	13,306	14,164
Total liabilities and provisions	(3,489)	-	(6,385)	(9,874)	(8,188)
	710	5,376	42,057	48,143	51,509

NOTES TO THE FINANCIAL STATEMENTS

31 March 2000

13. ANALYSIS OF FUNDS

	Unrestricted Funds			Total Funds £'000
	General funds £'000	Designated funds £'000	Restricted funds £'000	
Balance at 1 April 1999	710	7,014	43,785	51,509
Net (outgoing)/incoming resources before transfers	(3,171)	-	(195)	(3,366)
<b>Transfers between funds:</b>				
Capital grant received amortisation	1,533	-	(1,533)	-
Net income	1,638	(1,638)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	710	5,376	42,057	48,143
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. RESTRICTED FUNDS

	2000 £'000	1999 £'000
<b>Capital grants received fund</b>		
At 1 April 1999	42,785	43,818
Additions - received and receivable		
MAFF	619	143
BBSRC	186	194
Amortisation	(1,533)	(1,370)
	<hr/>	<hr/>
At 31 March 2000	42,057	42,785
	<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 2000

**14. 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. 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 redundancy payment fund was fully utilised during the year.

**15. UNRESTRICTED FUNDS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
<b>Designated funds</b>		
At 1 April 1999	7,014	1,870
Transfer from pension fund	-	4,788
Net (outgoing)/incoming resources transferred to reserve fund	(1,638)	356
	<hr/>	<hr/>
At 31 March 2000	5,376	7,014
	<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>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other charitable funds</b>		
At 1 April 1999	710	710
Surplus transferred to accumulated surpluses	-	-
	<hr/>	<hr/>
At 31 March 2000	710	710
	<hr/> <hr/>	<hr/> <hr/>

**16. LIABILITY LIMITED BY GUARANTEE**

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

**NOTES TO THE FINANCIAL STATEMENTS****31 March 2000****17. COMMITMENTS**

	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
a) Capital commitments:		
Contracted for	253	305
	<u>          </u>	<u>          </u>
b) Leasing commitments:		
The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:		
	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Land and buildings, leases expiring:		
Within one year	242	269
In two to five years	-	-
Beyond five years	432	348
	<u>          </u>	<u>          </u>
	674	617
	<u>          </u>	<u>          </u>
Plant and machinery, leases expiring:		
Within one year	6	17
In two to five years	33	15
Beyond five years	-	-
	<u>          </u>	<u>          </u>
	39	32
	<u>          </u>	<u>          </u>

**18. 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 2000.

### 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 all liabilities";
  - d) the accounts shall include a statement of the HRI reserve fund position as at 31 March.

**FIVE YEAR SUMMARIES - INCOME AND EXPENDITURE ACCOUNT**  
for the year ended 31 March 2000

	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
<b>Incoming resources</b>					
MAFF commission	9,202	9,857	9,874	10,563	11,747
BBSRC CSG	3,201	3,609	3,692	3,591	3,603
Commercial research income					
MAFF open link contracts	2,204	2,492	2,429	2,157	1,564
Other	6,889	5,881	5,436	4,770	4,671
Other receipts	1,218	1,517	1,372	1,163	1,323
Total incoming resources - general fund	22,714	23,356	22,803	22,244	22,908
Capital grants amortisation	1,533	1,370	1,352	1,442	2,321
Gross income from continuing operations	24,247	24,726	24,155	23,686	25,229
<b>Resources expended</b>					
Direct charitable expenditure	24,084	22,841	22,536	21,380	24,015
Management and administration	1,801	1,529	1,462	1,577	1,680
Total expenditure for continuing operations	25,885	24,370	23,998	22,957	25,695
Net (deficit)/income for year	(1,638)	356	157	729	(466)
Net (outgoing)/incoming resources in other funds	(3,366)	5,111	607		
<b>Balance Sheet</b>					
Tangible fixed assets	44,711	45,533	46,564	45,459	40,916
Current assets	13,306	14,164	7,330	8,171	8,612
Creditors due within one year	(3,489)	(3,270)	(3,339)	(4,669)	(6,487)
Provisions for liabilities and charges	(6,385)	(4,918)	(4,157)	(3,170)	(2,421)
	48,143	51,509	46,398	45,791	40,620
Capital grants received funds	42,057	43,785	43,818	43,368	38,926
Designated funds	5,376	7,014	1,870	1,713	1,521
Other charitable funds	710	710	710	710	173
	48,143	51,509	46,398	45,791	40,620

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

We have reviewed the modified historical cost accounts on pages 28 to 32 which have been prepared in accordance with the basis of preparation set out on page 30. 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 30.

RSM Robson Rhodes  
Chartered Accountants and Registered Auditor

Birmingham  
28 September 2000

**MODIFIED HISTORICAL COST  
STATEMENT OF FINANCIAL ACTIVITIES  
for the year ended 31 March 2000**

	<b>General funds</b>	<b>Unrestricted designated funds</b>	<b>Restricted funds</b>	<b>2000 Total funds</b>	<b>1999 Total funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Incoming resources</b>					
MAFF commission	9,202	-	619	9,821	15,900
BBSRC CSG	3,201	-	186	3,387	3,803
Commercial research income					
MAFF open link contracts	2,204	-	-	2,204	2,492
Other	6,889	-	-	6,889	5,881
Other receipts	1,218	-	-	1,218	2,367
<b>Total incoming resources</b>	<b>22,714</b>	<b>-</b>	<b>805</b>	<b>23,519</b>	<b>30,443</b>
<b>Resources expended</b>					
Direct charitable expenditure	24,084	-	1,000	25,084	23,803
Fund raising and publicity	276	-	-	276	239
Management and administration	1,525	-	-	1,525	1,290
Modified historical cost adjustment:					
Notional cost of capital	4,990	-	-	4,990	5,194
Notional cost of insurance	235	-	-	235	234
Additional depreciation	1,665	-	-	1,665	1,522
<b>Total resources expended</b>	<b>32,775</b>	<b>-</b>	<b>1,000</b>	<b>33,775</b>	<b>32,282</b>
Net (outgoing)/incoming resources before transfers	(10,061)	-	(195)	(10,256)	(1,839)
Transfers between funds	3,171	(1,638)	(1,533)	-	-
<b>Net (outgoing)/incoming resources</b>	<b>(6,890)</b>	<b>(1,638)</b>	<b>(1,728)</b>	<b>(10,256)</b>	<b>(1,839)</b>
Intra fund transfers	6,890				
Revaluation reserve movement	(27)				
Fund balances at 1 April 1999	35,760				
<b>Funds balances at 31 March 2000</b>	<b>35,733</b>				

**MODIFIED HISTORICAL COST  
BALANCE SHEET  
at 31 March 2000**

	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	2	79,734	80,583
Investments		-	-
		<hr/>	<hr/>
		79,734	80,583
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks		352	365
Debtors		4,972	3,808
Cash at bank and in hand		7,982	9,991
		<hr/>	<hr/>
		13,306	14,164
<b>Creditors: Amounts falling due within one year</b>		(3,489)	(3,270)
		<hr/>	<hr/>
<b>Net current assets</b>		9,817	10,894
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		89,551	91,477
<b>Provisions for liabilities and charges</b>			
Pension fund reserve		(6,385)	(4,918)
		<hr/>	<hr/>
<b>Net assets</b>		83,166	86,559
		<hr/>	<hr/>
Restricted funds		42,057	43,785
Designated funds		5,376	7,014
		<hr/>	<hr/>
		47,433	50,799
<b>Other unrestricted funds :</b>	3		
Revaluation reserve		35,023	35,050
Other reserves		710	710
		<hr/>	<hr/>
		83,166	86,559
		<hr/>	<hr/>

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**

**31 March 2000**

**1 BASIS OF PREPARATION**

- a) The statement of financial activities and balance sheet set out in pages 29 and 30 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) Depreciation of tangible fixed assets

The annual depreciation charge on the modified historical cost assets is calculated on the restated cost of fixed assets using the same rates as used in the preparation of the historical cost accounts. At each period end the accumulated modified historical cost depreciation is set at the same level of increase as the enhancement to valuation noted above.

This treatment revises the approach used in prior years as the directors feel it is a more appropriate reflection of modified historical net book value of the assets concerned.



**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**  
**31 March 2000**

**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 1999	88,185	15,640	103,825
Additions in year at cost	213	815	1,028
Transfer to revaluation reserve	1,028	(217)	811
	<hr/>	<hr/>	<hr/>
At 31 March 2000	89,426	16,238	105,664
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 1999	9,934	13,308	23,242
Charged in year	1,805	1,710	3,515
Transfer to revaluation reserve	80	(907)	(827)
	<hr/>	<hr/>	<hr/>
At 31 March 2000	11,819	14,111	25,930
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2000	77,607	2,127	79,734
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 1999	78,251	2,332	80,583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**  
**31 March 2000****3. OTHER UNRESTRICTED FUNDS**

	<b>Other Reserves £'000</b>	<b>Revaluation reserve £'000</b>
At 1 April 1999	(30,246)	35,050
Net outgoing resources for year	(6,890)	-
Fixed asset revaluation	-	1,638
Depreciation transfer	1,665	(1,665)
Notional costs for year:		
Cost of uninsured risks	235	-
Cost of capital employed	4,990	-
	<hr/>	<hr/>
At 31 March 2000	710	35,023
	<hr/> <hr/>	<hr/> <hr/>