

Company No: 173485  
Charity Registration No: 211581

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# Horticulture Research International

(A Company Limited by Guarantee)

Annual Report

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◆ *Year ended 31 March 2001* ◆

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## HORTICULTURE RESEARCH INTERNATIONAL

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## HORTICULTURE RESEARCH INTERNATIONAL

### 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 M R A 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
Registered number	173485
Charity Registration number	211581
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 2001.

#### **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) – from June 2001 subsumed into the Department for Environment, Food and Rural Affairs (DEFRA) – and regulated by a Management Statement agreed with MAFF (now DEFRA). 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 fell in comparison with the previous year by 5.8 % before amortisation of capital grants.

DEFRA commission receipts during the year, ignoring inflation, fell by 8.5%, decreasing by £782,000 to £8,420,000, and non-commissioned grants also fell, by 11.3%, decreasing by £249,000 to £1,955,000. Year on year BBSRC core funding has fallen by £68,000. 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 £600,000, representing an annual reduction of £150,000 in each of the four financial years ending 31 March 2002. The reduction of £68,000 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 increased by 4.8% to £5,280,000 and research and other sales commissioned by the commercial sector have decreased by £132,000 to £1,720,000.

Expenditure has increased by £42,000 to £25,927,000 before exceptional items. Staff costs have fallen by £220,000 but this has been offset by increases in operating and running costs. Increases in running costs result from inflationary pressures on a largely fixed cost base. Although the increase in expenditure is modest HRI has made a deficit for the year of £2,763,000 due to the continuing fall in income.

#### **Performance against targets**

The performance targets set out in the Corporate Plan (1998 –2003) have proved unattainable and as indicated in last year's Directors' report there have been continuing difficulties with performance in the year ended 31 March 2001.

During the financial year, following an inexorable 10-year decline in public sector recurrent cost funding for horticultural R&D, HRI embarked on a major cost-saving and restructuring exercise. A restructuring plan financed by DEFRA should remove £2.7 million staff costs and £1.4 million recurrent costs from HRI's expenditure in the 2001/02 financial year. Regrettably, this could only be achieved by losing 145 staff posts (including 97 by voluntary or compulsory redundancy) and closing one of HRI's six sites, Stockbridge House in North Yorkshire.

### **REPORT OF THE DIRECTORS**

(continued)

Whilst funds from some government sources have declined significantly, HRI's commercial income has steadily increased over the 10-year period. There has been the need, however, to revise the income projections from HRI's sales and marketing arm, HortiTech®. This is as a result of over-ambitious projections coupled with a lack of focus on maximising the commercial exploitation of HRI's scientific expertise. It was decided that a change of direction for HortiTech® was required. Rather than focusing on income generation through trading in horticultural products, there will, in future, be much greater emphasis placed on R & D services that HRI's scientists can provide.

It is expected that the company will make a deficit of approximately £500,000 in the current financial year and break even by the end of the financial year 2002/03. This will be accomplished through a combination of tight cost control, improved operational efficiency, and growth in commercial revenue. The success of this plan is entirely dependent on there being no further cuts in public sector funding during the planning period.

During the past year, HRI has been scrutinised closely by the Agriculture Select Committee (twice) and by the National Audit Office, amongst others. During the next few months our science will be going through an intensive Institute Assessment Exercise and next year HRI will be subject to the Government's Quinquennial Review. Throughout all of these processes the Board has acknowledged HRI's problems and weaknesses and has confirmed that HRI's strategy is sound, that its staff and facilities are world-class and that it has a promising and sustainable future as the leading R&D organisation for UK Horticulture.

#### **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 cash flows of the Company are set out on page 11. The notes to the financial statements on pages 12-25 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.

**REPORT OF THE DIRECTORS**

(continued)

**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 2001 were equivalent to 80 days (2000 - 42 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.

**Statement of directors' responsibilities for the Annual Report**

Company law in the United Kingdom 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 United Kingdom 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.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

**REPORT OF THE DIRECTORS**

(continued)

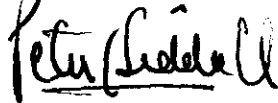
Under the Management Statement of the Company, the accounting officer of the Company (who is the Chief Executive) is responsible to the Accounting Officer of the Department for Environment, Food and Rural Affairs and accountable to Parliament for the proper and effective management of all public funds 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 6 November 2001 and signed on its behalf by:



P J SIDDALL  
Chairman

## HORTICULTURE RESEARCH INTERNATIONAL

### 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  
6 November 2001



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

We have audited the financial statements on pages 8 to 25.

**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 "DAO 4/99")" 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.

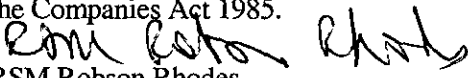
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 2001 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 Auditors

Birmingham, England  
6 November 2001

**HORTICULTURE RESEARCH INTERNATIONAL****STATEMENT OF FINANCIAL ACTIVITIES**  
for the year ended 31 March 2001

	General funds £'000	Designated funds £'000	Restricted funds £'000	2001 Total funds £'000	2000 Total Funds £'000
<b>Incoming resources</b>					
DEFRA commission/grants	8,420	-	5,352	13,772	9,821
BBSRC grants	3,044	-	275	3,319	3,387
Commercial research income					
DEFRA open & link contracts	1,955	-	-	1,955	2,204
Other	6,870	-	130	7,000	6,889
Other receipts	1,111	-	-	1,111	1,218
<b>Total incoming resources (note 2)</b>	<b>21,400</b>	<b>-</b>	<b>5,757</b>	<b>27,157</b>	<b>23,519</b>
<b>Resources expended</b>					
Direct charitable expenditure	24,032	-	2,909	26,941	25,084
Fund raising and publicity	269	-	-	269	276
Management and administration	1,626	-	-	1,626	1,525
<b>Total resources expended (note 3)</b>	<b>25,927</b>	<b>-</b>	<b>2,909</b>	<b>28,836</b>	<b>26,885</b>
<b>Net (outgoing)/incoming resources before transfers</b>	<b>(4,527)</b>	<b>-</b>	<b>2,848</b>	<b>(1,679)</b>	<b>(3,366)</b>
<b>Transfers between funds</b>					
Capital grants received grant fund amortisation	1,764	-	(1,764)	-	-
Absorption of deficit	2,763	(2,763)	-	-	-
<b>Total transfers (notes 13, 14)</b>	<b>4,527</b>	<b>(2,763)</b>	<b>(1,764)</b>	<b>-</b>	<b>-</b>
<b>Net (outgoing)/incoming resources</b>	<b>-</b>	<b>(2,763)</b>	<b>1,084</b>	<b>(1,679)</b>	<b>(3,366)</b>
Net movement in the year	-	(2,763)	1,084	(1,679)	(3,366)
Fund balances at 1 April 2000	710	5,376	42,057	48,143	51,509
<b>Fund balances at 31 March 2001</b>	<b>710</b>	<b>2,613</b>	<b>43,141</b>	<b>46,464</b>	<b>48,143</b>

## HORTICULTURE RESEARCH INTERNATIONAL

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### SUMMARY INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2001

	Note	2001 £'000	2000 £'000
Gross income from continuing operations		23,164	24,247
Total expenditure for continuing operations		(25,927)	(25,885)
		<hr/>	<hr/>
<b>Net deficit for the year</b>	4	(2,763)	(1,638)
		<hr/>	<hr/>

### RECONCILIATION OF NET DEFICIT TO NET OUTGOING RESOURCES FOR THE YEAR

<b>Net deficit for the year</b>		(2,763)	(1,638)
Capital grants deferred and released to income		(1,764)	(1,533)
Capital grants received grant fund – released on disposal		(650)	-
Capital grants received		1,544	805
Redundancy funding received		4,213	-
Redundancy expenditure		(2,259)	(1,000)
		<hr/>	<hr/>
<b>Net outgoing resources for the year</b>		(1,679)	(3,366)
		<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 £1.764 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.

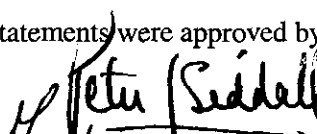
**HORTICULTURE RESEARCH INTERNATIONAL**

**BALANCE SHEET  
at 31 March 2001**

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible assets	6	43,765	44,711
Investments	7	-	-
		<hr/>	<hr/>
		43,765	44,711
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	8	282	352
Debtors	9	3,572	4,972
Cash at bank and in hand		12,104	7,982
		<hr/>	<hr/>
		15,958	13,306
<b>Creditors: Amounts falling due within one year</b>	10	(5,535)	(3,489)
		<hr/>	<hr/>
<b>Net current assets</b>		10,423	9,817
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		54,188	54,528
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>	11	(7,724)	(6,385)
		<hr/>	<hr/>
<b>Net assets</b>	12	46,464	48,143
		<hr/>	<hr/>
<b>Income funds</b>			
<b>Restricted funds:</b>			
Capital grants received fund	14	41,187	42,057
Redundancy fund	14	1,954	-
<b>Unrestricted funds:</b>			
Designated funds	15	2,613	5,376
Other charitable funds	15	710	710
		<hr/>	<hr/>
	13	46,464	48,143
		<hr/>	<hr/>

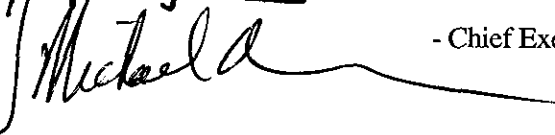
The financial statements were approved by the Board on 6 November 2001 and signed on its behalf by:

P J Siddall



- Chairman

T M A Wilson



- Chief Executive

## HORTICULTURE RESEARCH INTERNATIONAL

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### CASH FLOW STATEMENT

year ended 31 March 2001

	2001 £'000	2000 £'000
<b>Net cash inflow/(outflow) from operating activities</b>	5,761	(1,127)
<b>Returns on investments and servicing of finance</b>		
Interest received	111	146
<b>Capital expenditure and financial investment</b>		
Payments for tangible fixed assets	(1,750)	(1,028)
	<hr/>	<hr/>
<b>Increase/(decrease) in cash</b>	4,122	(2,009)
	<hr/>	<hr/>
<b>CHANGE IN CASH</b>		
At 1 April 2000	7,982	9,991
Increase/(decrease) in cash	4,122	(2,009)
	<hr/>	<hr/>
At 31 March 2001	12,104	7,982
	<hr/>	<hr/>
<b>RECONCILIATION OF NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES TO NET OUTGOING RESOURCES</b>		
Net outgoing resources	(1,679)	(3,366)
Depreciation	2,046	1,850
Assets written off at closure of Stockbridge	650	-
Movement in pension provision	1,339	1,467
Interest receivable	(111)	(146)
Decrease in stocks	70	13
Decrease/(increase) in debtors	1,400	(1,164)
Increase in creditors	2,046	219
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	5,761	(1,127)
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2001**

**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 Department for Environment, Food and Rural Affairs (DEFRA). DEFRA has a significant influence on the results and financial position of the Company in that the Company receives significant income from DEFRA (via commission and commercial contracts) and also has access to other resources provided by DEFRA including:

- people employed by DEFRA 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 32.

**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 Department for Environment, Food and Rural Affairs (DEFRA) 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 2001**

**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

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. The cost and depreciation of all assets over ten years old are written off and removed from the fixed asset register.

**Operating leases**

Rentals payable under operating leases are charged to the Income and Expenditure account on a straight line basis.

**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 2001**

**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 DEFRA 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 that 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 2001**

**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.

Resources expended are allocated on the basis of management and administration expenditure being all the costs of corporate services with the exception of the IT department and public relations. Fund raising and publicity expenditure includes the cost of PR, exhibitions & shows and annual report production.

**2. INCOMING RESOURCES**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Incoming resources by geographical market</b>		
United Kingdom	26,402	22,536
Other EU countries	535	914
Rest of the World	220	69
	<hr/>	<hr/>
	27,157	23,519
	<hr/> <hr/>	<hr/> <hr/>

**3. RESOURCES EXPENDED**

	<b>Direct charitable expenditure £'000</b>	<b>Fund raising and publicity £'000</b>	<b>Management And Administration £'000</b>	<b>2001 Total £'000</b>
Employee costs	16,530	103	1,005	17,638
General operational costs	8,374	161	617	9,152
Depreciation	2,037	5	4	2,046
	<hr/>	<hr/>	<hr/>	<hr/>
	26,941	269	1,626	28,836
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2001**

**3. RESOURCES EXPENDED (Continued)**

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

**4. NET DEFICIT FOR THE YEAR**

	<b>2001 £'000</b>	<b>2000 £'000</b>
<b>Net deficit for the year is stated</b>		
<b>After charging:</b>		
Auditors' remuneration		
Audit services	25	24
Non audit services	13	46
Directors' remuneration (see note 5)	71	63
Directors' reimbursed expenditure	10	9
Depreciation of tangible fixed assets	2,046	1,850
Operating lease charges		
Plant and machinery	66	42
Land and buildings	365	580
Foreign exchange losses	-	19
<b>And after crediting:</b>		
Amortisation of capital grants	1,764	1,533
Rental income	189	210
Bank interest	111	146
Foreign exchange gains	9	-

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2001**

**5. EMPLOYEES AND EMPLOYEE COSTS**

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
a) Average number of persons employed during the year:		
Direct science	344.5	333.0
Direct industrial/agricultural	125.5	149.5
Direct other support	164.0	157.5
Management and administration	28.5	29.0
	<hr/>	<hr/>
	662.5	669.0
	<hr/> <hr/>	<hr/> <hr/>

Of the 662.5 (2000 - 669) staff of the Company, 227.5 (2000 - 297.5) are employed by the BBSRC, 58.5 (2000 - 62) by DEFRA, and 326.5 (2000 - 309.5) by the Company.

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
b) Costs in respect of all these staff were:		
Wages and salaries	13,103	13,340
Redundancy payments	2,068	1,033
Social security costs	942	912
Superannuation costs	1,525	1,548
	<hr/>	<hr/>
	17,638	16,833
	<hr/> <hr/>	<hr/> <hr/>

(c) The remuneration of the executive management team that served during the year to 31 March 2001 was as follows:

	<b>Age</b>	<b>Salary</b>	<b>Real increase in pension at 60</b>	<b>Total accrued pension at 60 at 31/03/2001</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Professor TMA Wilson, Chief Executive	49	85 - 90	2.5 - 5.0	20 - 25
Mr R J Goodwin, Head of Human Resources	47	40 - 45	0 - 2.5	5 - 10
Dr D Gray, Head of Crop & Weed Science	57	45 - 50	0 - 2.5	20 - 25
Mr T G Heller, Company Secretary	59	55 - 60	0 - 2.5	15 - 20
Professor G M Tatchell, Chair of SCICOM (from 01/01/2001)	48	40 - 45	0 - 2.5	10 - 15
Mr D Temperley, Director of Finance	48	45 - 50	0 - 2.5	15 - 20
Professor B Thomas, Chair of SCICOM (to 31/12/2000)	51	45 - 50	0 - 2.5	10 - 15
Dr A R Thompson, Deputy Chief Executive (ret 31/01/01)	59	50 - 55	0 - 2.5	20 - 25

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2001**

**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 11 and 12, the pensions reserve fund amounted to £7.72m (2000 - £6.38m).

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 2001. The valuation was performed by the Government Actuary's Department. The results of this assessment indicated a maximum accrued pension liability of £8.0m in respect of the 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 2002.

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 at this stage.

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
(e) The directors remuneration for the year was:		
Directors' remuneration	71	63
	<u>          </u>	<u>          </u>
Chairman (and highest paid director)	26	25
	<u>          </u>	<u>          </u>
Directors' reimbursed expenditure	10	9
	<u>          </u>	<u>          </u>

The directors receive out of pocket expenses for attendance at meetings. These amounts are nominal and reflect direct expenditure incurred.

None of the directors accrue benefits under defined benefit pension schemes.

**NOTES TO THE FINANCIAL STATEMENTS****31 March 2001****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 2000	50,261	8,346	58,607
Additions in year at cost	258	1,492	1,750
Disposals	(729)	(402)	(1,131)
Expiration of 10 year life	-	(881)	(881)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	49,790	8,555	58,345
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 2000	6,643	7,253	13,896
Charged in year	1,010	1,036	2,046
Disposals	(111)	(370)	(481)
Expiration of 10 year life	-	(881)	(881)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	7,542	7,038	14,580
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2001	42,248	1,517	43,765
	<hr/>	<hr/>	<hr/>
At 31 March 2000	43,618	1,093	44,711
	<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 DEFRA 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.

**NOTES TO THE FINANCIAL STATEMENTS****31 March 2001****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. These subsidiaries are not consolidated on the grounds of materiality.

**8. STOCKS**

	<b>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
Raw materials and consumables	246	315
Growing crops	36	37
	<hr/>	<hr/>
	282	352
	<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>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
Trade debtors	2,334	2,483
Amounts recoverable on contracts	854	1,836
Other debtors	197	160
Prepayments	187	493
	<hr/>	<hr/>
	3,572	4,972
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2001**

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

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Payments received on account	446	33
Trade creditors	1,816	952
Other tax and social security	449	376
Other creditors	130	168
Accruals and deferred income	2,694	1,960
	<u>5,535</u>	<u>3,489</u>

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Obligations in respect of the payment on transfer into the Principal Civil Service Pension Scheme	7,724	6,385

The provision at 31 March 2001 reflects the amounts needed to transfer all relevant employees back into the Principal Civil Service Pension Scheme. (see note 5).

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2000	6,385	4,918
Provided in the year	891	833
Interest received and receivable	363	262
Transfers in	178	723
Transfers out	(89)	(313)
Pensions paid	(30)	(38)
Pension lump sum payments	(163)	-
Funding received from DEFRA	189	-
	<u>7,724</u>	<u>6,385</u>
At 31 March 2001	<u>7,724</u>	<u>6,385</u>

## HORTICULTURE RESEARCH INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2001

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

	Unrestricted funds			2001 Total £'000	2000 Total £'000
	General funds £'000	Designated funds £'000	Restricted funds £'000		
Tangible fixed assets	-	2,578	41,187	43,765	44,711
Current assets	6,245	35	9,678	15,958	13,306
Total liabilities and provisions	(5,535)	-	(7,724)	(13,259)	(9,874)
	<u>710</u>	<u>2,613</u>	<u>43,141</u>	<u>46,464</u>	<u>48,143</u>

#### 13. ANALYSIS OF FUNDS

	Unrestricted Funds			
	General funds £'000	Designated funds £'000	Restricted funds £'000	Total Funds £'000
Balance at 1 April 2000	710	5,376	42,057	48,143
Net (outgoing)/incoming resources before transfers	(4,527)	-	2,848	(1,679)
<b>Transfers between funds:</b>				
Capital grant received amortisation	1,764	-	(1,764)	-
Net income	2,763	(2,763)	-	-
	<u>710</u>	<u>2,613</u>	<u>43,141</u>	<u>46,464</u>



**NOTES TO THE FINANCIAL STATEMENTS****31 March 2001****14. RESTRICTED FUNDS**

	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Capital grants received fund</b>		
At 1 April 2000	42,057	42,785
Additions - received and receivable		
DEFRA	1,139	619
BBSRC	405	186
Write off on disposal	(650)	-
Amortisation	(1,764)	(1,533)
	<hr/>	<hr/>
At 31 March 2001	41,187	42,057
	<hr/> <hr/>	<hr/> <hr/>
<b>Other fund</b>		
At 1 April 2000	-	-
Funding received from DEFRA	4,213	-
Payments made in the year	(2,259)	-
	<hr/>	<hr/>
At 31 March 2001	1,954	-
	<hr/> <hr/>	<hr/> <hr/>

The capital grants received fund reflects capital grants received, primarily from DEFRA, 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 2001**

**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>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Designated funds</b>		
At 1 April 2000	5,376	7,014
Net outgoing resources transferred to reserve fund	(2,763)	(1,638)
	<hr/>	<hr/>
At 31 March 2001	2,613	5,376
	<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>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other charitable funds</b>		
At 1 April 2000	710	710
Surplus transferred to accumulated surpluses	-	-
	<hr/>	<hr/>
At 31 March 2001	710	710
	<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 2001

**17. COMMITMENTS**

	2001 £'000	2000 £'000
a) Capital commitments:		
Contracted for	-	253
	<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:		
	2001 £'000	2000 £'000
Land and buildings, leases expiring:		
Within one year	-	242
In two to five years	-	-
Beyond five years	548	432
	<u>          </u>	<u>          </u>
	548	674
	<u>          </u>	<u>          </u>
Plant and machinery, leases expiring:		
Within one year	12	6
In two to five years	49	33
Beyond five years	-	-
	<u>          </u>	<u>          </u>
	61	39
	<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 DEFRA for DEFRA 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 2001.

**ACCOUNTS DIRECTION**

The Department for Environment, Food and Rural Affairs (DEFRA), 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 'Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance' 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 Department 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.

## HORTICULTURE RESEARCH INTERNATIONAL

### FIVE YEAR SUMMARIES - INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2001

	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
<b>Incoming resources</b>					
DEFRA commission	8,420	9,202	9,857	9,874	10,563
BBSRC CSG	3,044	3,201	3,609	3,692	3,591
Commercial research income					
DEFRA open link contracts	1,955	2,204	2,492	2,429	2,157
Other	6,870	6,889	5,881	5,436	4,770
Other receipts	1,111	1,218	1,517	1,372	1,163
Total incoming resources - general fund	21,400	22,714	23,356	22,803	22,244
Capital grant amortisation	1,764	1,533	1,370	1,352	1,442
Gross income from continuing operations	23,164	24,247	24,726	24,155	23,686
<b>Resources expended</b>					
Direct charitable expenditure	24,032	24,084	22,841	22,536	21,380
Management and administration	1,895	1,801	1,529	1,462	1,577
Total expenditure for continuing operations	25,927	25,885	24,370	23,998	22,957
<b>Net (deficit)/income for year</b>	(2,763)	(1,638)	356	157	729
<b>Net (outgoing)/incoming resources</b>	(1,679)	(3,366)	5,111	607	5,171
<b>Balance Sheet</b>					
Tangible fixed assets	43,765	44,711	45,533	46,564	45,459
Current assets	15,958	13,306	14,164	7,330	8,171
Creditors due within one year	(5,535)	(3,489)	(3,270)	(3,339)	(4,669)
Provisions for liabilities and charges	(7,724)	(6,385)	(4,918)	(4,157)	(3,170)
	46,464	48,143	51,509	46,398	45,791
Capital grants received funds	43,141	42,057	43,785	43,818	43,368
Designated funds	2,613	5,376	7,014	1,870	1,713
Other charitable funds	710	710	710	710	710
	46,464	48,143	51,509	46,398	45,791

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

We have reviewed the modified historical cost accounts on pages 29 to 33 which have been prepared in accordance with the basis of preparation set out on page 31. 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 31.

RSM Robson Rhodes  
Chartered Accountants and Registered Auditors

Birmingham, England  
6 November 2001

**HORTICULTURE RESEARCH INTERNATIONAL****MODIFIED HISTORICAL COST  
STATEMENT OF FINANCIAL ACTIVITIES  
for the year ended 31 March 2001**

	<b>General funds</b>	<b>Unrestricted designated funds</b>	<b>Restricted funds</b>	<b>2001 Total funds</b>	<b>2000 Total funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Incoming resources</b>					
DEFRA commission	8,420	-	5,352	13,772	9,821
BBSRC CSG	3,044	-	275	3,319	3,387
Commercial research income					
DEFRA open link contracts	1,955	-	-	1,955	2,204
Other	6,870	-	130	7,000	6,889
Other receipts	1,111	-	-	1,111	1,218
<b>Total incoming resources</b>	<b>21,400</b>	<b>-</b>	<b>5,757</b>	<b>27,157</b>	<b>23,519</b>
<b>Resources expended</b>					
Direct charitable expenditure	24,032	-	2,909	26,941	25,084
Fund raising and publicity	269	-	-	269	276
Management and administration	1,626	-	-	1,626	1,525
Modified historical cost adjustment:					
Notional cost of capital	2,933	-	-	2,933	4,990
Notional cost of insurance	272	-	-	272	235
Additional depreciation	1,588	-	-	1,588	1,665
<b>Total resources expended including notional costs</b>	<b>30,720</b>	<b>-</b>	<b>2,909</b>	<b>33,629</b>	<b>33,775</b>
Net (outgoing)/incoming resources before transfers	(9,320)	-	2,848	(6,472)	(10,256)
Transfers between funds	4,527	(2,763)	(1,764)	-	-
<b>Net (outgoing)/incoming resources</b>	<b>(4,793)</b>	<b>(2,763)</b>	<b>1,084</b>	<b>(6,472)</b>	<b>(10,256)</b>
Intra-fund transfers	4,793				
Revaluation reserve movement	(32,596)				
Fund balances at 1 April 2000	35,733				
<b>Funds balances at 31 March 2001</b>	<b>3,137</b>				

# HORTICULTURE RESEARCH INTERNATIONAL

## **MODIFIED HISTORICAL COST BALANCE SHEET at 31 March 2001**

	Note	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible assets	2	46,192	79,734
Investments		-	-
		<hr/>	<hr/>
		46,192	79,734
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks		282	352
Debtors		3,572	4,972
Cash at bank and in hand		12,104	7,982
		<hr/>	<hr/>
		15,958	13,306
<b>Creditors: Amounts falling due within one year</b>		<hr/>	<hr/>
		(5,535)	(3,489)
		<hr/>	<hr/>
<b>Net current assets</b>		10,423	9,817
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		56,615	89,551
		<hr/>	<hr/>
<b>Provisions for liabilities and charges</b>			
Pension fund reserve		(7,724)	(6,385)
		<hr/>	<hr/>
<b>Net assets</b>		48,891	83,166
		<hr/>	<hr/>
Restricted funds		43,141	42,057
Designated funds		2,613	5,376
		<hr/>	<hr/>
		45,754	47,433
<b>Other unrestricted funds :</b>			
Revaluation reserve	3	2,427	35,023
Other reserves		710	710
		<hr/>	<hr/>
		48,891	83,166
		<hr/>	<hr/>



**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**

**31 March 2001**

**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 total 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 Powis Hughes and Associates (professional valuers) as at 31 May 2001 and this valuation has been incorporated within the modified historical cost accounts.

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 and this valuation has been incorporated within the modified historical cost accounts.

- 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 2001**

**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 2000	89,426	16,238	105,664
Additions in year at cost	258	1,492	1,750
Disposals	(729)	(402)	(1,131)
Expiration of 10-year life	-	(881)	(881)
Transfer to revaluation reserve	(45,067)	380	(44,687)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	43,888	16,827	60,715
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 2000	11,819	14,111	25,930
Charged in year	1,924	1,710	3,634
Disposals	(111)	(370)	(481)
Expiration of 10-year life	-	(881)	(881)
Transfer to revaluation reserve	(13,632)	(47)	(13,679)
	<hr/>	<hr/>	<hr/>
At 31 March 2001	-	14,523	14,523
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2001	43,888	2,304	46,192
	<hr/>	<hr/>	<hr/>
At 31 March 2000	77,607	2,127	79,734
	<hr/>	<hr/>	<hr/>

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**  
**31 March 2001****3. OTHER UNRESTRICTED FUNDS**

	<b>Other Reserves £'000</b>	<b>Revaluation reserve £'000</b>
At 1 April 2000	710	35,023
Net outgoing resources for year	(4,793)	-
Fixed asset revaluation	-	(31,008)
Depreciation transfer	1,588	(1,588)
Notional costs for year:	-	-
Cost of uninsured risks	272	-
Cost of capital employed	2,933	-
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At 31 March 2001	710	2,427
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