

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 2002* ◆

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## **HORTICULTURE RESEARCH INTERNATIONAL**

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### **COMPANY INFORMATION**

**Board of Directors**

**Current members**

Mr P J Siddall (Chairman)  
Dr A R Burne  
Professor J 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 (resigned 26.09.01)  
Mr R J Goodwin (appointed 26.09.01)

**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 2002.

### **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, originally 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 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 5.0 % before amortisation of capital grants.

DEFRA commission receipts during the year, ignoring inflation, rose by 8.3%, increasing by £698k to £9,118k, however non-commissioned grants fell, by 34.9%, decreasing by £682k to £1,273k. Year on year BBSRC core funding has fallen by £65k. BBSRC finances research and development through a Competitive Strategic Grant (CSG) which is reviewed every four years. This review takes the form of an Institute Assessment Exercise which was carried out in October 2001 and as a result HRI has been awarded a 3% per annum increase in CSG from 1 April 2002. Income from commercial contracts with other public bodies, including Levy funders and the EC, has decreased by 26.3% to £3,891k and research and other sales commissioned by the commercial sector have decreased by £354k to £1,366k. A significant proportion of the fall is due to the closure of the Stockbridge House site on 31 March 2001.

Expenditure has decreased by £2,827k to £23,100k before exceptional items. Staff costs have fallen by £2,291k following the major restructuring exercise that was undertaken in March 2001. Operating and running costs have also decreased by £200k and £546k respectively. Although the decrease in expenditure is significant HRI has made a deficit for the year of £569k (2001: £2,763k deficit). Due to the continuing fall in income from DEFRA and the Horticultural Development Council a deficit of approximately £600k is forecast for the 2002/03 financial year.

In common with other Non Departmental Public Bodies (NDPBs), HRI is subject to Quinquennial Reviews. A Quinquennial Review for 2002/03 is currently in progress, with formal reporting and recommendations to be made by 31 March 2003.

Quinquennial Reviews are designed to:

- ensure that Agencies and NDPBs are subject to regular and challenging review, taking into account the views and needs of their customers, staff, trade unions and other stakeholders;
- ensure that the Government puts in place the right structures for these bodies so that they deliver the Government's agenda effectively and work in an effective and 'joined-up' way; and
- provide a strong focus for improving their future performance, including the scope for more partnership working and better use of new technology.

Additional information regarding performance of HRI is included within the HRI Annual Report, which is presented along with this Annual Report.

**REPORT OF THE DIRECTORS**

(continued)

**Financial performance**

The statement of financial activities is shown on page 7 and the summary income and expenditure account on page 8. The net assets and funds are shown on the balance sheet on page 9 and the cash flows of the Company are set out on page 10. The notes to the financial statements on pages 11-25 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.

**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 2002 were equivalent to 38 days (2001 - 80 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.

**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.

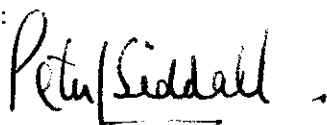
Under the Management Statement of the Company, the accounting officer of the Company (who is the Chief Executive) is responsible to the Accounting Officer of the Department for Environment, Food and Rural Affairs and accountable to Parliament for the proper and effective management of all public funds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

**Auditors**

The auditors, RSM Robson Rhodes, 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 25 September 2002 and signed on its behalf by:



P J SIDDALL  
Chairman

**STATEMENT ON INTERNAL CONTROL**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of HRI's aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of HRI's aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place for the year ended March 2004 necessary to implement Treasury guidance. This takes account of the time needed to fully embed the processes which the HRI Board has agreed should be established and improve their effectiveness

We have held a risk management workshop, attended by the senior management team (EXCOM), during which we identified the Company's objectives and risks and determined a control strategy for each of the significant risks. Further risk management workshops for all grades of staff will be held during the year.

Risk management and internal control will be considered on a regular basis by EXCOM and the Board during the year and there will be a full risk and control assessment before reporting on the year ending 31 March 2003. Risk management will be incorporated more fully into the corporate planning and decision making processes of the Company.

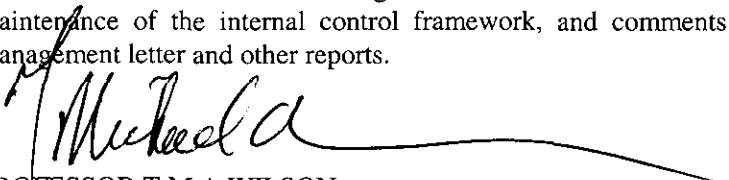
The Audit & Accounts Committee regularly reviews the risk management framework and receives reports on the business critical projects within HRI and reports to the Board on any issues of concern.

In addition to the actions mentioned above, in the coming year the Company plans to:

- arrange a regular programme of facilitated workshops to identify and keep up-to-date the record of risks facing the organisation;
- introduce a programme of risk awareness training;
- establish a system of key performance and risk indicators; and
- further develop and maintain an organisation-wide risk register.

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 control, together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within HRI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in the management letter and other reports.



PROFESSOR T M A WILSON  
Chief Executive  
24 July 2002

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

We have audited the financial statements on pages 7 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 4 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 5 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 not 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 2002 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  
25 September 2002



## HORTICULTURE RESEARCH INTERNATIONAL

### STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2002

	General funds £'000	Designated funds £'000	Restricted funds £'000	2002 Total funds £'000	2001 Total funds £'000
<b>Incoming resources</b>					
DEFRA commission/grants	9,118		2,101	11,219	13,772
BBSRC grants	3,254		-	3,254	3,319
Commercial research income					
DEFRA open & link contracts	1,273		-	1,273	1,955
HDC	1,205		-	1,205	2,099
Other	4,052		-	4,052	4,901
Other receipts	1,438		-	1,438	1,111
<b>Total incoming resources (note 2)</b>	<b>20,340</b>	<b>-</b>	<b>2,101</b>	<b>22,441</b>	<b>27,157</b>
<b>Resources expended</b>					
Direct charitable expenditure	20,642		2,892	23,534	26,941
Fund raising and publicity	179		-	179	269
Management and administration	1,887		-	1,887	1,626
<b>Total resources expended (note 3)</b>	<b>22,708</b>	<b>-</b>	<b>2,892</b>	<b>25,600</b>	<b>28,836</b>
<b>Net outgoing resources before transfers</b>	<b>(2,368)</b>	<b>-</b>	<b>(791)</b>	<b>(3,159)</b>	<b>(1,679)</b>
<b>Transfers between funds</b>					
Capital grants received grant fund amortisation	1,799	-	(1,799)	-	-
Absorption of deficit	569	(569)	-	-	-
<b>Total transfers (notes 13, 14)</b>	<b>2,368</b>	<b>(569)</b>	<b>(1,799)</b>	<b>-</b>	<b>-</b>
<b>Net outgoing resources</b>	<b>-</b>	<b>(569)</b>	<b>(2,590)</b>	<b>(3,159)</b>	<b>(1,679)</b>
Net movement in the year	-	(569)	(2,590)	(3,159)	(1,679)
Fund balances at 1 April 2001	710	2,613	43,141	46,464	48,143
<b>Fund balances at 31 March 2002</b>	<b>710</b>	<b>2,044</b>	<b>40,551</b>	<b>43,305</b>	<b>46,464</b>

## HORTICULTURE RESEARCH INTERNATIONAL

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### SUMMARY INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Gross income from continuing operations		22,139	23,163
Total expenditure for continuing operations		(22,708)	(25,926)
		<hr/>	<hr/>
<b>Net deficit for the year</b>	4	(569)	(2,763)
		<hr/> <hr/>	<hr/> <hr/>

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

<b>Net deficit for the year</b>	(569)	(2,763)
Capital grants deferred and released to income	(1,799)	(1,764)
Capital grants received grant fund – released on disposal	-	(650)
Capital grants received	1,409	1,544
Redundancy funding received	692	4,213
Redundancy expenditure	(2,892)	(2,259)
	<hr/>	<hr/>
<b>Net outgoing resources for the year</b>	(3,159)	(1,679)
	<hr/> <hr/>	<hr/> <hr/>

A more detailed analysis of income by source is provided in the Statement of Financial Activities.

The difference between the figure for total incoming resources on general funds and gross income from continuing operations is the capital grant deferred and released to income of £1.799 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

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### BALANCE SHEET at 31 March 2002

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	6	43,568	43,765
Investments	7	-	-
		<hr/>	<hr/>
		43,568	43,765
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	8	232	282
Debtors	9	3,686	3,572
Cash at bank and in hand		9,950	12,104
		<hr/>	<hr/>
		13,868	15,958
<b>Creditors: Amounts falling due within one year</b>	10	(4,390)	(5,535)
		<hr/>	<hr/>
<b>Net current assets</b>		9,478	10,423
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		53,046	54,188
<b>Provisions for liabilities and charges</b>	11	(9,741)	(7,724)
		<hr/>	<hr/>
<b>Net assets</b>	12	43,305	46,464
		<hr/>	<hr/>
<b>Income funds</b>			
<b>Restricted funds:</b>			
Capital grants received fund	14	40,797	41,187
Redundancy fund	14	(246)	1,954
<b>Unrestricted funds:</b>			
Designated funds	15	2,044	2,613
Other charitable funds	15	710	710
		<hr/>	<hr/>
	13	43,305	46,464
		<hr/>	<hr/>

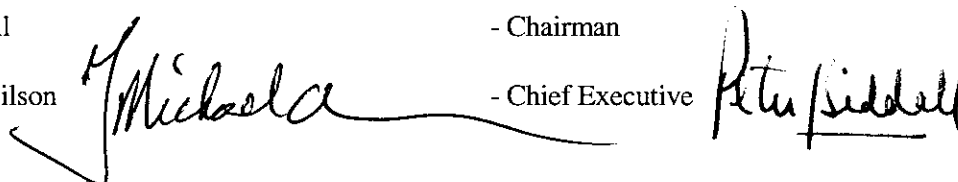
The financial statements were approved by the Board on 25 September 2002 and signed on its behalf by:

P J Siddall

- Chairman

T M A Wilson

- Chief Executive



**HORTICULTURE RESEARCH INTERNATIONAL**

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**CASH FLOW STATEMENT**  
**year ended 31 March 2002**

	Note	2002 £'000	2001 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	19	(595)	5,761
<b>Returns on investments and servicing of finance</b>			
Interest received		95	111
<b>Capital expenditure and financial investment</b>			
Payments for tangible fixed assets		(1,654)	(1,750)
		<hr/>	<hr/>
<b>(Decrease)/increase in cash</b>	20	(2,154)	4,122
		<hr/>	<hr/>
<b>CHANGE IN CASH</b>			
At 1 April 2001		12,104	7,982
(Decrease)/increase in cash		(2,154)	4,122
		<hr/>	<hr/>
<b>At 31 March 2002</b>		9,950	12,104
		<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2002**

**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 29 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.

**New accounting policies**

FRS 18 "Accounting Policies" has been adopted: this did not cause any other changes in policy, as after careful review, the directors are satisfied that the current accounting policies are the most appropriate for the company.

**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 2002**

**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 2002**

**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. This pension fund consists of a ring-fenced amount within the Cash and Bank balance, and the transfer obligation is represented by a balance within provisions in note 11. To this extent, this is not classified as a defined benefit pension scheme, and is therefore not subject to the additional disclosure requirements of Financial Reporting Standard 17.

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 2002

**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**

	2002 £'000	2001 £'000
<b>Incoming resources by geographical market</b>		
United Kingdom	21,548	26,402
Other EU countries	718	535
Rest of the World	175	220
	22,441	27,157
	22,441	27,157

**3. RESOURCES EXPENDED**

	Direct charitable expenditure £'000	Costs of Generating Funds £'000	Management And Administration £'000	2002 Total £'000
Employee costs	14,880	102	1,232	16,214
General operational costs	6,812	71	652	7,535
Depreciation	1,842	6	3	1,851
	23,534	179	1,887	25,600
	23,534	179	1,887	25,600



# HORTICULTURE RESEARCH INTERNATIONAL

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

### 3. RESOURCES EXPENDED (Continued)

	Direct Charitable Expenditure £'000	Costs of Generating Funds £'000	Management and administration £'000	2001 Total £'000
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
	<u>26,941</u>	<u>269</u>	<u>1,626</u>	<u>28,836</u>

### 4. NET DEFICIT FOR THE YEAR

	2002 £'000	2001 £'000
<b>Net deficit for the year is stated</b>		
<b>After charging:</b>		
Auditors' remuneration		
Audit services	30	25
Non audit services	21	13
Directors' remuneration (see note 5)	63	71
Directors' reimbursed expenditure	10	10
Depreciation of tangible fixed assets	1,851	2,046
Operating lease charges		
Plant and machinery	37	66
Land and buildings	581	365
Foreign exchange losses	-	-
	<u>1,799</u>	<u>1,764</u>
<b>And after crediting:</b>		
Amortisation of capital grants	1,799	1,764
Rental income	202	189
Bank interest	95	111
Foreign exchange gains	5	9
	<u>1,799</u>	<u>1,764</u>

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

5. EMPLOYEES AND EMPLOYEE COSTS

	2002 Number	2001 Number
a) Average number of persons employed during the year:		
Direct science	256.5	344.5
Direct industrial/agricultural	123.0	125.5
Direct other support	102.5	164.0
Management and administration	20.5	28.5
	502.5	662.5

Of the 502.5 (2001: 662.5) staff of the Company, 207 (2001: 227.5) are employed by the BBSRC, 24.5 (2001: 58.5) by DEFRA, and 271 (2001: 326.5) by the Company.

	2002 £'000	2001 £'000
b) Costs in respect of all these staff were:		
Wages and salaries	11,250	13,103
Redundancy payments	2,816	2,068
Social security costs	764	942
Superannuation costs	1,321	1,525
	16,151	17,638

(c) The remuneration of the executive management team that served during the year to 31 March 2002 was as follows:

	Age	Salary £'000	Real increase in pension at 60 £'000	Total accrued pension at 60 at 31/03/2002 £'000
Professor TMA Wilson, Chief Executive	50	90 – 95	2.5 – 5.0	25 – 30
Mr P D Beerling, Operations Manager (from 30/04/2001 to 15/02/2002)	44	30 – 35	Not applicable	0 - 5
Mr R J Goodwin, Company Secretary (from 26/09/2001)	48	45 – 50	0 – 2.5	10 – 15
Dr D Gray, Head of East Malling	58	50 – 55	0 – 2.5	20 – 25
Mr D R Hartley, Head of Business Development (from 13/08/2001)	43	30 – 35	Not applicable	0 - 5
Mr T G Heller, Company Secretary	60	60 – 65	0 – 2.5	15 – 20
Professor G M Tatchell, Chair of SCICOM	49	50 – 55	0 – 2.5	10 – 15
Mr D Temperley, Director of Finance	49	45 – 50	0 – 2.5	15 – 20

**NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2002**

**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. This consists of a ring-fenced cash balance and a corresponding liability within the provisions balance. Given that this is not a 'pension scheme', it is not currently subject to the additional disclosure requirements of FRS 17. As at the balance sheet date and as set out in notes 11 and 12, the pensions reserve fund amounted to £ 9.74m (2001 - £7.72m).

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 December 2001. The valuation was performed by the Government Actuary's Department. The results of this assessment indicated a maximum accrued pension liability of £8.54m 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 December 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.

(e) The directors remuneration for the year was:	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Directors' remuneration	63	71
	<hr/>	<hr/>
Chairman (and highest paid director)	27	26
	<hr/>	<hr/>
Directors' reimbursed expenditure (Travel)	10	10
	<hr/>	<hr/>
	<b>2002</b>	<b>2001</b>
	<b>Number</b>	<b>Number</b>
Number of directors receiving reimbursed expenditure	10	10
	<hr/>	<hr/>

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 2002

**6. TANGIBLE FIXED ASSETS**

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

	Additions to leasehold land and buildings £'000	Plant and Machinery, fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 April 2001	49,790	8,555	58,345
Additions in year at cost	1,112	542	1,654
Disposals	-	-	-
Expiration of 10 year life	-	(842)	(842)
	-----	-----	-----
At 31 March 2002	50,902	8,255	59,157
	-----	-----	-----
<b>Depreciation</b>			
At 1 April 2001	7,542	7,038	14,580
Charged in year	994	857	1,851
Disposals	-	-	-
Expiration of 10 year life	-	(842)	(842)
	-----	-----	-----
At 31 March 2002	8,536	7,053	15,589
	-----	-----	-----
<b>Net book value</b>			
At 31 March 2002	42,366	1,202	43,568
	=====	=====	=====
At 31 March 2001	42,248	1,517	43,765
	=====	=====	=====

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.

## HORTICULTURE RESEARCH INTERNATIONAL

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### NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

#### 7. INVESTMENTS

The following are wholly owned subsidiary companies:

Malling Limited  
HRI Limited  
Sciencebase Limited  
Progenco 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 and per SORP 2000 paragraph 300 (b).

Progenco Limited was incorporated as a new subsidiary of Horticulture Research International during the year. It has share capital consisting of 3 ordinary shares of £1 each, and it has not traded since incorporation.

Two other non-trading subsidiaries were registered (in England and Wales) following the year end. These are called Invicta Innovations Limited and the Mushy Gene Company Limited. Each company has issued share capital of £3, and is a wholly owned subsidiary of Horticulture Research International.

#### 8. STOCKS

	2002 £'000	2001 £'000
Raw materials and consumables	203	246
Growing crops	29	36
	<hr/>	<hr/>
	232	282
	<hr/> <hr/>	<hr/> <hr/>

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

#### 9. DEBTORS

	2002 £'000	2001 £'000
Trade debtors	1,809	2,334
Amounts recoverable on contracts	629	854
Other debtors	1,023	197
Prepayments	225	187
	<hr/>	<hr/>
	3,686	3,572
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2002

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

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Payments received on account	948	446
Trade creditors	789	1,816
Other tax and social security	289	449
Other creditors	93	130
Accruals and deferred income	2,271	2,694
	<hr/>	<hr/>
	4,390	5,535
	<hr/>	<hr/>

**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Obligations in respect of the payment on transfer into the Principal Civil Service Pension Scheme	9,741	7,724
	<hr/>	<hr/>

The provision at 31 March 2002 reflects the amounts needed to transfer all relevant employees back into the Principal Civil Service Pension Scheme. (see note 5).

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2001	7,724	6,385
Provided in the year	828	891
Interest received and receivable	333	363
Transfers in	105	178
Transfers out	(37)	(89)
Pensions paid	(71)	(30)
Pension lump sum payments	(8)	(163)
Management charges	(9)	-
Funding received from DEFRA	876	189
	<hr/>	<hr/>
At 31 March 2002	9,741	7,724
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 March 2002**

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

	Unrestricted funds			2002 Total £'000	2001 Total £'000
	General funds £'000	Designated funds £'000	Restricted funds £'000		
Tangible fixed assets	727	2,044	40,797	43,568	43,765
Current assets	4,373	-	9,495	13,868	15,958
Total liabilities and provisions	(4,390)	-	(9,741)	(14,131)	(13,259)
	<u>710</u>	<u>2,044</u>	<u>40,551</u>	<u>43,305</u>	<u>46,464</u>

**13. ANALYSIS OF FUNDS**

	Unrestricted Funds			
	General funds £'000	Designated funds £'000	Restricted funds £'000	Total Funds £'000
Balance at 1 April 2001	710	2,613	43,141	46,464
Net outgoing resources before transfers	(2,368)	-	(791)	(3,159)
<b>Transfers between funds:</b>				
Capital grant received amortisation	1,799	-	(1,799)	-
Net income	569	(569)	-	-
	<u>710</u>	<u>2,044</u>	<u>40,551</u>	<u>43,305</u>

**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2002

**14. RESTRICTED FUNDS**

	2002 £'000	2001 £'000
<b>Capital grants received fund</b>		
At 1 April 2001	41,187	42,057
Additions - received and receivable		
DEFRA	1,409	1,139
BBSRC	-	405
Write off on disposal	-	(650)
Amortisation	(1,799)	(1,764)
	<hr/>	<hr/>
At 31 March 2002	40,797	41,187
	<hr/> <hr/>	<hr/> <hr/>
<b>Other fund</b>		
At 1 April 2001	1,954	-
Funding received from DEFRA	692	4,213
Payments made in the year	(2,892)	(2,259)
	<hr/>	<hr/>
At 31 March 2002	(246)	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.

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.



## HORTICULTURE RESEARCH INTERNATIONAL

### NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

#### 15. UNRESTRICTED FUNDS

	2002 £'000	2001 £'000
<b>Designated funds</b>		
At 1 April 2001	2,613	5,376
Net outgoing resources transferred to reserve fund	(569)	(2,763)
	<hr/>	<hr/>
At 31 March 2002	2,044	2,613
	<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.

	2002 £'000	2001 £'000
<b>Other charitable funds</b>		
At 1 April 2001	710	710
Surplus transferred to accumulated surpluses	-	-
	<hr/>	<hr/>
At 31 March 2002	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 2002

**17. COMMITMENTS**

	2002 £'000	2001 £'000
a) Capital commitments:		
Contracted for	2,223	-
	<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:		
	2002 £'000	2001 £'000
Land and buildings, leases expiring:		
Within one year	-	-
In two to five years	380	-
Beyond five years	-	548
	<u>          </u>	<u>          </u>
	380	548
	<u>          </u>	<u>          </u>
Plant and machinery, leases expiring:		
Within one year	15	12
In two to five years	24	49
Beyond five years	-	-
	<u>          </u>	<u>          </u>
	39	61
	<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 2002.

**NOTES TO THE FINANCIAL STATEMENTS**

31 March 2002

**19. RECONCILIATION OF NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES TO NET OUTGOING RESOURCES**

	2002 £'000	2001 £'000
Net outgoing resources	(3,159)	(1,679)
Depreciation	1,851	2,046
Assets written off at closure of Stockbridge	-	650
Movement in pension provision	2,017	1,339
Interest receivable	(95)	(111)
Decrease in stocks	50	70
(Increase)/decrease in debtors	(114)	1,400
(Decrease)/increase in creditors	(1,145)	2,046
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(595)</b>	<b>5,761</b>
	<hr/> <hr/>	<hr/> <hr/>

**20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2002 £'000	2001 £'000
(Decrease)/increase in cash	(2,154)	4,122
	<hr/>	<hr/>
(Decrease)/increase in net funds from cashflow	(2,154)	4,122
Net funds at 1 April	12,104	7,982
	<hr/>	<hr/>
Net funds at 31 March	9,950	12,104
	<hr/> <hr/>	<hr/> <hr/>

**21. ANALYSIS OF NET DEBT**

	1 April 2001 £'000	Cashflow £'000	31 March 2002 £'000
Cash at Bank and in hand	12,104	(2,154)	9,950
	<hr/>	<hr/>	<hr/>
Net funds	12,104	(2,154)	9,950
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 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 2002**

	2002 £'000	2001 £'000	2000 £'000	1999 £'000	1998 £'000
<b>Incoming resources</b>					
DEFRA commission	9,118	8,420	9,202	9,857	9,874
BBSRC CSG	3,254	3,044	3,201	3,609	3,692
Commercial research income					
DEFRA open link contracts	1,273	1,955	2,204	2,492	2,429
HDC	1,205	-	-	-	-
Other	4,052	6,870	6,889	5,881	5,436
Other receipts	1,438	1,111	1,218	1,517	1,372
Total incoming resources - general fund	20,340	21,400	22,714	23,356	22,803
Capital grant amortisation	1,799	1,764	1,533	1,370	1,352
Gross income from continuing operations	22,139	23,164	24,247	24,726	24,155
<b>Resources expended</b>					
Direct charitable expenditure	20,642	24,032	24,084	22,841	22,536
Management and administration	2,066	1,895	1,801	1,529	1,462
Total expenditure for continuing operations	22,708	25,927	25,885	24,370	23,998
<b>Net (deficit)/income for year</b>	<b>(569)</b>	<b>(2,763)</b>	<b>(1,638)</b>	<b>356</b>	<b>157</b>
<b>Net (outgoing)/incoming resources</b>	<b>(3,159)</b>	<b>(1,679)</b>	<b>(3,366)</b>	<b>5,111</b>	<b>607</b>
<b>Balance Sheet</b>					
Tangible fixed assets	43,568	43,765	44,711	45,533	46,564
Current assets	13,868	15,958	13,306	14,164	7,330
Creditors due within one year	(4,390)	(5,535)	(3,489)	(3,270)	(3,339)
Provisions for liabilities and charges	(9,741)	(7,724)	(6,385)	(4,918)	(4,157)
	43,305	46,464	48,143	51,509	46,398
Capital grants received funds	40,551	43,141	42,057	43,785	43,818
Designated funds	2,044	2,613	5,376	7,014	1,870
Other charitable funds	710	710	710	710	710
	43,305	46,464	48,143	51,509	46,398

**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  
25 September 2002

## HORTICULTURE RESEARCH INTERNATIONAL

### MODIFIED HISTORICAL COST STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 March 2002

	General funds £'000	Unrestricted designated funds £'000	Restricted funds £'000	2002 Total funds £'000	2001 Total funds £'000
<b>Incoming resources</b>					
DEFRA commission	9,118		2,101	11,219	13,772
BBSRC CSG	3,254		-	3,254	3,319
Commercial research income					
DEFRA open link contracts	1,273		-	1,273	1,955
HDC	1,205		-	1,205	
Other	4,052		-	4,052	7,000
Other receipts	1,438		-	1,438	1,111
<b>Total incoming resources</b>	<b>20,340</b>	<b>-</b>	<b>2,101</b>	<b>22,441</b>	<b>27,157</b>
<b>Resources expended</b>					
Direct charitable expenditure	20,642		2,892	23,534	26,941
Fund raising and publicity	179		-	179	269
Management and administration	1,887		-	1,887	1,626
<i>Modified historical cost adjustment:</i>					
Notional cost of capital	2,780		-	2,780	2,933
Notional cost of insurance	224		-	224	272
Additional depreciation	751		-	751	1,588
<b>Total resources expended including notional costs</b>	<b>26,463</b>	<b>-</b>	<b>2,892</b>	<b>29,355</b>	<b>33,629</b>
Net outgoing resources before transfers	(6,123)		(791)	(6,914)	(6,472)
Transfers between funds	2,368	(569)	(1,799)	-	-
<b>Net outgoing resources</b>	<b>(3,755)</b>	<b>(569)</b>	<b>(2,590)</b>	<b>(6,914)</b>	<b>(6,472)</b>
Intra-fund transfers	3,755				
Revaluation reserve movement	595				
Fund balances at 1 April 2001	3,137				
<b>Funds balances at 31 March 2002</b>	<b>3,732</b>				

## HORTICULTURE RESEARCH INTERNATIONAL

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### MODIFIED HISTORICAL COST BALANCE SHEET at 31 March 2002

	Note	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Tangible assets	2	46,590	46,192
Investments		-	-
		<hr/>	<hr/>
		46,590	46,192
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks		232	282
Debtors		3,686	3,572
Cash at bank and in hand		9,950	12,104
		<hr/>	<hr/>
		13,868	15,958
<b>Creditors: Amounts falling due within one year</b>		<b>(4,390)</b>	<b>(5,535)</b>
		<hr/>	<hr/>
<b>Net current assets</b>		<b>9,478</b>	<b>10,423</b>
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>56,068</b>	<b>56,615</b>
<b>Provisions for liabilities and charges</b>			
Pension fund reserve		(9,741)	(7,724)
		<hr/>	<hr/>
<b>Net assets</b>		<b>46,327</b>	<b>48,891</b>
		<hr/>	<hr/>
Restricted funds		40,551	43,141
Designated funds		2,044	2,613
		<hr/>	<hr/>
		42,595	45,754
Other unrestricted funds :			
Revaluation reserve	3	3,022	2,427
Other reserves	3	710	710
		<hr/>	<hr/>
		46,327	48,891
		<hr/>	<hr/>



**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**

**31 March 2002**

**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 2002

**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 2001	43,888	16,827	60,715
Additions in year at cost	1,112	542	1,654
Disposals	-	-	-
Expiration of 10-year life	-	(842)	(842)
Transfer to revaluation reserve	900	415	1,315
	<hr/>	<hr/>	<hr/>
At 31 March 2002	45,900	16,942	62,842
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 April 2001	-	14,523	14,523
Charged in year	918	1,684	2,602
Disposals	-	-	-
Expiration of 10-year life	-	(842)	(842)
Transfer to revaluation reserve	-	(31)	(31)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	918	15,334	16,252
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 March 2002	44,982	1,608	46,590
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2001	43,888	2,304	46,192
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE MODIFIED HISTORICAL COST ACCOUNTS**  
**31 March 2002**

**3. OTHER UNRESTRICTED FUNDS**

	<b>Other Reserves £'000</b>	<b>Revaluation reserve £'000</b>
At 1 April 2001	710	2,427
Net outgoing resources for year	(3,755)	-
Fixed asset revaluation	-	1,346
Depreciation transfer	751	(751)
Notional costs for year:		
Cost of <i>uninsured</i> risks	224	-
Cost of capital employed	2,780	-
	<hr/>	<hr/>
At 31 March 2002	710	3,022
	<hr/>	<hr/>