

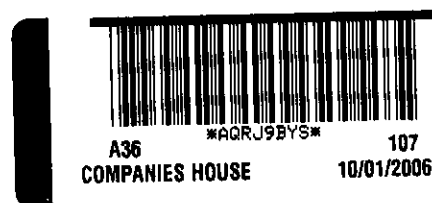
Horticulture Research International

(A Company Limited by Guarantee)

Directors' report and financial statements

16 months ended 31 July 2005

Registered number 173485



HORTICULTURE RESEARCH INTERNATIONAL

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HORTICULTURE RESEARCH INTERNATIONAL

DIRECTORS' REPORT FOR THE 16 MONTHS ENDED 31 JULY 2005

The directors present their report and the audited financial statements for the 16 months ended 31 July 2005.

Status and Principal activities of the company

Horticulture Research International ('HRI') is a company limited by guarantee and an exempt charity. HRI's principal activity is research and development work and the advancement of science in connection with horticulture and kindred industries. On 1 April 2004 the University of Warwick became the sole member of HRI and on 31 July 2005 the Company transferred the business and assets of the Company to the University for a consideration of £1.

Financial Results

The financial result for HRI of the period's activities after the transfer to the University of Warwick was a deficit of £3,782k. Before the exceptional item the surplus for the 16 month period was £1,487k. The majority of the income generated (86%) has come from Research Grants and Contracts, the main core sponsors being Defra and BBSRC.

Fixed Assets

Movements in tangible fixed assets are set out in note 9 to the financial statements.

Dividends

The Company is limited by guarantee of the members. The Company cannot distribute its profits to its members and therefore no dividend is payable.

Board of Directors

The Directors of the Company during the period were as follows:

Professor D Vandelinde	(Chairman, appointed 31 March 2004)
J F Baldwin	(appointed 24 June 2004)
Professor R B Freedman	(appointed 31 March 2004)
Professor S B Palmer	(appointed 31 March 2004)
D W Henderson	(resigned 24 September 2004)
H J Hunt	(appointed 1 April 2004, resigned 31 January 2005)
P M Greatrix	(appointed 1 April 2004, resigned 24 June 2004)

HORTICULTURE RESEARCH INTERNATIONAL

DIRECTORS' REPORT FOR THE 16 MONTHS ENDED 31 JULY 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- as explained in the Directors' report and Statement of Principal Accounting Policies, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that 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 to 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.

By order of the Board



J F BALDWIN
Secretary

Date: 6 December 2005

kpmg

2 Cornwall Street
Birmingham
B3 2DL

**Report of the independent auditors
to the members of Horticulture Research International**

We have audited the financial statements on pages 4 to 16.

This report is made solely to the Company's members, as a body, in accordance with the Articles of Association of Horticulture Research International and with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statements of Recommended Practice accounting for Further and Higher Education and with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the 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 company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those 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 have audited the financial statement on pages 4 to 16 which, as described in Statement of Principal Accounting Policies, have not prepared on a going concern basis.

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 state of the company's state of affairs as at 31 July 2005 and of its loss of income over expenditure and cashflows for the company for the period then ended, and are properly prepared in accordance with the Statements of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Date: 6 December 2005

Horticulture Research International

INCOME AND EXPENDITURE ACCOUNT for the 16 months ended 31 July 2005

	<i>Note</i>	2004/05	2003/04
		Total	
		£	£
INCOME			
Funding Council Grants	2	31,042	-
Academic Fees and Support Grants	3	11,280	-
Research Grants and Contracts	4	17,589,295	18,647,534
Other Operating Income	5	2,645,647	4,778,868
Endowment Income, Investment Income and Interest Receivable	6	<u>138,560</u>	<u>61,816</u>
Total Income		<u>20,415,824</u>	<u>23,488,218</u>
EXPENDITURE			
Staff Costs	7	10,193,022	13,185,240
Depreciation	9	1,899,938	1,912,583
Other Operating Expenses		<u>6,836,316</u>	<u>6,966,206</u>
Total Expenditure		<u>18,929,276</u>	<u>22,064,029</u>
Exceptional Items	10	<u>(5,268,680)</u>	<u>-</u>
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		<u>(3,782,132)</u>	<u>1,424,189</u>

The income and expenditure of Horticulture Research International relates to discontinuing operations.

The company has no recognised gains or losses other than the loss for the year.

There is no difference between the loss for the financial year stated above and its historical cost equivalent.

Horticulture Research International

BALANCE SHEET at 31 July 2005

	<i>Notes</i>	2005 £	2004 £
FIXED ASSETS			
Tangible Assets	9	<u>-</u>	<u>32,633,234</u>
		<u>-</u>	<u>32,633,234</u>
CURRENT ASSETS			
Stocks		-	133,879
Debtors	11	-	2,530,867
Cash at Bank and in Hand		<u>-</u>	<u>15,988,084</u>
		-	18,652,830
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>-</u>	<u>4,786,144</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>-</u>	<u>13,866,686</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		-	46,499,920
PROVISIONS FOR LIABILITIES AND CHARGES		<u>-</u>	<u>(13,090,014)</u>
TOTAL NET ASSETS		<u>-</u>	<u>33,409,906</u>
DEFERRED CAPITAL GRANTS	14	-	29,627,774
RESERVES: Income and Expenditure Account		<u>-</u>	<u>3,782,132</u>
TOTAL FUNDS		<u>-</u>	<u>33,409,906</u>

These financial statements on pages 4 to 16 were approved by the Board of Directors on 6 December 2005 and were signed on its behalf by:



J F Baldwin
Director

Horticulture Research International

CASH FLOW STATEMENT

For the 16 months ended 31 July 2005

	<i>Notes</i>	2004/05 £	2003/04 £
Net Cash (Outflow) / Inflow from Operating Activities	16	(16,007,141)	3,343,682
Returns on Investments and Servicing of Finance	17	138,560	61,816
Capital Expenditure and Financial Investment	18	<u>(119,503)</u>	<u>(9,586)</u>
(Decrease) / Increase in Cash		<u>(15,988,084)</u>	<u>3,395,912</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS / (DEBT)

For the 16 months ended 31 July 2005

	<i>Notes</i>	2004/05 £	2003/04 £
(Decrease) / Increase in Cash in the Period		(15,988,084)	3,395,912
Increase / (Decrease) in provisions	13	<u>13,090,014</u>	<u>(2,175,000)</u>
Change in Net Funds		(2,898,070)	1,220,912
Net Funds at 1 August		<u>2,898,070</u>	<u>1,677,158</u>
Net Funds at 31 July	19	<u>-</u>	<u>2,898,070</u>

Horticulture Research International

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards and the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions. This SORP is the most relevant to apply to this company as an exempt charity and wholly owned subsidiary of the University of Warwick.

Basis of Preparation

In the previous year, the financial statements have been prepared on a going concern basis. On 31st July the University of Warwick acquired the business and assets of Horticulture Research International, for a consideration of £1.

Recognition of Income

Income from government grants and other specific grants and research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Income from other services rendered is included to the extent of completion of the contract or services concerned and is measured at the fair value of the consideration receivable. All income from short term deposits is credited to the Income and Expenditure Account on a receivable basis.

Fixed Assets

Buildings

Buildings are stated at cost. Buildings are depreciated in equal instalments over their expected useful lives of 50 years and laboratory and other major refurbishments over 10-20 years. Where buildings are acquired with the aid of government and other specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings.

Equipment

Equipment, including micro-computers and software, costing less than £15,000 per individual item or group of related items and vehicles costing less than £5,000 are written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and depreciated over three to eight years. Equipment bought for a specific research or other project is depreciated over the shorter of five years or the life of the project. Any related grants are treated as deferred capital and released to income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of an asset may not be reasonable.

Stocks

Stocks are valued at the lower of cost and net realisable value. Growing costs are costed at the cost of direct materials and labour, plus attributable overheads.

Horticulture Research International

NOTES TO THE ACCOUNTS

Taxation

The Company is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a Charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. The Company receives no similar exemption in respect of Value Added Tax.

Horticulture Research International

NOTES TO THE ACCOUNTS

2.	HIGHER EDUCATION FUNDING COUNCIL FOR ENGLAND & TEACHER TRAINING AGENCY GRANTS	2004/05	2003/04
		£	£
	<u>Recurrent Grants:</u>		
	Higher Education Funding Council for England:		
	Teaching	16,280	-
	Research	11,742	-
	<u>Specific Grants:</u>		
	HE Innovations Fund	<u>3,020</u>	-
		<u>31,042</u>	<u>-</u>
3.	ACADEMIC FEES AND SUPPORT GRANTS	2004/05	2003/04
		£	£
	Other Fees	<u>11,280</u>	<u>-</u>
4.	RESEARCH GRANTS AND CONTRACTS	2004/05	2003/04
		£	£
	Income		
	Research Councils	5,901,072	5,055,060
	Central Government, Local Authorities and Public Corporations	10,294,695	11,678,088
	Charitable Bodies	119,470	-
	European Union	546,643	766,851
	Industry and Commerce	645,220	1,147,535
	Overseas	82,195	-
	Others	-	-
		<u>17,589,295</u>	<u>18,647,534</u>
5.	OTHER OPERATING INCOME	2004/05	2003/04
		£	£
	Residences, Catering and Conferences	98,341	525,407
	Other Services Rendered	192,089	69,648
	Released from Deferred Capital Grants (Note 14)	1,425,435	1,809,500
	Retail Operations	35,092	224,826
	Other Income	603,517	2,149,487
	Other Specific Grants	<u>291,173</u>	-
		<u>2,645,647</u>	<u>4,778,868</u>

Horticulture Research International

NOTES TO THE ACCOUNTS

6.	INTEREST RECEIVABLE	2004/05	2003/04
		£	£
	Other Interest Receivable	<u>138,560</u>	<u>61,816</u>
		<u>138,560</u>	<u>61,816</u>
7.	STAFF	2004/05	2003/04
		£	£
	<u>Staff Costs:</u>		
	Wages and Salaries	8,437,541	9,581,644
	Social Security Costs	649,232	838,044
	Other Pension Costs	<u>1,106,249</u>	<u>2,765,552</u>
		<u>10,193,022</u>	<u>13,185,240</u>

The average number of persons employed by the company during the year (including directors) was:

	2004/05 Number	2003/04 Number
Management	1	19
Operational	181	298
Support	46	96
	<u>228</u>	<u>413</u>

The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

	2004/05 Number of senior post- holders	2004/05 Number of other staff	2003/04 Number of senior post- holders	2003/04 Number of other staff
£50,001 to £60,000	0	6	2	2
£60,001 to £70,000	0	0	4	1
£70,001 to £80,000	0	0	0	0
£80,001 to £90,000	1	0	0	0
£90,001 to £100,000	0	0	1	0
	<u>1</u>	<u>6</u>	<u>7</u>	<u>3</u>

Horticulture Research International

NOTES TO THE ACCOUNTS

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004/05	2003/04
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
External Audit	7,500	22,000
Internal Audit	0	5,500
Other services provided by internal or external auditor	0	182,500
	<u> </u>	<u> </u>

Horticulture Research International

NOTES TO THE ACCOUNTS

9. TANGIBLE FIXED ASSETS	Total	Freehold Land & Buildings	Plant Machinery & Equipment
	£	£	£
Cost			
At 1 April 2004	44,919,364	40,137,560	4,781,804
Additions at cost	534,718	271,879	262,839
Disposals at cost	(26,000)	(26,000)	-
Transfer	-	(665,587)	665,587
Transfer to University	<u>(45,428,082)</u>	<u>(39,717,852)</u>	<u>(5,710,230)</u>
At 31 July 2005	-	-	-
Depreciation			
At 1 April 2004	12,286,130	8,416,562	3,869,568
Charge for the year	1,662,441	1,083,277	579,164
Eliminated on Disposals	(6,413)	(6,413)	-
Transfer	237,497	(162,769)	400,266
Transfer to University	<u>(14,179,655)</u>	<u>(9,330,657)</u>	<u>(4,848,998)</u>
At 31 July 2005	-	-	-
Net Book Value at 31 July 2005	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value at 31 March 2004	<u><u>32,633,234</u></u>	<u><u>31,720,998</u></u>	<u><u>912,236</u></u>

10. EXCEPTIONAL ITEM

On 31 July 2005 the University of Warwick acquired the business and assets of Horticulture Research International, for a consideration of £1.

The assets of Horticulture Research International at the date of acquisition are summarised as follows:

	Book Value 31 July 2005 £
Tangible Fixed Assets	31,248,427
Deferred Capital Grants	(28,617,554)
Stocks	132,560
Debtors	4,816,465
Cash	108,682
Creditors	<u>(2,419,900)</u>
Net Assets	<u><u>5,268,680</u></u>

There were no differences between the book value and the fair value of the assets of Horticulture Research International as at 31 July 2005.

Horticulture Research International

NOTES TO THE ACCOUNTS

	2005	2004
	£	£
11. DEBTORS		
<u>Amounts falling due within one year:</u>		
Trade Debtors	-	1,372,802
VAT and Other Taxes	-	76,570
Prepayments and accrued income	-	1,034,643
Other debtors	-	46,852
	<u>-</u>	<u>2,530,867</u>
	<u>-</u>	<u>2,530,867</u>
12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	2005	2004
	£	£
Payments Received in Advance	-	1,338,085
Trade Creditors	-	1,284,032
Social Security and Other Taxation Payable	-	427,947
Accruals	-	1,685,956
Other Creditors	-	50,124
	<u>-</u>	<u>50,124</u>
	<u>-</u>	<u>4,786,144</u>
	<u>-</u>	<u>4,786,144</u>
13. PROVISIONS FOR LIABILITIES AND CHARGES		£
Early retirement provision		
At 1 April 2004		13,090,014
Utilised in Year		(13,090,014)
		<u>-</u>
At 31 July 2005		<u>-</u>

Horticulture Research International

NOTES TO THE ACCOUNTS

14. DEFERRED CAPITAL GRANTS	Total £	Funding Council £
<u>At 1 April 2004:</u>		
Buildings	28,969,386	28,969,386
Equipment	<u>658,388</u>	<u>658,388</u>
Total	<u>29,627,774</u>	<u>29,627,774</u>
<u>Cash Received:</u>		
Buildings	250,240	250,240
Equipment	<u>164,975</u>	<u>164,975</u>
Total	<u>415,215</u>	<u>415,215</u>
<u>Released to Income & Expenditure:</u>		
Buildings (Note 5)	1,048,261	1,048,261
Equipment (Note 5)	<u>377,174</u>	<u>377,174</u>
Total	<u>1,425,435</u>	<u>1,425,435</u>
<u>Transferred to University:</u>		
Buildings	28,171,365	28,171,365
Equipment	<u>446,189</u>	<u>446,189</u>
Total (Note 10)	<u>28,617,554</u>	<u>28,617,554</u>
<u>At 31 July 2005:</u>		
Buildings	-	-
Equipment	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>
15. RESERVES		Income and Expenditure £
Balance at 1 April 2004		3,782,132
Transferred to the University		<u>(3,782,132)</u>
<u>Balance at 31 July 2005</u>		<u>-</u>

Horticulture Research International

NOTES TO THE ACCOUNTS

16. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004/05	2003/04
	£	£
(Deficit) / Surplus Before Tax	(3,782,132)	1,424,189
Depreciation (Note 9)	1,899,938	1,912,583
Loss on Disposal of Tangible Fixed Assets to University	31,268,014	-
Deferred Capital Grants transferred to University (Note 14)	(28,617,554)	-
Deferred Capital Grants Released to Income (Note 14)	(1,425,435)	(1,809,500)
Other Interest Receivable (Note 6)	(138,560)	(61,816)
Decrease in Stocks	133,879	78,206
Decrease in Debtors	2,530,867	91,573
(Decrease) in Creditors	(4,786,144)	(466,407)
(Decrease) / Increase in Provisions (Note 13)	(13,090,014)	2,174,854
	<u>(16,007,141)</u>	<u>3,343,682</u>

17. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004/05	2003/04
	£	£
Interest Receivable (Note 6)	<u>138,560</u>	<u>61,816</u>
	<u>138,560</u>	<u>61,816</u>

18. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2004/05	2003/04
	£	£
Tangible Assets Acquired (Note 9)	(534,718)	(1,147,580)
Deferred Capital Grants Received (Note 14)	415,215	973,227
DEFRA restructuring fund	-	<u>164,767</u>
	<u>(119,503)</u>	<u>(9,586)</u>

19. ANALYSIS OF CHANGES IN NET FUNDS / (DEBT)

	At 1 April 2004	Other Changes	Cash Flows	At 31 July 2005
	£	£	£	£
Cash a Bank and in Hand	15,988,084	-	(15,988,084)	-
Pension provision	(13,090,014)	<u>13,090,014</u>	-	-
Net Funds	<u>2,898,070</u>	<u>13,090,014</u>	<u>(15,988,084)</u>	<u>-</u>

Cash at Bank at 1 April 2004 includes £13,090,014 in respect of a ring-fenced pension balance. There is a corresponding liability within provisions.

Horticulture Research International

NOTES TO THE ACCOUNTS

20. SUBSIDIARY COMPANIES

HRI Limited is a wholly owned subsidiary company of Horticulture Research International. The issued share capital of HRI Limited consists of 3 ordinary shares of £1 each (and total net assets of £3). The company is registered in England and Wales and did not trade during the year. The subsidiary is not consolidated on the grounds of materiality in accordance with S229 of the Companies Act 1985.

21. COMPANY LIMITED BY GUARANTEE

The Company is limited by guarantee of the Members. The University of Warwick is currently the only member of Horticulture Research International. The consolidated financial statements of the University are available to the public and may be obtained from:

University House
University of Warwick
Gibbet Hill Road
Coventry
CV4 8UW

22. RELATED PARTY TRANSACTIONS

The company's ultimate parent undertaking is University of Warwick and in accordance with the exemption granted by FRS 8, transactions between the company and other group members have not been separately disclosed.