



**THE INSTITUTE OF FOOD
RESEARCH
(LIMITED BY GUARANTEE)
GOVERNORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2003**

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

Governors:

Dr I Gibson
Mr C J Hart
Professor M Jackson
Professor P Lillford CBE
Professor J C Mathers
Miss D McCrea
Miss P Murphy
Professor D O'Connor
Professor R K Poole
Mr M J Samuel
Dr G D Spriegel
Professor J J Strain

Acting Director of the
Institute:

Professor M Gasson

Secretary:

Mr J A Kingsmill

Registered office:

Norwich Research Park
Colney
Norwich
NR4 7UA

Auditors:

Grant Thornton
Chartered Accountants
Holland Court
The Close
Norwich
NR1 4DY

Bankers:

Paymaster (1836) Limited
Sutherland House
Russell Way
Crawley
RH10 1UH

National Westminster Bank Plc
45 London Street
Norwich
NR2 1HX

Solicitors

Eversheds
Holland Court
The Close
Norwich
NR1 4DX

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

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THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

REPORT OF THE GOVERNORS

The governors present their annual report and the audited financial statements for the year ended 31 March 2003.

The members of the Governing Council who act as trustees for the purposes of the Charities Act 1993 and directors for the purposes of the Companies Act 1985 are all guarantors of the charity, of an amount not exceeding £1 each, during the year of their appointment as governor and for a year after resignation. The governors have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity.

The charity is a charitable company limited by guarantee and was set up on 16 January 1995. It is governed by its Memorandum and Articles of Association.

The Governing Council

The members of the Governing Council, including their membership of subcommittees, during the year and changes subsequent to 31 March 2003 are as follows:

Dr A Penman	(Finance and General Purposes)	(resigned 25 September 2002)
Professor A M Donald FRS	(Science)	(resigned 24 April 2002)
Professor P J Fryer	(Science)	(resigned 9 August 2002)
Dr I Gibson	(Science)	
Mr C J Hart	(Finance and General Purposes)	
Dr D Hutton	(Science)	(resigned 17 April 2002)
Professor M Jackson	(Science)	
Professor P Lillford CBE	(Science)	(appointed 1 August 2002)
Professor J C Mathers	(Science)	
Miss D McCrea	(Science)	(appointed 1 July 2002)
Miss P Murphy	(Science)	
Professor D O'Connor	(Science)	(appointed 1 August 2002)
Professor R K Poole	(Science)	
Mr M J Samuel	(Finance and General Purposes)	
Dr G D Spiegel	(Science)	
Dr J V Stevens	(Science)	(resigned 31 August 2003)
Professor J J Strain	(Science)	(appointed 1 August 2003)

The members of the Governing Council are appointed, following nominations by the Biotechnology and Biological Sciences Research Council (BBSRC). The director of the Institute is appointed by a staffing committee which includes members of BBSRC, the Chairman of the Governing Council and other co-opted members.

The governing body has delegated day to day management of the charity to the Director of the Institute.

Principal activity

The principal activity of the charity is the advancement of scientific understanding and knowledge transfer in food and food related matters. It achieves this by undertaking research and disseminating the results of such research and training research scientists as detailed in its Memorandum and Articles of Association and corporate plan.

The Institute has adopted the following policies to further its objectives:

- An on-going review of the research programme to ensure that it clearly follows the Institute's mission statement;
- Interdisciplinary collaborations are pursued to maximise and benefit the aims of the organisation;
- Intellectual alliances are established with major companies and other organisations world-wide to facilitate the dissemination of the results of the research;

Principal activity (continued)

- Alliances are established with other food research providers in Europe to provide an expertise-base for European Governments;
- Seminars and workshops are frequently held to promote technology interaction;
- Investment in capital equipment takes a high priority to ensure that the Institute remains at the leading edge of science;
- Extension of links with the media and development of public access activities assist in the dissemination of information on the scientific activities of the Institute.

Business review

The Governing Body is very pleased to report that IFR has more than met its scientific and financial plans during 2002/03. The Institute has continued to build on the financial success of the previous year and has recorded an operating surplus of £530k with closing reserves of £783k. Reserves are now in line with stated policy a year earlier than planned, which provides the Institute with both financial security and some flexibility for forward investment where required.

IFR's science quality and output continues to build, income generation from external sources remains a key objective and the control of assets and expenditure has been achieved by constant monitoring of relevant key measures and prudent management. The ongoing science of the Institute has been allowed to proceed to tight but realistic budgets and without intervention or cutbacks

IFR continues to build on the satisfactory feedback of the 2001 Institute Assessment Exercise (IAE) and is now well placed to meet its targets in the 2005 IAE as a major internationally competitive biological sciences institute, focused on food. To that end the Institute is pleased to welcome Professor Richard Mithen, formerly Professor of Crop Sciences at the University of Nottingham. Richard who has an international reputation in glucosinolates heads up IFR's Plant Foods for Health Protection programme in the Diet and Health Theme. During the year Dr Vic Morris and Dr Steve Ring were given special recognition for their contribution to international science through the Research Council Individual Merit Promotion initiative.

In Science Support, Zoe Dunford joined the Institute as Media Manager.

European research continues to dominate the scene with the commencement of Framework VI. During 2002/03, IFR prepared for the new Framework by initiating and chairing the 'FOODforce' European Directors Network (reported last year) and by responding to the Commission's call for Expressions of Interest which form the basis of future research programmes. IFR along with other Institutes was also intrinsically involved in developing the BBSRC's Science Vision and Strategy.

On matters of governance, IFR has continued to pursue its goal of attaining quality assurance accreditation to ISO 9001/2000 and this will be complete in October 2003. The work is being led by Dr Margaret Robins who has also been heavily involved in developing an interim Code of Practice for research quality assurance, sponsored by the BBSRC, EPSRC, the Food Standards Agency and DEFRA.

The Governing Body would like to express its sincere thanks to Dr Alistair Penman who retired after four years as Chairman and is now on the Council of the BBSRC. Dr Penman has made an exceptional contribution towards the strategy and direction of the Institute. We would also like to acknowledge our thanks to Professor Peter Fryer, Professor Athene Donald and Dr John Stevens who also retired since our last review. We are pleased to welcome Dr Geoff Spriegel as Chairman and Ms Diane McCrea, Professor Peter Lillford, Professor David O'Connor and Professor J J Sean Strain as new members of the Governing Body.

Business review (continued)

Professor Alastair Robertson resigned from the Institute on 31st August 2003 to take up the position of Chief Executive of Food Science Australia, we would like to express our sincerest thanks to Alastair for his contribution over the past three years. We are pleased to announce that Professor Mike Gasson has been appointed as Acting Director, Mike has headed the Institute's Science Safety Theme for many years and is a world renowned scientist in the field of microbial genetics.

Results for the year

The result for the year is detailed on page 8 of the financial statements. The net incoming resources for the year are £719.2k (2002: incoming £2,412.9k).

The results include the charity's wholly owned trading subsidiary which carries out non-charitable trading activities for the charity.

Employees

Institute staff are BBSRC employees subject to BBSRC terms and conditions of service and appointed by the Institute under delegated powers. Although the legal liability for employment costs rests with the BBSRC, the Institute is expected to meet staff related costs, arising from the normal course of business.

During the year the charity has provided employees with relevant information and has sought 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 charity's position and any significant organisational changes.

The charity 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 charity, as well as generally through training and career development.

The charity is an equal opportunities employer.

Governors' responsibilities for the financial statements

Company and charity law requires the governors 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 the group at the end of the year and its financial activities during the year then ended. In preparing those financial statements, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and group will continue its activities.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities. They are responsible for maintaining proper accounting records, for safeguarding the assets of the charitable company and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk management

The governors have assessed the major risks to which the charitable company is exposed and are satisfied that systems are in place to mitigate exposure to those risks.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

REPORT OF THE GOVERNORS

Reserves

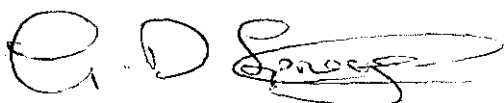
The trustees have reviewed the reserves of the charity. This review encompassed the nature of the income and expenditure streams, the need to match income with commitments and the nature of the reserves. The review concluded that to allow the charity to be managed efficiently and to provide a buffer for uninterrupted services, a general reserve equivalent to between £500k and £1m would be appropriate. This equates to approximately 12 months of unrestricted fund management expenditure. Additional funds are required from time to time to invest in the Institute's resources. During the year the charity's general reserves have increased from £253.1k to £782.6k (see note 16). The budget for the next two years has forecast surpluses to continue building the general reserve.

Capital funds have increased from £10,398,400 to £10,588,100. This equates to the increase in the net book value of the charity's fixed assets.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Grant Thornton as auditors of the charity is to be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE GOVERNING COUNCIL



Dr G D Spriegel
Governor

Norwich Research Park
Colney
Norwich
NR4 7UA

17 September 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

We have audited the financial statements of The Institute of Food Research (Limited by Guarantee) for the year ended 31 March 2003 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated summary income and expenditure account, the balance sheets, the consolidated cash flow statement and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance 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 the governors and auditors

The charitable company's governors' (who are also the directors) responsibilities for preparing the governors' report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statement of governors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 Companies Act 1985. We also report to you if, in our opinion, the governors' 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 governors' remuneration and transactions with the company is not disclosed.

We read other information contained in the governors' report, 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. Our responsibilities do not extend to any other information.

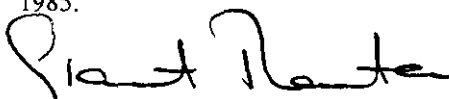
Basis of opinion

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 governors 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 group and the charitable company's affairs as at 31 March 2003 and of the group's 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.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

NORWICH

17 September 2003

- 1 The maintenance and integrity of the Institute of Food Research Limited website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the charity's financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP): Accounting and Reporting by Charities, published in October 2000.

The consolidated financial statements comprise those of the charity and its subsidiary undertaking made up to 31 March each year. A separate income and expenditure account for the charity has not been presented in accordance with Section 230 of the Companies Act 1985.

INCOMING RESOURCES

Income represents grants receivable in the year from outside granting bodies and other miscellaneous income. Income is recognised when the charity becomes legally entitled to the income and the amount can be quantified with reasonable accuracy.

UNRESTRICTED FUNDS

These include the core grant from BBSRC and any other grants which do not have specific conditions attached to them.

RESTRICTED FUNDS

Where research at the Institute is funded by grants with conditions attached to them these are shown as restricted. Individual grants have not been analysed separately because of the large number of projects involved.

CAPITAL FUNDS

Capital funds represent capital grants received and receivable together with other funds received and receivable and used to purchase fixed assets.

TRANSFERS BETWEEN FUNDS

A transfer is made between the capital fund and the general reserve each year amounting to the reduction in value of the capital fund caused by depreciation and other factors affecting the assets represented by the fund.

Transfers from unrestricted funds to restricted funds are made at the discretion of the Governing Body such that restricted funds do not fall into deficit.

RESOURCES EXPENDED

Direct charitable expenditure represents the full cost of the research performed. It includes the cost of direct staff, consumable stocks and indirect costs apportioned on the basis of use on an accruals basis.

Costs of generating funds represents the cost of obtaining funds for research, by the contracts office and preparing grant applications, and raising the profile of the Institute. Costs incurred in preparing grant applications, which are primarily a staff cost, have been estimated based on a sample review of time taken to prepare the detailed applications.

Support costs and management and administration expenditure represents the necessary cost of compliance with statutory and constitutional requirements, and any other costs which are not direct charitable expenditure. The cost has been split between unrestricted and restricted funds in line with direct charitable expenditure.

PRINCIPAL ACCOUNTING POLICIES

FIXED ASSETS AND DEPRECIATION

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold land and buildings	Over life of buildings, varying between 5 and 30 years
Scientific equipment	5 to 10 years
Computer equipment	3 to 5 years
Photographic equipment	5 to 10 years
Motor vehicles	4 years

The trustees are not aware of any reasons why the current short term lease would not be renewed and have therefore depreciated the leasehold land and buildings over their estimated economic life. This is a change from previous years when the leasehold property was depreciated over the term of the lease.

Gains and losses on the disposal of fixed assets are taken to the statement of financial activities as incurred.

GRANTS

Capital based grants are included within capital funds in the balance sheet and credited to the statement of financial activities over the estimated useful economic lives of the assets to which they relate.

FOREIGN CURRENCY TRANSACTION

All foreign currency gains and losses are taken to the income and expenditure account as incurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

VAT

Income is stated net of Value Added Tax. Expenditure includes Value Added Tax where applicable.

LEASES

Where the charity enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease with the interest element of the lease payments being allocated to the income and expenditure account under the sum of the digits method. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter.

All other leases are accounted for as operating leases and the rental charges are charged to the statement of financial activities on a straight line basis over the life of the lease.

STOCKS

Stocks are valued at the lower of cost and net realisable value.

PENSION COSTS

The cost of providing pension and related benefits is charged to the statement of financial activities as directed by the BBSRC. The scheme is a defined benefit scheme as explained in note 18 but there are no separately identifiable assets and the actuarial cost to the charity is not known. Consequently it is not possible to supply the information referred to in Financial Reporting Standard 17 and the charity has accounted for the scheme as though it were a money purchase scheme.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2003

	Note	Un- restricted funds £'000	Restricted funds £'000	Capital funds £'000	2003 Total funds £'000	2002 Total funds £'000
Incoming resources						
<i>Activities in furtherance of the charity's objects:</i>						
Grants receivable from government and other public bodies		8,119.0	2,704.3	1,182.7	12,006.0	12,650.5
Other income		144.0	-	-	144.0	2,320.7
Released/(deferred) funds		-	401.8	(58.2)	343.6	(332.5)
<i>Activities for generating funds:</i>						
Trading income		1,819.4	-	-	1,819.4	1,172.3
Investment income		238.4	-	-	238.4	272.7
Total incoming resources	1	10,320.8	3,106.1	1,124.5	14,551.4	16,083.7
Resources expended						
<i>Cost of generating funds:</i>						
Grant applications		502.8	-	-	502.8	627.5
Trading costs		1,706.1	-	-	1,706.1	1,226.0
		2,208.9	-	-	2,208.9	1,853.5
<i>Costs of activities in furtherance of the charity's objects:</i>						
Direct charitable expenditure		7,221.4	2,978.3	-	10,199.7	10,544.0
Support costs		210.6	79.2	-	289.8	298.8
Management and administration of the charity		843.1	290.7	-	1,133.8	974.5
		8,275.1	3,348.2	-	11,623.3	11,817.3
Total resources expended	2	10,484.0	3,348.2	-	13,832.2	13,670.8
Net (outgoing)/incoming resources before transfers						
Capital virement		(163.2)	(242.1)	1,124.5	719.2	2,412.9
Capital fund release		(539.3)	-	539.3	-	-
Transfer between funds		1,474.1	-	(1,474.1)	-	-
		(242.1)	242.1	-	-	-
Net incoming resources for the year		529.5	-	189.7	719.2	2,412.9
Balances brought forward	16	253.1	-	10,398.4	10,651.5	8,238.6
Balances carried forward	16	782.6	-	10,588.1	11,370.7	10,651.5

All income and expenditure relates to continuing activities and there are no recognised gains or losses other than those shown above.

The accompanying accounting policies and notes form an integral part of these financial statements.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Gross income of continuing operations		13,426.9	12,597.9
Capital grant released		934.8	1,446.5
Total income of continuing operations		14,361.7	14,044.4
Total expenditure of continuing operations	8	(13,832.2)	(13,670.8)
Net surplus for the year		529.5	373.6

Total income comprises £10,320.8k (2002: £9,421.2k) for unrestricted funds and £3,106.1k (2002: £3,176.7k) for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities and note 1.

Turnover of non-charitable trading activities amounted to £1,819.4k (2002: £1,172.3k). A detailed analysis of the trading results is shown in note 10.

Detailed analyses of the expenditure are provided in the statement of financial activities and note 2.

The summary income and expenditure account is derived from the statement of financial activities on page 8 which, together with the notes to the accounts on pages 12 to 23, provides full information on the movements during the year on all the funds of the group.

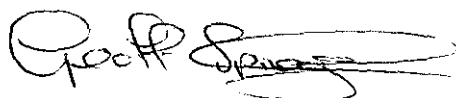
The accompanying accounting policies and notes form an integral part of these financial statements.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

BALANCE SHEET AT 31 MARCH 2003

	Note	Group 2003 £'000	2002 £'000	Charity 2003 £'000	2002 £'000
Fixed assets					
Tangible fixed assets	9	10,704.6	10,482.5	10,588.1	10,398.4
Investment in subsidiary	10	-	-	-	-
		<u>10,704.6</u>	<u>10,482.5</u>	<u>10,588.1</u>	<u>10,398.4</u>
Current assets					
Stocks	11	28.5	30.0	28.5	30.0
Debtors	12	2,631.4	2,275.4	2,558.8	2,110.8
Cash at bank and in hand	13	945.6	1,390.0	778.8	1,195.7
		<u>3,605.5</u>	<u>3,695.4</u>	<u>3,366.1</u>	<u>3,336.5</u>
Creditors: amounts falling due within one year	14	(2,939.4)	(3,476.4)	(2,583.5)	(3,033.4)
Net current assets		<u>666.1</u>	<u>219.0</u>	<u>782.6</u>	<u>303.1</u>
Total assets less current liabilities		<u>11,370.7</u>	<u>10,701.5</u>	<u>11,370.7</u>	<u>10,701.5</u>
Creditors: amounts falling due after more than one year	15	-	(50.0)	-	(50.0)
Net assets		<u>11,370.7</u>	<u>10,651.5</u>	<u>11,370.7</u>	<u>10,651.5</u>
Funds					
<i>Restricted</i>					
General reserve	16	-	-	-	-
Capital fund	16	10,588.1	10,398.4	10,588.1	10,398.4
<i>Unrestricted</i>	16	782.6	253.1	782.6	253.1
		<u>11,370.7</u>	<u>10,651.5</u>	<u>11,370.7</u>	<u>10,651.5</u>

These financial statements were approved by the board of Governing Council on 17 September 2003 and were signed on its behalf by:



Dr G D Spiegel Governor

The accompanying accounting policies and notes form an integral part of these financial statements.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	20	97.9	1,594.6
Return on investments and servicing of finance			
Interest received		41.5	35.5
Net cash inflow for returns on investment and servicing of finance		41.5	35.5
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,716.5)	(1,581.5)
Grants received in respect of above expenditure		1,182.7	1,258.3
Net cash (outflow) from investing activities		(533.8)	(323.2)
Cash (outflow)/inflow before financing		(394.4)	1,306.9
Financing			
Repayment of loan		(50.0)	(151.0)
Net cash (outflow) from financing		(50.0)	(151.0)
(Decrease)/increase in cash		(444.4)	1,155.9
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(444.4)	1,155.9
Decrease in loans due within one year		-	101.0
Decrease in loans due after one year		50.0	50.0
(Decrease)/increase in net funds	21	(394.4)	1,306.9

The accompanying accounting policies and notes form an integral part of these financial statements.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

1

ANALYSIS OF INCOMING RESOURCES

	Unrestricted £'000	Restricted £'000	Capital funds £'000	Deferred movement £'000	2003 Total £'000	2002 Total £'000
BBSRC						
- Competitive Strategic Grant	8,119.0	-	-	-	8,119.0	7,883.0
- Competitive Project Grants	-	610.3	-	10.5	620.8	560.9
- Minor works	-	-	1,182.7	(58.2)	1,124.5	1,258.3
- Other capital grants (see note 22)	-	-	-	-	-	2,227.5
Total BBSRC	8,119.0	610.3	1,182.7	(47.7)	9,864.3	11,929.7
Defra	-	50.3	-	74.6	124.9	62.8
FSA	-	429.9	-	144.3	574.2	953.3
MAFF 'Umbrella' Contract projects	-	-	-	-	-	-
MAFF Competitive projects	-	-	-	-	-	-
Other government departments, public sector (see below)	-	20.9	-	-	20.9	35.0
European Union	-	1,208.1	-	109.7	1,317.8	1,082.2
Industry, levy boards	-	347.7	-	24.2	371.9	433.7
Trusts, foundations, charities	-	-	-	-	-	-
Universities	-	37.1	-	-	37.1	48.8
Miscellaneous income	144.0	-	-	-	144.0	93.2
Interest receivable	41.5	-	-	-	41.5	35.5
Investment income	196.9	-	-	38.5	235.4	237.2
Trading income	1,819.4	-	-	-	1,819.4	1,172.3
Total incoming resources	10,320.8	2,704.3	1,182.7	343.6	14,551.4	16,083.7
Government departments/public sector						
Department of Health	-	-	-	-	-	-
Other Research Councils	-	17.1	-	-	17.1	26.6
Other government departments	-	3.8	-	-	3.8	8.4
Total	-	20.9	-	-	20.9	35.0

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

ANALYSIS OF RESOURCES EXPENDED

	Staff costs £'000	Other £'000	Depreciation £'000	2003 Total £'000	2002 Total £'000
Costs of generating funds					
Fundraising costs	430.5	69.8	2.5	502.8	627.5
Trading costs	720.2	965.4	20.5	1,706.1	1,226.0
	<u>1,150.7</u>	<u>1,035.2</u>	<u>23.0</u>	<u>2,208.9</u>	<u>1,853.5</u>
Charitable expenditure					
<i>Cost of activities in furtherance of the charity's objects:</i>					
Scientific Research	5,249.4	1,692.2	544.4	7,486.0	7,849.3
Engineering Services	380.0	481.1	750.8	1,611.9	1,604.3
Computing Services	145.1	399.7	91.0	635.8	556.7
Safety & Training	49.7	17.9	0.9	68.5	63.5
Other	107.9	255.4	34.2	397.5	470.2
	<u>5,932.1</u>	<u>2,846.3</u>	<u>1,421.3</u>	<u>10,199.7</u>	<u>10,544.0</u>
Support costs					
External Relations	63.7	43.8	-	107.5	104.0
Publications	93.1	19.2	8.7	121.0	123.2
National & International Liaison	57.7	2.6	1.0	61.3	71.6
	<u>214.5</u>	<u>65.6</u>	<u>9.7</u>	<u>289.8</u>	<u>298.8</u>
Management and administration					
Institute Management	316.5	221.0	8.5	546.0	398.9
Finance	305.7	75.9	16.0	397.6	378.0
Personnel	146.0	43.0	1.2	190.2	197.6
	<u>768.2</u>	<u>339.9</u>	<u>25.7</u>	<u>1,133.8</u>	<u>974.5</u>
Total	<u>8,065.5</u>	<u>4,287.0</u>	<u>1,479.7</u>	<u>13,832.2</u>	<u>13,670.8</u>

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

3 OPERATING COSTS

	2003 £'000	2002 £'000
Operating costs stated after charging/(crediting)		
Auditors' remuneration		
- audit services - group	13.5	13.9
- charity	2.1	12.3
- non-audit services	-	1.9
Depreciation	1,479.6	1,735.0
Capital grant release	(1,474.1)	(1,722.5)
Loss on disposal of fixed assets	14.8	1.6
Hire of plant and machinery	10.9	26.9
	<u> </u>	<u> </u>

4 CHANGES IN RESOURCES AVAILABLE FOR CHARITY USE

	Unrestricted funds £'000	Restricted funds £'000	Capital fund £'000	2003 Total £'000	2002 Total £'000
Net movement in funds for the year	529.5	-	189.7	719.2	2,412.9
Net (increase) in tangible fixed assets for:					
Direct charitable purposes	-	-	(189.7)	(189.7)	(2,039.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net movement in funds available for future activities	529.5	-	-	529.5	373.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5 REMUNERATION OF THE MEMBERS OF THE GOVERNING COUNCIL

None of the members of the Governing Council received any remuneration from the charity during the year.

Eight members of the Governing Council were reimbursed for travel expenses incurred during the year. The total amount reimbursed was £3.0k (£3.8k).

6 STAFF NUMBERS AND COSTS

The average number of persons employed by the Institute (including members of the Governing Council) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Office, management and services	71	72
Scientific	215	213
	<u> </u>	<u> </u>
	286	285
	<u> </u>	<u> </u>

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

STAFF NUMBERS AND COSTS (Continued)

The aggregate payroll costs of these persons were as follows:

	2003 £'000	2002 £'000
Wages and salaries	6,960.6	6,647.7
Social security costs	449.1	445.7
Other pension costs (note 18)	655.8	592.6
	<u>8,065.5</u>	<u>7,686.0</u>

The number of staff with emoluments greater than £50,000 was:

	2003	2002
£50,000 - £59,999	3	1
£100,000 - £109,999	-	1
£110,000 - £119,999	1	-
	<u>1</u>	<u>-</u>

The Director of the Institute received total emoluments of £111,320 (2002: £107,965) and contributions to the research councils pension scheme amounted to £9,130 (2002: £8,699).

7 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
Other interest receivable	<u>£41.5k</u>	<u>£35.5k</u>

8 NOTE TO INCOME AND EXPENDITURE ACCOUNT - EXPENDITURE

	2003 £'000	2002 £'000
Staff costs	8,065.5	7,686.0
Consumables	1,161.0	1,125.3
Travel and motor expenses	234.8	469.9
Other fees	1,338.0	1,100.1
Repairs and maintenance	407.6	502.6
Rent and rates	18.3	76.4
Energy	179.1	271.0
Equipment	66.5	99.1
Depreciation	1,479.6	1,735.0
Student grants and fees	57.3	132.1
Post and telecommunications	51.0	86.0
Stationery, printing etc	57.2	80.8
Other costs	716.3	306.5
	<u>13,832.2</u>	<u>13,670.8</u>

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

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For the year ended 31 March 2003

9 TANGIBLE FIXED ASSETS

Group	Leasehold land and buildings £'000	Plant, machinery and motor vehicles £'000	Apparatus and equipment £'000	Payments on account £'000	Total £'000
Cost					
At 1 April 2002	9,775.3	968.2	6,398.6	390.1	17,532.2
Additions	-	3.7	1,020.0	692.8	1,716.5
Transfers	877.7	8.3	-	(886.0)	-
Disposals	-	(1.5)	(540.0)	-	(541.5)
At 31 March 2003	10,653.0	978.7	6,878.6	196.9	18,707.2
Depreciation					
At 1 April 2002	3,887.3	824.3	2,338.1	-	7,049.7
Charge for year	533.8	51.4	894.4	-	1,479.6
Disposals	-	(1.5)	(525.2)	-	(526.7)
At 31 March 2003	4,421.1	874.2	2,707.3	-	8,002.6
Net book value at 31 March 2003	6,231.9	104.5	4,171.3	196.9	10,704.6
Net book value at 31 March 2002	5,888.0	143.9	4,060.5	390.1	10,482.5

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

TANGIBLE FIXED ASSETS (Continued)

	Short leasehold land and buildings £'000	Plant, machinery and motor vehicles £'000	Apparatus and equipment £'000	Payments on account £'000	Total £'000
Charity					
Cost					
At 1 April 2002	9,775.3	968.2	6,284.4	390.1	17,418.0
Additions	-	3.7	967.2	692.8	1,663.7
Transfers	877.7	8.3	-	(886.0)	-
Disposals	-	(1.5)	(540.0)	-	(541.5)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	10,653.0	978.7	6,711.6	196.9	18,540.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 April 2002	3,887.3	824.3	2,308.0	-	7,019.6
Charge for year	533.8	51.4	874.0	-	1,459.2
Disposals	-	(1.5)	(525.2)	-	(526.7)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	4,421.1	874.2	2,656.8	-	7,952.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2003	6,231.9	104.5	4,054.8	196.9	10,588.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2002	5,888.0	143.9	3,976.4	390.1	10,398.4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All of the fixed assets of the charity are used for charitable purposes.

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

10 INVESTMENT IN SUBSIDIARY

The Institute owns 100% of the ordinary share capital of IFR Enterprises Limited, a company incorporated in England. The subsidiary is used for non-primary purpose trading activities. The company's results for the year were as follows:

	2003 £'000	2002 £'000
Turnover, including royalties and profit share	1,819	1,199
Cost of sales	(1,706)	(1,212)
Gross profit/(loss)	113	(13)
Admin expenses	(34)	(16)
Operating profit/(loss)	79	(29)
Interest receivable	3	-
Net profit/(loss)	82	(29)
Amount covenanted to The Institute of Food Research	(56)	(10)
Retained in subsidiary	26	(39)

The Institute has provided for the deficit shown by the subsidiary company by reducing the debtor it will be able to recover from the subsidiary (note 12).

11 STOCKS

	2003 £'000	2002 £'000
Group and charity		
Raw materials and consumables	28.5	30.0

12 DEBTORS

	Group		Charity	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Trade debtors	865.8	1,088.2	491.5	870.4
Amounts owed by subsidiary undertaking	-	-	590.4	146.9
Other debtors	119.8	226.0	119.8	226.0
Prepayments	315.1	281.8	315.1	281.8
Accrued income	1,330.7	679.4	1,042.0	585.7
	2,631.4	2,275.4	2,558.8	2,110.8

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

13 CASH AT BANK AND IN HAND

	Group		Charity	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Cash at bank	590.8	519.2	424.3	325.1
EU Co-ordinators account	350.6	866.8	350.6	866.8
Cash in hand	4.2	4.0	3.9	3.8
	<u>945.6</u>	<u>1,390.0</u>	<u>778.8</u>	<u>1,195.7</u>

An amount equivalent to the EU Co-ordinators account is held within other creditors (note 14).

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Charity	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Deferred income	648.8	1,216.2	483.5	953.6
Short term loans (note 22)	50.0	50.0	50.0	50.0
Trade creditors	553.4	458.3	520.3	433.3
Amounts owed to subsidiary undertaking	-	-	21.2	-
Other creditors	1,215.7	963.6	1,140.2	900.9
Accruals	471.5	788.3	368.3	695.6
	<u>2,939.4</u>	<u>3,476.4</u>	<u>2,583.5</u>	<u>3,033.4</u>

Short term loans are interest free.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Charity	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Group and charity				
Loan from BBSRC – interest free (note 22)	-	50.0	-	50.0

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

16 FUNDS

	Balance 1 April 2002 £'000	Net incoming/ (outgoing) resources £'000	Transfer between funds £'000	Balance 31 March 2003 £'000
Group				
Unrestricted	253.1	(163.2)	692.7	782.6
Restricted	-	(242.1)	242.1	-
Capital fund	10,398.4	1,124.5	(934.8)	10,588.1
	<u>10,651.5</u>	<u>719.2</u>	<u>-</u>	<u>11,370.7</u>
Charity				
Unrestricted	253.1	(163.2)	692.7	782.6
Restricted	-	(242.1)	242.1	-
Capital fund	10,398.4	1,124.5	(934.8)	10,588.1
	<u>10,651.5</u>	<u>719.2</u>	<u>-</u>	<u>11,370.7</u>

The capital fund has been set up to assist in identifying those funds that are not free funds and it represents the net book value of tangible fixed assets held by the charity. Where grants are insufficient to meet the full cost of the assets, transfers are made from the other funds as appropriate, representing their contribution towards the overall cost of the asset.

Analysis of net assets between funds

	Tangible fixed assets £'000	Net current assets £'000	Creditors due after more than one year £'000	Total £'000
Group				
Restricted funds				
Capital reserve	10,588.1	-	-	10,588.1
Unrestricted funds	116.5	666.1	-	782.6
	<u>10,704.6</u>	<u>666.1</u>	<u>-</u>	<u>11,370.7</u>

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

17 COMMITMENTS

Group and charity

(a) Capital commitments at the end of the financial year for which no provision has been made:

	2003 £'000	2002 £'000
Contracted	112.3	184.0

(b) Other commitments at the end of the financial year for which no provision has been made:

	2003 £'000	2002 £'000
Contracted	311.5	259.2

The BBSRC has agreed to fund the capital and other commitments that have been authorised and contracted for.

(c) Research facilities

The IFR has made a commitment to contribute £1,000,000 of capital funds towards a Biomedical Centre at the University of East Anglia which will allow the Institute access to research facilities. Costs will be incurred during an eighteen month period from August 2004.

(d) Operating lease commitments

The group and charity are committed to the following annual charges in respect of:

	2003 £'000	2002 £'000
Other operating leases – plant and machinery		
Expiring within two to five years	-	0.4

18 PENSION SCHEME

The company participates in the Research Council's Pension Scheme (RCPS), which replaced the Agricultural and Food Research Council 1975 Superannuation Scheme (Old Scheme). The RCPS is a defined benefit scheme which is funded partly by employer and member contributions and partly by Grant-in-aid on a pay-as-you-go basis. The Institute is required to contribute employer's contributions although liability for meeting member's benefits rests with the BBSRC, which administers the RCPS on behalf of all research institutes. The scheme has been designated a multi employer scheme which cannot identify individual Institute liabilities. The pension cost represents contributions payable by the charity to the scheme and amounted to £655.8k (2002: £592.6k). No contributions were due to the scheme by the charity at the year end (2002: £nil).

THE INSTITUTE OF FOOD RESEARCH (LIMITED BY GUARANTEE)

NOTES TO THE GOVERNORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2003

19 INSURANCE

In line with government policy no commercial insurance is affected unless it is required by statute or where it would be cost effective to do so.

20 RECONCILIATION OF CHANGE IN RESOURCE TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £'000	2002 £'000
Changes in resources	719.2	2,412.9
Changes in capital funds	(189.7)	(2,039.3)
Interest receivable	(41.5)	(35.5)
Depreciation charge	1,479.6	1,735.0
Capital grant release - net	(934.8)	(1,446.5)
Loss on disposal of tangible fixed assets	14.8	1.6
Decrease/(increase) in stocks	1.5	(0.7)
(Increase) in debtors	(356.0)	(264.4)
(Decrease)/increase in creditors	(537.0)	1,231.5
Capital grant deferred	(58.2)	-
Net cash inflow from operating activities	97.9	1,594.6

21 ANALYSIS OF NET FUNDS

	At 1 April 2002 £'000	Cash flow £'000	At 31 March 2003 £'000
Cash in hand and at bank	1,390.0	(444.4)	945.6
Debt due within one year	(50.0)	-	(50.0)
Debt due after more than one year	(50.0)	50.0	-
Total	1,290.0	(394.4)	895.6

22 **RELATED PARTY TRANSACTIONS**

Biotechnology and Biological Science Research Council (BBSRC)

The Institute of Food Research is affiliated with the BBSRC along with seven other Institutes including the John Innes Centre and The Babraham Institute. During the year, the BBSRC charged the Institute £588.9k (2002: £512.0k) for Computing Centre costs and £253.2k (2002: £275.3k) for other costs. Grants received from BBSRC are detailed in note 1.

At 31 March 2003 £50k (2002: £50k) was payable to BBSRC in respect of short term loans (note 14) and £nil (2002: £50k) was payable to BBSRC in respect of loans payable after more than one year (note 15).

During the year the BBSRC extended the lease to include an additional property. The estimated value was been capitalised within leasehold properties and treated as other grant income in note 1.

The Babraham Institute

The Babraham Institute operates the payroll for the Institute and charged £8.4k (2002: £7.5k) for this service. The Institute made sales to The Babraham Institute during the year of £11.5 (2002: £5.4k). At the year end there was £5k due from the Institute (2002: £nil).

John Innes Centre

The Institute made sales to John Innes Centre during the year of £11.7k (2002: £111.8k) and purchases of £246.7k (2002: £185.2k). At the year end there was £2.3k due to the Institute (2002: £0.3k).