

Presented pursuant to Biological Standards Act 1975, c.4, s.4(4)

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# National Biological Standards Board Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JULY 2005

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## Foreword

### Background information

The Board's responsibilities are set out in the National Biological Standards Board (Functions) Order 1976. The Board took over the management of the National Institute for Biological Standards and Control (NIBSC) from the Medical Research Council on 1 July 1976. The Institute moved into its new laboratories at South Mimms in July 1987. In July 2004 the government announced that the Board would be abolished and its functions transferred to the Health Protection Agency once the necessary legislation had been passed. This is expected to be in 2007.

### Activities

The Board's prime function is to assure the potency, purity and related efficacy and safety of biological substances used in human medicine. These substances include bacterial and viral vaccines such as those used for immunisation against diphtheria, poliomyelitis, measles and influenza, blood products such as Factor VIII and immunoglobulins and therapeutics such as cytokines and growth factors.

Standard preparations, against which the potency of biological substances is measured, are prepared, held and distributed to other national control laboratories and to manufacturers and researchers throughout the world. Control testing of batches of biological medicinal products supplied by holders of licences under the Medicines Act 1968 and/or EC Directive 2001/83 (as amended) is carried out to ensure that requirements relating to potency, purity and associated efficacy and safety have been met.

The Board collaborates with the World Health Organization, the European Pharmacopoeia Commission and other international organisations and bodies in relation to the establishment of standards for, the provision of standard preparations of, and the testing of biological substances.

### Research and development

Standardisation and control work is supported by research and development work directed towards designing and improving assay, test and standardisation methods, including *in vitro* studies, not only for existing biological medicinal products but also for new products arising from scientific developments including those in the field of biotechnology.

### Form of Account

The Account has been prepared in a form directed by the Secretary of State with the approval of the Treasury in pursuance of Section 4 (3) of the Biological Standards Act 1975.

### Results for the year

The Board carried out its functions through the National Institute for Biological Standards and Control (NIBSC) as described above. The revenue contribution from UK government through the Department of Health covers over half of the costs of the Institute, but has declined annually as a proportion of total operating costs. The remaining costs are covered by charges for services.

The loss for the year amounted to £410,000 which when added to the opening balance on the Income and Expenditure Account gave an accumulated surplus of £6,466,000. Movements in reserves are shown in Note 12 to the accounts.

The loss compares with a surplus in the previous year of £3,593,000 which benefited from the anticipated recovery of VAT for earlier periods of £2,073,000. Significant financial changes in the year included the increase in employers' contributions to the NHS Pension Scheme from 7% to 14% of pensionable pay from 1 April 2004 resulting in additional payroll costs of £530,000, towards which the Department of Health made an earmarked contribution of £486k. Turnover from third party contracts fell in the year by £919,000 reflecting primarily the decline in polio vaccine testing activity with the replacement of the oral polio vaccine used in the UK by an inactivated vaccine. Income from two of the Institute's core activities – the distribution of biological reference materials and the independent testing of batch released biological medicines – increased by 9% or £268,000.

Cash and investment balances decreased by £2,203,000 to £582,000 of which £283,000 (31 March 2004: £2,542,000) were Government funds. This movement reflects the unusually high balance of funds earmarked for capital projects for which purchase commitments had been made at 1 April 2004 which were spent in the first part of the year as equipment was delivered.

Capital spending in the year was £3.1 million (2003-2004: £3.9 million) and has significantly enhanced the scientific facilities and equipment of the Institute.

The change in financial position between 2003-2004 and 2004-2005 showed an increasing imbalance between income and expenditure resulting from the ever growing demand on the Institute's resources and the field of biological medicines. This has been addressed by the Board in setting a balanced budget for 2005-2006.

### Fixed assets

The significant additions to fixed assets during the year were

- a completion of UK Stem Cell Bank laboratories;
- b automated ampoule filling machinery; and
- c extensive refurbishments to laboratories and plant.

The Institute also replaced all its desktop personal computers with uniform equipment and identical operating systems.

### Review of activities and future developments

Purpose-built laboratories for the UK Stem Cell Bank were completed ready to acquire quality-assured stem cell lines for research and, eventually, therapeutic use.

The Board has continued to use advanced genetic techniques to develop vaccine strains for influenza. The resulting vaccine viruses will be used to combat a potential outbreak of pandemic human influenza if avian strains acquire the ability to infect the human population.

Rapid progress in medical science and the application of new biotechnology is leading to an increased rate of development of new biological medicinal products for use in the prevention, therapy and diagnosis of human disease. Among such substances are new and improved vaccines, cytokines and growth factors, cell lines and new types of treatment for blood coagulation disorders. A consequence of the expansion in the range and number of biological medicines is the need for corresponding development of control testing procedures by the National Biological Standards Board (NBSB) to ensure the safety and efficacy of the new products and reference standards. Safety considerations, particularly microbiological (e.g. of blood and blood products), also require the development and application of increasingly complex tests for infectious agents. The Institute also needs to keep pace with the rapid technological developments in analytical equipment to ensure that its scientists maintain their leading position in biological standardisation and control worldwide. The Institute holds independent accreditation for its control testing work (ISO 17025) and for the production of standards (ISO 9001).

## Disabled persons

All those responsible for recruitment to the Board's staff whenever practicable give full and fair consideration of candidates who are disabled. Within the limitations imposed by the nature of the work undertaken by the Board, disabled staff are provided with the same opportunities for training, re-training and promotion as other employees. Whenever possible, staff who become disabled whilst in the Board's employment are re-trained. Currently the Board employs no staff who are registered as disabled.

## Employee involvement

It is the Board's policy to be open and fair in its dealings with Staff and recognised unions.

The Board endorses the principle of collective consultation on all matters that concern their staff, and negotiation on matters concerned with the terms and conditions of service of staff. A Joint Negotiating and Consultative Committee has been established, consisting of a 'Staff Side', representing the trade unions that have been formally recognised by the Board, and representatives of the Board and its officers, to provide the machinery for consultation and negotiation.

Two members are elected from the staff of the NBSB for appointment by the Minister to the Board. These staff Board members also serve on Board Committees including the Finance and General Purposes Committee.

Staff are provided with information through staff briefings, seminars and newsletters. The annual accounts are made available to staff through the Annual Report.

## Invoice payment policy

In accordance with the CBI's 'Better Payment Practice Code', the Board aims to pay suppliers' invoices within thirty days of receiving an invoice in accordance with its standard terms and conditions. Any departure from these terms is agreed with individual suppliers. In 2004-2005, the Board paid 49% (2003-2004: 53%) of invoices within 30 days, representing 50% (52%) of the total value of invoices paid. It is the Board's policy to comply with these terms of payment as far as is practical within the constraints of the organisation.

## Board members

Board membership during the financial year was

Professor GW Duff PhD FRCP FMedSci (Chairman)

Professor D H Calam OBE MA DPhil CChem FRSC FRSA Hon MRPharmS Hon MBIRA DSc

Professor J H Darbyshire OBE FRCP FFPHM

Mr A Heath MA MSc CStat

Mr Martin Hindle MSc BPharm MRPharmS

Professor J P Hughes FRS

Dr S C Inglis PhD (Director)

Professor D S Latchman PhD MRCPath FRCPPath

Professor Christine Lee MA MD DSc(Med) FRCP FRCPPath

Ms G M Noble CB MA MSc

Dr J C Petricianni MD

Mr A J Robertson CA

Professor J G P Sissons MB BS MD FRCP MRCPPath

Professor Sir John Skehel FRS

Dr S Thomas PhD

Dr Lincoln Tsang LLB PhD FRSC FIBiol FRSA MRPharmS

Barrister and Solicitor

## Audit

The Board's auditor is the Comptroller and Auditor General.

Details of the audit fee for the year are disclosed in Note 4 to the financial statements.

Other than the statutory audit of the financial statements, the Comptroller and Auditor General has not provided any other services to the Board during the year ended 31 March 2004.

*S C Inglis*  
Accounting Officer  
National Biological Standards Board

4 July 2005

## Statement of the Board's and Director's responsibilities

Under Section 4(3) of the Biological Standards Act 1975 the National Biological Standards Board is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Board's state of affairs at the year-end and of its income and expenditure and cash flow for the financial year.

In preparing the accounts the Board is required to

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Board will continue in operation.

The Accounting Officer of the Department of Health has designated the Director of the National Institute for Biological Standards and Control as the Accounting Officer for the Board. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum, issued by the Treasury and published in 'Government Accounting'.



# Statement on Internal Control

## Scope of responsibility

The Board is accountable for internal control. As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the statutory duties of the National Biological Standards Board and its policies, aims and objectives, whilst safeguarding the Board's funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Government Accounting*. The policies, aims and objectives of the Board are reviewed by the Minister for Public Health as part of its annual Accountability process, while the authority delegated to the Board by the Department of Health is set out in its Management Statement.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve policies, 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 and prioritise the risks to the achievement of boards policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the NBSB throughout the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

The Board has established, with help from external experts and the Audit Committee, a continuous risk assessment process covering the activities of the NBSB and the environment within which it operates. Output from the risk management system is reviewed by the Board periodically and its operation is monitored by the Audit Committee. Risks identified within NBSB's scientific divisions and administration are recorded in a risk register to which all staff have access through trained risk champions. Risks are assigned to specific NBSB staff at divisional and organisational level who have responsibility for their management.

## The risk and control framework

The framework which provides evidence to support this statement on internal control includes

- an Audit Committee which reviews the risk management process regularly, and receives the reports of the internal auditors;
- an internal audit function which sets its work programme based on an analysis of risks and which reports on the risk management system; and
- a system of staff responsibility, internal regulations and guidelines to allow staff to conduct the Board's business safely and legally with the minimum of risk to its staff, customers and the public.

Where issues and concerns that have been expressed they are considered and actioned as appropriate.

The Board operates a system of risk management in accordance with Treasury guidance. This system has been reviewed and endorsed by independent risk management experts and provides the basis for the Institute's internal audit plan.

During the year 2005-2006 the Board will continue to develop its risk management procedures and in particular seek to link departmental and operating risks with Board level strategy and issues. Priority will be given to areas which exhibit higher than average risk.

During 2005-2006 the Board expects to complete a review of the corporate governance structure and practice so that the Institute as a whole responds to its strategic targets and best co-ordinates efforts throughout the Institute in achieving its objectives and in aligning itself for future incorporation into an enlarged Health Protection Agency.

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the internal auditors, by comments made by the external auditors in their management letter and by the Audit Committee. I also place reliance on the executive managers within the organisation, who have responsibility for the development and maintenance of the system of internal control and the assurance framework.

*S C Inglis*  
Accounting Officer  
National Biological Standards Board

4 July 2005

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 11 to 27 under the Biological Standards Board Act 1975. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 to 17.

## Respective responsibilities of the Board, Director and Auditor

As described on page 6, the Director as Accounting Officer, is responsible for the preparation of the financial statements for the National Biological Standards Board in accordance with the Biological Standards Act 1975 and determinations made thereunder by the Secretary of State with the consent of the Treasury. The Agency is also responsible for the preparation of the Foreword. The Board and the Director were responsible for ensuring the regularity of financial transactions throughout the period of account. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Biological Standards Act 1975 and determinations made thereunder by the Secretary of State, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Board has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 7 and 8 reflects the Board's compliance with Treasury's guidance on the Statement of Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my 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, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the National Biological Standards Board at 31 March 2005 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the National Biological Standards Board Act 1975 and determinations made thereunder by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

14 July 2005

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## Income and Expenditure Account for the year ended 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
<b>Income</b>			
Government grants	2a	<b>11,044</b>	10,628
Other grants	2b	<b>3,029</b>	3,970
Income from activities	2c	<b>3,256</b>	2,988
Contributions to depreciation	2d	<b>2,662</b>	2,502
		<b>19,991</b>	20,088
<b>Expenditure</b>			
Staff costs	3a	<b>11,236</b>	9,724
Other operating charges	4a	<b>6,456</b>	6,343
VAT recoverable	4c	<b>47</b>	(2,073)
Depreciation	5	<b>2,662</b>	2,502
Cost of capital charge	2e	<b>2,351</b>	2,230
		<b>22,752</b>	18,726
<b>Operating surplus/(deficit)</b>		<b>(2,761)</b>	1,362
Interest receivable		<b>0</b>	1
Cost of capital reversal	2e	<b>2,351</b>	2,230
<b>Surplus/(deficit) for the year</b>		<b>(410)</b>	3,593

All results arose from continuing operations.

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2005

	Note	2004-2005 £000	2003-2004 £000
Deficit for the year		(410)	3,593
Unrealised deficit on revaluation of stocks		0	(1,262)
Unrealised surplus on revaluation of fixed assets	12	2,847	2,674
Net deficit on foreign currency translation		(13)	(39)
<b>Total recognised gains and losses</b>		<b>2,424</b>	<b>4,966</b>

*The notes on pages 15 to 27 form part of this account.*

## Balance sheet as at 31 March 2005

	Notes	2004-2005 £000	2003-2004 £000
<b>Fixed assets</b>			
Tangible assets	5	<b>56,932</b>	53,519
Debtors due after more than one year	7	<b>8,692</b>	9,031
<b>Current assets</b>			
Stock	6	<b>7,181</b>	6,795
Debtors	7	<b>7,242</b>	9,497
Cash at bank and in hand	8	<b>582</b>	2,785
		<b>15,005</b>	19,077
<b>Creditors</b>			
Amounts falling due within one year	9	<b>1,197</b>	2,160
Deferred income	14	<b>807</b>	935
		<b>2,004</b>	3,095
<b>Net current assets</b>		<b>13,001</b>	15,982
<b>Total assets less current liabilities</b>		<b>78,625</b>	78,532
Provisions for liabilities and charges	10	<b>8,666</b>	9,018
<b>Capital and reserves</b>			
Deferred government grant	12	<b>33,968</b>	35,802
Revaluation reserve	12	<b>28,387</b>	25,831
Donated asset reserve	12	<b>1,138</b>	1,005
Income and expenditure account	12	<b>6,466</b>	6,876
		<b>78,625</b>	78,532

*S C Inglis*  
Accounting Officer  
National Biological Standards Board

4 July 2005

*The notes on pages 15 to 27 form part of this account.*

## Cash Flow Statement for the year ended 31 March 2005

	Note	2004-2005 £000	2003-2004 £000
<b>Net cash inflow/(outflow) from operating activities</b>	16i	<b>38</b>	508
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>0</b>	1
Capital expenditure		<b>(3,156)</b>	(3,925)
Receipts from disposal of fixed assets		<b>0</b>	0
<b>Net cash outflow before financing</b>		<b>(3,118)</b>	(3,416)
<b>Management of liquid resources</b>			
<i>Financing</i>			
Capital grants received		<b>782</b>	3,282
Grant equipment funds		<b>133</b>	861
<b>Decrease in cash</b>	16ii	<b>(2,203)</b>	727

*The notes on pages 15 to 27 form part of this account.*



# Notes to the Accounts

## 1 Accounting policies

### a Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention, modified to include the revaluation of fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Acts and accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate. The accounts are also consistent where appropriate with generally accepted accounting practice in the United Kingdom (UK GAAP).

### b Tangible fixed assets

Tangible fixed assets are shown at current value (cost or valuation) less depreciation.

Buildings are shown at depreciated replacement cost based on the most recent valuation by the District Valuer at 31 March 2004, indexed for movements in building costs since the last valuation. Land is owned by the Treasury, but its value is included in the Board's accounts at 31 March 2005.

Other assets are valued at modified historic cost, being historic cost indexed to depreciated current replacement cost.

### c Depreciation

Depreciation is provided on all tangible fixed assets except assets under construction, at rates calculated to write off the cost of each asset evenly over its expected economic life as follows

Buildings	Based on components depreciated between 15 and 80 years
Plant	15 years
Equipment	7 years
Computers	5 years
Software	5 years
Vehicles	5 years

No depreciation is charged in the year of disposal.

### d Government grants

Government Grants receivable for capital expenditure are credited to a Deferred Government Grant account (Note 14) and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants for revenue are credited to income in the year to which they relate (Note 2a)). Deferred grant income comprises grant funds received in advance of work being undertaken (Note 14 Other grant income is shown in note 2b).

### e Stocks

Stocks are stated at the lower of cost and net realisable value. The materials incorporated in stocks of biological standards are provided to the Board without charge and are distributed onwards without any charge for the biological materials contained. However, costs are incurred in the production, storage and distribution of standards, including the scientific work undertaken to establish them and a handling charge is levied for their distribution. The value of standards calculated individually at the lower of cost and net realisable value is included in stocks.

### f Research and development

Research and Development costs are written off as incurred.

*g Foreign currencies*

Assets and liabilities denominated in foreign currency are translated at rates of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. Exchange gains and losses are dealt with in accordance with Statement of Standard Accounting Practice 20 and are taken to the Income and Expenditure account.

*h Pension costs*

The majority of the Board's employees are members of the NHS Pension Scheme. This is a statutory scheme the provisions for which are contained in the NHS Pension Scheme Regulations (SI 1995 No 300). Under these regulations the Board is required to pay an employer's contribution, being 14% of pensionable pay for 2004-2005, as specified by the Secretary of State for Health. These contributions are charged to operating expenses as they become due.

The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 5% or 6% of pensionable earnings. Pension payments rise in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum of twice the pensionable pay. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately based on an enhanced period of membership.

The NHS Pension Scheme is an unfunded multi-employer defined benefit scheme, and the Board is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999 and details can be found on the NHS Pensions Agency website at [www.nhspa.gov.uk](http://www.nhspa.gov.uk). Copies can also be obtained from the Stationery Office.

The Board also operates a 'by-analogy' scheme. This offers benefits similar to the Medical Research Council pension scheme but was set up by the Board and is now closed to new members. It is given legal status by section 51(3) of the Social Security Act 1973. The Government of the day has an obligation to provide pension benefits to members of the schemes in accordance with their respective rules. The liability will be met from the annual grants from the Department of Health.

By-analogy schemes are unfunded in accordance with the Social Security Pensions Act 1975. Payments to the Paymaster General in respect of retired members are funded by employer and employee contributions in respect of active members with any shortfall being made up by an additional contribution by the Board.

The future liability of the by-analogy scheme calculated by the Government Actuary's Department is recognised as a liability in the balance sheet and the corresponding amount receivable from the Department of Health is included in long term debtors.

*i Donated assets*

Fixed assets purchased from donated funds are capitalised, valued and depreciated in the same way as government funded fixed assets. The net book value of the donated assets shown in the balance sheet is matched by the Donated Assets Reserve.

*j Cost of capital charge*

Notional interest for financing the Board's net assets has been calculated on the average book value of net assets funded by the Government at the rate prescribed by the Treasury (3.5% per annum). This interest is charged to the income and expenditure account in arriving at the operating result and is then reversed as it is not actually paid.

*k Income*

Income comprises the amounts invoiced, excluding Value Added Tax, for goods and services supplied in the normal course of business and funding received from the Department of Health.

*l Derivatives and other financial instruments*

The Board's financial instruments consist of cash balances, trade debtors and trade creditors. It treats term deposits which are repayable at fixed dates within one year of the balance sheet date as investments. Current accounts and demand deposits are treated as cash. The Board has no borrowings or derivatives. Its policy is not to hold foreign currency in excess of known liabilities.

**2 Income***a Government grants*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Department of Health	<b>9,791</b>	9,315
Scottish Executive	<b>861</b>	861
National Assembly for Wales	<b>470</b>	470
Northern Ireland Assembly	<b>261</b>	261
	<b>11,383</b>	10,907
<i>Less</i> Contributions to the NBSB Pension Scheme included in Department of Health grant	<b>(339)</b>	(279)
<b>Total government grants</b>	<b>11,044</b>	10,628

*b Other grants*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Research Councils etc.	<b>1,341</b>	1,444
World Health Organization	<b>87</b>	198
European Commission	<b>250</b>	455
Other bodies	<b>698</b>	301
Contracts	<b>653</b>	1,572
	<b>3,029</b>	3,970

*c Other income*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Standards distribution handling charges	<b>2,118</b>	1,918
Certification fees	<b>1,138</b>	1,070
	<b>3,256</b>	2,988

*d Contributions to depreciation*

All the fixed assets belonging to the Board are funded by government or other grants included in reserves (see Note 12). The cost of depreciation is matched by transfers from reserves as follows

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Historical cost depreciation on other assets transferred from deferred government grant	<b>2,616</b>	2,150
current cost depreciation adjustment transferred from revaluation reserve	<b>46</b>	282
Current cost depreciation on donated assets transferred from donated asset reserve	<b>0</b>	70
	<b><u>2,662</u></b>	<u>2,502</u>

*e Cost of capital charges*

Notional interest at 3.5% of the average value of net government funded assets during the year, which is £2,351,000 (2003-2004: £2,230,000) is matched by a notional credit for the same amount, shown below the operating deficit.

**3 Staff costs***a All staff*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Salaries and wages	<b>8,804</b>	7,983
Social Security costs	<b>729</b>	653
Employers contributions to the NBSB Pension Scheme	<b>57</b>	57
NHS Superannuation contributions	<b>1,065</b>	482
Consultancy and agency staff	<b>581</b>	549
	<b><u>11,236</u></b>	<u>9,724</u>

*b Board members' emoluments*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
The emoluments of the Chairman were	<b>15</b>	15
The emoluments of the Chief Executive were	<b>164</b>	122

Emoluments exclude pension and National Insurance contributions, but include arrears of salary paid during the year of £25,000 (2003-2004: Nil) to the Chief Executive.

c The part-time members of the Board received attendance fees for their services as Board members as follows

	2004-2005 £	2003-2004 £
Professor D Calam	435	568
Professor J Cash	0	423
Professor D Davies	0	284
Professor J Darbyshire	435	426
M Hindle	505	0
Professor J Hughes	435	139
Professor D Latchman	870	710
Professor C Lee	580	0
J Metcalf	0	1,136
G Noble	1,022	852
Dr J Petricciani	580	710
A Robertson	1,012	1,136
Professor J Sissons	435	568
Professor Sir J Skehel	145	568
Dr L Tsang	435	0
	<b>6,889</b>	<b>7,520</b>

The salary (excluding employer's costs) and pension entitlements of the non-executive Board members were as follows

	Salary, including performance pay £000 p.a.	Accrued pension at age 60 at 31 March 2005 £000 p.a.	Related lump sum at 60 £000	Real increase in pension at 60 £000 p.a.	Real increase in lump sum at 60 £000	CETV at 31 March 2005 £000	CETV at 31 March 2004 £000	Real increase in CETV £000
Professor G Duff <i>Chairman</i>	15-20	Nil	Nil	Nil	Nil	Nil	Nil	Nil

d Senior employees

The salary and pension entitlements of the senior management of the NBSB were as follows

	Salary, including performance pay £000 p.a.	Accrued pension at age 60 at 31 March 2005 £000 p.a.	Related lump sum at 60 £000	Real increase in pension at 60 £000 p.a.	Real increase in lump sum at 60 £000	CETV at 31 March 2005 £000	CETV at 31 March 2004 £000	Real increase in CETV £000
Dr S Inglis <i>Director</i>	160-165	20-25	70-75	2.5-5	10-15	389	305	76
V Knight <i>Head of Finance/ Board Secretary</i>	60-65	5-10	25-30	0-2.5	0-5	138	108	27
S Murray <i>Head of Operations</i>	55-60	0-5	5-10	0-2.5	0-5	33	17	15
A Jowett <i>Head of Human Resources</i>	40-45	0-5	5-10	0-2.5	0-5	46	25	19

'Salary' includes gross salary, performance pay or bonuses and other allowances. The estimated monetary value of benefits in Kind do not form part of 'salaries' for disclosure purposes under resource accounting, however there were no benefits in Kind to any Board members or staff.

Full details in respect of the pension arrangements in place for NBSB staff are provided in note 1(h) to these Accounts.

Columns 7 and 8 of the above table show the member's Cash Equivalent Transfer Value (CETV) accrued at the beginning and the end of the reporting period. Column 9 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme and for which the Scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute of Actuaries.

*f The average number of employees during the year was*

	<b>2004-2005</b>	2003-2004
	<b>No</b>	No
Scientific divisions	<b>203</b>	201
Support and operations	<b>73</b>	75
Administration	<b>25</b>	29
	<b>301</b>	305

**4 Other operating charges***a Other operating charges*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Consumable laboratory supplies	<b>3,411</b>	2,695
Central services	<b>1,498</b>	1,895
Estate management	<b>755</b>	1,006
Equipment	<b>437</b>	379
Travel, subsistence and hospitality		
Chairman and other Board members	<b>5</b>	11
Employees	<b>185</b>	151
Audit fee	<b>42</b>	40
Provision for bad debts	<b>2</b>	11
Loss on disposal of assets	<b>108</b>	92
Diminution in value of computers and software	<b>0</b>	24
Foreign exchange (gain)/loss	<b>13</b>	39
	<b><u>6,456</u></b>	<u>6,343</u>

*b Foreign currency translation*

Net exchange losses of £13,000 on deposits have been debited to the Income and Expenditure account.

*c VAT refund*

The Board has negotiated with HM Customs and Excise a basis of recovery of VAT under the partial exemption rules and submitted claims for partial recovery of some £8.0 million of input VAT, for the period from October 1996 to March 2004. This included £1.4 million of VAT paid on the construction of the new Centre for Biological Reference Materials (CBRM). Of the claims an amount of £2.9 million has been repaid and £5,112,000 is included in debtors at 31 March 2005 (2004: £6,510,000).

During the year 2004-2005 VAT returns have been submitted quarterly and the partial recovery of VAT of £1,049k on purchases has been received.

**5 Tangible fixed assets**

	Freehold land	Freehold buildings	Software computers and equipment	Motor vehicles	Production equipment	Assets under construction	<b>Total</b>
	£000	£000	£000	£000	£000	£000	<b>£000</b>
Balances at 1 April 2004	5,303	36,506	10,642	29	1,788	7,050	<b>61,318</b>
Additions	0	102	31	0	165	3,037	<b>3,335</b>
Transfers	0	1,175	843	0	0	(2,018)	<b>0</b>
Disposals	0	0	(202)	0	(165)	0	<b>(367)</b>
Diminution	0	0	(61)	0	0	0	<b>(61)</b>
Revaluation/indexation	0	3,433	278	1	(19)	0	<b>3,693</b>
<b>Cost or valuation at 31 March 2005</b>	<u>5,303</u>	<u>41,216</u>	<u>11,531</u>	<u>30</u>	<u>1,769</u>	<u>8,069</u>	<u><b>67,918</b></u>
Accumulated depreciation at 1 April 2004	0	0	7,264	29	504	0	<b>7,797</b>
Charge for the year	0	1,746	810	0	106	0	<b>2,662</b>
Disposals	0	0	(181)	0	(78)	0	<b>(259)</b>
Diminution	0	621	(29)	0	0	0	<b>592</b>
Backlog depreciation/ indexation	0	0	193	1	0	0	<b>194</b>
<b>Accumulated depreciation at 31 March 2005</b>	<u>0</u>	<u>2,367</u>	<u>8,057</u>	<u>30</u>	<u>532</u>	<u>0</u>	<u><b>10,986</b></u>
<b>Net book value</b>							
At 31 March 2004	<u>5,303</u>	<u>36,506</u>	<u>3,378</u>	<u>0</u>	<u>1,283</u>	<u>7,050</u>	<u><b>53,520</b></u>
<b>At 31 March 2005</b>	<u>5,303</u>	<u>38,849</u>	<u>3,474</u>	<u>0</u>	<u>1,237</u>	<u>8,069</u>	<u><b>56,932</b></u>

**6 Stock**

	<b>31 March 2005 £000</b>	31 March 2004 £000
Standards	<b>6,407</b>	6,029
Raw materials	<b>83</b>	98
Others	<b>691</b>	668
	<u><b>7,181</b></u>	<u>6,795</u>

The Board holds stocks of biological reference materials ('standards') which are used in regulatory control, diagnosis and research. At 31 March 2005 2.1 million standards were held of which 0.9 million were publicised for distribution in NBSB's reagent catalogue. The Board estimates their economic value at 31 March 2005 to be £6,407,000 (2004: £6,029,000) at the lower of cost and net realisable value.

As stated in Note 1(e) the biological material contained in the standards is usually obtained without charge to the Board and no charge is levied in respect of the material contained in the standards distributed, although handling charges are made.



**7 Debtors**

	<b>31 March 2005 £000</b>	31 March 2004 £000
<b>Debtors due more than one year from balance sheet date</b>		
Department of Health	<b>8,692</b>	9,031
<b>Debtors due within one year</b>		
Trade debtors	<b>765</b>	1,042
Grant income receivable	<b>994</b>	1,695
Other debtors	<b>5,267</b>	6,542
Prepayments	<b>216</b>	218
	<b><u>7,242</u></b>	<u>9,497</u>

The long term debt due from the Department of Health represents the Department's obligation to fund the future liabilities of the NBSB Pension Scheme.

Other debtors at 31 March 2005 includes £5,112,000 (2004: £6,510,000) of VAT recoverable (Note 4(c)).

**Intra-governmental balances**

Balances with Central Government bodies	<b>29</b>	4
Balances with NHS Trusts	<b>14</b>	12
Balances with Public Corporations	<b>93</b>	2
Balances with bodies external to Government	<b>7,106</b>	9,497
<b>Total</b>	<b>7,242</b>	9,497

**8 Cash at bank and in hand**

	<b>31 March 2005 £000</b>	31 March 2004 £000
Paymaster account	<b>151</b>	2,024
Other Department of Health cash at bank and in hand	<b>132</b>	518
External cash funding received in advance	<b>299</b>	243
	<b><u>582</u></b>	<u>2,785</u>

**9 Creditors: amounts falling due within one year**

	<b>31 March 2005 £000</b>	31 March 2004 £000
Taxation and social security costs	<b>243</b>	337
Trade creditors	<b>636</b>	1,515
Accruals	<b>318</b>	308
	<b><u>1,197</u></b>	<u>2,160</u>
<b>Intra-governmental balances</b>		
Balances with Central Government bodies	<b>0</b>	0
Balances with NHS Trusts	<b>0</b>	0
Balances with Public Corporations	<b>2</b>	1
Balances with bodies external to Government	<b>1,195</b>	2,159
<b>Total</b>	<b><u>1,197</u></b>	<u>2,160</u>

**10 Provisions**

	NBSB pension scheme £000	Early retirements £000	Other provisions £000	<b>Total</b> <b>£000</b>
Balance at 1 April 2004	8,800	210	8	<b>9,018</b>
Utilised during the year	(324)	(28)	0	<b>(352)</b>
<b>Balance at 31 March 2005</b>	<b>8,476</b>	<b>182</b>	<b>8</b>	<b>8,666</b>

The Government Actuary last calculated the capitalised value of the Board's future liability for pensions payable to members of the NBSB Pension Scheme as at 31 March 2002 as £7,256,000. This was based on the assumption of a 3.5% return in excess of price inflation and members' pensionable pay increasing at a rate 1.5% faster than prices at that time. He also calculated that the cost of transferring the scheme to other existing schemes would be £9.7 million. The provision for the scheme at 31 March 2005 uses the latter basis, as it is expected that responsibility for the scheme will be transferred to the Department of Health.

The early retirements provision is in respect of early retirement of staff where the Board has a continuing liability to meet the costs involved up to and beyond the standard retirement date. This provision covers only those staff where the Board did not elect to meet the costs involved by a commuted payment to the pension scheme in the year of early retirement. Following the valuation by the Government Actuary at 31 March 2002 the provision has been reduced to reflect the remaining liability in respect of those staff.

Other provisions represent the best estimate of the cost to settle legal claims outstanding against the Board at the balance sheet date.

**11 NBSB pension scheme**

The NBSB Pension Scheme is overseen by a five member Committee of Administration appointed by the Board. Of the 69 members, 13 are contributing, 46 are receiving pensions and the other ten have preserved pension rights. Details of the net cost to the Board are shown below

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Lump sum payments	<b>0</b>	100
Transfers to other schemes	<b>0</b>	0
Benefits paid	<b>409</b>	371
<b>Total payments</b>	<b>409</b>	471
<i>Less</i>		
Employers contributions	<b>57</b>	57
Employees contributions	<b>28</b>	29
<b>Total contributions</b>	<b>85</b>	86
Provisions utilised	<b>324</b>	385

The scheme first went into deficit in 1988 and since financial year 1990-1991 an addition has been made to the Board's cash limit towards the net cost to the Board of funding it. It is assumed that similar arrangements will continue for the foreseeable future.

**12 Capital and reserves**

	Deferred government grant	Revaluation reserve	Donated asset reserve	Income and expenditure account	<b>Total</b>
	£000	£000	£000	£000	<b>£000</b>
Balance at 1 April 2004	35,802	25,831	1,005	6,876	<b>69,514</b>
Capital grant received (Note 13)	782	0	0	0	<b>782</b>
Donated additions	0	0	133	0	<b>133</b>
Surplus for the year	0	0	0	(410)	<b>(410)</b>
Gains on revaluation – fixed assets	0	2,847	0	0	<b>2,847</b>
Depreciation transfer to income and expenditure account	(2,616)	(46)	0	0	<b>(2,662)</b>
Realised gains on standards stock transfer to income and expenditure account	0	(245)	0	0	<b>(245)</b>
<b>Balance at 31 March 2005</b>	<b>33,968</b>	<b>28,387</b>	<b>1,138</b>	<b>6,466</b>	<b>69,959</b>

**13 Government grants for capital**

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Department of Health	<b>688</b>	3,188
Scottish Executive	<b>51</b>	51
National Assembly for Wales	<b>28</b>	28
Northern Ireland Assembly	<b>15</b>	15
	<b>782</b>	3,282

**14 Deferred grant income**

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Balance at 31 March 2003	<b>935</b>	1,049
Net transfers to income and expenditure account	<b>(128)</b>	(114)
<b>Balance at 31 March 2004</b>	<b>807</b>	935

**15 Capital commitments**

	<b>2004-2005</b> <b>£000</b>	2003-2004 £000
Contracted capital commitments as at 31 March 2005 for which no provision has been made	<b>949</b>	2,142

**16 Notes to the Cash Flow Statement***i Reconciliation of operating surplus to net cash inflow from operating activities.*

	<b>2004-2005</b>	2003-2004
	<b>£000</b>	£000
Operating surplus/(deficit)	<b>(2,761)</b>	1,362
Cost of capital charge	<b>2,351</b>	2,230
Depreciation	<b>2,662</b>	2,502
Release from deferred government grant	<b>(2,616)</b>	(2,150)
Release from revaluation reserve	<b>(46)</b>	(283)
Release from donated asset reserve	<b>0</b>	(70)
Revaluation from production assets	<b>0</b>	(8)
Release from stock revaluation reserve	<b>(245)</b>	0
Loss on disposal of fixed assets	<b>108</b>	322
Diminution in value of computers and software	<b>0</b>	24
Increase in stock	<b>(386)</b>	(95)
Decrease in long term debtors	<b>339</b>	279
Decrease in short term revenue debtors	<b>2,255</b>	(3,255)
Decrease in revenue creditors	<b>(1,143)</b>	177
Decrease in deferred grant income	<b>(128)</b>	(114)
Decrease in provisions	<b>(352)</b>	(413)
<b>Net cash outflow from operating activities</b>	<b>38</b>	508

*ii Reconciliation of net cash flow to movement in net funds*

	<b>2004-2005</b>
	<b>£000</b>
Decrease in cash in the period	<b>(2,203)</b>
Decrease in liquid resources	<b>0</b>
Change in net funds	<b>(2,203)</b>
Net funds at 31 March 2004	<b>2,785</b>
<b>Net funds at 31 March 2005</b>	<b>582</b>

**17 Losses and special payments**

During the year the Board wrote off 64 invoices due from customers, and deemed uncollectable, with a value of £21,192. This value was offset by unallocated credits of £16,989.

**18 Financial instruments**

Financial Reporting Standard 13 (FRS 13), 'Derivatives and Other Financial Instruments: Disclosures' requires the disclosure of the role which financial instruments have had during the year in creating or changing the risks an entity faces in undertaking its activities. Because of the nature of its activities and the way in which Non Departmental Public Bodies are funded, the Board is not exposed to the degree of risk faced by business entities. Moreover financial instruments play a much more limited role in creating and changing risk than would be typical of the listed companies to which FRS 13 mainly applies.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the currency profile.

*Liquidity risk*

The NBSB's main funding source for both revenue and capital expenditure is the Department of Health through resources voted annually by Parliament and drawn monthly as need arises. The NBSB is therefore only exposed to liquidity risk if it exceeds its voted expenditure or provides services for third parties - primarily donors of academic grants and customers for contract testing - for which funding lags behind expenditure. The Board manages its financial affairs to minimise such risks.

*Interest rate risk*

The NBSB has no powers to borrow and its Exchequer cash balances are held in non-interest bearing accounts. These do not give rise to interest rate risk. Funds from third parties, primarily donors for academic grants, are held on deposit at prevailing rates of short term interest. The income from this source comprised less than 0.01% of annual income and variations in interest rates do not represent a material risk to the Board's financial position.

*Foreign currency risk*

The Board conducts its business in the United Kingdom and most of its transactions and the major part of its funding are denominated in sterling. Its policy is to hold cash balances in sterling unless a matching obligation exists in another currency. Some funding for academic grants is received in foreign currency to cover sterling expenditure over a number of years, however any effect of exchange rate changes is borne primarily by the donor. The Board is not therefore exposed to any significant currency risk.

**19 Related party transactions**

*i The National Biological Standards Board (NBSB) is a Non-Departmental Public Body of the Department of Health.*

The Department of Health is regarded as a related party within the definition of Financial Reporting Standard (FRS) 8. During the year, the NBSB has had various material transactions with the Department of Health and with other entities for which the Department of Health is regarded as the parent Department.

The amount of funding received from the Department is disclosed in Notes 2(a) and 13.

In addition, the NBSB has had a significant number of material transactions with other central Government bodies including

Medical Research Council	£1,528,000
Home Office	£40,000

All transactions were carried out in an arm's length basis.

*ii During the year none of the Board Members, members of key management staff or other related parties has undertaken any material transactions with the National Biological Standards Board.*

**20 Post balance sheet event**

Since 31 March 2005, the Board has received a claim for damages arising from an asbestos related injury in respect of a retired former employee. No provision for any costs of settling the claim have been made in these accounts due to uncertainty over the amounts involved, the likelihood of success of the claim and the timing of any payments that may arise.

## Accounts Determination

The Secretary of State, with the approval of the Treasury, in pursuance of Section 4(3) of the Biological Standards Act 1975, hereby gives the following determination

- 1 In this determination, 'the Board' means the National Biological Standards Board.
- 2 The Board shall prepare accounts for the financial year ended 31 March 1997 and subsequent financial years comprising
  - a a foreword;
  - b an income and expenditure account;
  - c a balance sheet;
  - d a cash flow statement; and
  - e a statement of total recognised gains and losses;including such notes as may be necessary for the purposes referred to in the following paragraphs.
- 3 The accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
- 4 Subject to this requirement, the accounts shall be prepared in accordance with
  - a generally accepted accounting practice in the United Kingdom (UK GAAP);
  - b the disclosure and accounting requirements contained in 'The Fees and Charges Guide' (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury or the Secretary of State may issue from time to time in respect of accounts which are required to give a true and fair view;
  - c the accounting and disclosure requirements given in 'Government Accounting' and in 'Executive NDPBs: Annual Reports and Accounts guidance', as amended or augmented from time to time;insofar as these are appropriate to the Board and are in force for the financial year for which the statement of accounts is to be prepared.
- 5 Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
- 6 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of
  - a fixed assets at their value to the business by reference to current costs; and
  - b stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 7 This accounts determination supersedes that dated 24 April 1996 and shall be reproduced as an appendix to the accounts.

Signed by the authority of the Secretary of State for Health

*P Kendall*  
Branch Head (RMF-EAC Division)  
Department of Health

6 May 1997

## Schedule 1

### Application of the accounting and disclosure requirement of the Companies Act and Accounting Standards

#### Companies Act

- 1 The disclosure exemptions permitted by the Companies Act shall not apply to the Board unless specifically authorised by the Secretary of State with the approval of the Treasury.
- 2 The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the information relating to the Board shall be contained in the foreword.
- 3 When preparing its income and expenditure account, the Board shall have regard to the profit and loss format 2 prescribed in Schedule 4 to the Companies Act 1985 (as amended).
- 4 When preparing its balance sheet, the Board shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act 1985 (as amended). The balance sheet totals shall be struck at 'Total assets less current liabilities'.
- 5 The Board is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act 1985.
- 6 The foreword and balance sheet shall be signed by the Director of the Board and dated.

#### Accounting standards

- 7 The Board is not required to include a note showing historical cost profits and losses as described in FRS3.

## Schedule 2

### Additional disclosure requirements

- 1 The foreword shall, *inter alia*
  - a state that the accounts have been prepared in a form determined by the Secretary of State with the approval of the Treasury in accordance with section 4(3) of the Biological Standards Act 1975; and
  - b include a brief history of the Board and its statutory background.
- 2 The notes to the accounts shall, *inter alia*
  - a include details of the accounting policies adopted;
  - b provide further explanations of figures in the accounts where it is considered appropriate for a proper understanding of the accounts; and
  - c include details of the key corporate financial targets set by Ministers together with the performance achieved.

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