



CVL

W E Y B R I D G E

ANNUAL REPORT AND ACCOUNTS 1993/94

FOR THE

CENTRAL VETERINARY LABORATORY



Central Veterinary Laboratory

An Executive Agency of the
Ministry of Agriculture, Fisheries and Food

THE STATEMENT OF ACCOUNTS 1993-94

Presented in pursuance of the Exchequer and Audit Departments Act of 1921, Section 5

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CHIEF EXECUTIVE'S OVERVIEW

The Central Veterinary Laboratory's (CVL) fourth year as an Executive Agency was a successful one during which we consolidated our business position and achieved, in good measure, our financial and other performance targets.

This was also the year when we looked critically at our progress as an Agency. In 1992/93 we had commissioned an independent market research organisation, Chambers & Stoll, to carry out a customer survey, to find out what our government and private sector customers thought of our services and to establish a benchmark against which to measure improvements in the future. We received the report during this year and I am pleased to say that we scored highly in this survey. It was, however, evident that our customers required more information about us and easier means of contact. Both issues have been addressed with improvements in promotional material, new enquiry arrangements and the publication of a Service Statement.

As required at our three-year point, the Prior Options Review of CVL was also carried out. This was assisted by an evaluation undertaken by Coopers & Lybrand and at the same time we reviewed our Framework Document. The results of all this work are currently being considered by Ministers.

We ran an active market testing programme and during the year we began to market test a range of our services. The in-house Library team won its bid and has been awarded a Service Level Agreement. The rest of the programme will be completed by September 1994 and we now stand ready to have services we supply similarly tested by our customers.

The development of the site continued with the building of a new high-grade containment facility for the Molecular Genetics Unit. On the research front, the development of a PCR for classical swine fever and the establishment of a Geographical Information System as a resource in the fight against bovine TB were particularly exciting innovations. The large-scale serological surveillance of the national herd continued to be a major component of the Laboratory's service to MAFF. The current sampling strategy successfully detected the re-emergence of brucellosis and warble fly infections in Britain, reinforcing the importance of this work.

Our commitment to the quality of our science was exemplified by the Quality Control Unit and Tuberculosis Section of the Cultural Bacteriology Unit claiming Good Laboratory Practice (GLP) compliance. In addition, our licensed products gained compliance with Good Manufacturing Practice (GMP) Code. In its role as a National Reference Laboratory for residues in meat, the Analytical Chemistry Unit participated in an international study to establish the criteria for residue surveillance programmes.

It was an extremely busy year on the commercial front. Our first Marketing Brochure was published together with a range of other material aimed at better informing our customers about our services. Licensing agreements were signed with a number of commercial companies to incorporate CVL know-how into their products and services. Important contracts were signed with commercial partners for the research and development of new vaccines and diagnostic kits. We also appointed our first distributors and agents to market our products.

The year ended with the announcement of the Office of Public Service and Science Scrutiny of Public Sector Research Establishments. Its recommendations may present new challenges and further change. As an established Executive Agency we are better equipped to respond as we are already becoming more focused on customer needs and improving our service delivery. Our commitment to the pursuit of good science, however, will not change and I look forward to another challenging year.

T.W.A. LITTLE
Chief Executive

FOREWORD TO THE ACCOUNTS for the year ended 31 March 1994

The accounts have been prepared in accordance with a direction given by the Treasury in pursuance of section 5 of the Exchequer and Audit Departments Act 1921.

BACKGROUND INFORMATION

The Central Veterinary Laboratory became an Executive Agency of the Ministry of Agriculture, Fisheries and Food with effect from 2 April 1990. Prior to this date the Laboratory formed part of the State Veterinary Service within the Ministry. The main premises are situated at New Haw in Surrey. There is also a satellite laboratory at Penicuik, near Edinburgh.

PRINCIPAL ACTIVITIES

The principal activities of the Central Veterinary Laboratory are to:

- (i) provide the Ministry with an effective source of specialist scientific and technical expertise in the field of animal and public health;
- (ii) deliver specialised diagnostic, research and advisory services and products as required by the Ministry in pursuit of its statutory and policy objectives in the animal and public health sector; and
- (iii) deliver such services and products to other public and private sector organisations on a commercial basis, to help maintain and develop its efficiency and expertise.

FINANCIAL PERFORMANCE

The Laboratory is required to recover its full economic costs through charges for services it provides to MAFF and other public and private sector customers.

This objective was achieved in 1993/94. During the period CVL generated sales amounting to £27.6 million against costs in total of £27.3 million to give a surplus after exceptional items for 1993/94 of £362,000 (1992/93, £589,000).

SERVICE PERFORMANCE

The CVL was set service targets for 1993/94. With the exception of laboratory accreditation of the Quality Control Unit (which is awaiting formal certification from the Department of Health) all targets were met.

These were:

- 2½% overall efficiency improvement
- 80% of research and development (R&D) milestones met
- Achievement of a satisfactory report from a visiting group.

FUTURE DEVELOPMENTS

In the year the Ministry placed work with the Laboratory which accounted for 88% of its total revenue (1992-93, 89%). The Laboratory is seeking to increase income from other sources while retaining a special relationship with the Ministry.

R&D ACTIVITIES

The research and development work of the Laboratory underpins the activities of the State Veterinary Service in the control of animal diseases of a statutory or public health significance: such commissioned work for the Ministry amounted to 39% of the total income from MAFF in the year (1992-93, 40%).

FIXED ASSETS

Note 6 to the Accounts provides details of changes in fixed assets during the year. The threshold for the capitalisation of fixed assets is £3,000.

As in previous years, some assets have been purchased from funds which were controlled by the Animal Health Veterinary Group of MAFF. These have been included in fixed assets and details of the method of funding have been shown in the balance sheet and note 10.

LAND AND BUILDINGS

An annual accommodation charge is made by the Ministry for premises occupied. These comprise a main Laboratory site of 24 hectares near Addlestone, Surrey, with adjacent grassland and farm buildings of 75 hectares; a farm unit of 50 hectares within eight miles of the main Laboratory; and the outstationed Penicuik laboratory based at the East of Scotland Veterinary Investigation Centre near Edinburgh.

OWNERSHIP BOARD

Responsibility for monitoring the management and performance of the Laboratory is exercised through an Ownership Board. The composition of the Ownership Board during the year ended 31 March 1994 was as follows:

Dr P.J. Bunyan—Chairman	Chief Scientific Adviser
Mr M.T. Haddon	Under Secretary, Animal Health Veterinary Group
Mr A.R. Cruickshank	Principal Finance Officer
Dr D.W.F. Shannon	Chief Scientist, Agriculture
Dr T.W.A. Little	Chief Executive and Agency Accounting Officer

DISABLED PERSONS POLICY

The Laboratory's Personnel Charter defines the policy on equal opportunity for employment and advancement. The Laboratory has its own Disabled Persons Officer who has responsibilities for the Civil Service Code of Practice on the employment of people with disabilities. All posts at the Laboratory are open to people with disabilities and recruitment advertisements carry an equal opportunity statement and the official disability symbol.

COMMUNICATION

Effective communication is considered essential for the development of CVL. The Laboratory is committed to continuous improvement in communication to all members of staff. Newsletters, Directors' lunches, team briefings, highlight reports and workshops are more recent initiatives that complement the long established channels of communication. Regular audits are used to monitor their effectiveness and drive improvements. The National and Departmental agreements on consultation procedures have been maintained.

T.W.A. LITTLE
Chief Executive and Agency Accounting Officer

14 July 1994

CENTRAL VETERINARY LABORATORY

INCOME AND EXPENDITURE ACCOUNT For the year ended 31 March 1994

	Notes	£'000	1993/94 £'000	1992/93 £'000
INCOME	2		27,621	26,230
EXPENDITURE:				
Staff costs	3	13,448		12,992
Staff costs – exceptional item	5	529		—
Depreciation	6	1,091		929
Other operating charges	4	11,742		11,410
			26,810	25,331
Operating surplus			811	899
Notional interest on capital employed			449	310
Surplus for the year	10		362	589

The notes on pages 8 to 14 form part of these accounts.

CENTRAL VETERINARY LABORATORY

BALANCE SHEET as at 31 March 1994

	Notes	£'000	1993/94 £'000	1992/93 £'000
Fixed Assets				
Tangible assets	6		4,713	3,400
Current Assets				
Stocks	7	628		427
Debtors and prepayments	8	2,599		2,676
Cash in bank and in hand	12	268		3,059
			3,495	6,162
Current Liabilities				
Creditors: amounts falling due within one year	9		(1,162)	(1,639)
Net Current (Liabilities)/Assets			2,333	4,523
Total Assets less Current Liabilities			<u>7,046</u>	<u>7,923</u>
Financed by:				
Provisions for liabilities and charges	5		(641)	(468)
Capital Reserves				
General Fund	10	(6,032)		(7,271)
Revaluation Reserve	11	(373)		(184)
			(6,405)	(7,455)
			<u>(7,046)</u>	<u>(7,923)</u>

The notes on pages 8 to 14 form part of these accounts

T.W.A. LITTLE
Chief Executive and Agency Accounting Officer

14 July 1994

CENTRAL VETERINARY LABORATORY

CASH FLOW STATEMENT For the year ended 31 March 1994

	Notes	1993/94 £'000	1992/93 £'000
Net cash inflow from operating activities	12(i)	4,846	3,343
Investing activities			
Purchase of tangible fixed assets	6	<u>(1,496)</u>	<u>(1,267)</u>
Net cash inflow before financing		3,350	2,076
Net cash (outflow)/inflow from financing	12(ii)	(6,141)	981
(Decrease)/increase in cash	12(iii)	<u><u>(2,791)</u></u>	<u><u>3,057</u></u>

CENTRAL VETERINARY LABORATORY

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 1994

	1993/94 £'000	1992/93 £'000
Surplus for the year	362	589
Surplus on revaluation of tangible fixed assets	189	79
Total recognised gains relating to the year	<u>551</u>	<u>668</u>

CENTRAL VETERINARY LABORATORY

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts are prepared under the historic cost convention modified to include the revaluation of fixed assets at their value to the business by reference to the relevant price index.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and of Accounting and Financial Reporting Standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

DEPRECIATION

The agency capitalises assets costing £3,000 or more and which have a useful economic life of more than one year. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life generally as follows:

Plant and machinery	5 to 10 years
Laboratory equipment	5 to 10 years
Computers	5 years
Farm vehicles, cars	5 to 10 years

Where the expected life of an asset changes the depreciation charge is adjusted to reflect the alteration.

Additions to furniture and library material are written off in year of purchase.

STOCKS

Stocks are stated at the lower of cost, or net current replacement cost where materially different, and net realisable value. Work in progress includes cost of direct materials and labour plus attributable overheads on the normal level of activity.

NOTIONAL INTEREST

Interest on capital at 6% is calculated in accordance with the Treasury Guide to Fees and Charges and is based on the average net assets employed during the year.

RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred.

VALUE ADDED TAX

Irrecoverable VAT is charged to the operating account in the year in which it is incurred.

FORMAT OF THE CASH FLOW STATEMENT

The formats of the cash flow statement and supporting notes have been changed to reflect more clearly CVL's cash flows and the reconciliation to the MAFF appropriation account. Comparative figures for 1992/93 have been re-presented as a result of this change.

2. INCOME FROM ACTIVITIES

(i) Turnover represents the invoiced amount of goods sold and services provided (net of VAT) from the business in the year, which is analysed as follows:

	1993/94	1992/93
	£'000	£'000
MAFF Animal Health	13,366	12,560
Research and Development	9,571	9,294
Food Science	1,298	1,266
Veterinary Medicines	138	115
Other	51	47
Total MAFF income	<u>24,424</u>	<u>23,282</u>
Private sector	<u>3,197</u>	<u>2,948</u>
	<u>27,621</u>	<u>26,230</u>

(ii) The Laboratory is required to recover its full economic costs through charges for services it provides to MAFF and other public and private sector customers.

This objective was achieved in 1993/94. The cost of services provided in the period amounted to £27,259,000 against total sales of £27,621,000 to give a surplus of £362,000 after exceptional items (1992/93, £589,000).

3. STAFF COSTS

	1993/94	1992/93
	£'000	£'000
(i) Staff costs:		
Wages and salaries	11,184	10,529
Social security costs	862	752
Superannuation	<u>1,402</u>	<u>1,711</u>
	<u>13,448</u>	<u>12,992</u>

(ii) The average weekly number of employees during the year was made up as follows:

Permanent staff	636	622
Casual staff	<u>30</u>	<u>28</u>
	<u>666</u>	<u>650</u>

(iii) All members of the Ownership Board with the exception of the Chief Executive are staff from the parent department which bears their direct costs. The Chief Executive's total gross remuneration including bonus was £62,806 (1992/93, £54,832).

(iv) The following number of senior employees received remuneration falling within the following ranges. The lower figure is the salary at 1 April 1993 and the higher figure relates to 31 March 1994.

		1993/94	1992/93
grade 3	£52,751 – £64,283	1	1
grade 4	£46,121 – £55,836	1*	1
grade 5	£37,589 – £55,836	4	3

* part year

- (v) The employees of the CVL are Civil Servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. The 1993/94 contributions of £1,402,000 were calculated at rates determined from time to time by the Government Actuary and advised by the Treasury. For this year these rates were 13½ per cent for non-industrial staff and 12 per cent for industrial staff.

4. OTHER OPERATING CHARGES

	1993/94 £'000	1992/93 £'000
Site services and consumable supplies	4,847	4,756
Accommodation and utilities	3,424	2,795
Personnel costs	402	387
Increase in bad debt provision	19	5
Notional costs		
MAFF overheads	1,120	1,427
Building maintenance	1,840	1,800
Insurance	63	52
Audit fees	27	28
IT expenditure by MAFF	—	160
	<u>11,742</u>	<u>11,410</u>

5. EXCEPTIONAL ITEM: EARLY RETIREMENT COST

CVL operates an Early Retirement Scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. CVL bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme.

The total pensions liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year in which the employee takes early retirement and a provision for the future pension payments is created. Pensions and related benefits payments to the retired employee until normal retiring age are then charged annually against the provision.

The movements in the Compulsory Early Retirement provision are shown below:

	1993/94 £'000	1992/93 £'000
Balance at 1 April 1993	625	801
Utilised in period	(278)	(176)
Increase in provision charged to Income and Expenditure account	529	—
Balance at 31 March 1994	<u>876</u>	<u>625</u>

	1993/94 £'000	1992/93 £'000
The liability falls due within:		
One year (note 9)	235	157
Two to five years	492	399
Over five years	149	69
	<u>876</u>	<u>625</u>

6. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Vehicles £'000	Computers £'000	Laboratory equipment £'000	1993/94 TOTAL £'000
Cost or valuation					
At 1 April 1993	268	422	652	6,928	8,270
Reclassification	(32)	75	(97)	54	—
Additions at cost	15	11	1,019	1,214	2,259
Revaluations	(1)	22	20	229	270
Disposals	(11)	(41)	(29)	(217)	(298)
At 31 March 1994	<u>239</u>	<u>489</u>	<u>1,565</u>	<u>8,208</u>	<u>10,501</u>
Depreciation					
At 1 April 1993	(115)	(243)	(181)	(4,331)	(4,870)
Reclassification	4	(69)	17	48	—
Provided in year	(23)	(30)	(366)	(672)	(1,091)
Revaluation	2	(8)	(4)	(71)	(81)
Eliminated in respect of disposals	11	34	26	183	254
At 31 March 1994	<u>(121)</u>	<u>(316)</u>	<u>(508)</u>	<u>(4,843)</u>	<u>(5,788)</u>
Net book value					
At 31 March 1994	<u>118</u>	<u>173</u>	<u>1,057</u>	<u>3,365</u>	<u>4,713</u>
At 31 March 1993	<u>153</u>	<u>179</u>	<u>471</u>	<u>2,597</u>	<u>3,400</u>

Following a major review of holdings during 1993/94 a number of assets have been reclassified both among and within categories.

Additions in year include £763,000 of computer equipment transferred from the parent department to CVL.

Land and buildings are owned by Property Holdings and therefore are not included in the Balance Sheet. The Income and Expenditure Account includes an amount charged to the Laboratory, which is considered to be equivalent to the full economic rent on a commercial basis.

7. STOCKS

	1993/94 £'000	1992/93 £'000
Materials and consumables	398	302
Work-in-progress	208	97
Miscellaneous	22	28
	<u>628</u>	<u>427</u>

8. DEBTORS AND PREPAYMENTS

	1993/94 £'000	1992/93 £'000
Trade debtors	609	535
MAFF debtors	728	1,102
Prepayments – payroll	1,120	985
– other	142	54
	<u>2,599</u>	<u>2,676</u>

Trade debtors are net of a provision of £48,067 for bad debts (1993, £29,196).

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1993/94 £'000	1992/93 £'000
Payments received on account	111	56
Trade creditors	294	509
MAFF creditors	75	330
Accruals	447	587
Payments due under early retirement scheme (see Note 5)	235	157
	<u>1,162</u>	<u>1,639</u>

10. GENERAL FUND

The CVL is funded by the Ministry of Agriculture, Fisheries and Food and the position is shown in the 'Financed by' section of the Balance Sheet.

Details of movements in funding are shown in the table below:

	General Account (i) £'000	AHVG funding (ii) £'000	Other funding from MAFF (iii) £'000	TOTAL 1993/94 £'000	TOTAL 1992/93 £'000
Balance at 1st April 1993	(2,855)	(580)	(3,836)	(7,271)	(1,665)
Surplus for year	(362)			(362)	(589)
Asset purchases by AHVG		(199)		(199)	
Depreciation on AHVG assets		69	(69)		
Payments to MAFF:					
1992/93 surplus			4,340	4,340	
Pre-payments from 1993/94 surplus			2,000	2,000	
CER payments by MAFF			(278)	(278)	
Assets transferred from MAFF			(763)	(763)	
Notional costs			(3,499)	(3,499)	
Other movements 1992/93					(5,017)
Balance at 31 March 1994	<u>(3,217)</u>	<u>(710)</u>	<u>(2,105)</u>	<u>(6,032)</u>	<u>(7,271)</u>

(i) General Account

This account represents the net assets taken over by the Agency at 1 April 1992, which is the date the accounts direction became effective, and changes since that date.

(ii) Funding of fixed assets by the Animal Health Veterinary Group from Class III Vote 3

The Animal Health Veterinary Group (AHVG) purchases fixed assets on behalf of the CVL. These assets are included with the tangible fixed assets of CVL as shown in Note 6. The estimated value of purchases in previous years has been transferred from the General Reserve and purchases made have been credited to this fund. The cost of the assets as revalued is credited back to the AHVG over the expected useful lives of the assets.

(iii) Other funding from MAFF

All other payments to and by MAFF for CVL are shown in 'other funding'.

11. REVALUATION RESERVE

	1993/94 £'000	1992/93 £'000
Balance at 1 April 1993	(184)	(105)
Surplus on revaluation (see Note 6)	(270)	(183)
Depreciation for the year (see Note 6)	81	104
Balance at 31 March 1994	<u>(373)</u>	<u>(184)</u>

12. CASHFLOW

The following tables expand on the figures shown in the Cash Flow Statement.

(i) Reconciliation of operating surplus to net cash inflow from operating activities:

	1993/94 £'000	1992/93 £'000
Operating surplus	811	899
Depreciation charge	1,091	929
Loss on disposal of fixed assets	44	—
(Increase)/decrease in stocks	(201)	66
Decrease/(increase) in debtors	77	(2,156)
(Decrease)/increase in creditors	(477)	55
Increase/(decrease) in long term creditor	173	(176)
Notional costs	3,050	3,467
CER payments by MAFF	278	178
Superannuation adjustment	—	81
Net cash inflow from operating activities	<u>4,846</u>	<u>3,343</u>

(ii) Reconciliation to Appropriation Accounts

	1993/94 £'000	1992/93 £'000
Class III Vote 5		
Appropriation in Aid	27,728	26,230
Less: Running Costs	20,885	18,917
Superannuation	1,402	1,630
Capital Expenditure	<u>1,710</u>	<u>1,343</u>
	23,997	21,890
1993/94 surplus	3,731	4,340
1992/93 surplus b/fwd	4,340	—
	8,071	4,340
Due to MAFF from 1993/94 surplus	(1,731)	(4,340)
Other funding due to MAFF	—	(920)
	6,340	(920)
Paid to/(from) MAFF in the year	(199)	(61)
Funding by AHVG	<u>(199)</u>	<u>(61)</u>
Net funding to/(from) MAFF	<u>6,141</u>	<u>(981)</u>

(iii) Analysis of change in cash balances during the year

	1993/94	1992/93
	£'000	£'000
Balance at 1 April 1993	3,059	2
(Decrease)/increase in cash	<u>(2,791)</u>	<u>3,057</u>
Balance at 31 March 1994	<u>268</u>	<u>3,059</u>

13. CAPITAL COMMITMENTS

	1993/94	1992/93
	£	£
Contracts placed to be funded by CVL	<u>171,038</u>	<u>37,653</u>
Contracts placed to be funded by AHVG	<u>21,068</u>	<u>32,512</u>

STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 5 of the Exchequer and Audit Departments Act 1921 the Treasury have directed the Central Veterinary Laboratory Agency to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction included as an Annex to these financial statements. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Agency is required to:

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

The Accounting Officer for the Ministry of Agriculture, Fisheries and Food has appointed the Chief Executive of the Central Veterinary Laboratory as the Accounting Officer for the Agency. 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 Accounting Officers' Memorandum issued by the Treasury and published in 'Government Accounting' (HMSO).

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I have audited the financial statements on pages 4 to 14, which 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 8 to 9.

RESPECTIVE RESPONSIBILITIES OF THE AGENCY, THE CHIEF EXECUTIVE AND AUDITORS

As described on page 15, the Agency and the Chief Executive are responsible for the preparation of financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

BASIS OF OPINION

I certify that I have examined the financial statements referred to above in accordance with the Exchequer and Audit Departments Act 1921 and the National Audit Office auditing standards, which include relevant 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 Agency in the preparation of the financial statements and of whether the accounting policies are appropriate to the body'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 fraud or other irregularity or error. In forming my opinion I 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 Central Veterinary Laboratory at 31 March 1994 and of its surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and with the directions made thereunder by the Treasury. I have no observations to make on these financial statements.

JOHN BOURN
Comptroller and Auditor General
18 July 1994

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CENTRAL VETERINARY LABORATORY

ANNEX

ACCOUNTS DIRECTION GIVEN BY THE TREASURY

The Treasury, in pursuance of section 5 of the Exchequer and Audit Departments Act 1921, hereby gives the following direction:

1. The statement of accounts which it is the duty of the Central Veterinary Laboratory to prepare in respect of the financial year ended 31 March 1992 and in respect of any subsequent financial year shall comprise:

- (a) a foreword;
- (b) an income and expenditure account;
- (c) a balance sheet; and
- (d) a cash flow statement

including in each case such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The Central Veterinary Laboratory shall observe all relevant accounting and disclosure requirements given in 'Government Accounting' and in the Treasury booklet 'Trading Accounts: A Guide for Government Departments and Non-Departmental Public Bodies' (the 'Trading Accounts booklet') as amended or augmented from time to time.

3. The statement of accounts referred to above shall give a true and fair view of the income and expenditure, state of affairs and cash flow of the Central Veterinary Laboratory. Subject to the foregoing requirement, the statement of accounts shall also, without limiting the information given and as described in Schedule 1 of this Direction, meet:

- (a) the accounting and disclosure requirements of the Companies Acts;
- (b) best commercial accounting practices including accounting standards issued or adopted by the Accounting Standards Board; and
- (c) any disclosure and accounting requirements which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

insofar as these are appropriate to the Central Veterinary Laboratory and are in force for the financial period for which the statement of accounts is to be prepared.

4. Additional disclosure requirements are set out in Schedule 2 of this Direction.

5. 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 cost, or net current replacement cost where materially different, and net realisable value.

SCHEDULE 1

APPLICATION OF THE COMPANIES ACTS' REQUIREMENTS

1. The disclosure exemptions permitted by the Companies Acts in force for the financial period for which the statement of accounts is to be prepared shall not apply to the Central Veterinary Laboratory unless specifically approved by the Treasury.
2. The foreword shall contain the information required by the Companies Acts to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to the Central Veterinary Laboratory.
3. In preparing its income and expenditure account and balance sheet, the Central Veterinary Laboratory shall adopt respectively Format 2 and Format 1 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are appropriate to the Central Veterinary Laboratory. Regard should be had to the examples in Annex C of the Trading Accounts booklet, in particular the need to strike the balance sheet totals at 'Total Assets less Current Liabilities'.
4. The foreword and balance sheet shall be signed and dated.

SCHEDULE 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The foreword shall state that the accounts have been prepared in accordance with a direction given by Treasury in pursuance of section 5 of the Exchequer and Audit Departments Act 1921.
2. The foreword shall include a brief history of the Central Veterinary Laboratory and its statutory background. Regard should be had to Annexes B and C of the Trading Accounts booklet.
3. The notes to the accounts shall include details of the key corporate financial targets set by the responsible Minister together with an indication of the performance achieved.

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