

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR

1 APRIL 2000 - 31 MARCH 2001



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Company Registration Number: 3319324

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

Registered office: Bucknalls Lane
Garston
Watford
Herts
WD25 9XX

Directors: Brian Mellitt (Non-Executive Chairman)
Martin J Wyatt (Chief Executive)
Guy P Hammersley
James F Horan
Martin R Shaw
John R Marshall (Non-Executive)

Secretary: James F Horan

Bankers: Barclays Bank Plc
London Corporate Banking
50 Pall Mall
PO Box No 15162
London
SW1A 1QB

Solicitors: Sherrards
45 Grosvenor Road
St Albans
Herts
AL1 3AW

Auditors: Grant Thornton
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

BUILDING RESEARCH ESTABLISHMENT LIMITED

FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

INDEX	PAGE
Chairman's statement	1 - 3
Report of the directors	4 - 5
Report of the auditors	6
Principal accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Cash flow statement	11
Notes to the financial statements	12 - 21

BUILDING RESEARCH ESTABLISHMENT LIMITED

CHAIRMAN'S REPORT

For the year 1 April 2000 - 31 March 2001

Building Research Establishment Limited ("BRE") is a wholly owned subsidiary of the Foundation for the Built Environment ("FBE"), which is a non profit distributing company with no share capital and limited by guarantee.

Chairman's Introduction

During the year under review, BRE has continued to gain strength in new markets by delivering first class performance across its wide range of research and consultancy activities. While maintaining excellent relationships with UK Government clients, we have further developed the range of our services for new and existing private sector clients. We recognise that the business results delivered are principally due to the commitment, enthusiasm and dedication of the BRE staff, who are now delivering world-class research and consultancy, within a restructured, well-managed private company.

BRE has an exciting and prosperous future as the knowledge centre for the Built Environment and we are confident that we can build on the authority and status, achieved by BRE staff over many years, to grow the business and make an outstanding contribution to the fabric of our society. It is clear that our clients value BRE's integrity and authority, which remains central to our future and are at the heart of our core-values and business-ethics policy.

During the year we have further developed the working relationships and transparent business processes with our parent body, the FBE. Financial success of BRE activities has provided significant funding of an FBE defined and managed research programme that spans a wide range of new activities that will be central to the future development of the Built Environment.

Chief Executive's Report

In the four years since privatisation BRE has grown its work for the private sector on average by over 30% year on year. Although this rapid expansion has inevitably slowed we nevertheless expect to see further growth from this sector in the coming year with an emphasis on improving gross margins. This shift of income from the Government to the private sector has been achieved against a background of simultaneously widening the Government client base.

Financial Results

Profit before taxation and gift aid for the year to 31 March 2001 was £0.877m compared to £1.946m in the previous year. The guaranteed income from DETR 'Framework' arrangements reduced further during the year, but the Group has been able to maintain income from all other Government sources at a similar level to the previous year. Income from the European Commission grew slightly but did not meet expectations. Income from the private sector has grown by some 15% during the year, with BRE successfully expanding into new areas of the market. This growth was however insufficient to compensate for the reduction of income from Government and this impacted upon profitability compared to the year previous. This level of profitability and its related cash flow allowed some £2.845m (2000: £0.992m) to be invested in new research and testing facilities to further strengthen the business.

Market Background

The property and construction markets have remained sound with no evidence of either slowdown or significant over-heating. Demand has remained high from all sectors and there has been a particularly pleasing trend towards larger contracts and further business diversification.

Demand for our traditional research and consultancy skills, including materials science, structural and geotechnical engineering, energy efficiency, the understanding and control of fire, and the indoor environment have continued to grow although margins in the technology areas and those requiring significant physical facilities remain tight.

Major drivers to the growth of our business continue to flow from a buoyant market combined with an increased Government and client-led emphasis on greater value in terms of such issues as whole life performance, greater reliability in time and the elimination of defects. The shift brought about by the PFI initiative in moving the focus from new-build issues to the whole life cycle has been particularly beneficial as has been the increasing concern with sustainability and environmental impacts. All of

BUILDING RESEARCH ESTABLISHMENT LIMITED

CHAIRMAN'S REPORT

For the year 1 April 2000 - 31 March 2001

these areas are ones that BRE can address with skill and authority and which have seen substantial growth.

Development of the Business

The fourth year after privatisation has been particularly challenging with planned reductions in income from Government requiring a considerable growth in alternative sources of income in some business areas. Our commercial capacity to grow new income has been severely stretched and this has constrained our ability to increase income sufficiently in some cases. However new products and services have helped grow our income from the private sector by a further 15% during the year, often at a better margin than that resulting from traditional sources.

Strategic development has become more focussed around income streams and market potential and we have shifted our focus further towards delivering client-driven needs rather than service-led products.

The acquisition of the Loss Prevention Council (LPC) from the ABI has added substantially to our testing income and has made us a leading international supplier of certification services. The LPC elements at BRE have traded well during a disrupted year as they moved to our Garston site and are contributing positively to our profitability. This acquisition has also placed BRE in a long-term relationship with the UK insurers through the continuing sponsorship of the ABI and Lloyds. Their on-going research programme provides BRE with a unique strength in the provision of risk management advice and data.

During the year BRE has grown substantial new business with major clients including RailTrack, ICI, British Airways, MAFF, London Underground Limited and others. Particularly pleasing has been our ability to develop outside of our perceived core markets as exemplified by our work for British Airways on cabin air quality and other issues which has led to a range of contracts making us the world leaders in aircraft cabin environmental issues.

BRE's on-line bookshop, (www.BREbookshop.com), was launched this year and has been an instant success as the only comprehensive on-line document resource focussed on the UK construction and allied industries. It is a model that we hope to repeat in other market sectors. We are expending considerable resources in this and related areas to ensure we build and retain profitable market leadership in the provision of construction-related, value-added information, data and knowledge across the Internet.

Major successes in the year for the group also include the winning of a 'Faraday Centre' for renewables in buildings and Quantum Partnership winning the lead contractor role in support of the new Carbon Trust set up by Government to spearhead their commitment to meeting the Kyoto targets.

A number of new tenants have taken space at Garston over the last year and a positive policy of letting surplus space on medium term leases continues to be pursued to provide a robust long term income stream to complement funds generated through our trading activities.

Investment

Investment and cash demand has been particularly high this year as we have moved substantial facilities from LPC's previous site in Borehamwood to Garston. In addition BRE has continued to make significant investment in both human and physical resources and this will be maintained in the coming year.

The quality of much of the building stock inherited at privatisation was poor and we have continued to make substantial improvements and are now addressing the utilisation of space and the improvement of working conditions.

The previous year's significant investment in intra-net / extra-net facilities is now paying dividends as we progressively switch to intranet 'work flow' driven internal processes which are showing considerable promise in increasing efficiency and, in the longer term, reducing costs.

BUILDING RESEARCH ESTABLISHMENT LIMITED

CHAIRMAN'S REPORT

For the year 1 April 2000 - 31 March 2001

Outlook for the Future

The coming year presents many challenges, not least the need to continue to build profitable income in new markets to counterbalance the planned for contractual reductions in Government income coupled with the re-tendering of BRECSU, the major energy efficiency best practice programme we manage for Government. Nevertheless I remain confident that with increased investment in commercially aware staff we can meet our target of substantially increasing both operating and net profits.

We have allowed for significant new investment in our plans and expect recent investment to contribute to profits and cash flow in the coming year.

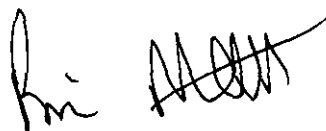
BRE is a truly 'people business' which relies on the dedication, skill and integrity of its staff, many of whom are recognised nationally and internationally as experts in their field, to drive it forward.

The last twelve months have demonstrated the ability of our staff to continue to grow the business in both existing and new markets. We are confident that they will continue to rise to the many challenges and opportunities that lie ahead.

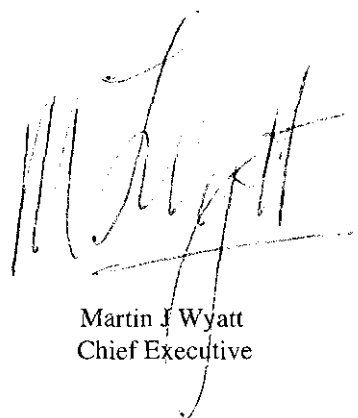
Board of Directors

The present membership of the board of directors is set out below. The directors of the company who have held office during the financial period have no beneficial interests in the called up share capital of the company.

Non Executive Chairman	Brian Mellitt
Chief Executive	Martin J Wyatt
Directors:	Guy P Hammersley
	James F Horan
	Martin R Shaw
Non Executive Director:	John R Marshall



Brian Mellitt
Non Executive Chairman



Martin J Wyatt
Chief Executive

BUILDING RESEARCH ESTABLISHMENT LIMITED

REPORT OF THE DIRECTORS

For the year 1 April 2000 - 31 March 2001

The directors have pleasure in presenting their report for the year ended 31 March 2001.

A full list of directors appears in the Chairman's statement.

Principal activity

The principal activity of the company is to provide independent advice and information on building performance, construction and fire safety in the United Kingdom. As part of the privatisation process, the previous owner, the Department of the Environment, undertook to offer work up to a defined value over the first five years in the private sector. This will provide time for BRE to find alternative sources of income. The income from these arrangements is conditional on the provision of high quality research and advice at competitive prices.

Review of the business

The profit achieved by the company before Gift Aid and taxation is £0.877m (2000: £1.946m). The directors consider the profit achieved on ordinary activities to be satisfactory and do not recommend payment of a dividend (2000: nil).

Finance and Audit Committee

The Finance and Audit Committee comprises Sir Frank Gibb, acting as chairman, Hugh Try and John Marshall. The Chief Executive, Finance Director and external auditors are also present as required. The Committee meets five times a year to review financial performance and monitor such matters as the group's external financial reporting, audit activities and corporate governance.

Corporate governance

Whilst not intended for private companies, the directors consider it advantageous to apply the principles of Good Governance and Code of Best Practice ("the Combined Code") as appropriate. In order to do this the Finance and Audit Committee has initiated a rigorous and thorough review of the specific requirements of the Combined Code and ensured procedures are in place or are being developed for those aspects of it that are relevant to the group. Amongst these, the group has a comprehensive risk management system in place which is periodically reviewed by the directors and the Finance and Audit Committee. The directors acknowledge their responsibility for the group system of internal control and for monitoring its effectiveness. The directors accept that such a system can provide only reasonable and not absolute assurance against material mis-statement and loss and that the system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

Remuneration and Nomination Committee

The remuneration and nomination committee is responsible for determining the remuneration and conditions of the executive directors, and comprises Mr Brian Mellitt (BRE non executive chairman) and Mr John Marshall (BRE non executive director).

In determining appropriate levels of remuneration for the executive directors, the committee aims to provide packages that are competitive in the marketplace and will attract and retain high quality executives capable of achieving the company's objectives.

Charitable donations

During the period the company made no charitable donations.

Personnel policies

The company has instituted means of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

This is achieved through open meetings, newsletters and consultations with employee representatives. Employment policies aim to provide equal opportunities, irrespective of sex, race, religion or marital status. Applications by disabled persons are given full and fair consideration and, wherever practicable, provision is made for their special needs. The same criteria apply to disabled persons for training, career development and promotion as to any other employee. If any employee becomes disabled, every effort is made to ensure their continued employment by providing adequate facilities, offering an alternative job or providing retraining where necessary.

BUILDING RESEARCH ESTABLISHMENT LIMITED

REPORT OF THE DIRECTORS

For the year 1 April 2000 - 31 March 2001

Directors and their interests

The directors of the company who have held office during the financial period have no beneficial interests in the called up share capital of the company.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements the directors 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 have been followed, subject to any departures disclosed and explained in the financial statements;

prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton have confirmed their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.



BY ORDER OF THE BOARD

James F Horan

Secretary

13 August 2001

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF BUILDING RESEARCH ESTABLISHMENT LIMITED

We have audited the financial statements on pages 9 to 21 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on pages 4 to 5 the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

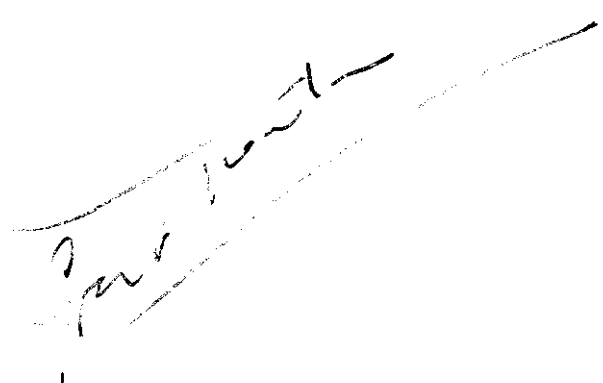
Basis of opinion

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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2001 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

13 August 2001

BUILDING RESEARCH ESTABLISHMENT LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year 1 April 2000 - 31 March 2001

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and are prepared under the historical cost convention. The principal accounting policies are as set out below and have remained unchanged from the previous year.

BASIS OF CONSOLIDATION

BRE, as a wholly owned subsidiary of FBE, is exempt from preparing consolidated financial statements. Consequently, these financial statements only present information about the company.

INTANGIBLE ASSETS

In accordance with Financial Reporting Standard 10, "Goodwill and Intangible Assets", the company has continued its policy on purchased goodwill. Goodwill is capitalised and amortised over its useful economic life, which is determined on a case by case basis, but does not exceed 20 years.

As a matter of accounting policy, purchased negative goodwill first accounted for in periods ending before 23 December 1998, the date of implementation of FRS10, was eliminated from the financial statements by immediate write off to a separate reserve. This goodwill is retained in a separate reserve and transferred to the profit and loss reserve as it is realised over a maximum period of 20 years.

Expenditure incurred to purchase licence agreements is capitalised and written off over the useful economic life of the licence and will not exceed 20 years.

ASSOCIATES

Undertakings, other than subsidiary undertakings, in which the company has an investment of at least 20% of the shares and over which it exerts significant influence, are treated as associates. The investment is shown at cost.

TURNOVER

Turnover represents the invoiced amount of research and technical consultancy and amounts recoverable on contracts. Turnover is stated net of value added tax.

Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover reflecting the proportion of work completed to date on the project.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation has been provided at rates calculated to write off the cost or valuation of each asset over its expected useful life on a straight line basis, as shown below:

Freehold property	20 years
IT equipment	3 years
Telecommunications equipment	10 years
Other plant and machinery	7 years
Fixtures and fittings	7 years
Commercial vehicles and cars	3-6 years
Fork lift trucks	10 years

LONG TERM CONTRACTS

Amounts recoverable on long term contracts (work done not invoiced), which are included in debtors, are stated at the net sales value of the work done after making provision for contingencies and anticipated future losses on contracts and deducting amounts received as payments on account.

LEASED ASSETS

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

CORPORATION TAX

No provision for corporation tax is due in view of the arrangements to pay the whole of the assessable profits to FBE under Gift Aid.

BUILDING RESEARCH ESTABLISHMENT LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year 1 April 2000 - 31 March 2001

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Deferred tax not provided is disclosed as a contingent liability.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any exchange differences are dealt with through the profit and loss account.

CONTRIBUTIONS TO PENSIONS – DEFINED BENEFIT SCHEME

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Such contributions are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, in order to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll.

BUILDING RESEARCH ESTABLISHMENT LIMITED

PROFIT AND LOSS ACCOUNT

For the year 1 April 2000 to 31 March 2001

	Notes	Before Gift Aid 2001 £'000	Gift Aid 2001 £'000	2001 £'000	2000 £'000
Turnover - continuing operations	1	29,674		29,674	31,830
- acquisitions		4,539		4,539	-
		34,213		34,213	31,830
Staff costs	2,4,5	(22,070)		(22,070)	(18,446)
Depreciation of tangible assets		(1,150)		(1,150)	(1,745)
Amortisation of intangible assets		(54)		(54)	-
Operating expenses		(9,637)		(9,637)	(9,581)
Operating profit/(loss)	3				
- continuing operations		1,664		1,664	2,058
- acquisitions		(362)		(362)	-
		1,302		1,302	2,058
(Loss)/profit on sale of fixed assets in continuing operations		(43)		(43)	19
Interest receivable		61		61	236
Interest payable	6	(443)		(443)	(367)
Payment of Gift Aid to FBE		-	(81)	(81)	(2,750)
Profit/(loss) on ordinary activities before taxation		877	(81)	796	(804)
Taxation on ordinary activities	7			(43)	(10)
Retained profit/(loss) for the financial period				753	(814)

All recognised gains and losses are included in the profit and loss account.


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

BUILDING RESEARCH ESTABLISHMENT LIMITED

BALANCE SHEET As at 31 March 2001

	Note	£'000	2001 £'000	£'000	2000 £'000
Fixed assets					
Intangible assets	8		933		-
Tangible assets	9		15,747		13,401
Investment in associate	10		175		175
Current assets					
Debtors	11		14,217		10,486
Cash at bank and in hand			-		5,437
			14,217		15,923
Creditors: amounts falling due within one year	12		(20,301)		(19,326)
Net current liabilities			(6,084)		(3,403)
Total assets less current liabilities			10,771		10,173
Creditors: amounts falling due after more than one year	13		(793)		(996)
Net assets			9,978		9,177
Capital and reserves					
Share capital	14		-		-
Profit and loss account	15		1,085		(689)
Other reserves	15		8,893		9,866
Equity shareholders' funds	15		9,978		9,177

These financial statements were approved by the Board of Directors on 13 August 2001



James F Horan
Director

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

BUILDING RESEARCH ESTABLISHMENT LIMITED

CASH FLOW STATEMENT

For the year 1 April 2000 - 31 March 2001

	Note	2001 £'000	2000 £'000
Net cash flow from operating activities	16	(1,971)	1,779
Return on investments and servicing of finance			
Interest paid		(367)	(148)
Interest received		61	236
Payment of Gift Aid to FBE		(81)	(2,750)
		<hr/> (387) <hr/>	<hr/> (2,662) <hr/>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,845)	(970)
Sale of tangible fixed assets		46	19
Costs relating to acquisition of LPC		(1,637)	-
Purchase of intangible asset (licence agreement)		(100)	-
		<hr/> (4,536) <hr/>	<hr/> (951) <hr/>
Cash (outflow)/inflow before financing		(6,894)	(1,834)
Financing – increase in debt	17	1,325	3,250
		<hr/>	<hr/>
(Decrease)/increase in cash in period	18	(5,569)	1,416
		<hr/>	<hr/>

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

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

1 TURNOVER

Turnover and profit before taxation are attributable to the company's principal activity.

Turnover and operating expenses exclude recharges of £4,026k (2000: £3,264k) where the company has undertaken to negotiate and contract with third parties on behalf of clients and to subsequently recharge the clients at cost.

2 STAFF COSTS AND OTHER OPERATING INCOME AND CHARGES

	2001			2000	
	Continuing £'000	Acquisitions £'000	Total £'000	Continuing £'000	Total £'000
Staff costs	19,965	2,105	22,070	18,446	18,446
Depreciation of tangible fixed assets	1,020	130	1,150	1,745	1,745
Amortisation of intangible fixed assets	54	-	54	-	-
Amounts receivable relating to vacating Borehamwood premises less restructuring costs	588	-	588	-	-
Operating expenses	6,971	2,666	9,637	9,581	9,581

3 OPERATING PROFIT

	2001 £'000	2000 £'000
The operating profit is stated after charging:		
Restructuring costs	1,212	-
Depreciation of tangible fixed assets	1,150	1,313
Amortisation of intangible assets	54	-
Operating lease rentals	43	25
Auditors' remuneration – audit services	51	45
– non-audit services	42	40
Amount receivable relating to vacation of Borehamwood premises	(1,800)	-
And charging/(crediting) exceptional items for:		
Depreciation of fixed assets no longer in use	-	432
Receipt of rates rebate in respect of prior years	(82)	(1,160)

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year 1 April 2000 - 31 March 2001

4 STAFF COSTS

	2001 £'000	2000 £'000
Staff costs, including directors remuneration, during the period amounted to:		
Wages and salaries	18,202	15,378
Social security costs	1,493	1,184
Other pension costs	2,375	1,884
	<hr/> 22,070	<hr/> 18,446

The average number of full-time equivalent employees including directors during the period was as follows:

	2001 Number	2000 Number
Research staff	554	470
Administration staff	82	75
	<hr/> 636	<hr/> 545

5 DIRECTORS' REMUNERATION

	Salary and Fees £	Annual Bonus £	Pension Contributions £	2001 Total £	2000 Total £
Executive Directors:					
Chief Executive – Martin Wyatt	125,000	28,750	19,688	173,438	154,750
Deputy Chairman – Roger Courtney	-	-	-	-	94,900
Finance Director – James Horan	86,000	16,000	13,545	115,545	105,200
Research Director – Martin Shaw	81,000	11,175	12,758	104,933	98,650
Director Construction Division – Guy Hammersley	78,000	10,080	12,285	100,365	48,300
Non Executive Directors:					
Chairman – Brian Mellitt	30,000	-	-	30,000	26,500
John Marshall	25,000	-	-	25,000	20,000
	<hr/> 425,000	<hr/> 66,005	<hr/> 58,276	<hr/> 549,281	<hr/> 548,300

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

During the period four directors participated in the BRE Ltd pension scheme which is a defined benefit pension scheme. The accrued pension of the highest paid director, M Wyatt, at the year end was £10,469 and his accrued lump sum was £31,407.

During the year total payments of £53,616 (2000: £27,703) were made to M Wyatt, R Courtney, J Horan and M Shaw in respect of the interest on directors' loan notes made to the group.

In accordance with the terms of the directors' investment agreement, a further accrual has been made for £333,000 (2000: £333,000). Repayment commenced in January 2001.

6 INTEREST PAYABLE

	2001 £'000	2000 £'000
Interest payable to group undertakings	312	121
Interest payable on short term borrowings wholly repayable within 5 years	131	246
	<hr/>	<hr/>
	443	367
	<hr/>	<hr/>

7 TAXATION

	2001 £'000	2000 £'000
UK Corporation tax:		
Under-provision in respect of prior year	43	10
	<hr/>	<hr/>

FBE was granted Scientific Research Association ("SRA") status for the year ended 31 March 2000, and the underprovision relates to taxable income arising from the year ended 31 March 1999 when SRA status was not granted. Under SRA status, granted under section 508 of the Income and Corporation Tax Act, BRE would benefit from the corporation tax exemption of FBE. An annual retrospective application is required, and FBE intends to apply for this for the year ended 31 March 2001. Consequently no tax has been provided, as the directors are of the opinion that this would be successful. Were the application to be unsuccessful, a maximum tax liability of £81,000 would exist.

8. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Licence agreement £'000	Total £'000
Cost at 1 April 2000	-	-	-
Additions during year	887	100	987
Amortisation for year	(44)	(10)	(54)
	<hr/>	<hr/>	<hr/>
Net book value at 31 March 2001	843	90	933
	<hr/>	<hr/>	<hr/>

BUILDING RESEARCH ESTABLISHMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year 1 April 2000 - 31 March 2001

9 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2000	11,185	16,708	103	149	28,145
Additions	1,167	1,578	58	42	2,845
Acquisition of LPC fixed assets	-	942	84	127	1,153
Disposals	-	(823)	(1)	(118)	(942)
At 31 March 2001	12,352	18,405	244	200	31,201
Depreciation					
At 1 April 2000	408	14,169	62	105	14,744
Charge for period	136	965	21	28	1,150
Acquisition of LPC fixed assets	-	325	54	25	404
Eliminated on disposals	-	(815)	(1)	(28)	(844)
At 31 March 2001	544	14,644	136	130	15,454
Net book value					
At 31 March 2001	11,808	3,761	108	70	15,747
At 31 March 2000	10,777	2,539	41	44	13,401

10 INVESTMENT IN ASSOCIATE

The investment represents the group's holding in Construction Research Communications Ltd ("CRC"). CRC has total issued ordinary shares of 357,142 of which BRE Ltd owns 107,141 (30%). Its capital and reserves for the year ended 31 March 2000, the latest available accounts, were £875,000 and retained loss for that year £400,000.

	2001 £'000	2000 £'000
Shares in associate company	175	175

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

11 DEBTORS

	2001 £'000	2000 £'000
Trade debtors	4,981	3,912
Amounts recoverable on contracts	6,837	5,611
Other debtors	1,671	32
Prepayments	207	234
Amounts due from group undertakings	521	697
	<hr/>	<hr/>
	14,217	10,486
	<hr/>	<hr/>

Other debtors includes an amount receivable of £1,800,000 relating to the vacation of the Borehamwood premises which was received in April 2001.

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Bank overdraft	132	-
Trade creditors	4,349	3,385
Amounts due to group undertakings	2,948	4,250
Other creditors	470	524
Social security and other taxes	1,446	1,306
Accruals	5,681	7,545
Payments received in advance	2,825	2,316
Loans due within one year	2,450	-
	<hr/>	<hr/>
	20,301	19,326
	<hr/>	<hr/>

Included within creditors is a provision for £1,144,000 (2000: £3,352,000) for the consideration due to the Department of the Environment, Transport and the Regions ("DETR") for the purchase of the business and assets of BRE.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

Additionally, there is within creditors an amount of £500,000 (2000: £758,000) for future pension contributions for employees who took early retirement as part of the restructuring in 1998. These provisions are included as due within one year £174,000 (2000: £254,000) and due over one year £326,000 (2000: £504,000). Amounts falling due beyond five years were £51,000 (2000: £51,000)

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £'000	2000 £'000
Directors' Loan Notes	175	200
Amount payable relating to redemption of Mezzanine Loan	292	292
Future amounts payable relating to restructuring costs	326	504
	<hr/> 793	<hr/> 996

The directors' loan notes are repayable on 31 March 2002, 31 March 2003 and 1 April 2004 and are unsecured. Interest is charged at 5% over National Westminster Bank base rate or 11.7%, whichever is the greater.

14 SHARE CAPITAL

	2001 £	2000 £
Authorised: 1,000 ordinary shares of £1 each	<hr/> 1,000	<hr/> 1,000
Allotted: Issued and fully paid 2 ordinary shares of £1 each	<hr/> 2	<hr/> 2

15 MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS

	Profit and Loss Account £'000	Other Reserve £'000	Shareholders' Funds £'000
At 1 April 2000	(689)	9,866	9,177
Retained profit for the year	753	-	753
Transfer	1,021	(1,021)	-
Adjustment to fair value amount	-	48	48
	<hr/> 1,085	<hr/> 8,893	<hr/> 9,978
At 31 March 2001			

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

The adjustment to fair value amount represents the movement in accruals against the final purchase consideration due to DETR, see Note 12 above.

As stated in the accounting policy on intangible assets, negative goodwill is transferred to the profit and loss account reserve over its useful economic life.

16 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2001 £'000	2000 £'000
Operating profit	1,302	2,058
Depreciation of tangible assets	1,150	1,745
Amortisation of intangible assets	54	-
Restructuring costs	(252)	(313)
Net book value of assets written off not involving the movement of funds	8	16
Movement in working capital:		
Stocks and amounts recoverable on contracts	(1,226)	(2,247)
Debtors	(2,505)	(316)
Creditors	(502)	836
	<hr/>	<hr/>
Cash (outflow)/inflow from operating activities	(1,971)	1,779
	<hr/>	<hr/>

17 ANALYSIS OF CHANGE IN NET FUNDS/DEBT

	At 1 April 2000 £'000	Cash flow £'000	At 31 March 2001 £'000
Cash at bank	5,437	(5,569)	(132)
Debt	(4,450)	(1,325)	(5,775)
	<hr/>	<hr/>	<hr/>
	987	(6,894)	(5,907)
	<hr/>	<hr/>	<hr/>
The closing debt comprises:			
Inter-company borrowing			3,125
Directors' loan notes			200
Loan facility repayable within one year			2,450
			<hr/>
			5,775
			<hr/>

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

The directors' loan notes are due for repayment on 31 March 2002, 31 March 2003 and 1 April 2004

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £'000	2000 £'000
(Decrease)/increase in cash	(5,569)	1,416
(Increase) in debt	(1,325)	(3,250)
	<hr/>	<hr/>
	(6,894)	(1,834)
Opening net funds	987	2,821
	<hr/>	<hr/>
Closing net (debt)/funds	(5,907)	987
	<hr/>	<hr/>

19 PENSIONS

The group operates two defined benefit pension schemes, one for the employees transferring from LPC and one for the rest of the FBE group. The assets of both schemes are held separately from those of the group, being invested with Legal and General Assurance (Pensions Management) Limited and Scottish Widows' Pension Management respectively.

The total pension cost for the company was £2,375,000 (2000: £1,884,000). Contributions to the schemes are charged to the profit and loss account in order to spread the cost of the pensions over the employees' working lives.

As previously reported, the actuarial report produced in the year to 31 March 2000 identified a shortfall of £2,550,000 in the funding of the BRE pension scheme. Consequently, higher company contributions are being paid in accordance with the actuary's recommendations made in that report. There have been no actuarial valuations carried out during the year to 31 March 2001.

For both schemes the actuaries have certified that in their opinion the contributions payable are adequate for the purpose of securing the minimum funding requirement imposed by section 56(1) of the Pensions Act 1995.

The table below sets out the key indicators for both schemes:

	Scottish Widows Pension Fund		Legal & General Pension Fund	
	2001	2000	2001	2000
Equity investments as % of total fund	100%	93%	92.5%	93.5%
Market value of fund at 30 September	£16,798,396	£13,184,861	£13,977,812	£12,932,558

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

The assumptions which have the most significant effect on results of the valuation are:

	Scottish Widows Pension Fund	Legal & General Pension Fund
Return on investments	8.5%	8.0%
Pensionable salaries increase	6.5%	6.25%
Increase in pension payments	4%	4%

20 RELATED PARTY TRANSACTIONS

As stated in Note 10 BRE owns 30% of the issued ordinary shares of CRC with the balance of 70% being owned by Emap Business Communications. During the year to 31 March 2001 BRE entered into transactions in the normal course of business with CRC totalling £76,246 (: £23,904) and at the year end was owed £3,536 (2000: £5,279).

21 FINANCIAL COMMITMENTS

At 31 March 2001 BRE Ltd had annual commitments under non-cancellable operating leases as follows:

Plant and machinery expiring:	2001 £'000	2000 £'000
Within one year	56	26
Between two and five years	130	42
	—	—
	186	68
	—	—

22 CAPITAL COMMITMENTS

The following commitments for capital expenditure existed as at 31 March 2001:

	2001 £'000	2000 £'000
Contracted	1,722	394
	—	—

23 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is the Foundation for the Built Environment (FBE), a company limited by guarantee and registered in England and Wales. It is situated at the address shown at the front of the financial statements.

The largest and smallest group of undertakings for which group accounts have been prepared is that headed by FBE.

BUILDING RESEARCH ESTABLISHMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year 1 April 2000 - 31 March 2001

24 ACQUISITION OF THE BUSINESS AND ASSETS OF LOSS PREVENTION COUNCIL

Immediately after close of business on 31 March 2000, BRE acquired the trade, assets and liabilities of The Loss Prevention Council, including the Loss Prevention Certification Board.

	2001 £'000
Book value and fair value of items acquired:	
Tangible fixed assets	749
Debtors	1,621
Work done not invoiced	1,651
Creditors	(2,840)
	<hr/> 1,181
Fair value of consideration:	
Amount paid	1,500
Amount payable	431
Acquisition costs	137
Goodwill arising on acquisition	(887)
	<hr/> 1,181

25 SUBSIDIARY UNDERTAKINGS

At 31 March 2001 the subsidiary undertakings were as follows:

	Interest in Ordinary Shares
BRE (Cardington) Limited	100%
BRE Waste & Environmental Body Limited	100%
Fire Insurers Research and Testing Organisation	100%
The Loss Prevention Technical Centre Limited	100%
The Loss Prevention Certification Board Limited	100%
The National Supervisory Council for Intruder Alarms Limited	100%
Risk Sciences Limited	100%

All of the subsidiaries were registered in England and Wales.

BRE Waste & Environmental Body Limited is a trading company carrying out research into waste management practice, all the other subsidiaries are non-trading companies.

26 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2001 or 31 March 2000 except as disclosed in Note 7.