

## e) Retirements due to ill health

During 2009/10 there were no (2009: three) early retirements from the agency on the grounds of ill health. The NHS Pension Agency estimated the additional pension liabilities of these ill-health retirements to be £nil (2009: £281,453). These retirements represented nil per 1,000 active scheme members (2009: 0.91).

## 6 OTHER OPERATING CHARGES

	2010	Restated 2009
	£'000	£'000
Laboratory consumables and services	44,084	41,282
Supplies and services	48,741	42,972
Accommodation	27,115	27,948
Travel and subsistence	6,399	6,303
Foreign exchange losses/(gains)	395	(928)
Auditor's remuneration	148	207
Charge/(release) of bad and doubtful debt provision	15	(210)
Net charge/(release) of other provisions	1,527	(2,548)
Losses on disposal of property, plant and equipment	231	178
Impairment of non-current assets	-	21
Porton Down re-provision costs	10,027	1,894
Valued Added Tax refund	(3,708)	-
<b>Total other operating charges</b>	<b>134,974</b>	<b>117,119</b>

The total other operating charges include pandemic flu incremental non-staff costs of £8,459,000 funded by the Department of Health (note 4,16).

### Porton Down re-provision costs

The Porton Down re-provision costs relate to the expenditure incurred in developing the plans for re-providing the agency's specialist laboratory facilities at Porton Down which are reaching the end of their useful life. This activity has yet to reach the stage at which final approval is required from the Department of Health. Due to the size of the likely investment required and the uncertainty surrounding the availability of public funding, it is considered appropriate to treat the expenditure as a charge to revenue rather than to carry it forward as an asset.

### Value Added Tax refund

HM Revenue and Customs has agreed a VAT refund in respect of the partial exemption rules relating to the National Biological Standards Board for the period between 1992 and 1997.

## Notes to the financial statements Continued

### 7 AMORTISATION AND DEPRECIATION

The charge to operating costs for amortisation and depreciation for the year is as follows:

	2010 £'000	Restated 2009 £'000
<b>Charge in respect of assets funded by capital grant in aid from the Department of Health:</b>		
Non-current assets - property, plant and equipment (note 8)	22,447	19,668
Impairment (note 8)	4,247	-
Non-current assets - intangible assets (note 9)	1,807	1,176
	<u>28,501</u>	<u>20,844</u>
Charge in respect of other non-current assets - property, plant and equipment (note 8)	387	436
<b>Total charge to operating costs</b>	<u>28,888</u>	<u>21,280</u>

## 8 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 31 MARCH 2010

	Land and buildings	Fixtures and fittings	Plant, equipment and vehicles	Information technology equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
Restated at 1 April 2009	217,586	19,826	52,049	13,076	36,474	339,011
Reclassification of assets to intangible non-current assets and inventories	-	-	(100)	(1,237)	-	(1,337)
Reclassification of assets	14,664	(14,642)	(22)	-	-	-
Impairment	(3,396)	-	-	-	(851)	(4,247)
Additions	-	-	110	-	45,864	45,974
Transfer of assets under construction	26,662	2,671	22,298	2,079	(53,710)	-
Elimination of accumulated depreciation	(64,237)	-	-	-	-	(64,237)
Revaluations	6,801	(112)	(677)	-	-	6,012
De-recognition	-	(3)	(1,103)	(134)	-	(1,240)
<b>At 31 March 2010</b>	<b>198,080</b>	<b>7,740</b>	<b>72,555</b>	<b>13,784</b>	<b>27,777</b>	<b>319,936</b>
<b>Depreciation</b>						
Restated at 1 April 2009	50,086	3,659	27,452	8,346	-	89,543
Reclassification of assets to intangible non-current assets and inventories	-	-	(29)	(804)	-	(833)
Reclassification of assets	1,940	(1,937)	(3)	-	-	-
Charge for year	12,211	1,050	7,224	2,349	-	22,834
Elimination of accumulated depreciation	(64,237)	-	-	-	-	(64,237)
Revaluations	-	(37)	(572)	-	-	(609)
De-recognition	-	(1)	(877)	(131)	-	(1,009)
<b>At 31 March 2010</b>	<b>-</b>	<b>2,734</b>	<b>33,195</b>	<b>9,760</b>	<b>-</b>	<b>45,689</b>
<b>Net Book Value</b>						
<b>At 31 March 2010</b>	<b>198,080</b>	<b>5,006</b>	<b>39,360</b>	<b>4,024</b>	<b>27,777</b>	<b>274,247</b>
Restated at 31 March 2009	167,500	16,167	24,597	4,730	36,474	249,468

### Additions

Additions to property, plant and equipment are processed through assets under construction in the first instance and transferred into the appropriate asset category when the item is brought into service.

## Notes to the financial statements Continued

---

### **Reclassification to non-current assets: intangible assets and inventories**

Laboratory and finance software and systems with a net book value of £474,000 and previously classified as property, plant and equipment were reclassified to intangible non-current assets during the year. Assets with a net book value of £30,000 and previously classified as plant and equipment were transferred to inventories during the year.

### **Reclassification of assets**

Assets previously incorrectly classified as plant and equipment, fixtures and fittings were reclassified to land and buildings during the year.

### **Land and buildings**

A professional valuation of land and buildings was carried out on 31 March 2010. In line with International Accounting Standard 16, accumulated depreciation has been eliminated against the carrying amount of the asset with the net amount restated to equal the revalued amount.

Freehold land has a net book value of £28,225,000 (2009: £16,202,000). Freehold buildings have a net book value of £165,805,000 (2009: £150,834,000). Leasehold land has a net book value of £4,050,000 (2009: £464,000).

### **Impairment**

The impairment of £4,247,000 has been charged to the operating cost statement (note 7). It comprises £3,396,000 in respect of the construction of the Influenza Resource Centre and UK Stem Cell Bank at South Mimms and £851,000 in respect of Porton Down re-provision capital expenditure carried forward from 2008/09.

### **Third party owned assets**

In addition to the above assets, the agency held non-current assets – property, plant and equipment, at no cost to the agency, with a total cost of £4,141,000 (2009: £4,074,000) which were funded by and remain in the ownership of third parties. These assets, required to meet customer contracts, consisted of modular buildings £2,149,000 (2009: £2,242,000) and plant and equipment £1,992,000 (2009: £1,832,000).

FOR THE YEAR ENDED 31 MARCH 2009

	Land and buildings	Fixtures and fittings	Plant, equipment and vehicles	Information Technology equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
Restated at 1 April 2008	222,189	8,963	44,589	11,224	20,132	307,097
Adjustment to cost/ valuation	(4,900)	-	(1,100)	(46)	-	(6,046)
Reclassification of assets	(3,359)	3,334	(318)	343	-	-
Additions	-	-	145	-	39,376	39,521
Transfer of assets under construction	5,521	7,183	8,553	1,777	(23,034)	-
Revaluations	(1,865)	346	1,306	-	-	(213)
De-recognition	-	-	(1,126)	(222)	-	(1,348)
<b>Restated at 31 March 2009</b>	<b>217,586</b>	<b>19,826</b>	<b>52,049</b>	<b>13,076</b>	<b>36,474</b>	<b>339,011</b>
<b>Depreciation</b>						
Restated at 1 April 2008	45,172	1,404	23,931	5,681	-	76,188
Adjustment to depreciation	(4,898)	-	(1,103)	(46)	-	(6,047)
Reclassification of assets	(39)	38	(387)	388	-	-
Charge for year	10,158	2,171	5,256	2,519	-	20,104
Revaluations	(307)	46	749	-	-	488
De-recognition	-	-	(994)	(196)	-	(1,190)
<b>Restated at 31 March 2009</b>	<b>50,086</b>	<b>3,659</b>	<b>27,452</b>	<b>8,346</b>	<b>-</b>	<b>89,543</b>
<b>Net Book Value</b>						
<b>Restated at 31 March 2009</b>	<b>167,500</b>	<b>16,167</b>	<b>24,597</b>	<b>4,730</b>	<b>36,474</b>	<b>249,468</b>
Restated at 31 March 2008	177,017	7,559	20,658	5,543	20,132	230,909

### Adjustment to cost/valuation and depreciation

These adjustments relate to the cost/valuation and accumulated depreciation of certain assets which were overstated. The net book value of these assets remains unchanged.

### Reclassification of assets

Assets previously incorrectly classified as land and buildings and information technology were reclassified to fixtures and fittings and plant and equipment during the year.

## Notes to the financial statements Continued

### Land and buildings

Freehold land has a net book value of £16,202,000 (2008: £31,266,000). Freehold buildings have a net book value of £150,834,000 (2008: £143,111,000). Leasehold land has a net book value of £464,000 (2008: £2,640,000).

### Third party owned assets

In addition to the above assets, the agency held non-current assets – property, plant and equipment, at no cost to the agency, with a total cost of £4,074,000 (2008: £3,968,000) which were funded by and remain in the ownership of third parties. These assets, required to meet customer contracts, consisted of modular buildings £2,242,000 (2008: £2,393,000) and plant and equipment £1,832,000 (2008: £1,575,000).

## 9 NON-CURRENT ASSETS – INTANGIBLE ASSETS

FOR THE YEAR ENDED 31 MARCH 2010

	Software £'000
<b>Cost or valuation</b>	
Restated at 1 April 2009	4,843
Reclassification of assets	1,307
Additions	2,956
De-recognition	(20)
<b>At 31 March 2010</b>	<b>9,086</b>
<b>Amortisation</b>	
Restated at 1 April 2009	2,596
Reclassification of assets	833
Charge for Year	1,807
De-recognition	(20)
<b>At 31 March 2010</b>	<b>5,216</b>
<b>Net book value</b>	
<b>At 31 March 2010</b>	<b>3,870</b>
Restated at 31 March 2009	2,247

---

FOR THE YEAR ENDED 31 MARCH 2009

	<b>Software</b> <b>£'000</b>
<b>Cost or valuation</b>	
Restated at 1 April 2008	4,055
Adjustment to cost/valuation	36
Additions	875
De-recognition	(123)
<b>Restated at 31 March 2009</b>	<b>4,843</b>
 <b>Amortisation</b>	
Restated at 1 April 2008	1,465
Adjustment to amortisation	36
Charge for Year	1,176
De-recognition	(81)
<b>Restated at 31 March 2009</b>	<b>2,596</b>
 <b>Net book value</b>	
<b>Restated at 31 March 2009</b>	<b>2,247</b>
Restated at 31 March 2008	2,590

#### **Adjustment to cost/valuation and amortisation**

These adjustments relate to the cost/valuation and accumulated amortisation of certain assets which were overstated. The net book value of these assets remains unchanged.

## Notes to the financial statements Continued

### 10 NON-CURRENT ASSETS: FINANCIAL ASSETS

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Advances to UKAEA Combined Pensions Scheme	261	261	493
Leasehold premium prepayment	22	23	23
Investments	3	3	3
<b>Total non-current financial assets</b>	<b>286</b>	<b>287</b>	<b>519</b>

#### Advances to UKAEA Combined Pensions Scheme

The advances to the UKAEA Combined Pension Scheme relate to lump sums paid to premature retirees from the scheme. These amounts will be repaid by the scheme administrators to the agency on the retiree's normal retirement age, or death, whichever is the earliest.

#### Leasehold premium prepayment

The leasehold premium prepayment comprises the non-current element in respect of a lease premium which is being written down over the term of the lease.

#### Investments

The investments comprise the unlisted securities of Syntaxin Limited (Syntaxin) and Proacta Incorporated (Proacta).

The agency holds a 9.3% interest in Syntaxin (2009: 9.3%; 2008: 9.3%). The holding was acquired for a cash consideration of £2,565 (2009 and 2008: £2,565), and is made up of 100 preference shares of £1 each (2009 and 2008: 100 preference shares of £1 each) and 2,465,000 ordinary shares of 0.1p each (2009 and 2008: 2,465,000).

The agency also holds 25,052 shares (2009 and 2008: 25,052) of the US\$ 0.001 common stock of Proacta, for which there was no cash consideration.

The agency has no significant influence over the operating and financial policies of Syntaxin or Proacta. There is no easily ascertainable market value for either investment, so the Board discloses both on a historic cost basis as permitted under International Accounting Standard 39.



## 11 CURRENT ASSETS: INVENTORIES

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Raw materials	303	365	343
Finished goods	3,701	1,705	2,071
Biological standards	6,268	6,660	6,325
Laboratory consumables and other stores	3,145	1,864	1,768
<b>Total inventories</b>	<b>13,417</b>	<b>10,594</b>	<b>10,507</b>

The agency holds inventories of biological reference materials ("biological standards") which are used in regulatory control, diagnosis and research. The agency estimates their economic value at 31 March 2010 to be £6,268,000 (2009: £6,660,000, 2008: £6,325,000) at the lower of cost or net realisable value.

When first recorded in the statement of financial position at 31 March 2001 an unrealised gain of £7,320,000 was credited to the revaluation reserve. In subsequent years the portion of the reserve relating to these inventories held at 31 March 2001 and distributed during the year is credited as a realised gain to operating costs. The amount thus realised in 2010 was £196,000 (2009: £224,000).

During the year laboratory consumables with a value of £285,000 were acquired at no cost to the agency. The value of these has been credited to the revaluation reserve.

## 12 CURRENT ASSETS: TRADE AND OTHER RECEIVABLES

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Trade receivables	14,148	9,586	12,699
Accrued income	15,318	13,193	12,296
Prepayments	4,722	3,602	2,857
Other receivables	12,104	9,146	5,641
<b>Total trade and other receivables</b>	<b>46,292</b>	<b>35,527</b>	<b>33,493</b>

### Intra-government balances

Intra-government balances within the totals for trade and other receivables are as follows:

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Balances with the Department of Health	4,166	454	857
Balances with NHS trusts	8,553	9,716	7,322
Balances with other central government bodies	877	2,984	2,693
Balances with local authorities	1,429	2,599	1,168
<b>Total intra-government balances</b>	<b>15,025</b>	<b>15,753</b>	<b>12,040</b>

## Notes to the financial statements Continued

### 13 CURRENT ASSETS: CASH AND CASH EQUIVALENTS

#### Analysis of changes in net funds 2010

	31 March 2010 £'000	Restated 31 March 2009 £'000	Change in year £'000
Cash at bank and in hand	28,093	29,756	(1,663)
Overdraft (note 14)	(406)	(598)	192
<b>Net funds</b>	<b>27,687</b>	<b>29,158</b>	<b>(1,471)</b>

#### Analysis of changes in net funds 2009

	Restated 31 March 2009 £'000	Restated 31 March 2008 £'000	Change in year £'000
Cash at bank and in hand	29,756	37,957	(8,201)
Overdraft (note 14)	(598)	(2,121)	1,523
<b>Net funds</b>	<b>29,158</b>	<b>35,836</b>	<b>(6,678)</b>

The overdraft is a technical book overdraft relating to the value of un-presented payments as at the statement of financial position date. No actual bank overdraft existed at any time during the year.

#### Analysis of net funds

	2010 £'000	Restated 2009 £'000	Restated 2008 £'000
Government Banking Service	26,789	26,638	33,831
Commercial bank accounts	898	2,520	2,005
<b>Net funds</b>	<b>27,687</b>	<b>29,158</b>	<b>35,836</b>

## 14 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Trade payables	9,022	14,279	16,503
Overdraft	406	598	2,121
Deferred income	15,325	14,731	12,641
PAYE and social security	-	-	3,943
Accruals	29,691	23,210	22,338
Other payables	3,669	3,936	4,581
<b>Total trade and other payables</b>	<b>58,113</b>	<b>56,754</b>	<b>62,127</b>

The overdraft is a technical book overdraft relating to the value of unrepresented payments as at the Statement of Financial Position date. The cash to meet these payments was held in the agency's account with the Government Banking Service. No actual bank overdraft existed at any time during the year.

### Intra-government balances

Intra-government balances within the totals for trade and other payables are as follows:

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
Balances with the Department of Health	6,726	4,866	6,110
Balances with NHS trusts	5,552	5,002	5,835
Balances with other central government bodies	1,746	2,029	8,750
Balances with local authorities	777	504	219
<b>Total intra-government balances</b>	<b>14,801</b>	<b>12,401</b>	<b>20,914</b>

## Notes to the financial statements *Continued*

### 15 PROVISIONS FOR LIABILITIES AND CHARGES

#### Movement in provisions 2010

	Legal claims	Future costs of early retirement	Agenda for Change	Other provisions	Total provision
	£'000	£'000	£'000	£'000	£'000
Restated provision at 1 April 2009	2,082	1,906	344	1,786	6,118
Other expenditure during the year	(110)	(188)	(136)	(14)	(448)
Reversal of unused provisions	(4)	(204)	-	(51)	(259)
Additional provisions	2,134	-	-	100	2,234
<b>Provision at 31 March 2010</b>	<b>4,102</b>	<b>1,514</b>	<b>208</b>	<b>1,821</b>	<b>7,645</b>

#### Movement in provisions 2009

	Legal claims	Future costs of early retirement	Agenda for Change	Other provisions	Total provision
	£'000	£'000	£'000	£'000	£'000
Restated provision at 1 April 2008	2,642	2,134	2,926	965	8,667
Expenditure charged to provisions in year	(128)	(233)	(1,087)	(182)	(1,630)
Reversal of unused provisions	(499)	-	(1,495)	(18)	(2,012)
Additional provisions	67	5	-	1,021	1,093
<b>Restated provision at 31 March 2009</b>	<b>2,082</b>	<b>1,906</b>	<b>344</b>	<b>1,786</b>	<b>6,118</b>

The above provisions are classified on the Statement of Financial Position, as follows:

	2010	Restated 2009	Restated 2008
	£'000	£'000	£'000
<b>Current liabilities</b>			
Legal claims	1,190	2,082	2,642
Future costs of early retirement	233	175	213
Agenda for Change	208	344	2,926
Other provisions	461	55	7
<b>Total provisions classed as current liabilities</b>	<b>2,092</b>	<b>2,656</b>	<b>5,788</b>
<b>Non-current liabilities</b>			
Legal claims	2,912	-	-
Future costs of early retirement	1,281	1,731	1,921
Agenda for Change	-	-	-
Other provisions	1,360	1,731	958
<b>Total provisions classed as non-current liabilities</b>	<b>5,553</b>	<b>3,462</b>	<b>2,879</b>
<b>Total provisions</b>	<b>7,645</b>	<b>6,118</b>	<b>8,667</b>

### Legal claims

The provision for legal claims comprises several items, the most significant of which relates to a clinical negligence claim the agency inherited from the Public Health Laboratory Service. The claim has now been re-assessed with the agency being liable for 50% of the settlement. A draft order has now been made which is subject to final judicial approval.

### Future costs of early retirement

The provision for the future costs of early retirement consists of the element of the cost in respect of employees that took early retirement before 31 March 2010 which, in accordance with the terms of the agency's pension schemes (note 5) fall to the agency. The provision relates entirely to members of the UKAEA CPS.

### Agenda for Change

The Agenda for Change provision relates to the estimated increase in the non-medical staff costs from 1 April 2009 for former staff of the National Biological Standards Board. Actual increases in pay will be based on formal job evaluations which are expected to be completed during the financial year ending 31 March 2011.

### Other provisions

A provision of £1,275,000 (2009: £1,235,000, 2008: £594,000) for the estimated costs of making good dilapidations on various properties leased by the agency, when these properties are returned to the lessors on the termination of the leases. The sum represents the expected costs of making good on dilapidations.

## Notes to the financial statements Continued

A provision of £482,000 (2009: £482,000, 2008: £263,000) for the estimated costs of the agency's liabilities for the disposal of radioactive sources falling within the scope of the High Activity Sealed Radioactive Sources and Orphan Sources Regulations 2005. The sum represents the expected costs of disposal.

A provision of £64,000 (2009: £69,000, 2008: £107,000) for the estimated costs of the agency's liabilities in respect of the future costs of life assurance premiums for 8 staff up to their retirement dates to equalise the benefits provided to them under a former pension scheme.

### 16 GOVERNMENT FINANCING

The following grant in aid has been received during the year:

	2010 £'000	Restated 2009 £'000
Department of Health	222,190	206,877
Department of Health pandemic flu incremental funding	16,804	-
Scottish Government	722	763
National Assembly for Wales	1,174	1,097
Northern Ireland Assembly	380	380
Consultants' Clinical Excellence Award	1,844	1,631
<b>Total government grant in aid received</b>	<b>243,114</b>	<b>210,748</b>
Less: Government grant in aid in respect of general capital expenditure	(50,000)	(41,400)
<b>Total revenue government grant in aid received</b>	<b>193,114</b>	<b>169,348</b>

The Health Protection Agency has UK-wide responsibilities. In addition to the formal grant in aid reported above, the agency received income from the Northern Ireland Assembly of £451,000 (2009: £783,000) to fund specific work which is included within operating income (note 3). The agency also received other income from UK government departments for contract and grant work which is also included within note 3.

## Comparison of government grant in aid with results for the year

The net operating cost for the financial year shown in the operating cost statement and the related total revenue government grant in aid for the financial year may be compared as follows:

	2010	Restated 2009
	£'000	£'000
Total revenue government grant in aid received	193,114	169,348
Depreciation on assets funded by capital grant in aid from the Department of Health (note 7)	24,254	20,844
Loss on disposal of assets funded by capital grant in aid from the Department of Health (note 6)	231	178
Impairment of assets (note 7)	4,247	-
Reversal of cost of capital charge	8,770	8,009
<b>Total revenue government grant in aid relating to net operating cost for the financial year</b>	<b>230,616</b>	<b>198,379</b>
Less: net operating cost for the financial year	(231,261)	(198,072)
<b>Government grant in aid less net operating cost for the year</b>	<b>(645)</b>	<b>307</b>

## Capital expenditure for the year

The capital expenditure for the financial year may be compared with the capital financing for the financial year as follows:

	2010	Restated 2009
	£'000	£'000
Total capital government grant in aid relating to the capital expenditure for the financial year	50,000	41,400
Capital grants received for specific projects	8,494	461
<b>Total capital financing for the financial year</b>	<b>58,494</b>	<b>41,861</b>
Less: capital expenditure for the financial year	(48,930)	(40,397)
<b>Capital financing less capital expenditure for the year</b>	<b>9,564</b>	<b>1,464</b>

The underspend in capital relates to the Porton Down re-provision costs as referred to in note 6; this will be carried forward into the 2010/11 financial year.

## Notes to the financial statements Continued

---

### 17 RELATED PARTY DISCLOSURES

The Health Protection Agency is sponsored by the Department of Health, which is regarded as a related party. During the year the agency has had various material transactions with the Department of Health itself and with other entities for which the Department of Health is regarded as the parent entity. These include many NHS and primary care trusts, the NHS Litigation Authority and many others.

In addition, the Health Protection Agency had transactions with other government departments and central government bodies. These included the Home Office, the Ministry of Defence, the Food Standards Agency, the Department for Environment, Food and Rural Affairs, the Department for International Development, the Department of Health, Social Services and Public Safety (NI), the National Blood Service, and the Medical Research Council.

During the year ended 31 March 2010, no Board members, members of the senior management or other related parties have undertaken any material transactions with the Health Protection Agency except for:

- Professor Stephen Palmer is a full time employee of the University of Cardiff and acted as a member of the Executive Group for the whole of the year ended 31 March 2010. During the year ended 31 March 2010, the agency purchased £224,000 (2009: £486,000), for the supply of goods and services from the University of Cardiff.
- Dr Miles Carroll is a member of the agency's Executive Group and is an advisor to Emergent Biosolutions UK, to which the agency provided £360,000 (2009: £744,000) of goods and services during the year ended 31 March 2010.
- Dr John Stephenson is a member of the agency's Executive Group, and holds an honorary academic position at the London School of Hygiene and Tropical Medicine, from which the agency purchased £633,000 (2009: £569,000) and provided £85,000 (2009: £56,000) of goods and services during the year ended 31 March 2010.
- Professor Alan Maryon Davis is an advisor to the HPA Board and is a governor of the London School of Hygiene and Tropical Medicine, from which the agency purchased £633,000 (2009: £569,000) and provided £85,000 (2009: £56,000) of goods and services during the year ended 31 March 2010.
- Professor Anthony Kessel is an executive Board member and is a coordinator of the London School of Hygiene and Tropical Medicine, from which the agency purchased £633,000 (2009: £569,000) and provided £85,000 (2009: £56,000) of goods and services during the year ended 31 March 2010.
- Dr Barbara Bannister is an employee of the Royal Free Hospital, and a non-executive member of the HPA Board. During the year ended 31 March 2010, the agency paid a total of £115,000 (2009: £77,000) to the Royal Free Hospital, of which £10,000 (2009: £10,000) related to the salary costs of Dr Bannister recharged to the agency.
- Deborah Oakley is a member of the governing body representing Camden PCT, which controls the Royal Free Hospital, and is also a non-executive member of the HPA Board.



During the year ended 31 March 2010, the agency paid a total of £115,000 (2009: £77,000) to the Royal Free Hospital.

- Dr Vanessa Mayatt is a director of Mayatt Risk Consulting Limited, as well as non-executive member of the agency's Board. During the year ended 31 March 2010, the agency paid £27,000 (2009: £28,000) to the Mayatt Risk Consulting Limited for additional services provided by Dr Mayatt to the agency.
- The agency has a minor shareholding in Syntaxin Limited (see note 10). During the year ended 31 March 2010, Syntaxin Limited was charged £36,000 (2009: £174,000) for goods and services received from the agency.
- Martin Hindle is a non-executive member of the agency's Board and chairman of the University Hospitals of Leicester NHS Trust. During the year to 31 March 2010, the agency provided £192,000 (2009: £136,000) of goods and services to and purchased £578,000 (2009: £181,000) of goods and services from the University Hospitals of Leicester NHS Trust.

## 18 CAPITAL COMMITMENTS

The contracted capital commitments at 31 March 2010 not provided for in the accounts amounted to £8,806,000 (2009: £23,056,000). There were no other financial commitments at 31 March 2010 (2009: nil) that require disclosure.

## 19 COMMITMENTS UNDER OPERATING LEASES

The HPA's minimum total future obligations under non-cancellable operating leases in existence as at 31 March 2010 are given in the table below analysed according to the period in which the lease expires. The obligations are as at the date of the financial position statement.

<b>Obligations under operating leases comprise:</b>	2010	Restated 2009
	£'000	£'000
<b>Land and buildings:</b>		
Expiring within one year	4,353	3,856
Expiring between two and five years	1,239	1,134
Expiring after five years	104	14
<b>Other leases:</b>		
Expiring within one year	1,575	1,624
Expiring between two and five years	314	579
Expiring after five years	4	-
<b>Total obligations under operating leases at 31 March</b>	<b>7,589</b>	<b>7,207</b>

The total operating lease payments recognised as an expense in the period were £7,843,000 (2009: £6,320,000).

## Notes to the financial statements Continued

---

### 20 FINANCIAL INSTRUMENTS

Due to the largely non-trading nature of its activities, and the way in which it is financed, the Health Protection Agency is not exposed to the degree of financial risk faced by most other business entities. The agency has no authority to borrow or to invest without the prior approval of the Department of Health and the HM Treasury. Financial instruments held by the agency comprise mainly assets and liabilities generated by day-to-day operational activities and are not held to change the risks facing the agency in undertaking its activities.

The Health Protection Agency operates foreign currency bank accounts to handle transactions denominated in Euro (€) and US Dollars (\$). This helps to manage potential exposure to exchange rate fluctuations. The fair value of cash is the same as the book value as at the Statement of Financial Position date.

During the year to 31 March 2010, the agency received Euro income equivalent to £7,349,000 (2009: £8,641,000) and US Dollar income equivalent to £8,313,000 (2009: £7,852,000) upon which there was some currency risk.

The only other currency risk is that of a Euro currency bank balances, valued at £257,000 (2009: £224,000), and a US Dollar bank balance valued at £309,000 (2009: £253,000). The agency operates Euro and US Dollar bank accounts to handle transactions denominated in those currencies. This helps to manage potential exposure to exchange rate fluctuations.

### 21 CONTINGENT LIABILITIES

As at 31 March 2010, there were a small number of outstanding legal claims made against the Health Protection Agency by patients and others. Standard accounting practice requires that provision only be made in the accounts if it is probable that a claim will be successful, and that a reliable estimate of the claim can be made. The Health Protection Agency's provision for legal claims is disclosed at Note 15.

There were no other contingent liabilities as at 31 March 2010.

### 22 LOSSES AND SPECIAL PAYMENTS

Losses and special payments requiring disclosure during the year ended 31 March 2010 totalled £190,000 (2008: £303,665).

### 23 EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of International Accounting Standard 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

There are no post statement of financial position events that would require reporting under International Accounting Standard 10.

---

## 24 MERGER WITH THE NATIONAL BIOLOGICAL STANDARDS BOARD

### a) Background information

On 1 April 2009 the National Biological Standards Board (NBSB), a non-departmental public body, merged with the Health Protection Agency to form a separate centre within the agency known as the National Institute for Biological Standards and Controls (NIBSC). The mission of the institute is to assure the quality of biological medicines and at the heart of this work are the preparation, storage and worldwide distribution of World Health Organization standards and reference materials to provide benchmarks for product quality. In addition, the institute provides testing services as the UK's Official Medicines Control Laboratory to ensure compliance with product specifications, undertakes research into aspects of biological medicines and delivers advice and training. Most of the operations of the institute are carried out at its headquarters at South Mimms, Hertfordshire.

The merger with the Health Protection Agency arose out of a review of arms-length bodies conducted by the Department of Health and was originally announced in July 2004. The lengthy lead-in period enabled accounting policies and systems to be aligned prior to the merger taking place. During this period, the Health Protection Agency provided a number of financial and other services to NBSB under a service level agreement.

The accounting principles underlying the merger are detailed in note 1.19.

### b) Merger adjustments

Merger adjustments relate to the following:

- i) Elimination of debtor and creditor balances between the two entities within the statements of financial position as at 1 April 2008 and 31 March 2009 and elimination of transactions between the two entities for the year ending 31 March 2009. These adjustments do not affect taxpayers' equity as at 31 March 2008 and 31 March 2009 or the total net operating costs for the year to 31 March 2009.
- ii) An increase in HPA net operating costs for the year to 31 March 2009 of £4,964,000 in respect of the reversal of the cost of capital charge. This reversal has been credited directly to the general reserve to be consistent with the required treatment in *Government Financial Reporting Manual* and the accounts of NBSB. This adjustment does not affect taxpayers' equity.
- iii) A reclassification of the donated asset reserve to a capital grant reserve.
- iv) A decrease in the NBSB net operating costs of £112,000 in respect of a release from the capital grants reserve to offset depreciation on assets funded by capital grants. The previous practice was to credit this directly to the general reserve but to be consistent with *Government Financial Reporting Manual* and the treatment of similar transactions in the accounts of HPA it has now been credited to the operating cost statement. This adjustment does not affect taxpayers' equity.

The following notes show the effect of the merger adjustments on the prior period Statement of Financial Position and operating cost statements of the two entities. The adjustments required as a result of the transition to the International Financial Reporting Standards are also shown and these are further explained in note 25.

## Notes to the financial statements Continued

### Effect of merger adjustments on combined Statement of Financial Position as at 31 March 2009

	HPA pre-merger £'000	HPA merger adjustments £'000	NBSB pre-merger £'000	NBSB merger adjustments £'000	Combined post-merger £'000
<b>Non-current assets</b>					
Property, plant and equipment	169,014	-	80,471	-	249,485
Intangible assets	2,058	-	189	-	2,247
Financial assets	264	-	-	-	264
<b>Total non-current assets</b>	<b>171,336</b>	<b>-</b>	<b>80,660</b>	<b>-</b>	<b>251,996</b>
<b>Current assets</b>					
Inventories	3,362	-	7,232		10,594
Trade receivables and other current assets	31,178	20	4,450	(121)	35,527
Cash and cash equivalents	22,405	(104)	7,351	104	29,756
<b>Total current assets</b>	<b>56,945</b>	<b>(84)</b>	<b>19,033</b>	<b>(17)</b>	<b>75,877</b>
<b>Total assets</b>	<b>228,281</b>	<b>(84)</b>	<b>99,693</b>	<b>(17)</b>	<b>327,873</b>
<b>Current liabilities</b>					
Trade and other payables	(51,017)	121	(3,266)	(20)	(54,182)
Provisions	(2,656)	-	-	-	(2,656)
<b>Total current liabilities</b>	<b>(53,673)</b>	<b>121</b>	<b>(3,266)</b>	<b>(20)</b>	<b>(56,838)</b>
<b>Non-current assets plus net current assets</b>	<b>174,608</b>	<b>37</b>	<b>96,427</b>	<b>(37)</b>	<b>271,035</b>
<b>Non-current liabilities</b>					
Provisions	(3,393)		(87)		(3,480)
<b>Assets less liabilities</b>	<b>171,215</b>	<b>37</b>	<b>96,340</b>	<b>(37)</b>	<b>267,555</b>
<b>Taxpayers' equity</b>					
Capital grant reserve	3,045		-	1,131	4,176
Donated assets reserve	-		1,131	(1,131)	-
Revaluation reserve	6,293		44,640	-	50,933
General reserve	161,877	37	50,569	(37)	212,446
<b>Total capital and reserves</b>	<b>171,215</b>	<b>37</b>	<b>96,340</b>	<b>(37)</b>	<b>267,555</b>