


**Plymouth Marine Laboratory**  
**A Company Limited by Guarantee**  
**Report and Accounts**

31 March 2005

 **ERNST & YOUNG**



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## Legal and administrative information

### Constitution

Plymouth Marine Laboratory is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. Charity number 1091222. Company number 4178503.

### Directors and Trustees

The Directors of the charitable company ("the charity") are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the Trustees. The Trustees are subject to retirement by rotation at the Annual General Meeting, but can be re-elected by the Members. However, Trustees must retire after serving a period of five consecutive years.

The Trustees serving during the year and since the year end were as follows:-

The Rt Hon Lord Kingsland QC (Chairman)

Dr H Cattle

Mr H Durowse

Prof. J Field

Prof. C Knowles

Mr T Lewis

Mr D Peat (Honorary Treasurer)

Dr M Tricker

### Company Secretary

Mrs B Tremain

### Members

Prof. N Owens

Dr P Claridge

Mr T Lewis

Mr D Peat

### Chief Executive

Prof. N Owens

### Registered Office

Prospect Place, West Hoe, Plymouth, PL1 3DH

## Legal and administrative information

### Auditors

Ernst & Young LLP  
Broadwalk House  
Southernhay West  
Exeter  
EX1 1LF

### Bankers

HSBC Bank plc  
Plymouth City Centre  
4 Old Town Street  
Plymouth  
PL1 1DD

### Solicitors

Foot Anstey  
4-6 Barnfield Crescent  
Exeter  
EX1 1RF

## Report of the Trustees

The Trustees, who are also Directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements for the period ended 31 March 2005. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity and have taken due account of the Charity Commission publication CC59 (published June 2003) on "Reporting the Activities and Achievements of Charities in Trustees' Annual Reports".

### Objects of the Charity

The charity is a company limited by guarantee and was incorporated on 13 March 2001 and registered as a charity on 20 March 2002. It is governed by its Memorandum and Articles of Association which were last amended on 14 March 2002. Its objects are to carry out research in environmental science and technology including marine and estuarine environmental science and technology, and disseminate results of such research and data and ideas generated in the course of or in connection with such research for the benefit of the public and to advance public education in the principles and practice of such science and technology.

### Mission Statement

The charity's mission is to pursue world-class, innovative research in marine science and technology and to disseminate and develop the associated knowledge and products resulting from that research.

### Organisation

A Board of Trustees of up to 9 members administers the charity and meets at least 3 times per year. There is a sub-committee, the Remuneration Committee, that deals with issues of staff remuneration, including pensions, and terms and conditions. Recommendations from the Remuneration Committee are submitted to the full Board for approval.

A Chief Executive is in post who manages the day-to-day operations of the charity with the Senior Management Team. A Statement of Delegated Authority outlines the respective authorities of the Board of Trustees and the Executive.

The charity has a wholly owned trading subsidiary, Plymouth Marine Applications Limited, and two members of the Board of Trustees are Non-Executive Directors on the Board of the trading subsidiary. The Chairman of the trading subsidiary is appointed by the Board of Trustees and reports to the Board of Trustees on a regular basis.

### Investment Powers

Under the terms of the Memorandum and Articles of Association the Trustees may engage an Investment Manager who can be appropriately remunerated, and/or may appoint an Investment Committee consisting of two or more Trustees. An Investment Committee was established in October 2003 and an Investment Manager subsequently appointed. This Committee has delegated authority from the Board to handle investments in conjunction with the Investment Manager. Three Trustees sit on the Investment Committee, with the Honorary Treasurer acting as Chairman. Investment reports are issued quarterly and the Investment Committee meets up to twice per year and reports its findings to the full Board of Trustees.

### Related Parties

The charity is a Collaborative Centre of the Natural Environment Research Council (NERC), a body incorporated by Royal Charter, and as such provides a UK strategic capability. NERC is one of the charity's principal "customers" for research and by way of a staff loan agreement a number of NERC staff work for the charity. The charity is a member of the Plymouth Marine Sciences Partnership (PMSP) through a Memorandum of Understanding and has a good relationship with its fellow members, which include three charities and a university. The charity is also a member of the National Centre for Ocean

## Report of the Trustees

Forecasting through a Memorandum of Understanding, which has formalised collaborations with inter alia the Met Office.

### Review of Activities & Achievements against Objectives

In its third year of operation the charity has delivered a positive financial result based again on strong financial management. Costs were contained within budget and income from commissioned research has exceeded targets. Scientific output has been high with 111 peer-reviewed publications submitted to respected journals.

The charity reviewed its Strategic Plan (2003-2008) using the Business Excellence Through Action (BETA™) model and subsequently refined its five key priority areas (strategic aims) to the following:-

- To provide a UK strategic research capability through sustained delivery of innovative, leading edge and relevant marine science and technology to customers and beneficiaries.
- To attract, retain and develop highly skilled, motivated people with the intellectual and practical qualities to work flexibly for PML, which is committed to providing an ethical, safe, well equipped and learning environment.
- To develop excellent business systems in order to maximise the effectiveness of PML's activities and ensure value to staff, customers and beneficiaries.
- To work with Plymouth Marine Applications Ltd, and other commercial partners, in the development and support of its business strategy and activities for the benefit of PML.
- To nurture and develop key regional, national and international partnerships for mutual benefit.

An Operating Plan was developed with specific objectives against target dates to ensure delivery of these priorities. This Operating Plan was reviewed quarterly by the charity's Senior Management Team, progress recorded and the Trustees subsequently advised of this progress. In addition, a fully detailed Operating Report of achievements against objectives has been produced for submission to the Trustees. A summary of achievements against its five priorities (as numbered above) is as follows:-

1. Specific highlights in science activity included:-

- Successful outcome of a Science & Management Audit by the NERC.
- Production of a 10 year science strategy/vision.
- Successful two ship cruise conducting experiments related to ocean fertilisation/productivity.
- High national and international profile gained from the charity's work on ocean acidification and CO2 sequestration.
- The milestones and deliverables of the NERC core research programme were met.
- The charity became a partner in the creation of the National Centre for Ocean Forecasting (see 5 below).
- The target set for attaining £2m of new commissioned research contracts was exceeded.

## Report of the Trustees

The charity established an independent Science Advisory Council, co-chaired by two of the Trustees, which undertook its first review of the science programme in July 2004. The general conclusions from this report were that the charity operated in a very important research area. The grades achieved ranged from "excellent science in parts" to "excellent overall".

A major undertaking for the year was the Science & Management Audit (SMA) conducted by the Natural Environment Research Council (NERC) in November 2004. Although the charity is an independent body, it receives a large amount of core funding from the NERC. The NERC, as a public body, is held accountable for this money and therefore conducts such an audit on a 5 yearly basis against a set of criteria, including *inter alia* an assessment of whether the organization provides a national capability and source of advice to Government. The SMA Team (which included one of the Trustees) required considerable documentation on the governance, organization and work of the charity. The team then visited for a 3 day period, during which they examined every aspect of the charity's work and had discussions with staff ranging from the Senior Management Team to students. The results of the SMA were published in a report in March 2005 and handed over to the charity. The report praised the governance and management of the charity, in particular its Chief Executive, and graded the science programme, with the majority of grades being alpha 4 (excellent) and higher. The Trustees were delighted at the overall report.

2. The charity ran 8 recruitment campaigns with 100% take-up of first employment offer. Staff retention within the charity stood at 98% at the end of the financial year. The SMA Team commented very favourably on the enthusiasm of the charity's staff and particularly on the mentoring and support given to young researchers. In the period 2004-05 the charity's scientists were responsible for supervising 24 PhD students and for hosting a significant number of visiting workers. An initial Investors in People assessment was conducted that identified a number of issues to be addressed. It is hoped that the charity will achieve Investors in People accreditation in the next operating year.

The Trustees made a decision in March 2005 to undertake a phased programme of strategic appointments in support of the development of the Charity's research. Funding for these posts would be taken from unrestricted funds – designated.

The Trustees considered and approved various employment terms and conditions, including a Merit Promotion Scheme and Rewards to Inventors Scheme.

The Trustees were very pleased at the charity obtaining circa £1m funding for capital equipment, which will serve to enhance the charity's research capabilities. The charity's new vessel, *Plymouth Quest*, went into full service and provided an enhanced capability to its scientists and collaborators for undertaking marine research in coastal waters.

The Sustainability Group, established the previous year, provided a great deal of input into the Government's consultation on sustainable development. This group continues to look at reducing any detrimental impact of the charity on the environment and promoting sustainability.

3. The charity established a register of intellectual property so that ideas could be tracked and exploited through its trading subsidiary to the benefit of the charity. A business process management workshop was held for the Senior Management Team to review the efficiency of its systems. A pilot study has been set up and will report in the next operating year. This will essentially shape a number of the processes operated by the charity.

## Report of the Trustees

4. The charity has worked with its trading subsidiary, Plymouth Marine Applications Limited (PMA), and provided services and support by way of its Service Level Agreement, for which the appropriate charges have been levied. The Trustees implemented a restructuring of the trading subsidiary in July 2004, with the former Executive Chairman reverting to Chairman and the Chief Executive of the charity also becoming the Chief Executive of the trading subsidiary, thus providing better synergy between the two organizations and delivering the charity's mission. A further review of the trading subsidiary's strategy will be undertaken in October 2005. The business model of a charity with a trading subsidiary to facilitate knowledge transfer was very much praised by the SMA team.

The Trustees provided a capital injection into the trading subsidiary of £100k by way of investment in shares. The secured loan of £50k from the charity to the trading subsidiary was repaid in September 2004.

5. The charity has fully discharged the requirements of its objects of undertaking research for the benefit of the public on a regional, national and international basis.

*Regional:* The charity has continued to work with the partners of the Plymouth Marine Sciences Partnership, principally in the development of a possible Marine Science and Technology Park. Local (Government Office South West and Plymouth City Council), regional (South West of England Regional Development Agency) and national government has been engaged in the pursuit of this development. The charity currently has 4 Science & Engineering Ambassadors and they, together with other staff, have been involved in a variety of local activities as follows:-

- Twelve Year 10 students from the local area benefited from work experience placements at the charity, during which they spent a week with staff covering many different aspects of science, thereby providing them with an opportunity to investigate skills and information that may help them formulate future careers.
- A demonstration of marine science was held with the charity's PMSP partners at the British Association of Science festival at Exeter University in September 2004, including workshops on the "World of Plankton".
- The charity, in collaboration with two other charities, was involved with the National Academy for Gifted Talented Youth (NAGTY). Two Twilight taster evenings were organised, led by the charity, and centred on two themes - Climate Change and Using Remote Sensing for Marine Research.
- The charity awarded 2 prizes to MSc and BSc marine science students at the University of Plymouth for excellence in their studies.
- At the Plymouth Secondary School Conference for Teachers, the charity contributed a 1 hour presentation on Ocean Acidification, together with science demonstrations.

*National:* The charity has strong collaborations with a number of universities and other scientific institutions, as can be demonstrated through various research projects and joint studentships. The National Centre for Ocean Forecasting was launched in March 2005 and the charity is a key partner in this joint venture with *inter alia* the Met Office, the Proudman Oceanographic Laboratory and the National Oceanography Centre, Southampton. In addition, the charity hosts national programme offices for scientific projects and has representatives on a range of national, international and governmental bodies and committees. The charity has promoted its work through the global distribution of its second Annual Review of scientific achievements and interviews and articles given to a variety of media; over 30 separate topics were recorded in 2004, with 50% being at the national or international level.



## Report of the Trustees

*International:* The charity is a member of a number of key international networks and was successful in the renewal of the contract for hosting an International Programme Office for a global scientific programme. The charity has strong collaborations with other international scientific institutions and universities. It has attracted significant funding through the EC Framework Programme VI and hosts a number of international PhD students. Moreover, circa 20% of its workforce is non-British.

The results for the year are detailed in the Financial Statements. The Financial Statements consolidate the results of the charity and the trading subsidiary PMA. Unrestricted Funds at 31 March 2005 total £1,861,667 (of which £250,000 are designated) and Restricted Funds £352,717. The latter represents the net book value at 31 March 2005 of the plant and equipment gifted to the charity by NERC at 1 April 2002.

The Trustees would like to thank the staff for their continued efforts and achievements in this third year of the charity.

### Future Developments

The charity's principal focus will be on the delivery of its contracted research objectives and the submission of a new core research programme to the Natural Environment Research Council (funding to come on-stream in 2007) and the exciting development of the Marine Science & Technology Park.

### Risk Management

A risk management policy was developed and adopted by the charity in its first year of operation. In addition, a comprehensive analysis of risks to which the charity is exposed was undertaken and systems identified and put in place to mitigate risk. A risk register has been in place for two years and, under the terms of the risk management policy, the Executive (Senior Management Team) carry out a periodic evaluation of the risks and report its findings to the Trustees on a quarterly basis for their review, together with formal appraisal of risk evaluation on an annual basis. The same process has been adopted for the charity's trading subsidiary.

### Reserves Policy

A reserves policy was developed and adopted by the charity in its first year of operation and has subsequently been revised. This policy provides for the maintenance of general reserves (under unrestricted funds) at a level equivalent to at least 3 months' expenditure, in order to provide adequate working capital levels for the ongoing operation of the charity and completion of existing projects. The policy also provides designated reserves (under unrestricted funds), which are funds set aside to assure that capital and other significant expenditure approved by the Trustees can be funded as required over the next 12 month period. The reserves are set at a level to withstand any short-term setback, whether operational, in the investment markets, or in key sources of income, such as the NERC core funding. When the free reserves fall outside the level of 3 months expenditure, the Trustees will review the charity's strategic plan accordingly.

### Investment Policy

An investment policy has been developed and adopted by the charity. The objectives of this policy are to maintain and, if possible, enhance the real value of the reserves represented by its investments. It is also intended to maintain an appropriate balance between maximising long-term returns and avoiding undue volatility in capital values. These objectives are pursued through a strategic investment policy which involves a broadly diversified spread of assets, covering UK and overseas equities, UK government and non-government bonds and pooled property funds. The portfolio of investments is managed by a professional asset management organisation approved by the Trustees. The assets within the managers' portfolio are held by professional custodians. The fund managers operate to a benchmark of the PML strategic investment policy but have discretion to vary their asset allocation from that policy, within certain specified ranges. They also have full discretion over the individual securities to be purchased subject to safeguards designed to avoid undue concentration of investment.

## Report of the Trustees

### Investment Policy (continued)

The activities and performance of the investment managers are monitored closely through quarterly reporting by PML's Investment Committee, which reports to the Trustees.

### Trustees' Responsibilities in Relation to the Financial Statements

Company law requires the Trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the Trustees are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the charity and enables them to ensure that the financial statements comply with the Companies Act 1985. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to reappoint Ernst & Young LLP as the Charity's auditor will be put to the forthcoming Annual General Meeting.

Approved by the Trustees and signed on their behalf by:

  
The Rt. Hon. Lord Kingsland QC (Chairman)

Date: 29/7/01

## **Independent auditors' report**

**to the members of Plymouth Marine Laboratory – A Company Limited by Guarantee**

We have audited the financial statements of the company for the year ended 31 March 2005 which comprise Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Statement of Cash Flows and the related notes 1 to 25. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit 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.

## **Independent auditors' report**

**to the members of Plymouth Marine Laboratory – A Company Limited by Guarantee**  
(continued)

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at 31 March 2005 and of its incoming resources and application of resources of the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Exeter

*9.8.2005*

## Consolidated statement of financial activities

at 31 March 2005

	Notes	Unrestricted funds		Restricted funds	Total 2005	Total 2004
		General	Designated			
		£	£	£	£	£
<b>Incoming resources</b>						
Activities in furtherance of the Charity's objects:						
NERC:						
Core funding	3a	2,676,410	-	-	2,676,410	2,703,660
Infrastructure funding	3a	1,537,500	-	-	1,537,500	1,484,869
Estates and other sundry funding	3a	185,687	-	-	185,687	293,000
Research income	3a	2,122,254	-	-	2,122,254	2,380,389
Deferred income on capital expenditure released		181,194	-	-	181,194	130,002
		6,703,045			6,703,045	6,991,920
Activities for generating funds:						
Commercial trading operations	5	54,026	-	-	54,026	219,273
Bank interest and investment income		58,750	-	-	58,750	65,530
Other income	4	261,830	-	-	261,830	260,213
Total incoming resources		7,077,651	-	-	7,077,651	7,536,936
<b>Resources expended</b>						
Costs of generating funds:						
Commercial trading activities	5	117,771	-	-	117,771	258,475
Charitable expenditure:						
Research activities	6	5,891,938	100,000	-	5,991,938	5,959,601
Management and administration of the Charity	7	904,283	-	-	904,283	979,073
		6,796,221	100,000	-	6,896,221	6,938,674
Total resources expended		6,913,992	100,000	-	7,013,992	7,197,149
Net incoming resources/(resources expended)						
before transfers		163,659	(100,000)	-	63,659	339,787
Transfers between funds	11	8,816	200,000	(208,816)	-	-
Net incoming resources/(resources expended)		172,475	100,000	(208,816)	63,659	339,787
Net unrealised gains on investments		61,044	-	-	61,044	-
Net movement in funds		233,519	100,000	(208,816)	124,703	339,787
Fund balances brought forward at 31 March 2004		1,378,148	150,000	561,533	2,089,681	1,749,894
Fund balances carried forward at 31 March 2005		1,611,667	250,000	352,717	2,214,384	2,089,681

## **Consolidated statement of financial activities (continued)**

**at 31 March 2005**

All of the above results are derived from continuous activities. All gains and losses recognised in the year are included above. The surplus for the year for Companies Act purposes comprises the net incoming resources for the year plus realised gains on investments and was £124,703 (2004: £339,787).

## Consolidated balance sheet

at 31 March 2005

	Notes	Group		Charity	
		31.3.05	31.3.04	31.3.05	31.3.04
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12	1,592,136	1,718,419	1,592,136	1,691,996
Investments	13	1,081,357	3	1,181,357	3
		<u>2,673,493</u>	<u>1,718,422</u>	<u>2,773,493</u>	<u>1,691,999</u>
<b>Current assets</b>					
Debtors	14	863,217	725,492	891,765	797,869
Cash at bank and in hand		1,486,942	2,441,296	1,472,233	2,411,556
		<u>2,350,159</u>	<u>3,166,788</u>	<u>2,363,998</u>	<u>3,209,425</u>
<b>Creditors:</b> amounts falling due within one year	15	(1,881,512)	(2,130,000)	(1,872,417)	(2,100,599)
<b>Net current assets</b>		<u>468,647</u>	<u>1,036,788</u>	<u>491,581</u>	<u>1,108,826</u>
<b>Total assets less current liabilities</b>		<u>3,142,140</u>	<u>2,755,210</u>	<u>3,265,074</u>	<u>2,800,825</u>
<b>Creditors:</b> amounts falling due after more than one year	16	(927,756)	(665,529)	(927,756)	(651,955)
		<u>2,214,384</u>	<u>2,089,681</u>	<u>2,337,318</u>	<u>2,148,870</u>
<b>Funds</b>					
Unrestricted - general	20	1,611,667	1,378,148	1,734,601	1,437,337
Unrestricted - designated	20	250,000	150,000	250,000	150,000
Restricted	20	352,717	561,533	352,717	561,533
		<u>2,214,384</u>	<u>2,089,681</u>	<u>2,337,318</u>	<u>2,148,870</u>

Kingsland,  
Director

29/7/05

## Statement of cash flows

for the year ended 31 March 2005

	Notes	2005 £	2004 £
<b>Net cash (outflow)/inflow from operating activities</b>	22(a)	(278,867)	549,001
<b>Returns on investments and servicing of finance</b>			
Bank interest and investment income received		58,750	65,530
<b>Taxation</b>		-	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets and investments*		(1,290,918)	(812,315)
Capital grants received		591,681	253,366
<b>Financing</b>			
Repayment of advance of infrastructure funding		(75,000)	-
Long term loan to Marine Biological Association		40,000	(160,000)
<b>Decrease in cash</b>		<u>(954,354)</u>	<u>(104,418)</u>

\*Included in payments to acquire tangible fixed assets and investments is a cash outflow of £1,020,310 (2004 : £Nil) in respect of the purchase of investments (note 13).

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005 £	2004 £
Decrease in cash	(954,354)	(104,418)
Cash outflow from repayment of infrastructure funding	75,000	-
Change in net funds resulting from cash flows	<u>(879,354)</u>	<u>(104,418)</u>
<b>Net funds at 31 March 2004</b>	2,141,296	2,245,714
<b>Net funds at 31 March 2005</b>	22(b) <u>1,261,942</u>	<u>2,141,296</u>



## Notes to the accounts

at 31 March 2005

### 1. Accounting policies

#### (a) *Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards, and in accordance with the requirements of the revised Statement of Recommended Practice – Accounting and Reporting by Charities ('SORP 2000').

#### (b) *Fixed Assets and Depreciation*

Capital purchases are only capitalised in the Balance Sheet if their cost is £3,000 or more.

Tangible fixed assets are included at their historical cost.

Provision is made for depreciation on all tangible fixed assets at rates calculated to write off the costs of each asset evenly over its expected useful working life. These are normally assumed to be:

Scientific equipment	-	5 to 10 years
Computer equipment	-	3 to 5 years
Software	-	3 years
Plant and machinery	-	10 years
Motor vehicles	-	4 years
Ships	-	20 years

Fixed assets are depreciated in the month of acquisition, but are not depreciated in the month of disposal.

In accordance with the provisions of FRS 15 paragraph 83, the components of assets with substantially different economic lives are accounted for separately for depreciation purposes and depreciated over their individual useful economic lives.

#### (c) *Deferred Capital Grants*

Grants in respect of capital expenditure are credited to a deferred capital grants account within creditors, and are released to the Statement of Financial Activities over the expected useful lives of the relevant assets to which they relate.

#### (d) *Research and Development and Patents*

As an organisation wholly engaged in research, the group does not classify research and development expenditure separately in the accounts. Expenditure in respect of the development of patents has been written off.

#### (e) *Intellectual Property*

Intellectual property rights arising from the group's research and development have not been included in these accounts as their market value cannot be readily estimated. The anticipated annual income generated from such rights is not material in value and is credited to the income and expenditure account on receipt.

#### (f) *Foreign Currencies*

Assets and liabilities denominated in foreign currencies are expressed in pounds sterling at rate(s) of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Income and Expenditure account.

## Notes to the accounts

at 31 March 2005

### 1. Accounting policies (continued)

#### (g) Pensions

In accordance with the Staff Loan Agreement between NERC and PML, employees who were in post at 31 March 2002 remained employees of NERC. For these employees, payments are made to the Research Council's Pension Scheme-a defined benefits scheme. Employees who joined PML after 31 March 2002 have the option to join the Plymouth Marine Laboratory Group scheme. This is a defined contribution scheme administered by Scottish Life. Contributions for both schemes are charged to the accounts as they become payable in accordance with the rules of the schemes.

#### (h) Value Added Tax

As the group is registered partially exempt for VAT purposes, all expenditure and fixed asset purchases are shown inclusive of VAT where applicable.

#### (i) Stocks

The net realisable value of stocks is minimal and the costs of additions to stock are charged to the Income and Expenditure account in the year of purchase.

#### (j) Long term contracts- Commissioned Research

The majority of contracts are for 3 years duration. During the period of the contract, income is only credited to the Income and Expenditure account if it is matched by activity within the contract. Should funds be provided within the contract to purchase capital equipment but ownership of that equipment resides with the customer, then the equipment is not capitalised on the Balance Sheet. Should ownership of the equipment reside with the group, the equipment is capitalised and the specific income provided for its purchase is spread over the life of the asset.

#### (k) Investments

Investments are held at market value and unrealised gains or losses are reflected through the Statement of Financial Activities.

### 2. Income

Income is attributable to continuing activities and represents the amounts derived from the ongoing research activities stated net of value added tax.

### 3. Charitable income

	Gross Income	Deferred Income re Capital Expenditure	Net Income	Net Income
(a)	2005	2005	2005	2004
	£	£	£	£
NERC:Core funding	2,805,899	(129,489)	2,676,410	2,703,660
Infrastructure funding	1,537,500	-	1,537,500	1,484,869
Estates and other sundry funding	185,687	-	185,687	293,000
Research income	2,122,254	-	2,122,254	2,380,389

(b) Plant and equipment amounting to £1,121,399 was gifted to the Charity by NERC at 1 April 2002. This is included in restricted funds (note 20).

## Notes to the accounts

at 31 March 2005

### 4. Other income

	2005 £	2004 £
Reimbursements	70,258	116,670
VAT recoverable (due to partial exemption)	29,009	32,929
Property rental	9,414	8,374
Loss on disposal of fixed assets	-	(4,509)
Ground rent repaid	63,847	-
Staff contributions to nursery fees	23,900	16,756
Others	65,402	89,993
	<u>261,830</u>	<u>260,213</u>

### 5. Commercial trading operations

The wholly-owned trading subsidiary, Plymouth Marine Applications Limited, pays all its profits, if available, to the charity by gift aid. A summary of the trading results is shown below.

#### Summary profit and loss account

	2005 £	2004 £
Turnover	54,026	219,273
Cost of sales and administrative expenses	(117,771)	(258,475)
Net loss	(63,745)	(39,202)
Amount gifted to the charity	-	-
Retained in the subsidiary	<u>(63,745)</u>	<u>(39,202)</u>

The assets and liabilities of the subsidiary were:

Fixed Assets	14	26,426
Current assets	52,014	53,507
Current liabilities	(74,961)	(125,547)
Creditors: amounts falling due after more than one year	-	(13,574)
Total net assets	<u>(22,933)</u>	<u>(59,188)</u>
Aggregate share capital and reserves	<u>(22,933)</u>	<u>(59,188)</u>

## Notes to the accounts

at 31 March 2005

### 6. Charitable expenditure-research activities

	2005 £	2004 £
Wages and salaries of research staff	3,488,945	3,167,773
Recurrent costs:		
Science	868,447	890,297
Science support	1,263,545	1,560,208
Depreciation	371,001	341,323
	<u>5,991,938</u>	<u>5,959,601</u>

### 7. Management and administration of the charity

	2005 £	2004 £
Senior management and administrative salaries, wages and employee costs	584,444	547,868
Administration costs	278,529	375,792
Market research and advertising	41,310	55,413
	<u>904,283</u>	<u>979,073</u>

### 8. Staff costs

	2005 £	2004 £
Wages and salaries	3,498,247	3,196,456
Social security costs	300,844	273,737
Other pension costs	307,916	287,472
	<u>4,107,007</u>	<u>3,757,665</u>

The average number of employees in each month in the year was as follows:

	2005 No.	2004 No.
Permanent staff: Science and support	94	94
Senior management and administration	18	18
	<u>112</u>	<u>112</u>
Temporary staff	11	11
	<u>123</u>	<u>123</u>

## Notes to the accounts

at 31 March 2005

### 9. Net outgoing resources

(a) *This is stated after charging/(crediting):*

	2005 £	2004 £
Auditors' remuneration - audit	13,631	14,504
- other services	3,657	1,763
Depreciation of owned fixed assets	396,891	372,369
Operating lease rental - land and buildings	-	-
Deferred grants released	(200,385)	(135,619)

(b) *Directors' emoluments*

No emoluments have been paid to the directors during the year.

### 10. Taxation

The company is a registered charity and no provision for taxation is considered necessary.

### 11. Transfers

A transfer of £208,816 has been made to represent the depreciation charge initially borne by unrestricted funds in respect of assets contained within restricted funds. In addition, the Trustees have designated £200,000 of unrestricted funds for a programme of strategic appointments in 2005/06 and 2006/07.

### 12. Tangible fixed assets

Group	Plant and scientific equipment £	Ships and vehicles £	Total £
Cost:			
At 31 March 2004	2,823,575	624,423	3,447,998
Additions	157,450	113,158	270,608
Disposals and assets written off	(43,596)	(17,696)	(61,292)
At 31 March 2005	2,937,429	719,885	3,657,314
Depreciation:			
At 31 March 2004	1,660,791	68,788	1,729,579
Charge for the year	365,280	31,611	396,891
Disposals and assets written off	(43,596)	(17,696)	(61,292)
At 31 March 2005	1,982,475	82,703	2,065,178
Net book amounts:			
At 31 March 2005	954,954	637,182	1,592,136
At 31 March 2004	1,162,784	555,635	1,718,419

## Notes to the accounts

at 31 March 2005

### 12. Tangible fixed assets (continued)

<i>Charity</i>	<i>Plant and scientific equipment £</i>	<i>Ships and vehicles £</i>	<i>Total £</i>
Cost:			
At 31 March 2004	2,784,907	624,423	3,409,330
Additions	181,295	113,158	294,453
Disposals and assets written off	(43,596)	(17,696)	(61,292)
At 31 March 2005	2,922,606	719,885	3,642,491
Depreciation:			
At 31 March 2004	1,648,546	68,788	1,717,334
Charge for the year	362,702	31,611	394,313
Disposals and assets written off	(43,596)	(17,696)	(61,292)
At 31 March 2005	1,967,652	82,703	2,050,355
Net book amounts:			
At 31 March 2005	954,954	637,182	1,592,136
At 31 March 2004	1,136,361	555,635	1,691,996

### 13. Investments

<i>Group and charity</i>	<i>Investment trusts and unit trusts £</i>
Additions	1,020,310
Net investment gains	61,044
Market value at 31 March 2005	1,081,354
	£
Historical cost at 31 March 2005	1,020,310

## Notes to the accounts

at 31 March 2005

### 13. Investments (continued)

*Group*

*Shares in  
Unquoted companies  
£*

Cost:

At 31 March 2005 and 31 March 2004

3

The Group owns 14.3% of the share capital of Bioelf Limited, a company incorporated in England and Wales which seeks to exploit and manage intellectual property.

*Charity*

*Investment in  
subsidiary undertaking  
£*

Cost at 31 March 2004

3

Additions

100,000

At 31 March 2005

100,003

The subsidiary undertakings at 31 March 2005 were:-

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Nature of business</i>	<i>Proportion of shares held: Ordinary shares</i>
Plymouth Marine Applications Limited	England	Marine research	100%
Plymouth Marine Science and Technology Park Ltd	England	Development of Science Park – currently dormant	100%
EcoAlert Ltd (*)	England	Exploitation of intellectual property	100%
GenePro Ltd (*)	England	Exploitation of intellectual property	100%

(\*) held by subsidiary undertaking.

In the opinion of the directors, the aggregate value of the company's investment in its subsidiaries is not less than the amount at which they are stated above.

## Notes to the accounts

at 31 March 2005

### 14. Debtors

	<i>Group</i>		<i>Charity</i>	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	272,459	140,681	259,032	128,078
Amounts owed by subsidiary undertaking	-	-	31,659	96,143
Accrued income	310,718	299,514	307,720	299,514
Other debtors	123,922	165,393	139,837	161,140
Prepayments	156,118	119,904	153,517	112,994
	<u>863,217</u>	<u>725,492</u>	<u>891,765</u>	<u>797,869</u>

Included in other debtors is £80,000 (2004: £120,000) due after more than one year.

### 15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Charity</i>	
	2005	2004	2005	2004
	£	£	£	£
Trade creditors	364,902	723,172	361,449	719,787
Other creditors	112,288	47,993	111,241	47,996
Deferred income	860,152	862,205	841,842	845,410
Deferred capital grants (note 17)	203,023	148,954	203,023	143,337
Accruals	266,147	272,676	279,862	269,069
NERC: Infrastructure funding prepaid	75,000	75,000	75,000	75,000
	<u>1,881,512</u>	<u>2,130,000</u>	<u>1,872,417</u>	<u>2,100,599</u>

### 16. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Charity</i>	
	2005	2004	2005	2004
	£	£	£	£
NERC: Infrastructure funding prepaid (Interest free, to be repaid at £75,000 pa from 1 April 2004)	150,000	225,000	150,000	225,000
Deferred capital grants (note 17)	777,756	440,529	777,756	426,955
	<u>927,756</u>	<u>665,529</u>	<u>927,756</u>	<u>651,955</u>



## Notes to the accounts

at 31 March 2005

### 17. Deferred capital grants

	<i>Group</i>		<i>Charity</i>	
	2005	2004	2005	2004
	£	£	£	£
Amounts to be released:				
Within one year	203,023	148,954	203,023	143,337
In two to five years	467,313	399,182	467,313	385,608
In over five years	310,443	41,347	310,443	41,347
	<u>980,779</u>	<u>589,483</u>	<u>980,779</u>	<u>570,292</u>

	<i>Group</i>		<i>Charity</i>	
	2005	2004	2005	2004
	£	£	£	£
Deferred capital grants are analysed as follows:				
Current obligations (note 15)	203,023	148,954	203,023	143,337
Non-current obligations (note 16)	777,756	440,529	777,756	426,955
	<u>980,779</u>	<u>589,483</u>	<u>980,779</u>	<u>570,292</u>

Analysis of changes in deferred capital grants during the year:

	<i>Group</i>		<i>Charity</i>	
	2005	2004	2005	2004
	£	£	£	£
At 31 March 2004	589,483	471,736	570,292	446,928
Received during the year	591,681	253,366	591,681	253,366
Released during the year	(200,385)	(135,619)	(181,194)	(130,002)
At 31 March 2005	<u>980,779</u>	<u>589,483</u>	<u>980,779</u>	<u>570,292</u>

### 18. Called up share capital

The company is a company limited by guarantee and does not have a share capital. The limit of each member's guarantee is £1.

### 19. Other financial commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Charity</i>	
	2005	2004
	£	£
Operating leases which expire:		
Within 1 year	6584	8,339
In two to five years	<u>2593</u>	<u>9,177</u>

## Notes to the accounts

at 31 March 2005

### 20. Statement of funds

	<i>Balance at 31.3.04 £</i>	<i>Movement in resources</i>		<i>Balance at Transfer £</i>	<i>31.3.05 £</i>
		<i>Incoming £</i>	<i>outgoing £</i>		
Unrestricted funds - general	1,378,148	7,138,695	(6,913,992)	8,816	1,611,667
Unrestricted funds – designated	150,000	-	(100,000)	200,000	250,000
Restricted funds	561,533	-	-	(208,816)	352,717
<b>Total funds</b>	<b>2,089,681</b>	<b>7,138,695</b>	<b>(7,013,992)</b>	<b>-</b>	<b>2,214,384</b>

Designated unrestricted funds comprise £50,000 allocated for refurbishment expenditure in 2005/06 and £200,000 allocated for strategic appointments in 2005/06 and 2006/07.

Restricted funds represent the net book value of plant and equipment gifted to the charity by NERC at 1 April 2002.

### 21. Analysis of group net assets between funds

	<i>Unrestricted General £</i>	<i>Unrestricted Designated £</i>	<i>Restricted Funds £</i>	<i>Total £</i>
Tangible fixed assets	1,239,419	-	352,717	1,592,136
Investments	1,081,357	-	-	1,081,357
Net current assets	218,647	250,000	-	468,647
Long term liabilities	(927,756)	-	-	(927,756)
	<b>1,611,667</b>	<b>250,000</b>	<b>352,717</b>	<b>2,214,384</b>

### 22. Notes to the statement of cash flows

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>Group</i>	
	<i>2005 £</i>	<i>2004 £</i>
Net incoming resources for the year	63,659	339,787
Depreciation	396,891	372,369
Deferred government grants released	(200,385)	(135,619)
Decrease in debtors	(177,425)	(250,949)
(Decrease)/increase in creditors	(302,557)	284,434
Bank Interest and Investment Income receivable	(58,750)	(65,530)
Loss on disposal of fixed assets	-	4,509
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(278,867)</b>	<b>549,001</b>

## Notes to the accounts

at 31 March 2005

### 22. Notes to the statement of cash flows (continued)

#### (b) Analysis of net funds

	At 31 March 2004 £	Cash flow £	At 31 March 2005 £
Cash at bank and in hand	2,441,296	(954,354)	1,486,942
Advance of infrastructure funding	(300,000)	75,000	(225,000)
	<u>2,141,296</u>	<u>(879,354)</u>	<u>1,261,942</u>

### 23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £221,196 for the Charity and Group (2004: £109,382 for Charity and Group).

### 24. Related party transactions

The Charity has taken advantage of the exemption under FRS8 not to disclose intra-group transactions with its subsidiary.

### 25. Pension commitments

NERC employees are entitled to be members of the Research Councils' Pension Scheme which is a defined benefit scheme funded from annual grant-in-aid on a pay-as-you-go basis. The pension scheme is contributory and the benefits are by analogy to the Principal Civil Service Pension Scheme, except that while the scheme provides retirement and related benefits based on final emoluments, redundancy and injury benefits are administered and funded by the Council. The pension scheme is administered by the Research Councils' Joint Superannuation Service, and the finances administered by the Biotechnology Sciences Research Council. The scheme is a multi-employer scheme, for which a separate Research Councils' Pension Scheme account is published. NERC are unable to identify their share of the underlying assets and liabilities.

Employees, who joined after 31 March 2002, are entitled to be members of the Plymouth Marine Laboratory Group Pension Scheme. This is a defined contribution scheme administered by Scottish Life. Contributions for the year were employer's 6.5% and employee's 3.5%.