
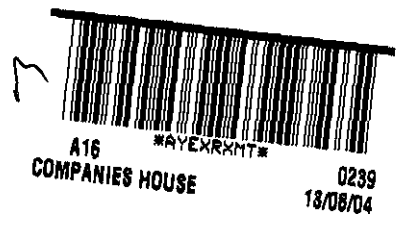


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Plymouth Marine Laboratory
A Company Limited by Guarantee
Report and Accounts

31 March 2004

 **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

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 Sargent
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 2004. 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 has been approved by the Trustees which 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 a member of the Board of Trustees is a Non-Executive Director on the Board of the trading subsidiary. The Executive Chairman of the trading subsidiary is appointed by the Board of Trustees and reports to them at every Board meeting of the Trustees.

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 HSBC were appointed as investment managers. At 31st March 2004 no investments had yet been made.

Report of the 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 also a member of the Plymouth Marine Sciences Partnership through a Memorandum of Understanding and has a good relationship with its fellow members, which include three charities and a university.

Review of activities & achievements against objectives

In its second year of operation the charity has delivered a sound financial result based on strong financial management. Costs were contained within budget and income from all sources has met targets. Scientific output has been high with 95 peer-reviewed publications submitted to respected journals, together with 2 book chapters. Furthermore, 2 patents have been registered.

The charity had set out its objectives, identified in its Strategic Plan (2003-2008) as five key priority areas for development, i.e.

- To maximise and sustain the delivery of innovative, leading edge and relevant marine science and technology in the charity's priority areas, i.e. global change, pollution and sustainability.
- To develop excellent business systems in order to maximise the effectiveness of the charity's research and its value to its stakeholders.
- To attract, retain and develop top-class skilled people with the intellectual and practical skills to work flexibly in an organisation which provides an ethical, safe, well equipped, and learning environment for staff, students and visitors.
- To work with its trading subsidiary in the development and support of its business strategy and activities for the long-term benefit of the PML Group.
- To establish and nurture a key network of regional, national and international organisations.

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

1. The milestones and deliverables of the NERC core research programme were met, with the exception of some work which was postponed to the operating year 2004-2005 due to the cancellation of a scientific cruise (for reasons beyond the charity's control). The target set for attaining £2m of new commissioned research contracts was achieved. The charity also provided advice to government in the form of various consultations on such topics as EC Habitats and Water Framework Directives, health and the environment policies, State of the Seas report, carbon dioxide sequestration, etc.

Report of the Trustees

Review of activities & achievements against objectives (continued)

2. Various business processes have been refined and developed in order to improve the effectiveness of the charity's research. Examples of this include the adoption of the BBSRC, DEFRA, NERC and Food Standards Agency's Joint Code of Practice in respect of quality assurance of research; the formal adoption of and training in Project Management; a programme of training of staff and students on Intellectual Property, and a structured review of the Strategic and Operating Plans by both the Senior Management Team and a group of staff using the business excellence model BETA™, resulting in slightly refocused strategic priorities and new objectives for the operating year 2004-05.

3. The charity ran 18 recruitment campaigns with 94% take-up of first employment offer. New induction procedures and documentation were implemented. Staff retention within the charity stood at 96% at the end of the financial year. Various committees were established to assist with the development of staff and students, including an Early Careers Forum, a PhD students committee and a Training Committee. The charity is also working towards attainment of Investors in People accreditation and hopes to achieve this in the operating year 2004-05.

The Trustees were delighted with the purchase of a new, 22 metre research vessel. This, together with the vessel currently being built for the Marine Biological Association (for which the charity has provided a loan), will significantly enhance local, inshore seagoing capabilities, as well as enable the charity to discharge its scientific commitments. The charity also significantly improved some of its laboratory facilities, in order to attract and undertake additional research commissions and provide a better environment for its staff.

A Sustainability Group was also established to promote sustainability within the charity's activities and to reduce any detrimental effect it might have on the environment.

4. The charity has worked with its trading subsidiary, Plymouth Marine Applications Limited, and provided services and support by way of its Service Level Agreement, for which the appropriate charges have been levied. A highlight of the activities has been the registration of two patents. A full review of the trading subsidiary's strategy was undertaken in January 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 worked with the partners of the Plymouth Marine Science Partnership on a number of projects, including the development of a possible Marine Science and Technology Park; the presence and hosting of a stand at the Oceanology International exhibition, and various scientific workshops. The charity currently has 5 Science & Engineering Ambassadors and they, together with other staff, have been involved in a variety of local activities, including school visits during National Science Week, talks to school pupils of a range of ages from 5 through to 16, exhibitions, beach visits, and combining marine science with art. The charity has also offered work experience placements for year 10 pupils (10), 'A' Level students (3) and undergraduates, and has provided Nuffield Science projects.

Report of the Trustees

Furthermore it awarded 2 prizes to MSc and BSc marine science students at the University of Plymouth for excellence in their studies. In September 2004 workshops will be run at the British Association Science Festival as part of the charity's involvement in the National Academy for Gifted Talented Youth (NAGTY) science outreach programme. Interviews have also been given to a variety of media, locally and nationally, on items of public interest in marine science.

National: The charity produced its first Annual Report (Review) of scientific achievements, which was distributed nationally and internationally. The charity has strong collaborations with a number of universities and other scientific institutions, which can be demonstrated through research projects, joint studentships and the hosting of national programme offices for scientific projects. A number of the charity's staff are also members of national and governmental bodies and committees.

International: The charity is a member of a number of key international networks and also hosts an International Programme Office for a global scientific programme. The charity again has strong collaborations with other international scientific institutions and universities, attracts significant support through the EC Framework Programme and also hosts a number of international PhD students. Moreover, 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 2004 total £1,528,148 and Restricted Funds £561,533. The latter represents the net book value at 31 March 2004 of the plant and equipment gifted to the charity by NERC at 1 April 2002.

The staff are to be thanked for their efforts in this second year of the charity.

Future developments

As mentioned above, the charity has reviewed its Strategic Plan, Priorities and Aims and has developed Operating and Action Plans in order to deliver these.

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 is now in place 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. This policy provides for the maintenance of free reserves (unrestricted funds) at a level of at least £500,000 in order to provide adequate working capital levels for the ongoing operation of the charity and to mitigate the risks to the charity in the short-term of new contracts not being signed up. The policy also provides, where possible and appropriate, to build up designated reserves from time to time to cover specific capital and other projects.

Report of the Trustees

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 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 will be held by professional custodians. The fund managers shall 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. The activities and performance of the investment managers are to be monitored closely 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 maintaining proper accounting records 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.

Approved by the Trustees and signed on their behalf by:

Kingsland

The Rt. Hon. Lord Kingsland QC (Chairman)

Date: 29 July 2004

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 2004 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 2004 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

Date 10.8.2004

Consolidated statement of financial activities

at 31 March 2004

	Notes	Unrestricted funds		Restricted funds	Total 2004	Total 2003
		General	Designated			
		£	£	£	£	£
Incoming resources						
Activities in furtherance of the Charity's objects:						
NERC:						
Core funding	3a	2,703,660	-	-	2,703,660	2,973,260
Infrastructure funding	3a	1,484,869	-	-	1,484,869	1,433,220
Estates and other sundry funding	3a	293,000	-	-	293,000	517,169
Gifting of plant/equipment	3b	-	-	-	-	1,121,399
Research income	3a	2,380,389	-	-	2,380,389	1,963,775
Deferred income on capital expenditure released		130,002	-	-	130,002	55,651
		6,991,920	-	-	6,991,920	8,064,474
Activities for generating funds:						
Commercial trading operations	5	219,273	-	-	219,273	106,991
Bank interest		65,530	-	-	65,530	24,657
Other income	4	260,213	-	-	260,213	304,897
Total incoming resources		7,536,936	-	-	7,536,936	8,501,019
Resources expended						
Costs of generating funds:						
Commercial trading activities	5	258,475	-	-	258,475	126,978
Charitable expenditure:						
Research activities	6	5,959,601	-	-	5,959,601	5,698,623
Management and administration of the Charity	7	979,073	-	-	979,073	925,524
		6,938,674	-	-	6,938,674	6,624,147
Total resources expended		7,197,149	-	-	7,197,149	6,751,125
Net incoming resources before transfers		339,787	-	-	339,787	1,749,894
Transfers	11	90,951	150,000	(240,951)	-	-
Net movement in transfer for the year		430,738	150,000	(240,951)	339,787	1,749,894
Fund balances brought forward at 31 March 2003		947,410	-	802,484	1,749,894	-
Fund balances carried forward at 31 March 2004		1,378,148	150,000	561,533	2,089,681	1,749,894

There are no other recognised gains or losses other than the above surplus of £339,787 (2003 - £1,749,894).

Consolidated balance sheet

at 31 March 2004

	Notes	Group		Charity	
		31.3.04 £	31.3.03 £	31.3.04 £	31.3.03 £
Fixed assets					
Tangible assets	12	1,718,419	1,282,982	1,691,996	1,248,825
Investments	13	3	3	3	3
		<u>1,718,422</u>	<u>1,282,985</u>	<u>1,691,999</u>	<u>1,248,828</u>
Current assets					
Debtors	14	725,492	474,543	797,869	521,907
Cash at bank and in hand		2,441,296	2,545,714	2,411,556	2,517,387
		<u>3,166,788</u>	<u>3,020,257</u>	<u>3,209,425</u>	<u>3,039,294</u>
Creditors: amounts falling due within one year	15	(2,130,000)	(1,884,532)	(2,100,599)	(1,868,616)
Net current assets		<u>1,036,788</u>	<u>1,135,725</u>	<u>1,108,826</u>	<u>1,170,678</u>
Total assets less current liabilities		<u>2,755,210</u>	<u>2,418,710</u>	<u>2,800,825</u>	<u>2,419,506</u>
Creditors: amounts falling due after more than one year	16	(665,529)	(668,816)	(651,955)	(649,625)
		<u>2,089,681</u>	<u>1,749,894</u>	<u>2,148,870</u>	<u>1,769,881</u>
Funds					
Unrestricted - general	20	1,378,148	947,410	1,437,337	967,397
Unrestricted - designated	20	150,000	-	150,000	-
Restricted	20	561,533	802,484	561,533	802,484
		<u>2,089,681</u>	<u>1,749,894</u>	<u>2,148,870</u>	<u>1,769,881</u>

Kingsland,
29 July 2004
) Directors

Statement of cash flows

for the year ended 31 March 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	22(a)	549,001	2,234,794
Returns on investments and servicing of finance			
Bank interest received		65,530	24,657
Taxation		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets and investments		(812,315)	(544,402)
Capital grants received		253,366	530,665
Financing			
Advance of infrastructure funding		-	300,000
Long term loan to Marine Biological Association		(160,000)	-
(Decrease)/Increase in cash		<u>(104,418)</u>	<u>2,545,714</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
(Decrease)/increase in cash	(104,418)	2,545,714
Cash inflow from advance of infrastructure funding	-	(300,000)
Change in net funds resulting from cash flows	<u>(104,418)</u>	<u>2,245,714</u>
Net funds at 31 March 2003	2,245,714	-
Net funds at 31 March 2004	22(b) <u>2,141,296</u>	<u>2,245,714</u>

Notes to the accounts

at 31 March 2004

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 C 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) *Research and Development*

As an organisation wholly engaged in research, the group does not classify research and development expenditure separately in the accounts.

(d) *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.

(e) *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 2004

1. Accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

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)	2004	2004	2004	2003
	£	£	£	£
NERC:Core funding	2,929,900	(226,240)	2,703,660	2,973,260
Infrastructure funding	1,500,000	(15,131)	1,484,869	1,433,220
Estates and other sundry funding	293,000	-	293,000	517,169
Research income	2,392,384	(11,995)	2,380,389	1,963,775

(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 2004

4. Other income

	2004 £	2003 £
ERDF grant	-	90,952
Reimbursements	116,670	114,488
VAT recoverable (due to partial exemption)	32,929	26,219
Property rental	8,374	7,424
Loss on disposal of fixed assets	(4,509)	(15,514)
Others	106,749	81,328
	<u>260,213</u>	<u>304,897</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

	2004 £	2003 £
Turnover	219,273	106,991
Cost of sales and administrative expenses	(258,475)	(126,978)
Net loss	(39,202)	(19,987)
Amount gifted to the charity	-	-
Retained in the subsidiary	<u>(39,202)</u>	<u>(19,987)</u>

The assets and liabilities of the subsidiary were:

Fixed Assets	26,426	34,160
Current assets	53,507	83,085
Current liabilities	(125,547)	(68,040)
Creditors: amounts falling due after more than one year	(13,574)	(69,191)
Total net assets	<u>(59,188)</u>	<u>(19,986)</u>
Aggregate share capital and reserves	<u>(59,188)</u>	<u>(19,986)</u>

Notes to the accounts

at 31 March 2004

6. Charitable expenditure-research activity

	2004 £	2003 £
Wages and salaries of research staff	3,167,773	2,727,607
Recurrent costs:		
Science	890,297	1,098,244
Science support	1,560,208	1,534,234
Depreciation	341,323	338,538
	<u>5,959,601</u>	<u>5,698,623</u>

7. Management and administration of the charity

	2004 £	2003 £
Senior management and administrative salaries, wages and employee costs	547,868	516,566
Administration costs	375,792	354,552
Market research and advertising	55,413	54,406
	<u>979,073</u>	<u>925,524</u>

8. Staff costs

	2004 £	2003 £
Wages and salaries	3,196,456	2,770,578
Social security costs	273,737	202,761
Other pension costs	287,472	270,834
	<u>3,757,665</u>	<u>3,244,173</u>

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

	2004 £	2003 £
Permanent staff: Science and support	94	82
Senior management and administration	18	17
	<u>112</u>	<u>99</u>
Temporary staff	11	11
	<u>123</u>	<u>110</u>

Notes to the accounts

at 31 March 2004

9. Net outgoing resources

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

	2004 £	2003 £
Auditors' remuneration - audit	14,504	14,100
- other services	1,763	12,132
Depreciation of owned fixed assets	372,369	365,547
Operating lease rental - land and buildings	-	-
Deferred grants released	135,619	58,929

(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 £240,951 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 £150,000 of unrestricted funds for refurbishment expenditure in 2004/05.

12. Tangible fixed assets

Group	Plant and scientific equipment £	Ships and vehicles £	Total £
Cost:			
At 31 March 2003	3,270,487	66,463	3,336,950
Additions	254,355	557,960	812,315
Disposals and assets written off	(701,267)	-	(701,267)
At 31 March 2004	2,823,575	624,423	3,447,998
Depreciation:			
At 31 March 2003	1,987,505	66,463	2,053,968
Charge for the year	370,044	2,325	372,369
Disposals and assets written off	(696,758)	-	(696,758)
At 31 March 2004	1,660,791	68,788	1,729,579
Net book amounts:			
At 31 March 2004	1,162,784	555,635	1,718,419
At 31 March 2003	1,282,982	-	1,282,982

Notes to the accounts

at 31 March 2004

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 2003	3,231,819	66,463	3,298,282
Additions	254,355	557,960	812,315
Disposals and assets written off	(701,267)	-	(701,267)
At 31 March 2004	2,784,907	624,423	3,409,330
Depreciation:			
At 31 March 2003	1,982,994	66,463	2,049,457
Charge for the year	362,310	2,325	364,635
Disposals and assets written off	(696,758)	-	(696,758)
At 31 March 2004	1,648,546	68,788	1,717,334
Net book amounts:			
At 31 March 2004	1,136,361	555,635	1,691,996
At 31 March 2003	1,248,825	-	1,248,825

13. Investments

<i>Group</i>	<i>Shares in Unquoted companies £</i>
Cost:	
At 31 March 2004 and 31 March 2003	3

Notes to the accounts

at 31 March 2004

13. Investments (continued)

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 and 31 March 2003

3

The subsidiary undertaking at 31 March 2004 was:-

<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%

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

14. Debtors

	<i>Group</i>		<i>Charity</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	£	£	£	£
Trade debtors	140,681	182,551	128,078	159,608
Amounts owed by subsidiary undertaking	-	-	96,143	102,121
Accrued income	299,514	198,445	299,514	174,384
Other debtors	165,393	7,753	161,140	-
Prepayments	119,904	85,794	112,994	85,794
	<u>725,492</u>	<u>474,543</u>	<u>797,869</u>	<u>521,907</u>

Included in amounts owed by subsidiary undertaking is a loan of £50,000 repayable by 31 August 2004. Interest is chargeable at 1% above bank base rate.

Included in other debtors is £120,000 due after more than one year.

Notes to the accounts

at 31 March 2004

15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Charity</i>	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	723,172	239,995	719,787	239,995
Other creditors	47,993	15,252	47,996	15,255
Deferred income	862,205	1,416,935	845,410	1,407,014
Deferred capital grants (note 17)	148,954	102,920	143,337	97,303
Accruals	272,676	109,430	269,069	109,049
NERC: Infrastructure funding prepaid	75,000	-	75,000	-
	<u>2,130,000</u>	<u>1,884,532</u>	<u>2,100,599</u>	<u>1,868,616</u>

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

	<i>Group</i>		<i>Charity</i>	
	2004	2003	2004	2003
	£	£	£	£
NERC: Infrastructure funding prepaid (Interest free, to be repaid at £75,000 pa from 1 April 2004)	225,000	300,000	225,000	300,000
Deferred capital grants (note 17)	440,529	368,816	426,955	349,625
	<u>665,529</u>	<u>668,816</u>	<u>651,955</u>	<u>649,625</u>

17. Deferred capital grants

	<i>Group</i>		<i>Charity</i>	
	2004	2003	2004	2003
	£	£	£	£
Amounts to be released:				
Within one year	148,954	102,920	143,337	97,303
In two to five years	399,182	343,225	385,608	324,034
In over five years	41,347	25,591	41,347	25,591
	<u>589,483</u>	<u>471,736</u>	<u>570,292</u>	<u>446,928</u>

	<i>Group</i>		<i>Charity</i>	
	2004	2003	2004	2003
	£	£	£	£
Deferred capital grants are analysed as follows:				
Current obligations (note 15)	148,954	102,920	143,337	97,303
Non-current obligations (note 16)	440,529	368,816	426,955	349,625
	<u>589,483</u>	<u>471,736</u>	<u>570,292</u>	<u>446,928</u>

Notes to the accounts

at 31 March 2004

17. Deferred capital grants (continued)

Analysis of changes in deferred capital grants during the year:

	Group		Charity	
	2004	2003	2004	2003
	£	£	£	£
At 31 March 2003	471,736	-	446,928	-
Received during the year	253,366	530,665	253,366	502,580
Released during the year	(135,619)	(58,929)	(130,002)	(55,652)
At 31 March 2004	589,483	471,736	570,292	446,928

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 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Charity	
	2004	2003
	£	£
Operating leases which expire:		
Within 1 year	8,339	-
In two to five years	9,177	17,703
in over five years	-	2,593

20. Statement of funds

	Balance at 3.3.03	Movement in Incoming	Resources outgoing	Transfer	Balance at 31.3.04
	£	£	£	£	£
Unrestricted funds - general	947,410	7,536,936	(7,197,149)	90,951	1,378,148
Unrestricted funds - designated	-	-	-	150,000	150,000
Restricted funds	802,484	-	-	(240,951)	561,533
Total funds	1,749,894	7,536,936	(7,197,149)	-	2,089,681

Designated unrestricted funds comprise of funds allocated for refurbishment expenditure in 2004/05.

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

Notes to the accounts

at 31 March 2004

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	1,156,886	-	561,533	1,718,419
Investments	3	-	-	3
Net current assets	886,788	150,000	-	1,036,788
Long term liabilities	(665,529)	-	-	(665,529)
	<u>1,378,148</u>	<u>150,000</u>	<u>561,533</u>	<u>2,089,681</u>

22. Notes to the statement of cash flows

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

	<i>Group</i>	
	2004	2003
	£	£
Net incoming resources for the year	339,787	628,495
Depreciation	372,369	365,547
Deferred government grants released	(135,619)	(58,929)
Decrease in debtors	(250,949)	(474,543)
Increase in creditors	284,434	1,781,612
Bank Interest receivable	(65,530)	(24,657)
Loss on disposal of fixed assets	4,509	17,269
Net cash inflow from operating activities	<u>549,001</u>	<u>2,234,794</u>

(b) Analysis of net funds

	<i>At 31 March 2003</i>	<i>Cash flow</i>	<i>At 31 March 2004</i>
	£	£	£
Cash at bank and in hand	2,545,714	(104,418)	2,441,296
Advance of infrastructure funding	(300,000)	-	(300,000)
	<u>2,245,714</u>	<u>(104,418)</u>	<u>2,141,296</u>

23. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £109,382 for the Charity and Group (2003 £276,825 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.

Notes to the accounts

at 31 March 2004

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. The scheme commenced on 1 April 2002 and contributions for the year were employer's 6.5% and employee's 3.5%.