

ROSLIN INSTITUTE (Edinburgh)

(Limited by Guarantee)

Governors' report and consolidated financial
statements for the Group

31 March 2003

Company registered number: SC 157100



ROSLIN INSTITUTE (Edinburgh)

Governors' report and financial statements

<i>Contents</i>	<i>Page</i>
Company information	1
Governors' report	2
Auditors' report	6
Consolidated Statement of Financial Activities	7
Consolidated Balance Sheet	8
Balance Sheet	9
Consolidated Cash flow statement	10
Notes to the financial statements	11

ROSLIN INSTITUTE (Edinburgh)

Company Information

Governors: Dr J R Brown (Chairman)
Professor G Boulnois
Mr J Cook
Dr J M Hall
Professor N D Hastie
Dr W S Jamieson
Mr I Kent
Dr R Lovell-Badge
Mr D G McBeath
Dr H J Marriage
Professor H Moore
Dr G S Plastow
Professor C Tickle
Professor T O'Shea

Secretary: Mr J W Withers

Registered office: Roslin Institute
Roslin
Midlothian
EH25 9PS

Company Registration Number: SC 157100

Charity Recognition Number: 023592

Auditors: Scott-Moncrieff
Chartered Accountants
17 Melville Street
EDINBURGH
EH3 7PH

Bankers: Bank of Scotland
Head Office
PO Box No. 5
The Mound
EDINBURGH
EH1 1YZ

Solicitors: Wright, Johnston & Mackenzie
12 St Vincent Place
GLASGOW G1 2EQ

Investment Advisers: Hymans Robertson
221 West George Street
GLASGOW G2 2ND

ROSLIN INSTITUTE (Edinburgh)

Governors' report

The governors present their annual report and the audited financial statements for the year ended 31 March 2003.

Principal activity

Roslin Institute is one of the world's leading centres for research on farm and other animals. It has internationally recognised programmes on molecular and quantitative genetics, genomics, early development, reproduction, animal behaviour and welfare and has pioneered methods for the genetic modification and cloning of farm animals.

The Institute's research aims to provide new opportunities for three industry sectors: animal breeding, biotechnology and animal production. It also informs national and international policy on animal welfare and genetic diversity.

There have been no changes in principal activities since the last annual report.

Business review

The Institute obtains the majority of its income from a variety of Government Departments although a significant element of income is also derived from industry and the European Union. The latter sources of funding are being developed and it is anticipated that the customer base will continue to expand.

On the formation of the Institute in 1995 an agreement was reached with the Biotechnology and Biological Sciences Research Council (BBSRC) to transfer all patents filed at that time by the Institute but held in the name of BBSRC to the Institute. It is anticipated that the patents will generate significant revenue streams in future years.

A 100% subsidiary company Roslin BioCentre Ltd (previously Roslin Biotechnology Centre Ltd) started trading in January 1999. The results of this subsidiary and undertakings are disclosed in Note 8.

Results for the year of the Group

The results for the year are detailed on page 7 of the Financial Statements.

The Governing Council confirms that on a fund by fund basis, the net assets of £9.935m (£11.829m) are adequate to fulfil the principal activities of the Institute.

Governors' report (continued)

Reserves policy

The Governors have reviewed the reserves of the Group. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments and the nature of the reserves. The review concluded that the level of unrestricted reserves as at 31 March 2003 of £1.887m is adequate for the Group to manage its finances.

Risk statement

The Audit Committee have acknowledged the need to undertake a major analysis of the risks to which the charity is exposed, in particular those related to the operations and finances of the Institute.

As a first step, the Institute re-assessed its insurance risks by seeking independent advice.

Other risks are being assessed using the internal resources of the Institute.

Investment policy and performance

In accordance with the Institute's Memorandum and Articles of Association, the Governors have the power to invest in stocks, shares and investments. The investment portfolio of the Institute is split into two categories; Geron Corporation ordinary stock and a diversified portfolio of other investments.

The Governors engaged Hymans Robertson, Actuaries and Consultants, to give advice on diversified portfolio of investments.

Governors' report (continued)

The Governing Council

The members of the Governing Council, who act as trustees and directors, are all guarantors of the Institute, of an amount not exceeding £1, during the period of their appointment as governor and for a year after resignation. The Governing Council is appointed in accordance with the Memorandum and Articles of Association and approved by the BBSRC.

The members of the Governing Council during the year were:

	Date Appointed
Dr J R Brown (Chairman)	8.10.99
Professor G Bulfield CBE (Chief Executive) (Resigned October 2002)	1.4.95
Professor W G Hill (Deputy Chairman) (Resigned October 2002)	1.4.95
Professor G Boulnois	16.3.99
Mr J Cook	1.1.01
Dr J M Hall	6.10.00
Professor N D Hastie	26.1.01
Dr W S Jamieson	6.10.00
Mr I Kent	25.9.97
Dr R Lovell-Badge	16.3.99
Mr D G McBeath	6.10.00
Dr H J Marriage	1.10.01
Professor H Moore	25.9.97
Dr G S Plastow	1.9.01
Professor C Tickle	1.9.01
Professor T O'Shea	1.1.03

Employees

Institute staff are BBSRC employees who are subject to BBSRC terms and conditions of service and are appointed by the Institute under delegated powers. Although the legal liability for employment rests with the BBSRC, the Institute is expected to meet all staff costs arising from normal activities. Subsidiary companies are not subject to this arrangement. The Institute makes every effort to ensure effective communication between all members of staff.

In addition to informal Divisional and Departmental meetings, the Institute Director or Acting Director give formal briefings to all staff twice a year.

The Institute Negotiating and Consultative Committee provides a formal body comprising of Management and Trade Union representation which meets regularly to exchange views and debate matters of importance; records of the meetings are circulated to all staff.

ROSLIN INSTITUTE (Edinburgh)

Governors' report (continued)

Equal Opportunities

The Institute is committed to providing full opportunities for the development of the talents of his staff. It is further committed to eliminate discrimination on grounds of gender, marital status, race, colour, ethnic or national origins, age, religious belief, sexual orientation or disability.

Independent Auditors

A resolution to re-appoint Scott-Moncrieff as independent auditors to the Institute will be proposed at the forthcoming Annual General Meeting to be held on 3 October 2003.

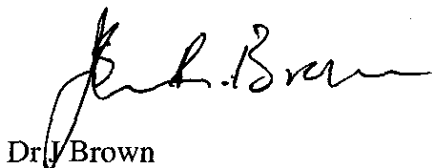
Statement of governors' responsibilities in relation to the financial statements

Company law requires the governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the surplus or deficit of income over expenditure of the group for that period. In preparing those financial statements, the governors are required to:-

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue its activities.

The governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By Order of the Governing Council



Dr J Brown
Chairman of the Governing Council

Date: 3 October 2003

ROSLIN INSTITUTE (Edinburgh)

Independent Auditors' Report to the members for the year ended 31 March 2003

We have audited the financial statements set out on pages 7 to 29. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 11 to 13.

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 auditor's 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 charitable company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom 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 charitable 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 charitable 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 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 charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 March 2003 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Scott-Moncrieff

SCOTT-MONCRIEFF
Chartered Accountants
Registered Auditor
17 Melville Street
Edinburgh
EH3 7PH

5 November 2003

ROSLIN INSTITUTE (Edinburgh)

Consolidated Statement of Financial Activities

	Notes	2003 Unrestricted Funds Continuing Activities £000	2003 Capital Funds £000	2003 Total £000	2002 Total £000
Incoming resources					
Core grants	2	3477	381	3858	3802
From operating activities					
Activities in furtherance of objectives	2	8057	655	8712	8333
Activities for generating funds	2	1333	-	1333	1672
Investment income	6	117	-	117	147
Others	2	<u>895</u>	<u>-</u>	<u>895</u>	<u>754</u>
Total incoming resources		<u>13879</u>	<u>1036</u>	<u>14915</u>	<u>14708</u>
Resources expended					
Cost of generating funds	3	<u>580</u>	<u>-</u>	<u>580</u>	<u>1092</u>
Charitable expenditure:					
Cost of activities in furtherance of the objectives	3	11831	1212	13043	11502
Support costs	3	372	-	372	347
Management and administration	3	<u>1408</u>	<u>-</u>	<u>1408</u>	<u>1153</u>
Total charitable expenditure		<u>13611</u>	<u>1212</u>	<u>14823</u>	<u>13002</u>
Total resources expended	3	<u>14191</u>	<u>1212</u>	<u>15403</u>	<u>14094</u>
Net incoming resources/(resources expended) before transfers and tax		<u>(312)</u>	<u>(176)</u>	<u>(488)</u>	<u>614</u>
Extraordinary (losses)/gains		-	-	-	(84)
Taxation		-	-	-	-
Transfers between funds		<u>(117)</u>	<u>117</u>	<u>-</u>	<u>-</u>
Net incoming resources/(resources expended)		<u>(429)</u>	<u>(59)</u>	<u>(488)</u>	<u>530</u>
Net (loss)/gains on investment assets	8	<u>(1406)</u>	<u>-</u>	<u>(1406)</u>	<u>(707)</u>
Net movement in funds		<u>(1835)</u>	<u>(59)</u>	<u>(1894)</u>	<u>(177)</u>
Adjusted Fund balances brought forward at 1 April 2002		<u>3722</u>	<u>8107</u>	<u>11829</u>	<u>12006</u>
Fund balances carried forward at 31 March 2003		<u>1887</u>	<u>8048</u>	<u>9935</u>	<u>11829</u>


The notes on pages 11 to 29 form part of these financial statements.

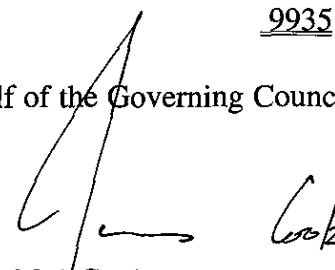
ROSLIN INSTITUTE (Edinburgh)

Consolidated Balance sheet as at 31 March 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	21	9	16
Tangible assets	7	9913	10033
Investments	8	<u>3336</u>	<u>4671</u>
		<u>13258</u>	<u>14720</u>
Current assets			
Stocks	9	392	606
Debtors	10	2387	2292
Cash at bank and in hand	20	<u>1379</u>	<u>893</u>
		4158	3791
Creditors: amounts falling due within one year	11	<u>(5428)</u>	<u>(4617)</u>
Net current (liabilities)/assets		<u>(1270)</u>	<u>(826)</u>
Total assets less current liabilities		11988	13894
Creditors: amounts falling due after more than one year	12	(1112)	(1156)
Deferred income: capital grants not yet credited to income		(924)	(902)
Provisions for liabilities and charges	13	<u>(17)</u>	<u>(7)</u>
Net assets		<u>9935</u>	<u>11829</u>
Reserves			
Restricted	14	8048	8107
Unrestricted		<u>1887</u>	<u>3722</u>
		<u>9935</u>	<u>11829</u>

These financial statements were approved on behalf of the Governing Council on 3 October 2003 and were signed by:-


Dr J Brown
Chairman of the Governing Council


Mr J Cook
Member, Governing Council and
Chairman of the Audit Committee

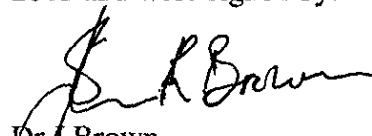
The notes on pages 11 to 29 form part of these financial statements.

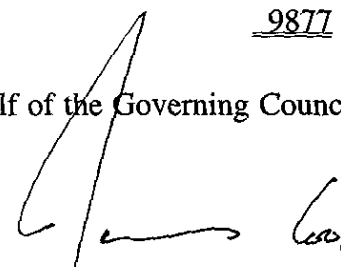
ROSLIN INSTITUTE (Edinburgh)

Balance sheet as at 31 March 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	21	9	16
Tangible assets	7	8039	8091
Investments	8	<u>3337</u>	<u>4672</u>
		<u>11385</u>	<u>12779</u>
Current assets			
Stocks	9	392	606
Debtors	10	2482	2456
Cash at bank and in hand		<u>1263</u>	<u>797</u>
		4137	3859
Creditors: amounts falling due within one year	11	<u>(5336)</u>	<u>(4542)</u>
Net current assets		<u>(1199)</u>	<u>(683)</u>
Total assets less current liabilities		10186	12096
Creditors: amounts falling due after more than one year	12	<u>(309)</u>	<u>(336)</u>
Net assets		<u>9877</u>	<u>11760</u>
Reserves			
Restricted	14	8048	8107
Unrestricted		<u>1829</u>	<u>3653</u>
		<u>9877</u>	<u>11760</u>

These financial statements were approved on behalf of the Governing Council on 3 October 2003 and were signed by:-


Dr J Brown
Chairman of the Governing Council


Mr J Cook
Member, Governing Council and
Chairman of the Audit Committee

The notes on pages 11 to 29 form part of these financial statements.

ROSLIN INSTITUTE (Edinburgh)**Consolidated Cash Flow Statement**
for the year ended 31 March 2003

	Note	2003 £000	2002 £000
Net cash inflow from operating activities	18	1542	420
Returns on investments and servicing of finance	19	117	147
Net cash (outflow) from capital expenditure	19	<u>(1088)</u>	<u>(3283)</u>
Net cash inflow/(outflow) before financing		571	(2716)
Net cash inflow/(outflow) from financing	19	<u>(85)</u>	<u>181</u>
Increase/(Decrease) in cash	20	<u><u>486</u></u>	<u><u>(2535)</u></u>

The notes on pages 11 to 29 form part of these financial statements.

Notes (*forming part of the financial statements*)

1. Accounting policies

Status

The Institute is a Company limited by Guarantee and does not have a share capital. The liability of the members who constitute the Institute is limited to £1 per member.

The Institute is a registered charity and company limited by guarantee. The members of the Governing Council are detailed on page 1 of the accounts. Members of the Governing Council act as trustees for the purposes of charities legislation and supervision in Scotland and directors for the purposes of the Companies Act 1985. Members of the Governing Council are appointed in accordance with the Memorandum and Articles of Association following nominations by the BBSRC.

The BBSRC is the principal sponsor of the activities of the Institute which is funded principally by the public sector. Under the Institute's Memorandum and Articles, and a Conditions of Grant Agreement between the Institute and BBSRC, certain powers and authorities are subject to BBSRC approval. In practice, therefore, the members of the Governing Council share some responsibilities with the BBSRC which, in effect, acts as a shadow director for Companies Act purposes.

The day to day activities of the Institute are managed by an Executive Director whose primary reporting relationship is to the Chief Executive of the BBSRC.

BBSRC acknowledges the limitations placed on members of the Governing Council and has agreed to indemnify individual members who act honestly, reasonably, in good faith and without negligence. Under the indemnity members of the Governing Council will not be required to meet from their own personal resources any personal civil liability which is incurred in the execution of their duties.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Institute's financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of investments. The financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Charities" (SORP 2000) issued in October 2000.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Institute and its subsidiaries drawn up to 31 March each year.

ROSLIN INSTITUTE (Edinburgh)

Notes (forming part of the financial statements)

1. Accounting policies (continued)

Income

Income represents BBSRC core grants receivable in the year, other research income receivable from outside bodies and other miscellaneous income. All core BBSRC grants are recognised as revenue in the year they are received. Other funds received of a revenue nature are credited to deferred revenue income and credited to the Income and Expenditure Account as the related research costs are incurred.

Resources expended and funds

Direct charitable expenditure represents the full cost of the research performed. It includes the cost of direct staff, consumable stocks and indirect costs. Fund-raising and publicity expenditure represents the cost of obtaining funds for research, promoting the work of the Institute and recruitment of staff. Management and administration expenditure represents the necessity of compliance with statutory and constitutional requirements, and any other costs which are not direct charitable expenditure or fundraising and publicity expenditure.

Funds held under restricted reserves are represented in investments made in intangible and tangible assets.

Intangible fixed assets

Intangible fixed assets are stated at cost less any provision required for impairment.

Fixed assets and depreciation

Depreciation is provided by the Institute to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:-

Intangible assets	-	over 5 years
Leasehold improvements	-	40 to 50 years
Plant and Machinery	-	10 to 15 years
Agricultural Machinery, Scientific Equipment, Fixtures and Fittings	-	5 to 10 years
Office and Computing Equipment	-	5 years
Personal Computers	-	3 years
Motor Vehicles	-	4 years
Assets under Construction	-	not depreciated until brought into use.

Grants receivable for the purchase of Institute assets are recorded as income into profit and loss account and then transferred to capital funds category. Such fund values are then reduced over the useful economic lives of the asset in line with its depreciation.

Grants received for the purchase of subsidiaries assets are credited to deferred income and reduced over the useful economic lives of the asset in line with its depreciation.

ROSLIN INSTITUTE (Edinburgh)

Notes (forming part of the financial statements)

1. Accounting policies (continued)

Investments

UK and USA listed investments are stated at market value at year-end. Gains and losses arising are recognised in the year in which they arise.

The investments in Rosgen Limited has been stated at nil value due to the voluntary liquidation of this Company in the year to 31 March 2001.

The investments in Roslin Biotechnology Centre Ltd, Edinburgh Bioparks Ltd and IASP 2000 (Scotland) Ltd are stated at cost less provision for any impairment in value.

Investment in associated companies are not material and therefore shares in these companies are not consolidated.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Foreign currency transactions

All foreign currency gains and losses are taken to the income and expenditure account as incurred. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Taxation

Income is stated net of VAT and expenditure includes VAT where applicable.

The Institute is a registered charity and therefore no provision for corporation tax is required on the results for the year.

The group's financial statements include the relevant corporation tax in respect of consolidated subsidiaries where material.

Leases

Where the Institute enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

1. Accounting policies (continued)

Pension costs

The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the income and expenditure account so as to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Notes (continued)

2. Analysis of income received

	2003 Unrestricted Activities £000	2003 Capital Funds £000	2003 Total £000	2002 Total £000
BBSRC core grants				
Revenue grants	3477	-	3477	3151
Building grants	-	-	-	100
Minor Works grants	-	144	144	149
Capital Equipment grants	-	237	237	402
	<u>3477</u>	<u>381</u>	<u>3858</u>	<u>3802</u>
Furtherance of objectives				
BBSRC co-ordinated programmes	1524	258	1782	1638
DEFRA 'umbrella' contracts	799	-	799	1330
DEFRA competitive projects	1680	71	1751	1447
Other government departments	345	-	345	224
Universities	27	7	34	163
European Union	561	-	561	522
European Regional Dev Grants	-	-	-	495
Other grants	-	259	259	189
Foundations and trusts	114	1	115	93
Industry research contracts	<u>3007</u>	<u>59</u>	<u>3066</u>	<u>2232</u>
Total	<u>8057</u>	<u>655</u>	<u>8712</u>	<u>8333</u>
Activities in generating funds				
<i>Feed production and evaluation</i>				
activities	-	-	-	418
Property activities	294	-	294	271
Rent	70	-	70	45
Sale of produce	868	-	868	828
Royalties	<u>101</u>	<u>-</u>	<u>101</u>	<u>110</u>
Total	<u>1333</u>	<u>-</u>	<u>1333</u>	<u>1672</u>
Others				
Staff canteen	56	-	56	57
Subsidies	58	-	58	44
Nursery	146	-	146	121
Bench fees	21	-	21	19
Others	<u>614</u>	<u>-</u>	<u>614</u>	<u>513</u>
Total	<u>895</u>	<u>-</u>	<u>895</u>	<u>754</u>

Notes (continued)

3. Analysis of resources expended

	Unrestricted		2003	2003	2002
	Staff	Other	Capital	Total	Total
	Costs		Funds		
	£000	£000	£000	£000	£000
Resources expended					
Costs of generating funds					
Feed production and evaluation activities	-	-	-	-	554
Property services	220	287	-	507	447
Publications/marketing/advertising/recruitment	-	73	-	73	91
Total	<u>220</u>	<u>360</u>	<u>-</u>	<u>580</u>	<u>1092</u>
Charitable expenditure					
Cost of scientific activities in furtherance of the objectives					
Staff costs	6074	-	-	6074	6153
Laboratory/farm supplies and services	-	2952	-	2952	2337
Travel	-	297	-	297	319
Property maintenance costs	-	907	-	907	875
Central office computing costs	-	323	-	323	267
Redundancy and related costs	-	1018	-	1018	268
Others	-	260	1212	1472	1283
Total	<u>6074</u>	<u>5757</u>	<u>1212</u>	<u>13043</u>	<u>11502</u>
Support costs					
Library	-	86	-	86	95
Rent rates	-	140	-	140	113
Drainage/Waste disposal	-	104	-	104	100
Training	-	42	-	42	39
Total	<u>-</u>	<u>372</u>	<u>-</u>	<u>372</u>	<u>347</u>
Management and administration					
Staff costs	519	-	-	519	484
Legal and professional	-	871	-	871	642
Governors' expenses	-	18	-	18	27
Total	<u>519</u>	<u>889</u>	<u>-</u>	<u>1408</u>	<u>1153</u>
Grand total	<u>6813</u>	<u>7378</u>	<u>1212</u>	<u>15403</u>	<u>14094</u>

Notes (continued)

3. Analysis of resources expended (continued)	2003 £000	2002 £000
<i>Direct Charitable and commercial expenditure and Management and Administration costs include</i>		
Auditors' remuneration		
- audit services	25	27
- non audit services	3	20
Other financial services		
- patent services	139	158
- consultancy and legal	521	310
- taxation advice	3	11
Depreciation		
- own assets	1185	897
- finance lease and hire purchase assets	79	105
Operating lease charges on motor vehicles	16	17

4. Remuneration of the members of the Governing Council

The non-executive Governing Council members received £17,699 (2001/02; £27,573) remuneration, in the form of honorariums and travel expenses, in total from the Institute during the year.

Governing Council members were paid an honorarium fee of £126 per meeting.

Remuneration of the executive Governing Council members amounted to £81,934 (2001/02; £87,694) including pension contributions of £7,164 (2001/02; £7,789).

ROSLIN INSTITUTE (Edinburgh)

Notes (continued)

5. Staff numbers and costs

All staff working at the Institute are employees of the BBSRC. The average number of Group employees during the year, analysed by category, was as follows:-

	Number of employees 2003	Number of employees 2002
Scientific	149	150
Scientific Services	81	99
Office/Management	<u>26</u>	<u>34</u>
	<u>256</u>	<u>283</u>

The aggregate payroll costs of these persons were as follows:-

	2003 £000	2002 £000
Wages and salaries	5873	6031
Social security costs	384	419
Other pension costs (note 16)	<u>556</u>	<u>543</u>
	<u>6813</u>	<u>6993</u>

The number of staff with emoluments greater than £50,000 was:-

	2003 No	2002 No
£50,000 - £60,000	2	2
£60,001 - £70,000	1	-
£70,001 - £80,000	-	1
£80,001 - £90,000	-	-

6. Investment Income

	2003 £000	2002 £000
Dividend Income	88	61
Interest receivable	43	100
Interest payable	<u>(14)</u>	<u>(14)</u>
	<u>117</u>	<u>147</u>

ROSLIN INSTITUTE (Edinburgh)

Notes (continued)

7. Tangible fixed assets

(a) The Group

	Leasehold Improve- ments £000	Plant and Machinery £000	Scientific Equipment, Fixtures and fittings £000	Motor Vehicles £000	Assets in course of construction £000	Total £000
<u>Cost</u>						
At beginning of year	6296	1347	6686	61	583	14973
Additions	(7)	83	867	20	256	1219
Transfers	155	57	33	-	(245)	-
Disposals	-	(135)	(321)	(25)	-	(481)
At end of year	<u>6444</u>	<u>1352</u>	<u>7265</u>	<u>56</u>	<u>594</u>	<u>15711</u>
<u>Depreciation</u>						
At beginning of year	(301)	(478)	(4116)	(45)	-	(4940)
Charge for year	(193)	(118)	(941)	(4)	-	(1256)
Disposals	-	90	283	25	-	398
At end of year	<u>(494)</u>	<u>(506)</u>	<u>(4774)</u>	<u>(24)</u>	<u>-</u>	<u>(5798)</u>
<u>Net book value</u>						
At 31 March 2003	<u>5950</u>	<u>846</u>	<u>2491</u>	<u>32</u>	<u>594</u>	<u>9913</u>
At 1 April 2002	<u>5995</u>	<u>869</u>	<u>2570</u>	<u>16</u>	<u>583</u>	<u>10033</u>

The Institute has entered into an operating lease agreement for the main Institute site with BBSRC (commenced with effect from 1 April 1995) expiring on 31 March 2007 for its use of the freehold land and buildings which belong to BBSRC, at a rent of £1 per year.

The net book value of the Institute's assets includes £92,684 (2001/02; £120,406) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year on these assets was £79,081 (2001/02; £105,322).

Assets are held for charitable purposes with the exception of those held in trading subsidiary which comprise of leasehold improvements (net book value £1,873,000), and plant and machinery (net book value £524).

ROSLIN INSTITUTE (Edinburgh)

Notes (continued)

7. Tangible fixed assets (continued)

(b) The Institute

	Leasehold Improve- ments £000	Plant and Machinery £000	Equipment, Fixtures and fittings £000	Motor Vehicles £000	Assets in course of construction £000	Total £000
<u>Cost</u>						
At beginning of year	4203	1341	6685	61	583	12873
-Additions	9	83	868	20	255	1235
Transfers	155	57	32	-	(244)	-
*Disposals	-	(134)	(321)	(25)	-	(480)
At end of year	<u>4367</u>	<u>1347</u>	<u>7264</u>	<u>56</u>	<u>594</u>	<u>13628</u>
<u>Depreciation</u>						
At beginning of year	(144)	(478)	(4116)	(44)	-	(4782)
Charge for year	(142)	(118)	(941)	(4)	-	(1205)
Disposals	-	90	283	25	-	398
At end of year	<u>(286)</u>	<u>(506)</u>	<u>(4774)</u>	<u>(23)</u>	<u>-</u>	<u>(5589)</u>
<u>Net book value</u>						
At 31 March 2003	<u>4081</u>	<u>841</u>	<u>2490</u>	<u>33</u>	<u>594</u>	<u>8039</u>
At 1 April 2002	<u>4059</u>	<u>863</u>	<u>2569</u>	<u>17</u>	<u>583</u>	<u>8091</u>

The Institute has entered into an operating lease agreement for the main Institute site with BBSRC (commenced with effect from 1 April 1995) expiring on 31 March 2007 for its use of the freehold land and buildings which belong to BBSRC, at a rent of £1 per year.

The net book value of the Institute's assets includes £92,684 (2001/02; £120,406) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year on these assets was £79,081 (2001/02; £105,322).

The replacement cost or valuation of land and buildings occupied by the Institute but owned by the Biotechnology and Biological Research Council (BBSRC) and the Institute was £15.081m.

These values have been made available by the BBSRC from the valuations provided by Powis Hughes & Associates, Chartered Surveyors on 31 December 2000 and 31 March 2001.

Including the assets owned by the BBSRC on the Institute's balance sheet at 31 March 2003, would have increased fixed asset and capital funds by £11m. On the basis of these valuations it is not possible to identify the additional depreciation that would have been charged to the capital funds in the Statement of Financial Activities.

This information is included at the request of BBSRC to provide users of these Accounts with a full view of the values of the assets used by the Institute to carry out its research.

Notes (continued)

8. Investments held as fixed assets

	The Group 2003 £	The Institute 2003 £
Cost value at 1 April 2002	4671	4672
Additions	71	71
Unrealised losses	(1406)	(1406)
Market value at 31 March 2003	<u>3336</u>	<u>3337</u>

	The Group			The Institute		
	UK	Non-UK	Total	UK	Non-UK	Total
Listed	1578	1757	3335	1578	1757	3335
Unlisted	<u>1</u>	<u>-</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>2</u>
	<u>1579</u>	<u>1757</u>	<u>3336</u>	<u>1580</u>	<u>1757</u>	<u>3337</u>

Assets comprising more than 5% total investments for the Group and the Institute were as follows:

	The Group £000	The Institute £000
Geron Corporation	1157	1157
Henderson UK High Equity Fund	561	561
Henderson Corporate Bond Fund	744	744
Newton Exempt UK Equity Fund	274	274
Newton Exempt Overseas Equity Fund	595	595

(a) Listed Investments - UK and Overseas

The Institute did not invest any new funds into UK and overseas equity and bonds in 2002/2003. All dividend and interest income was reinvested. Hymans Robertson, Actuaries and Consultants, continued to give advice on investment matters.

(b) Listed Investment - Geron Corporation

As at 3 May 1999, the Institute sold its total shareholding in Roslin Bio-Med Limited (45.3% of issued share capital) to Geron Corporation a Company listed on NASDAQ in the USA, and in return received 400,000 shares in Geron Corporation. Geron Corporation entered into a Research Agreement with the Institute, which should provide approximately £12.5m of research funding between 1999 and 2005.

Notes (continued)

8. Investments held as fixed assets (continued)

In the course of the year the Institute did not sell any of its Geron Corporation shares. It had, at 31 March 2003, a holding of 345,500 Geron ordinary stock which had a market value of \$5.29 (\$7.61) per share. The Institute and the Group balance sheets show this investment at the market value on 31 March 2003.

(c) Listed Investment – Viragen Inc

The Institute entered into a research, licence and collaboration agreement with Viragen on 20 October 2000. As part of this agreement, the Institute secured £1 million of future research funds and also received 100,000 Viragen common stock with a market value of \$0.08 (\$0.81) per share at 31 March 2003.

(d) Subsidiary Companies

In 1997, the Institute formed a 100% owned non trading property company, Roslin Biotechnology Centre Limited, registered in Scotland. The Company started trading in 1999. The name of the Company was changed to Roslin BioCentre Limited on 4th November 1999.

Roslin BioCentre Ltd's unconsolidated turnover for 2002/03 amounted to £0.518m. The Company made an unconsolidated profit of £0.008m in the same period and had net assets of £0.058m at 31 March 2003.

(e) Associated Companies

IASP 2000 (Scotland) Limited was formed as an associated company on 12 August 1998, registered in Scotland, with the purpose of organising the year 2000 International Science Parks conference in Edinburgh. The Institute, through its subsidiary company Roslin BioCentre Ltd, held 33% of the issued share capital in this company. The shareholding was stated at cost, which was equal to the group's share of the company's net assets. This Company was wound up on 17 May 2002.

Edinburgh Bioparks Ltd. was formed as an associated company on 11 December 1996 and started trading on 1 April 1998 in a joint venture with Moredun Foundation with the aim of marketing the concept of Science Parks in Edinburgh. The Institute holds 50% of the issued share capital in this company. The shareholding is stated at cost, which is equal to the group's share of the company's net assets.

9. Stocks

	The Group		The Institute	
	2003	2002	2003	2002
	£000	£000	£000	£000
Livestock	287	462	287	462
Raw materials and consumables	<u>105</u>	<u>144</u>	<u>105</u>	<u>144</u>
	<u>392</u>	<u>606</u>	<u>392</u>	<u>606</u>

ROSLIN INSTITUTE (Edinburgh)

Notes (continued)

10. Debtors	2003 £000	2002 £000	2003 £000	2002 £000
Trade debtors	1123	1226	979	1129
Due from subsidiary company	-	-	244	292
Taxes	10	103	10	103
Prepayments and other debtors	117	189	116	183
Accrued income	<u>1137</u>	<u>774</u>	<u>1133</u>	<u>749</u>
	<u>2387</u>	<u>2292</u>	<u>2482</u>	<u>2456</u>

All debtors with the exception of amounts due from subsidiary companies are due within one year from the balance sheet date.

The inter-company debt of £0.244m is due from Roslin BioCentre Ltd. Amounts recoverable over 1 year is £0.150m for Roslin BioCentre Ltd. Prior to 2002, interest is payable on amounts owed to the parent company at a rate of 5.5% over 5 years. With effect from 01 April 2002, interest is accrued on the average balance for each financial year at a rate which is the average Bank of Scotland base rate plus 0.5%.

11. Creditors: amounts falling due within one year	The Group		The Institute	
	2003 £000	2002 £000	2003 £000	2002 £000
Payments received in advance	3105	3385	3098	3355
Trade creditors	797	667	777	636
Taxes	8	8	-	-
Loans	58	10	10	10
Obligations under finance leases and Hire purchase contracts	47	67	47	67
Accruals	<u>1413</u>	<u>480</u>	<u>1404</u>	<u>474</u>
	<u>5428</u>	<u>4617</u>	<u>5336</u>	<u>4542</u>

12. Creditors: amounts falling due after more than one year	The Group		The Institute	
	2003 £000	2002 £000	2003 £000	2002 £000
Obligations under finance leases and Hire purchase contracts	9	36	9	36
Loans	1085	1120	300	300
Others	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1112</u>	<u>1156</u>	<u>309</u>	<u>336</u>

Notes (continued)

12. Creditors: amounts falling due after more than one year (continued)

Within obligations under finance leases and hire purchase contracts due after more than one year the following amounts are payable:-

	The Group		The Institute	
	2003	2002	2003	2002
	£000	£000	£000	£000
Two to five years	9	36	9	36
After five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9</u>	<u>36</u>	<u>9</u>	<u>36</u>

Obligations under finance leases and hire purchase contracts are secured by related leased assets.

Within loans outstanding at the year end due after more than one year, the following amounts are payable:-

	The Group		The Institute	
	2003	2002	2003	2002
	£000	£000	£000	£000
Within one to two years	55	48	-	-
Within two to five years	518	494	300	300
After five years	<u>512</u>	<u>578</u>	<u>-</u>	<u>-</u>
	<u>1085</u>	<u>1120</u>	<u>300</u>	<u>300</u>

The loans outstanding at the year end are from BBSRC Central Office (£0.300m) and other external funders (£0.843m) of which £0.833m (£0.781m capital, £0.052m interest) is secured by a standard security issued by the 100% owned subsidiary "Roslin Biotechnology Limited" over that Company's interest in the lease between itself and BBSRC, and guaranteed by Roslin Institute (Edinburgh) in favour of Scottish Enterprise Edinburgh and Lothian (SEEL). The rest of the loans are unsecured and interest free.

BBSRC loan was advanced to fund facilities building project and will be converted to a capital grant when external matching funds are secured for the project.

The SEEL loan is repayable over a period of 30 years based on the following repayment terms:

If settled within 5 years	-	110% of the original loan
If settled within 6 to 10 years	-	130% of the original loan
If settled within 11 to 15 years	-	140% of the original loan
If settled within 16 to 30 years	-	150% of the original loan

The loan is secured by a standard security issued in favour of Scottish Enterprise Edinburgh and Lothian (SEEL) by Roslin BioCentre Ltd and guaranteed by the parent company.

ROSLIN INSTITUTE (Edinburgh)

Notes (continued)

13. Provisions for Liabilities and Charges

	2003 £000	2002 £000
Charge for year	<u>17</u>	<u>7</u>

This provision relates to Roslin BioCentre Ltd which is a subsidiary of the Institute.

14. Capital Funds

	Opening £000	Grant Receipts £000	Depreciation Expenditure £000	Transfers From Unrestricted Funds £000	Close £000
Fixed Asset Funds	<u>8107</u>	<u>1036</u>	<u>(1212)</u>	<u>117</u>	<u>8048</u>

The financial statements have been prepared in accordance with SORP 2000. Prior to compliance with SORP 2000, capital grants were deferred and released over the life of the assets for which they were received. These grants are now recognised as restricted income in the year in which they are received and the depreciation is recognised as an expense against the restricted fund.

15. Commitments The Group only

- (i) Capital and revenue commitments at the end of the financial year for which no provision has been made:-

	2003 £000	2002 £000
Contracted	<u>185</u>	<u>117</u>
Authorised not contracted	<u>580</u>	<u>470</u>

- (ii) The Institute has entered into a number of operating leases which commit the Institute to pay the following rentals during the next year in respect of:

	2003 £000	2002 £000
Leases which expire:		
Within one year	5	-
Within two to five years	-	17
After five years	<u>-</u>	<u>-</u>

Notes (continued)

16. Pension scheme

Employees of the Institute are members of the Research Councils' Pension Schemes defined benefits schemes, which are funded on a pay-as-you-go basis principally through employer and employee contributions and annual Grant-in-aid. The Institute is unable to identify its share of the underlying assets of these schemes. The pension schemes are by analogy to the Principal Civil Service Pension Scheme (PCSPS), except that while the schemes which are defined benefits schemes and provide retirement and related benefits on final emoluments, redundancy and injury benefits are administered by the BBSRC and funded by the Institute or the BBSRC by agreement. The pension schemes are administered by the Research Councils' Joint Superannuation Services and the schemes' finances are administered by the BBSRC. A separate Research Councils' Pensions Schemes Account was published for the year ended 31 March 2003 and contains the further disclosure of information required under the relevant accounting standard.

The Institute pays employers' contributions, at a percentage of scheme members' pensionable pay and emoluments assessed by the Government Actuary's Department on a periodical basis. The rate from 1 April 1999 was 10.1% which was established following Government Actuary's Department's most recent assessment at 31 March 1997.

The pension cost payable by the Institute to the scheme amounted to £0.556m (2001/02 £0.543m).

17. Insurance

The Institute has taken on insurance cover where it is cost effective to do so.

18. Reconciliation of operating surplus/(deficit) of income over expenditure to net cash inflow from operating activities

	2003	2002
	£000	£000
(Deficit) net of investment income	(605)	383
Depreciation charge	1264	1002
Deferred income amortisation	(38)	(19)
Loss/(Gain) on sale of tangible fixed assets	(9)	107
(Increase)/Decrease in stocks	214	(94)
Decrease/(Increase) in debtors	(95)	39
(Decrease)/Increase in creditors	<u>811</u>	<u>(998)</u>
Net cash inflow from operating activities	<u>1542</u>	<u>420</u>

Notes (continued)

19. Analysis of Gross Cashflows for headings netted in the Cashflow Statement

	2003 £000	2002 £000
Return on investments and servicing of finance:		
Loan interest paid	(13)	(14)
Bank interest received	54	111
Lease interest paid	(12)	(11)
Dividend income	<u>88</u>	<u>61</u>
	<u>117</u>	<u>147</u>
Capital Expenditure:	2003 £000	2002 £000
Payments to acquire investments	(71)	(51)
Payments to acquire tangible fixed assets	(1167)	(3347)
Receipts from disposal of investments	-	-
Receipts from Capital Grants	59	81
Receipts from sales of tangible fixed assets	<u>91</u>	<u>34</u>
	<u>(1088)</u>	<u>(3283)</u>
Financing:	2003 £000	2002 £000
Loans received from third parties	13	339
Loans repaid	-	(80)
Capital element of finance lease and hire purchase rental payments	<u>(98)</u>	<u>(78)</u>
	<u>(85)</u>	<u>181</u>

20. Analysis of Changes in net funds

	2002 £000	Cash Flow Movement	Other Changes	2003 £000
Cash in hand	1	-	-	1
Cash at Bank:				
Sterling Currency	769	594	-	1363
Dollar Currency	78	(76)	-	2
European Currency Unit	<u>45</u>	<u>(32)</u>	-	<u>13</u>
	893	486	-	1379
Debt due within one year	(10)	(48)	-	(58)
Debt due after one year	(1120)	35	-	(1085)
Finance leases	<u>(103)</u>	-	<u>47</u>	<u>(56)</u>
Net funds	<u>(340)</u>	<u>473</u>	<u>47</u>	<u>180</u>

ROSLIN INSTITUTE (Edinburgh)

Notes (continued)

20. Analysis of Changes in net funds (continued)

Reconciliation of net cash flow to movement in net funds

	2003 £000
Increase in cash during the period	486
Cash to repay finance leases and hire purchase	98
Loans received	<u>(13)</u>
Change in net funds resulting from cash flows	571
New finance lease and hire purchase agreements	<u>(51)</u>
Change in net funds in the period	520
Net funds at 1 April 2002	<u>(340)</u>
Net funds at 31 March 2003	<u>180</u>

21. Intangible Fixed Assets

	The Group		The Institute	
	2003	2002	2003	2002
	£000	£000	£000	£000
At Cost (Milk Quota)				
As at 1 April	29	29	29	29
Additions in year	-	-	-	-
Amortisation	<u>(20)</u>	<u>(13)</u>	<u>(20)</u>	<u>(13)</u>
Total	<u>9</u>	<u>16</u>	<u>9</u>	<u>16</u>

22. Related Party Transactions

Roslin Institute (Edinburgh) is a company limited by guarantee. It was formed to take over the assets and liabilities associated with operations at the Roslin site which had previously operated under the BBSRC. BBSRC is regarded as a related party and sponsor and fund the Institute by annual grant. During the year, the Institute had various material transactions with the Department of Environment, Food and Rural Affairs and has had a small number of material transactions with other Government Departments and other Central Government bodies as detailed in note 2 to the financial statements.

During the year, the Institute supplied Geron Incorporation of USA, a company listed on NASDAQ with research services. The Institute holds 345,550 (2001/02, 345,550) shares in this Company as a result of disposal of its share-holdings in Roslin Bio-Med Limited to this Company on 3 May 1999. The total amount invoiced in the year was £2,200,000 (2001/02; £1,643,000).

Notes (*continued*)

23. Results of parent Company

As permitted by Section 230 of the Companies Act, the Profit and Loss Account of the parent Company is not presented as part of these accounts. The parent Company's (deficit) for the financial year amounted to £1,883,000 (2001/02 surplus of £218,870).

24. Contingent liability

Legal action has been taken by Geron Corporation in the US to protect its position as licensee to Roslin Institute's nuclear transfer patents against alleged Interference from two other US companies, Advanced Cell Technologies and Infigen. Under the terms of the Research and Licensing Agreement between Roslin Institute and Geron, the Institute is required to pay 17% of the costs to Geron of this litigation. Geron estimates that the cost of pursuing this Interference will be about US \$1.25m, so the Institute's liability for this action could be up to US \$212,500. Of this sum, US \$191,747 has been paid up to 31 March 2003.

The legal action referred to in this section in last year's report was settled without cost to the Institute.