

**Company Registration No. SC121376**

**MYLNEFIELD RESEARCH  
SERVICES LIMITED**

**Directors' Report and Financial Statements**

**31 March 2014**

**MYLNEFIELD RESEARCH SERVICES LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2014**

<b>CONTENTS</b>	<b>PAGE</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9</b>

# **MYLNEFIELD RESEARCH SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2014**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **Directors**

Dr N W Kerby  
Dr J B Snape  
Professor I Gordon

#### **Secretary**

Elizabeth Corcoran (appointed 26 June 2013)  
Dr J B Snape (resigned 26 June 2013)

#### **Registered Office**

Errol Road  
Invergowrie  
Dundee  
DD2 5DA

#### **Auditors**

Johnston Carmichael LLP  
Chartered Accountants  
Bishop's Court  
29 Albyn Place  
Aberdeen  
AB10 1YL

# MYLNEFIELD RESEARCH SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

The directors present their annual report and the audited financial statements for the year ended 31 March 2014.

### Principal activity

The principal activity of Mylnefield Research Services Ltd (MRS) is innovation, translating scientific research of the James Hutton Institute into commercial products and services principally in the agricultural, horticultural and environmental sectors.

### Business Review

MRS recorded its highest turnover to date of £4,379,508 (2013: £3,125,200), an increase by 40% on the record turnover of 2012/2013. Operating profit was £523,000 compared to £475,000 in 2012/2013 which enabled MRS to gift aid £400,000 (2012/2013: £300,000) to the James Hutton Institute and £nil (2012/2013: £40,000) to the Mylnefield Trust. Shareholders' funds were strengthened by £136,000 and are £1,151,000 as compared to £1,015,000 for 2012/2013.

The following is a commentary of our principal income streams:

Contract research income reversed the slight decline of the previous year and grew by 65%. Contract research is still our most important sector accounting for 74% of turnover (62%: 2012/2013). The very significant growth in contract research was largely due to two major new contracts in the area of crop protection and nutrition and potato research and development. We continue to diversify our customer base that includes multi-nationals as well as Scottish SMEs. Contract plant breeding with industry partners is central to our product development and future royalty and licensing income streams (see below for details of our plant variety pipeline). The total value of contracts signed during the financial year 2013/2014 was £2,431,085 (£2,540,592: 2012/2013) that will impact on income in the next financial year.

Royalty income was £565,230 (£485,621: 2012/2013) was a record and exceeded £500,000 for the first time. Royalty income accounts for 13% of turnover and was 27% ahead of budget. The increase in royalty income was helped by increased royalty return for our brassica varieties in New Zealand. The raspberry varieties; Glen Lyon and Glen Ample, are still the number 1 and 2 royalty earners, respectively followed by the blackberry variety, Loch Ness and the strawberry variety, Symphony. We understand that our new potato variety Gemson has one of the UK's highest rates of uptake for a new potato variety.

Income for our lipid analysis division, Mylnefield Lipid Analysis (MLA), was 6% lower than the previous year at £388,745 (£414,542: 2012/2013). Income for this business stream had been static for the past two years and is now in decline. There are several reasons for this including recent reports that suggest Omega-3 fatty acids may not help protect against coronary artery disease and may result in an increased risk of prostate cancer. These adverse claims have resulted in decreased sales of Omega 3 nutritional supplements and consequently, the demand for lipid analyses by MLA. To counter this potential downturn in this business sector we have been concentrating on growing our business in the pharmaceutical sector. In 2013/2014, we were successfully inspected by the US Food and Drug Administration (FDA) for Good Manufacturing Practice (GMP) which adds to our accreditation by the UK Medicines and Healthcare products Regulatory Agency (MHRA) for both Good Manufacturing Practice and Good Clinical Practice (GCP), thereby strengthening our offering in this sector. Lipid analysis income accounts for 9% of the turnover of MRS.

We continue to strengthen the Plant Variety Rights portfolio. In 2013/2014 we were granted Plant Variety Rights (PVR) for the raspberry variety Glen Ample in Canada. We made application for PVR for two older potato varieties, Mayan Gold in Belarus, and Lady Balfour in Lebanon: and one new raspberry variety in the EU. Three UK National Listing applications were made for superior potato clones. Two U.S. plant patents, for blackcurrants Ben Coma and Ben Chaska, were granted; and three EU and US Trademark applications were submitted for the raspberries Glen Lyon and Glen Ample as well as the blackberry Loch Ness.

In 2013/2014 an application was filed for a New International Patent Co-Operation Treaty (PCT) Patent entitled "Nanoparticles". A Provisional Patent Application was also filed with the title "Potato Plants that Maintain Tuber Yield at Elevated Temperatures".

# MYLNEFIELD RESEARCH SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED)

### Directors

The directors throughout the year and to the date of this report are shown on page 1. However, the following were also Non-Executive Directors during the year:

- Mr Peter F Berry (resigned 31 March 2014)
- Mrs Julia Brown (resigned 31 May 2014)
- Mr Graham Neale (resigned 31 May 2014)
- Mr Ray Perman (resigned 31 May 2014)
- Mr David Walker (resigned 31 May 2014)

All these Non-Executive Directors excluding Mr Ray Perman and Mr Peter Berry have been appointed as Directors of a new commercial subsidiary of the James Hutton Institute, James Hutton Ltd, with effect from 1 June 2014. This new company will incorporate the activities of the James Hutton Institute's current commercial subsidiaries, Mylnefield Research Services Ltd and Macaulay Scientific Consulting Ltd and build on their success at a future date.

### Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Statement of disclosure to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board

Dr N W Kerby  
Director  
..... 2014

## **MYLNEFIELD RESEARCH SERVICES LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. Also, they are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MYLNEFIELD RESEARCH SERVICES LIMITED**

We have audited the financial statements of Mylnefield Research Services Limited for the year ended 31 March 2014 set out on pages 7 - 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MYLNEFIELD RESEARCH SERVICES LIMITED (CONTINUED)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from preparing a strategic report.

Graeme Fraser (Senior Statutory Auditor)  
for and on behalf of Johnston Carmichael LLP  
Chartered Accountants  
Statutory Auditor

Bishop's Court  
29 Albyn Place  
Aberdeen  
AB10 1YL



## MYLNEFIELD RESEARCH SERVICES LIMITED

### PROFIT AND LOSS ACCOUNT Year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Turnover</b>	2	4,380	3,125
Cost of sales		<u>(3,238)</u>	<u>(2,127)</u>
<b>Gross profit</b>		1,142	998
Administrative expenses		<u>(619)</u>	<u>(523)</u>
<b>Operating profit</b>	3	523	475
Interest receivable		13	7
Gift Aid charitable donations	7	<u>(400)</u>	<u>(340)</u>
<b>Profit on ordinary activities before taxation</b>		136	142
Taxation on profit on ordinary activities	6	<u>-</u>	<u>-</u>
<b>Profit for the financial year</b>	14,15	<u><u>136</u></u>	<u><u>142</u></u>

All amounts relate to continuing operations.

There are no recognised gains or losses other than the results for the financial years reported above.

There is no difference between the result on ordinary activities before taxation and the result for the financial years stated above, and their historical cost equivalents.

# MYLNEFIELD RESEARCH SERVICES LIMITED

## BALANCE SHEET 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	79	87
Investments	9	-	-
		<u>79</u>	<u>87</u>
<b>Current assets</b>			
Debtors	10	1,976	808
Cash at bank and in hand		1,906	1,628
		<u>3,882</u>	<u>2,436</u>
<b>Creditors:</b> amounts falling due within one year	11	(2,810)	(1,508)
<b>Net current assets</b>		<u>1,072</u>	<u>928</u>
<b>Total assets less current liabilities</b>		1,151	1,015
<b>Provisions for liabilities</b>	12	-	-
<b>Net assets</b>		<u>1,151</u>	<u>1,015</u>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Share capital	13	-	-
Profit and loss account	14	1,151	1,015
<b>Shareholders' funds</b>	15	<u>1,151</u>	<u>1,015</u>

These financial statements were approved by the Board of Directors on ..... 2014 and were signed on its behalf by:

Professor I Gordon  
Director

Dr N W Kerby  
Director

Company registration number SC121376

# MYLNEFIELD RESEARCH SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Apparatus, plant and machinery 4 -10 years

#### **Investments**

Investments are stated at cost less any provision for impairment.

#### **Long term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

No profit is recognised until the contract has advanced to a stage where the total profit can be assessed with reasonable certainty. Provision is made for the full amount of foreseeable losses on contracts.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account after deducting foreseeable losses and payments on account not matched with turnover.

#### **Pensions**

The company operates a group personal pension arrangement for its employees, the costs of which are charged to the profit and loss account as they fall due. Benefits are accumulated on a money purchase basis and contributions are defined as a percentage of basic annual salary.

#### **Research and development expenditure**

Expenditure on research and development is expensed to the profit and loss account in the year in which it is incurred.

#### **Royalty income**

Royalty income is recognised on a receipts basis, being the point at which entitlement is virtually certain.

# MYLNEFIELD RESEARCH SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2014

### 1. ACCOUNTING POLICIES (CONTINUED)

#### Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### 2. TURNOVER

Turnover and profit before taxation arise from the company's principal activity of innovation, translating scientific knowledge developed at the James Hutton Institute into commercial products and services.

### 3. OPERATING PROFIT

	2014 £'000	2013 £'000
<b>Operating profit is stated after charging</b>		
Auditor's remuneration for audit work	4	4
Auditor's remuneration for taxation work	1	1
Depreciation – owned assets	42	39
	<u>47</u>	<u>44</u>

### 4. STAFF COSTS

The average number of persons employed is analysed below:

	2014 Number	2013 Number
Scientific	27	18
Other	8	6
	<u>35</u>	<u>24</u>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	829	699
Social security costs	81	60
Pension costs	145	137
	<u>1,055</u>	<u>896</u>

# MYLNEFIELD RESEARCH SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2014

### 5. DIRECTORS' REMUNERATION

The company has taken out a directors' and officers' liability insurance policy.

	2014 £'000	2013 £'000
Emoluments	171	165
Pension contributions	61	57
	<u>232</u>	<u>222</u>

Retirement benefits are accruing to the following numbers of directors:

	2014 Number	2013 Number
Under money purchase schemes	<u>2</u>	<u>2</u>

### 6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
The taxation (credit)/charge comprises:		
<b>Current tax</b>		
UK corporation taxation	-	-
<b>Total current taxation</b>	-	-
<b>Deferred taxation</b>		
Origination and reversal of timing differences (note 12)	-	-
<b>Total taxation on profit on ordinary activities</b>	<u>-</u>	<u>-</u>

#### Factors affecting current taxation charge for the year

Profit on ordinary activities before taxation	<u>136</u>	<u>142</u>
Profit on ordinary activities multiplied by the standard rate of corporate taxation in the UK of 23% (2013: 24%)	31	34
<i>Effects of:</i>		
Expenses not deductible for taxation purposes	-	2
Marginal relief	(3)	-
Research and development taxation relief	(23)	(46)
Depreciation in excess of/(less than) capital allowances	(5)	10
<b>Current taxation charge for the year</b>	<u>-</u>	<u>-</u>

### 7. GIFT AID CHARITABLE DONATIONS

Gift aid of £400,000 (2013: £300,000) was payable by the company to the James Hutton Institute and £nil (2013: £40,000) was payable to the Mylnefield Trust in respect of the year ended 31 March 2014. Both entities are registered charities, and payments are made under the Gift Aid scheme.

# MYLNEFIELD RESEARCH SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2014

### 8. TANGIBLE FIXED ASSETS

	<b>Apparatus, plant &amp; machinery £'000</b>
<b>Cost</b>	
At 1 April 2013	550
Additions	34
	<hr/>
At 31 March 2014	584
	<hr/>
<b>Accumulated depreciation</b>	
At 1 April 2013	463
Charge for the year	42
	<hr/>
At 31 March 2014	505
	<hr/>
<b>Net book value</b>	
At 31 March 2014	79
	<hr/> <hr/>
At 31 March 2013	87
	<hr/> <hr/>

### 9. INVESTMENTS

	<b>£'000</b>
<b>Cost and net book value of investment</b>	
At 1 April 2013 and 31 March 2014	-
	<hr/> <hr/>

The company has a 47% interest in the ordinary share capital of EnPrint Limited. The investment is shown at cost in the Balance Sheet. EnPrint Limited is incorporated in the United Kingdom and registered in Scotland. The principal activity of EnPrint Limited was the microbiological analysis of water samples, however it has now ceased trading and is in the process of being wound up.

# MYLNEFIELD RESEARCH SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2014

### 10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade debtors	715	485
Other debtors and prepayments	-	5
Amounts recoverable on contracts	1,261	318
	<u>1,976</u>	<u>808</u>

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	49	28
Amounts owed to group undertakings	896	825
Other tax and social security costs	23	19
Corporation tax	-	-
Payments on account	1,796	562
Accruals	46	74
	<u>2,810</u>	<u>1,508</u>

### 12. PROVISIONS FOR LIABILITIES

	2014 £'000	Profit and loss account £'000	2013 £'000
Deferred taxation (note 6)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

	2014 £'000	2013 £'000
Deferred tax is provided as follows:		
Accelerated capital allowances	-	-
	<u>-</u>	<u>-</u>

At 31 March 2014, the company has an unprovided deferred tax asset of £nil.

### 13. SHARE CAPITAL

	2014 £'000	2013 £'000
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

# MYLNEFIELD RESEARCH SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2014

### 14. PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 2013	1,015
Profit for the financial year	136
	<hr/>
At 31 March 2014	1,111
	<hr/> <hr/>

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £'000	2013 £'000
Profit for the financial year and net addition to shareholders' funds	136	142
Opening shareholders' funds	1,015	873
	<hr/>	<hr/>
Closing shareholders' funds	1,151	1,015
	<hr/> <hr/>	<hr/> <hr/>

### 16. PENSIONS

The company operates a group personal pension arrangement with Friends Life. The assets of the scheme, which are invested with an insurance company, are held separately from those of the company. Benefits are accumulated on a money purchase basis and contributions are defined as a percentage of basic annual salary. Contributions payable by the company are charged to the profit and loss account as they fall due.

During the year contributions payable amounted to £145,329 (2013 - £140,163). There were no outstanding contributions at 31 March 2014 (2013 – £nil).

The details of the scheme are:-

Pension provider	Friends Life
Type of scheme	Group Personal Pension Plan, Non-contributory
Contribution rates	Variable (13% - 28.0%)

### 17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from the requirement to disclose transactions with other group companies in accordance with Financial Reporting Standard 8.

### 18. PARENT UNDERTAKING

The immediate and ultimate parent undertaking of the company throughout the year was The James Hutton Institute.

A copy of the group financial statements can be obtained from the James Hutton Institute, Invergowrie, Dundee DD2 5DA.