

Mylnefield Research Services Ltd

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Mylnefield Research Services Ltd (MRS) was established in 1989 as the commercial arm of the Scottish Crop Research Institute (SCRI) to enhance competitiveness and understand and fulfil the needs of industry. MRS not only markets the unique resources and expertise of SCRI, but also undertakes near-market research and development. MRS places particular emphasis on developing partnerships and forging strong relationships with customers.

As a knowledge-transfer company, MRS endeavours to promote the contribution of life sciences and technology to wealth creation and the quality of life.

We aim to improve competitiveness and enhance the future prosperity of SCRI by reducing reliance on Government funding.

Responsibilities of MRS include:

- Marketing SCRI's scientific expertise and promoting SCRI as a centre of scientific excellence
- Evaluating commercial potential of innovations
- Developing commercially viable concepts
- Protecting and managing Intellectual Property (IP)
- Licensing
- Diversifying the funding base
- Assisting research proposals
- Negotiating contracts
- Managing contracts
- Contract research

Mission Statement To develop commercially the Scottish Crop Research Institute's scientific expertise, resources and intellectual property, and to improve the quality of services to achieve new standards of excellence.

Finance From the time of incorporation, MRS has been self-sufficient in providing its own accommodation and staffing, achieved without start-up funding, Government subsidy or venture capital.

Financial Year 2000 The Financial year 1999/2000 was the most successful to date, with income exceeding £2.5m, an increase in excess of 40% on the financial year 1998/1999. £1.63m was transferred to SCRI in direct and indirect costs. This included Gift Aid of £205k. A further £20k was gift aided to The Mylnefield Trust, leaving a profit before tax of £37k.

Financial Year 2001 Due to the uncertainties of the 'agbio' and 'agchem' sectors (see Box below) a downturn in income of approximately 15% was forecast for the financial year 2000/2001. Nevertheless, we are delighted to report a very similar level of income to 1999/2000 of £2.47m. This was due, in part at least, to a 40% increase in royalty income. MRS transferred to SCRI £1.55m which included £362k gift aid to SCRI and The Mylnefield Trust. The operating profit increased from 9% to 13% making it possible to transfer such sums. Furthermore, administrative expenses were reduced by 11% compared with the preceding year. Income is derived predominantly from contract research and, to a lesser extent, royalties and analytical services such as The Lipid Analysis Unit.

Royalty Income Royalty income in 2000/2001 exceeded £200k for the first time. The strawberry variety Symphony was again the star performer with particularly impressive growth in Germany and the Netherlands, as well as good sales in the UK. The blackcurrant varieties Ben Hope and Ben Gairn

Overview of 'Agbio' The life-sciences business strategy, the application of technologies developed in both 'pharma' and 'agbio' to form global life sciences companies, has undergone major revision recently. The deployment of genomics and bioinformatics technologies across human healthcare, agriculture, animal health and nutrition would appear to make economic sense. However, global stock markets have had neither patience nor vision to support this strategy. Pressure to consolidate in both the pharmaceutical and agricultural industries is strong, and amidst the mergers and demergers, 'agbio' and 'agchem' activities were consolidated into separate free-standing companies. Monsanto merged with Pharmacia and Upjohn in April 2000 and spun-out its agricultural assets into a separate company. In November 2000, the 'agribusiness' and 'agchem' business of Novartis and Astra-Zeneca were spun-out to form Syngenta. Aventis (formed by mergers of AgrEvo (Hoechst merged with Schering AGI) and Rhone-Poulenc) is currently divesting its interests in 'agbio' and creating Agreva. The consolidation, rationalisation and demerger of 'agbio' interests from life-sciences companies creates uncertainty and continues to impact on the business activities of MRS. This has been compounded by the uncertainties surrounding the commercialisation and regulation of GM crops in Europe.

According to Ernst & Young's Eighth Annual Life Sciences Report 2001, the prospects for EU plant research remain bleak because of poor integration of parallel schemes and declining national funding.

exceeded all expectations following their first full season in the UK and have attracted considerable interest from other European countries. The strength of the blackcurrant portfolio was emphasised by strong performances from established varieties such as Ben Alder, Ben Tirran and Ben Connan. A modest increase in the royalty income obtained from raspberries was recorded, with Glen Ample proving to be the most popular of our varieties by far. There was a slight decline in income from the blackberry variety Loch Ness; however, a lot of interest in the selections currently undergoing on-farm trials has been generated, and the future looks promising.

Hopefully the under-performance of our potato varieties in recent years has been reversed. The chipping variety Spey is increasing in popularity and there are high hopes for new varieties such as Lady Balfour and Montrose in the next few years. In addition, two new *Solanum phureja* varieties, Mayan Gold and Inca Sun, will be launched commercially in 2002.

Our portfolio of brassica varieties continues to perform well, with Caledonian kale establishing itself as a market leader in the game cover sector. The swede varieties Invitation and Kenmore both increased their market share, as did the forage rape variety Interval.

mapp™: Management Advisory Package for Potatoes is a new and exciting innovation developed by the Scottish Crop Research Institute in partnership

with MRS, the British Potato Council and Scottish Enterprise Tayside. It is an interactive computer package which helps with critical decisions on potato production. It is designed for use by growers and advisors and was launched in January 2001.

New Organisational Structures

The Mylnefield Trust During 2000, The Mylnefield Trust was registered as a charity with objects to:

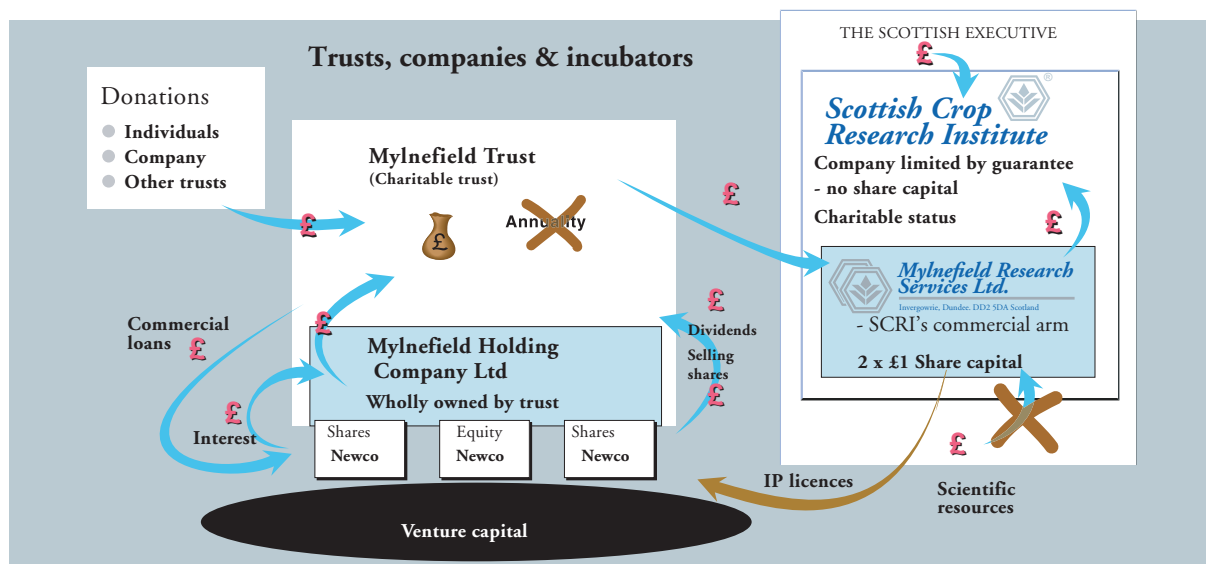
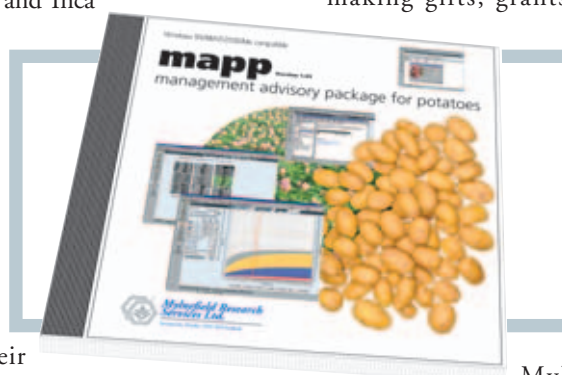
- promote research and scientific work in the life, environmental and related sciences, in particular production of agricultural, horticultural and forestry crops, methods of limiting or eradicating pests and diseases, wood sciences and biomathematics, methods of increasing production or growth, improving cultivation and research into improved cultivars;
- promote the dissemination of such research.

The Trust will support scientific research at SCRI by making gifts, grants, loans or payments to the Institute, subject to the above objectives being met.

In April 2000, MRS gifted £20,000 to The Mylnefield Trust and a further £5,200 was received in anonymous donations.

Mylnefield Holdings Ltd

In February 2000, Mylnefield Holdings Ltd was incorporated as a wholly owned subsidiary of The Mylnefield Trust. A new company Phygene Ltd was also incorporated as a wholly owned subsidiary of Mylnefield Holdings, but has yet to trade.





Investor In People MRS is committed to investing in its employees so that it can compete effectively and achieve new standards of excellence.

In December 2000, MRS achieved accreditation under the Investor In People scheme. This is a significant award and the company recognises the work undertaken by the staff in achieving it. The company is fully committed to the aims of Investor In People in developing the full potential of its employees so that they can perform effectively, efficiently and gain long-term satisfaction from their work.

Employees In 2000/2001, Margaret Barton was appointed as a replacement for Linda Butler (one of the first employees of MRS). Subsequently Margaret resigned and we are pleased to welcome Hayley Wilson as Secretary to MRS. John Marshall joined MRS in November 2000 specifically to market mapp™.

New scientific appointments included Alison Blake to the Lipid Analysis Unit and Nieves Medina Escobar as a Molecular Biologist on an externally-funded project. Additionally, several short-term appointments were made during this reporting period.

MRS would like to congratulate Jane Fairlie on achieving her B.Sc. at The Open University and Lesley Beaton for gaining a Diploma of Management Studies at The University of Abertay, Dundee.

Acknowledgements MRS gratefully acknowledges its sponsors and the co-operation of SCRI scientists and administrative staff for their contribution to the success of the company.