

Mylnefield Research Services Ltd.

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Introduction MRS, the wholly owned commercial subsidiary of the Scottish Crop Research Institute (SCRI), was established in 1989 to enhance competitiveness, understand and fulfil the needs of industry. The company has grown steadily.

The Mission Statement of MRS is:

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.

MRS has an option on all intellectual property (IP) generated at SCRI and has access to a unique range of scientific expertise, laboratory, glasshouse and field facilities and germplasm collections. Particular areas of strength include plant pathology, molecular biology, plant genetics and breeding, soil and environmental sciences, in addition to chemistry, biomathematics and statistics. MRS uses a variety of routes to generate income from IP and expertise, including licensing, contract research and the sale of products and services. The profit made on these transactions is gifted back to SCRI either directly or indirectly through the Mylnefield Trust.

Strategy In April 2003 MRS, following consultation with SCRI senior management and its Board of Directors, launched a new Business Plan for the period 2003-2006. Over the next three years, MRS will make an essential contribution to the SCRI group in the following ways:

MRS will continue to make a significant contribution to the finances of SCRI. Gift aid will grow from £100k in 2003/2004 to £150k in 2005/2006. Turnover is predicted to drop to just below £1.4 million in 2003/2004 before recovering to £1.75 million in 2004/2005 and exceeding £2.0 million in 2005/2006.

The Lipid Analysis Unit will be spun-out in 2004/2005. The Lipid Analysis Unit will contribute financially to the SCRI Group by paying commercial rates for facilities and services and by the payment of dividends.

MRS will play a central role in the development of the Product Innovation Centre (PIC). The centre will coordinate research activities with commercial activities, including plant breeding, and will deliver the next

generation products to meet end-user needs.

MRS will facilitate the development of new businesses based on SCRI IP and where possible locate them in the new SCRI Science Park. This will be achieved through business mentoring, accessing finance, interim management, incubating fledgling companies and working alongside SCRI scientists and senior management to develop robust business plans.

Generate income for the group through the licensing of IP, especially plant variety rights, and collecting royalties. MRS will investigate the feasibility of licensing IP from other organisations on their behalf.

Generate income for the group through undertaking contract research at commercial rates with third parties utilising the resources and expertise at SCRI.

MRS in collaboration with SCRI and the PIC will intensify the marketing of SCRI expertise.

MRS will provide services to SCRI and other companies within the SCRI group. These services will include costing projects, IP management, drawing up and reviewing legal documents, contract negotiations, project management *etc.*

MRS will develop new products and services based on the resources and expertise available at SCRI.

In the short-term MRS faces a number of challenges relating to the profitability of the agricultural sector, public acceptance of GM products, difficulty in raising finance for "high tech" ventures and lack of investment in R&D. However, the medium to long-term future looks very promising. Several exciting concepts are being developed and include soil bioengineering, a UNIDO International Technology Centre for AgroIndustry, "SCRI Consultants" and Scottish Potato Technology Ltd.

MRS has patented several areas of technology on behalf of SCRI and also manages an extensive portfolio of plant variety rights on new cultivars, developed at SCRI.

Overall the strategy of MRS is to form appropriate partnerships and alliances to develop new competitive products and services and to capture value. The business of MRS is complex with a diverse customer base and is currently operating in a turbulent external environment with several competitors. In conclusion,

MRS will: strengthen relationships with current customers by adding value to the services we offer; seek new customers and win contracts for research and product development; invest in people; enhance our working relationship with SCRI scientists.

Finances The income of MRS dropped from £1.94 million in 2001/2002 to £1.64 million in 2002/2003 largely due to the loss of one major contract. Despite this drop in turnover, charitable donations totalling £145k (£90k to SCRI and £55k to the Mylnefield Trust) were made in 2002/2003 as compared to a total of £158k in 2001/2002. Performance was better than had been predicted.

The Lipid Unit is ISO9001-accredited and is operating to GLP standards. Two successful training courses were held in 2002/2003 on lipid chemistry and analysis. The Lipid Analysis Unit turnover was in excess of £180K in 2002/2003.

Licensing and IP Asset Management MRS is responsible for ensuring that all varieties emanating from breeding programmes at SCRI are protected by plant variety rights, drawing up license agreements with third parties and collecting the royalties due. MRS investigates cases of illegal propagation and has successfully obtained financial recompense from growers in England, Sweden and the Netherlands.

A new blackberry variety named Loch Tay was launched in 2003. In addition two barley varieties and three potato varieties were entered into National List trials, and two potato varieties were granted European Plant Variety Rights (Lady Balfour, Eve Balfour and Thyme).

Raspberry Breeding A new seven-year raspberry breeding contract was signed in 2003. This programme is funded by the Horticulture Development Council, the Scottish Executive, the Scottish Society for Crop Research, and a consortium of all the major companies involved in the raspberry industry in the UK. This programme will lead to the release of several new raspberry varieties.

Scottish Potato Technology During 2003, MRS was instrumental in the incorporation of a new joint venture (JV) Scottish Potato Technology Ltd (SPT). SPT is a consortium of leading companies in the Scottish potato industry, which will commercialise collectively their extensive potato expertise, products and services in overseas markets with an initial emphasis on China. The JV partners are Cygnet PB, Greenvale AP Ltd, Higgins G&I Ltd, Mylnefield Holdings Ltd (on behalf

of SCRI and MRS), FJ Pirie and Co Ltd, Reekie Manufacturing Ltd and Scottish Agricultural Science Agency.

The benefits to the SCRI Group include: developing a new market for our varieties, products and services; increasing royalty income in new, developing markets; improving networking both within and out with the UK; attracting contract research aimed at specific markets and environments

Human Resources MRS values highly the skills and experience of all its employees and recognises their contribution, together with that of SCRI scientific and administrative staff, to company performance. MRS is committed to investing in training to ensure that all employees not only perform effectively and efficiently, but also gain long-term satisfaction from their work. In addition to the Lipid Analysis Unit consultants (Prof Gunstone and Dr Christie) MRS retained the services of Mr George Mackay, MBE as a potato breeding consultant. Mr Kevin Wood was appointed in July as an Analytical Chemist within the Lipid Analysis Unit. Ms Karen Jackson was also appointed in July as a Graduate Technician to work on an externally funded contract.

Acknowledgements MRS gratefully acknowledges the support of all SCRI staff, for their significant contribution to the success of the company.

Mylnefield Trust and Mylnefield Holdings Mylnefield Holdings Ltd. (MHL) and the Mylnefield Trust were established in 2000 in order to give the SCRI Group the flexibility it requires to grow. Central to this growth is the creation of a number of spin-out companies that will be owned by MHL on behalf of the SCRI Group.

The Trustees are a group of individuals, including several members of the MRS Board of Directors and the SCRI Governing Body.

The Trust has charitable status and has as its prime objectives:

- 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 possible varieties.

- to promote the dissemination of such research

To date the Trust has funded a number of research and support activities at SCRI