

SCIENCE AND TECHNOLOGY ACT 1965

Accounts, prepared pursuant to Section 2(2) of the Science and Technology Act 1965, of the Council for the Central Laboratory of the Research Councils for the year ended 31 March 2003, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 1056 of 2001-2002.)

Presented pursuant to Science and Technology Act 1965, c.4, S.2(2)

---

# Council for the Central Laboratory of the Research Councils Accounts 2002-2003

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 3 JULY 2003

The National Audit Office  
scrutinises public spending  
on behalf of Parliament.

The Comptroller and Auditor General,  
Sir John Bourn, is an Officer of the  
House of Commons. He is the head of the  
National Audit Office, which employs some  
800 staff. He, and the National Audit Office,  
are totally independent of Government.

He certifies the accounts of all Government  
departments and a wide range of other public  
sector bodies; and he has statutory authority  
to report to Parliament on the  
economy, efficiency and effectiveness  
with which departments and other bodies  
have used their resources.

Our work saves the taxpayer millions of  
pounds every year. At least £8 for every  
£1 spent running the Office.

This account can be found on the National Audit Office web site at  
[www.nao.gov.uk](http://www.nao.gov.uk)

# Contents

	<b>Page</b>
Foreword and Council Members' Report	2
Statement on the System of Internal Control	9
Statement of the Council's and Chief Executive's responsibilities	11
The Certificate and Report of the Comptroller and Auditor General	12
Consolidated Income and Expenditure Account	13
Consolidated Balance Sheet	14
Balance Sheet	15
Consolidated Cash Flow Statement	16
Consolidated Statement of Total Recognised Gains and Losses	16
Notes to the Accounts	17

## Foreword and Council Members' Report

The accounts have been produced in conformance with a Direction given by the Secretary of State for Trade and Industry on 27 November 2001 in pursuance of section 2(2) of the Science and Technology Act 1965.

### History and statutory basis of the Council

The Council for the Central Laboratory of the Research Councils (the Council) was established on 1 April 1995 as an independent Research Council under the Science and Technology Act 1965. Its Royal Charter was granted by Her Majesty the Queen on 14 December 1994. Its activities during 2002-2003 have been in accordance with the objects set out in its Charter which are reproduced in the Council's Annual Report.

### Principal activity of the Council

In 2002-2003 the Council's principal activity continued to be the management of the Rutherford Appleton Laboratory, the Daresbury Laboratory and the Chilbolton Observatory in accordance with its Charter mission.

### Financial performance

#### Introduction

2002-2003 has, for the first time, seen the establishment of a corporate Group (CCLRC Group). As well as continuing to operate as a single corporate entity, (CCLRC), at the start of the year CCLRC established its own wholly-owned trading subsidiary, Central Laboratory Innovation and Knowledge Transfer Limited (CLIK). In addition, throughout the year, CCLRC was the major shareholder in Diamond Light Source Limited (DLSL), a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source.

#### Group financial performance

The CCLRC Group accounts for 2002-2003 record a surplus of £1.3 million after charges of £0.5 million for restructuring and £0.2 million for decommissioning costs (2001-2002, surplus of £2.2 million). In addition, there was a small surplus of £0.1 million, reflecting the CCLRC Group's share of its investment in DLSL.

As a consequence of the 2002-2003 results, the Group moved into cumulative surplus, £0.3 million, (2002-2003, £1.0 million deficit).

#### CCLRC

Income from operating activities was £99.1 million, a decrease of £2.1 million on the previous year (2001-2002, £101.2 million). Overall, although income grew in line with inflation, as noted elsewhere, the exclusion of trading with DLSL, totalling £3.5 million, reduced the total attributable to external business. Income from other Research Councils was £75.1 million (£73.9 million in 2001-2002), an increase of 1.6% on the previous year. Total income from Government bodies was £3.6 million (2001-2002, £7.7 million) a decrease of 53.2% on the previous year, chiefly as a consequence of the change in treatment for work carried out on the Diamond project referred to above. Income from external bodies increased by 3.5% from £19.7 million in 2001-2002 to £20.4 million this year. Within the latter sector, reductions in income from the European Commission and the private sector were more than offset, by increases in income from UK universities and other overseas and domestic sources.

Income from Grant in Aid fell from £9.4 million in 2001-2002 to £3.8 million in 2002-2003 chiefly as a consequence of increased expenditure on capital projects, 2002-2003 £5.7 million (2001-2002, £0.6 million) funded from this source.

Operating expenditure fell, from £145.7 million in 2001-2002 to £141.7 million in 2002-2003. Excluding decommissioning discount unwinding of £0.2 million (£0.2 million in 2001-2002), the notional cost of capital, £17.6 million (£16.7 million in 2001-2002), the Council recorded a surplus on operations of £1.6 million (2001-2002, £1.5 million surplus).

During the year, in accord with statutory requirement, the Council, with the assistance of external professional valuers, carried out a complete revaluation of all its capitalised Land and Buildings. The results of this revaluation are fully reflected in this year's accounts.

Total Government Funds at 31 March 2003 amounted to £307.8 million (£279.6 million at 31 March 2002). Of this sum, £9.9 million was attributable to the investment in DLSL (2001-2002, £ zero).

The Council, with the consent of the Office of Science and Technology, previously had established arrangements with the other Research Councils under which they were to make advance payments against the following year's service level agreements to ensure that the Council maintained a positive cash flow position. If required to maintain the Council as a going concern, these arrangements could be extended across a year end, within the end of year cash management arrangements made available to the Research Councils by the Office of Science and Technology (OST).

With a change in funding arrangements from 1 April 2003, brought about as one of the outcomes of the CCLRC's Quinquennial Review, a substantial amount of the CCLRC's funding will now come direct from the Office of Science and Technology instead of the Research Councils. Given this, the CCLRC has, with OST's agreement, been advanced £2.0 million from Grant in Aid funding for 2003-2004 in place of that previously obtained from the Research Councils. Therefore, at 31 March 2003 the Council held an advance of £2.0 million from the OST (£2.0 million at 31 March 2002 previously from the Engineering and Physical Sciences Research Council).

#### **Central Laboratory Innovation and Knowledge Transfer Limited**

Established immediately prior to the start of 2002-2003, CLIK commenced trading on 1 April 2002. The company has been set up as a wholly owned subsidiary of the CCLRC to manage and exploit commercially, the residual intellectual property owned by its parent and, in accord with H.M. Government policy, to ensure the optimum transfer of such property into the United Kingdom economy. In its first year of operation CLIK recorded an operating deficit of £27,000 (2001-2002, £ zero).

#### **Diamond Light Source Limited**

Throughout the year, CCLRC was the major shareholder in the Diamond Light Source Limited, a Joint Venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source. The CCLRC shareholding, (86%), is treated as an investment in the CCLRC's accounts. Since it is DLS's policy to capitalise all expenditure during the construction phase, this investment is reflected in the balance sheet of the CCLRC and of the CCLRC Group with the exception of interest receivable, net of a provision for Corporation tax, of which there is a surplus of £75,000 in 2002-2003 (2001-2002, £zero) attributable to the CCLRC.

#### **Future developments and events since the end of the financial year**

One of the outcomes of the CCLRC's Quinquennial Review has been to take responsibility on behalf of the United Kingdom for the funding set aside for the UK's subscriptions to the Institut Laue Langevin (ILL) and European Synchrotron Radiation Facility (ESRF). From 1 April 2003 therefore, the CCLRC will undertake responsibility for due payment of these subscriptions, and for management of the UK's share of the decommissioning costs to be met in future years.

Two recent approvals, announced by the Office of Science and Technology in April 2003 have given the go-ahead to the establishment of a major project to enhance the ISIS neutron source at its Chilton site in Oxfordshire and the establishment of a project to undertake research and development into the design of a Fourth Generation Light Source at its Daresbury site in Cheshire.

In addition, the CCLRC has entered into discussions with the North West Development Agency with the aim of improving the effectiveness of its operations at Daresbury and its fuller integration into the scientific and industrial community in the North West. Similarly, the CCLRC has begun discussions with other occupants of the adjacent wider Chilton site with a view to the development and implementation of a strategic integration of operations and property management for the immediate campus.



## Audit Committee

The Council has established an Audit Committee to review internal and external audit matters and the Council's accounts. The Committee met four times during the year.

### Members of the Audit Committee

Mr Stephen Dexter FCA (Chairman)		Grant Thornton
Dr Derek Chadwick	from 1 May 2002	Novartis Foundation
Mr Marshall Davies	from 2 September 2002	Royal Pharmaceutical Society
Mrs Gillian Macpherson FCA	from 1 April 2002	Research Machines plc

## Register of Members' interests

A register of Members' interests is maintained by the Council and held at the Rutherford Appleton Laboratory where it is open to inspection during normal working hours. Copies may be obtained, free of charge, on written request to the Chief Executive at the Laboratory.

## Political and charitable gifts

The Council made no political or charitable gifts during the year.

## Employee relations and communications

Joint consultation with employee representatives, and formal negotiation on pay and terms and conditions took place through the Whitley Council and its subcommittees, supported by local Committees at the Daresbury Laboratory and Rutherford Appleton Laboratory sites. Following the establishment in 2000-2001 of a single status workforce, with all CCLRC's employees enjoying the same terms and conditions of employment, multi-union arrangements for negotiation and communication around a single table continued to be developed and strengthened.

The Council's management recognises and appreciates the time and effort which was given by the Trades Union representatives to the consultative processes that aim to ensure a framework of partnership in achieving the objectives of the Council.

Notices and Circulars are distributed regularly to all employees and are accessible on the Council's internal web along with much other information of interest. The Chief Executive gave talks to staff on a regular basis to keep them informed. Similarly, Directors of Departments address their staff and have in place a variety of other arrangements for communicating regularly. An electronic newsletter gives news of activities on all the Council's sites.

## Equality of opportunity

The Council is committed to equality of opportunity in the workplace and has policies and procedures in place to ensure that employment and advancement are judged solely on the basis of ability, qualifications and suitability for the work available. Regular monitoring is carried out to ensure that these procedures are operating effectively. Recruitment by the Council is undertaken on the basis of fair and open competition, and the Council has adopted the policy statements on equal opportunities and on race relations issued by the Cabinet Office.

The Council pays particular attention to supporting those with family or other caring responsibilities by means of flexible working arrangements and other forms of support including part-time working, job sharing and career breaks. The workplace nursery provided by the Council at the Rutherford Appleton Laboratory continues to operate at full capacity.

The Council's policy is that disablement is no bar to recruitment or to advancement within its workforce. Applicants with disabilities are given full and fair consideration for any vacancy. The Council has carried out detailed reviews on both its sites in order to ensure that, wherever possible, physical barriers to mobility are removed. The Council has long-standing links with groups and organisations which promote the employment of people with disabilities.

## Investors in People

In November 2002, CCLRC successfully underwent its first regular reassessment for accreditation as an Investor in People. This represented a gratifying continuation of a programme to establish and embed the processes required by the Investors in People standard which began when CCLRC gave its formal commitment in October 1998 to achieve this standard, and was rewarded with formal iIP accreditation in May 2001.

## Health and safety

In accordance with the Health and Safety at Work etc. Act, the CCLRC continues to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees. CCLRC also accepts its responsibility under the Act for the health and safety of others such as visitors, contractors and permanent tenants who work on the site. Whilst they all receive training they are required to comply with the rules of the organisation in the same way as that for employees.

CCLRC has a new Health and Safety Policy and during the year both of the principal sites received Gold Medal Awards which were presented by the Royal Society for the Prevention of Accidents (ROSPA) for their outstanding records concerning accident statistics and health and safety performance levels.

Safety Committees, including representatives of the workforce meet regularly at each site. They operate in accordance with the recommendations of the Health and Safety Executive and make a valuable contribution to health and safety on the sites. The Safety Health & Environment (SHE) Group and the Radiation Protection Advisers monitor safety performance and report these regularly to Directors and the safety committees. New performance assessment figures were collated for the first time and it is hoped to develop charts and histograms next year to illustrate the changes that have occurred.

One of the accepted key safety performance indicators which is also reportable to the Health and Safety Executive, is the number of serious accidents to employees including those involving more than three days absence from work\*. In 2002-3 there were 5 such reportable incidents which gave rise to an employee incidence rate of 2.94 per 1,000 employees. This compares unfavourably with the previous year when the rate was 1.72 and when there were 3 significant accidents, but was the same as that for 1999-2000 and 2000-2001 suggesting that a plateau has been reached. It also compares unfavourably against a new industry sector index of 2.13 for Research and Experimental Developments for Science and Engineering which becomes a new target against which to aim. In 2002-2003 there were a total of 100 accidents on the sites which resulted in 34 lost person days.

A health and safety policy has also been produced for Diamond for safety tours and for compliance with the CCLRC Service Level Agreement. Those who are employed by Diamond have the opportunity of raising complaints and other issues at the ISIS/Central Laser Facility/Diamond departmental safety committee (which reports to the Rutherford Appleton Laboratory (RAL) Safety Committee).

<b>Statistics</b>	<b>2002-2003</b>	2001-2002	2000-2001	1999-2000
Accidents to employees	<b>100</b>	77	109	85
Accidents to contractors	<b>15</b>	14	12	13
Accidents to users/visitors/tenants	<b>10</b>	6	11	3
Reportable accidents to employees*	<b>5</b>	3	5	5
Reportable accidents to contractors/visitors/tenants	<b>2</b>	2	0	0
Reportable lost time accidents per 1,000 employees	<b>2.94</b>	1.72	2.94	2.94

The highest radiation dose levels received by individuals at Daresbury Laboratory and RAL were a small fraction of the statutory dose limit.

## The environment

The CCLRC is subject to the same regulatory requirements as that which applies to industry. The Environmental Audit Committee (EAC) stated in 1999 that it expects each Non-Departmental Public Body to have an environmental policy and to set environmental targets.

CCLRC is developing an Environment Management System in accordance with the ISO 14001 Standard which will combine favourably with health and safety to form a Safety, Health & Environmental Management System.

In accordance with the EAC suggestions, the CCLRC has published a new environmental policy and seeks to avoid any environmental complaints and incidents. An incident of oil leakage from an underground pipeline occurred at Daresbury and the Environment Agency (EA) was notified the same day. The oil gave rise to a sheen on the surface of the local canal and immediate action was taken to remedy the fault. Follow up steps have been taken to help limit any recurrence whilst a long term solution is sought. CCLRC will set further targets in the future in relation to its scientific and technical operations particularly those relating to waste materials when it enacts the environment action programme.

The ISIS Facility at RAL produces small quantities of radioactive gas, mainly tritium, which is discharged into the atmosphere via monitored ventilation stacks. The EA authorises these airborne emissions and sets allowable limits. Measured levels were well within the authorised limits of 2,500 GBq for tritium and 200 TBq for other nuclides.

Quantities of low to medium level radioactive solid and liquid wastes are routinely generated as an unavoidable consequence of ISIS operations at RAL. Some 2.154 tonnes of low level solid radioactive waste were sent to EA authorised disposal organisations. Approval was also given at RAL for trade effluents to be discharged to the foul drain. No gaseous, liquid or solid wastes were disposed of from Daresbury under EA authorisations. However, negotiations have been taking place with Safeguard International and the EA for the disposal of 2 MBq of solid radium waste.

The recycling of materials at both of the main sites has continued to include paper, toner and printer cartridges, fluorescent tubes, drink cans, scrap metal and office and workshop wastes.

## Remuneration Committee

The Council has established a Remuneration Committee to review the remuneration of senior staff. The membership is

Sir Graeme Davies, Chairman

Mr Stephen Dexter, Council Member

Mr Philip Ruffles, Council Member

Professor John Wood, Chief Executive

Mr Paul Hartley, Secretary

The Committee did not meet during the accounting year, but met on 29 May 2003 to consider proposals for 2002-2003.

The Committee works to agreed terms of reference which, while they have proved both effective and independent, are currently under review in the light of the recent Higgs Review of the role and effectiveness of Non-Executive Directors.

## Risk management

Following on from various reports to Government, culminating in the Turnbull Report, HM Treasury has established a Risk Management Standard which all Government Bodies are required to meet. The original timetable for meeting this Standard, by demonstrating an embedded system of risk assessment to inform objective setting, was by 1 April 2001 for the whole of 2001-2002. However, full implementation could be delayed until 1 April 2003 as long as appropriate progress could be shown.

CCLRC achieved the required standard during 2001-2002. Throughout 2002-2003, CCLRC has continued to develop its procedures for the identification and management of risk, which are deemed to be fully compliant with the HM Treasury Standard (DAO(GEN)09/03), and which have been in place for the entire period under review. These procedures remain under regular review by both the Audit Committee and the Management Board.

## Auditors

The accounts of the Council are audited by the Comptroller and Auditor General under the terms of section 2(2) of the Science and Technology Act 1965.

*JV Wood*  
Accounting Officer

24 June 2003

## Statement on the System of Internal Control

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of policies, goals and objectives set by the Council for the Central Laboratory of the Research Councils (CCLRC), which is also in accordance with the responsibilities assigned to me in Government Accounting and my letter of appointment from the Accounting Officer of the Department of Trade and Industry.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve such policies, aims and objectives; it can therefore only provide a reasonable and not an absolute assurance of effectiveness.

The system of internal control at CCLRC is based on an ongoing process designed to identify and prioritise the principal risks to the achievement of the Council's policies, aims and objectives, to evaluate the nature and extent of those risks being realised and to manage them efficiently, effectively and economically. This process has been in place throughout the financial year 2002-2003, following a sustained period of implementation and review which commenced in October 2000, and is considered to be fully effective and in accordance with HM Treasury guidance.

As Accounting Officer, I accept full responsibility for the identification, management and treatment of risk across CCLRC. I discharge this responsibility through a series of reviews, at both departmental and corporate level, conducted by Departmental Directors and a Risk Committee chaired by a Science Director. A programme of risk management training has been made available to all staff, and specific training is available where required, especially in the key areas of Project Management and Health & Safety. A cultural change is underway designed to move away from risk avoidance to one of well managed risk-taking, derived from experience and the sharing of good practice, both within CCLRC and with the other Research Councils, who have similar practices in place.

The management of risk is embedded in policymaking, planning and delivery through the awareness of staff at all levels, supported and encouraged by the Council and its Audit Committee, who have recorded their ongoing interest in the development of this culture. This will be demonstrated in the Council's revised Strategic Plan, which is due to be published in July 2003 based on the implementation of the recent Quinquennial Review of CCLRC.

I note the key importance of Health and Safety issues to the work of CCLRC, which continues to have a high profile. A revised Policy was issued by me in January 2003, covering Safety, Health and Environmental (SHE) issues. I am pleased to record that both of the Council's key scientific sites have recently been awarded the Gold Medal of the Royal Society for the Prevention of Accidents (RoSPA), representing five consecutive years of Gold Awards. The current level of reportable accidents, while very low (5 in the year, equalling 2.94 per 1,000 employees), is still higher than the industry average, and the situation is being kept under constant review.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control at CCLRC. To do this, I place reliance on a framework of regular management information, sound and documented administrative procedures including the segregation of duties, and a system of delegation and accountability. There is a strong management culture in place, enhanced by the involvement of a respected independent Chairman and Non-Executive Members on a number of key Committees, notably the Audit Committee. Particular strengths of the system of internal control are seen as

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporate Management Board (CMB) (replaced by the Programme Board with effect from 1 April 2003), as well as the Full Council;
- regular reviews by the Finance Operations Committee and CMB (replaced by the Operations Board with effect from 1 April 2003) of monthly and annual financial reports, which measure financial performance as well as rolling outturn forecasts and cash flow projections;
- clear objective setting, monitored both by the Boards and Committees referred to above, as well as down to the level of individual officers;
- formal project management disciplines, covering both capital spend and CCLRC's involvement in significant joint working initiatives with other scientific organisations.

CCLRC benefits from the services of an independent Internal Audit provided by the Research Councils' Internal Audit Service (RCIAS), which operates to the Government Internal Audit Standards (GIAS). The work of internal audit is informed by an analysis of the risks to which CCLRC is exposed, and annual internal audit plans are drawn up on this basis. The analysis of risk and the internal audit plans are endorsed by CCLRC's Audit Committee and approved by me. On an annual basis, the Head of Internal Audit (HIA) of the RCIAS provides me with a report on internal audit activity within CCLRC. The report includes the HIA's independent opinion on the adequacy and effectiveness of CCLRC's system of internal control, which also provides an independent view on the validity of this Statement on the system of Internal Control. I am pleased to record that the Council's internal controls for 2002-2003 have again received the highest level of assurance from Internal Audit.

All the above procedures and controls are regularly considered by the Audit Committee, composed of Non-Executive Members but with myself, the Finance Director, and representatives of both External and Internal Audit in attendance. The Committee met on four occasions during 2002-2003. The Committee undertakes a number of duties on behalf of the Council, the most notable of which is the full consideration of the Annual Accounts. The structure and work of this Committee has been recommended to Government as an example of best practice.

I have been kept informed on internal control issues by the work of the RCIAS, CCLRC's Audit Committee which oversees the work of the RCIAS, the Departmental Directors and managers throughout CCLRC who have responsibility for the development and maintenance of the control framework, and comments made by the external auditors (NAO) in their Management Letter and through their attendance at meetings of the Audit Committee.

Based on the above, I am able to give a full assurance on the current quality of internal control at CCLRC, which, following a period of review to firmly establish the risk management process, I believe to be in accordance with HM Treasury requirements. Furthermore, I am convinced that the continuous review and improvement of such controls to meet changing circumstances is embedded in the management culture.

I am aware of no significant internal control problems within CCLRC, throughout 2002-2003 and up to the time of the signing of this Statement, that would prejudice such an assurance. However, there are two significant issues that I deem worthy of being highlighted

■ The Diamond Light Source

This, the largest investment in UK Science for 30 years, is being built at the CCLRC's Rutherford Appleton site under the management of a Limited Company established for that specific purpose. CCLRC acts, on behalf of the Office of Science and Technology, as Primary Shareholder in the Company, with the remaining shares being held by the Wellcome Trust. There are significant challenges in bringing this project to fruition within the budget and timescale identified, while fully meeting the requirements of the international scientific community. This process will be closely managed through ongoing consultation with the various parties involved, and with the oversight of the Audit Committee on behalf of the Council.

■ The implementation of the Quinquennial Review

The recent Quinquennial Review of CCLRC has introduced radical changes to both levels and sources of funding, and the structure required to both manage and independently advise on the use of large scientific facilities. While procedures have been put in place to manage this process, many with effect from 1 April 2003, a period of 'bedding in' is required before they can be judged to be satisfying the revised requirements. Appropriate assurances will be independently derived from a number of sources, including Internal Audit, and an External Review Group established to review the current programme of Operational Cost Base Reviews.

*JV Wood*  
Accounting Officer

24 June 2003

## Statement of the Council's and Chief Executive's responsibilities with respect to Financial Statements

Under Section 2(2) of the Science and Technology Act 1965 the Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Trade and Industry, with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Council's state of affairs at the year end and of its income, expenditure and cash flows for the financial year.

In preparing the accounts the Council is required to

- observe the accounts Direction issued by the Secretary of State for Trade and Industry, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of the Council for the Central Laboratory of the Research Councils as the Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the 'Non-Departmental Public Bodies' Accounting Officers' Memorandum', issued by the Treasury and published in 'Government Accounting'.

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 13 to 36 under the Science and Technology Act 1965. These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 17 to 19.

## Respective responsibilities of the Council, the Chief Executive and Auditor

As described on page 11 the Council and Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Council and Chief Executive are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Trade and Industry and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on internal control reflects the Council's compliance with Treasury's guidance "Corporate governance statement on the system of internal control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of opinion

I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Council for the Central Laboratory of the Research Councils for the year ended 31 March 2003 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Science and Technology Act 1965 and Directions made thereunder by the Secretary of State for Trade and Industry; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
Comptroller and Auditor General

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Consolidated Income and Expenditure Account for the year ended 31 March 2003

	Notes	CCLRC group 2002-2003 £000	Interest in DLS Joint venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
<b>Income</b>					
Income from operating activities	2	99,560	0	<b>99,560</b>	101,238
Grant in Aid	3	3,814	0	<b>3,814</b>	9,372
Release of deferred income	14	22,367	0	<b>22,367</b>	22,804
<b>Total income</b>		<u>125,741</u>	<u>0</u>	<b>125,741</b>	<u>133,414</u>
<b>Expenditure</b>					
Staff costs	5	52,931	0	<b>52,931</b>	51,021
Restructuring	6	472	0	<b>472</b>	1,099
Equipment and supplies		18,545	0	<b>18,545</b>	21,896
Services		17,206	0	<b>17,206</b>	21,002
Depreciation	8	22,057	0	<b>22,057</b>	20,604
Notional cost of capital		17,583	0	<b>17,583</b>	16,713
Other operating costs	7	12,947	0	<b>12,947</b>	13,397
<b>Total expenditure</b>		<u>141,741</u>	<u>0</u>	<b>141,741</b>	<u>145,732</u>
<b>Operating deficit for the year</b>		<u>(16,000)</u>	<u>0</u>	<b>(16,000)</b>	<u>(12,318)</u>
Interest receivable	4	0	93	<b>93</b>	0
Unwinding of discount on decommissioning	13	(174)	0	<b>(174)</b>	(164)
<b>Operating deficit for the year after interest receivable and interest charges</b>		<u>(16,174)</u>	<u>93</u>	<b>(16,081)</b>	<u>(12,482)</u>
Tax on operating (deficit)/surplus		0	(18)	<b>(18)</b>	0
<b>Operating deficit for the year after tax</b>		<u>(16,174)</u>	<u>75</u>	<b>(16,099)</b>	<u>(12,482)</u>
Loss on disposal of assets		(778)	0	<b>(778)</b>	(2,020)
Reversal of notional cost of capital		17,583	0	<b>17,583</b>	16,713
Transfer from reserves	15	657	0	<b>657</b>	0
		<u>17,462</u>	<u>0</u>	<b>17,462</b>	<u>14,693</u>
Surplus for the year		<u>1,288</u>	<u>75</u>	<b>1,363</b>	<u>2,211</u>
Accumulated deficit brought forward		<u>(1,040)</u>	<u>0</u>	<b>(1,040)</b>	<u>(3,251)</u>
Accumulated surplus/(deficit) carried forward		<u>248</u>	<u>75</u>	<b>323</b>	<u>(1,040)</u>

All activities are continuing

The notes on pages 17 to 36 form part of these accounts.

## Consolidated Balance Sheet as at 31 March 2003

	Notes	CCLRC group 2002-2003 £000	Interest in DLS Joint Venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
<b>Fixed assets</b>					
Tangible assets	8	297,677	13,668	<b>311,345</b>	280,599
Investments in Joint Ventures	9	9,890	(9,890)	<b>0</b>	0
		<u>307,567</u>	<u>3,778</u>	<u><b>311,345</b></u>	<u>280,599</u>
<b>Current assets</b>					
Stocks	10	343	0	<b>343</b>	342
Debtors and prepayments					
- amounts falling due after one year	11	2,274	0	<b>2,274</b>	2,700
- amounts falling due within one year	11	18,140	1,633	<b>19,773</b>	17,807
Cash at bank and in hand	18	6,673	1,581	<b>8,254</b>	3,207
		<u>27,430</u>	<u>3,214</u>	<u><b>30,644</b></u>	<u>24,056</u>
<b>Creditors</b>					
Amounts falling due within one year	12	(21,827)	(6,917)	<b>(28,744)</b>	(19,285)
<b>Net current assets/(liabilities)</b>		<u>5,603</u>	<u>(3,703)</u>	<u><b>1,900</b></u>	<u>4,771</u>
<b>Total assets less current liabilities</b>		<u>313,170</u>	<u>75</u>	<u><b>313,245</b></u>	<u>285,370</u>
<b>Financed by</b>					
<b>Accrued liabilities and charges</b>					
Creditors (amounts falling due after more than one year)	12	2,278	0	<b>2,278</b>	2,908
Provision for decommissioning	13	3,077	0	<b>3,077</b>	2,903
		<u>5,355</u>	<u>0</u>	<u><b>5,355</b></u>	<u>5,811</u>
<b>Deferred income</b>	14	231,410	0	<b>231,410</b>	219,472
<b>Capital and reserves</b>					
Revaluation reserve	15	76,157	0	<b>76,157</b>	61,127
Accumulated surplus/(deficit)	15	248	75	<b>323</b>	(1,040)
Government funds	16	307,815	75	<b>307,890</b>	279,599
		<u>313,170</u>	<u>75</u>	<u><b>313,245</b></u>	<u>285,370</u>

John Wood  
Accounting Officer

24 June 2003

The notes on pages 17 to 36 form part of these accounts

## Balance Sheet as at 31 March 2003

	Note	2002-2003 £000	2001-2002 £000
<b>Fixed assets</b>			
Tangible assets	8	297,677	280,599
Investment in Joint Venture	9	9,890	0
		<u>307,567</u>	<u>280,599</u>
<b>Current assets</b>			
Stocks	10	343	342
Debtors and prepayments			
amounts falling due after one year	11	2,274	2,700
amounts falling due within one year	11	18,041	17,807
Cash at bank and in hand	18	6,655	3,207
		<u>27,313</u>	<u>24,056</u>
<b>Creditors</b>			
Amounts falling due within one year	12	(21,683)	(19,285)
<b>Net current assets</b>		<u>5,630</u>	<u>4,771</u>
<b>Total assets less current liabilities</b>		<u>313,197</u>	<u>285,370</u>
<b>Financed by</b>			
<b>Accrued liabilities and charges</b>			
Creditors (amounts falling due after more than one year)	12	2,278	2,908
Provision for decommissioning	13	3,077	2,903
		<u>5,355</u>	<u>5,811</u>
<b>Deferred income</b>	14	231,410	219,472
<b>Capital and reserves</b>			
Revaluation reserve	15	76,157	61,127
Accumulated surplus deficit	15	275	(1,040)
Government funds	16	307,842	279,559
		<u>313,197</u>	<u>285,370</u>

The notes on pages 17 to 36 form part of these accounts

## Consolidated Cash Flow Statement for the year ended 31 March 2003

	Notes	2003 £000	2002 £000
<b>Net cash inflow/(outflow) from operating activities</b>	17	<b>3,277</b>	(2,712)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		<b>(24,415)</b>	(20,415)
Cash proceeds from disposal of fixed assets		<b>189</b>	2,580
Payments to acquire investment in Joint Venture		<b>(9,890)</b>	-
<b>Financing</b>			
Capital grant received		<b>34,305</b>	20,415
<b>Increase/(decrease) in cash</b>		<b>3,466</b>	(132)
<b>Reconciliation of net cash flow to movement in net funds</b>			
	18		
Increase/(decrease) in cash in the period		<b>3,466</b>	(132)
Change in net funds		<b>3,466</b>	(132)
<b>Net funds at 1 April</b>		<b>3,207</b>	3,339
<b>Net funds at 31 March</b>		<b>6,673</b>	3,207

## Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 2003

	CCLRC group 2002-2003 £000	Interest in DLS Joint Venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
Surplus for the year	1,288	75	<b>1,363</b>	2,211
Net surplus on revaluation of fixed assets	15,030	0	<b>15,030</b>	13,289
Total recognised gains for the year	<u>16,318</u>	<u>75</u>	<u><b>16,393</b></u>	<u>15,500</u>

The notes on pages 17 to 36 form part of these accounts

# Notes to the Accounts

## 1 Accounting policies

### 1.1 Basis of accounting

The accounts have been prepared in accordance with a Direction issued by the Secretary of State for Trade and Industry in pursuance of Section 2(2) of the Science and Technology Act 1965.

The accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting and financial reporting standards issued or adopted by the Accounting Standards Board in so far as these requirements are appropriate.

### 1.2 Basis of consolidation

Interests in subsidiary undertakings and joint ventures are accounted for in accordance with the principles of gross equity accounting as required under Financial Reporting Standard 9.

### 1.3 Fixed assets

Land and buildings are included in the balance sheet at open market value for existing use, or depreciated replacement cost in the case of specialised buildings. Professional valuations are obtained every five years and are revised in the intervening years by use of appropriate indices.

Items of plant and equipment costing over £3,000 are included at current replacement cost less an allowance for depreciation. Professional valuations are obtained every five years and are revised in the intervening years by use of appropriate indices.

Surpluses or deficits on revaluation are taken to the revaluation reserve except that any permanent diminution in value is charged to the Income and Expenditure Account when recognised. The revaluation reserve was set at zero on 1 April 1996.

### 1.4 Depreciation

Freehold land is not depreciated. Depreciation is charged on all other tangible fixed assets at rates calculated to write down the valuation of each asset to its estimated residual value evenly over its expected useful life. Average estimated useful lives are as follows

Freehold buildings	60 years
Plant and machinery	20 years
Scientific equipment	15 years
Electronic scientific equipment	10 years
Computers and information technology	5 years
Vehicles	4 years
Personal computers	3 years
Leased assets	Term of lease

Fixed assets are depreciated as soon as they are brought into use. Assets under construction are not depreciated until they are brought into use.

### 1.5 Stocks and long term contract balances

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

Long term contracts, comprising individual pieces of research undertaken for private companies, are valued at the lower of cost, including appropriate overheads, and net realisable value. Full provision is made for all known and expected losses to completion immediately such losses are forecast on each contract.

### 1.6 *Grant in Aid*

Grant in Aid is provided by the Department of Trade and Industry (Science) and is credited to the Income and Expenditure Account or applied to the purchase of capital equipment.

### 1.7 *Operating income*

Amounts due annually from other Research Councils under general service level agreements are credited to the Income and Expenditure Account when due, except that amounts applied to the purchase of fixed assets are credited to the deferred income account and released to the Income and Expenditure Account over the working lives of the assets concerned. Income received in advance is treated as a creditor.

Grants receivable for specific research projects from other Research Councils, higher education institutions, government departments and the European Commission are credited to the Income and Expenditure Account except that amounts applied to the purchase of fixed assets are credited to the deferred income account and released to the Income and Expenditure Account over the working lives of the assets concerned.

Amounts receivable from the European Commission and foreign governments for general or specific use of the Council's research facilities are credited to the Income and Expenditure Account when due under the terms of the agreement or when specific use is made of the facilities as appropriate, except that amounts applied to the purchase of fixed assets are credited to the deferred income account and released to the Income and Expenditure Account over the working lives of the assets concerned.

For construction or design contracts with companies and other organisations, income is calculated as the value of work carried out during the year, including amounts not invoiced.

### 1.8 *Deferred income*

Deferred income consists of deferred Grant in Aid and deferred capital.

The deferred Grant in Aid reserve was set up at 1 April 1996 representing the sums invested in fixed assets by the Council and its predecessor bodies from their annual Grant in Aid.

Amounts received from customers for the purchase of fixed assets are credited in the year.

Amounts are released to the Income and Expenditure Account over the lifetime of the assets.

### 1.9 *Research and development*

As a research organisation, the Council's expenditure on research and development is charged to the Income and Expenditure Account when incurred.

### 1.10 *Decommissioning costs*

Decommissioning costs are recognised in full as soon as the obligation exists i.e. when the technical facility has been commissioned. An asset is set up with depreciation being charged to the Income and Expenditure Account over its useful life.

A provision is established, representing the current value of the expected future costs of decommissioning the Council's technical facilities and the interest due is charged to the Income and Expenditure Account over the estimated working lives of the related assets and credited to a provision for liabilities and charges.

### 1.11 Pensions

Contributions to the United Kingdom Atomic Energy Authority (UKAEA) Pension Scheme and the Research Councils Pension Scheme are charged to the Income and Expenditure Account in accordance with actuarial recommendations so as to spread the cost of the pensions over the employees' expected working lives.

Liability for the payment of future benefits is a charge on the UKAEA Pension Scheme and the Research Councils Pension Scheme.

### 1.12 Early departure costs

The costs of early retirement or severance are charged to the Income and Expenditure Account when the early departures are agreed.

### 1.13 Value Added Tax

The Council is registered for VAT jointly with five other Research Councils. Expenditure and fixed asset additions are stated net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure or fixed asset heading. Non-attributable VAT recovered through the group arrangement is credited to income when received.

### 1.14 Foreign currency

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the date of the transaction unless covered by a forward contract. Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date.

Transaction and translation gains and losses are credited or charged to the Income and Expenditure Account.

### 1.15 Insurance

As a public body, the Council does not generally insure. However, the Council has decided, with the agreement of the Office of Science and Technology, that risks relating to certain commercial contracts entered into by the Council should be commercially insured. Insurance premiums are charged to the Income and Expenditure Account.

### 1.16 Capital charge

As directed by the Secretary of State for Trade and Industry, a capital charge reflecting the cost of capital employed is calculated at 6% of average net assets employed during the year and included in operating costs. In accordance with Treasury guidance the notional charge is credited back to the Income and Expenditure Account before taking the result for the year to the general reserve.

## 2 Income from operating activities

Operating income analysed by source is as follows

	CCLRC group 2002-2003 £000	Interest in DLS Joint Venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
<b>UK Research Councils</b>				
Biotechnology and Biological Sciences Research Council	3,846	0	<b>3,846</b>	3,821
Engineering and Physical Sciences Research Council	43,721	0	<b>43,721</b>	42,257
Medical Research Council	1,202	0	<b>1,202</b>	1,347
Natural Environment Research Council	2,941	0	<b>2,941</b>	2,679
Particle Physics and Astronomy Research Council	23,419	0	<b>23,419</b>	23,792
	<u>75,129</u>	<u>0</u>	<u><b>75,129</b></u>	<u>73,896</u>
<b>Government departments</b>				
Department of Trade and Industry	1,737	0	<b>1,737</b>	4,950
Other	2,261	0	<b>2,261</b>	2,724
	<u>3,998</u>	<u>0</u>	<u><b>3,998</b></u>	<u>7,674</u>
<b>External bodies</b>				
Universities	5,429	0	<b>5,429</b>	3,723
European Commission	3,269	0	<b>3,269</b>	3,891
Other overseas	8,676	0	<b>8,676</b>	8,173
Private sector	1,850	0	<b>1,850</b>	2,956
Domestic	1,209	0	<b>1,209</b>	925
	<u>20,433</u>	<u>0</u>	<u><b>20,433</b></u>	<u>19,668</u>
<b>Total</b>	<u>99,560</u>	<u>0</u>	<u><b>99,560</b></u>	<u>101,238</u>

## 3 Grant in Aid

	CCLRC group 2002-2003 £000	Interest in DLS Joint Venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
Grant in Aid (DTI Science)	15,607	0	<b>15,607</b>	9,181
DLS Grant in Aid (DTI Science)	14,985	0	<b>14,985</b>	0
Brought forward from previous year	469	0	<b>469</b>	1,309
Less capital expenditure	(5,734)	0	<b>(5,734)</b>	(649)
Less DLS capital expenditure	(13,985)	0	<b>(13,985)</b>	0
	<u>11,342</u>	<u>0</u>	<u><b>11,342</b></u>	<u>9,841</u>
Grant in Aid carried forward	(6,909)	0	<b>(6,909)</b>	(469)
DLS Grant in Aid carried forward	(619)	0	<b>(619)</b>	0
<b>Grant in Aid income for year</b>	<u>3,814</u>	<u>0</u>	<u><b>3,814</b></u>	<u>9,372</u>

**4 Interest receivable**

	CCLRC group 2002-2003 £000	Interest in DLS Joint Venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
Interest receivable	0	93	93	0
	<u>0</u>	<u>93</u>	<u>93</u>	<u>0</u>

**5 Staffing***Staff costs*

	CCLRC group 2002-2003 £000	Interest in DLS Joint Venture 2002-2003 £000	<b>Consoli- dated total 2002-2003 £000</b>	CCLRC 2001-2002 £000
Salaries and wages	49,896	0	<b>49,896</b>	45,952
Social security costs	3,573	0	<b>3,573</b>	3,477
Superannuation	4,129	0	<b>4,129</b>	3,674
<b>Total payroll costs</b>	57,598	0	<b>57,598</b>	53,103
Capitalised pay costs*	(2,902)	0	<b>(2,902)</b>	(2,082)
Pay costs capitalised by DLS**	(1,765)	0	<b>(1,765)</b>	0
<b>Staff costs charged to the income and expenditure account</b>	<u>52,931</u>	<u>0</u>	<u><b>52,931</b></u>	<u>51,021</u>

\* The capitalised pay costs are accounted for in the Group Balance Sheet as part of assets under construction (note 8).

\*\* The pay costs capitalised by DLS are accounted for in the Consolidated Balance Sheet as part of the DLS investment (note 9).

*Superannuation*

The employees of the Council are members of either the Principal Non-Industrial Superannuation Scheme of the United Kingdom Atomic Energy Authority (the PNISS) or the Research Councils' Pensions Scheme (the RCPS).

The PNISS is a notionally funded, contributory scheme. Employees who are members of the PNISS make pensions contributions at the rate of 7.5% of pensionable pay. The Council makes employer's contributions at a rate determined from time to time after actuarial assessment of assets and liabilities. In 2002-2003 no employer's contributions were required from the Council.

The PNISS is a defined benefit scheme and a separate PNISS Scheme account is produced by the United Kingdom Atomic Energy Authority that recognises the scheme liability in accordance with FRS 17.

The RCPS is administered by the Research Councils' Joint Superannuation Services. The Scheme's accounts are prepared by the Biotechnology and Biological Sciences Research Council (BBSRC) on behalf of the Chief Executive of BBSRC as Accounting Officer for the RCPS. The Scheme is a defined benefit scheme and a separate account is published for the Pension Scheme and this contains the further disclosure information required under FRS17. The employer's contribution is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD's) and in 2002-2003 was set at 10.1% of pensionable pay. This rate was established following GAD's most recent assessment at 31 March 1997.

With effect from 1 October 2002, in line with arrangements throughout the Civil Service, a new RCPS sub-scheme was introduced. Employees were given the option of remaining in the existing 'Classic' scheme with an employee contribution of 1.5% of pensionable pay; joining the new 'Premium' scheme with their existing pension entitlement converted into the new scheme with an employee contribution of 3.5%; or joining the 'Classic Plus' scheme for future service only, with an employee contribution of 3.5% of pensionable pay, with existing pension benefits prior to 1 October 2002 being broadly calculated on the 'Classic' scheme.

All new employees with effect from 1 October 2002 were given the option of joining the Premium Scheme or alternatively a Partnership Pension Account. This is a stakeholder-type defined contributions scheme where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). CCLRC also contributes a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement).

Both the PNISS and RCPS Schemes are multi-employer schemes and the Council are unable to identify their share of the underlying assets and liabilities.

At 31 March 2003, 151 employees were PNISS members and 1,638 employees RCPS members.

*Staff numbers*

The Council counts the number of staff in post to include all permanent, fixed term and temporary staff of all types who are paid as employees through the payroll. On this basis the average number of whole-time equivalent persons (including senior management) employed during the year was 1,730. The figure for 2001-2002 was 1,701.

*Remuneration of senior employees*

Professor J.V.Wood, the Chief Executive, was the highest paid member of staff in 2002-2003.

Professor Wood's emoluments, including taxable benefits, were

	<b>2002-2003</b>	2001-2002
	£	£
Salary	<b>84,500</b>	82,000
Superannuation	<b>8,535</b>	8,282
Performance related bonus	<b>12,300</b>	12,300
Total	<b><u>105,335</u></b>	<u>102,582</u>

Professor Wood is a 'Classic' scheme member of the Research Councils' Pension Scheme and the employer's contribution represents 10.1% of pensionable pay. The performance related bonus is non-consolidated and non-pensionable.

The salary and pension entitlements of the most senior members of CCLRC were as follows

	Age	Salary, including performance pay £000	Real increase in pension at 60 £000	Total accrued pension at 60 at 31 March 2003 £000
Prof J V Wood Chief Executive	53	95-100	0-2.5	0-5
Prof P J Durham Director Computational Science and Engineering	52	60-65	0-2.5	20-25
Mr P E Hartley Head Human Resources	44	45-50	0-2.5	10-15
Prof R Holdaway Director Space Science & Technology	54	60-65	0-2.5	20-25
Mr S J Hopley Director Finance	54	60-65	0-2.5	0-5
Prof M H R Hutchinson Director Central Laser Facility	56	65-70	0-2.5	20-25
Prof K G Jeffery Director Business & Information Technology	55	55-60	0-2.5	20-25
Dr M W Johnson Director Instrumentation	59	60-65	2.5-5.0	20-25
Prof R A Lawes Director Engineering	64	65-70	0-2.5	30-35
Prof K J Peach Director Particle Physics	57	55-60	0-2.5	5-10
Dr H G Price Director Daresbury Laboratory	56	70-75	0-2.5	25-30
Mr David Schildt Director Corporate Development	52	60-65	2.5-5.0	15-20
Dr A D Taylor Director ISIS	53	65-70	0-2.5	20-25

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. No other benefits in kind were received by these individuals.

As noted above under superannuation, pension benefits are provided through the Research Councils' Pensions Scheme or the Principal Non-Industrial Superannuation Scheme of the United Kingdom Atomic Energy Authority. Both schemes provide benefits on a 'final salary' basis at a normal retirement age of 60, except that certain PNISS members have reserved rights to a retirement age of 65. Employees in a Partnership Pension Account may retire at any time between 50 and 75 and use the accumulated fund to purchase a pension. Employees may also choose to take 25% of the fund as a lump sum.

Benefits under the RCPS 'Classic' scheme accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Pensions increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Benefits in the RCPS 'Premium' scheme accrue at the rate of 1/60th of final pensionable earnings for each year of service. There is no automatic lump sum, but employees may commute some of their pension to provide a lump sum. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension. On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

The salaries of Dr Johnson, Professor Lawes and Dr Taylor are gross of employee's pension contributions of 7.5% made by them in respect of their ordinary membership of the Principal Non-Industrial Superannuation Scheme of the United Kingdom Atomic Energy Authority.

The salaries of the other senior staff are gross of employee's pension contributions of 1.5% made by them in respect of their RCPS 'Classic' scheme membership of the Research Councils' Pension Scheme, or 3.5% for those who opted to join the 'Premium' scheme.

#### *Remuneration of Council and Committee Members*

The Council comprises both senior management and external appointees. The remuneration of senior management is included above. The total cost of external Council appointments in the period was £55,863 and external Council appointees' remuneration excluding pension contributions was in the following ranges

Range	2002-2003 number	2001-2002 number
£0 - £4,999	6	6
£5,000 - £9,999	5	6
£10,000 - £14,999	0	1
£25,000 - £29,999	1	0

The Council reimburses travel and subsistence expenses necessarily incurred by Council members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates applying to the Council's employees. Council members do not become members of a pension scheme and there are no superannuation payments relating to the fees paid to them.

## **6 Restructuring costs**

During the year 10 staff retired early. The total costs of these early retirements have been charged to the Income and Expenditure Account.

## **7 Other operating costs**

	CCLRC group	Interest in DLS Joint Venture	Consoli- dated total	CCLRC
	2002-2003 £000	2002-2003 £000	2002-2003 £000	2001-2002 £000
Travel, subsistence and allowances	6,033	0	<b>6,033</b>	6,255
Utilities	2,945	0	<b>2,945</b>	3,312
Rent, rates and maintenance	3,431	0	<b>3,431</b>	3,254
Administration expenses	222	0	<b>222</b>	372
Auditors remuneration	55	0	<b>55</b>	50
Insurance premiums	261	0	<b>261</b>	154
<b>Total</b>	<b>12,947</b>	<b>0</b>	<b>12,947</b>	<b>13,397</b>

**8 Tangible fixed assets**

	<b>Freehold land and buildings</b>	<b>Leased land</b>	<b>Plant and equip- ment</b>	<b>Assets under construc- tion</b>	<b>CCLRC group total</b>	<b>Interest in DLS Joint Venture</b>	<b>Consoli- dated total</b>
<b>CCLRC</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>							
At 1 April 2002	138,332	0	399,317	27,838	565,487	0	565,487
Additions	849	4,095	4,473	14,998	24,415	13,668	38,083
Reclassification	875	0	0	(875)	0	0	0
Disposals	(204)	0	(5,344)	0	(5,548)	0	(5,548)
Revaluation	11,069	0	10,443	0	21,512	0	21,512
<b>At 31 March 2003</b>	<b>150,921</b>	<b>4,095</b>	<b>408,889</b>	<b>41,961</b>	<b>605,866</b>	<b>13,668</b>	<b>619,534</b>
<b>Depreciation</b>							
At 1 April 2002	0	0	284,888	0	284,888	0	284,888
Charged in year	2,091	20	19,946	0	22,057	0	22,057
Disposals	0	0	(4,581)	0	(4,581)	0	(4,581)
Revaluation	(2,091)	0	7,916	0	5,825	0	5,825
<b>At 31 March 2003</b>	<b>0</b>	<b>20</b>	<b>308,169</b>	<b>0</b>	<b>308,189</b>	<b>0</b>	<b>308,189</b>
<b>Net book value</b>							
At 1 April 2002	138,332	0	114,429	27,838	280,599	0	280,599
<b>At 31 March 2003</b>	<b>150,921</b>	<b>4,075</b>	<b>100,720</b>	<b>41,961</b>	<b>297,677</b>	<b>13,668</b>	<b>311,345</b>

The Council's land and buildings were valued by Ridge Property and Construction Consultants as at 31 March 2003. Plant and equipment were valued by Rushton International, members of the Incorporated Society of Valuers and Auctioneers, as at 1 April 2001. Both valuations were performed in accordance with guidance notes issued by the Royal Institute of Chartered Surveyors.

In accordance with FRS 12: *Provisions, Contingent Liabilities and Contingent Assets* decommissioning costs are recognised in full as soon as the obligation exists ie when the technical facility has been commissioned. A corresponding asset is set up in the balance sheet at the same time with depreciation being charged to the Income and Expenditure Account over its useful life. The cost of decommissioning the ISIS facility at Rutherford Appleton Laboratory and the SRS facility at Daresbury Laboratory was estimated to have a present value of £2.047 million when CCLRC was established. Decommissioning of the ISIS facility is estimated to commence in 2020, with final demolition and landscaping taking place in 2040. Decommissioning of the SRS facility is estimated to commence in 2007.

In consideration of a one-off payment of £4,095,000, the Council has leased land from the United Kingdom Atomic Energy Authority (UKAEA) for a period of 50 years from 31 January 2003. This land has been capitalised and is being depreciated over the term of the lease.

The Council also has an operating lease with Diamond Light Source Limited, the Joint Venture Company in which it holds the majority (86%) shareholding. This lease is for a peppercorn rent for a period of 40 years from 31 January 2003. The lease covers part of the land leased to the Council from the UKAEA and part of the Council's own land.

**9 Investments in Joint Ventures**

	CCLRC £000	CCLRC group £000	Interest in DLS Joint Venture £000	Consoli- dated total £000
<b>Cost or valuation</b>				
At 1 April 2002	0	0	0	0
Additions	9,890	9,890	(9,890)	0
<b>At 31 March 2003</b>	<b>9,890</b>	<b>9,890</b>	<b>(9,890)</b>	<b>0</b>
<b>Depreciation</b>				
At 1 April 2002	0	0	0	0
Charged in year	0	0	0	0
<b>At 31 March 2003</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>				
At 1 April 2002	0	0	0	0
<b>At 31 March 2003</b>	<b>9,890</b>	<b>9,890</b>	<b>(9,890)</b>	<b>0</b>

On 27 March 2002, the Office of Science and Technology (OST) transferred their 86% interest in the Joint Venture company known as Diamond Light Source Limited (DLS) to the Council. The remaining 14% is held by Wellcome Trust Limited.

The appropriate share of the operating results, assets and liabilities of DLS are reflected in the Council's consolidated Accounts in accordance with generally accepted accounting standards.

For 2001-2002 the company was dormant and no accounts filed. However, the OST incurred pre-incorporation costs for 2001-2002 and earlier years agreed at £5,795k, but the Council's share of this (£4,984k) has not been included in the consolidated statements as DLS have yet to issue share certificates to reflect this shareholding.

The Council's shareholding in DLS at 31 March 2003 is 9,890,000 ordinary shares of £1 each.

**10 Stocks**

	CCLRC 2003 £000	CCLRC group 2003 £000	Interest in DLS Joint Venture 2003 £000	<b>Consoli- dated total 2003 £000</b>	CCLRC 2002 £000
Stocks	343	343	0	<b>343</b>	342

**11 Debtors and prepayments***Amounts falling due within one year*

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Trade debtors	9,109	9,158	0	<b>9,158</b>	7,297
Other debtors and accruals	258	260	333	<b>593</b>	207
Prepayments	1,351	1,351	1,300	<b>2,651</b>	1,059
Amounts recoverable on long term contracts	6,644	6,692	0	<b>6,692</b>	8,746
Early retirements - amounts recoverable	679	679	0	<b>679</b>	498
<b>Total</b>	<b>18,041</b>	<b>18,140</b>	<b>1,633</b>	<b>19,773</b>	<b>17,807</b>

*Amounts falling due after one year*

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Early retirements - amounts recoverable	2,274	2,274	0	<b>2,274</b>	2,700
<b>Total</b>	<b>2,274</b>	<b>2,274</b>	<b>0</b>	<b>2,274</b>	<b>2,700</b>

**12 Creditors***Amounts falling due within one year*

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Trade creditors	6,208	6,208	1,116	<b>7,324</b>	8,132
Other creditors	1,192	1,204	49	<b>1,253</b>	1,055
Income received in advance	13,345	13,477	5,734	<b>19,211</b>	8,973
Corporation Tax	0	0	18	<b>18</b>	0
Early retirement costs	938	938	0	<b>938</b>	1,125
<b>Total</b>	<b>21,683</b>	<b>21,827</b>	<b>6,917</b>	<b>28,744</b>	<b>19,285</b>

*Amounts falling due after one year*

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Early retirement costs	2,278	2,278	0	<b>2,278</b>	2,908
<b>Total</b>	<b>2,278</b>	<b>2,278</b>	<b>0</b>	<b>2,278</b>	<b>2,908</b>

**13 Provision for decommissioning**

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Balance at 1 April	2,903	2,903	0	<b>2,903</b>	2,739
Provision made in year	174	174	0	<b>174</b>	164
Balance at 31 March	<u>3,077</u>	<u>3,077</u>	<u>0</u>	<b><u>3,077</u></b>	<u>2,903</u>

*Decommissioning of Technical Facilities*

The Council has in place plans for the decommissioning of the ISIS pulsed neutron source at the Rutherford Appleton Laboratory at the end of its anticipated operating life in 2020, and for minor decommissioning work related to the Synchrotron Radiation Source at the Daresbury Laboratory. A provision has been established for this purpose. The estimated cost of decommissioning the facilities commencing in 2020 for ISIS and 2007 for SRS is currently £19 million, after allowing for inflation at 3.5%. This amount is discounted at 6% representing the Council's notional cost of capital to arrive at a current provision of £3.077 million. The charge of £0.174 million represents the unwinding of this discount.

**14 Deferred income**

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Balance at 1 April	219,472	219,472	0	<b>219,472</b>	221,861
Capital received in year	34,305	34,305	0	<b>34,305</b>	20,415
Released to income	(22,367)	(22,367)	0	<b>(22,367)</b>	(22,804)
Balance at 31 March	<u>231,410</u>	<u>231,410</u>	<u>0</u>	<b><u>231,410</u></b>	<u>219,472</u>

**15 Reserves***Accumulated surplus/(deficit)*

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC
	2003 £000	2003 £000	2003 £000		2002 £000
Balance at 1 April	(1,040)	(1,040)	0	<b>(1,040)</b>	(3,251)
Surplus for the year	1,315	1,288	75	<b>1,363</b>	2,211
Balance at 31 March	<u>275</u>	<u>248</u>	<u>75</u>	<b><u>323</u></b>	<u>(1,040)</u>

*Revaluation reserve*

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC 2002 £000
Balance at 1 April	61,127	61,127	0	<b>61,127</b>	47,838
Surplus on revaluation	15,687	15,687	0	<b>15,687</b>	13,289
Transfer to income and expenditure account	(657)	(657)	0	<b>(657)</b>	0
Balance at 31 March	<u>76,157</u>	<u>76,157</u>	<u>0</u>	<u><b>76,157</b></u>	<u>61,127</u>

**16 Reconciliation of movements in government funds**

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total 2003 £000</b>	CCLRC 2002 £000
Surplus for the year	1,315	1,288	75	<b>1,363</b>	2,211
Movement in deferred income account	11,938	11,938	0	<b>11,938</b>	(2,389)
Net surplus on revaluation	<u>15,030</u>	<u>15,030</u>	<u>0</u>	<u><b>15,030</b></u>	<u>13,289</u>
Movement in government funds in the year	28,283	28,256	75	<b>28,331</b>	13,111
Government funds at 1 April	<u>279,559</u>	<u>279,559</u>	<u>0</u>	<u><b>279,559</b></u>	<u>266,448</u>
Government funds at 31 March	<u>307,842</u>	<u>307,815</u>	<u>75</u>	<u><b>307,890</b></u>	<u>279,559</u>

**17 Reconciliation of the operating deficit to net cash inflow/(outflow) from operating activities**

	<b>CCLRC group 2002-2003 £000</b>	CCLRC 2001-2002 £000
Operating deficit	<b>(16,174)</b>	(12,482)
Depreciation charges	<b>22,057</b>	20,604
Transfer from deferred income	<b>(22,367)</b>	(22,804)
Increase in provisions	<b>174</b>	164
(Increase) in stocks	<b>(1)</b>	(44)
Decrease/(increase)in debtors and prepayments	<b>93</b>	(3,110)
Increase/(decrease) in creditors	<b>1,912</b>	(1,753)
Cost of capital charge	<b>17,583</b>	16,713
Net cash inflow/(outflow) from operating activities	<u><b>3,277</b></u>	<u>(2,712)</u>

**18 Analysis of changes in net funds**

	CCLRC	CCLRC group	Interest in DLS Joint Venture	<b>Consoli- dated total</b>	CCLRC
	2002-2003	2002-2003	2002-2003	<b>2002-2003</b>	2001-2002
	£000	£000	£000	<b>£000</b>	£000
Balance at 1 April	3,207	3,207	0	<b>3,207</b>	3,339
Increase/(decrease) in cash	3,448	3,466	1,581	<b>5,047</b>	(132)
<b>Balance at 31 March</b>	<u>6,655</u>	<u>6,673</u>	<u>1,581</u>	<b><u>8,254</u></b>	<u>3,207</u>

**19 CCLRC Group net operating surplus/(deficit) by activity***Central Laser Facility*

	<b>2002-2003</b>	2001-2002
	<b>£000</b>	£000
<b>Income from operating activities</b>		
UK Research Councils	<b>4,540</b>	3,942
Government Departments	<b>12</b>	82
Universities	<b>25</b>	26
European Commission	<b>414</b>	531
Other overseas	<b>23</b>	0
Private sector and domestic	<b>24</b>	88
<b>Total operating income</b>	<b>5,038</b>	4,669
Grant in Aid	<b>0</b>	4
Release of deferred income	<b>1,003</b>	1,081
<b>Total income</b>	<b>6,041</b>	5,754
<b>Expenditure excluding cost of capital</b>		
Depreciation	<b>1,003</b>	1,081
Other operating expenditure	<b>5,052</b>	5,081
<b>Total expenditure excluding cost of capital</b>	<b>6,055</b>	6,162
<b>Operating deficit for the year</b>	<b>(14)</b>	(408)

*ISIS Facility*

	<b>2002-2003</b>	2001-2002
	<b>£000</b>	£000
<b>Income from operating activities</b>		
UK Research Councils	<b>15,690</b>	18,254
Government Departments	<b>4</b>	2
Universities	<b>824</b>	730
European Commission	<b>364</b>	685
Other overseas	<b>1,848</b>	2,451
Private sector and domestic	<b>114</b>	156
<b>Total operating income</b>	<b>18,844</b>	22,278
Grant in Aid	<b>260</b>	714
Release of deferred income	<b>9,122</b>	8,671
<b>Total income</b>	<b>28,226</b>	31,663

**Expenditure excluding cost of capital**

Depreciation	9,122	8,671
Other operating expenditure	20,005	23,703
<b>Total expenditure excluding cost of capital</b>	<b>29,127</b>	<b>32,374</b>
<b>Operating deficit for the year</b>	<b>(901)</b>	<b>(711)</b>

*Synchrotron Radiation Facility*

	2002-2003 £000	2001-2002 £000
<b>Income from operating activities</b>		
UK Research Councils	15,158	15,286
Government Departments	0	0
Universities	208	809
European Commission	386	291
Other overseas	408	416
Private sector and domestic	700	977
<b>Total operating income</b>	<b>16,860</b>	<b>17,779</b>
Grant in Aid	0	10
Release of deferred income	4,927	4,830
<b>Total income</b>	<b>21,787</b>	<b>22,619</b>

**Expenditure excluding cost of capital**

Depreciation	4,927	4,830
Other operating expenditure	16,830	17,939
<b>Total expenditure excluding cost of capital</b>	<b>21,757</b>	<b>22,769</b>
<b>Operating surplus/(deficit) for the year</b>	<b>30</b>	<b>(150)</b>

*Particle Physics*

	2002-2003 £000	2001-2002 £000
<b>Income from operating activities</b>		
UK Research Councils	17,897	19,663
Government Departments	0	0
Universities	575	867
European Commission	0	0
Other overseas	36	113
Private sector and domestic	0	22
<b>Total operating income</b>	<b>18,508</b>	<b>20,665</b>
Grant in Aid	0	121
Release of deferred income	311	161
<b>Total income</b>	<b>18,819</b>	<b>20,947</b>

**Expenditure excluding cost of capital**

Depreciation	311	161
Other operating expenditure	18,530	20,580
<b>Total expenditure excluding cost of capital</b>	<b>18,841</b>	<b>20,741</b>
<b>Operating (deficit)/surplus for the year</b>	<b>(22)</b>	<b>206</b>

*Space Science*

	<b>2002-2003</b>	2001-2002
	<b>£000</b>	£000
<b>Income from Operating Activities</b>		
UK Research Councils	<b>10,028</b>	9,577
Government Departments	<b>1,401</b>	1,562
Universities	<b>268</b>	499
European Commission	<b>287</b>	302
Other overseas	<b>3,247</b>	2,413
Private sector and domestic	<b>603</b>	757
<b>Total operating income</b>	<b>15,834</b>	15,110
Grant in Aid	<b>2</b>	106
Release of deferred income	<b>765</b>	703
<b>Total income</b>	<b>16,601</b>	15,919
<b>Expenditure excluding cost of capital</b>		
Depreciation	<b>765</b>	703
Other operating expenditure	<b>16,558</b>	15,915
<b>Total expenditure excluding cost of capital</b>	<b>17,323</b>	16,618
<b>Operating deficit for the year</b>	<b>(722)</b>	(699)

*Other Activities\**

	<b>2002-2003</b>	2001-2002
	<b>£000</b>	£000
<b>Income from Operating Activities</b>		
UK Research Councils	<b>11,816</b>	7,174
Government Departments	<b>2,581</b>	6,028
Universities	<b>3,529</b>	792
European Commission	<b>1,818</b>	2,082
Other overseas	<b>3,114</b>	2,780
Private sector and domestic	<b>1,618</b>	1,881
<b>Total operating income</b>	<b>24,476</b>	20,737
Grant in Aid	<b>3,552</b>	8,417
Release of deferred income	<b>6,239</b>	7,358
<b>Total income</b>	<b>34,267</b>	36,512
<b>Expenditure excluding cost of capital</b>		
Depreciation	<b>5,929</b>	7,358
Other operating expenditure	<b>25,126</b>	22,997
<b>Total expenditure excluding cost of capital</b>	<b>31,055</b>	30,355
<b>Operating surplus for the year</b>	<b>3,212</b>	6,157

\* Other activities covers all other areas including CLIK Knowledge Transfer Limited

*CCLRC Totals*

	<b>2002-2003</b>	2001-2002
	<b>£000</b>	£000
<b>Income from operating activities</b>		
UK Research Councils	<b>75,129</b>	73,896
Government Departments	<b>3,998</b>	7,674
Universities	<b>5,429</b>	3,723
European Commission	<b>3,269</b>	3,891
Other overseas	<b>8,676</b>	8,173
Private sector and domestic	<b>3,059</b>	3,881
<b>Total operating income</b>	<b>99,560</b>	101,238
Total Grant in Aid	<b>3,814</b>	9,372
Total release of deferred income	<b>22,367</b>	22,804
<b>Total income</b>	<b>125,741</b>	133,414
<b>Total CCLRC expenditure</b>		
Total CCLRC depreciation	<b>22,057</b>	22,804
Total CCLRC other operating expenditure	<b>102,101</b>	106,215
<b>Total CCLRC expenditure</b>	<b>124,158</b>	129,019
<b>Operating surplus for the year</b>	<b>1,583</b>	4,395
Cost of capital	<b>(17,583)</b>	(16,713)
<b>Operating deficit for the year</b>	<b>(16,000)</b>	(12,318)

**20 Contingent liabilities**

There are no material contingent liabilities which have not been provided for in the financial statements. (2001-2002 Nil.)

**21 Derivatives and other financial instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government bodies are financed, CCLRC is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. CCLRC has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Council in undertaking its activities.

*Liquidity risk*

CCLRC's net revenue resource requirements are financed by resources voted annually by Parliament, and administered as grant-in-aid through the Office of Science and Technology, just as its capital expenditure largely is. CCLRC is not therefore exposed to significant liquidity risks.

*Interest-rate risk*

All of CCLRC's financial assets and liabilities carry nil or fixed rates of interest and CCLRC is not therefore exposed to interest-rate risk.

*Foreign currency risk*

CCLRC's exposure to foreign currency risk is not significant. Foreign currency income is less than 10.0% of total income and foreign currency expenditure is less than 10.0% of total expenditure. CCLRC's greatest exposure to foreign currency risk relates to the Euro and, with the agreement of the Office of Science and Technology and Treasury, CCLRC operates its own Euro bank accounts to minimise its exposure to risk in this currency. In addition, forward currency contracts eliminate currency exposure on international subscriptions where payments are due on fixed dates in each financial year. CCLRC had three such hedging contracts in place at the balance sheet date amounting to £9.0 million.

**22 Capital expenditure commitments**

The Council had the following capital commitments at the balance sheet date

	<b>2003</b>	2002
	<b>£000</b>	£000
Contracted	<b>3,150</b>	3,355

**23 Investments**

*Central Laboratory Innovation and Knowledge Transfer Limited (registration number 4361684)*

On 4 April 2002, the Council established its own wholly owned subsidiary company known as Central Laboratory Innovation and Knowledge Transfer Limited (CLIK).

The operating results, assets and liabilities of CLIK are reflected in the Council's Group Accounts in accordance with generally accepted accounting standards.

The Council's current shareholding in CLIK is 1 ordinary share of £1.

*Spectrum (General Partner) Limited (registration number 4409886)*

The Council holds 30 ordinary shares of £1 and a 30% interest in Spectrum (General Partner) Limited. This company was set up to act as the Advisory Board for the Rainbow Seed Fund (RSF) and its purpose is to ensure that the RSF operates within the parameters set out by the Office of Science and Technology and to monitor the performance of the Fund and the Fund Manager.

The RSF is a limited partnership comprised of three core partners (the Council for the Central Laboratory of the Research Councils, the Natural Environment Research Council and the Defence Science and Technology Laboratory) and two associate partners (the United Kingdom Atomic Energy Authority and the Particle Physics and Astronomy Research Council).

The Fund provides seed capital investment to commercialise the outcomes of science research in the publicly funded partner organisations' Government facilities. Midven Limited manages the Fund under contract.

No entry is made in the Balance Sheet as the value of the holdings and the trading position of these companies, is not material to the accounts.

*Other investments*

The Council also holds minority shareholdings in the following companies all of whom have registered offices in England

<b>Name of company</b>	<b>Registration number</b>	<b>Percentage shareholding</b>
Ceravision Limited	3191734	2
Neos Interactive Limited	3564252	1
LaserThor Limited	3869946	13
MRBP Research Limited	4113380	5
PETRRRA Limited	3563949	36

No entry is made in the Balance Sheet as the value of the holdings and the trading position of these companies, is not material to the accounts.

## 24 Related party transactions

The Council for the Central Laboratory of the Research Councils (the Council) is a Non-Departmental Public Body (NDPB) sponsored by the Department of Trade and Industry (DTI).

DTI is regarded as a related party. During the year, the Council had various material transactions with DTI and with other entities for which DTI is the sponsoring or parent body, viz: Biotechnology and Biological Sciences Research Council, Engineering and Physical Sciences Research Council, Economic and Social Research Council, Medical Research Council, Natural Environment Research Council, Particle Physics and Astronomy Research Council, Radiocommunications Agency.

In addition the Council had various material transactions with other Government Departments and other central government bodies and the income generated from these bodies is set out in Note 2.

As set out in Note 9 above, the Council holds the major interest in Diamond Light Source Limited(DLSL). Related party transactions with DLSL for the period ending 31 March 2003 were as follows

	<b>£000</b>
Provision of technical and scientific manpower and other services	4,077
Costs collected on behalf of DLSL	2,873
<b>Total</b>	<b><u>6,950</u></b>

During the year, the Council entered into contracts for goods and services with institutions or other bodies where Council members hold senior positions and where employees of the Council hold honorary or part-time teaching positions or undertake work in a private consultancy capacity. The numbers and aggregate values of such contracts were as follows

<b>Name</b>	<b>Related party</b>	<b>Number of contracts</b>	<b>Aggregate value £000</b>
<b>Council members</b>			
Prof J V Wood*	University of Oxford	22	28
Prof J M Goodfellow	Biotechnology and Biological Sciences Research Council	4	99
	Glaxosmithkline Research	1	4
Prof I Halliday	University of Wales, Swansea	2	1
Prof J H Lawton	University of York	7	172
Prof J O'Reilly	IEE	2	3
	University College, London	2	501
<b>Members of staff</b>			
Prof R Holdaway	University of Southampton	2	5

\* Also member of staff

None of the above named persons was involved in the placing of contracts with the institutions or bodies where they hold senior positions or, in the case of employees of the Council, hold honorary or part-time teaching positions.

The Council also provided time on its scientific facilities, either paid for directly by users, or funded by grant-giving bodies (principally the other UK Research Councils), to researchers at institutions where Council members hold senior positions and where employees of the Council hold honorary or part-time teaching positions. The related parties using the Council's facilities were as follows

<b>Name</b>	<b>Related party</b>
<b>Council members</b>	
Sir Graeme Davies	Hannah Research Institute
Prof J V Wood	University of Nottingham University of Leeds
Prof J Durrell	University of Manchester
Prof J M Goodfellow	Birkbeck College, London GlaxoSmithKline
Prof I Halliday	University of Wales, Swansea
Prof J H Lawton	University of York Natural History Museum, London University of Lancaster
Prof J O'Reilly	University College London
Mr P C Ruffles	University of Birmingham
Prof D F Williams	University of Liverpool

**Members of staff**

Prof R Holdaway	University of Southampton University of Kent
Prof K G Jeffery	University of Birmingham University College of Wales, Cardiff Heriot Watt University
Mr M W Johnson	University of Edinburgh

None of the above named persons was involved in the award of facility time to the institutions or bodies where they hold senior positions or, in the case of employees of the Council, hold honorary or part-time teaching positions.

**25 Post balance sheet events**

From 1 April 2003, the CCLRC has taken over responsibility for the United Kingdom's (UK's) subscriptions to the Institut Laue Langevin (ILL) and the European Synchrotron Radiation Facility (ESRF) from the Engineering and Physical Sciences Research Council (EPSRC). As a consequence of this, the CCLRC inherits the UK's share of the decommissioning costs of these facilities to be met in future years. The outstanding provision at 31 March 2003 amounts to £44.6 million (ILL £38 million and ESRF £6.6 million).

For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Tel: 020 7798 7400

Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

DG Ref: D82005 3302WC

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 7 023474

E-mail [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

*and through good booksellers*

