

Central Science Laboratory

Annual Report and Accounts 2005/06



VISION

CSL will be an innovative and influential centre of excellence for the sciences underpinning sustainable land use, safe food and a healthy environment, and a contractor of choice for a broad user community.

MISSION

CSL will make a step change in its effectiveness by:

-
- a) understanding the forward strategies of its customers
 - b) anticipating scientific issues and
 - c) recognising key advances in underpinning science
-

to develop the skills and insights needed to contribute to a wider range of future challenges.

This will be achieved by:

-
- maintaining a front-line, responsive role in the UK's agricultural, food safety and environmental sciences
 - delivering high quality research, consultancy and science services to Defra, the FSA, other Government departments, the EU and the commercial sector in the UK and overseas
 - excelling in the key sciences underpinning, now and in the future, sustainable crop production and commodity protection; environmental management and conservation; and food safety and quality
 - sustaining a world class, state-of-the-art facility run on efficient and competitive business lines and investing in our people to sustain a skilled, professional and adaptable workforce
 - enhancing the UK's competitiveness through technology transfer and exploitation of intellectual property
 - contributing to the quality of the UK science base through inter-Agency collaboration and partnerships with universities
 - promoting public awareness and understanding through effective communication of CSL's science.
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CENTRAL SCIENCE LABORATORY

Annual Report and Accounts 2005/06

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1. CHIEF EXECUTIVE'S REPORT



I have pleasure in presenting to Parliament the 14th Annual Report and Accounts of the Central Science Laboratory (CSL). This Report highlights our key role as the UK's foremost public sector laboratory providing support for evidence-based policies in sustainable land use, safety of the food supply chain and environmental protection. Over 60% of our scientific programmes are in support of the Department for Environment, Food and Rural Affairs (Defra) policies for sustainable food and farming, wildlife management and animal health. In addition, we have expanded our scientific activities in support of the European Commission, the Food Standards Agency (FSA) and the Home Office. We continue to provide private sector customers with an understanding of regulatory issues and they benefit from the solutions we supply. The strategy of expanding our customer base has proved successful – with the majority of financial targets being met for 2005/06.

Raising the profile of the quality of our science has been a key objective in the past year. We published the seventh edition of our "Science Review" that highlighted 28 scientific projects delivered in 2003 and 2004. The higher number of scientific papers published in peer-reviewed journals continues – including important papers in the Proceedings of the Royal Society and Nature. Senior scientists at CSL continue to play an important role in Europe – through coordinating 6th Framework research and development (R&D) projects, building consortia to expand national laboratory capacity in the new Member States and leading scientific committees established by the European Food Safety Authority.

Early in 2006 we published our Science Strategy, outlining our objectives for the period 2006-2010. These objectives are aimed at strengthening our role as a front-line, responsive public sector laboratory providing an essential breadth of skills in the fields of sustainable land use, food and the environment. Our new Strategy:

- identifies the challenges facing CSL over this period and our need to move in new directions and strengthen relationships, as well as further developing some existing competences
- establishes the direction of CSL's scientific development as a framework for decision-making by our scientists and managers in setting priorities and planning resource investment
- identifies new sectors and opportunities to build on and exploit our scientific expertise as well as further developing a sustainable business.

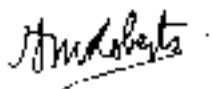
Staff at CSL continue to show flexibility and resilience in supporting responses to emerging issues by both Defra and the FSA. Since April 2005, our analytical chemists have worked with the food industry and the FSA to eliminate the use of illegal dyes in foods. In July 2005, our wildlife management group assisted Defra in controlling an outbreak of Newcastle Disease in pheasant chicks imported from France. This experience has been used to support Defra's contingency plans for avian flu outbreaks. This group have also played a key role in Defra's review of policies to control bovine tuberculosis (TB). In the Plant Health area, we have contributed to the success of Defra's policies to limit the presence of the fungal pathogens that cause "sudden oak death". In order to build up the national capability to respond to emergencies, CSL joined with five other government Agencies to form the InterLab Forum (ILF). The object of the ILF is to coordinate surge capacity and specialist facilities to cope with major incidents. In February 2006, the ILF organised a major internal workshop, based at the Health and Safety Laboratory's new facility in Buxton, to review capabilities in the field of "Chemicals and Pollutants".

We have continued to invest in the infrastructure at CSL in order to provide a rapid response to emergencies in plant health, wildlife management, pollution incidents and food safety. In particular, we were pleased that Lord Bach (the then Minister with special responsibility for science in Defra) could visit CSL in July 2005, in order to open the new high-throughput Molecular Technology Unit. In addition, we have commissioned a Business Continuity Centre to support the response of other government agencies in the region to emergencies.

We have made considerable progress with plans to improve the efficiency and effectiveness of our business units. Investment in information technology and management information systems has reached the point where procurement procedures and transactional processes are almost entirely e-based. Management consultants have worked with our analytical chemistry staff to restructure the operational units, improve account management skills and increase the efficiency of delivery. Finally, CSL was very successful in securing Defra

“Challenge Fund” awards to enhance the use of knowledge management skills to improve the electronic collection of data, storage, analysis and dissemination of information by Defra’s “Delivery Agencies”.

I would like to acknowledge the support of all staff at CSL in delivering our commitments to customer focus, business excellence and science quality. We have, collectively, made great strides towards our vision of CSL as an efficient business with a public service ethos. I look forward to working with all our stakeholders to build a sustainable scientific business that supports them in facing the future with confidence.



Mike Roberts
Chief Executive



2. ORGANISATION STRUCTURE

The Agency was first established in 1992 and is located in a purpose built laboratory complex just outside York. We employ nearly 700 staff, including over 500 scientists, and our annual turnover in 2005/06 was £46.7m.

In 2005 our Pesticides and Veterinary Medicines Group and Food Safety and Quality Group were merged to form the Food Science Group.

During the reporting period our structure was based on six science groups. Four groups sat within the Agri-Environment Directorate namely:

Plant Health Group

providing high quality national and international consultancy, research and services to safeguard crop and bee health, and providing solutions to microbiological issues

Wildlife Ecology and Management Group

providing high quality research and services relating to ecology and management of wildlife

Environmental Biology Group

providing high quality research and support services to Government and private sector customers in the area of sustainable environmental management

Agricultural and Rural Strategy Group

working to develop and add value to agriculture and the wider rural economy.

As part of further restructuring to enhance customer focus our Agricultural and Rural Strategy Group was merged with the Environmental Biology Group from 1 April 2006.

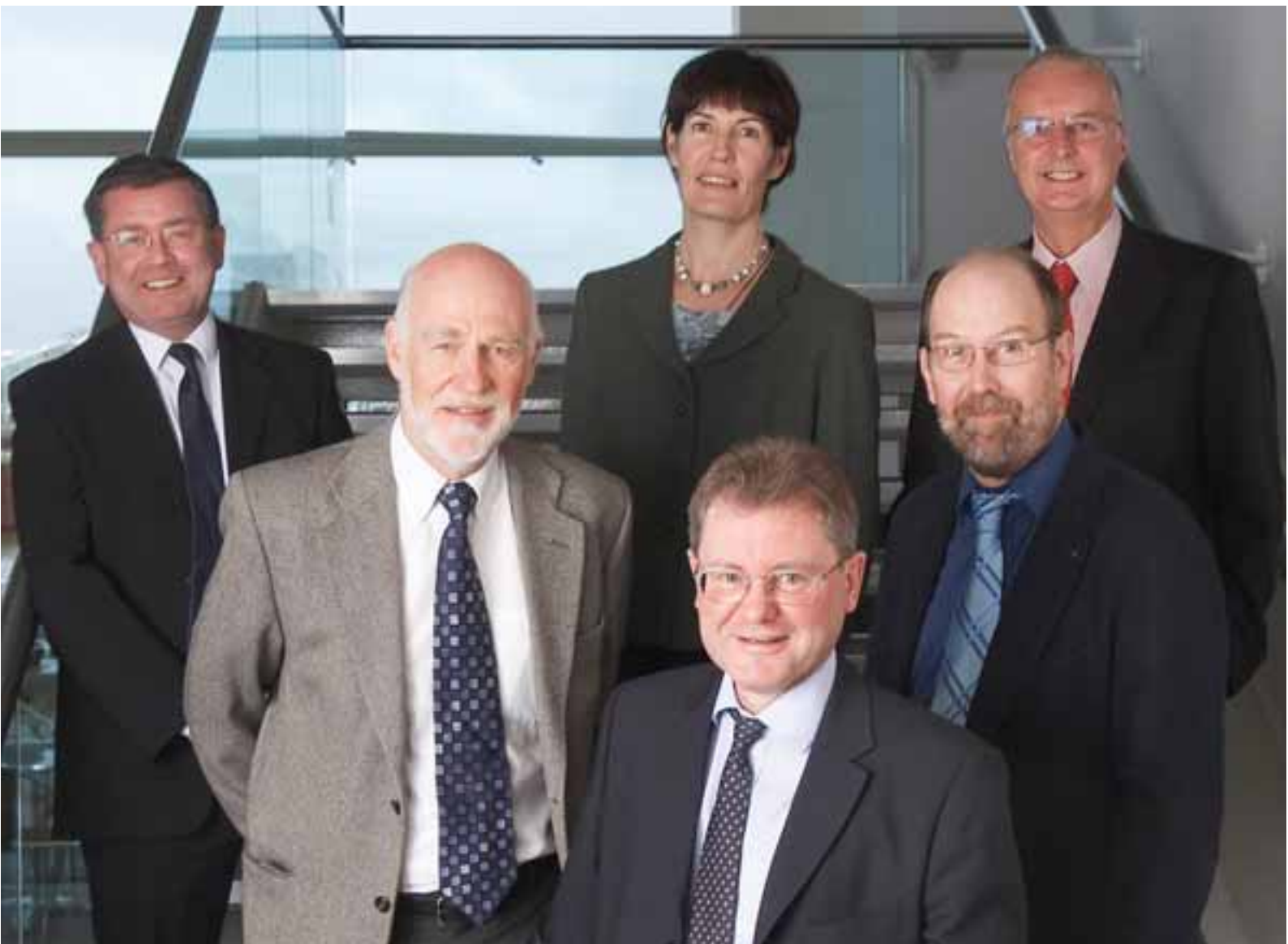
There are two science groups in the Food Directorate namely:

Food Science Group

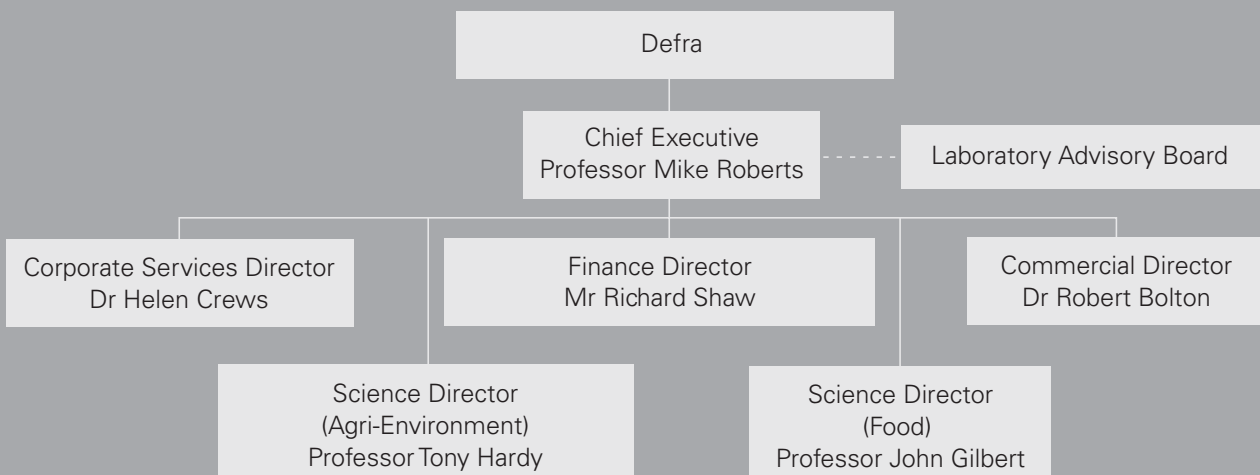
working to improve the safety and quality of the food supply from the farm to the table by providing high quality research and services to Government and the food industry

Proficiency Testing Group

providing international proficiency testing and training, operating four major schemes for chemical and microbiological analysis.



From left to right – Richard Shaw, John Gilbert, Helen Crews, Mike Roberts, Tony Hardy, Robert Bolton



3. HIGHLIGHTS FROM 2005/06

SPECIAL DELIVERY



Monitoring and managing the health of the environment increasingly makes headline news. However, recording data in the field and retaining it for future reference has always been a potentially risky venture. Handwritten notes can be lost to the elements, or simply mislaid, and handwriting can be notoriously difficult to decipher when back in the laboratory. The process is time consuming and open to human error.

Recently our scientists developed a novel way to help field workers improve the efficiency of data collection in remote locations. The Mobile Geographic Information System (GIS) Delivery System has streamlined the process of field working, making information available on-line in real time. The innovation in this technology lies in the novel use of existing corporate infrastructure. By linking together computers in the field with Internet facilities and our Laboratory Information Management System (LIMS), we have produced a truly unique use of technology.

The Mobile GIS Delivery System is a piece of portable computer equipment which has eliminated the need to transcribe data from field notebooks. For example, an inspector arrives in a field, clicks a button, enters his co-ordinates and data, and a dot appears on his computerised map. At the press of another button the computer sends data over the air back to the central servers, where the dot appears on a map back at headquarters.

Recent field-testing by our bird management and plant pathology teams has been very successful. Scientists found the hand-held devices increased positional accuracy and gave a higher quality and speed of data capture. Developed under Defra's Challenge Fund, further potential applications of this new system are diverse: the technology can be used in routine fieldwork; sample collecting; scheduled and ad-hoc inspections; and surveying and mapping. These cutting edge procedures have the potential to benefit Defra as a whole, enabling close co-ordination on a national scale.

STRENGTHENING DEFENCES AGAINST PLANT DISEASES



Defra and European research funding is supporting the use of DNA-based diagnostics to protect Europe from invasive pests and diseases. The new project called "PORTCHECK" is led by CSL scientists and focuses on the use of sensitive molecular diagnostics at the sites of entry for fresh produce and plant materials. Alien pests and diseases pose an enormous threat to agricultural crops and native flora of European Union (EU) Member States. Global trade in fresh produce and climate change are adding impetus to attacks on Europe's borders by pests and diseases from around the world. Sudden oak death and pinewood nematode are just two of the latest damaging organisms to enter Europe.

Measures to prevent inroads by quarantine organisms to Europe have been in place for many years, but now the plant health inspection services have a new weapon in their armoury - on-site molecular diagnostics. This project will demonstrate the first wide scale practical use of on-site polymerase chain reaction (PCR) technology for the detection of pests and diseases. The methods are well-proven in the laboratory, but refinements have had to be made to sampling and DNA extraction methods to transfer the technology to field applications.

The PCR equipment used was developed originally for countering bio-terrorism. Its advantages over conventional laboratory techniques are speed and portability, giving the plant health inspectors a much greater chance of detecting harmful organisms and preventing their entry into the EU. PORTCHECK will be carried out by a large consortium of academic and SME research partners in conjunction with government plant health inspection services from across Europe. Further information can be found at www.portcheck.eu.com

ANTHELMINTIC RESISTANCE IN SHEEP



Our scientists and veterinarians have developed a computer model that simulates the population dynamics and epidemiology of parasitic nematodes of sheep. The model is designed for use as a tool by veterinarians and advisors to aid in the implementation of integrated parasite control strategies designed to optimise anthelmintic usage, and delay the development of anthelmintic resistance on UK farms. The model represents the parasite lifecycle, flock dynamics and the response of individuals with different susceptible and resistant genotypes to the major broad-spectrum classes of anthelmintic available in the UK. Where possible, UK data has been used for the model parameters. The model allows worm control simulations on individual UK farms. Inputs include environmental and farm management variables which impact on the epidemiology of the disease (e.g. regional weather data; flock stocking rates; initial pasture larval contamination levels and species proportions; lambing dates; timing of flock movements to clean pastures; and removal of lambs during the year).

Farm management data, as well as nematode egg outputs and grass larval counts, were collected from eight UK farms over a one-year period for initial validation of the model outputs. The management data for each farm was used as inputs for each model run and model outputs for nematode egg counts from ewes and lambs were compared to the observed data for each farm. Statistical analysis of results shows a positive correlation for observed and simulated counts and regression analysis suggests an acceptable fit between the data. Further validation studies are proposed to ensure that the model is robust and applicable across a diverse range of farm types. The model will be used to demonstrate delayed resistance development of current SCOPS (Sustained Control of Parasites in Sheep) guidelines for anthelmintic use and management practices for worm control in sheep.

MAJOR FUNDING AWARD FOR THE EXPLOITATION OF UK SCIENCE



Prospects for commercialisation of a wide range of exciting scientific innovations were given a substantial boost during 2005 with the award of £2.5million to a consortium of science laboratories led by CSL. The funding comes from the Department of Trade and Industry Office of Science and Innovation's (OSI) Public Sector Research Exploitation fund to enable the research laboratories to commercialise promising technologies. Between them, the laboratories have already identified over 100 novel development projects to bring to market in areas such as animal vaccines, disease identification and food safety.

The new funding will allow CSL and five other leading UK public sector research laboratories (Veterinary Laboratories Agency, Health Protection Agency, Scottish Crop Research Institute, Macaulay Land Use Research Institute and National Physical Laboratory) to join the well-established Rainbow Seed Fund, which provides early stage finance for the exploitation of intellectual property (IP).

All the laboratories in the consortium have a focus on life sciences and the measurement sciences, and the majority of the IP they plan to exploit is related to detection of biological materials and advances in biotechnology. The funding will greatly increase the development opportunities available to consortium members, and enable the laboratories to gain maximum benefit from public sector research. This award from the OSI is a major step forward in encouraging agencies such as CSL to exploit their intellectual property.



PIONEERING ACCREDITATION FOR ANALYSIS OF FOOD CONTAMINANTS



In a first for the UK, analytical chemistry experts at CSL have succeeded in achieving formal accreditation for the analysis of polybrominated dioxins and furans (PBDD/Fs) - toxic environmental pollutants that can contaminate foods. This breakthrough reinforces CSL's position as a leading authority in the analysis of food contaminants and supports the food industry in its drive to improve food safety.

The newly accredited technique, one of only a handful in the world for PBDD/Fs, began as a PhD project and has been developed and honed by dioxin specialists at CSL over a three-year period. The United Kingdom Accreditation Service (UKAS) visited CSL at the end of May 2005 and audited the full analytical process.

PBDD/Fs can be formed when organic material containing bromides is incinerated as can occur in waste incineration. An important new source of these compounds is from the incineration of materials that incorporate brominated flame retardants (BFRs). Once released into the atmosphere PBDD/Fs can find their way into the food chain following similar environmental pathways to chlorinated dioxins and PCBs. Recent research has shown PBDD/Fs to be present in blood and fat tissue, confirming human exposure. Further studies are already underway at CSL to analyse, measure and assess the effects of the occurrence of these compounds in the food chain.

The accreditation of this new method adds to an already established list of over 80 food safety procedures at CSL accredited by UKAS to BS/EN/ISO 17025. CSL is internationally renowned for the analysis of an extensive range of contaminants and residues in food and in the authentication of high premium goods. In addition to our suite of analytical services we provide training and consultancy both in the UK and abroad. Further information can be found at www.csl.gov.uk/foodanalysis.

MAJOR BOOST FOR RAPID DNA TESTING



A new laboratory for high-speed molecular genetic testing was opened in July 2005 by Lord Bach, Defra's then Minister for Science. The £1million Molecular Technology Unit will be a vital weapon for scientists leading the fight against plant diseases such as potato ring-rot and sudden oak death.

In addition to analysing deoxyribonucleic acid (DNA) to identify plant diseases, the Unit will also carry out food testing and support studies into animal diseases, including rabies in foxes and badger tuberculosis (TB).

By combining the work of existing laboratories under one roof and by investing in new equipment we have raised our molecular testing capacity from 9,000 to 32,000 tests a week. The Unit has the potential to expand even further without compromising the quality of its work.

Lord Bach stated 'This is a cutting-edge facility which means scientists here will continue to have the technology to match their skills. At Defra we rely on CSL to carry out much of our most important surveillance and research and we need to have confidence that our policy is underpinned by good science. It is innovations like the Molecular Technology Unit which give us that confidence and I am delighted to be here to perform its official opening.'

By extending our capabilities in molecular analysis, CSL will be able to provide a more rapid and reliable service to Defra and other customers. The new unit will sharpen CSL's ability to react to emergency situations. In the past year, for example, our scientists responded to a serious outbreak of potato ring-rot disease (testing about 140,000 samples) and they are continuing an investigation into the pathogen behind sudden oak death.

4. MANAGEMENT COMMENTARY

Financial Commentary for 2005/06

Our income and expenditure shows a surplus of £166k before the exceptional administrative expenses relating to the building asset write-off of £3,303k. The surplus is net of early retirement costs amounting to £330k.

The income outturn was £46,706k, an increase of 9.1% against 2004/05. Defra income at £32,628k was 9.6% higher than last year. Non-Defra activity increased by 7.9% to £14,078k, with growth across most of our income streams. Commercial activity remained steady at £8,600k. Non-Defra work represented 30.1% of total turnover.

Direct project expenditure on science programmes grew by 18.5% compared to 2004/05. Salary and overhead costs rose on average by 6.0%, reflecting both increased pension and energy costs.

Capital expenditure was £1,470k, with the majority on science equipment, but including other IT system and infrastructure investments.

The Better Payment Practice Code requires Government Departments to settle 100% of valid supplier invoices within 30 days of receipt. CSL's final figure was 98.1%, compared to 98.5% in 2004/05. The average number of payment days for creditors was 14 days.

Overdue debts from customers were kept at minimal levels due to continuing tight credit control activity. Debtors outstanding for more than 60 days represented less than 1% of turnover.

Summary of Key Ministerial Targets and Achievements 2005/06

Financial Performance and Efficiency

1) to recover the full economic costs of the Agency's services on a resource accounting basis, recognising the normal costs of operation

Result: Achieved.

An adjusted Agency operating surplus of £244k on a turnover of £46,706k was produced.

The surplus represents a 100.5% recovery of costs compared to a target of 100%. Given that cost recovery is difficult to achieve precisely a tolerance of plus or minus 2% is permitted. The surplus is therefore within tolerance.

2) to deliver the minimum efficiency targets set out in the Business Plan:

- Ratio of direct fee-earning staff to overhead staff
- Income per fee earner
- Non-Defra income per fee earner
- Utilisation rate for fee-earning staff
- Gershon efficiency

Result: Partially Achieved.

All efficiency targets, apart from the non-Defra income per fee earner, were met within the 5% tolerance permitted.

Implementation of Reviews

3) to support the Defra Delivery Strategy Team in implementing the recommendations of the Defra Agency Review on 'Science for Sustainability' and subsequent reviews.

Result: Achieved

Work continues on the Laboratory Agencies review, coordinated by the Defra Laboratories Strategy Team. Current concentration is on confirming long-term funding streams both from Defra and non-Defra customers.

4) to make satisfactory progress with the Action Plan for enhancing science quality resulting from the 2001/02 Science Audit

Result: Achieved

CSL has implemented several initiatives, which demonstrate progress against the Action Plan:

- to maintain peer-reviewed journal publications at appropriate levels
- to publish a Science Review (for 2003/04) and a Science Strategy (for 2006-2010).

Science Quality and Service Delivery

5) to manage the Agency in an effective manner, including delivery of e-Government and commercial exploitation of research outputs

Result: Achieved

Management actions have focused on reorganisation of the science skills to support delivery of Defra's sustainable development programme:

- to broaden CSL's delivery of science to support the full range of Defra objectives for building a sustainable rural economy
- to provide a contingency capability to support Defra and FSA requirements for rapid responses to animal diseases and food safety issues
- to coordinate risk management skills in CSL to ensure effective delivery of GM surveillance by the GM Inspectorate and the Bee Health Inspectorate
- to further implement changes required by the Government to improve the delivery of public services as set out in the Modernising Government and Civil Service Reforms initiatives, including Risk Management
- to implement the recommendation of the Baker Report on exploitation of intellectual property and progress towards launch of a "Diagnostics" spinout company.

6) to achieve a minimum of 90% of project milestones in commissioned projects which support Defra's objectives

Result: Achieved

Actual achievement on milestones was 95.8%

7) to achieve a mean score of 4.4 on a scale of 0 to 5 for the assessment of customer satisfaction using the revised methodology

Result: Achieved

CSL has carried out an expanded sample of face-to-face interviews between January and March 2006 with major customers, including conference facility feedback. An overall satisfaction score of 4.4 for both Defra and non-Defra customers has been achieved.

Performance Trends against Targets:

Key Ministerial Targets

| | | Targets and Outturns | | |
|---|---------|----------------------|---------|---------|
| | | 2003/04 | 2004/05 | 2005/06 |
| Financial Performance | | | | |
| Percentage of running costs to be recovered (after adjustments) | Target | 100.0 | 100.0 | 100.0 |
| | Outturn | 99.4 | 98.1 | 100.5 |
| Service Delivery | | | | |
| Percentage of Defra project milestones agreed | Target | 90.0 | 90.0 | 90.0 |
| | Outturn | 95.7 | 91.3 | 95.8 |
| Quality | | | | |
| Achieve a mean score on a scale of 0 to 5 for assessment of customer satisfaction using established methodology | Target | 4.2 | 4.4 | 4.4 |
| - Non-Defra customers | Outturn | 4.3 | 4.5 | 4.4 |
| - Defra customers | Outturn | 4.4 | 4.5 | 4.4 |





Continued Excellence

EU Twinning Projects

The EU-funded Twinning Programme is designed to assist Accession States and Candidate Countries develop modern and efficient administrations comparable to those of Member States. Experts from Member States work with the beneficiary States for a period of at least a year to build capacity in clearly defined areas. Twinning is open to public sector organisations only, and CSL has been mandated by Defra to represent its interests in the Programme. During 2005 we were successful in winning support to work alongside partners in six Twinning projects focusing on phytosanitary controls and food safety outlined below.

Food safety in Turkey

We are providing support to senior staff from the Turkish Ministry of Agriculture and Rural Affairs in the establishment of a National Food Reference Laboratory in order to implement and enforce official food controls. Training will cover the management and organisation of the new network, as well as making provision for the training of others involved in food control.

Phytosanitary support for Estonia

We are providing training to the Estonian Ministry of Agriculture and the Agricultural Research Centre in the testing and diagnosis of organisms harmful to plant health.

Food safety improvements in Malta

We are working with the Maltese Department of Public Health to ensure that it has the ability to carry out Hazard Analysis Critical Control Point (HACCP) auditing of the food industry. Auditors will be trained as part of the plan to enforce the HACCP system at all levels of the food industry.

Phytosanitary support for Hungary

We are working with the Hungarian Ministry of Agriculture and Rural Development to ensure that their plant health inspectors and diagnosticians are fully trained.

Plant protection training in Lithuania

Phytosanitary laboratory staff and inspectors of the State Plant Protection Service in Lithuania are being trained in research and risk assessment methods relating to plant protection products.

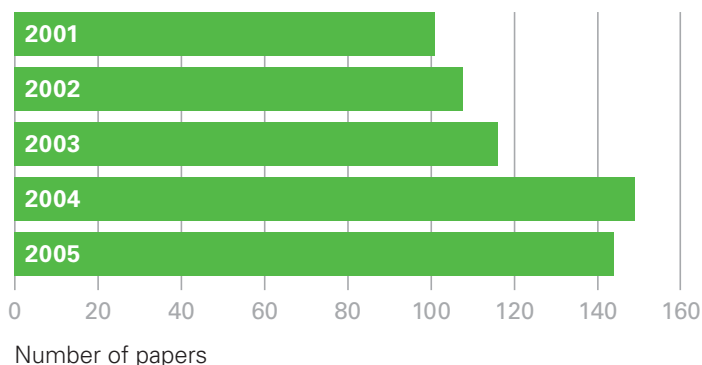
Food chain safety in Serbia

We are leading a consortium to assist the Serbian authorities to establish procedures and strategy for a network of laboratories to improve food chain safety.

Publications

During the period 2005-2006 our scientists published 144 papers in peer-reviewed journals listed in the Science Citation Index (SCI).

Number of SCI quoted CSL papers by year 2001-2005





Collaboration

CSL was one of six Public Sector Research Establishments (PSREs) which signed a Co-operation Agreement in July 2005 that will see the laboratories working closer together to increase their effectiveness. Acting in the best interest of the public, the Agreement promotes knowledge sharing on topics of strategic and operational importance, for instance emergency response and disease control. The members of this PSRE partnership, which is known as the Interlab Forum (ILF), are:

- Central Science Laboratory
- Centre for Environment, Fisheries and Aquaculture Science
- Defence Science and Technology Laboratory
- Health and Safety Laboratory
- Health Protection Agency
- Veterinary Laboratories Agency.

The co-operation will bring together the expertise of over 9,000 scientists, technologists and engineers. They will be using their complementary skills and resources to enhance their effectiveness through the sharing of best practice and collaboration on strategic activities and projects. The immediate areas for consideration include:

- emergency response - covering response modes to emergency situations, capabilities and surge capacity
- modelling and simulation - of disease control, climatic change and resource management
- detection, decontamination and remediation - of hazardous materials, dangerous pathogens and ionising radiation
- animal health research facilities and telemetry

The fourth ILF workshop took place at the Health and Safety Laboratory, Buxton in February 2006. The topic was "Chemical pollution - challenges, present and future" and discussions centred on the scale and scope of each Agency's 'chemicals' capability

Investment for the future

Our annual Seedcorn budget, funded by Defra, is invested in the development of technologies that position us to deal with emerging priorities, or to deliver more efficiently against existing objectives. All Seedcorn projects are aligned with our Science Strategy and priority business strands.

In addition to the Seedcorn budget, we operate a Development Fund based on any projected business plan budget surplus. This Fund is invested in projects that enhance our competitive position through business expansion, exploitation of intellectual property or operating efficiency.

Our capital investment continues to be maintained at around 5% of direct project income. Priorities are aligned to long-term science capabilities identified in our Science Strategy. Our £1.5 million annual capital spend covers science equipment, information technology, buildings and services and is aimed at improving science delivery or business support to the science. Capital investment is reviewed on an annual basis and revised as priorities change.

During 2005/06 we undertook a programme of restructuring and on-site reorganisation to improve the efficiency of our operations, including more cost effective use of our buildings.

Commercial Activities

Generating income from delivering services to the private sector remains an important component of our business portfolio. Performance in the laboratory services, plant health and environmental impact assessment markets was strong, and the food analytical business continued to hold its own in fiercely competitive markets.

Private sector income was in line with the previous year and as a whole contributed 18% to CSL's income for the year. International business was buoyant, driven by strong export growth in the Far East food industry, and the associated need for improved food analytical standards.

Strong growth in the proficiency testing business was a feature of the year, with a double-digit rise across the range of services. Expansion in water and environmental schemes was particularly notable, attributable in part to the introduction of an 'emergency scheme'. Proficiency testing under the FAPAS® brand is established firmly as a global leader, playing a genuine role in improving international food testing standards.

In addition to developing new services, extension of existing offers into new markets has been successful during the year. An example is the use of bird detecting radar in assessing the environmental impact of wind farm developments. Other growth has been achieved through the leveraging of contacts made in the new EU Member States under Twinning Programme projects.

With an emphasis on identifying and exploiting new technologies and opportunities across the organisation, delivering high quality services to the private sector will remain a key goal for CSL in the coming year. Expectations of further growth are realistic in our chosen market sectors relating to food chain safety, environmental protection and sustainable development.

Intellectual property

Intellectual property (IP) in one form or another, whether registered or unregistered, underpins all of our scientific operations. The effective management and exploitation of this valuable intellectual asset base therefore remains an important priority for CSL.

Accordingly we continue to operate and develop all the necessary systems to ensure that this effective management is achieved. For example, during 2005/06, further payments under the IP Incentivisation and Reward Scheme were made to individuals and science teams, and the positive impact of this Scheme is now being felt across CSL. In addition, our IP portfolio has been further enhanced over the year, with the filing of a number of exciting new patent applications.

An important boost to our activities in this area was received in January with the announcement of the success of CSL bids to the third round of the Office of Science and Innovation's Public Sector Research Exploitation (PSRE) Fund. The awards will provide CSL with important access to Seed and Proof of Concept funding to develop innovative new ideas into

commercial products and services. This will build on the successes already achieved by CSL and our collaborators in this area, in part through funding from previous rounds of the PSRE Fund.

Outward Focus

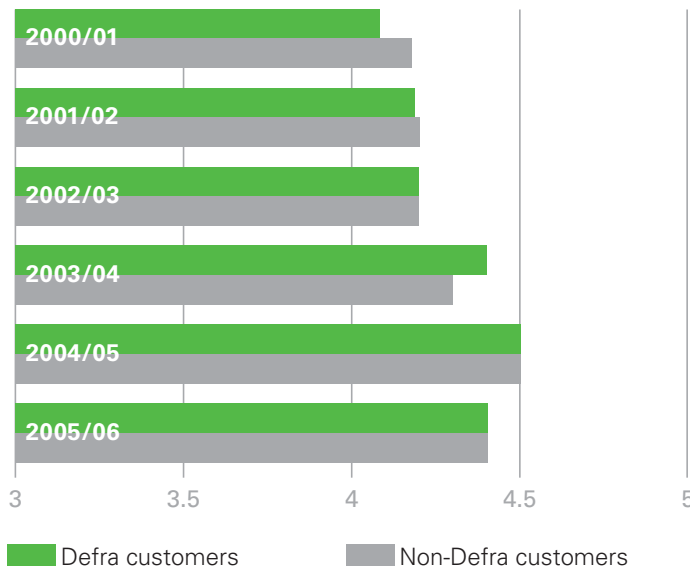
Customer satisfaction survey

Our customer satisfaction survey involves consultation with customers who account for at least 90% of our income. Our performance target for 2005/06 was to achieve a mean score of 4.4 on a scale of 0 – 5. For both Defra and non-Defra customers the mean of all scores was 4.4.

Customer satisfaction survey results

| | 2004/05 Mean | 2005/06 Mean |
|---------------------|-----------------|-----------------|
| Accessibility | 4.7 | 4.5 |
| Responsiveness | 4.4 | 4.4 |
| Delivery | 4.2 | 4.2 |
| Administration | 4.3 | 4.4 |
| Quality of Staff | 4.5 | 4.6 |
| Overall Service | 4.5 | 4.4 |
| Overall Mean | 4.5 | 4.4 |

Customer satisfaction surveys



Public Awareness

Our Mission Statement includes the aim to "promote public awareness and understanding through communication of CSL's science". To help deliver this in 2005/06 we staged numerous events ranging from primary and secondary school visits to applied science days and careers advice sessions. We are regular contributors to the National Discovery Week events organised by Science City York and take part in the exhibition at York St John University.

Our Staff

Recruitment

All recruitment is carried out on the basis of fair and open competition on merit and in accordance with the Recruitment Code laid down by the Civil Service Commissioners. During 2005/06 staff turnover was 9.1% of the average number of staff in post.

Number of staff recruited 1 April 2005 to 31 March 2006:

Gender by grade, ethnicity and disability

| | *Grade | 1 | 2 | 3 | 4 and above | Total |
|-----------------------------|---------------|-----------|-----------|-----------|-------------|------------|
| Ethnic Origin | Gender | | | | | |
| White | Female | 1 | 4 | 2 | 1 | 8 |
| | Male | 2 | 4 | 0 | 6 | 12 |
| Non-white | Female | 1 | 0 | 0 | 0 | 1 |
| | Male | 0 | 0 | 0 | 0 | 0 |
| Ethnic origin not specified | Female | 17 | 29 | 10 | 2 | 58 |
| | Male | 5 | 40 | 3 | 5 | 53 |
| Total ethnic origin | | 26 | 77 | 15 | 14 | 132 |
| Disability | | | | | | |
| Disability not specified | Female | 7 | 6 | 1 | 0 | 14 |
| | Male | 3 | 15 | 0 | 0 | 18 |
| Non-Disabled | Female | 12 | 26 | 11 | 3 | 52 |
| | Male | 4 | 28 | 3 | 10 | 45 |
| Disabled | Female | 0 | 1 | 0 | 0 | 1 |
| | Male | 0 | 1 | 0 | 1 | 2 |
| Total disability | | 26 | 77 | 15 | 14 | 132 |

*CSL grades 1-3 encompass administrative assistant, assistant scientific officer through to Civil Service Scientific/Executive Officer. Grades 4 and above encompass middle to senior management.

Learning and Development

CSL is an organisation that values learning and the growth of knowledge and skills. Our strategy is to train and develop all our people to meet the demands of the business both now and also looking ahead to changing requirements and new challenges.

We have placed greater emphasis on clearer career paths for staff, through the introduction of management development programmes for new managers, middle managers and team leaders. These programmes focus on delivery of greater support and training in key areas such as leadership skills, strong communication skills and people and project management. We have also closely aligned our learning and development strategy with the Professional Skills in Government framework, a Civil Service wide programme that sets out the skills expected at key levels.

Investors in People

CSL has already been accredited with the Investors in People standard. However, in addition to this, we have also recently been assessed for the additional Work Life Balance module, which we achieved. In the meantime we are continuing to strengthen specific areas such as communication and leadership ahead of our overall assessment due early in 2007.



Students at CSL

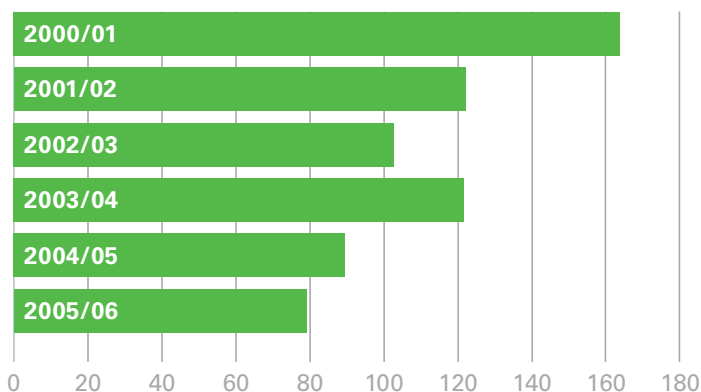
Our Student Committee continues to be active in advising and promoting the interests of students at CSL. During 2005/06 we had 49 PhD students registered at 19 universities. Our own staff accounted for 7 of these studentships. In addition, a further 47 students were registered at 22 colleges and universities for a range of further qualifications from HNC to MSc. Our Student Coordinator provides support and assistance to students on an individual basis and also conducts informal progress and exit interviews with them. Final year PhD students have given eleven lunchtime seminars.

A third Student Poster Competition was held in March 2006. Fifteen posters were submitted and judged by Prof. Peter Young from the University of York, Prof. Howard Atkinson from the University of Leeds and Maureen Wakefield from CSL. The overall standard of posters submitted was very high. The winner in the best final year PhD student category was Jade Stinson for her poster on "Generic system for detection of statutory potato pathogens". The winner in the non-final year PhD student category was Philipp Rozenkranz for his poster on "Uptake and fate of fluorescent polystyrene nanoparticles in Daphnia magna". There were also special mentions for Paul Mwebaze for "Procurement options for fresh produce importation in the future and potential risks to UK plant health"; Karen Tiede for "Nanoparticles and the environment: detection methods"; Richard Davis for "The optimisation of mathematical techniques for the detection of TSE biomarker responses in complex data sets"; and Gillian Higgins for "Does engineering enhanced disease resistance in a legume cause harmful effects to beneficial organisms?"

Health and Safety

The downward trend in numbers of accidents reported to our Health & Safety Team (HST) has continued in 2005/06.

Number of Reported Incidents per Financial Year:



This fall in reported incidents has coincided with the increasingly high safety standards observed through the comprehensive risk-based audit programme carried out by HST. We continue to encourage and support these rising safety standards through a programme of risk assessment procedures and training. A programme of safety promotion events was held throughout 2005/06 covering such topics as noise at work, respiratory protective equipment, hazardous substances and personal safety.

Environmental Quality and Sustainable Operations

Sustainable Development Action Plan

During 2005 we highlighted our commitment to sustainable development with publication of our Sustainable Development Action Plan, in line with the Government's published sustainable development strategy "Securing the Future". The CSL Plan brings together actions relating to policies, operations and people - ensuring that sustainable development is a core part of the way the organisation works.

CSL is committed to the implementation of sustainable development throughout our core business activities and general operations. We recognise the links between our operations and the impacts that they can have on society and the environment, both beneficial and detrimental, from our energy use affecting climate change to developing projects to protect the natural wildlife.

Our Action Plan is a working system that will be integrated throughout CSL to put into practice sustainable development in all our policies, scientific research, and general estate operations. Local sustainability issues will be addressed through our internal human resources, procurement and estates management, together with national sustainability issues addressed through our scientific research and consultancy. The Plan will be updated on an annual basis.

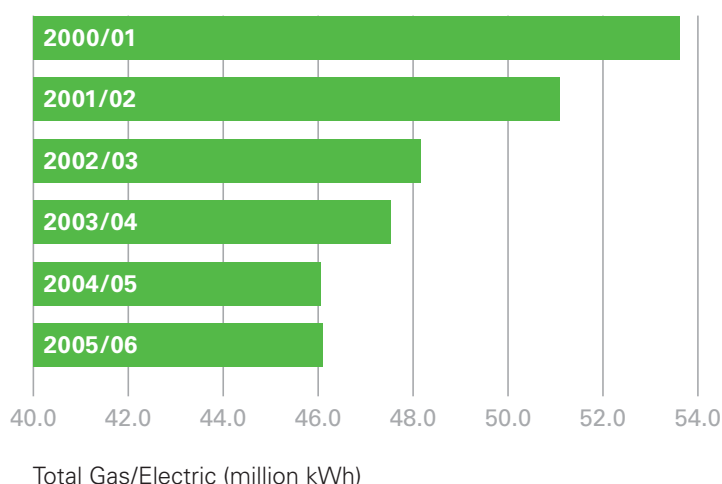
Environmental awareness training

To continue our commitment to environmental management at CSL, environmental awareness training was provided for all staff. The training took the form of a short video and presentation explaining aspects of significance to CSL. It not only fulfilled the requirements of ISO 14001, for which we gained certification in April 2006, but also gave staff an awareness of the environmental impacts of their work.

Energy and utilities

We are committed to introducing further energy saving initiatives and to reduce both carbon dioxide emissions and site water consumption. Next year we are looking to further reduce the carbon dioxide emissions from energy use on site by the installation of a combined heat and power (CHP) unit.

CSL's gas and electricity consumption over the past 6 years

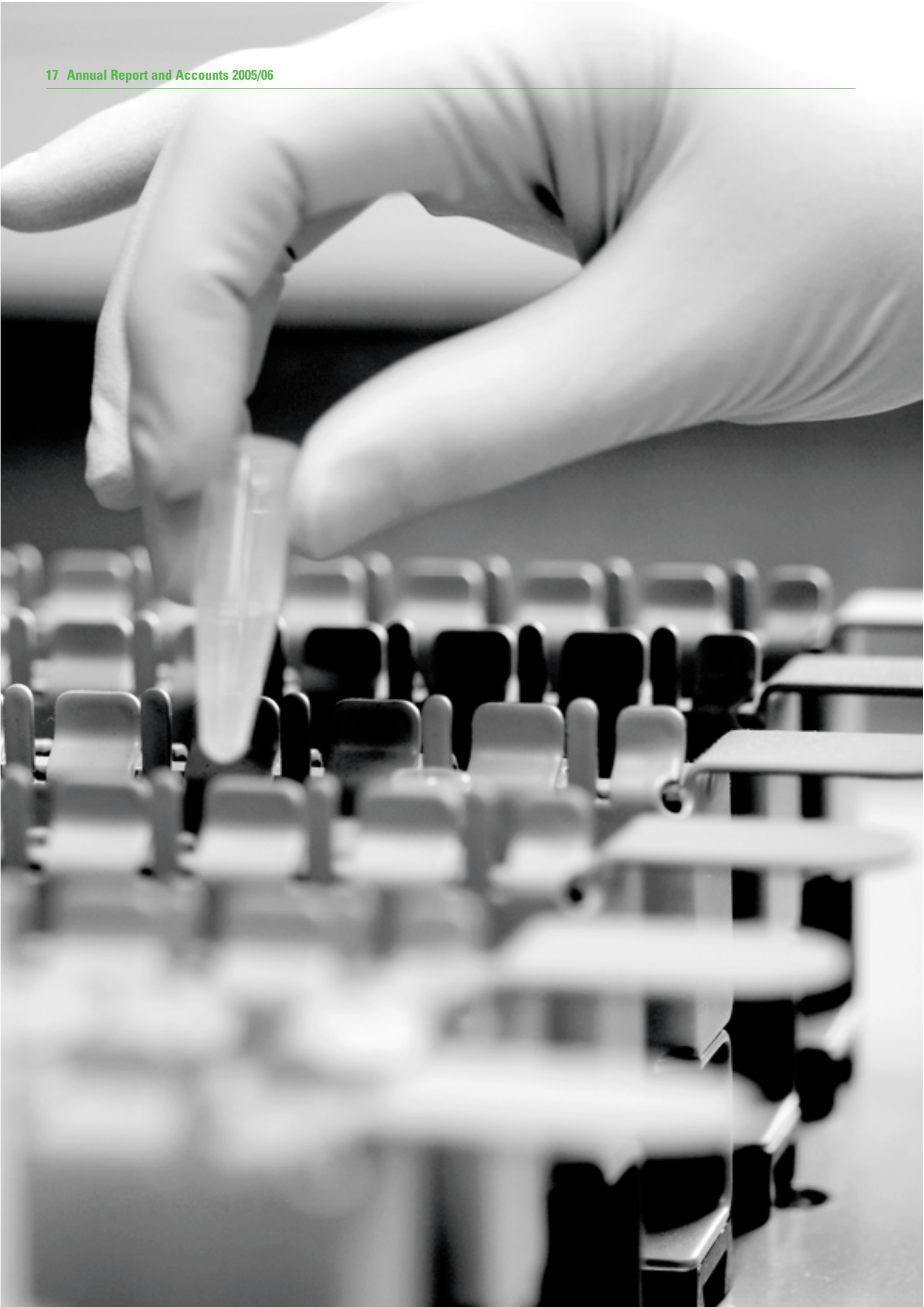


Risk Management

We have embedded risk management in both our planning and operational processes. The risk register is frequently updated, supported by the reviews and comments of our Audit and Risk Management Committee. The risk register has been developed to show both real and residual risks, and those which are inherent or externally influenced.

Additional analysis of risk appetite has been progressed through the use of a risk assessment framework document. Our Statement on Internal Control provides more detail on the capacity to handle risk, the control framework and the effectiveness of the risk systems and processes.

Mike Roberts
Chief Executive



5. PLANS AND TARGETS FOR 2006/07

CSL's continued success depends upon our ability to anticipate customers' responses to emerging scientific issues - and to contribute advances in underpinning science in order to provide solutions to future challenges. We have now published our Science Strategy for 2006-2010 in which we analyse the key drivers of change, the potential response of governments and the consequences for scientific research, services and consultancy. The Strategy is summarised on page 19 of this Report and the full version is available at www.csl.gov.uk/aboutcsl/documents/s_strategy06.pdf.

The four trends that will shape the environment for policy-making in our sectors in the coming years are:

- the intensification of global economic integration
- an acceleration in the pace of innovation and technological change
- continued global uncertainty with ongoing threats of terrorism
- increasing pressures on natural resources and global climate.

These trends have wide-ranging implications across Government. A central objective of the next Comprehensive Spending Review will be to prepare Britain for the challenges and opportunities they pose. The Government has initiated a programme of work to help build a shared understanding of the nature of these challenges and opportunities, and their implications for the Government's public service objectives. We have made commitments to extend our skill-base in order to organise flexible multi-disciplinary teams to deliver the government's agenda for:

- sustainable development (including adaptation to climate change)
- food safety (including risk management)
- contingency capability (to respond to natural and deliberate incidents affecting agriculture, food and the environment).

We aim to increase the accreditation of our approach to quality systems in 2006/07. We aim to achieve certification to ISO 9001 status in 2006 following an extensive programme of staff training and production of our Quality Management System Manual, Project Management Toolkit, management information software and internal audit procedures.

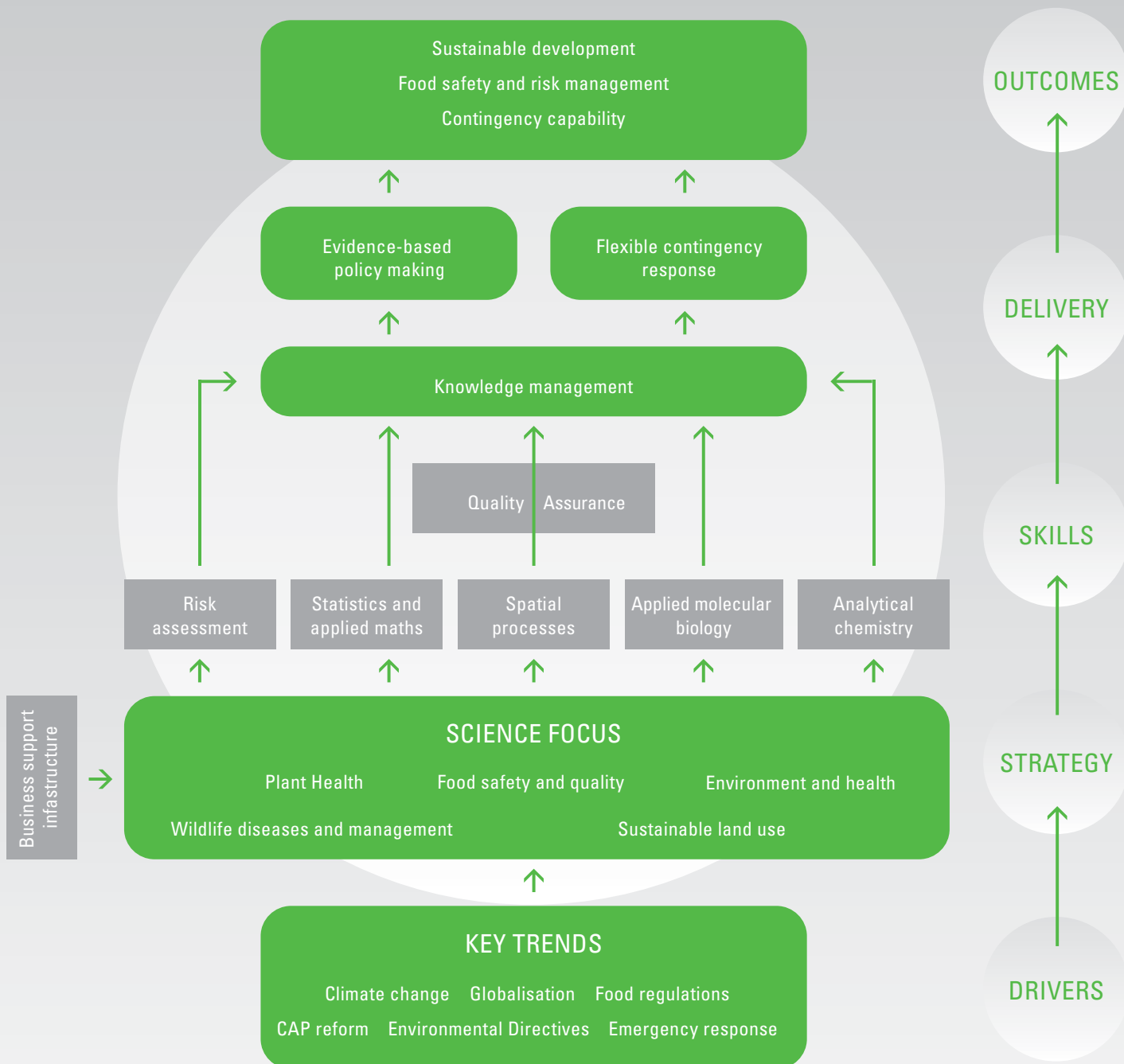
We are continually seeking to build upon our understanding of sustainable development as generated by our scientific work, by incorporating it into our operations of the CSL estate and the buildings themselves. We will continue to review our estate operations to identify where we can improve the sustainability of our actions.

We will also work towards an excellent outcome from the quinquennial Science Audit that is scheduled for September 2006. Our objective will be to improve on the 2001/02 Science Audit in which 60% of our Science Teams were judged as "Fully Satisfactory" or "Outstanding".

New products and scientific techniques developed by public sector laboratories, including CSL, will lead to commercial applications following the release of new funding for exploitation of intellectual property by the Office of Science and Innovation. To date we have been selected to lead a consortium of six laboratories, which has secured £2.5 million to take new ideas to the market – with the emphasis being on rapid detection of plant and animal diseases and chemical contaminants. CSL is also a participant in a further two new collaborative projects funded by the OSI. In addition, we aim to launch a spinout company based on plant health diagnostics in 2006/07.

The next phase of Defra's Laboratory Strategy Programme aims to secure a long-term sustainable future for the Department's science laboratories in order to preserve Defra's access to essential scientific services. Defra's Laboratory Strategy Group, chaired by Lynton Barker, is taking forward work on future laboratory strategy. We are fully committed to supporting this Programme in order to ensure Defra retains access to high quality research, services, emergency and consultancy capabilities.

CSL SCIENCE STRATEGY 2006-2010





Summary of Targets and Objectives for 2006/07 – Formal Targets with the Approval of the Minister

A. Service Delivery

Managing the Agency effectively

- to recover the full economic costs of the Agency's services from Government Departments, Agencies and external customers (on a resource accounting basis, recognising the normal costs of operation).

- to deliver the efficiency targets set out in the Business Plan, incorporating Gershon efficiency requirements, and including:
 - ratio of fee earning staff in relation to total overhead staff
 - a minimum income per fee earner
 - a minimum non-Defra income per fee earner
 - a minimum utilisation rate for fee-earning staff

- to deliver e-Government initiatives, and commercially exploit research outputs

Customer Satisfaction

- to achieve a minimum of 90% of project milestones in commissioned projects which support Defra's objectives

- to achieve a mean score of 4.5 on a scale of 0 to 5 for the assessment of customer satisfaction using the revised methodology

B. Science Quality

- to enhance the level of assessment in the 2006/07 Science Audit over that for 2001/02

C. Implementation of Reviews

- to work with the Laboratory Strategy Team in implementing the next phase of the Agency Review

6. REMUNERATION REPORT

Policy on Remuneration

The Chief Executive, the two Science Directors and the Commercial Director are all subject to the Senior Civil Service Pay system. Under this system, pay awards comprise both consolidated increases and non-consolidated bonuses, the size of which are dependent on performance.

The two remaining Directors are subject to the CSL pay system under delegated authority from HM Treasury. Under this system, pay awards comprise both consolidated increases and non-consolidated bonuses, the size of which are dependent on performance.

Remuneration Committee

The Senior Salaries Review Board provides independent advice to the Government on the remuneration of the judiciary, senior civil servants and senior officers of the armed forces. This Board sets the remuneration levels for the Chief Executive, the two Science Directors and the Commercial Director.

Under the delegated authority from HM Treasury, CSL has its own remuneration committee consisting of representatives from CSL management and the Trade Union. All negotiations need final approval from HM Treasury before they can be implemented.

Assessment of Performance

The Chief Executive and all Directors are subject to a performance system that monitors their performance against agreed targets. For members of the Senior Civil Service this is the Performance Management system as introduced by the Civil Service Management Board. For the remaining Directors it is the Performance Management system as adopted by CSL.

Duration of Contracts

The Chief Executive was appointed through open competition under the terms of the Civil Service Management Code on 1 May 2001. He has been appointed with a five year contract which has been extended to May 2008.

The remaining Directors were appointed through open competition under the terms of the Civil Service Management Code. They all have permanent contracts with CSL.

The Chief Executive is obliged to give CSL a minimum of 6 months notice; the two Science Directors and the Commercial Director are obliged to give CSL a minimum notice of 3 months; the remaining two Directors are obliged to give CSL a minimum notice of 1 month.

| | | Prof TM Roberts | Prof AR Hardy | Prof J Gilbert | Dr R Bolton | Dr H Crews | Mr R Shaw |
|---|-------|--------------------|------------------|-------------------|----------------|---------------|--------------|
| Salary 2005/06 | £000s | 90 - 95 | 90 - 95 | 80 - 85 | 70 - 75 | 55 - 60 | 55 - 60 |
| Salary 2004/05 | £000s | 85 - 90 | 85 - 90 | 75 - 80 | 65 - 70 | 50 - 55 | 50 - 55 |
| Benefits in Kind 2005/06 | £000s | 2.8 | 3.6 | - | - | - | - |
| Benefits in Kind 2004/05 | £000s | 2.7 | 3.4 | - | - | - | - |
| Real increase in Pension at age 60 at 31 March 2006 | £000s | 2.5 - 5.0 | 2.5 - 5.0 | 0.0 - 2.5 | 0.0 - 2.5 | 0.0 - 2.5 | 0.0 - 2.5 |
| Real increase in Pension at age 60 at 31 March 2005 | £000s | 0.0 - 2.5 | 0.0 - 2.5 | 0.0 - 2.5 | 0.0 - 2.5 | 0.0 - 2.5 | 0.0 - 2.5 |
| Real increase in Lump Sum at age 60 at 31 March 2006 | £000s | 12.5 - 15.0 | 7.5 - 10.0 | 2.5 - 5.0 | 2.5 - 5.0 | 0.0 - 2.5 | N/A |
| Real increase in Lump Sum at age 60 at 31 March 2005 | £000s | 2.5 - 5.0 | 0.0 - 2.5 | 2.5 - 5.0 | 0.0 - 2.5 | 2.5 - 5.0 | N/A |
| Total accrued Pension at age 60 at 31 March 2006 | £000s | 35 - 40 | 30 - 35 | 30 - 35 | 10 - 15 | 15 - 20 | 5 - 10 |
| Total accrued Pension at age 60 at 31 March 2005 | £000s | 30 - 35 | 30 - 35 | 25 - 30 | 5 - 10 | 15 - 20 | 5 - 10 |
| Total accrued Lump Sum at age 60 at 31 March 2006 | £000s | 110 - 115 | 100 - 105 | 85 - 90 | 30 - 35 | 50 - 55 | N/A |
| Total accrued Lump Sum at age 60 at 31 March 2005 | £000s | 95 - 100 | 90 - 95 | 80 - 85 | 25 - 30 | 50 - 55 | N/A |
| CETV at 31 March 2006 | £000s | 859 | 724 | 687 | 238 | 380 | 103 |
| CETV at 31 March 2005 | £000s | 567 | 510 | 490 | 163 | 287 | 64 |
| Real increase in CETV as funded by employer | £000s | 106 | 65 | 20 | 30 | 16 | 14 |
| Employee contributions and transfers-in | £000s | 1.5 | 1.3 | 3.7 | 1.0 | 0.8 | 2.0 |

Directors' Remuneration

The table shows the Salary, Benefits in Kind and Pension details for the Chief Executive and the five Directors. This table represents the part of the Remuneration Report to be audited, as referred to in the Audit Certificate.

Salary includes gross salaries, performance pay and bonuses, reserved rights to London weighting, recruitment and retention allowances where applicable. The benefits in kind relate to the use of cars.

The remuneration, including bonuses, taxable benefits and compensation payments, but excluding superannuation contributions, of the Chief Executive, Prof T M Roberts amounted to £96,582 (2004/05 £85,111).

Directors' Pension Details

The Chief Executive and all the Directors are members of the Principal Civil Service Pension Scheme (PCSPS). All are members of the Classic pension scheme except for Mr R Shaw who opted to move to the Premium scheme. Further details of these schemes can be found in note to the accounts 6 (iii).

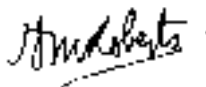
The table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. The CETV effectively funded by the employer takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former

scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures and, from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary.



Mike Roberts
Chief Executive



COST

ELEMENT

ELEMENT

HOURS

Basic Cost

OVERTIME HOURS OT COST.

Base Hours

7. FINANCIAL REVIEW

FOREWORD TO THE CSL ACCOUNTS

For the year ended 31 March 2006

These accounts have been prepared in accordance with the direction given by the Treasury in pursuance of Section 7 (2) of the Government Resources and Accounts Act 2000 and are accompanied by the Comptroller and Auditor General's Certificate and Report.

1. Background Information

CSL is an Executive Agency established by the Department for Environment, Food and Rural Affairs (Defra) and, under Section 1 of the Agriculture Act 1986, is able to provide goods and services connected with agriculture, food and the countryside, both to Defra and other customers. CSL was launched on 1 April 1992 and re-launched on 1 April 1994 following its merger with the MAFF Food Science Laboratories at Norwich and Aberdeen. It is fully accountable to Parliament through Ministers including the Rt. Hon. Margaret Beckett MP (until 5 May 2006) and Rt. Hon. David Miliband MP (from 5 May 2006), the Secretary of State for Defra. CSL's operational activities during the period were principally carried out at the York site.

2. Principal Activities

CSL's vision and mission statement are reproduced inside the front cover of this Annual Report. The Agency's principal activities are to deliver high quality advice, technical support and enforcement activities, underpinned by applied R&D, to enable Departmental customers to meet Defra's aims. Services are also provided to other public and private sector organisations on a commercial basis.

3. Results

The Agency's deficit for the year, after exceptional items of £3,303k, charged to the General Fund was £3,137k (2004/05 £811k). A review of our activities for the year and future developments are included earlier in this Annual Report.

4. Business Developments

CSL is tasked with fulfilling a comprehensive and evolving scientific programme in an increasingly efficient and effective manner.

The approach for meeting our objectives will be achieved by implementing our business and corporate development strategy. This seeks to identify new business opportunities and a wider customer base for our services, together with a review of our corporate systems and procedures to ensure they are fit for purpose, efficient and support the cultural changes necessary to respond to a more demanding operating environment.

5. Better Payment Practice Code

CSL policy is to settle all accounts within creditors' own payment terms and conditions as required by the Better Payment Practice Code. CSL's payment performance was 98.1% for payments within 30 days of invoice receipt for undisputed invoices. The Agency's average payment days for creditors was 14 days.

6. Euro

CSL has finance systems which recognise the Euro reporting impact. No costs have been provided in the accounts for the Euro requirements since specific additional costs are not expected to be incurred in its implementation. CSL has been fully involved in the government-wide reviews for Euro implementation requirements and impact.

7. Research and Development Activities

R&D activities play a vital role in the CSL business of supplying technical support, enforcement and advice to Defra. The Agency also provides R&D and advice to other public and private sector organisations on a commercial basis and conducts its own programme of strategic 'seedcorn' research which is provided by Defra.

8. Fixed Assets

Details of movements in fixed assets during the year are set out in Note 7 to the accounts.

9. Directors

Details of the directors who served during the year and since the year end are set out in the Remuneration Report, together with details of remuneration, pension disclosures and details regarding the appointment process. None of the directors had appointments with other organisations.

10. Pension Arrangements

Details of pension arrangements and the accounting policy adopted are set out in notes 1.11 and 6 (iii).

11. Risk Management

To comply with the Treasury guidance on Corporate Governance, the Agency is required to produce a Statement on Internal Control (see Pages 29 to 30). CSL has embedded risk management into its planning and operational processes in order to identify and monitor the major risks for the organisation and to ensure, as far as reasonably possible, that contingency plans, countermeasures and controls exist which reduce the likelihood and impact of the risks. An Audit and Risk Management Committee, with an independent Chair, ensures that due prominence to risk management is maintained.

12. Corporate Governance

| | |
|---|---|
| Mr Andrew Lindsay (Chair of Audit and Risk Management Committee) | Partner, Denison Till Solicitors |
| Prof Alastair Fitter | Pro-Vice-Chancellor, Research, University of York |
| Dr Rod Morrod | Consultant |
| Prof Les Ebdon | Vice-Chancellor, University of Luton |
| Dr Roger Platt | Consultant |

During the year, reporting of CSL's performance has been to Defra's Director General Operations and Service Delivery, Mark Addison, and since November 2005 to Defra's Chief Operating Officer, Andrew Burchell. In addition, a governance structure is established which consists of the following:

(i) a CSL Laboratory Advisory Board, including the CSL Directors and the following independent members:
From May 2004, Dr Platt has served on CSL's Audit and Risk Management Committee.

(ii) a Defra Laboratories Strategy Group, chaired by Lynton Barker, which has replaced the Laboratory Strategy Committee set up in response to the recommendations of the Review of Defra's Agencies in 2002. This Group covers the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) as well as CSL. Defra bears the cost of the Laboratories Strategy Group representation apart from the CSL Chief Executive. Independent members of the Laboratory Advisory Board and Audit and Risk Management Committee are paid a fee by CSL of £300 per meeting plus the reimbursement of travel expenses incurred. The Laboratory Advisory Board met three times during 2005/06 and the Audit and Risk Management Committee met three times.

13. Auditors

CSL is audited by the National Audit Office (NAO). The following expenditure was incurred during 2005/06:

- (i) Audit services - £36k
- (ii) Further assurance services - Nil
- (iii) Other services - Nil

14. Audit Information

As Accounting Officer, I confirm that: there is no relevant audit information of which the auditors are unaware; I have taken all the steps I ought to ensure that they are aware of relevant audit information; and I have taken all the steps I ought to establish that the entity's auditors are aware of the information.

15. Equal Opportunities Policy

CSL has a unified Programme of Action on Equality of Opportunity, addressing issues relating to race, gender and disability. Our policy is that there should be no discrimination on any grounds whatsoever other than performance in the job. Access to employment, career advancement and development opportunities within CSL are based upon competencies, knowledge and ability to do the work.

16. Employee Involvement

Improvement in quality of service and in business efficiency, business development and innovation are all dependent on the skills, expertise, creativity and energy of our staff. We consider it vitally important to ensure that all staff know and are committed to CSL's objectives, and understand how they can contribute to our success. Management and staff representatives meet regularly in a number of forums including the CSL Whitley Committee. We have re-structured the induction process for all new staff to enable them to integrate rapidly in their new posts and we maintain a programme of training which addresses continuous improvement issues. We have been recognised as an Investor in People since 1997, which was reconfirmed in May 2005.

The philosophy and practice of continuous improvement are applied to health, safety, welfare and family friendly policies in CSL.



Professor Michael Roberts

Chief Executive

20 June 2006

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, CSL is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by CSL during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CSL, the income and expenditure, the recognised gains and losses, and cash flows for the financial year.

HM Treasury has appointed the Chief Executive of CSL as Accounting Officer of the Agency, with responsibility for preparing the Agency's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual prepared by HM Treasury and, in particular, to:

- observe 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, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going-concern basis.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer for the CSL, I have responsibility for maintaining a sound system of internal control that supports the achievement of its policies, aims and objectives, set by Defra's Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

Accountability to Parliament during 2005/06 has been via the Ministers. Line management is via Defra's Chief Operating Officer. Following the Agency Review recommendations in December 2002, a new governance structure has been put in place since April 2003, including: a Laboratories Strategy Group, with an independent Chair and a senior Defra Laboratories Sponsor, the Chief Operating Officer; and a Laboratory Advisory Board, including CSL Chief Executive and Directors, and five independent representatives. I also receive advice from the Audit and Risk Management Committee, with an independent Chair, which meets regularly to review and advise on operational risk matters.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of CSL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in CSL for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

3. Capacity to handle risk

Risk management is embedded into CSL's ongoing operations. Risks are identified and reviewed regularly through a series of management meetings including the Leadership Team, Operational Performance and business planning meetings. These provide the overarching template, in which CSL plans, monitors and responds to relevant issues. These are supported by regular operational meetings such as Health and Safety and site contract forums, which provide further opportunities for issues to be highlighted as early as possible to management.

All staff are made aware at induction stage of CSL's risk policy, and this is reinforced at new manager training sessions. Specific training is provided in operational areas such as those affected by Health and Safety standards. Reviews are carried out either within CSL or by using independent quality assessors. Risk and quality awareness continue to be developed in response to external and internal standards and assessments, as CSL moves towards ISO9001 accreditation. Investor in People assessments reinforce CSL's commitment to maintaining best possible communication standards. CSL has updated its anti-fraud and whistle-blowing policies in accordance with latest guidance.

4. The risk and control framework

CSL has several methods for identifying, evaluating and controlling risks. These include:

- Business and corporate planning process:
 - high-level risks are identified as part of the planning processes, reflecting external and internal threats and opportunities. CSL's Science Strategy has been updated. CSL's Vision and Mission statements are included inside the front cover of the Annual Report. Through the Chief Executive's Open Forums, staff are briefed on the strategic and operational issues affecting CSL, supported by publication on the CSL intranet;
- Business planning bilateral meetings:
 - a detailed assessment of CSL's management groups and teams, where operational and financial risks are reviewed. Objectives agreed at the bilateral meetings are cascaded into personal performance targets for all staff;
- Leadership Team and Operational Performance meetings:
 - a formal part of the Leadership Team meetings' agenda is any update to the risk register; the Operational Performance meeting allows operational issues to be aired, alongside review of latest forecasts;
- Risk reports:
 - reviewed annually by the CSL Leadership Team, where groups are required to report on risk issues within their operating sphere. This is also summarised and presented to the CSL Audit and Risk Management Committee;
- Regular project reviews:
 - ongoing assessment of project performance, identifying risks associated with the whole project life.

Increasing emphasis has been placed on capturing risk issues early, allowing timely remedial management actions to be taken. CSL has completed a risk assessment framework document, which supports the organisation's view of embedded risk processes. The implementation of the Project Management Toolkit has reinforced best practice project controls across all project activities.

5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within CSL, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Management Committee. Plans to address any weaknesses and to ensure continuous improvement of the system, and to ensure that Government Accounting guidelines are applied, have been put in place.

The CSL Leadership Team monitors the ongoing performance of the organisation. Through the governance process noted earlier, I am accountable to the Department and its Ministers on performance. My review of effectiveness of the system of internal control is supported by:

- an Audit and Risk Management Committee, which meets three times each year and ensures that the CSL risk register is current, complete and reflects the Committee's views on acceptable levels of risk and controls;
- external audit management letter and recommendations;
- internal audit reviews and recommendations, for example the annual key control test, based on risk assessment priorities agreed at the Audit and Risk Management Committee;
- internal CSL reviews, for instance Health and Safety Committee reports.

Operational areas such as quality, security, Health and Safety, IT and utility risks, were well managed. Business continuity and disaster recovery plans have been developed during the course of the year, with plans in place at March 2006.

6. Significant internal control issues

No significant internal control issues were identified. Actions have been taken to address any procedural or control issues relating to the alleged fraud referred to in last year's accounts.



Professor Michael Roberts
Chief Executive

20 June 2006

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Central Science Laboratory for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Agency, the Chief Executive and Auditor

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report 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 to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if the information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 29 to 30 reflects the Agency's compliance with HM Treasury's guidance on the Statement of Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chief Executive's Report, Organisation Structure and 2005-06 Highlights, the Forword, the unaudited part of the Remuneration Report, the Management Commentary and Plans and Targets for 2006-07. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements, and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and the directions made thereunder by HM Treasury, of the state of the Central Science Laboratory's affairs as at 31 March 2006 and of the deficit, total recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; 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
20 June 2006

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

CSL ACCOUNTS

Income and Expenditure Account

For the year ended 31 March 2006

| | Notes | 2005/06 £000 | 2004/05 £000 |
|---|-----------|-----------------|-----------------|
| Turnover | 2 | 46,706 | 42,812 |
| Cost of sales | 3 | 26,176 | 23,841 |
| Gross surplus | | 20,530 | 18,971 |
| Administrative expenses | 4 | 16,645 | 15,815 |
| Exceptional administrative expense | 4 | 3,303 | - |
| Operating surplus | | 582 | 3,156 |
| Bank interest receivable | | 29 | 6 |
| Interest payable and similar charges | 5 | (3,748) | (3,973) |
| Deficit for year taken from General Fund | 16 | (3,137) | (811) |

All income and expenditure is derived from continuing operations.

Statement of Total Recognised Gains and Losses

| | Notes | 2005/06 £000 | 2004/05 £000 |
|---|-------|-----------------|-----------------|
| Deficit for the year | | (3,137) | (811) |
| Net unrealised surplus / (deficit) on revaluation of fixed assets | 17 | 4,780 | (9,919) |
| Total recognised gains / (losses) for the year | | 1,643 | (10,730) |

The notes on pages 36 to 44 form part of these accounts

Balance Sheet as at

| | Notes | 31 March 2006 £000 | 31 March 2005 £000 |
|---|-------|-----------------------|-----------------------|
| Fixed assets | | | |
| Tangible assets | 7 | 109,190 | 110,952 |
| Current assets | | | |
| Stock and Work in progress | 8 | 161 | 323 |
| Debtors | 9 | 8,433 | 8,084 |
| Cash at bank and in hand | 11 | 11,882 | 8,977 |
| | | 20,476 | 17,384 |
| Creditors: amounts falling due within one year | 12 | (7,179) | (3,650) |
| Net current assets | | 13,297 | 13,734 |
| Total assets less current liabilities | | 122,487 | 124,686 |
| Provisions for liabilities and charges | 14 | (1,542) | (1,891) |
| Total assets less total liabilities | | 120,945 | 122,795 |
| Taxpayers' Equity: | | | |
| General fund | 16 | 91,902 | 97,623 |
| Revaluation reserve | 17 | 29,043 | 25,172 |
| | | 120,945 | 122,795 |



Professor Michael Roberts
Chief Executive
 20 June 2006

The notes on pages 36 to 44 form part of these accounts

Cash Flow Statement**For the year ended 31 March 2006**

| | Notes | 2005/06 £000 | 2004/05 £000 |
|--|-----------|-----------------|-----------------|
| Net cash inflow from operating activities | 18 | 11,752 | 8,332 |
| Capital expenditure and financial investment | 20 | (1,460) | (1,480) |
| Extra receipts paid to Defra | | (29) | (5) |
| Financing: | | | |
| New commitments | 15 | - | - |
| Capital element of finance lease payments | 15 | (5) | (40) |
| In year repayment of funds to Defra | 16 | (7,381) | (7,225) |
| Net interest received / (paid) | 19 | 28 | (2) |
| Increase / (Decrease) in cash in the period | 21 | (7,358) | (7,267) |
| | | 2,905 | (420) |

The notes on pages 36 to 44 form part of these accounts

NOTES TO THE CSL ACCOUNTS

1. Accounting Policies

1.1 Accounting Conventions

These financial statements have been prepared in accordance with the Treasury Financial Reporting Manual and the Agency Accounts Direction. The accounts are prepared under the historic cost convention modified to include the revaluation of fixed assets at their value to the business by reference to their current costs.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985 and of Accounting Standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate.

1.2 Turnover

Turnover represents the amounts of goods sold and services provided (net of discounts and value added tax) from the ordinary activities of the business in the year.

1.3 Tangible Fixed Assets

Tangible fixed assets are capitalised by the Agency where the purchase cost is £2k or more and where there is an expected useful economic life of more than one year. On initial recognition they are measured at cost, including any additional expenditure such as installation directly attributable to bringing them into working condition.

Tangible fixed assets are restated to current value each year. Land and Buildings are restated to current value using professional valuations. The last valuation was carried out in 2005 with the next due in mid 2010. In the intervening years they are revalued through the use of appropriate published indices. All other assets are revalued annually using published indices, appropriate to each asset type.

1.4 Depreciation

Depreciation is provided on all tangible fixed assets other than land at rates calculated to write-off the cost or valuation (less any estimated residual value) of each asset evenly over its expected useful life as follows :

| | |
|-------------------------|---------------|
| Buildings | 40 years |
| Scientific Equipment | 5 to 15 years |
| IT (including software) | 3 to 5 years |
| Motor Vehicles | 5 to 7 years |
| Furniture | 10 years |

This policy is varied only for those assets which are expected to remain useful for periods significantly different to those stated above. In these cases a specific life is used.

1.5 Stock and Work in Progress

Work in progress is stated at the lower of cost or net realisable value. The provisions of SSAP9 relating to long-term contracts have been applied and where losses are expected on long-term contracts these have been provided for. Stock is stated at the lower of cost and net realisable value.

1.6 Research and Development

Research and development expenditure is written off as incurred.

1.7 Value Added Tax

CSL is covered under the VAT registration of Defra. Irrecoverable VAT is charged to the Income and Expenditure Account in the year in which it is incurred.

1.8 Foreign Currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate prevailing at the balance sheet date. All differences are taken to the Income and Expenditure Account.

1.9 Notional Charges

The following notional costs borne on the Income and Expenditure Account are credited to the General Fund: Defra central overhead charges, audit fees and interest on capital. Notional interest on capital is calculated at 3.5% of the average net capital employed during the year.

1.10 Early Departure Costs

A provision is made in full when agreement has been reached with employees who wish to take the early departure option. The provision is reversed over the period until normal retirement age has been reached.

Provision is based on an actuarial valuation taking account of options available to the employee.

1.11 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in note 6 (iii).

CSL recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Agency recognises the contributions payable for the year.

1.12 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Agency, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases, and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

1.13 Facilities Charge

A pricing mechanism exists which separately identifies the high running costs of maintaining specialist facilities for a wide range of Defra customers. By agreement with CSL's Ownership Board and Defra Finance, a separate payment mechanism funded by customer programmes was introduced in 1997/98 for maintaining the specialist facilities. The figures are shown in note 2.

2. Turnover

| | 2005/06 | 2004/05 |
|---|---------------|---------------|
| | £000 | £000 |
| Defra - Commissioned research and development | 6,886 | 6,251 |
| Defra - Facilities charge | 8,013 | 7,677 |
| Defra - Commissioned policy support | 10,988 | 10,295 |
| Defra - Other contracts | 6,238 | 4,738 |
| Defra - Non-departmental Public Bodies | 503 | 808 |
| Other Government departments | 3,738 | 2,757 |
| European Union | 1,738 | 1,279 |
| Other income | 8,602 | 9,007 |
| | 46,706 | 42,812 |

3. Cost of Sales

| | 2005/06 | 2004/05 |
|--------------|---------------|---------------|
| | £000 | £000 |
| Staff costs | 16,563 | 15,430 |
| Consumables | 7,552 | 6,371 |
| Depreciation | 2,061 | 2,040 |
| | 26,176 | 23,841 |

4. Administrative Expenses

| | 2005/06 | 2004/05 |
|---|---------------|---------------|
| | £000 | £000 |
| Staff costs | 4,447 | 4,354 |
| Accommodation | 6,038 | 5,121 |
| Office services | 1,362 | 1,352 |
| Operating leases | 57 | 61 |
| Depreciation | 2,559 | 2,838 |
| Travel and subsistence | 1,115 | 944 |
| Early departure costs | 330 | 948 |
| Defra central overheads charge (notional) | 134 | 128 |
| Audit fee (notional) | 36 | 36 |
| Insurance | 113 | 81 |
| Loss / (Profit) on disposal of fixed assets | 78 | (1) |
| Foreign exchange gains | (62) | (71) |
| Other | 438 | 24 |
| | 16,645 | 15,815 |
| Exceptional Item | 3,303 | - |

The exceptional item is due to the impairment on part of the buildings and relates to the amount adjusted below original cost.

5. Interest Payable and Similar Charges

| | 2005/06 | 2004/05 |
|--|--------------|--------------|
| | £000 | £000 |
| Interest on capital (notional) | 3,747 | 3,965 |
| Finance charges payable under finance leases and hire purchase contracts | 1 | 8 |
| | 3,748 | 3,973 |

6. Staff costs

| (i) | 2005/06 | 2005/06 | 2005/06 | 2004/05 | 2004/05 | 2004/05 |
|-----------------------|---------------|------------|---------------|---------------|------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| | Permanent | Others | Total | Permanent | Others | Total |
| Wages and salaries | 15,923 | 883 | 16,806 | 15,643 | 723 | 16,366 |
| Social security costs | 1,158 | 84 | 1,242 | 1,154 | 54 | 1,208 |
| Superannuation | 2,941 | - | 2,941 | 2,145 | - | 2,145 |
| | 20,022 | 967 | 20,989 | 18,942 | 777 | 19,719 |
| Agency staff costs | | | 21 | | | 65 |
| | | | 21,010 | | | 19,784 |

For 2005/06 normal employers' contributions were payable to the PCSPS at the following rates:

| | |
|-------------------------------------|-------|
| Salary Level : £18,000 and under | 16.2% |
| Salary Level : £18,001 to £37,000 | 18.6% |
| Salary Level : £37,001 to £63,500 | 22.3% |
| Salary Level : greater than £63,501 | 24.6% |

For the coming year the following rates will be applicable:

| | |
|-------------------------------------|-------|
| Salary Level : £18,500 and under | 17.1% |
| Salary Level : £18,501 to £38,000 | 19.5% |
| Salary Level : £38,001 to £65,000 | 23.2% |
| Salary Level : greater than £65,001 | 25.5% |

Employer contributions are reviewed every four years following a scheme valuation by the Government Actuary. A full actuarial valuation was carried out on 31 March 2003. The contributions reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. Further details of the schemes can be found in note 6(iii).

(ii) The average number of persons employed by CSL during the year was:

| | Permanent | Others | 2005/06 Number Total | Permanent | Others | 2004/05 Number Total |
|-------------------------|-----------|--------|----------------------------|-----------|--------|----------------------------|
| Average number employed | 622 | 65 | 687 | 625 | 61 | 686 |

(iii) Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

(iv) For details of the Chief Executive's and Directors' salaries please refer to the Remuneration Report.

7. Tangible Fixed Assets

| | Freehold Land £000 | Freehold Buildings £000 | Furniture £000 | Vehicles £000 | IT £000 | Science Equipment £000 | Total £000 |
|-----------------------------|--------------------------|-------------------------------|-------------------|------------------|--------------|------------------------------|----------------|
| Cost or Valuation | | | | | | | |
| At 1 April 2005 | 9,000 | 125,721 | 1,047 | 775 | 2,136 | 15,901 | 154,580 |
| Additions at cost | - | 116 | - | 73 | 162 | 1,119 | 1,470 |
| Revaluation | 450 | 8,119 | 9 | 10 | (78) | 131 | 8,641 |
| Disposals | - | - | - | (15) | (286) | (632) | (933) |
| Impairment | - | (6,841) | - | - | - | - | (6,841) |
| At 31 March 2006 | 9,450 | 127,115 | 1,056 | 843 | 1,934 | 16,519 | 156,917 |
| Depreciation | | | | | | | |
| At 1 April 2005 | - | 30,219 | 707 | 648 | 1,327 | 10,727 | 43,628 |
| Provided in year | - | 3,124 | 106 | 66 | 150 | 1,029 | 4,475 |
| Revaluation | - | 2,029 | 6 | 8 | 72 | 81 | 2,196 |
| Disposals | - | - | - | (15) | (286) | (543) | (844) |
| Impairment | - | (1,728) | - | - | - | - | (1,728) |
| At 31 March 2006 | - | 33,644 | 819 | 707 | 1,263 | 11,294 | 47,727 |
| NBV at 31 March 2006 | 9,450 | 93,471 | 237 | 136 | 671 | 5,225 | 109,190 |
| NBV at 1 April 2005 | 9,000 | 95,502 | 340 | 127 | 809 | 5,174 | 110,952 |

The net book value of IT includes an amount of £nil (2005 £15k) in respect of assets held under finance leases and hire purchase contracts. Depreciation charges on these assets are £15k (2005 £20k).

The net downward revaluation on IT has been charged to the Income and Expenditure Account. Total assets have been revalued by £6,445k (2004/05 £10,141k).

Property values are included in the Balance Sheet where the Agency is the sole or major occupier, and a charge made for depreciation and the cost of capital. On 31 March 2005, as part of the five yearly review of departmental estate, Defra obtained an independent valuation from the Valuation Office. They valued the York site at £95,502k. The next review is in mid 2010.

The impairment relates to the downward revaluation of a vacant building.

8. Stock and Work in Progress

| | 31 March 2006 | 31 March 2005 |
|---|---------------|---------------|
| | £000 | £000 |
| Work in Progress | 122 | 274 |
| Stock of consumables and items for resale | 39 | 49 |
| | 161 | 323 |

9. Debtors

| | 31 March 2006 | 31 March 2005 |
|--|---------------|---------------|
| | £000 | £000 |
| Amounts falling due within one year | | |
| Trade debtors | 3,886 | 3,569 |
| Defra debtors | 1,538 | 1,404 |
| Other debtors | 106 | 245 |
| Defra accrued income | 573 | 503 |
| Other accrued income | 1,953 | 2,040 |
| Prepayments | 357 | 307 |
| | 8,413 | 8,068 |
| Amounts falling due after one year | | |
| Prepayments | 20 | 16 |
| | 8,433 | 8,084 |

Prepayments falling due after one year included a £9k provision relating to Early Departure Costs in 2004/05 and is £nil in 2005/06.

10. Debtors - Intra Government Balances

| | 31 March 2006 | 31 March 2005 |
|---|---------------|---------------|
| | £000 | £000 |
| Amounts falling due within one year | | |
| Balances with other central government bodies | 3,939 | 3,275 |
| Balances with local authorities | 12 | 55 |
| Balances with public corporations and trading funds | 56 | 22 |
| Balances with bodies external to government | 4,406 | 4,716 |
| | 8,413 | 8,068 |
| Amounts falling due after more than one year | | |
| Balances with bodies external to government | 20 | 16 |
| | 20 | 16 |

11. Bank and Cash

| | 31 March 2006 | 31 March 2005 |
|---------------------------------|---------------|---------------|
| | £000 | £000 |
| Office of the Paymaster General | 10,260 | 8,457 |
| Other bank balances | 1,619 | 517 |
| Cash in hand | 3 | 3 |
| | 11,882 | 8,977 |

Of the above bank balance £1.5m relates to third party collaborators. (No comparative is available for 2004/05)

12. Creditors: Amounts falling due within one year

| | 31 March 2006 | 31 March 2005 |
|---|---------------|---------------|
| | £000 | £000 |
| Trade creditors | 323 | 28 |
| Defra creditors | 35 | - |
| Extra receipts payable to Defra | 29 | 6 |
| Other creditors | 1,865 | 941 |
| Defra prepaid income | 1,264 | 319 |
| Other prepaid income | 1,368 | 892 |
| Obligations under finance leases and hire purchase contracts | - | 5 |
| Defra accruals | 236 | 202 |
| Other accruals | 1,632 | 829 |
| Other taxation and social security | 427 | 428 |
| | 7,179 | 3,650 |

There are no creditors falling due after more than one year.

13. Creditors - Intra Government Balances

| | 31 March 2006 | 31 March 2005 |
|---|---------------|---------------|
| | £000 | £000 |
| Amounts falling due within one year | | |
| Balances with other central government bodies | 1,921 | 859 |
| Balances with public corporations and trading funds | 2 | 3 |
| Balances with bodies external to government | 5,256 | 2,788 |
| | 7,179 | 3,650 |

There are no Intra Government creditors falling due after more than one year.

14. Provisions for liabilities and charges

| | 2005/06 | 2004/05 |
|---------------------------------|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April 2005 | 1,891 | 1,229 |
| Provided in the year | 248 | 906 |
| Provisions utilised in year | (679) | (286) |
| Unwinding of discount | 82 | 42 |
| Balance at 31 March 2006 | 1,542 | 1,891 |

The provision relates to early departure costs.

15. Obligations under Finance Leases and Hire Purchase Contracts

| | 31 March 2006 £000 | 31 March 2005 £000 |
|---|-----------------------|-----------------------|
| Amounts payable | | |
| Within one year | - | 6 |
| In two to five years | - | - |
| | - | 6 |
| less: finance charges allocated to future periods | - | (1) |
| | - | 5 |

| | 2005/06 £000 | 2004/05 £000 |
|--|-----------------|-----------------|
| Analysis of changes in finance leases and hire purchase contracts during the year | | |
| Balance at 1 April 2005 | 5 | 45 |
| New commitments | - | - |
| | 5 | 45 |
| Capital element of finance lease payments | (5) | (40) |
| Balance at 31 March 2006 | - | 5 |

16. General Fund

This account represents the net assets taken over by the Agency at 1 April 1992. Subsequent movements comprise surpluses / deficits generated from trading activities, introduction of capital charging and notional charges.

| | 2005/06 £000 | 2004/05 £000 |
|---|-----------------|-----------------|
| Balance at 1 April 2005 | 97,623 | 97,898 |
| Deficit for the year | (3,137) | (811) |
| Extra receipts payable to Defra | (29) | (6) |
| Notional charges | 3,917 | 4,129 |
| Early departure costs | - | 253 |
| Repayment to Defra of excess cash funding | (7,381) | (7,225) |
| Transfer from Revaluation Reserve | 909 | 3,385 |
| Balance at 31 March 2006 | 91,902 | 97,623 |

Early Departure costs are no longer notional and therefore do not go through the General Fund.

17. Revaluation Reserve

| | 2005/06 £000 | 2004/05 £000 |
|---|-----------------|-----------------|
| Balance at 1 April 2005 | 25,172 | 38,476 |
| Surplus / (Deficit) on revaluation - cost | 8,719 | (5,073) |
| Surplus on revaluation - depreciation | (2,124) | (4,846) |
| | 6,595 | (9,919) |
| | 31,767 | 28,557 |
| Downward revaluation on impairment | (1,810) | - |
| Adjustment on disposal of revalued assets | (5) | - |
| Transfer to General Fund | (909) | (3,385) |
| Balance at 31 March 2006 | 29,043 | 25,172 |

18. Net Cash Inflow from Operating Activities

| | 2005/06 | 2004/05 |
|---|---------------|--------------|
| | £000 | £000 |
| Operating surplus | 582 | 3,156 |
| Impairment of building | 3,303 | - |
| Depreciation | 4,620 | 4,877 |
| Notional charges (excl. interest on capital) | 170 | 1,112 |
| Decrease in stock | 11 | 13 |
| Decrease / (Increase) in work in progress | 152 | (175) |
| Increase in debtors | (349) | (1,338) |
| Increase in creditors | 3,534 | 722 |
| Decrease in provision for liabilities and charges | (349) | (34) |
| Loss / (Profit) on disposal of fixed assets | 78 | (1) |
| Net cash inflow from operating activities | 11,752 | 8,332 |

19. Returns on Investments and Servicing of Finance

| | 2005/06 | 2004/05 |
|-------------------|-----------|------------|
| | £000 | £000 |
| Interest paid | (1) | (8) |
| Interest received | 29 | 6 |
| | 28 | (2) |

20. Capital Expenditure and Financial Investment

| | 2005/06 | 2004/05 |
|--|--------------|--------------|
| | £000 | £000 |
| Payments to acquire fixed assets | 1,470 | 1,499 |
| Receipts from disposal of fixed assets | (10) | (19) |
| | 1,460 | 1,480 |

21. Analysis of Changes in Cash during the year

| | 2005/06 | 2004/05 |
|---------------------------------|---------------|--------------|
| | £000 | £000 |
| Balance at 1 April 2005 | 8,977 | 9,397 |
| Net cash flow | 2,905 | (420) |
| Balance at 31 March 2006 | 11,882 | 8,977 |

22. Capital Commitments

| | 31 March 2006 | 31 March 2005 |
|------------------------------------|---------------|---------------|
| | £000 | £000 |
| Contracted, but not provided for | Nil | Nil |
| Authorised, but not contracted for | Nil | Nil |

23. Related Party Transactions

During the year CSL had dealings with the Department for Environment, Food and Rural Affairs and its sponsored bodies, notably the Pesticides Safety Directorate and Veterinary Medicines Directorate. None of the Board members, members of the key management staff or other related parties have undertaken any material transactions with CSL.

24. Financial Performance Target

CSL was set one financial performance target:

To recover the full economic costs of operation on a resource accounting basis, recognising the normal costs of operation:

For the purpose of assessing performance against this target a number of areas are adjusted to reach the deficit or surplus for the year based on the normal costs of operation.

| | 2005/06 £000 | 2004/05 £000 |
|---|-----------------|-----------------|
| Deficit from Income and Expenditure Account | (3,137) | (811) |
| Impairment of building | 3,303 | - |
| Loss / (Profit) on disposal of fixed assets | 78 | (1) |
| Early Departure Costs | - | 948 |
| Defra funded early departures | - | (948) |
| Adjusted Surplus / (Deficit) | 244 | (812) |

In 2005/06 CSL generated income of £46,706k against full economic costs of £46,492k. The adjusted surplus of £244k therefore represents 100.5% recovery of costs.

25. Derivatives and Other Financial Instruments

The Agency is required to disclose the role that Financial Instruments had during the year in creating or changing the risks faced by the Agency in undertaking its activities. The non trading nature of the Agency's activities, and the way that agencies are financed, means that the Agency is not exposed to the degree of financial risk faced by other business entities. CSL has no powers to borrow or invest surplus funds, and financial assets and liabilities generated by day to day operational activities are not held to change the risks facing the Agency in undertaking its activities.

The Agency is therefore not exposed to significant liquidity risk, as it has no borrowing facilities and its net resource requirements are financed annually through Parliament. There is no exposure to interest rate risk as the Agency's main financial assets and liabilities carry nil or fixed rates of interest. Exposure to currency risk is minimised by trading in Sterling, Euros and Dollars and reviews are carried out on bank balances. The Agency therefore does not use derivatives or other financial instruments for mitigating such risks, or for other purposes.

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Central Science Laboratory

Sand Hutton York YO41 1LZ UK
Tel +44 (0) 1904 462 000 Fax +44 (0) 1904 462 111
E-mail science@csl.gov.uk www.csl.gov.uk

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