

LANCASTER
UNIVERSITY



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LANCASTER UNIVERSITY BUSINESS ENTERPRISES LIMITED

Financial Statements

Year ended 31 July 2005



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Lancaster University Business Enterprises Limited

Directors' report and financial statements
for the year ended 31 July 2005

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Lancaster University Business Enterprises Limited

Directors' report for the year ended 31 July 2005

The directors present their annual report and the audited financial statements for the year ended 31 July 2005.

Principal activities

The profit and loss account is set out on page 5.

The company's principal activity is the exploitation of intellectual property for the University of Lancaster.

Business review

The company continued to invest in patent applications throughout the year. It is hoped that the costs incurred should be recouped in future periods.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The company made a loss for the year of £7,465 (2004: £29,354)

Directors and directors' interests

The directors who held office during the year were as follows:

Dr J Nielsen	(resigned 29 November 2005)
Mr R D O'Brien	
Professor A J Dix	
Dr M Bacon	
Professor R MacDonald	(resigned 31 July 2005)
Mr A Neal	

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or any other group company.

Lancaster University Business Enterprises Limited

Directors' report for the year ended 31 July 2005

Political and charitable contributions

The Company made no political or charitable contributions during the year.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors for the Company, is to be proposed at the forthcoming Annual General Meeting.

A handwritten signature in black ink, appearing to read 'G P Fielding', with a stylized flourish at the end.

G P Fielding
Secretary

Lancaster University Business Enterprises Limited

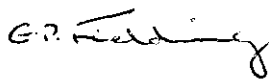
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, and also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 July 2005, and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



G P Fielding
Secretary

Independent auditors' report to the members of Lancaster University Business Enterprises Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the notes to the financial statements.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 July 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

7 April 2006

Lancaster University Business Enterprises Limited

Profit and loss account for the year ended 31 July 2005

	Note	2005 £	2004 £
Turnover	1	-	158
Cost of sales		-	(17,914)
Gross loss		<u>-</u>	<u>(17,756)</u>
Administrative expenses		<u>(7,985)</u>	<u>(11,598)</u>
Operating loss	2	(7,985)	(29,354)
Other income		520	-
Loss on ordinary activities before taxation		<u>(7,465)</u>	<u>(29,354)</u>
Taxation	4	<u>-</u>	<u>-</u>
Loss for financial year	9	<u>(7,465)</u>	<u>(29,354)</u>

All amounts relate to continuing operations.

Movements in reserves are set out in note 10 to the financial statements.

The profit and loss account contains the only gains and losses of the company for the current and prior year.

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

Lancaster University Business Enterprises Limited

Balance sheet at 31 July 2005

	Note	2005 £	2004 £
Fixed Assets			
Investments			
Loans	5	51,252	-
Current assets			
Debtors	6	614	52
Creditors: amounts falling due within one year	7	<u>(219,849)</u>	<u>(160,570)</u>
Net current liabilities		(219,235)	(160,518)
Net liabilities		<u>(167,983)</u>	<u>(160,518)</u>
Capital and reserves			
Called up share capital	8	56	56
Profit and loss account	9	<u>(168,039)</u>	<u>(160,574)</u>
Equity shareholders' deficit	9	<u>(167,983)</u>	<u>(160,518)</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 5 April 06 and were signed on its behalf by:



R. O'Brien

Director

Lancaster University Business Enterprises Limited

Notes to the financial statements for the year ended 31 July 2005

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the applicable accounting standards in the United Kingdom, and under the historical cost convention.

The Company has net current liabilities of £219,235 (2004: £160,518). The parent company has confirmed its intention to continue to provide financial support to the company. The directors consider it appropriate therefore to prepare the accounts on the going concern basis.

The following are the more important accounting policies which have been applied consistently

Cash flow

The company is exempt from the requirement of FRS 1, to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of the University of Lancaster and its cash flows are included within the consolidated cash flow statement of that entity.

Deferred Taxation

Deferred tax is provided on all timing differences that result in an obligation at the balance sheet date to pay more tax in the future or a right to pay less tax in the future at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year, and all arises in the United Kingdom.

2 Operating loss

	2005	2004
<i>Operating loss is stated after charging:</i>	£	£
Auditors' remuneration	1,100	1,000
	<hr/>	<hr/>

3 Employees and directors

The company has no employees other than its directors who did not receive any remuneration for their services as directors of this company, and no payments were made for services rendered to the company in other capacities (2004: £Nil).

Lancaster University Business Enterprises Limited

Notes (continued)

4 Taxation

No charge to taxation arises on the loss for the financial year. There is no potential deferred tax liability.

5 Loans

	2005 £	2004 £
Loans	<u>51,252</u>	<u>-</u>
	<u>51,252</u>	<u>-</u>

Loans of £27,652 and £23,600 were made to spin-out companies on 4th April 2005 and 1st May 2005 respectively. Both loans have a duration of two years and attract interest at six percent per annum.

The repayment of capital and accumulated interest is due at the end of the two year loan period.

6 Debtors: amounts falling due within one year

	2005 £	2004 £
Value added tax	<u>614</u>	<u>52</u>
	<u>614</u>	<u>52</u>

7 Creditors: amounts falling due within one year

	2005 £	2004 £
Amounts owed to the University of Lancaster	218,437	148,241
Accruals	1,412	5,635
Creditors	-	6,694
	<u>219,849</u>	<u>160,570</u>

8 Called up share capital

	£
<i>Authorised</i>	
Ordinary shares of £1 each at 1 August 2004 and 31 July 2005	100
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each at 1 August 2004 and 31 July 2005	<u>56</u>

Lancaster University Business Enterprises Limited

Notes (continued)

9 Reconciliation of movements in shareholders' deficit

	Share capital £	Profit and loss account £	Total shareholders' deficit £
As at 1 August 2004	56	(160,574)	(160,518)
Loss for the financial year	-	(7,465)	(7,465)
	<hr/>	<hr/>	<hr/>
As at 31 July 2005	56	(168,039)	(167,983)
	<hr/>	<hr/>	<hr/>

10 Related party transactions

The directors have taken advantage of the exemption in FRS8 and have not disclosed related party transactions with parent and fellow subsidiary undertakings. There are no other related party transactions which require specific disclosure.

11 Ultimate parent undertaking and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Lancaster University Enterprises Ltd, which is in turn a subsidiary of the University of Lancaster.

The largest and smallest group in which the results of the company are consolidated is that headed by the University of Lancaster. Copies of the consolidated accounts may be obtained from:

The Director of Finance
Lancaster University
Bailrigg
Lancaster
LA1 4YW