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LANCASTER
UNIVERSITY



LANCASTER UNIVERSITY BUSINESS ENTERPRISES
LIMITED

Financial Statements
Year-ended 31st July 2006

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Lancaster University Business Enterprises Limited

Directors' report and financial statements
for the year ended 31 July 2006

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Lancaster University Business Enterprises Limited

Directors' report for the year ended 31 July 2006

The directors present their annual report and the audited financial statements for the year ended 31 July 2006

Principal activities

The profit and loss account is set out on page 6

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, and earned royalties in the year in respect of intellectual property.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The company made a profit for the year of £3,497 (2005 loss £7,465)

Directors and directors' interests

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

Mr R D O'Brien

Professor A J Dix

Dr M Bacon

Dr G Smith

(appointed 3 March 2006)

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

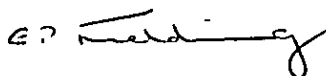
Directors' report for the year ended 31 July 2006

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



G P Fielding
Secretary

Lancaster University Business Enterprises Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

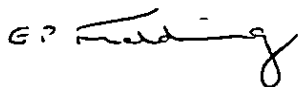
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 they have complied with the above requirements in preparing the financial statements

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 of Lancaster University Business Enterprises Limited for the year ended 31 July 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

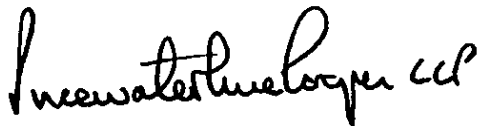
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

19 January 2007

Lancaster University Business Enterprises Limited

Profit and loss account for the year ended 31 July 2006

	<i>Note</i>	2006 £	2005 £
Turnover	<i>1</i>	12,159	-
Cost of sales		-	-
Gross profit		<u>12,159</u>	<u>-</u>
Administrative expenses		<u>(8,662)</u>	<u>(7,985)</u>
Operating profit/(loss)	<i>2</i>	3,497	(7,985)
Other income		-	520
Profit/(loss) on ordinary activities before taxation		<u>3,497</u>	<u>(7,465)</u>
Taxation	<i>4</i>	-	-
Profit/(loss) for financial year	<i>9</i>	<u>3,497</u>	<u>(7,465)</u>

All amounts relate to continuing operations

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

The company has no recognised gains or losses other than the profit/(loss) shown above.

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

Lancaster University Business Enterprises Limited

Balance sheet at 31 July 2006

	Note	2006 £	2005 £
Fixed Assets			
Investments			
Loans	5	51,252	51,252
Current assets			
Debtors	6	273	614
Creditors: amounts falling due within one year	7	<u>(216,011)</u>	<u>(219,849)</u>
Net current liabilities		<u>(215,738)</u>	<u>(219,235)</u>
Net liabilities		<u><u>(164,486)</u></u>	<u><u>(167,983)</u></u>
Capital and reserves			
Called up share capital	8	56	56
Profit and loss account	9	<u>(164,542)</u>	<u>(168,039)</u>
Equity shareholders' deficit	9	<u><u>(164,486)</u></u>	<u><u>(167,983)</u></u>

The financial statements on pages 6 to 10 were approved by the board of directors on 12 Jan '07 and were signed on its behalf by



A Neal
Director

Lancaster University Business Enterprises Limited

Notes to the financial statements for the year ended 31 July 2006

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 £215,738 (2005 £219,235) 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) earned in royalty receipts during the year, and all arises in the United Kingdom

2 Operating profit/(loss)

	2006	2005
<i>Operating profit/(loss) is stated after charging:</i>	£	£
Auditors' remuneration	1,100	1,100
	<hr/>	<hr/>

Lancaster University Business Enterprises Limited

Notes (continued)

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 (2005 £Nil).

4 Taxation

No charge to taxation arises on the loss for the financial year.

5 Loans

	2006 £	2005 £
Loans	<u>51,252</u>	<u>51,252</u>
	<u>51,252</u>	<u>51,252</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

	2006 £	2005 £
Value added tax	<u>273</u>	<u>614</u>
	<u>273</u>	<u>614</u>

7 Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to the University of Lancaster	214,261	218,437
Accruals	1,750	1,412
Creditors	-	-
	<u>216,011</u>	<u>219,849</u>

Lancaster University Business Enterprises Limited

Notes (continued)

8 Called up share capital

	£
Authorised	
Ordinary shares of £1 each at 1 August 2005 and 31 July 2006	100
Allotted, called up and fully paid	
Ordinary shares of £1 each at 1 August 2005 and 31 July 2006	56

9 Reconciliation of movements in shareholders' deficit

	Share capital £	Profit and loss account £	Total shareholders' deficit £
As at 1 August 2005	56	(168,039)	(167,983)
Profit for the financial year	-	3,497	3,497
As at 31 July 2006	56	(164,542)	(164,486)

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