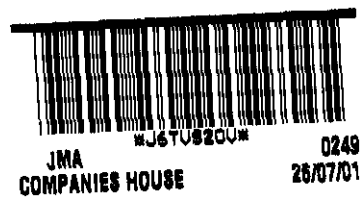


**Lancaster University Business
Enterprises Limited**

**Directors' report and financial statements
for the year ended 31 July 2000**

Registered number 968581



Lancaster University Business Enterprises Limited

Directors' report and financial statements
for the year ended 31 July 2000

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Lancaster University Business Enterprises Limited

Directors' report for the year ended 31 July 2000

The directors present their annual report and the audited financial statements for the year ended 31 July 2000.

Principal activities

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

During the year the company's activities have been the provision of engineering research services and technology exploitation.

Business review

The company acts as the trading arm of the Engineering Department for consultancy and testing activity. Turnover for this is unpredictable. The company is also handling technology exploitation for the University of Lancaster, costs incurred on this 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 £11,928 (1999: £8,726).

Directors and directors' interests

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

Professor J R Urry	(resigned 1 August 1999)
Mr J R Newton	(resigned 27 September 1999)
Professor N Abercrombie	(resigned 23 March 2000)
Mr E T McGregor	
Professor I Sommerville	(resigned 27 June 2000)
Dr J Nielsen	
Professor R B Davies	(appointed 28 June 2000)

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

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Change of company name

On 16 September 1999 Lancaster University Ventures Ltd changed its name to Lancaster University Business Enterprises Ltd.

Lancaster University Business Enterprises Limited

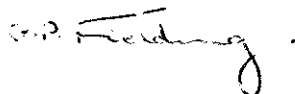
Statement of directors' responsibilities

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board



C. P. Fielding
Secretary

25 May 2001

Auditors' report to the members of Lancaster University Business Enterprises Limited

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

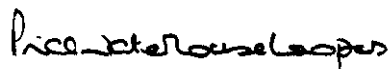
Basis of opinion

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 as at 31 July 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester

25 May 2001

Lancaster University Business Enterprises Limited

Profit and loss account for the year ended 31 July 2000

	Note	2000 £	1999 £
Turnover		641	126
Cost of sales		<u>(6,605)</u>	<u>(2,495)</u>
Gross loss		(5,964)	(2,369)
Administrative expenses		<u>(5,964)</u>	<u>(6,357)</u>
Operating loss	2	(11,928)	(8,726)
Covenant to the University of Lancaster	5	<u>-</u>	<u>-</u>
Loss on ordinary activities before taxation		(11,928)	(8,726)
Taxation	6	<u>-</u>	<u>-</u>
Loss for financial year		<u>(11,928)</u>	<u>(8,726)</u>

All amounts relate to continuing operations.

Movements in reserves are set out in note 11 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 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Tangible assets	7		118		158
Current assets					
Debtors	8	18,285		4,345	
Creditors: amounts falling due within one year	9	<u>(76,185)</u>		<u>(50,357)</u>	
Net current liabilities			(57,900)		(46,012)
Net liabilities			<u>(57,782)</u>		<u>(45,854)</u>
Capital and reserves					
Called up share capital	10		56		56
Profit and loss account	11		<u>(57,838)</u>		<u>(45,910)</u>
Equity shareholders' deficit	11		<u>(57,782)</u>		<u>(45,854)</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 25 May 2001 and were signed on its behalf by:


Director

Lancaster University Business Enterprises Limited

Notes to the financial statements for the year ended 31 July 2000

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting and Financial Reporting Standards in the United Kingdom and under the historical cost convention.

They have been prepared on a going concern basis, which assumes that the company will continue to trade as mentioned in the directors' report.

Cash flow

The company is exempt from the requirement of Financial Reporting Standard number 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.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost as follows:

Computer equipment - 25% on reducing balance

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Operating loss

	2000	1999
<i>Operating loss is stated after charging:</i>	£	£
Auditors' remuneration	500	400
Depreciation	<u>40</u>	<u>53</u>

3 Remuneration of directors

The emoluments of the directors were £Nil (1999: £Nil).

Lancaster University Business Enterprises Limited

Notes (continued)

4 Staff numbers and costs

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 (1999: £Nil).

5 Covenant to the University of Lancaster

The operating loss for the year amounted to £11,928 (1999: £8,726) of which £Nil (1999: £Nil) has been paid to the University of Lancaster under a Deed of Covenant dated 26 September 1990.

6 Taxation

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

7 Tangible fixed assets

	Computer Equipment £
Cost	
At beginning and end of year	3,495
Depreciation	
As at 1 August 1999	3,337
Charge for year	40
As at 31 July 2000	3,377
Net book value	
At 31 July 2000	118
At 31 July 1999	158

8 Debtors

	2000 £	1999 £
Accruals & prepaid income	12,630	-
Taxation & Social Security	1,310	-
Other debtors	4,345	4,345
	18,285	4,345

Lancaster University Business Enterprises Limited

Notes (continued)

9 Creditors: amounts falling due within one year

	2000 £	1999 £
Amounts owed to the University of Lancaster	75,408	50,080
Accruals	777	277
	<u>76,185</u>	<u>50,357</u>

10 Called up share capital

	£
<i>Authorised</i>	
Ordinary shares of £1 each at 1 August 1999 and 31 July 2000	100
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each at 1 August 1999 and 31 July 2000	<u>56</u>

11 Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
As at 1 August 1999	56	(45,910)	(45,854)
Loss for the financial year	-	(11,928)	(11,928)
	<u>56</u>	<u>(57,838)</u>	<u>(57,782)</u>

12 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.

13 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