



Lancaster University Business Enterprises Ltd

Company Registration Number: 00968581

Annual Report and Financial Statements

For the Year Ended 31 July 2020

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Lancaster University Business Enterprises Ltd

Annual Report and Financial Statements for the year ended 31 July 2020

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Lancaster University Business Enterprises Ltd

Company Information for the Year Ended 31 July 2020

Directors:	A L Heathwaite S J Randall-Paley D M Williams
Secretary:	G P Fielding
Registered office:	University House Lancaster University Lancaster LA1 4YW
Company number	00968581 (England and Wales)
Auditors	Deloitte LLP 1 City Square Leeds Yorkshire LS1 2AL
Bankers	Barclays Bank Barclays Business Centre 51 Mosley Street Manchester City Office Manchester M60 2AU

Lancaster University Business Enterprises Ltd

Directors' report for the year ended 31 July 2020

The directors present their annual report and the audited financial statements of the company for the year ended 31 July 2020.

Principal activities

The company's principal activity is the management and commercialisation of intellectual property on behalf of Lancaster University.

Business review and future developments

The company continued to invest in patent applications throughout the year and earned royalties in the year in respect of intellectual property. Turnover for the year increased to £418,852 (2019: £140,634) due to the increase in royalty income from a number of patents.

The company is expected to continue at a similar level of operation for the foreseeable future.

Results and dividends

The company made a profit for the financial year of £59,950 (2019: £39,642 loss).

The directors do not recommend the payment of a dividend (2019: £nil).

Risks, uncertainties & key performance indicators

The key financial performance indicators of the company is to achieve an annual break-even position by ensuring that the costs of all existing and new commercialised patent applications are met from current and anticipated revenue streams.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

S Decent (resigned 22 November 2019)
A Heathwaite (appointed 2 December 2019)
S Randall-Paley
D Williams

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' Liability Insurance in respect of itself and its directors.

Lancaster University Business Enterprises Ltd

Directors' report for the year ended 31 July 2020 (continued)

Going concern -see also Note 2 (Accounting Policies)

The Directors have considered the operations of Lancaster University Business Enterprises Limited in the current circumstances of the global pandemic of covid-19, and note that if these were to decrease then they would look to their parent entity, Lancaster University, for continued support. The Directors have considered the current position of Lancaster University, and note that during the year, in response to the pandemic, the University took immediate and significant steps to quantify the potential financial impact in the current and future years, to constrain both in-year and future revenue and capital expenditure plans and to assess forecast liquidity under different scenarios. Furthermore, the University has secured a £30 million increase to its existing revolving credit facility which runs to 2023, with potential extension for a further two years. The Directors also note that the University's Council has considered all these measures and has concluded that it has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future and thus, it continues to adopt the going concern basis of accounting in the preparation of its financial statements.

The Board has considered the implications of Brexit, particularly in respect to the European registered patents. The Board does not expect the services offered by the patent attorneys to be affected and is confident that the impact of Brexit will be minimal.

Therefore, the Directors, after making enquiries and considering the circumstances described above, have a reasonable expectation that Lancaster University Business Enterprises Limited has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in respect of this component of the group.

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

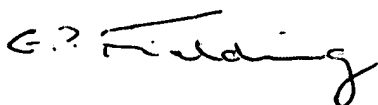
Independent auditor

In early 2020, Lancaster University's Audit Committee led a procurement exercise for the tendering of external audit services for the University and all of its subsidiary companies. The Council at its meeting of 13 March 2020, appointed Binder Dijker Otte (BDO) to be the University's independent external auditors for three years starting with the accounts for 2020/21 (replacing Deloitte).

Small companies' provisions

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. Accordingly, no separate strategic report is required or presented.

Approved by the Board and signed by its order by



G P Fielding
Company Secretary

7 April 2021

Lancaster University Business Enterprises Ltd

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including "FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Under company law the directors must not approve the financial statements unless they are satisfied that they 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. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lancaster University Business Enterprises Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and,

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

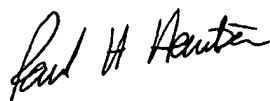
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Hewitson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle Upon Tyne, United Kingdom
9 April 2021

Lancaster University Business Enterprises Ltd

Statement of income and retained earnings for the year ended 31 July 2020

	Note	2020 £	2019 £
Turnover	2	418,852	140,634
Gross profit		<u>418,852</u>	<u>140,634</u>
Administrative expenses		(358,844)	(178,527)
Operating profit / (loss)	3	<u>60,008</u>	<u>(37,893)</u>
Interest payable and similar expenses	4	(58)	(1,749)
Profit / (loss) before taxation		<u>59,950</u>	<u>(39,642)</u>
Tax on profit	6	-	-
Profit / (loss) for the financial year		<u>59,950</u>	<u>(39,642)</u>
Retained losses as at 1 August		(198,380)	(158,738)
Retained losses as at 31 July		<u>(138,430)</u>	<u>(198,380)</u>

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of other comprehensive income has been presented.

There is no material difference between the profit or loss before taxation and the profit or loss for the financial year stated above, and their historical cost equivalents.

Lancaster University Business Enterprises Ltd
Company Registration Number: 00968581

Statement of financial position
as at 31 July 2020

	Note	2020 £	2019 £
Current assets			
Debtors	7	9,440	67,227
Creditors: amounts falling due within one year	8	(147,814)	(265,551)
Net current liabilities		(138,374)	(198,324)
Total assets less current liabilities		(138,374)	(198,324)
Net liabilities		(138,374)	(198,324)
Capital and reserves			
Called up share capital	9	56	56
Profit and loss account		(138,430)	(198,380)
Total shareholders' deficit		(138,374)	(198,324)

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime, were approved by the board of directors and signed on its behalf by:



S Randall-Paley
Director
 7 April 2021

Lancaster University Business Enterprises Ltd

**Statement of changes in equity
for the year ended 31 July 2020**

	Note	Share capital £	Retained earnings £	Total £
At 1 August 2018		56	(158,738)	(158,682)
Loss and total comprehensive income for the year		-	(39,642)	(39,642)
At 1 August 2019		56	(198,380)	(198,324)
Profit and total comprehensive income for the year		-	59,950	59,950
At 31 July 2020		56	(138,430)	(138,374)

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2020

1 Company information

Lancaster University Business Enterprises Ltd is a private company limited by shares, registered in England & Wales under registration number 00968581. The registered office is University House, Bailrigg, Lancaster, LA1 4YW.

2 Accounting policies

Basis of preparation

These financial statements are presented in the company's functional currency, Pound Sterling (GBP).

These financial statements are prepared on the going concern basis, under the historic cost convention, and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The principal accounting policies which have been applied consistently throughout the year and the prior year are as follows.

Going concern

The Directors have considered the operations of Lancaster University Business Enterprises Limited in the current circumstances of the global pandemic of covid-19, and note that if these were to decrease then they would look to their parent entity, Lancaster University, for continued support. The Directors have considered the current position of Lancaster University, and note that during the year, in response to the pandemic, the University took immediate and significant steps to quantify the potential financial impact in the current and future years, to constrain both in-year and future revenue and capital expenditure plans and to assess forecast liquidity under different scenarios. Furthermore, the University has secured a £30 million increase to its existing revolving credit facility which runs to 2023, with potential extension for a further two years. The Directors also note that the University's Council has considered all these measures and has concluded that it has a reasonable expectation that the University has adequate resources to continue in operational existence for the foreseeable future and thus, it continues to adopt the going concern basis of accounting in the preparation of its financial statements.

The Board has considered the implications of Brexit, particularly in respect to the European registered patents. The Board does not expect the services offered by the patent attorneys to be affected and is confident that the impact of Brexit will be minimal.

Therefore, the Directors, after making enquiries and considering the circumstances described above, have a reasonable expectation that Lancaster University Business Enterprises Limited has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in respect of this component of the group.

Significant accounting estimates and judgements

The Directors discuss accounting estimates and judgements in the context of the budget setting process and during its periodic review of the management accounts at Board meetings.

Management has not made any accounting estimates or judgements that would have a significant effect on the amounts recognised in the financial statements in the year.

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2020 (continued)

Cash flow statement

Under FRS 102, the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Lancaster University, and its cash flows are included within the consolidated cash flow statement of that entity which are publicly available.

Related party transactions exemption

The directors have taken advantage of the exemption permitted by FRS 102 and have not disclosed related party transactions with parent and fellow subsidiary undertakings. There are no other related party transactions which require specific disclosure.

Current taxation

Corporation tax payable is provided on taxable profits at the current rate.

Turnover

Turnover represents the amounts (excluding value added tax) earned upon the provision of intellectual property as royalty receipts during the year, and all arises in the United Kingdom.

Interest payable

Interest payable wholly comprises amounts payable to its parent, Lancaster University. Interest is paid on the inter-company balance at a rate of Base Rate plus 0.25% per annum.

Patent applications

All patent application and renewal costs are charged to the Statement of Income and Retained Earnings in the year in which the costs become payable.

Intellectual property

The University owns the IP created by its staff during their normal course of employment. If such IP requires formal protection e.g. patenting, the University pays for this.

All IP belonging to the University, that will be commercialised, is first assigned to LUBEL. Thereafter, LUBEL has the responsibility to ensure formal protection of the assigned IP, where applicable, is maintained.

Basic financial instruments

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Bad debt provision

Full provision is made where management considers the recoverability of debts to be low.

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2020 (continued)

3 Operating profit	2020	2019
	£	£
<i>Operating profit is stated after charging:</i>		
Auditor's remuneration for the auditing of the financial statements	2,290	2,230

4 Interest payable and similar expenses

	2020	2019
	£	£
Interest payable and similar charges *	(58)	(1,749)

* Interest payable wholly comprises amounts payable to its parent, Lancaster University. Interest is paid on the inter-company balance at a rate of Base Rate plus 0.25% per annum.

5 Employees and directors

In the current and prior period, no remuneration was paid to the directors in respect of services to the company. The directors of the company are employed by Lancaster University, which pays them for services they provide to the University. The services they provide for the company are incidental to this role, and as such the remuneration receivable by the directors in respect of qualifying services to the company is £nil (2019: £nil)

6 Tax on profit / (loss)	2020	2019
	£	£
Profit / (loss) before taxation	59,950	(39,642)
Tax on profit / (loss) at the standard rate of 19% (2018: 19%)	11,391	(7,532)
Non-taxable income	-	-
Group loss surrender	-	7,532
Qualifying charitable donations	(11,391)	-
Tax charge for the year	-	-

Finance Act 2020, which received Royal Assent on 22 July 2020, set the corporation tax rate to remain at 19% from 1st April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 July 2020.

There is no expiry date on timing differences, unused tax losses or tax credits.

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2020 (continued)

7 Debtors: amounts falling due within one year	2020	2019
	£	£
Trade debtors	257	48,422
Accrued income	2,712	18,805
Value Added Tax	6,471	-
	<u>9,440</u>	<u>67,227</u>
8 Creditors: amounts falling due within one year	2020	2019
	£	£
Trade creditors	44,961	-
Amounts owed to group undertakings *	4,098	210,474
Accruals	98,755	45,414
Deferred income	-	-
Value Added Tax	-	9,663
	<u>147,814</u>	<u>265,551</u>

The company does not have any debts on which security has been given.

*Lancaster University has confirmed that it will not seek repayment of this amount for the foreseeable future. Interest is paid on the balance at a rate of Base Rate plus 0.25% per annum.

9 Called up share capital	2020	2019
	£	£
<i>Authorised</i>		
100 (2019: 100) ordinary shares of £1 each	100	100
<i>Allotted and fully paid</i>		
56 (2019: 56) ordinary shares of £1 each	56	56

10 Ultimate parent company

The immediate parent undertaking is Lancaster University Enterprises Ltd.

The ultimate parent undertaking and controlling party is Lancaster University, which is incorporated by Royal Charter in Great Britain.

Lancaster University is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 July 2020. The consolidated financial statements can be obtained from:

Lancaster University
University House
Bailrigg
Lancaster
Lancashire
LA1 4YW

This address is also the registered office of the company.