

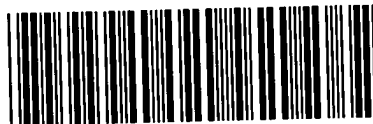
Lancaster University Business Enterprises Ltd

Company Registration Number: 00968581

Annual Report and Financial Statements

For the Year Ended 31 July 2022

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Lancaster University Business Enterprises Ltd

Annual Report and Financial Statements for the year ended 31 July 2022

| Contents | Pages |
|--|--------------|
| Company information | 1 |
| Directors' report for the year ended 31 July 2022 | 2 - 4 |
| Statement of Directors' Responsibilities | 5 |
| Independent auditor's report to the board of Lancaster University Business Enterprises Ltd | 6 - 8 |
| Statement of income and retained earnings for the year ended 31 July 2022 | 9 |
| Statement of financial position as at 31 July 2022 | 10 |
| Statement of changes in equity for the year ended 31 July 2022 | 11 |
| Notes to the financial statements for the year ended 31 July 2022 | 12 - 15 |

Lancaster University Business Enterprises Ltd

Company Information for the Year Ended 31 July 2022

| | |
|---------------------------|--|
| Directors: | A L Heathwaite S J Randall-Paley D M Williams |
| Secretary: | G P Fielding (resigned 18 July 2022) M L Green (appointed 18 July 2022) |
| Registered office: | University House Lancaster University Lancaster LA1 4YW |
| Company number | 00968581 (England and Wales) |
| Auditors | BDO Two Snowhill Birmingham B4 6GA |
| 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 2022

The directors present their annual report and the audited financial statements of the company for the year ended 31 July 2022.

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 reduced to £119,180 (2021: £319,150) due to the decrease 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 no profit for the financial year (2021: £21).

The directors do not recommend the payment of a dividend (2021: £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:

A Heathwaite
S Randall-Paley
D Williams

Lancaster University Business Enterprises Ltd

Directors' report for the year ended 31 July 2022 (continued)

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.

Going concern -see also Note 2 (Accounting Policies)

Although royalty revenue has reduced the company continues to receive royalties from a core group of commercialised patents and invests in new patent applications with the expectation of these providing additional royalties in the future.

The Board have considered the impact of Brexit, particularly in respect to the European registered patents. The Board notes that the services offered by the patent attorneys have been unaffected by Brexit and is confident that the impact will continue be minimal.

However, the company has significant net liabilities and although the forecasts for the 12 months following approval of these accounts demonstrate that the company will be able to meet its liabilities it will look to its parent, Lancaster University, for support if conditions were not to be favourable in respect of income projections.

Lancaster University, the ultimate parent company of Lancaster University Business Enterprises Limited, has confirmed its intention to provide ongoing support to the company for a period of at least 12 months from the date of signature of these accounts. This support is not legally binding and as such a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having reviewed the forecast budgets over the next 12 months and considered the ability and intention of Lancaster University to provide that support, the directors believe that the company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Lancaster University Business Enterprises Ltd

Directors' report for the year ended 31 July 2022 (continued)

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 BDO LLP to be the University's independent external auditors for three years, which began with the accounts for 2020/21.

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



M L Green
Company Secretary

25/11/22

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2022 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lancaster University Business Enterprises Limited ("the Company") for the year ended 31 July 2022 which comprise the statement of income and retained earnings, statement of financial position, statement in changes of equity and notes to the financial statements, including a summary of significant accounting policies. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1b to the financial statements, which sets out the Directors' considerations over going concern and that the Company is dependent on the continued financial support of its parent, Lancaster University, which is not legally binding. As stated in note 2, these events or conditions, along with other matters as set out in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Other Companies Act 2006 reporting

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 have 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 material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Company and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act, and we considered the extent to which non-compliance might have a material effect on the Company Financial Statements or their continued operation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

The audit procedures to address the risks identified included:


- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance, reviewing correspondence with HMRC to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the provision against trade and other debtors.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.

DocuSigned by:

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Kyla Bellingall (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Birmingham

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

28 November 2022

Lancaster University Business Enterprises Ltd

**Statement of income and retained earnings
for the year ended 31 July 2022**

| | Note | 2022 £ | 2021 £ |
|--|------|------------------|------------------|
| Turnover | 2 | 119,180 | 319,150 |
| Gross profit | | <u>119,180</u> | <u>319,150</u> |
| Administrative expenses | | (119,180) | (319,129) |
| Operating profit / (loss) | 3 | <u>-</u> | <u>21</u> |
| Profit / (loss) before taxation | | <u>-</u> | <u>21</u> |
| Tax on profit | 5 | - | - |
| Profit / (loss) for the financial year | | <u>-</u> | <u>21</u> |
| Retained losses as at 1 August | | (138,409) | (138,430) |
| Retained losses as at 31 July | | <u>(138,409)</u> | <u>(138,409)</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.

The notes on pages 12 to 15 form part of these financial statements.

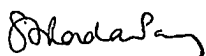
Lancaster University Business Enterprises Ltd
Company Registration Number: 00968581

Statement of financial position
as at 31 July 2022

| | Note | 2022 £ | 2021 £ |
|---|------|------------------|------------------|
| Current assets | | | |
| Debtors | 6 | 23,378 | 14,009 |
| Creditors: amounts falling due within one year | 7 | (161,731) | (152,362) |
| Net current liabilities | | <u>(138,353)</u> | <u>(138,353)</u> |
| Total assets less current liabilities | | <u>(138,353)</u> | <u>(138,353)</u> |
| Net liabilities | | <u>(138,353)</u> | <u>(138,353)</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 56 | 56 |
| Profit and loss account | | (138,409) | (138,409) |
| Total shareholders' deficit | | <u>(138,353)</u> | <u>(138,353)</u> |

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:

The notes on pages 12 to 15 form part of these financial statements.



S Randall-Paley
Director

25/11/22

Lancaster University Business Enterprises Ltd

Statement of changes in equity for the year ended 31 July 2022

| | Note | Share capital £ | Retained earnings £ | Total £ |
|---|------|-----------------------|---------------------------|------------------|
| At 1 August 2020 | | 56 | (138,430) | (138,374) |
| Loss and total comprehensive income for the year | | - | 21 | 21 |
| At 1 August 2021 | | <u>56</u> | <u>(138,409)</u> | <u>(138,353)</u> |
| Profit and total comprehensive income for the year | | - | - | - |
| At 31 July 2022 | | <u>56</u> | <u>(138,409)</u> | <u>(138,353)</u> |

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2022

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

Although royalty revenue has reduced the company continues to receive royalties from a core group of commercialised patents and invests in new patent applications with the expectation of these providing additional royalties in the future.

The Board have considered the impact of Brexit, particularly in respect to the European registered patents. The Board notes that the services offered by the patent attorneys have been unaffected by Brexit and is confident that the impact will continue be minimal.

However, the company has significant net liabilities and although the forecasts for the 12 months following approval of these accounts demonstrate that the company will be able to meet its liabilities it will look to its parent, Lancaster University, for support if conditions were not to be favourable in respect of income projections.

Lancaster University, the ultimate parent company of Lancaster University Business Enterprises Limited, has confirmed its intention to provide ongoing support to the company for a period of at least 12 months from the date of signature of these accounts. This support is not legally binding and as such a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having reviewed the forecast budgets over the next 12 months and considered the ability and intention of Lancaster University to provide that support, the directors believe that the company is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2022 (continued)

Significant accounting estimates and judgements

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.

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.

Patent applications

The cost of all patent applications are charged to the Statement of Income and Retained Earnings in the period to which they relate.

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.

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2022 (continued)

Bad debt provision

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

| 3 Operating profit | 2022 | 2021 |
|---|-------------|-------------|
| | £ | £ |
| <i>Operating profit is stated after charging:</i> | | |
| Auditor's remuneration for the auditing of the financial statements | 3,240 | 3,000 |

4 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 (2021: £nil)

| 5 Tax on profit / (loss) | 2022 | 2021 |
|---|-------------|-------------|
| | £ | £ |
| Profit / (loss) before taxation | - | 21 |
| Tax on profit / (loss) at the standard rate of 19% (2021: 19%) | - | 4 |
| Non-taxable income | - | - |
| Group loss surrender | - | (11,391) |
| Qualifying charitable donations | - | - |
| Tax charge for the year | - | (11,387) |

Finance Act 2021, which received Royal Assent on 10 June 2021, set the corporation tax rate to remain at 19% for financial year 2022 and increase to 25% for the financial year 2023. FRS 102 requires the substantively enacted rate of 25% to be applied when calculating deferred tax assets and liabilities. The company has no deferred tax assets and liabilities as at 31 July 2022.

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

| 6 Debtors: amounts falling due within one year | 2022 | 2021 |
|---|---------------|---------------|
| | £ | £ |
| Trade debtors | 22,558 | 1,650 |
| Amounts owed from group undertakings* | - | 11,457 |
| Accrued income | 820 | - |
| Value Added Tax | - | 902 |
| | 23,378 | 14,009 |

* The balance is repayable on demand however, the company will not seek repayment of this amount from Lancaster University in the foreseeable future and no interest is charged on the balance.

Lancaster University Business Enterprises Ltd

Notes to the financial statements for the year ended 31 July 2022 (continued)

| 7 Creditors: amounts falling due within one year | 2022 | 2021 |
|---|----------------|----------------|
| | £ | £ |
| Trade creditors | 6,591 | 4,785 |
| Amounts owed to group undertakings* | 57,251 | - |
| Accruals | 97,418 | 147,577 |
| Value Added Tax | 471 | - |
| | <u>161,731</u> | <u>152,362</u> |

* The balance is repayable on demand however, the University will not seek repayment of this amount from Lancaster University Business Enterprises Limited in the foreseeable future and no interest is charged on the balance.

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

| 8 Called up share capital | 2022 | 2021 |
|--|-------------|-------------|
| | £ | £ |
| <i>Authorised</i> | | |
| 100 (2021: 100) ordinary shares of £1 each | 100 | 100 |
| <i>Allotted and fully paid</i> | | |
| 56 (2021: 56) ordinary shares of £1 each | 56 | 56 |

9 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 2022. 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.