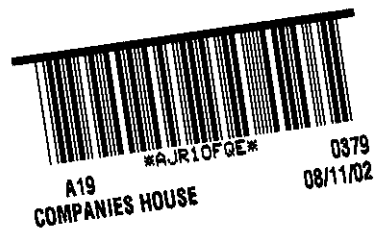


**UNIVERSITY OF LEEDS INNOVATIONS
LIMITED**

Report and Financial Statements

Year ended 31 July 2002



**Deloitte & Touche
Leeds**

REPORT AND FINANCIAL STATEMENTS 2002

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Professor J Fisher
Mr A MacLean
Mr T Nuttall
Mr P J Rawlins
Mr J Rushfirth
Mr R Wolfson
Professor D C Hogg (Chairman)
Mr S G Willis

SECRETARY

Mr R Spavin

REGISTERED OFFICE

Office of the Finance and Commercial Director
University of Leeds
Leeds
LS2 9JT

BANKERS

National Westminster Bank plc
P O Box 154
8 Park Row
Leeds
LS1 1QS

AUDITORS

Deloitte & Touche
Chartered Accountants
Leeds

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 July 2002.

ACTIVITIES

The company's principal activities involve the commercial exploitation of technology through the provision of products and consultancy services of an industrial, technological and commercial nature.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company's result for the year ended 31 July 2002 is shown in the profit and loss account on page 5.

In addition to its own trading activities, the company has investments in, and provides services to, businesses arising from the commercialisation of the intellectual property of the University of Leeds. Whilst all of these companies have the potential to be successful, they can be extremely fragile in their early years. However, the directors believe that the resources channelled into these businesses will result in benefit for the company and the University of Leeds in the medium term.

RESULTS

The directors do not recommend the payment of a dividend (2001: £Nil). The retained loss of £352,973 (2001 : £6,296) has been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

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

Professor J Fisher

Mr A MacLean

Professor A D May (resigned 30 July 2002)

Mr T Nuttall

Mr P J Rawlins

Mr J Rushfirth

Ms B S Smith (resigned 19 July 2002)

Mr R Wolfson

Professor D C Hogg (Chairman)

Mr S G Willis

None of the directors who served during the year had any interest in the share capital of the company.

POLITICAL AND CHARITABLE DONATIONS

The company made no political or charitable contributions.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Mr R Spavin
Secretary

29 October 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company to 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UNIVERSITY
OF LEEDS INNOVATIONS LIMITED**

We have audited the financial statements of University of Leeds Innovations Ltd ("Leeds Innovations") for the year ended 31 July 2002 which comprise the profit and loss account, the balance sheet, statement of total recognised gains and losses and the related notes 1 to 19. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

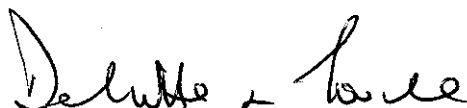
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2002 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Leeds

29 October 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 July 2002

	Note	31 July 2002 £	31 July 2001 £
TURNOVER	2	5,191,824	5,469,224
Cost of sales		(4,144,495)	(4,463,161)
GROSS PROFIT		1,047,329	1,006,063
Administration expenses		(1,435,614)	(1,296,165)
OPERATING LOSS	4	(388,285)	(290,102)
Profits from sale of fixed asset investments	5	54,395	29,874
Amounts provided against investments		(32,842)	(2,044)
Income from shares in group undertakings		-	69,000
Income from participating interests		5,000	-
Profit from sale of operations		-	148,787
Other interest receivable and similar income	6	5,033	20,302
Interest payable and similar charges	7	(6,695)	(20,638)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION FOR THE FINANCIAL YEAR		(363,394)	(44,821)
Tax on loss on ordinary activities	8	10,421	38,525
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		(352,973)	(6,296)
DEFICIT BROUGHT FORWARD		(788,315)	(782,019)
RETAINED LOSS	15	(1,141,288)	(788,315)

All amounts relate to continuing operations.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**Year ended 31 July 2002**

	Note	31 July 2002 £	31 July 2001 £
Loss for the financial year		(352,973)	(6,296)
Movement in other reserves	15	(494,757)	(17,949)
Reduction in shareholders' funds		(847,730)	(24,245)
Opening shareholders' funds		64,461	88,706
Closing shareholders' (deficit)/funds		(783,269)	64,461

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 July 2002

	Note	31 July 2002 £	31 July 2001 £
Loss attributable to shareholders of the company		(352,973)	(6,296)
Unrealised deficit on revaluation of fixed asset investments	15	<u>(494,757)</u>	<u>(17,949)</u>
Total recognised losses for the year		<u><u>(847,730)</u></u>	<u><u>(24,245)</u></u>

BALANCE SHEET**Year ended 31 July 2002**

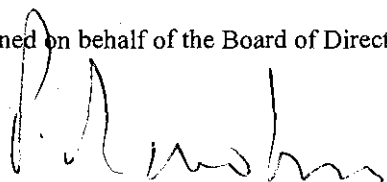
	Note	31 July 2002 £	31 July 2001 £
FIXED ASSETS			
Tangible assets	9	127,661	145,499
Investments	10	411,161	925,179
		<u>538,822</u>	<u>1,070,678</u>
CURRENT ASSETS			
Debtors	11	2,621,908	2,144,944
Cash at bank and in hand		357,698	149,730
		<u>2,979,606</u>	<u>2,294,674</u>
CREDITORS: amounts falling due within one year	12	<u>(4,301,697)</u>	<u>(3,300,891)</u>
NET CURRENT LIABILITIES		<u>(1,322,091)</u>	<u>(1,006,217)</u>
NET (LIABILITIES)/ASSETS		<u>(783,269)</u>	<u>64,461</u>
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Profit and loss account	15	(1,141,288)	(788,315)
Other reserves	15	357,919	852,676
		<u>(783,269)</u>	<u>64,461</u>
SHAREHOLDERS' (DEFICIT)/FUNDS		<u>(783,269)</u>	<u>64,461</u>

These financial statements were approved by the Board of Directors on

29 October

2002.

Signed on behalf of the Board of Directors

Mr P J Rawlins
Director

NOTES TO THE ACCOUNTS**Year ended 31 July 2002****1. ACCOUNTING POLICIES**

The financial statements set out on pages 5 to 17 are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments.

The accounts are prepared on the going concern basis.

Cash Flow Statement

The company is a subsidiary of University of Leeds. As a result, the company's cash flows will be included in the consolidated cash flow of University of Leeds. Under FRS1 (Revised 1996) the company is therefore exempt from producing its own cash flow statement.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are as follows:

Improvements to leasehold property	10 years or life of the lease, if less
Equipment	3-5 years
Furniture	5 years
Computer equipment	2-3 years
Motor vehicles - new	3 years
- secondhand	2 years

Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any impairment.

In the balance sheet the other investments are carried at the valuation determined by the directors. All quoted shares are carried at 75% of the prevailing market price at the balance sheet date, as indicated by the relevant market.

Prior to signature of the accounts, the directors conducted an impairment review of all investments. For quoted investments this included a review of latest quoted prices on the relevant markets for any indications of a permanent impairment in the value of the shares. For unquoted shares this included a review of share transactions and other post balance sheet events for any indications of a permanent impairment in the value of the shares.

Certain of the company's subsidiary companies have liabilities exceeding their assets at the balance sheet date. The directors of the company have, where they consider prudent, made provisions against amounts owing from subsidiary and associated companies but it is not the company's policy to write down all investments to the value of the net assets.

Contract accounting

Profits on contracts are brought into account as they accrue over the term of each contract. Deficits are fully provided for as soon as they are foreseen. Amounts recoverable on contracts represents the excess of recorded turnover over amounts invoiced, and is disclosed separately within debtors. Payments received on account in excess of the value of the work done on the related contract are included within creditors.

Leases and hire purchase contracts

Assets acquired under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance charges are allocated over the period of the lease on a straight-line basis.

The annual rentals of operating leases are charged to the profit and loss account as they are incurred.

NOTES TO THE ACCOUNTS**Year ended 31 July 2002****1. ACCOUNTING POLICIES (continued)****Foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange ruling at the dates of payment.

Pension costs

The company participates in a defined benefit scheme. Pension costs are charged to the profit and loss account over the average expected service lives of current employees. Actuarial surpluses are amortised over the expected service lives of current employees, using the percentage of pensionable salaries method. Differences between the amount charged in the profit and loss account and payments made to the scheme are treated as assets or liabilities in the balance sheet.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

2. TURNOVER

Sales are included at invoice value excluding value added tax, and consist of work done, services rendered, and licence and royalty income during the year.

	2002 £	2001 £
Geographical analysis by location		
United Kingdom	3,219,844	3,680,165
Rest of Europe	878,714	862,054
Rest of World	1,093,266	927,005
	<u>5,191,824</u>	<u>5,469,224</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 No.	2001 No.
Average number of persons employed		
Administration support	24	24
Technical staff	39	40
	<u>63</u>	<u>64</u>
Staff costs during the year (including directors)		
	£	£
Wages and salaries	2,077,524	2,067,755
Social security costs	140,810	168,019
Pension costs	113,384	141,613
	<u>2,331,718</u>	<u>2,377,387</u>
Emoluments of directors, including all fees but excluding pension contributions	<u>152,535</u>	<u>154,726</u>

Pension contributions in respect of directors' qualifying services of £12,986 (2001:£11,488) were paid during the year.

There are two directors to whom retirement benefits are accruing under a defined benefit scheme (2001:2).

An amount of £8,280 (2001:£8,280) was paid to University of Leeds for the services of University employees who served as directors of University of Leeds Innovations Limited during the year.

NOTES TO THE ACCOUNTS**Year ended 31 July 2002****4. OPERATING LOSS**

	2002	2001
	£	£
Operating loss is after charging:		
Depreciation – owned assets	99,577	113,920
Rentals under operating leases		
Hire of plant and machinery	11,675	11,526
Other operating leases	58,960	3,251
Auditors' remuneration		
Audit fees	10,730	10,100
Loss on sale of fixed assets	5,151	45,854
Gift Aid due to the University of Leeds	-	189,148

5. PROFIT FROM SALE OF FIXED ASSET INVESTMENTS

	2002	2001
	£	£
Income from other fixed asset investments	54,395	29,874

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£	£
Due from subsidiary and associated companies	-	1,829
Bank interest receivable	3,477	18,473
Other interest	1,556	-
	<u>5,033</u>	<u>20,302</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Interest payable on group loan	6,695	16,910
Bank interest	-	53
Other interest	-	3,675
	<u>6,695</u>	<u>20,638</u>

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £	2001 £
Adjustments in respect of prior years	(10,421)	(38,525)

The current tax charge for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(363,394)	(44,821)
Tax at 30% thereon:	(109,018)	(13,446)
Expenses not deductible for tax purposes	13,382	28,840
Capital allowances in excess of depreciation and other timing differences	6,801	(4,721)
Losses not utilised	76,686	-
Movements on general provisions	12,149	10,027
Chargeable gain	-	(20,700)
Prior period adjustments	(10,421)	(38,525)
Current tax charge for period	(10,421)	(38,525)

9. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Leasehold Improvements £	Furniture & Fittings £	Equipment £	Computers £	Total £
Cost						
At 1 August 2001	28,857	178,864	70,354	396,795	328,539	1,003,409
Additions	-	-	19,698	17,292	55,458	92,448
Disposals	(15,655)	-	(41,874)	(19,298)	(102,464)	(179,291)
Transfers	-	-	4,753	(6,553)	1,800	-
At 31 July 2002	13,202	178,864	52,931	388,236	283,333	916,566
Accumulated depreciation						
At 1 August 2001	8,629	154,350	64,340	357,348	273,243	857,910
Charge for the period	7,444	10,329	3,819	29,538	48,447	99,577
Disposals	(11,305)	-	(40,851)	(19,282)	(97,144)	(168,582)
Transfers	-	-	4,752	(5,718)	966	-
At 31 July 2002	4,768	164,679	32,060	361,886	225,512	788,905
Net book value						
At 31 July 2002	8,434	14,185	20,871	26,350	57,821	127,661
At 31 July 2001	20,228	24,514	6,014	39,447	55,296	145,499

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £	Shares in associated undertakings £	Other investments £	Total £
Cost or valuation				
At 1 August 2001	5,290	52,685	890,953	948,928
Additions	-	16,014	-	16,014
Disposals	-	(2,434)	-	(2,434)
Revaluation	-	-	35,000	35,000
Reclassifications	(40)	(15,034)	15,074	-
At 31 July 2002	5,250	51,231	941,027	997,508
Provisions				
At 1 August 2001	3,756	2,000	17,993	23,749
Charge to profit and loss	-	32,842	-	32,842
Charge to revaluation reserve	-	-	529,756	529,756
At 31 July 2002	3,756	34,842	547,749	586,347
Net book value				
At 31 July 2002	1,494	16,389	393,278	411,161
At 31 July 2001	1,534	50,685	872,960	925,179

During the period the percentage holding of investments has altered in a number of subsidiaries and associates, which has led to a reclassification in the nature of the holding. These movements are reflected in the above note.

Included in other investments with a value of £341,819 are shares in Sound Alert plc and Aquilo plc which are listed on the OFEX market which are shown in the accounts at 75% of the market rate prevailing at 31 July 2002 (2001: £421,809). The directors have changed the valuation policy so that the figures in the accounts are more prudent than those previously shown.

In addition Leeds Innovations has a holding of 22.8% in Science Warehouse. This has been included as a fixed asset investment due to the fact that Leeds Innovations exerts no significant influence over the company, thus rebutting the presumption that the company should be classed as an associate by virtue of the 22.8% holding.

Details of the investments in which the parent company holds more than 10% of the nominal value of any class of share are shown as follows:

Name of Company	Country of incorporation	Holding	Proportion held	Nature of business
Subsidiary Undertakings:				
Bloodhound Sensors Limited	England & Wales	Ordinary shares	93.8%	Development and exploitation of electronic nose
Vantage Polymers Limited	England & Wales	Ordinary shares	60%	Development and exploitation of novel polymers
Hydromet Limited	England & Wales	Ordinary shares	50.01%	Environmental consultancy
Bioventures Limited	England & Wales	Ordinary shares	100%	Dormant
Rock Deformation Research Limited	England & Wales	Ordinary shares	100%	Dormant
Rock Deformation Research Inc	United States of America	Common shares	100%	Marketing of geophysical fault seal analysis
Moss Technology Limited	England & Wales	Ordinary shares	100%	Dormant
Radioporphyryns Limited	England & Wales	Ordinary shares	100%	Dormant
Spinpenny Limited	England & Wales	Ordinary shares	60%	Dormant

The subsidiary companies all prepared accounts for the period ended 31 July 2002.

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

10. INVESTMENTS HELD AS FIXED ASSETS (continued)

Name of Company	Country of incorporation	Holding	Proportion held	Nature of business
Associated Undertakings:				
Telsol Limited	England & Wales	Ordinary shares	18%	Sale and distribution of animal mineral supplements
		Cumulative convertible preference shares	100%	
Enabled Systems Limited	England & Wales	Ordinary shares	36%	Information system software development
DDO Limited	England & Wales	Ordinary shares	30%	Training
Tribologic Limited	England & Wales	Ordinary shares	20%	Consultancy and testing of material properties
Express Separations Limited	England & Wales	Ordinary shares	29.95%	Supercritical fluid technology
Gelectrix Limited	England & Wales	Ordinary shares	25%	Solid state battery design
		(voting)		
		Ordinary shares (non voting)	100%	
Precision Proteins Limited	England & Wales	Ordinary shares (voting)	24.5%	Development of biotech products
		Ordinary shares (non voting)	100%	
Geophysical Exploration Technology Limited	England & Wales	Ordinary shares	20%	Geophysical data sales
Gluco Limited	England & Wales	Ordinary shares	25%	Development of novel polymer adhesives
		Preference shares	100%	
Aqua Enviro Limited	England & Wales	Ordinary shares	23.5%	Consultancy services to the water industry
Ecertec Limited	England & Wales	Ordinary shares	42%	Advanced electro materials development
Macrosynth Limited	England & Wales	Ordinary shares	24.8%	Development and manufacture of speciality polymers
Optiglass Devices Limited	England & Wales	Ordinary shares	24.8%	Materials development for optical telecommunications
Leadership Research & Development Limited	England & Wales	Ordinary shares	30%	Research publishing & consultancy
Creditscorer Limited	England & Wales	Ordinary shares	31%	Intelligence on credit control performance
D-Sense Limited	England & Wales	Ordinary shares	33%	Development of technology for measuring dental sensitivity
Evidence Limited	England & Wales	Ordinary shares	43%	Consultancy on research performance and publications
Instrumentel Limited	England & Wales	Ordinary shares	25%	Technology for remote telemetry in hostile environments
Photopharmica Limited	England & Wales	Ordinary shares	42.8%	Dormant
Lumenia Limited	England & Wales	Ordinary shares	29%	Application of ink jet printing to security products and textiles
Investments:				
Digital Colour Measurement Limited	England & Wales	Ordinary shares	11%	Colour matching using digital technology
Science Warehouse Limited	England & Wales	Ordinary Shares	22.8%	Market place for life sciences consumables
Applied Modelling Technologies Limited	England & Wales	Ordinary shares	15%	3D textured models of real environments

NOTES TO THE ACCOUNTS**Year ended 31 July 2002****10. INVESTMENTS HELD AS FIXED ASSETS (continued)**

The associate companies all prepared accounts for the period ended 31 July 2002, with the exception of Telsol Limited who prepared accounts to 31 December 2001, Digital Colour Measurement Limited who prepared accounts to 30 April 2002 and D-Sense whose first accounting reference date is 31 December 2002.

11. DEBTORS

	2002 £	2001 £
Trade debtors	1,500,276	1,195,371
Amounts recoverable on contracts	388,719	387,752
Amount owed by group undertakings	165,009	116,071
Amount owed by parent undertaking	144,394	40,346
Other debtors and prepayments	99,060	75,587
Corporation tax recoverable	-	58,010
Pension prepayment (note 17)	324,450	271,807
	<u>2,621,908</u>	<u>2,144,944</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Debenture loans	-	176,708
Payments on account	244,348	310,553
Trade creditors	174,495	203,742
Amounts owed to parent undertaking	1,498,908	908,732
Amounts owed to fellow group undertakings	371,258	5,032
Other taxes and social security	41,542	44,536
Accruals and sundry creditors	1,971,146	1,651,588
	<u>4,301,697</u>	<u>3,300,891</u>

13. DEFERRED TAX

	Unprovided 2002 £	2001 £
Capital allowances in excess of depreciation	(80,000)	(78,831)
Other	(76,000)	(48,850)
	<u>(156,000)</u>	<u>(127,681)</u>

14. CALLED UP SHARE CAPITAL

There was no change in share capital during the year

	2002 £	2001 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

NOTES TO THE ACCOUNTS**Year ended 31 July 2002****15. RESERVES**

	Revaluation Reserve £	Profit & Loss Account £
At 1 August 2001	852,676	(788,315)
Retained loss for the year	-	(352,973)
Write down of investments	(494,757)	-
Balance at 31 July 2002	<u>357,919</u>	<u>(1,141,288)</u>

16. FINANCIAL COMMITMENTS

The company had operating lease commitments payable as follows:

	Land and buildings 2002 £	2001 £	Other 2002 £	2001 £
Leases which expire:				
Within one year	-	42,021	2,399	-
Within two to five years	77,531	-	2,446	11,552

17. PENSION FUND AND SSAP 24

Employees of the company may, if eligible, join the University of Leeds Pension and Assurance Scheme for Non-Academic Staff (1972). This is a defined benefit scheme and the rules require a full actuarial valuation of the Fund at intervals of not more than 3 years and 6 months. The assets of the Scheme are held in a separate Trustee administered fund.

The latest actuarial valuation was carried out as at 1 April 1999. This showed that the market value of the Scheme's assets was £160,970,000 and that the actuarial value of these assets represented 129% of the value of the benefits accruing from service to the date of the valuation. The conclusion of the valuation was that existing assets were more than sufficient to meet the liabilities arising in respect of pensionable service up to the valuation date. Various benefit improvements and a reduction in both member and employer contributions were introduced from 1 August 1997.

The basis of the valuation was the projected unit method and the significant assumptions underlying the valuation were that the investment return would be 4.5% a year, that salary increases would be 4.1% a year and that pensions in payment and in deferment would increase by 2.6% a year.

A prepayment of £324,450 (2001: £271,807) is included in debtors, this being the excess of the amount funded over the accumulated pension cost.

FRS 17

Leeds Innovations is a participating employer of the University of Leeds Pension and Assurance Scheme for Non-Academic Staff (1972) which is a defined benefit scheme.

The scheme is a multi-employer scheme and the share of Leeds Innovations assets and liabilities cannot be identified on a consistent and reasonable basis. According to FRS 17 the scheme should be treated as if it were a defined contribution scheme.

Contributions to the scheme for the period were £98,873 and the agreed contribution rate for the next 12 months is 10%.

The FRS 17 transitional disclosure in the financial statements for the year ended 31 July 2001 was prepared on the basis that the underlying assets and liabilities of the scheme attributable to the company could be identified on a consistent and reasonable basis. More recent actuarial advice has indicated that this is not the case. Accordingly, the scheme will be treated as if it were a defined contribution scheme in accordance with paragraph 9 (b) of the FRS, and the required disclosure given above.

NOTES TO THE ACCOUNTS

Year ended 31 July 2002

18. ULTIMATE PARENT COMPANY/CONTROLLING PARTY

The ultimate parent company and controlling entity is University of Leeds. Copies of the group accounts are available by writing to Office of the Finance and Commercial Director, University of Leeds, Leeds, LS2 9JT.

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard Number 8, not to disclose related party transactions with the other group companies within the UK and Europe. All significant transactions with University of Leeds, the ultimate parent company and controlling entity, are disclosed within the notes to the statutory accounts.