

Lancaster University Energy Services Ltd

Company Registration Number: 02333088

Annual Report and Financial Statements

For the Year Ended 31 July 2016

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Lancaster University Energy Services Ltd

Annual Report and Financial Statements for the year ended 31 July 2016

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Lancaster University Energy Services Ltd

Directors' report for the year ended 31 July 2016

The directors present their annual report and the audited financial statements of the company for the year ended 31 July 2016.

Principal activities

The company's principal activity is the provision of energy services to Lancaster University.

Business review and future developments

The company was established in 2012 to provide energy services to Lancaster University through the operation of a single wind turbine which generates and supplies electricity to the University, with any excess capacity being available for resale to the national grid. The wind turbine became operational in November 2012 and electricity generation since the date of commissioning has been ahead of the original business plan assumption.

For 2015/16 total output from the wind turbine totalled 4,799 megawatt hours against the budget assumption of 4,428 megawatt hours. Clearly, for a project of this nature, future performance of the turbine will be dictated primarily by weather conditions which will inevitably vary on an annual basis.

The board of directors is reviewing a range of initiatives in relation to energy generation and supply.

Results and dividends

Turnover for the year was £638,373 (2015: £692,358) and profit for the year was £383,804 (2015: £434,038).

An accrual for Gift Aid of £410,246 has been made in respect of the year ended 31 July 2016 (2015: £470,217), including group Gift Aid surrender of £6,176 (2015: £29,422). In accordance with FRS 102, Gift Aid is shown in the statement of changes in equity on page 8.

The directors do not recommend the payment of a dividend (2015: £nil).

Risks, uncertainties & key performance indicators

The company's directors believe that the analysis of KPIs and risks and uncertainties are consistent with those of its parent Lancaster University. These are adequately set out and described in the Lancaster University group financial statements, and as such, they have not made any further disclosure within these financial statements.

Directors

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

N Banfield	
A Burg	(appointed 10 March 2016)
S Randall-Paley	
M Swindlehurst	

Lancaster University Energy Services Ltd

Directors' report for the year ended 31 July 2016 (continued)

Small company provisions

This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

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.

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:

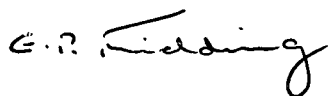
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

The independent auditor, Deloitte LLP, has indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board and signed by its order by



G P Fielding
Company Secretary
6 December 2016

Lancaster University Energy Services Ltd

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' 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 prepared 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF LANCASTER UNIVERSITY ENERGY SERVICES LTD

We have audited the financial statements of Lancaster University Energy Services Ltd for the year ended 31 July 2016 which comprise the Income statement, Statement of financial position, Statement of changes in equity, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2016 and of its loss 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



Paul Thomson ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
13 December 2016

Lancaster University Energy Services Ltd

Income statement for the year ended 31 July 2016

	Note	2016 £	2015 £
Turnover	3	638,373	692,358
Cost of sales	4	(208,076)	(216,219)
Gross profit		<u>430,297</u>	<u>476,139</u>
Administrative expenses		(38,265)	(33,515)
Operating profit		<u>392,032</u>	<u>442,624</u>
Interest payable and similar charges	5	(8,228)	(8,586)
Profit on ordinary activities before taxation	7	<u>383,804</u>	<u>434,038</u>
Tax on profit on ordinary activities	8	-	-
Profit for the financial year		<u>383,804</u>	<u>434,038</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 on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

Lancaster University Energy Services Ltd*Company Registration Number: 02333088***Statement of financial position
as at 31 July 2016**

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	1,676,461	1,779,120
Current assets			
Debtors: amounts falling due within one year	11	8,892,271	8,875,502
Cash at bank and in hand		<u>7,671</u>	<u>7,918</u>
		8,899,942	8,883,420
Creditors: amounts falling due within one year	12	(425,429)	(485,124)
Net current assets		<u>8,474,513</u>	<u>8,398,296</u>
Total assets less current liabilities		<u>10,150,974</u>	<u>10,177,416</u>
Net assets		<u>10,150,974</u>	<u>10,177,416</u>
Capital and reserves			
Called up share capital	13	9,256,143	9,256,143
Profit and loss account		894,831	921,273
Total shareholders' funds		<u>10,150,974</u>	<u>10,177,416</u>

The financial statements on pages 5 to 12 were approved by the board of directors and signed on its behalf by:



M Swindlehurst

Director

6 December 2016

Lancaster University Energy Services Ltd

Statement of changes in equity for the year ended 31 July 2016

	Share capital £	Retained earnings £	Total £
At 1 August 2014	9,256,143	957,452	10,213,595
Profit for the year	-	434,038	434,038
Gift Aid payment to Lancaster University	-	(470,217)	(470,217)
At 31 July 2015	9,256,143	921,273	10,177,416
Profit for the year	-	383,804	383,804
Gift Aid payment to Lancaster University	-	(410,246)	(410,246)
At 31 July 2016	9,256,143	894,831	10,150,974

Lancaster University Energy Services Ltd

Notes to the financial statements for the year ended 31 July 2016

1 Company information

Lancaster University Energy Services Ltd is a private company limited by shares, registered in England under registration number 02333088. The registered office is University House, Bailrigg, Lancaster, Lancashire, LA1 4YW.

2 Accounting policies

Basis of preparation

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, are set out below.

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.

Transition to FRS102

These financial statements for the year ended 31 July 2016 are the first financial statements prepared in accordance with FRS 102. The impact of the transition to FRS 102 on opening equity and profit for the comparative year is explained in note 15 on the following pages.

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.

Tangible Fixed Assets and Depreciation

Plant was revalued on 31 July 2014 and is carried at that revaluation amount. Plant is depreciated on a straight line basis over its estimated useful life of 20 years from the point the plant was commissioned.

The effective date of the revaluation is the date of transition to FRS 102, being 1 August 2014. The revaluation was carried out by Gerald Eve Chartered Surveyors and Property Consultants, whose valuation approach envisaged a modified reconstruction in estimating appropriate replacement costs. If the plant was still being carried under the cost model then the net book value at 31 July 2016 would be £1,488,346.

Lancaster University Energy Services Ltd

Notes to the financial statements for the year ended 31 July 2016 (continued)

Turnover and revenue recognition

Turnover represents amounts receivable (excluding VAT) for services provided during the year, and consists of sales made in the United Kingdom. Revenue is recognised in the period in which energy is generated and supplied.

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%.

3 Turnover

All turnover took place in the UK.

4 Cost of sales	2016	2015
	£	£
Plant and equipment depreciation	102,659	102,659
Rent payable	75,000	75,000
Infrastructure maintenance costs	24,358	23,501
Ecology monitoring costs	6,059	15,059
	<u>208,076</u>	<u>216,219</u>

5 Interest payable and similar charges

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%.

6 Gift Aid

The charitable giving rules allow for a Gift Aid payment no later than nine months after the end of the financial year. An accrual of £410,246 has been made in respect of the year ended 31 July 2016 (2015: £470,217), including group Gift Aid surrender of £6,176 (2015: £29,422). It is expected that when the tax computation for this financial year is agreed any liability to taxation will be covered by the charitable payments referred to above.

In accordance with FRS 102, Gift Aid is shown in the statement of changes in equity on page 7.

7 Profit on ordinary activities before taxation	2016	2015
	£	£
<i>Profit is stated after charging:</i>		
Depreciation of tangible fixed assets	102,659	102,659
Auditor's remuneration for the auditing of the financial statements	2,200	2,070

Lancaster University Energy Services Ltd

Notes to the financial statements for the year ended 31 July 2016 (continued)

8 Tax on profit on ordinary activities	2016 £	2015 £
Profit on ordinary activities before taxation	383,804	434,038
Tax on profit on ordinary activities at the standard rate of 20% (2015: 20%-21%)	76,761	89,701
Less capital allowances in excess of depreciation	(2,110)	(3,510)
Add non deductible expenses	6,163	4,907
Less qualifying charitable donations	(80,814)	(91,098)
Tax charge for the year	-	-

As the company is making a Gift Aid payment equal to its taxable profits to its parent Lancaster University, no charge to taxation arises on the profit for the financial year (2015: £nil). There is no potential deferred taxation liability.

9 Directors' remuneration and employee costs

The directors have not received any remuneration for services provided to the company. Administrative expenses include management charges of £2,873 in respect of part time duties of company directors employed by Lancaster University (2015: £2,594).

The company has no employees. Administrative expenses include management charges of £2,157 in respect of part time duties of staff employed by Lancaster University (2015: £1,805).

10 Tangible fixed assets

	Plant £	Total £
Cost or revaluation		
At 1 August 2015	1,881,779	1,881,779
Additions	-	-
At 31 July 2016	1,881,779	1,881,779
Accumulated depreciation		
At 1 August 2015	102,659	102,659
Charge for the year	102,659	102,659
At 31 July 2016	205,318	205,318
Net book value		
At 31 July 2016	1,676,461	1,676,461
At 31 July 2015	1,779,120	1,779,120

11 Debtors: amounts falling due within one year	2016 £	2015 £
Trade debtors	37,312	18,507
Amounts owed by group undertakings	8,829,023	8,831,710
Other debtors	25,936	25,285
	8,892,271	8,875,502

Lancaster University Energy Services Ltd

Notes to the financial statements for the year ended 31 July 2016 (continued)

12 Creditors: amounts falling due within one year	2016	2015
	£	£
Trade creditors	1,994	-
Amounts owed to group undertakings	410,246	470,217
Value Added Tax	1,292	1,081
Accruals and deferred income	11,897	13,826
	<u>425,429</u>	<u>485,124</u>

13 Called up share capital	2016	2015
	£	£
<i>Authorised</i>		
19,000,100 (2015: 19,000,100) ordinary shares of £1 each	<u>19,000,100</u>	<u>19,000,100</u>
<i>Allotted, called up and fully paid</i>		
9,256,143 (2015: 9,256,143) ordinary shares of £1 each	<u>9,256,143</u>	<u>9,256,143</u>

14 Ultimate parent company

The immediate parent undertaking is Lancaster University Enterprises Ltd.

The ultimate parent undertaking and controlling party is Lancaster University.

Lancaster University is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 July 2016. 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.

Lancaster University Energy Services Ltd

Notes to the financial statements for the year ended 31 July 2016 (continued)

15 Transition to FRS102

	Previously stated £	Effect of transition £	FRS 102 restated £
<i>Profit and Loss Account for the year ended 31 July 2015</i>			
Turnover	692,358	-	692,358
Cost of sales	(204,683)	(11,536)	(216,219)
Gross profit	487,675	(11,536)	476,139
Administrative expenses	(33,515)	-	(33,515)
Operating profit	454,160	(11,536)	442,624
Interest payable and similar charges	(8,586)	-	(8,586)
Gift Aid	(470,217)	-	(470,217)
Loss on ordinary activities before taxation	(24,643)	(11,536)	(36,179)
Tax on loss on ordinary activities	-	-	-
Loss for the financial year	(24,643)	(11,536)	(36,179)

Balance Sheet as at 1 August 2014

Fixed assets	1,670,592	211,187	1,881,779
Current assets	8,599,413	-	8,599,413
Creditors: amounts falling due within one year	(267,597)	-	(267,597)
Net current assets	8,331,816	-	8,331,816
Total assets less current liabilities	10,002,408	211,187	10,213,595
Net assets	10,002,408	211,187	10,213,595
Called up share capital	9,256,143	-	9,256,143
Profit and loss account	746,265	211,187	957,452
Total shareholders' funds	10,002,408	211,187	10,213,595

Balance Sheet as at 31 July 2015

Fixed assets	1,579,469	199,651	1,779,120
Current assets	8,883,420	-	8,883,420
Creditors: amounts falling due within one year	(485,124)	-	(485,124)
Net current assets	8,398,296	-	8,398,296
Total assets less current liabilities	9,977,765	199,651	10,177,416
Net assets	9,977,765	199,651	10,177,416
Called up share capital	9,256,143	-	9,256,143
Profit and loss account	721,622	199,651	921,273
Total shareholders' funds	9,977,765	199,651	10,177,416