

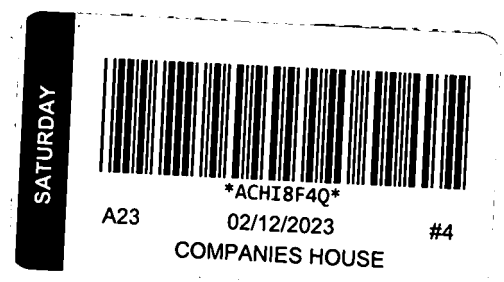


**Lancaster University Energy Services Ltd**

**Company Registration Number: 02333088**

**Annual Report and Financial Statements**

**For the Year Ended 31 July 2023**



# **Lancaster University Energy Services Ltd**

## **Annual Report and Financial Statements for the year ended 31 July 2023**

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## **Lancaster University Energy Services Ltd**

### **Company Information for the Year Ended 31 July 2023**

**Directors:** N C Banfield  
P Morris  
S J Randall-Paley

**Secretary:** M L Green

**Registered office:** University House  
Lancaster University  
Lancaster  
LA1 4YW

**Company number** 02333088 (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 Energy Services Ltd**

### **Directors' report for the year ended 31 July 2023**

The directors present their annual report and the audited financial statements of Lancaster University Energy Services Ltd (the company) for the year ended 31 July 2023.

#### **Principal activities**

The company's principal activity is the provision of energy supply 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 2022/23 total output from the wind turbine totalled 2,131 megawatt hours against the budget assumption of 4,400 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.

Lancaster University has declared a climate emergency and the University aims to be carbon net zero for carbon emissions from electricity and heating by 2030 and net zero from all other emissions by 2035. Lancaster University is the highest producer of renewable energy of all UK universities according to figures published by the Higher Education Statistics Agency and already has reduced its electricity and heating emissions by 50% since 2005.

As a wholly owned subsidiary company of the University, Lancaster University Energy Services will continue to consider and evaluate alternative methods of energy production and storage in order to help the University achieve these ambitious targets. An example of such potential initiatives includes the current evaluation of constructing a large-scale solar farm as part of the drive towards low carbon energy solutions.

#### **Results and dividends**

Turnover for the year was £459,603 (2022: £654,927) and loss for the year was £195,022 (2022 as restated: profit £283,693).

A Gift Aid payment of £439,923 has been made in respect of the year ended 31 July 2022. In accordance with FRS 102, Gift Aid is shown in the statement of changes in equity on page 9.

The directors do not recommend the payment of a dividend (2022: £nil).

## **Lancaster University Energy Services Ltd**

### **Directors' report for the year ended 31 July 2023 (continued)**

#### **Risks, uncertainties & key performance indicators - See also Note 2 (Accounting Policies)**

The key risks facing the company are in relation to average wind speeds, turbine availability and government policy in respect of feed-in tariffs. With regards to average wind speeds, actual experience to-date has been significantly in excess of the original business plan assumptions and electricity generation is monitored on a daily basis. The Board of Directors receive regular reports providing energy production statistics together with reports of any wind turbine down-time.

The key performance indicator for the company is the volume of electricity generated in MWh. This is subject to wind speed and weather patterns which can be difficult to predict. However, with regards to average wind speeds, over the last six years when the turbine has been operational actual experience to-date has largely been in line with forecast generation. Similarly to 2017/18, this year has been an exception to this as the turbine suffered an extended period of down time throughout the year. This was due to a fault that was fully repaired and for which the company is due to receive compensation under the ongoing maintenance contract with Enercon.

<b>Financial year</b>	<b>Forecast Generation MWh</b>	<b>Actual Generation MWh</b>
2022/23	4400	2131
2021/22	4400	3347
2020/21	4400	4126
2019/20	3800	4409
2018/19	4000	4066

The company supplies all of the electricity generated by the wind turbine to its parent company, Lancaster University, whose annual electricity demands are far greater than the turbine's maximum generation. The company also receives revenue from the government feed-in tariff scheme which it is able to claim for 20 years from 23/11/2012, the commissioning date of the wind turbine.

Lancaster University, the ultimate parent company of Lancaster University Energy Services 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. Having considered the ability 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.

Therefore, the Directors, after making enquiries, having reviewed the forecast budgets over the next 12 months and considering the circumstances described above, have a reasonable expectation that Lancaster University Energy Services Limited has adequate resources to continue in operational existence for the foreseeable future.

## **Lancaster University Energy Services Ltd**

### **Directors' report for the year ended 31 July 2023 (continued)**

#### **Directors**

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

N Banfield  
P Morris  
S Randall-Paley

#### **Directors' indemnities**

The directors are responsible for keeping adequate accounting records that are sufficient to show and

#### **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

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

#### **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. This has since been extended for an additional two year period, as approved by Council. The auditor, BDO LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Small companies' provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the

Approved by the Board and signed by its order by



M L Green  
Company Secretary  
24 November 2023

## **Lancaster University Energy Services 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.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **Lancaster University Energy Services Ltd**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASTER UNIVERSITY ENERGY SERVICES 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 2023 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.

We have audited the financial statements of Lancaster University Energy Services Ltd ("the Company") for the year ended 31 July 2023 which comprise Income Statement, Statement of financial position and statement of changes in 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.

#### **Conclusions relating to going concern**

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 Directors report and financial statements, 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 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 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:

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:

### *Non-compliance with laws and regulations*

Based on;

- Our understanding of the Company and the sector in which it operates;
- Discussion with management and those charged with governance and;
- Obtaining and understanding of the company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be the Financial Reporting Standard 102, and the Companies Act 2006.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

- *Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;*
- *Review of financial statement disclosures and agreeing to supporting documentation; and*
- *Review of legal expenditure accounts to understand the nature of expenditure incurred.*

#### **Fraud**

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- *Enquiry with management and those charged with governance, internal audit and audit and risk committee regarding any known or suspected instances of fraud;*
- *Obtaining an understanding of the Company's policies and procedures relating to:*
  - o *Detecting and responding to the risks of fraud; and*
  - o *Internal controls established to mitigate risks related to fraud.*
- *Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;*
- *Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;*
- *Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;*

Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journals to manipulate financial results, management bias in accounting estimates and recognition of income at the end of the period.

Our procedures in respect of the above included:

- *Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation,*
- *Reviewed the financial statements for any significant estimates and judgements and agreeing as per Note 2, there are no significant estimates and judgements*
- *Testing a sample of income around the period end by agreeing to supporting documentation.*

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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:

*Kyla Bellingall*

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

27 November 2023

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

## **Lancaster University Energy Services Ltd**

### **Income statement for the year ended 31 July 2023**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>£</b>	<b>As restated* £</b>
<b>Turnover</b>	<b>2</b>	<b>459,603</b>	<b>654,927</b>
<b>Cost of sales</b>	<b>3</b>	<b>(236,948)</b>	<b>(231,615)</b>
<b>Gross profit</b>		<b>222,655</b>	<b>423,312</b>
<b>Administrative expenses</b>		<b>(379,120)</b>	<b>(141,514)</b>
<b>Operating (loss)/profit</b>		<b>(156,465)</b>	<b>281,798</b>
<b>Interest payable and similar expenses</b>	<b>4</b>	<b>(52,060)</b>	<b>(10,813)</b>
<b>(Loss)/profit before taxation</b>	<b>6</b>	<b>(208,525)</b>	<b>270,985</b>
<b>Tax credit /(charge)</b>	<b>7</b>	<b>13,503</b>	<b>12,708</b>
<b>(Loss)/profit for the financial year</b>		<b>(195,022)</b>	<b>283,693</b>

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/ (loss) before taxation and the profit/ (loss) for the financial year stated above, and their historical cost equivalents.

The notes on pages 12 to 18 form part of these financial statements.

\* Refer to Note 15

**Lancaster University Energy Services Ltd**  
**Company Registration Number: 02333088**

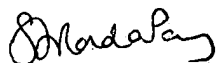
**Statement of financial position**  
**as at 31 July 2023**

	Note	2023	2022
		£	As restated* £
<b>Fixed assets</b>			
Tangible assets	9	957,848	1,060,507
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	8,278,674	8,769,084
Cash at bank and in hand		3,451	3,423
		<u>8,282,125</u>	<u>8,772,507</u>
<b>Creditors: amounts falling due within one year</b>	11	(72,150)	(16,743)
<b>Net current assets</b>		<u>8,209,975</u>	<u>8,755,764</u>
<b>Total assets less current liabilities</b>		<u>9,167,823</u>	<u>9,816,271</u>
<b>Provisions for liabilities</b>			
Deferred tax liability	12	50,276	63,779
		(50,276)	(63,779)
<b>Net assets</b>		<u>9,117,547</u>	<u>9,752,492</u>
<b>Capital and reserves</b>			
Called up share capital	13	9,256,143	9,256,143
Profit and loss account		(138,596)	496,349
<b>Total shareholders' funds</b>		<u>9,117,547</u>	<u>9,752,492</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:

\*Refer to Note 15

The notes on pages 12 to 18 form part of these financial statements.



S Randall-Paley  
**Director**  
 24 November 2023

**Lancaster University Energy Services Ltd**

**Statement of changes in equity  
for the year ended 31 July 2023**

	<b>Note</b>	<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
<b>At 1 August 2021-as restated*</b>		<b>9,256,143</b>	<b>697,784</b>	<b>9,953,927</b>
Profit and total comprehensive income for the year		-	283,693	283,693
Gift Aid payment to Lancaster University	7	-	(485,128)	(485,128)
<b>At 1 August 2022- as restated*</b>		<b>9,256,143</b>	<b>496,349</b>	<b>9,752,492</b>
Profit and total comprehensive income for the year		-	(195,022)	-195,022
Gift Aid payment to Lancaster University	7	-	(439,923)	(439,923)
<b>At 1 August 2023</b>		<b>9,256,143</b>	<b>(138,596)</b>	<b>9,117,547</b>

\* Refer to Note 15

## **Lancaster University Energy Services Ltd**

### **Notes to the financial statements for the year ended 31 July 2023**

#### **1 Company information**

Lancaster University Energy Services Ltd is a private company limited by shares, registered in England & Wales. The registered office is University House, Lancaster University, 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 company supplies all of the electricity generated by the wind turbine to its parent company, Lancaster University, whose annual electricity demands are far greater than the turbine's maximum generation. The company also receives revenue from the government feed-in tariff scheme which it is able to claim for 20 years from 23/11/2012, the commissioning date of the wind turbine.

Lancaster University, the ultimate parent company of Lancaster University Energy Services 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. Having considered the ability 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.

Therefore, the Directors, after making enquiries, having reviewed the forecast budgets over the next 12 months and considering the circumstances described above, have a reasonable expectation that Lancaster University Energy Services Limited has adequate resources to continue in operational existence for the foreseeable future.

## Lancaster University Energy Services Ltd

### Notes to the financial statements for the year ended 31 July 2023 (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.

#### **Deferred taxation**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

#### **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.

#### **Asset revaluations**

Plant and equipment as at July 2014 was revalued to fair value on the date of transition to FRS 102 and are now measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

If the plant was still being carried under the cost model then the net book value at 31 July 2023 would be as follows.

Original cost	1,822,464
Depreciation to 31 July 2023	971,980
Net book value	<u>850,484</u>

Plant is now carried at deemed cost with a carrying value at 31 July 2023 as follows:

Deemed cost	1,881,779
Depreciation to 31 July 2023	923,931
Net book value	<u>957,848</u>

#### **Turnover**

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.

## Lancaster University Energy Services Ltd

### Notes to the financial statements for the year ended 31 July 2023 (continued)

#### *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%.

#### *Amounts owed by group undertakings*

Amounts owed by or owed to Group undertakings are repayable on demand. However, neither the University nor the Company will seek repayment of these amounts in the foreseeable future.

#### *Grants*

The Company operates a Community Benefit Scheme to provide grants to enable local community organisations to develop projects which will benefit the local community and environment. All grant applications undergo due diligence by a Community Benefit Fund Steering Group which assess all valid applications against key criteria, including community, environment, energy and carbon factors. Any grants awarded are recognised as expenditure in the year in which the grant is formally approved and has been communicated to the recipient.

#### *Basic financial instruments*

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. 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.

<b>3 Cost of sales</b>	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Plant and equipment depreciation	102,659	102,659
Rent payable	75,000	75,000
Infrastructure maintenance costs	51,889	46,916
Ecology monitoring costs	7,400	7,040
	<u>236,948</u>	<u>231,615</u>

#### **4 Interest payable and similar expenses**

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%.

## Lancaster University Energy Services Ltd

### Notes to the financial statements for the year ended 31 July 2023 (continued)

#### 5 Gift Aid

The charitable giving rules allow for a Gift Aid payment no later than nine months after the end of the financial year. A Gift Aid payment of £439,923 has been made in respect of the year ended 31 July 2022. The tax computation shown in note 7 includes the qualifying charitable donation for the year ended 31 July 2023.

In accordance with FRS 102, Gift Aid is shown in the statement of changes in equity on page 11.

6 Profit before taxation	2023 £	2022 £
<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	6,755	5,400

#### 7 Tax on profit

No charge to taxation arises on the loss for the financial year (2022: £nil). This is calculated as follows:

	2023 £	2022 As restated* £
Profit/ (loss) before taxation	(208,525)	270,985
Tax on profit/ (loss) at the standard rate of 21.01% (2022: 19%)	(43,802)	51,487
Add depreciation in excess of capital allowances	11,348	9,212
Add non deductible expenses	4,172	2,118
Add capital items expensed	60,575	11,111
Less group relief claimed	(43,638)	-
Effect of change in corporation tax rates	(2,158)	(3,051)
Less qualifying charitable donations	-	(83,585)
Tax credit for the year	(13,503)	(12,708)

As the company is loss making this year, no Gift Aid payment is payable to its parent Lancaster University. No charge to taxation arose on the profit for the 2022 financial year as the company made a Gift Aid payment equal to taxable profits.

From 1 April 2023, the Corporation Tax main rate increased from 19% to 25% for profits above £250,000.

A small profits rate of 19% was also announced for companies with profits of £50,000 or less. Companies with profits between £50,000 and £250,000 pay tax at the main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.

FRS 102 requires the substantively enacted rate of 25% to be applied when calculating deferred tax assets and liabilities. There is no expiry date on timing differences, unused tax losses or tax credits.

\*Refer to Note 15

## Lancaster University Energy Services Ltd

### Notes to the financial statements for the year ended 31 July 2023 (continued)

#### 8 Directors' remuneration and employee costs

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 (2022: £nil)

The company has no employees (2022: nil). Administrative expenses include management charges of £14,383 in respect of part time duties of staff employed by Lancaster University (2022: £8,295).

#### 9 Tangible fixed assets

	Plant £	Total £
<b>Cost or valuation</b>		
At 1 August 2022	1,881,779	1,881,779
Disposal	-	-
At 31 July 2023	<u>1,881,779</u>	<u>1,881,779</u>
<b>Accumulated depreciation</b>		
At 1 August 2022	821,272	821,272
Charge for the year	102,659	102,659
At 31 July 2023	<u>923,931</u>	<u>923,931</u>
<b>Net book value</b>		
At 31 July 2023	<u>957,848</u>	<u>957,848</u>
At 31 July 2022	<u>1,060,507</u>	<u>1,060,507</u>

#### 10 Debtors: amounts falling due within one year

	2023 £	2022 £
Trade debtors	79,189	140,345
Accrued income	14,544	59,045
Amounts owed by group undertakings *	8,106,117	8,536,754
Prepayments	38,636	32,940
Value Added Tax	40,188	-
	<u>8,278,674</u>	<u>8,769,084</u>

\* 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.

#### 11 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	57,123	3,886
Value Added Tax	-	5,905
Accruals	15,027	6,952
	<u>72,150</u>	<u>16,743</u>

## Lancaster University Energy Services Ltd

### 12 Provisions for liabilities

Deferred taxation:	2023 £	2022 As restated* £
Accelerated capital allowances	(50,276)	(63,779)
	<u>(50,276)</u>	<u>(63,779)</u>

	2023 £	2022 As restated* £
At 1 August 2022- as restated*	(63,779)	(76,487)
Deferred tax credit in profit and loss account	13,503	12,708
At 31 July 2023	<u>(50,276)</u>	<u>(63,779)</u>

\*Refer to Note 15

### 13 Called up share capital

	2023 £	2022 £
<i>Authorised</i>		
19,000,100 (2022: 19,000,100) ordinary shares of £1 each	<u>19,000,100</u>	<u>19,000,100</u>
<i>Allotted and called up</i>		
9,256,141 (2022: 9,256,141) 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, 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 2023. 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 2023 (continued)**

#### **15 Prior period correction**

The prior year comparatives and relevant notes were restated because of a correction of an error in the financial statements. The prior year financial statements incorrectly omitted deferred tax transactions which were required to be recognised.

##### **Reconciliation of equity at 31 July 2021**

Reported equity at 31 July 2021	£ 10,030,414
Deferred tax adjustment in respect of prior years	(76,487)
<b>Equity shareholder funds at 31 July 2021</b>	<b><u>9,953,927</u></b>

##### **Reconciliation of equity at 31 July 2022**

Reported equity at 31 July 2022	9,816,271
Deferred tax adjustment in respect of prior years	(76,487)
Deferred tax credit	12,708
<b>Equity shareholder funds at 31 July 2022</b>	<b><u>9,752,492</u></b>

##### **Reconciliation of income statement for the year ended 31 July 2022**

Reported profit for the year	270,985
Deferred tax credit	12,708
<b>Profit for the year ended 31 July 2022</b>	<b><u>283,693</u></b>