

WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE
CONSOLIDATED FINANCIAL STATEMENTS
31 JULY 2006

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**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

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**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

The board of trustees

Mr G R Smith
Dr R D Walker
Mr P A Hyett
Ms E Martin
Prof P McGhee

Company secretary

Burnetts Solicitors

Registered and principal office

Westlakes Research Institute
Westlakes Science and Technology Park
Moor Row
Cumbria
CA24 3JY

External Auditors

KPMG LLP
St James Square
Manchester
M2 6DS

Bankers

Nat West Bank
71 Lowther Street
Whitehaven
Cumbria
CA28 7AG

Scottish Widows Bank Plc
PO Box 12757
67 Morrison Street
Edinburgh
EH3 8YJ

Halifax Plc
40/41 King Street
Whitehaven
Cumbria
CA28 7JN

Solicitors

Burnetts
6 Victoria Place
Carlisle
Cumbria
CA1 1ES

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

The Directors and Trustees present their report together with the financial statements of the Group and Charity for the period from 1 April 2005 to 31 July 2006

The year end has been extended by four months to 31 July 2006 to bring the Westlakes group in line with the University of Central Lancashire (UCLan) accounting year.

GOVERNING DOCUMENT

The Charity is constituted as a Company limited by guarantee and is governed by its Memorandum and Articles of Association.

APPOINTMENT OF TRUSTEES

Trustees of the company are appointed by the Council of Management and may also be appointed by the member, that is, UCLan

TRUSTEES INDUCTION AND TRAINING

Training in the duties and responsibilities of trustees is provided in the induction process

ORGANISATION

The Charity carries out teaching, research and outreach activities through its Academic Programmes function. The Charity has a wholly owned trading subsidiary, Westlakes Scientific Consulting Limited. Westlakes Scientific Consulting Limited owns one £1 ordinary share in Westlakes Analytical Services Limited, Westlakes Research (Trading) Limited and Westlakes Research Pension Trustee Company Limited. None of these investments has traded

In the trading subsidiary there are two divisions - Genetics and Epidemiology and Environmental Science. The Executive Chair and Principal and Chief Executive Officer are responsible for all of the activities and are supported by a Human Resource department, Health, Safety, Environment and Quality Assurance functions, Purchasing department together with an outsourced Finance function.

Regular management meetings involving senior managers and nominated individuals are held together with less frequent meetings of a broader based management group feeding into the decision making process

Formal financial delegations exist and are reviewed on a regular basis

The organisations operate to certificated processes for ISO9001:2000 and ISO14001:2004 standards

RISK MANAGEMENT

The major risks to which the Charity is exposed, in particular those related to the operations and finances of the Charity, are assessed at the Charity's Board meetings. A more formal risk assessment process is currently being established. The Trustees are satisfied that there are systems in place to mitigate exposure to the major risks

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

OBJECTIVES OF THE CHARITY AND PRINCIPAL ACTIVITIES

The Charity's objects are to advance the education of the public in such a manner, as may be charitable, and in particular to promote interest in, and the understanding of, environmental research, to encourage and assist occupational health research, to conduct research in environment, health, industrial and other related sciences and to publish results of all such research and to establish an educational institution in West Cumbria

The Charity's principal activities are teaching, research and outreach.

The principal activity of the subsidiary undertaking, Westlakes Scientific Consulting Limited, is that of undertaking commercial scientific research work and providing consultancy services within the environmental and health related areas

REVIEW OF DEVELOPMENTS, ACTIVITIES AND ACHIEVEMENTS

Outreach activities and collaborations with healthcare professionals throughout North Cumbria have continued together with the delivery of university validated Masters modules at Westlakes.

The thrust of MSc and other higher degree student collaborations with universities, in the areas of our expertise and under our supervision, continue

During the period the trading subsidiary made an operating profit of £37,803 (£87,808 2005 restated).

The Charity received £240,000 (£191,750 2005) in respect of transitional funding from the West Cumbria Development Fund.

FINANCIAL REVIEW

The results for the period and the Group's financial position at the end of the period are shown in the attached financial statements

An annual budget is prepared for presentation to the Board meeting held normally in June prior to the commencement of each financial year. The actual performance against budget has been monitored by WSC's Executive team on behalf of the Group at monthly intervals for the period to 31 July 2006 (The Executive team is chaired by the Executive Chair of WSC and membership comprises the Principal/Chief Executive Officer, Head of Finance, and HR.)

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

INVESTMENT POWERS AND POLICY

Under the Memorandum and Articles of Association, the Charity has the power to make any investment that the Trustees think fit

No formal investment policy exists, but the best return will be obtained in respect of the cash funds held in accordance with the requirements shown by projected cash flow statements based on formally approved business plans. Any investments in trading subsidiaries will be carefully monitored on a regular basis to ensure their continued suitability.

INVESTMENT PERFORMANCE

The trading subsidiary, Westlakes Scientific Consulting Ltd is the principal investment of the charity. During the period, due to the restatement of the pension fund liabilities to FRS17 standard, the investment in WSC has been written down from £905k to its original cost of £2. Trustees are aware that WSC posted a loss of £23,245 in the period, due to one-off restructuring costs of £74,559 and difficult trading conditions. Management within WSC is working effectively to remedy this situation. A new business plan has been produced and endorsed by the board and this provides the primary reassurance that WSC remains a going concern and is moving to sustainability.

ADDITION TO SUBSIDIARY COMPANIES

All subsidiaries are included in the consolidated accounts

THE TRUSTEES

The Trustees who served the charity during the period were as follows:

Mr G R Smith	
Dr R D Walker	
Mr P A Hyett	(Appointed 18 August 2005)
Ms E Martin	(Appointed 18 August 2005)
Prof P McGhee	(Appointed 18 August 2005)
Mr K Dixon	(Retired 18 August 2005)
Prof J Fyfe	(Retired 18 August 2005)
Mr J Jennings	(Retired 2 May 2005)
Mr W Lowther	(Retired 18 August 2005)
Mr T A Williams	(Retired 18 August 2005)
Mr J Nellist	(Retired 18 August 2005)
Prof M E Grant	(Retired 18 August 2005)
Prof J Caldwell	(Retired 18 August 2005)
Rev Dr P Tiplady	(Retired 18 August 2005)

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

TRUSTEES ANNUAL REPORT *(continued)*

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

RESERVES POLICY

The Charity needs reserves to ensure funds are available to achieve the establishment and long term survival of a higher educational institution in West Cumbria through excellence in academic research and teaching

The level of reserves required is based on forecast income and expenditure for up to five years ahead and potential deviations therefrom

In order to maintain adequate reserves, monthly management accounts are prepared and reviewed to compare actual to forecast, so that variations can be highlighted and action taken where necessary

The policy will be monitored and reviewed by the Board and the Company Secretary on an annual basis, following the preparation of the statutory accounts to determine whether changes should be made. The review will cover possible alterations to the way in which the Charity operates, including those arising from legislative changes and revisions to best practice for similar establishments

The minimum level of reserves required will be based on 14 days' operating expenses plus any statutory obligations and will be represented by net current assets in the form of cash and debtors. If the level of reserves appears likely to fall short of the minimum the matter must be immediately referred to the Board

STATEMENT OF THE CHARITY'S GRANT MAKING POLICY

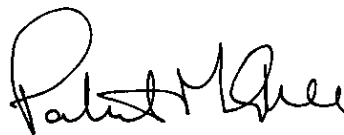
As the Charity does not make formal grants there is no formal grant making policy. If there are any financial transactions which could be loosely classed as grants then these are subject to approval by the Board

AUDITORS


During the year KPMG LLP were appointed as external auditors to the Company. A resolution to reappoint KPMG LLP for the ensuing year will be proposed at the annual general meeting in accordance with Section 385 of the Companies Act 1985

Registered office
Westlakes Research Institute
Westlakes Science and Technology Park
Moor Row
Cumbria
CA24 3JY

Signed on behalf of the Trustees



Prof P McGhee
Chairman



Ms E Martin
Executive Chair

Approved by the Trustees on 31 October 2006

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

TRUSTEES ANNUAL REPORT *(continued)*

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES OF WESTLAKES RESEARCH LTD IN RESPECT OF THE TRUSTEES REPORT AND THE FINANCIAL STATEMENTS

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

Company Law requires the Trustees to prepare financial statements for each financial year in accordance with UK accounting standards

The charity's financial statements are required by law to give a true and fair view of the state of affairs of the charity for that period.

In preparing these financial statements, the Trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 charitable company will continue its activities

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WESTLAKES RESEARCH LIMITED**

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

We have audited the charity financial statements (the 'financial statements') of Westlakes Research Ltd for the period ended 31 July 2006 which comprise the statement of financial activities, the charity's balance sheet and related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditors' 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 charity's and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE TRUSTEES AND THE AUDITORS

As described in the statement of Trustees responsibilities on page 7, the charity's trustees, who are also the directors of Westlakes Research Ltd for the purposes of company law, are responsible for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity 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 trustees' remuneration and other transactions is not disclosed.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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.

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

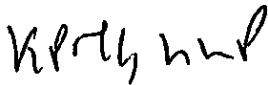
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
WESTLAKES RESEARCH LIMITED *(continued)***

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

OPINION

In our opinion the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the charity's affairs as at 31 July 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the period then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information in the trustees report is consistent with the financial statements


KPMG LLP
Chartered Accountants
& Registered Auditor

1 November 2006

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

		Unrestricted	Restricted	Total Funds	Total Funds
	Note	Funds	Funds	Period to	Year to
		£	£	31 Jul 06	31 Mar 05
				£	<i>As restated</i>
					£
INCOMING RESOURCES					
Incoming resources from					
Generated funds					
Voluntary income, grants and donations	2	394,611	–	394,611	228,183
Incoming resources from charitable activities	3	27,673	–	27,673	65,756
Other incoming resources	4	173,942	–	173,942	91,768
Other income		19,477	–	19,477	36,132
Turnover from commercial Trading operations		4,297,636	–	4,297,636	4,025,557
TOTAL INCOMING RESOURCES		4,913,339	–	4,913,339	4,447,396
RESOURCES EXPENDED					
Cost of generating funds:					
Direct					
charitable expenditure	5	631,143	25,261	656,404	192,267
Governance costs	6	36,062	–	36,062	81,093
Commercial Trading Operations		4,472,203	–	4,472,203	4,213,422
		5,139,408	25,261	5,164,669	4,486,782
Fixed Asset Impairment	9	169,739	–	169,739	(20,586)
Exceptional items	8	–	–	–	(624,116)
TOTAL RESOURCES EXPENDED	7	5,309,147	25,261	5,334,408	3,842,080
NET OUTGOING RESOURCES FOR THE PERIOD					
		(395,808)	(25,261)	(421,069)	605,316

All of the activities of the charity are classed as continuing

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

	Note	31 Jul 06 £	Year to 31 Mar 05 <i>As restated</i> £
Net (Outgoing) / Incoming Resources for the financial period		(421,069)	605,316
Actuarial gain/(loss) in respect of defined benefit pension scheme		(875,000)	(168,000)
Deferred tax		166,000	27,000
Total recognised gains and losses relating to the period		<u>(1,130,069)</u>	<u>464,316</u>
Prior year adjustment	10	(1,922,000)	(1,785,000)
Total gains and losses recognised since the last annual report		<u>(3,052,069)</u>	<u>(1,320,684)</u>

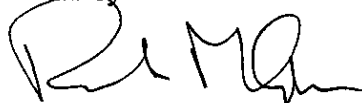
**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

CONSOLIDATED BALANCE SHEET

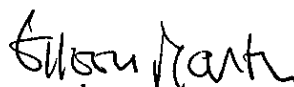
31 JULY 2006

	Note	31 Jul 06 £	£	31 Mar 05 <i>As restated</i> £
FIXED ASSETS				
Tangible assets	9	2,050,443		2,264,269
Investments		3		3
		<u>2,050,446</u>		<u>2,264,272</u>
CURRENT ASSETS				
Stocks		329,629		82,619
Debtors	11	565,953		1,104,591
Cash at bank and in hand		<u>6,960,022</u>		<u>2,287,693</u>
		7,855,604		3,474,903
CREDITORS: Amounts falling due within one year	12	<u>(5,303,136)</u>		<u>(799,228)</u>
NET CURRENT ASSETS		<u>2,552,468</u>		<u>2,675,675</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,602,914</u>		<u>4,939,947</u>
DEFERRED TAX	14	(2,036)		-
PENSION LIABILITY	13	(2,717,000)		(1,922,000)
NET ASSETS		<u>1,883,878</u>		<u>3,017,947</u>
FUNDS				
Restricted	15	1,074,623		1,099,884
Unrestricted	16	<u>809,255</u>		<u>1,918,063</u>
TOTAL FUNDS		<u>1,883,878</u>		<u>3,017,947</u>

These financial statements were approved by the Trustees on the 31 October ²⁰⁰⁶ and are signed on their behalf by



Prof P McGhee



Ms E Martin

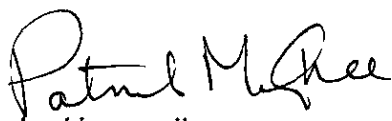
**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

CHARITY BALANCE SHEET

31 JULY 2006

	Note	31 Jul 06 £	£	31 Mar 05 £
FIXED ASSETS				
Tangible assets	9	2,007,930		2,209,350
Investments		2		905,480
		<u>2,007,932</u>		<u>3,114,830</u>
CURRENT ASSETS				
Debtors	11	38,496		338,247
Cash at bank and in hand		<u>1,739,433</u>		<u>1,598,359</u>
		1,777,929		1,936,606
CREDITORS: Amounts falling due within one year	12	<u>(127,664)</u>		<u>(69,402)</u>
NET CURRENT ASSETS			1,650,265	1,867,204
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,658,197</u>	<u>4,982,034</u>
NET ASSETS			<u>3,658,197</u>	<u>4,982,034</u>
FUNDS				
Restricted	15	1,074,623		1,099,884
Unrestricted	16	<u>2,583,574</u>		<u>3,882,150</u>
TOTAL FUNDS		<u>3,658,197</u>		<u>4,982,034</u>

These financial statements were approved by the Trustees on the 31 October 2006 and are signed on their behalf by:


Prof P McGhee


Ms E Martin

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain buildings, in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) and the Companies Act 1985, subject to the departures referred to below

Basis of Consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

- Financial Reporting Standard for Smaller Entities (effective January 2005), and
- the final transitional arrangements requiring full adoption of FRS 17 'Retirement Benefits'

Financial Reporting Standard for Smaller Entities (effective January 2005)

The adoption of FRSSE (effective 2005) has had no material impact on the accounting policies of the company. As a result there is no prior period adjustment in the reported results for the period ending 31 July 2006 and the change in accounting policy has had no effect on the results for the current period.

FRS 17 'Retirement Benefits'

The adoption of FRS 17 during the period has had a material impact on the accounting policies and the reported results of the company. As a result, a prior year adjustment was necessary on the reported results for 2005 and the change in accounting policy has effected results for the current period.

The financial statements reflect the fair value of assets and liabilities arising from the company's retirement benefit obligations and related funding. Operating costs of providing retirement benefits to the employees are recognised in the accounting period to which the benefits are earned by the employees. The related finance costs and any other changes in the value of the assets and liabilities are recognised in the accounting period in which they arise. The financial statements also contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

The Directors recognise the impact of applying FRS17 to the accounting position of WSC. The company, having considered the 10 year forward view of liabilities to the pension scheme, the performance of the pension fund during the past three years, and in continuing to fund at a level above the immediate requirement, believes that the liabilities will be managed adequately. Having reviewed thoroughly the trading position of the company and having undertaken a formal business planning process, the Directors are of the opinion that WSC can continue trading in a sustainable manner.

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

1. ACCOUNTING POLICIES – continued

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax

In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term, and on-going services contracts, is recognised based on the stage of completion

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Buildings	-	1% reducing balance basis
Plant & Machinery	-	20% straight line basis
Computers	-	33% straight line basis
Motor Vehicles	-	20% straight line basis
Office Equipment	-	20% straight line basis

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined benefit pension scheme for employees. This scheme was closed to new members with effect from 6 May 2003. A defined contribution arrangement has been set up under the existing deed and is available to members of staff who are not in the defined benefit scheme. The assets of the scheme are held separately from those of the company in independently administered funds.

Pension scheme assets are valued at market value. Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The pension scheme deficit is recognised in full on the balance sheet. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

1. ACCOUNTING POLICIES – continued

The deferred tax relating to a defined benefit asset/liability is offset against the defined benefit asset/liability and not included with other deferred tax assets or liabilities

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at operating (loss)/profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Cash flow statement

The trustees have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the group is small.

2. VOLUNTARY INCOME; GRANTS AND DONATIONS

GROUP AND COMPANY

	Unrestricted Funds £	Restricted Funds £	Total Funds Period to 31 Jul 06 £	Total Funds Year to 31 Mar 05 £
Grants received	154,611	-	154,611	3,744
WCDF - Transitional Funding	240,000	-	240,000	191,750
	<u>394,611</u>	<u>-</u>	<u>394,611</u>	<u>195,494</u>

During the year ended 31 March, 2001 agreement was reached whereby the group would receive transitional funding from West Cumbria Development Fund Limited over the next 5 years of approximately £3.5 million. £3,441,750 had been received up to the year ended 31 March 2005 with £240,000 received in the period to 31 July 2006. The allocation of these amounts is decided upon when the monies are received. It is possible the charity will receive further amounts in the future.

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

GROUP AND COMPANY

	31 Jul 06 £	31 Mar 05 £
Research income	<u>27,673</u>	<u>65,756</u>

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

4. OTHER INCOMING RESOURCES

GROUP

	Unrestricted Funds £	Restricted Funds £	Total Funds Period to 31 Jul 06 £	Total Funds Year to 31 Mar 05 £
Bank interest receivable	<u>173,942</u>	<u>-</u>	<u>173,942</u>	<u>91,768</u>

COMPANY

	Unrestricted Funds £	Restricted Funds £	Total Funds Period to 31 Jul 06 £	Total Funds Year to 31 Mar 05 £
Bank interest receivable	<u>95,384</u>	<u>-</u>	<u>95,384</u>	<u>83,125</u>

5. CHARITABLE ACTIVITIES COSTS

	Unrestricted Funds £	Restricted Funds £	Total Funds Period to 31 Jul 06 £
Direct charitable expenditure:			
Grants payable	25,005	-	25,005
Salaries	218,188	-	218,188
Office costs	318,501	25,261	343,762
Other	<u>69,449</u>	<u>-</u>	<u>69,449</u>
	<u>631,143</u>	<u>25,261</u>	<u>656,404</u>

Analysis of provision of direct charitable expenditure:

	Grants paid £	Other costs £	Total 2006 £
Direct Charitable Expenditure	<u>25,005</u>	<u>631,399</u>	<u>656,404</u>

The Charity committed to pay £100,000 over three years starting in 2004 to Newcastle University to fund a fixed term, three year post Genetic Epidemiology £25,005 has been paid in the period, (2005 £33 343)

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

6. GOVERNANCE COSTS

GROUP AND COMPANY

	Unrestricted Funds £	Restricted Funds £	Total Funds Period to 31 Jul 06 £	Total Funds Year to 31 Mar 05 £
Accountancy fees	10,310	-	10,310	7,321
Legal and professional	24,746	-	24,746	69,440
Costs of trustees' meetings	1,006	-	1,006	4,332
	<u>36,062</u>	<u>-</u>	<u>36,062</u>	<u>81,093</u>

7. TOTAL RESOURCES EXPENDED

GROUP

The aggregate payroll costs were:

	31 Jul 06 £	Year to 31 Mar 05 £
Wages and salaries	3,013,569	2,466,158
Social security costs	264,149	208,014
Other pension costs	325,884	273,485
	<u>3,603,602</u>	<u>2,947,567</u>

COMPANY

The aggregate payroll costs were:

	31 Jul 06 £	Year to 31 Mar 05 £
Wages and salaries	181,282	155,490
Social security costs	14,786	12,951
Other pension costs	22,120	19,284
	<u>218,188</u>	<u>187,725</u>

Particulars of employees:

The Charity did not directly employ any staff during the year. However a recharge was made from the trading subsidiary relating to staff costs, which is broken down above

Other costs:

Premises	85,153	49,638
Legal and professional	35,056	76,761
Other	698,197	(343,647)
	<u>818,406</u>	<u>(217,248)</u>

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

8. EXCEPTIONAL ITEMS

GROUP AND COMPANY

	31 Jul 06	Year to 31 Mar 05
Property Revaluation	-	624,116

9. TANGIBLE FIXED ASSETS

GROUP	Freehold property £	Fixtures & Office Equip £	Total £
COST			
At 1 April 2005	3,071,214	2,601,511	5,672,725
Additions		18,113	18,113
Disposals		(6,425)	(6,425)
Impairment on valuation	(1,066,214)	-	(1,066,214)
At 31 July 2006	<u>2,005,000</u>	<u>2,613,199</u>	<u>4,618,199</u>
DEPRECIATION			
At 1 April 2005	(871,214)	(2,537,242)	(3,408,456)
Charge for the period	(25,261)	(36,940)	(62,200)
On disposals		6,425	6,425
Written back on valuation	896,475	-	896,475
At 31 July 2006	<u>-</u>	<u>(2,567,756)</u>	<u>(2,567,756)</u>
NET BOOK VALUE			
At 31 July 2006	<u>2,005,000</u>	<u>45,443</u>	<u>2,050,443</u>
At 31 March 2005	<u>2,200,000</u>	<u>64,269</u>	<u>2,264,269</u>
COMPANY			
COST			
At 1 April 2005	3,071,214	600,087	3,671,301
Impairment on valuation	(1,066,214)	-	(1,066,214)
At 31 July 2006	<u>2,005,000</u>	<u>600,087</u>	<u>2,605,087</u>
DEPRECIATION			
At 1 April 2005	(871,214)	(590,737)	(1,461,951)
Charge for the year	(25,261)	(6,421)	(31,681)
Written back on valuation	(896,475)	-	(896,475)
At 31 July 2006	<u>-</u>	<u>(597,157)</u>	<u>(597,157)</u>
NET BOOK VALUE			
At 31 July 2006	<u>2,005,000</u>	<u>2,930</u>	<u>2,007,930</u>
At 31 March 2005	<u>2,200,000</u>	<u>9,350</u>	<u>2,209,350</u>

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

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PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

9. TANGIBLE FIXED ASSETS - continued

Included in the net book value of the Freehold property is £401,000 (2005 £305,487) relating to the value of land which has not been depreciated

On 31 March 2006, the Freehold property known as Westlakes Research Institute owned by the Charity, were professionally valued by Eckersley Chartered Surveyors, Commercial Property Consultants & Valuers, Starkie Court, 13 Starkie Street, Preston, Lancashire PR1 3LU at the open market value of £1,165,000. On the same date the Princess Royal Building was also valued by Eckersleys at an open market value of £840,000.

10. PRIOR YEAR ADJUSTMENT

During the period, the company adopted the requirements of FRS17 (Retirement benefits). Under the provisions of FRS3 this constitutes a change in accounting policy and is therefore accounted for as a prior year adjustment. The effect of the prior year adjustment on the position previously reported at 31 March 2005 is set out below

	2005	PYA	2005 as restated
	£	£	£
PROFIT & LOSS ACCOUNT			
Turnover	4,198,146		4,198,146
Cost of Sales	(3,051,214)		(3,051,214)
Gross Profit	1,146,932		1,146,932
Administrative expenses	(1,111,448)	29,000	(1,082,448)
Other Operating Income	23,324		23,324
Operating Profit	58,808		87,808
Other Provisions	1,226		1,226
Interest Receivable	8,643		8,643
Interest Payable & Similar Charges	(9)	(57,000)	(57,009)
Profit on Ordinary Activities Before Taxation	68,668	(28,000)	40,668
Tax on Profit on Ordinary Activities	(9,398)	32,000	22,602
Profit for the Financial Period	59,270	4,000	63,270

**WESTLAKES RESEARCH LIMITED
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PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

10. PRIOR YEAR ADJUSTMENT - continued

	2005	PYA	2005 as restated
	£	£	£
STRGL			
Profit for the Financial Period	59,270	4,000	63,270
Actuarial loss in respect of Defined Benefit Pension Scheme		(141,000)	(141,000)
Total Recognised Gains and Losses Relating to the Period	59,270	(137,000)	(77,730)
Prior Year Adjustment		(1,785,000)	(1,785,000)
Total Gains and Losses Recognised Since The last Annual Report	59,270	(1,922,000)	(1,862,730)
BALANCE SHEET			
Fixed Assets	101,010		101,010
Current Assets	1,780,833		1,780,833
Current Liabilities	976,363		976,363
Pension Liability		(1,922,000)	(1,922,000)
Net Assets	905,480	(1,922,000)	(1,016,520)
Share Capital	2		2
General Reserve excluding Pension Liability	905,478		905,478
Pension Reserve		(1,922,000)	(1,922,000)
Total Reserves	905,480	(1,922,000)	(1,016,520)

11. DEBTORS

GROUP	31 Jul 06	31 Mar 05
	£	£
Trade debtors	294,422	926,846
Amounts owed by Group undertakings	5,554	-
Other debtors	255,871	45,074
Prepayments	10,106	28,907
	<u>565,953</u>	<u>1,104,591</u>
COMPANY	31 Jul 06	31 Mar 05
	£	£
Trade debtors	1,632	33,108
Amounts owed by group undertakings	-	242,537
Other debtors	26,758	33,695
Prepayments	10,106	28,907
	<u>38,496</u>	<u>338,247</u>

**WESTLAKES RESEARCH LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

12. CREDITORS: Amounts falling due within one year

GROUP	31 Jul 06	31 Mar 05
	£	£
Trade creditors	82,732	308,690
Other creditors	106,800	345,678
Accruals	5,113,604	148,860
	<u>5,303,136</u>	<u>803,228</u>
 COMPANY	 31 Jul 06	 31 Mar 05
	£	£
Trade creditors	13,659	15,812
Amounts owed to group undertakings	46,178	—
Other creditors	—	713
Accruals	67,827	52,877
	<u>127,664</u>	<u>69,402</u>

13. PENSION COMMITMENTS

The company operates pension arrangements providing benefits based on final pensionable pay, which was available to all directors and employees. However, with effect from 6 May 2003 the scheme has been closed to new entrants. Therefore the current service cost will increase as the members of the scheme approach retirement. The contributions are determined by a qualified actuary on the basis of triennial using principally the projected unit method. A full actuarial valuation was carried out at 31 March 2003 and updated at 31 July 2006.

The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and to the rates increase in pay and pensions. It was assumed that investment returns would be 2.5% per annum higher than the growth in pensionable salaries.

Using this method of valuation, the Actuary's recommended total employer's contribution is at a rate of 12.4% of pensionable pay for all members under the age of 57, and at a rate of 16.3% for all members who were aged 57 or over as at 1 January 2004, with effect from 1 January 2004.

The pension charge for the year was £379,601 (£265,696 in 2005) and £37,404 (£36,834) was owed by the company to the pension fund at the year end.

The assumptions used by the actuary at 31st July 2006 are best estimates, chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice. The major assumptions used by the actuary were:-

	2006	2005	2004
	%	%	%
Rate of increase in salaries	4.0	3.9	3.9
Rate of increase in pensions in payment	3.0	2.9	2.9
Rate of increase in deferred pensions	3.0	2.9	2.9
Discount rate	5.1	5.3	5.4
Inflation assumption	3.0	2.9	2.9

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

13. PENSION COMMITMENTS - continued

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are

	31 Jul 06	31 Mar 05 (restated)	31 Mar 04
	£	£	£
Total market value of assets	7,860,000	6,141,000	5,352,000
Present value of scheme liabilities	<u>(11,214,000)</u>	<u>(8,514,000)</u>	<u>(7,556,000)</u>
Deficit in the scheme	<u>(3,354,000)</u>	<u>(2,373,000)</u>	<u>(2,204,000)</u>
Related deferred tax asset	637,000	451,000	419,000
Net pension liability	<u>(2,717,000)</u>	<u>(1,922,000)</u>	<u>(1,785,000)</u>

An analysis of the movements in surplus/(deficit) during the period are shown below

	31 Jul 06	31 Mar 05 (restated)
	£	£
At 1 April	(2,373,000)	(2,204,000)
Total operating charge	(334,000)	(237,000)
Total other finance costs	(83,000)	(57,000)
Actuarial income recognised in the statement of total recognised gains and losses	(875,000)	(141,000)
Contributions	311,000	266,000
At 31 July	<u>(3,354,000)</u>	<u>(2,373,000)</u>

An analysis of the defined benefit cost follows:

Analysis of the amount charged to operating (loss)/profit

	31 .	31 Mar 05 (restated)
	£	£
Current service cost	(307,000)	(218,000)
Pre-operating profit gains/(losses) on settlements or curtailments	(27,000)	(19,000)
Total operating charge	<u>(334,000)</u>	<u>(237,000)</u>

Analysis of the amount charged to finance costs

	2006	2005
	£	£
Other finance costs: expected return on assets in the scheme	560,000	353,000
Other finance costs interest costs	(643,000)	(410,000)
Total finance costs	<u>(83,000)</u>	<u>(57,000)</u>

WESTLAKES RESEARCH LIMITED COMPANY LIMITED BY GUARANTEE

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

13. PENSION COMMITMENTS - continued

Analysis of the amount recognised in statement of total recognised gains and losses

	2006 £	2005 £
STRGL difference between expected and actual return on assets	808,000	191,000
STRGL experience gains/(losses) arising from scheme liabilities	182,000	(45,000)
STRGL effect of changes in assumptions underlying the present value of scheme liabilities	(1,865,000)	(287,000)
Actuarial losses	<u>(875,000)</u>	<u>(141,000)</u>

A history of experience gains and losses is shown below

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets.				
- amount (£)	808,000	191,000	865,000	(1,930,000)
- % of scheme assets	10	3	16	(50)
Experience gains/(losses) on scheme liabilities				
- amount (£)	182,000	(45,000)	(254,000)	681,000
- % of the present value of scheme liabilities	2	(1)	(3)	10
Total amount recognised in statement of total recognised gains and losses				
- amount (£)	(875,000)	(141,000)	435,000	(2,069,000)
- % of the present value of scheme liabilities	(8)	(2)	6	(32)

In addition to the above defined benefit scheme the company also has a defined contribution scheme available to new employees and contributed £17,705 (£7,668 2005) to the scheme in the period

14. DEFERRED TAX

	2006 £	2005 £
<i>Note on deferred tax provision</i>		
Deferred tax provision at the beginning of the year	-	-
Adjustment in respect of prior periods	(10,726)	-
Deferred tax provision at the beginning of the year, as restated	(10,726)	-
Charge for the year (excluding pensions movements)	12,312	-
Deferred tax provision at the end of the year	<u>2,036</u>	<u>-</u>

**WESTLAKES RESEARCH LIMITED
COMPANY LIMITED BY GUARANTEE**

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2005 TO 31 JULY 2006

14. DEFERRED TAX - continued

An analysis of the amounts provided for deferred tax are set out below

	2006	2005
	£	£
Accelerated capital allowances	(10,056)	-
Other timing differences	12,092	-
Deferred tax provision	<u>2,036</u>	<u>-</u>

15. RESTRICTED FUNDS

GROUP AND COMPANY

	2006	2005
	£	£
Restricted Funds	<u>1,074,623</u>	<u>1,099,884</u>

16. ANALYSIS OF NET ASSETS (between restricted and unrestricted funds)

GROUP

	Tangible fixed assets £	Investments £	Other net assets £	Total £
Restricted Funds	1,074,623	-	-	1,074,623
Unrestricted funds	975,820	3	(166,568)	809,255
	<u>2,050,443</u>	<u>3</u>	<u>(166,568)</u>	<u>1,883,878</u>

COMPANY

	Tangible fixed assets £	Investments £	Other net assets £	Total £
Restricted Funds	1,074,623	-	-	1,074,623
Unrestricted funds	933,307	2	1,650,265	2,583,574
	<u>2,007,930</u>	<u>2</u>	<u>1,650,265</u>	<u>3,658,197</u>

17. COMPANY LIMITED BY GUARANTEE

The charitable company is limited by guarantee and does not have share capital