

Company Number: 2714181

KCL ENTERPRISES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 JULY 2003



KCL ENTERPRISES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Professor A M Lucas (Chairman)
Dr M L Sims (Managing Director)
Ms S Jacobs (Commercial Director)
Mr S Large
Professor R C Hider
Professor B W Ife
Professor L F Freedman
Professor C Rice-Evans
Professor P J Whitfield

SECRETARY

Mr B K Kirpalani

REGISTERED OFFICE

King's College London
Strand
London
WC2R 2LS

AUDITOR

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

SOLICITORS

Nabarro Nathanson
Lacon House
84 Theobalds Road
London
WC1X 8RW

KCL ENTERPRISES LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 July 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and the profit and loss of the company for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACTIVITIES

The primary activities of KCL Enterprises Limited are:-

- i) to assist King's College London to market its research and consultancy capabilities;
- ii) to negotiate all contracts related to (i) above with particular reference to improving the recovery of the full costs associated with research activities;
- iii) to provide financial management of the research grants and contracts of the College;
- iv) to protect and exploit the intellectual property of the College generated from its research activities; and
- v) to manage selected College activities in research administration, continuing education and knowledge transfer.

The company also provides seminars and training courses for the College's academic staff on the above mentioned topics. The Managing Director is appointed as a co-opted member of the College Research Committee.

KCL ENTERPRISES LIMITED
DIRECTORS' REPORT (CONTINUED)

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The operating profit for 2002/03 was £175,624 (2000/01 - £70,672) and resulted primarily from licensing and services rendered. Ninety five percent of the profit has been donated to the College.

Profit is expected to decrease in 2003/04. This is due to a shift of technology transfer activity from revenue generating licences to establishing spin-out companies in which the College holds equity.

DIVIDENDS

The financial statements of the company are to be found on pages 5 to 13 of this report. The Directors do not propose a dividend (2002: nil).

DIRECTORS

The Directors holding office during the year are detailed on page 1.

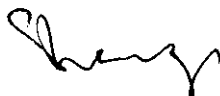
DIRECTORS' INTEREST IN SHARES

None of the Directors held any beneficial interests in the share capital of the company.

AUDITORS

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

By order to the Board,



S Large, Director
22nd December 2003

**REPORT OF THE INDEPENDENT AUDITOR'S, KPMG LLP,
TO THE MEMBERS OF KCL ENTERPRISES LIMITED**

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company'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 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 auditors

As described on page 2, the company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

*KPMG LLP
Chartered accountants
Registered auditor
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT*

11th December 2003

KCL ENTERPRISES LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 July 2003**

	Note	2003 £	2002 £
Turnover: Continuing Operations	2	1,705,234	1,620,364
Operating expenses		(1,529,610)	(1,549,692)
Operating profit: Continuing Operations		<u>175,624</u>	<u>70,672</u>
Gift aid donations to group companies		(166,843)	(67,139)
Profit on ordinary activities before taxation	3	<u>8,781</u>	<u>3,533</u>
Taxation	8	(3,346)	(1,394)
Profit on ordinary activities after taxation transferred to reserves	10	<u><u>5,435</u></u>	<u><u>2,139</u></u>

There are no gains or losses for the year other than those passing through the profit and loss account. Accordingly no statement of movements on shareholders' funds has been produced and no statement of Total Recognised Gains and Losses has been produced.

The results of the year and the previous year as set out above are derived entirely from continuing operations.

KCL ENTERPRISES LIMITED

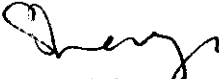
BALANCE SHEET

As at 31 July 2003

	Note	2003	2002
		£	£
FIXED ASSETS			
Tangible assets	5	51,056	56,187
CURRENT ASSETS			
Debtors	6	16,685	15,004
Cash at bank and in hand		185	136
		<u>16,870</u>	<u>15,140</u>
CREDITORS:			
AMOUNTS FALLING DUE			
WITHIN ONE YEAR	7	<u>(59,522)</u>	<u>(68,358)</u>
NET CURRENT LIABILITIES		(42,652)	(53,218)
TOTAL NET ASSETS		<u>8,404</u>	<u>2,969</u>
CAPITAL AND RESERVES			
Called up share capital	9	2	2
Profit and loss account	10	8,402	2,967
EQUITY SHAREHOLDERS' FUNDS		<u>8,404</u>	<u>2,969</u>

Approved by the Board of Directors on 2nd December 2003

Signed on behalf of the Board of Directors


S Large, Director

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2003

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Tangible fixed assets

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

Furniture and Equipment - 20% per annum

Motor Vehicles - 20% per annum

Pension costs

The pension schemes for the Company's staff are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the Company benefits from the employees' services.

The assets of the scheme are held separately from those of the company in a separately administered fund.

Gift Aid donations

The Company has a gift aid arrangement to annually donate 95% of its accounting profits to King's College London as from the financial year ending 31 July 2002.

Related party transactions

The Company has taken advantage of the exemption which is conferred by Financial Reporting Standard Number 8, Related Party Disclosures, that allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

Cash flow statement

The Company has not produced a cash flow statement since it has taken advantage of the exemption available to wholly owned subsidiaries, given by Financial Reporting Standard 1(revised), Cash Flow Statements.

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2003

Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. TURNOVER

Turnover represents fees and external income receivable.

	2003 £	2002 £
Turnover by destination:		
United Kingdom	1,684,033	1,612,315
Other	21,201	8,049
	<u>1,705,234</u>	<u>1,620,364</u>

3. PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER CHARGING:

	2003 £	2002 £
Depreciation - owned assets	24,571	23,427
Loss on disposal of fixed assets	-	280
Auditors' remuneration	3,008	2,500
	<u>27,579</u>	<u>26,207</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All staff, including Directors, are seconded from the parent company and recharged to KCL Enterprises Limited. An analysis of the charge made by the parent company is given below.

Average number of persons seconded during the year:

	2003 No.	2002 No.
Full-time	31	32
Part-time	<u>10</u>	<u>10</u>

KCL ENTERPRISES LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 July 2003**

Staff costs incurred during the year (including directors' emoluments):

	2003 £	2002 £
Wages and salaries	1,071,842	1,086,453
Social security costs	85,201	84,585
Other pension costs	123,706	122,332
	<u>1,280,749</u>	<u>1,293,370</u>
Directors' emoluments		
Other emoluments	182,213	172,584
Pension scheme contributions	25,130	24,146
	<u>207,343</u>	<u>196,730</u>

Two Directors were members of a defined benefit pension scheme (2002: two).

5. TANGIBLE FIXED ASSETS

	Furniture and Equipment £	Motor Vehicles £	Total £
Cost :			
At 1 August	81,525	21,890	103,415
Additions	19,440	-	19,440
Disposals	(23,749)	-	(23,749)
At 31 July	<u>77,216</u>	<u>21,890</u>	<u>99,106</u>
Depreciation :			
At 1 August	42,849	4,378	47,227
Charge for the year	20,194	4,378	24,572
Disposals	(23,749)	-	(23,749)
At 31 July	<u>39,294</u>	<u>8,756</u>	<u>48,050</u>
Net Book Value at 31 July 2003	<u>37,922</u>	<u>13,134</u>	<u>51,056</u>
Net Book Value at 31 July 2002	<u>38,675</u>	<u>17,512</u>	<u>56,187</u>

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2003

6. DEBTORS

	2003 £	2002 £
Other	16,684	15,004
	<u>16,684</u>	<u>15,004</u>

7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amount due to parent undertaking	31,895	52,981
Corporation tax	3,346	1,394
Accruals	16,418	11,483
Audit fee	3,008	2,500
Other	4,855	-
	<u>59,522</u>	<u>68,358</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Corporation Tax	<u>3,346</u>	<u>1,394</u>

Factors affecting tax charge for period:

Profit on ordinary activities before taxation	8,781
Expenses not deductible for tax purposes	4,175
Capital allowances for period lower than depreciation	<u>4,656</u>
	17,612

Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	<u>3,346</u>
Current tax charge for period	<u>3,346</u>

KCL ENTERPRISES LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 July 2003****9. CALLED UP SHARE CAPITAL**

	2003	2002
Authorised : 100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
Alotted, called up and fully paid : 2 ordinary shares of £1 each	<u>£2</u>	<u>£2</u>

10. RESERVES

	2003 £	2002 £
At beginning of the year	2,967	828
Profit for the year after taxation	<u>5,435</u>	<u>2,139</u>
At end of the year	<u>8,402</u>	<u>2,967</u>

11. CAPITAL COMMITMENTS

There were no commitments contracted as at 31 July 2003 (2002 - nil).

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2003

12. PENSIONS

The Company's employees are members of the pension schemes of King's College London. The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS), and the Superannuation Arrangements of the University of London (SAUL). USS provides benefits based on final pensionable salary for academic and related employees of all UK universities and some other employers. SAUL provides similar benefits for non-academic staff. These are externally funded centralised defined benefit schemes which are contracted out of the Second State Pension. The assets of the schemes are held in separate trustee-administered funds. It is not possible to identify the Company's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounted for as if the schemes were defined contribution schemes and pension costs are based on the amounts actually paid in accordance with paragraphs 8 -12 of FRS17.

Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was as at 31 March 2002 using the projected unit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Investment returns per annum	5.0%	6.0%
Salary scale increases per annum	3.7%	3.7%
Pensions increases per annum	2.7%	2.7%
Market value of assets at date of last valuation	£19,938 million	
Value of past service liabilities at date of last valuation	£19,776 million	
Surplus of assets at date of last valuation	£162 million	
Proportion of members' accrued benefits covered by the actuarial value of the assets		101%

The contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2003

Superannuation Arrangements of the University of London (SAUL)

The last available actuarial valuation of the scheme was as at 31 March 2002 using the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Investment returns on liabilities per annum before retirement	6.0%	7.0%
Investment returns on liabilities per annum after retirement	5.0%	5.0%
Salary scale increases per annum	4.2%	4.2%
Pensions increases per annum	2.7%	2.7%
Market value of assets at date of last valuation	£941 million	
Proportion of members' accrued benefits covered by the actuarial value of the assets		121%

The contribution rate required for future service benefits alone at the date of the valuation was 17.4% of salaries. Employers who have recently joined SAUL and certain employee groups (as agreed by the Trustee of SAUL), pay 17.4% of salaries until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other Employers to pay contributions at the rate of 10.5 % of pensionable salaries, subject to review at future valuations. The surplus also supports the continuation of the Employee contribution rate of 5% of salaries, again subject to review. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

13. PARENT UNDERTAKING

In the opinion of the Directors the parent undertaking and controlling party is King's College London, a body incorporated in England by Royal Charter.

Copies of King's College London financial statements may be obtained from King's College London, Strand, London WC2R 2LS.