

Registered

3898306

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006
FOR
THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**



**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

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FOR THE YEAR ENDED 31 MARCH 2006**

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**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2006**

DIRECTORS:

I D Shott
Professor J H Anstee
A G Balls
Professor Sir K Calman
Professor M J Whitaker

SECRETARY:

Miss A Morris

REGISTERED OFFICE:

2nd Floor, Bio Science Centre
Times Square
Scotswood Road
Newcastle upon Tyne
NE1 4EP

REGISTERED NUMBER:

3898306 (England and Wales)

AUDITORS:

Brennan Neil & Leonard
32 Brenkley Way
Blezard Business Park
Seaton Burn
Newcastle upon Tyne
NE13 6DS

BANKERS:

Barclays Bank PLC
Newcastle City Office

SOLICITORS:

Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2006**

The directors present their report with the financial statements of the company for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of promotion and development of the North East biotechnology industry.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

As governed by the Memorandum of Association, no portion of the income of the Company shall be paid or transferred to any members of the Company except where it is payment in good faith for remuneration for services rendered, rent for premises demised or let by any Member of the Company or repayment of out-of-pocket expenses to Directors.

DIRECTORS

The directors during the year under review were:

I D Shott	
Professor J H Anstee	
A G Balls	
Professor Sir K Calman	- appointed 22.9.05
Ms G M Hall	- resigned 11.7.05
Dr P A Nicholson	- resigned 28.7.05
Professor M J Whitaker	
Professor L F Wright	- resigned 31.8.05

M J Sipple - Asher was appointed as CEO on 1 April 2006.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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). The financial statements are required by law to 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 estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2006**

AUDITORS

The auditors, Brennan Neil & Leonard, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Signed on behalf of the directors
Miss A Morris - Secretary

18 December 2006

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)**

We have audited the financial statements of The Centre Of Excellence For Life Sciences Limited (Limited by guarantee) for the year ended 31 March 2006 on pages six to seventeen. These financial statements have been prepared under the accounting policies set out therein.

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 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors 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 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.

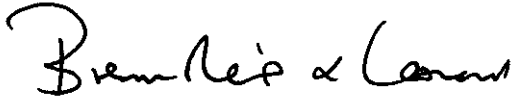
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.



Brennan Neil & Leonard
32 Brenkley Way
Bleazard Business Park
Seaton Burn
Newcastle upon Tyne
NE13 6DS

18 December 2006

**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 £	2005 as restated £
TURNOVER		-	6,400
Administrative expenses		1,787,889	1,749,626
		(1,787,889)	(1,743,226)
Other operating income	2	1,769,900	1,736,980
OPERATING LOSS	4	(17,989)	(6,246)
Interest receivable and similar income		17,989	10,037
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	3,791
Tax on profit on ordinary activities	5	-	(2,918)
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		-	6,709

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the previous year.

The notes form part of these financial statements

**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

**BALANCE SHEET
31 MARCH 2006**

		2006		2005 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	7		67,500		-
Tangible assets	8		186,157		252,324
Investments	9		429,787		96,550
			<u>683,444</u>		<u>348,874</u>
CURRENT ASSETS					
Debtors	10	576,157		693,950	
Cash at bank and in hand		<u>85,973</u>		<u>504,700</u>	
		662,130		1,198,650	
CREDITORS					
Amounts falling due within one year	11	<u>600,532</u>		<u>1,137,052</u>	
NET CURRENT ASSETS			<u>61,598</u>		<u>61,598</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			745,042		410,472
PROVISIONS FOR LIABILITIES	12		(16,853)		(16,853)
ACCRUALS AND DEFERRED INCOME	13		<u>(686,253)</u>		<u>(351,683)</u>
NET ASSETS			<u><u>41,936</u></u>		<u><u>41,936</u></u>
RESERVES					
Profit and loss account	14		<u>41,936</u>		<u>41,936</u>
	17		<u><u>41,936</u></u>		<u><u>41,936</u></u>

The financial statements were approved by the Board of Directors on 18 December 2006 and were signed on its behalf by:

Director



The notes form part of these financial statements

**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 £	2005 as restated £
Net cash outflow from operating activities	1	(1,809,165)	(2,062,897)
Returns on investments and servicing of finance	2	17,989	10,037
Taxation		-	1,737
Capital expenditure and financial investment	2	(410,544)	(312,906)
		<u>(2,201,720)</u>	<u>(2,364,029)</u>
Financing	2	1,782,993	2,586,364
(Decrease)/Increase in cash in the period		<u>(418,727)</u>	<u>222,335</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		<u>(418,727)</u>	<u>222,335</u>
Change in net funds resulting from cash flows		<u>(418,727)</u>	<u>222,335</u>
Movement in net funds in the period		<u>(418,727)</u>	<u>222,335</u>
Net funds at 1 April		<u>504,700</u>	<u>282,365</u>
Net funds at 31 March		<u>85,973</u>	<u>504,700</u>

The notes form part of these financial statements

**THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
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**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2006**

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006	2005 as restated
	£	£
Operating loss	(17,989)	(6,246)
Depreciation charges	75,974	26,506
Revenue grants received	(1,649,143)	(1,702,768)
Capital grants released	(75,974)	(25,880)
Decrease/(Increase) in debtors	117,793	(601,613)
(Decrease)/Increase in creditors	(259,826)	247,104
Net cash outflow from operating activities	<u>(1,809,165)</u>	<u>(2,062,897)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006	2005 as restated
	£	£
Returns on investments and servicing of finance		
Interest received	17,989	10,037
Net cash inflow for returns on investments and servicing of finance	<u>17,989</u>	<u>10,037</u>
 Capital expenditure and financial investment		
Purchase of intangible fixed assets	(75,000)	-
Purchase of tangible fixed assets	(2,307)	(216,356)
Purchase of fixed asset investments	(333,237)	(96,550)
Net cash outflow for capital expenditure and financial investment	<u>(410,544)</u>	<u>(312,906)</u>
 Financing		
Grants received	1,782,993	2,586,364
Net cash inflow from financing	<u>1,782,993</u>	<u>2,586,364</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.05	Cash flow	At
	£	£	31.3.06
			£
Net cash:			
Cash at bank and in hand	504,700	(418,727)	85,973
	<u>504,700</u>	<u>(418,727)</u>	<u>85,973</u>
 Total	 <u>504,700</u>	 <u>(418,727)</u>	 <u>85,973</u>

The notes form part of these financial statements

**THE CENTRE OF EXCELLENCE FOR
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TRADING AS CELS**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

1. ACCOUNTING POLICIES

Group Exemption

The financial statements contain information about The Centre of Excellence For Life Sciences Limited (Limited by guarantee) as an individual company and do not contain consolidated financial information as the parent of a group because the subsidiary company CELS Business Services Ltd was dormant throughout the period.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

Patents and Licences

Patents and licences are amortised over their useful economic life which is assumed to be 10 years.

Tangible fixed assets

The cost of tangible fixed assets includes only expenditure incurred in bringing the assets in to working condition for their intended use. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Furniture and fittings	20% on cost
Motor vehicles	25% on cost
IT equipment	33.33% on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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 transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**THE CENTRE OF EXCELLENCE FOR
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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

1. ACCOUNTING POLICIES - continued

Grants

Grants of a capital nature are credited to a reserve and released to the profit and loss account over the useful life of the assets concerned. Grants which are revenue in nature are released to the profit and loss account over the period to which they relate.

Investments

Investments are included in the balance sheet at the lower of cost and net realisable value.

Going concern

At this early stage of development of the company CELS is substantially reliant upon funding from the Regional Development Agency, One NorthEast, for its operations. Funding for core activities and projects has been secured until at least 31 March 2008. Under such circumstances of financial dependence there is the potential for the provider of funds to exercise significant influence over the recipient. Both CELS and One NorthEast have determined that no such relationship of significant influence should exist. The parties have established written agreements and procedures to ensure that CELS operates in an independent manner. The Directors of CELS are satisfied that no significant influence exists. The company is implementing plans to diversify its income sources, including the establishment of a trading subsidiary, CELS Business Services Ltd.

The accounts have accordingly been prepared on a going concern basis recognising that CELS operates as an independent organisation.

2. OTHER OPERATING INCOME

	2006	2005 as restated
	£	£
Other income	44,783	4,596
Revenue grants received	1,649,143	1,702,768
Capital grants released	75,974	25,880
Other grant receipt	-	3,791
Exchange gains	-	(55)
	<u>1,769,900</u>	<u>1,736,980</u>

3. STAFF COSTS

	2006	2005 as restated
	£	£
Wages and salaries	483,660	564,422
Social security costs	51,422	63,082
Other pension costs	56,111	71,219
	<u>591,193</u>	<u>698,723</u>

The average monthly number of employees during the year was as follows:

	2006	2005 as restated
Directors	6	7
Staff	8	8
	<u>14</u>	<u>15</u>

**THE CENTRE OF EXCELLENCE FOR
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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

4. OPERATING LOSS

The operating loss is stated after charging:

	2006	2005 as restated
	£	£
Depreciation - owned assets	68,474	26,506
Patents and licences amortisation	7,500	-
Foreign exchange differences	-	55
	<u> </u>	<u> </u>
Directors' emoluments	129,187	203,451
Directors' pension contributions to money purchase schemes	12,125	29,100
Compensation to director for loss of office	87,500	-
	<u> </u>	<u> </u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	1
	<u> </u>	<u> </u>

5. TAXATION

Analysis of the tax credit

The tax credit on the profit on ordinary activities for the year was as follows:

	2006	2005 as restated
	£	£
Current tax:		
Prior year tax charge	-	(1,737)
Deferred tax	-	(1,181)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	-	(2,918)
	<u> </u>	<u> </u>

6. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to £96,550 paid to Creative Gene Technology Limited (CGT) in the year ended 31 March 2004. These payments were written off as at the time there was no agreement in place between CGT and CELS. A loan agreement covering payments made in the year ended 31 March 2004 and in the year ended 31 March 2006 was signed in February 2006, so a prior period adjustment has been made to reintroduce the funds that were written off in the year ended 31 March 2004 as a fixed asset investment.

**THE CENTRE OF EXCELLENCE FOR
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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

7. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
Additions	75,000
At 31 March 2006	<u>75,000</u>
AMORTISATION	
Amortisation for year	7,500
At 31 March 2006	<u>7,500</u>
NET BOOK VALUE	
At 31 March 2006	<u><u>67,500</u></u>

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 April 2005	195,454	3,055	5,645	90,147	294,301
Additions	-	-	-	2,307	2,307
At 31 March 2006	<u>195,454</u>	<u>3,055</u>	<u>5,645</u>	<u>92,454</u>	<u>296,608</u>
DEPRECIATION					
At 1 April 2005	-	763	5,645	35,569	41,977
Charge for year	37,091	1,264	-	30,119	68,474
At 31 March 2006	<u>37,091</u>	<u>2,027</u>	<u>5,645</u>	<u>65,688</u>	<u>110,451</u>
NET BOOK VALUE					
At 31 March 2006	<u>158,363</u>	<u>1,028</u>	<u>-</u>	<u>26,766</u>	<u>186,157</u>
At 31 March 2005	<u>195,454</u>	<u>2,292</u>	<u>-</u>	<u>54,578</u>	<u>252,324</u>

One NorthEast retains a right of lien over all capital assets for a period of 5 years from the date of the final grant.

**THE CENTRE OF EXCELLENCE FOR
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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

9. FIXED ASSET INVESTMENTS

	2006	2005 as restated
	£	£
Shares in group undertakings	25,000	-
Participating interests	7,648	-
Loans to undertakings in which the company has a participating interest	192,352	-
Other investments not loans	4,787	-
Other loans	200,000	96,550
	<u>429,787</u>	<u>96,550</u>

Additional information is as follows:

	Shares in group undertakings £	Interest in associate undertakings £	Unlisted investments £	Totals £
COST				
Additions	25,000	7,648	4,787	37,435
At 31 March 2006	<u>25,000</u>	<u>7,648</u>	<u>4,787</u>	<u>37,435</u>
NET BOOK VALUE				
At 31 March 2006	<u>25,000</u>	<u>7,648</u>	<u>4,787</u>	<u>37,435</u>

The company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

CELS Business Services Ltd

Nature of business: Life sciences

	%
	holding
Class of shares:	
Ordinary	100.00
	2006
	£
Aggregate capital and reserves	<u>25,000</u>

**THE CENTRE OF EXCELLENCE FOR
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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

9. FIXED ASSET INVESTMENTS - continued

Associated Company

Electrochemical Sensor Technology (EST) Ltd

Nature of business: Research and development

	%		
Class of shares:	holding		
Ordinary A	24.80		
		31.8.05	31.8.04
		£	£
Aggregate capital and reserves		(131,384)	(78,211)
Loss for the year		(53,173)	(42,596)
		<u> </u>	<u> </u>

Other equity investments in unlisted companies in the year ended 31 March 2006 relate to a 7.5% investment in the share capital of Creative Gene Technology Ltd and a 12% investment in the share capital of Reinnervate Ltd.

	Loans to associates £	Other loans £	Totals £
At 1 April 2005	-	96,550	96,550
New in year	95,802	200,000	295,802
Other movement	96,550	(96,550)	-
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2006	192,352	200,000	392,352
	<u> </u>	<u> </u>	<u> </u>

The loan investment to Electrochemical Sensor Technology Ltd (EST) brought forward at 1 April 2005 has been re-allocated to loan investments in associated companies as at 31 March 2006, as the Company purchased a 24.8% equity stake in EST during the current year.

Fixed asset investment loans of £392,352 are unsecured. Given the early stage of investment is not possible to identify whether the carrying value of these investments is impaired. The board is of the opinion that there is significant potential future value in these assets so the investments have been carried at their cost.

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005 as restated
	£	£
Trade debtors	2,350	1,231
Funds with solicitors	473,714	574,014
VAT	21,844	89,001
Prepayments and accrued income	78,249	29,704
	<u> </u>	<u> </u>
	576,157	693,950
	<u> </u>	<u> </u>

**THE CENTRE OF EXCELLENCE FOR
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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006	2005 as restated
	£	£
Trade creditors	153,576	517,246
Amounts owed to group undertakings	25,000	-
Grant creditor	293,997	570,691
Accrued expenses	127,959	49,115
	<u>600,532</u>	<u>1,137,052</u>

12. PROVISIONS FOR LIABILITIES

	2006	2005 as restated
	£	£
Other provisions	<u>16,853</u>	<u>16,853</u>

Other provisions relate to assets purchased by One NorthEast on behalf of the Company.

13. ACCRUALS AND DEFERRED INCOME

	2006	2005 as restated
	£	£
Deferred capital grants	<u>686,253</u>	<u>351,683</u>

	2006	2005
	£	£
Brought forward	351,683	47,804
Received in year	410,544	329,759
Released to P&L	(75,974)	(25,880)
	<u>686,253</u>	<u>351,683</u>

14. RESERVES

	Profit and loss account £
At 1 April 2005	41,936
Profit for the year	-
At 31 March 2006	<u>41,936</u>

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. Total pension costs for the year were £71,219 with contributions of £2,425 (2004: £2,425) outstanding at the period end.

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**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2006**

16. RELATED PARTY DISCLOSURES

On 14 March 2006 the company acquired 25,000 ordinary shares in CELS Business Services Limited this being a 100% holding. CELS Business Services Limited was dormant at the year end. At 31 March 2006 the amount owed by the company to its subsidiary was £25,000 for the unpaid share capital.

On 30 March 2006 the board approved a loan facility of £250,000 to the subsidiary to be held on deposit and drawn when required; no funds were drawn before the year end.

17. RECONCILIATION OF MOVEMENTS IN RESERVES

	2006	2005 as restated
	£	£
Profit for the financial year	-	6,709
Net addition to reserves	-	6,709
Opening reserves	41,936	35,227
Closing reserves	<u>41,936</u>	<u>41,936</u>

18. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee and its governing document is its Memorandum and Articles of Association. The directors hold no shares in the company. Each member of the company is a guarantor of the company, to an amount not exceeding £1, in the event of a winding up of the company.

19. CONTINGENT ASSETS AND LIABILITIES

The company has funded work on behalf of University spin-out companies in return for which the company is entitled to a share in future IP rights. These projects are at a very early stage of development and because of this and the uncertainty of the commercial success of these projects they have not been valued and included in the company balance sheet.

The company has also funded work into a research project in return for an equity stake in a research company. This equity stake will only be granted if the research company can generate second round funding. If the second round funding is obtained but the company does not exercise its right to the equity stake, the company may request repayment of the funding provided to date. Since this is dependent on the research company obtaining second round funding, which is outside of the company's control, the contingent asset has not been valued and included in the company balance sheet.

As part of the patent assignment agreement between the company and Amanda Jane Jahoda the company must pay to Amanda Jane Jahoda £250,000 calculated at the rate of 50% and payable out of any profit, benefit or income which is received in cash and which derives in any way from the patents and which the company received from the commercialisation of the patents. Due to uncertainty over the future success of the commercialisation of the patents, the contingent liability has not been valued and included in the balance sheet.

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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

	2006		2005 as restated	
	£	£	£	£
Consultancy		-		6,400
Other income				
Other income	44,783		4,596	
Revenue grants received	1,649,143		1,702,768	
Capital grants released	75,974		25,880	
Other grant receipt	-		3,791	
Exchange gains	-		(55)	
Deposit account interest	17,989		10,037	
		1,787,889		1,747,017
		1,787,889		1,753,417
Expenditure				
Rent	44,401		45,705	
Rates and water	11,319		7,795	
Insurance	13,968		9,134	
Light and heat	1,322		2,373	
Amortisation of intangible fixed assets	7,500		-	
Depreciation of tangible fixed assets				
Plant and machinery	37,091		-	
Fixtures and fittings	1,264		723	
Motor vehicles	-		710	
Computer equipment	30,119		25,073	
Directors' salaries	129,187		201,748	
Directors' social security	11,606		20,643	
Directors' pension contributions	12,125		29,100	
Directors' compensation for loss of office	87,500		-	
Wages	354,473		362,674	
Social security	39,816		42,439	
Pensions	43,986		42,119	
Recruitment expenses	104,575		3,533	
Telephone	13,957		5,707	
Post and stationery	5,176		5,552	
Advertising	58,787		39,130	
Travel & subsistence	34,297		25,835	
Motor expenses	9,451		10,781	
Marketing and sponsorship	11,270		65,233	
Vehicle rental & leasing	843		634	
Repairs and renewals	1,309		4,782	
Computer costs & maintenance	34,752		23,207	
Staff training and conference costs	21,553		25,303	
Wages transferred to projects	-		(22,375)	
Social security transferred to projects	-		(2,511)	
Sundry expenses	54,188		48,858	
Audit fees	8,828		7,072	
Consultancy fees	157,343		170,435	
Legal and professional fees	24,477		32,987	
Carried forward	1,366,483	1,787,889	1,234,399	1,753,417

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**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

	2006		2005 as restated	
	£	£	£	£
Brought forward	1,366,483	1,787,889	1,234,399	1,753,417
Project expenses	412,911		508,618	
Entertainment	7,769		5,585	
	<u> </u>	<u>1,787,163</u>	<u> </u>	<u>1,748,602</u>
		726		4,815
Finance costs				
Bank charges		<u>726</u>		<u>1,024</u>
NET PROFIT		<u><u>-</u></u>		<u><u>3,791</u></u>

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