

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008
FOR
THE CENTRE OF EXCELLENCE FOR
LIFE SCIENCES LIMITED
(LIMITED BY GUARANTEE)
TRADING AS CELS**

38078306

FRIDAY



A29

A9RL36Y2

30/01/2009

807

COMPANIES HOUSE

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

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	5
Profit and Loss Account	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Cash Flow Statement	10
Notes to the Financial Statements	12
Profit and Loss Account	20

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

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2008**

DIRECTORS:	I D Shott – Chairman Professor J H Anstee A G Balls C F Higgins M J Sipple - Asher Professor M J Whitaker
SECRETARY:	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 Chartered Accountants and Registered Auditors 32 Brenkley Way Blezard Business Park Seaton Burn Newcastle upon Tyne NE13 6DS
BANKERS:	Barclays Bank PLC P O Box 378 71 Grey Street Newcastle upon Tyne NE99 1JP

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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2008**

The directors present their report with the financial statements of the company for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of promotion and development of the North East health, healthcare and Life Science Industries.

REVIEW OF BUSINESS

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

During the year, Cels had four main areas of activity: technology management, infrastructure, networks and venturing, supported by the marketing and finance departments.

TECHNOLOGY

During the year Cels began to buy, install and commission a proteomics analysis facility, this will be a major piece of equipment of use to the private and public sectors to test new drugs before live trials begin. Cels has continued to work with the Institute of Ageing and Health (IAH) and the North East Stem Cell Institute (NESCI). The Instep project, in partnership with the University of Northumbria continued in the year to provide design expertise to companies looking to commercialise their product prototypes.

INFRASTRUCTURE

The Cels@Newcastle microincubator facility situated within the medical faculty at University of Newcastle has continued to be fully occupied by four companies and was expanded in March 2008 to take a fifth company from Korea. The menu of service provision offered to companies by Cels is developing with the different needs of companies being catered for in the most appropriate ways. Cels has continued to work on the £35million Biopark project for the North East of England, has acted as the marketing agent for the University of Newcastle's GMP facility and managed office space at the International Centre for Life.

NETWORKS

During the year funding for Cels ran the Bionet network for academics, the healthcare network for SME's and Active Age for individuals and companies working in Assistive Technologies. Cels renewed the funding for all these activities during the year. In addition, in December 2007, Cels held the first Business for Life Awards to reward excellent companies operating in the North East healthcare area. Over 300 people attended the Black Tie event with three of the five prize winners going on to win national prizes.

VENTURING

The Venturing area provides interim leadership to small companies who are seeking the next stage of funding to develop their ideas. This strategic area is new to Cels and is expected to grow to be an important part of the funding strategy for small healthcare companies in the North East.

INTERNAL CONTROLS AND RISK MANAGEMENT

Systems and procedures have been established to identify, monitor and manage the risks faced by the Centre of Excellence for Life Sciences Group. The board has delegated this responsibility to the Audit Committee who review the risks and mitigating actions twice a year.

The most significant risk facing the parent company is the continued funding by the Regional Development Agency, One NorthEast. Steps to mitigate this risk include looking for other sources of public and private sector income and building a close relationship with One NorthEast.

The risk of interest rate changes, debt market prices and liquidity are extremely low. The company holds small investments in unlisted companies received in exchange for consultancy work. Loans have been made to these companies. The Board regularly review the value of the investments and recoverability of the loans, however the cash impact of these falling would be minimal.

The Company receives the majority of its funds in advance, so debts are met as they fall due, surplus cash is invested to set periods of time to ensure certainty of future interest flows.

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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2008**

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.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2007 to the date of this report.

I D Shott - Chairman
Professor J H Anstee
A G Balls
M J Sipple - Asher
Professor M J Whitaker

Other changes in directors holding office are as follows:

Professor Sir K Calman - resigned 15 April 2007
C F Higgins - appointed 29 May 2007

B Stevens resigned as director on 27 October 2008.

Professor J H Anstee and A G Balls have been members of the Audit Committee for the whole year. B. Stevens was approved as a member of the Audit Committee on 29 May 2007 but has ceased to be a member of the Audit Committee after 31 March 2008 but prior to the date of this report. M J Whitaker resigned from the Committee in June 2007.

EMPLOYEE INVOLVEMENT

The Centre of Excellence for Life Sciences Group holds monthly meetings for all employees for:

- Management to present and address any issues
- Employees to present their area of work
- Employees to ask questions to management
- Continuous improvement of communication between staff and management

Management takes employee involvement and internal communication very seriously, in addition to the above meetings; employees have regular team meetings, anonymous surveys on how employees feel involved in the company, and a suggestion scheme.

Team building events were held in June 2007 and May 2008 to improve communications across all levels of the organisation.

All Board Members received training in the Companies Act 2006 from Muckles LLP in May 2008.

EQUAL OPPORTUNITIES

The Centre of Excellence for Life Sciences Group recognises the positive value of diversity within the workplace. The Group meets its legal requirements and welcomes employees from all community groups.

The Centre of Excellence for Life Sciences Group is committed to make all reasonable adjustment to keep any employee who has become disabled in employment by modifying the work environment or work requirements.

The Centre of Excellence for Life Sciences Group ensures that all employees have equal access to training and development, and that career advancement is due to the merit of the individual. The Centre of Excellence for Life Sciences Ltd was awarded Investors in People Status in May 2007.

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

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2008**

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.

ON BEHALF OF THE BOARD:



Signed on behalf of the directors
A Morris - Secretary

28 January 2009

**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 2008 on pages seven to nineteen. 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 four.

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.

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 2008 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.

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

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the dependence upon One NorthEast for funding. In view of the significance of this dependence we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.



Brennan Neil & Leonard
Chartered Accountants and Registered Auditors
32 Brenkley Way
Blezard Business Park
Seaton Burn
Newcastle upon Tyne
NE13 6DS

28 January 2009

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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	2008 £	2007 £
TURNOVER		271,607	84,304
Administrative expenses		<u>4,066,263</u>	<u>4,466,098</u>
		(3,794,656)	(4,381,794)
Other operating income	2	<u>3,640,073</u>	<u>4,364,961</u>
OPERATING LOSS	4	(154,583)	(16,833)
Interest receivable and similar income		<u>154,359</u>	<u>17,590</u>
		(224)	757
Interest payable and similar charges	6	<u>7</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(231)	757
Tax on (loss)/profit on ordinary activities	7	<u>(231)</u>	<u>757</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u><u>-</u></u>	<u><u>-</u></u>

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 for the current year or previous year.

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

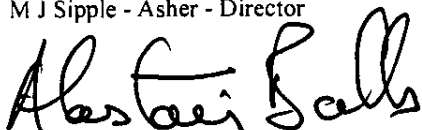
**BALANCE SHEET
31 MARCH 2008**

	Notes	2008 £	2007 £
FIXED ASSETS			
Intangible assets	8	52,500	75,000
Tangible assets	9	1,416,712	217,695
Investments	10	<u>549,189</u>	<u>193,411</u>
		2,018,401	486,106
CURRENT ASSETS			
Debtors	11	936,303	1,340,771
Investments	12	463,124	2,768,289
Cash at bank and in hand		<u>809,850</u>	<u>1,285,179</u>
		2,209,277	5,394,239
CREDITORS			
Amounts falling due within one year	13	<u>1,917,342</u>	<u>5,102,303</u>
NET CURRENT ASSETS		<u>291,935</u>	<u>291,936</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,310,336	778,042
CREDITORS			
Amounts falling due after more than one year	14	(250,000)	(250,000)
ACCRUALS AND DEFERRED INCOME	16	<u>(2,018,400)</u>	<u>(486,106)</u>
NET ASSETS		<u><u>41,936</u></u>	<u><u>41,936</u></u>
RESERVES			
Profit and loss account	17	<u>41,936</u>	<u>41,936</u>
	21	<u><u>41,936</u></u>	<u><u>41,936</u></u>

The financial statements were approved by the Board of Directors on 28 January 2009 and were signed on its behalf by:



M J Sipple - Asher - Director



A G Balls - 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 2008**

	Notes	2008 £	2007 £
Net cash outflow from operating activities	1	(3,172,247)	(4,528,775)
Returns on investments and servicing of finance	2	154,352	17,590
Taxation		(526)	-
Capital expenditure and financial investment	2	<u>(1,854,733)</u>	<u>(284,690)</u>
		(4,873,154)	(4,795,875)
Management of liquid resources	2	2,305,165	(2,768,289)
Financing	2	<u>2,092,660</u>	<u>8,763,370</u>
(Decrease)/Increase in cash in the period		<u>(475,329)</u>	<u>1,199,206</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		(475,329)	1,199,206
Cash (inflow)/outflow from (decrease)/increase in liquid resources		(2,305,165)	2,768,289
Cash inflow from increase in debt		<u>-</u>	<u>(250,000)</u>
Change in net funds resulting from cash flows		<u>(2,780,494)</u>	<u>3,717,495</u>
Movement in net funds in the period		(2,780,494)	3,717,495
Net funds at 1 April		<u>3,803,468</u>	<u>85,973</u>
Net funds at 31 March		<u>1,022,974</u>	<u>3,803,468</u>

The notes form part of these financial statements

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

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

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

	2008	2007
	£	£
Operating loss	(154,583)	(16,833)
Depreciation charges	162,497	82,028
Profit on disposal of fixed assets	(5,141)	-
Revenue grants received	(3,213,118)	(3,837,774)
Capital grants released	(307,441)	(482,026)
Impairment of fixed asset investments	150,085	399,998
Decrease/(Increase) in debtors	404,467	(764,613)
(Decrease)/Increase in creditors	(209,013)	90,445
Net cash outflow from operating activities	<u>(3,172,247)</u>	<u>(4,528,775)</u>

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

	2008	2007
	£	£
Returns on investments and servicing of finance		
Interest received	154,359	17,590
Interest paid	<u>(7)</u>	<u>-</u>
Net cash inflow for returns on investments and servicing of finance	<u>154,352</u>	<u>17,590</u>
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(15,000)
Purchase of tangible fixed assets	(1,355,558)	(106,068)
Purchase of fixed asset investments	(509,273)	(163,622)
Sale of fixed asset investments	<u>10,098</u>	<u>-</u>
Net cash outflow for capital expenditure and financial investment	<u>(1,854,733)</u>	<u>(284,690)</u>
Management of liquid resources		
NEPAF deposit	<u>2,305,165</u>	<u>(2,768,289)</u>
Net cash inflow/(outflow) from management of liquid resources	<u>2,305,165</u>	<u>(2,768,289)</u>
Financing		
New loans in year	-	250,000
Grants received	<u>2,092,660</u>	<u>8,513,370</u>
Net cash inflow from financing	<u>2,092,660</u>	<u>8,763,370</u>

The notes form part of these financial statements

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

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.07 £	Cash flow £	At 31.3.08 £
Net cash:			
Cash at bank and in hand	<u>1,285,179</u>	<u>(475,329)</u>	<u>809,850</u>
	<u>1,285,179</u>	<u>(475,329)</u>	<u>809,850</u>
Liquid resources:			
Current asset investments	<u>2,768,289</u>	<u>(2,305,165)</u>	<u>463,124</u>
	<u>2,768,289</u>	<u>(2,305,165)</u>	<u>463,124</u>
Debt:			
Debts falling due after one year	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Total	<u>3,803,468</u>	<u>(2,780,494)</u>	<u>1,022,974</u>

The notes form part of these financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements contain information about The Centre of Excellence for Life Sciences Limited (Limited by guarantee) as an individual company. Consolidated accounts have been prepared for the group.

Going concern and influence

At the current stage of the company, Cels is substantially reliant upon funding from the Regional Development Agency, One NorthEast, for its operations. One NorthEast has agreed to fund part of the company's activities and projects, subject to individual approval. Cels will restructure the Cels group to transfer its staff from the public duty company to commercial projects in the trading company, Cels Business Services Ltd (CBSL), at the end of the current projects funding. 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 company is continuing to diversify its income sources and an example of this is the ongoing success of its trading subsidiary, Cels Business Services Limited.

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

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% and 33.33% on cost
Motor vehicles	25% on cost
Plant and machinery	20% to 33.33% on cost
IT equipment	33.33% on cost

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.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

1. ACCOUNTING POLICIES - continued

Investments

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

2. OTHER OPERATING INCOME

	2008	2007
	£	£
Other income	106,996	29,860
Capital grants released	307,441	482,026
Other grant receipt	12,518	15,300
Revenue grants received	<u>3,213,118</u>	<u>3,837,775</u>
	<u>3,640,073</u>	<u>4,364,961</u>

3. STAFF COSTS

	2008	2007
	£	£
Wages and salaries	1,062,473	935,795
Social security costs	116,206	102,691
Other pension costs	<u>105,116</u>	<u>89,950</u>
	<u>1,283,795</u>	<u>1,128,436</u>

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

	2008	2007
Directors	6	5
Staff	<u>22</u>	<u>15</u>
	<u>28</u>	<u>20</u>

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2008	2007
	£	£
Depreciation - owned assets	154,996	74,528
Profit on disposal of fixed assets	(5,141)	-
Patents and licences amortisation	7,500	7,500
Auditors' remuneration	30,416	14,553
Foreign exchange differences	<u>10</u>	<u>-</u>
	<u>239,169</u>	<u>230,350</u>
Directors' emoluments	<u>239,169</u>	<u>230,350</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

4. OPERATING LOSS - continued

Information regarding the highest paid director is as follows:

	2008	2007
	£	£
Emoluments etc	<u>166,169</u>	<u>25,000</u>

5. EXCEPTIONAL ITEMS

The directors undertook an impairment review of the fixed asset investments resulting in a charge to the profit and loss account of £150,085.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
HMRC Interest	<u>7</u>	<u>-</u>

7. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	2008	2007
	£	£
Current tax:		
UK corporation tax	-	757
Receipt for group relief	<u>(231)</u>	<u>-</u>
Tax on (loss)/profit on ordinary activities	<u>(231)</u>	<u>757</u>

8. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 April 2007	90,000
Disposals	<u>(15,000)</u>
At 31 March 2008	<u>75,000</u>
AMORTISATION	
At 1 April 2007	15,000
Amortisation for year	<u>7,500</u>
At 31 March 2008	<u>22,500</u>
NET BOOK VALUE	
At 31 March 2008	<u>52,500</u>
At 31 March 2007	<u>75,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 April 2007	195,453	29,405	10,799	161,374	397,031
Additions	1,316,214	1,597	-	37,747	1,355,558
Disposals	-	-	-	(70,717)	(70,717)
At 31 March 2008	<u>1,511,667</u>	<u>31,002</u>	<u>10,799</u>	<u>128,404</u>	<u>1,681,872</u>
DEPRECIATION					
At 1 April 2007	77,514	3,554	-	98,266	179,334
Charge for year	111,135	8,652	2,700	32,509	154,996
Eliminated on disposal	-	-	-	(69,170)	(69,170)
At 31 March 2008	<u>188,649</u>	<u>12,206</u>	<u>2,700</u>	<u>61,605</u>	<u>265,160</u>
NET BOOK VALUE					
At 31 March 2008	<u>1,323,018</u>	<u>18,796</u>	<u>8,099</u>	<u>66,799</u>	<u>1,416,712</u>
At 31 March 2007	<u>117,939</u>	<u>25,851</u>	<u>10,799</u>	<u>63,108</u>	<u>217,697</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.

10. FIXED ASSET INVESTMENTS

	2008 £	2007 £
Shares in group undertakings	25,000	25,000
Other investments not loans	99,707	3,411
Other loans	<u>424,482</u>	<u>165,000</u>
	<u>549,189</u>	<u>193,411</u>

Additional information is as follows:

	Shares in group undertakings £	Unlisted investments £	Totals £
COST			
At 1 April 2007	25,000	3,411	28,411
Additions	-	249,791	249,791
Disposals	-	(3,410)	(3,410)
Impairments	-	(150,085)	(150,085)
At 31 March 2008	<u>25,000</u>	<u>99,707</u>	<u>124,707</u>
NET BOOK VALUE			
At 31 March 2008	<u>25,000</u>	<u>99,707</u>	<u>124,707</u>
At 31 March 2007	<u>25,000</u>	<u>3,411</u>	<u>28,411</u>

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

10. FIXED ASSET INVESTMENTS - continued

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

Cels Business Services Ltd

Nature of business: Life sciences

	%		
Class of shares:	holding		
Ordinary	100.00		
		2008	2007
		£	£
Aggregate capital and reserves		174,482	33,629
Profit for the year		<u>140,853</u>	<u>8,629</u>

Distributions to the company from its subsidiary are restricted by a management agreement. Distributions can only be made if such distributions will not have the effect of reducing the subsidiary's reserves below £100,000.

	Other loans £
At 1 April 2007	165,000
New in year	<u>259,482</u>
At 31 March 2008	<u>424,482</u>

The share investment (£7,648) and loan investment (£192,352) in Electrochemical Sensor Technology (EST) Ltd had been fully written down in value in the previous year as the directors consider that the loan is not recoverable and cannot foresee a return on the investment. The investment in EST represents a shareholding of 22.4%. The Directors do not consider that the investment in EST represents an investment in an associated company as they do not exercise significant influence over EST's operating and financial policies and they do not have a participating interest in EST.

The share investment (£1,378) in Creative Gene Technology Ltd (CGT) which had been written down in value to £1 in the previous year has been sold for £3,258 in the year.

The share investment (£3,709) in Reinnervate Ltd has been sold for £6,840 in the year. £99,706 of the fixed asset investment additions in the year relates to the capitalisation of the Reinnervate debt for which there is an option to convert into equity. The right to this option has been sold after the year end for a profit of £52,965. The directors do not consider that the investment in Reinnervate represents an investment in an associated company.

The remaining £150,085 of the fixed asset investment addition in the year relates to the capitalisation of costs incurred on behalf of Biotransformations Limited, of which the option to convert these costs to equity has been sold to the wholly owned subsidiary, CBSL, after date. This investment has been fully impaired in the year.

Fixed asset investment loans of £424,482 are unsecured. The board is of the opinion that there is significant potential future value in the remaining assets that have not been fully impaired so these investments have been carried at their cost plus interest receivable.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Trade debtors	37,693	32,875
Funds with solicitors	101,029	636,326
Amounts owed by group undertakings	162,617	104,403
VAT	238,982	130,207
Prepayments and accrued income	<u>395,982</u>	<u>436,960</u>
	<u>936,303</u>	<u>1,340,771</u>

12. CURRENT ASSET INVESTMENTS

	2008	2007
	£	£
NEPAF deposit	<u>463,124</u>	<u>2,768,289</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Trade creditors	20,517	328,019
Tax	-	757
Wages, tax & social security	55,009	51,185
Other creditors	9,858	7,744
Grant creditor	1,729,372	4,704,563
Accrued expenses	<u>102,586</u>	<u>10,035</u>
	<u>1,917,342</u>	<u>5,102,303</u>

The grant creditor balance represents grant income due from funding providers less grants received in respect of project capital expenditure currently included in current assets.

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008	2007
	£	£
Other loans (see note 15)	<u>250,000</u>	<u>250,000</u>

15. LOANS

An analysis of the maturity of loans is given below:

	2008	2007
	£	£
Amounts falling due between two and five years:		
Other loans - 2-5 years	<u>250,000</u>	<u>250,000</u>

Expiry date - 31 March 2011

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

16. ACCRUALS AND DEFERRED INCOME

	2008 £	2007 £
Brought forward	486,106	686,253
Received in year	1,844,873	284,690
Released to P&L	(162,494)	(82,028)
Adjusted through grant creditor	-	(2,811)
Impairment of fixed asset investments	<u>(150,085)</u>	<u>(399,998)</u>
	<u>2,018,400</u>	<u>486,106</u>

17. RESERVES

	Profit and loss account £
At 1 April 2007	41,936
Profit for the year	<u>-</u>
At 31 March 2008	<u>41,936</u>

18. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. Total pension costs for the year were £105,116 (2007: £89,950). Contributions of £9,857 are outstanding at the period end (2007: £7,605).

19. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption in FRS 8 'Related Party Transactions' regarding disclosure of transactions within the group, as consolidated accounts have been prepared.

Transactions with Biotransformations Ltd of which M.J. Sipple-Asher, Chief Executive Officer, is a director and Chairman

The Centre of Excellence for Life Sciences Ltd invoiced Biotransformations Ltd £550 in the year. There are both opening and closing debtors of £3,825. There was an opening creditor of £58,750 and there is no closing creditor. All transactions have taken place at market value.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2008**

20. POST BALANCE SHEET EVENTS

Fixed asset investment additions in the year includes £99,706 for the capitalisation of consultancy work funded by Cels on behalf of Reinnervate Limited. The right to transfer this debt into equity has been sold to the wholly owned subsidiary, CBSL, after date for a profit of £52,985.

The company has also funded work into a research project in return for an equity stake in Biotransformations Limited. This equity stake will only be granted if Biotransformations 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 must request repayment of the funding provided to date. The right to this equity stake has been sold to CBSL after date for £10,000, with no value being assigned to the costs incurred by Cels prior to the year end. £150,085 costs incurred up to 31 March 2008 have therefore been included as a fixed asset investment addition in the year but have been fully impaired.

21. RECONCILIATION OF MOVEMENTS IN RESERVES

	2008 £	2007 £
Profit for the financial year	-	-
Opening reserves	<u>41,936</u>	<u>41,936</u>
Closing reserves	<u>41,936</u>	<u>41,936</u>

22. 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.

23. 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. For the projects which are at a very early stage of development and the due to the uncertainty of the commercial success of these projects they have not been valued and included in the company balance sheet.

As part of the patent assignment agreement between the company and A J Jahoda the company must pay to A J Jahoda £250,000 calculated at the rate of 50% of any profit, benefit or income 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.

24. CHARGES OVER ACCOUNTS

There are charges dated 28 March 2007 over the NEPAF project management account and the NEPAF refurbishment account in favour of One NorthEast. There is also a charge dated 30 March 2007 over the Business Premium account in favour of Barclays Bank plc.