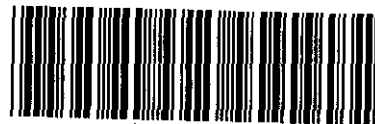


**The Centre for Scientific Enterprise
Limited
Annual Report
for the year ended 31 July 2006**

Registered no: 3983320

A company limited by guarantee

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The Centre for Scientific Enterprise Limited

Directors' Report for the year ended 31 July 2006

Structure, Governance and Management

Governing Document

The Centre for Scientific Enterprise ("CSEL") is a private company limited by guarantee. Its aim is to act as a commissioning and funding body to promote the transfer of science and technology ideas into commercial products and services. This includes establishing new academic courses, training academic staff, and commissioning specific teaching materials.

Recruitment and Appointment of Directors

The directors of the company during the year ended 31 July 2006 were:

	Appointed	Resigned
Professor Michael Hay (Chairman)		
Dr Paul David Atherton		
Professor Bernard Buxton	19 October 2005	
Dr Suran Goonatilake		30 August 2005
Professor Chris Pitt		19 October 2005
Dr Jeff Skinner		
Miss Julia Tyler		

Registered Office

1-26 Sussex Place
Regents Park,
London NW1 4SA

Auditors' Address

BDO Stoy Hayward LLP
Emerald House,
East Street,
Epsom, Surrey
KT17 1HS

Bankers

HSBC Bank plc
90 Baker Street
London
W1U 6AX

Solicitors

Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

The directors of the company are also charity trustees for the purposes of charity law.

The Centre for Scientific Enterprise Limited

Directors' Report for the year ended 31 July 2006 (continued)

Trustee Induction and Training

The directors as charity trustees have control of the company and its property and funds. Every director must sign a declaration of willingness to act as a charity trustee of the company before he or she is eligible to vote at any meeting of the directors.

Risk Management

The major risks that the charity is exposed to, as identified by the trustees, have been reviewed and systems or procedures have been established to manage these risks.

When considering business decisions the Board will assess the associated risk factors. Any actions or strategies pursued by the Chief Executive Officer take into account all key risks faced by the charity and are formally approved by the Board before implementation. Internal control risks are minimised by the implementation of procedures for authorisation of all financial transactions.

Organisational Structure

The directors must hold at least four meetings each year and are responsible for the strategic direction and policy of the charity. The day to day responsibility for the provision of services rests with the Chief Executive Officer.

Related Parties

CSEL is a subsidiary company of UCLBS Limited. UCLBS Limited is a joint venture company of London Business School and UCL (University College London).

Objectives and Activities

The aim of CSEL is the promotion of education in the fields of scientific enterprise and entrepreneurship studies by all charitable means. It acts as a commissioning and funding body to promote the transfer of science and technology ideas into commercial products and services.

CSEL was originally funded by a £4.6 million award from the Office of Science and Technology. Further grant funding of £5 million was committed to CSEL in 2002/03 over a 3 year period by UK Trade & Investment for the Chevening Technology Enterprise Scholarship Programme (CTES). During 2005/2006 CSEL received funding of £65,000 to manage the Innovation Central Project for the London Borough of Camden. This funds an innovation and entrepreneurship service for existing and new businesses in the borough. Further funding of £300,000 per

The Centre for Scientific Enterprise Limited

Directors' Report for the year ended 31 July 2006 (continued)

annum is received from HEFCE, via London Business School and UCL (University College London) to support operations.

Achievements and Performance

The results for the year are shown in the statement of financial activities on page 8. The deficit for the year is less than originally anticipated mainly due to a change in focus and timing in the development of activities in the Institute of Technology.

Financial Performance

The results for the year show a deficit of £322,427 (2005: £406,466) but positive reserves of £1,717,902 are carried forward, although further expenditure of £1,650,000 has been planned for the two years ended 31 July 2007 and 2008.

Principle Funding Sources

During the year to 31 July 2006 the main principle funding sources were HEFCE (£300,000) and Camden Innovation Central (£65,459).

Investment Policy

The directors do not believe there is the potential for long term investment requirements in the foreseeable future. Surplus cash reserves are invested in the money markets.

Reserves Policy

The company reserves are needed to meet the working capital requirements for the company. The level of reserves required is monitored in line with the development of future business plans.

Plans for Future Periods

New opportunities for interaction between CSEL and London Business School and UCL (University College London) respectively are being considered and implemented.

Taxation status

In the opinion of the directors, the company is an exempt charity as defined under the provisions of the Income and Corporation Taxes Act 1988 as amended by the Finance Act 1989.

The Centre for Scientific Enterprise Limited

Directors' Report for the year ended 31 July 2006 (continued)

Payment of suppliers

It is the company's policy to pay all creditors who have complied with the company's terms and conditions within the time scale agreed with each supplier.

Directors' responsibilities

The directors are responsible for preparing the Directors report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, for each financial year, which give a true and fair view of the company's financial activities during the year and of its financial position at the end of the year. 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 and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985. The directors 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.

Awareness of relevant audit information

The directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

A resolution to re-appoint BDO Stoy Hayward LLP will be proposed at the next meeting.

By order of the Board


Richard Frost
Secretary
02.11.06

The Centre for Scientific Enterprise Limited

Independent Auditor's Report to the members of The Centre for Scientific Enterprise Limited

We have audited the financial statements of The Centre for Scientific Enterprise Limited for the year ended 31 July 2006 which comprise the statement of financial activities, the balance sheet, cashflow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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, are properly prepared in accordance with the Companies Act 1985 and the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, 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 are not disclosed.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

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

The Centre for Scientific Enterprise Limited

Independent Auditors' Report to the members of The Centre for Scientific Enterprise Limited (continued)

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 affairs of the company at 31 July 2006, and of the incoming resources and resources expended, including its income and expenditure, 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 Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

2 November

~~—October~~ 2006

The Centre for Scientific Enterprise Limited

Statement of Financial Activities for the year ended 31 July 2006

	Notes	2006 unrestricted funds £	2006 restricted funds £	2006 Total £	2005 (As restated) £
Incoming resources					
Incoming resources from generated funds:					
<i>Voluntary income:</i>					
Donations and grants	2	346,550	18,909	365,459	2,293,465
<i>Activities for generating funds:</i>					
Investment income		87,178	-	87,178	93,987
Incoming resources from charitable activities:					
Other fees and income	3	-	-	-	1,837
Total incoming resources		<u>433,728</u>	<u>18,909</u>	<u>452,637</u>	<u>2,389,289</u>
Resources expended					
Charitable activities:					
HEI activities		623,567	-	623,567	623,700
Business activities		9,100	-	9,100	13,529
Camden Innovation Central		46,550	19,731	66,281	-
CTES		24,260	-	24,260	2,106,063
Governance costs		<u>51,856</u>	-	<u>51,856</u>	<u>52,463</u>
Total resources expended	5	<u>755,333</u>	<u>19,731</u>	<u>775,064</u>	<u>2,795,755</u>
Net movement in funds	4	<u>(321,605)</u>	<u>(822)</u>	<u>(322,427)</u>	<u>(406,466)</u>
Total funds brought forward		<u>2,040,329</u>	<u>-</u>	<u>2,040,329</u>	<u>2,446,795</u>
Total funds carried forward		<u><u>1,718,724</u></u>	<u><u>(822)</u></u>	<u><u>1,717,902</u></u>	<u><u>2,040,329</u></u>

All of the company's activities are derived from continuing operations.

There is no difference between the net movement in funds, stated above, and its historical cost equivalent.

The notes on pages 11 to 18 form part of these financial statements.

The Centre for Scientific Enterprise Limited

(A company limited by guarantee)

Balance Sheet as at 31 July 2006

	Notes	2006	2005 (As restated)
		£	£
Current assets			
Debtors	8	31,885	138,452
Cash at bank and in hand		15,421	-
Short term deposits		1,778,984	2,141,456
		<u>1,826,290</u>	<u>2,279,908</u>
Creditors: amounts falling due within one year	9	(108,388)	(239,579)
Net current assets		<u>1,717,902</u>	<u>2,040,329</u>
Net assets		<u>1,717,902</u>	<u>2,040,329</u>
Funds			
Restricted		(822)	-
Unrestricted		1,718,724	2,040,329
Total Funds	14	<u>1,717,902</u>	<u>2,040,329</u>

The financial statements on pages 8 to 18 were approved by the Board of Directors and authorised for issue on 2 November 2006:



Professor Michael Hay

Director

The notes on pages 11 to 18 form part of these financial statements.

The Centre for Scientific Enterprise Limited

Cash flow statement for the year ended 31 July 2006

	Notes	2006	2005 (As restated)
		£	£
Cash outflow from operating activities	A	(289,651)	(398,716)
Returns on investments and servicing of finance			
Interest received		87,178	93,987
Decrease in cash in the year	B	<u>(202,473)</u>	<u>(304,729)</u>

Notes to the cash flow statement

A. Reconciliation of net outgoing resources to cash flow from operating activities

	2006	2005 (As restated)
	£	£
Net outgoing resources per statement of financial activities	(322,427)	(406,466)
Investment income	(87,178)	(93,987)
Depreciation	-	3,059
Decrease in debtors	106,567	142,770
Increase/(Decrease) in creditors	13,387	(44,092)
	<u>(289,651)</u>	<u>(398,716)</u>

B. Analysis of change in net funds

	Opening at 1 August 2005	Cash Flow	Closing at 31 July 2006
	£	£	£
Cash at bank and in hand	-	15,421	15,421
Overdraft at bank	(144,578)	144,578	-
Short term deposits	2,141,456	(362,472)	1,778,984
Total	<u>1,996,878</u>	<u>(202,473)</u>	<u>1,794,405</u>

The notes on pages 11 to 18 form part of these financial statements.

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice: Accounting and Reporting by Charities ("SORP") issued by the Charity Commission in March 2005. A summary of the more important accounting policies, which have been applied consistently, are set out below:

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

(b) Grant income

Grants are credited to income in the year in which they are receivable.

(c) Charitable expenditure

Expenditure on charitable activities consists of grants made to organisations to promote the objectives of the company, scholarships to students, lecturers and research. These are accounted for in the year in which they occur.

(d) Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirement of the company and include the audit fees and costs associated with the strategic management of the company.

(e) Fund accounting

The funds represent the unspent portion of the grants that are held for the company's purpose outlined above.

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

2 Donations and grants

	Unrestricted funds	Restricted funds	Total funds	Unrestricted funds (As restated)
	2006	2006	2006	2005
	£	£	£	£
HEFCE	300,000	-	300,000	300,000
UK Trade & Investment	-	-	-	1,993,465
Camden Innovation Central	46,550	18,909	65,459	-
	<u>346,550</u>	<u>18,909</u>	<u>365,459</u>	<u>2,293,465</u>

Grant income in the previous year includes amounts receivable under the Chevening Technology Enterprise Scholarship Programme (CTES). CTES was a project financed by UK Trade & Investment. The project was funded on a cost recovery basis. CSEL charged a management fee to CTES for staff costs and office expenses; this fee was recharged to UK Trade & Investment.

In the current year £65,459 was received from Camden Innovation Central to fund and manage the Innovation Central Project for the London Borough of Camden.

3 Incoming resources from charitable activities

	Unrestricted funds	Unrestricted funds
	2006	2005
	£	£
Other fees and income	-	1,837
	<u>-</u>	<u>1,837</u>

4 Net outgoing resources for the year

Net outgoing resources for the year is stated after charging:

	2006	2005
	£	£
Auditors remuneration for audit services	8,225	7,638
	<u>8,225</u>	<u>7,638</u>

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

5 Total Resources expended

2006							
	Basis of allocation	HEI Activities £	Business Activities £	Camden £	CTES £	Governance £	Total £
Costs directly allocated to activities:							
Staff costs/contracts	Direct	56,081	1,250	1,980	-	-	59,311
Printing, stationery, other	Direct	1,478	2,841	2,234	-	-	6,553
Travel & entertainment	Direct	15,233	319	19	6,581	-	22,152
Grants	Direct	350,403	-	-	14,000	-	364,403
Student support	Direct	9,250	-	-	-	-	9,250
Courses	Direct	7,077	-	-	-	-	7,077
Catering	Direct	3,256	-	783	-	-	4,039
Software/hardware	Direct	-	-	8,108	-	-	8,108
Sponsorship	Direct	-	-	5,000	-	-	5,000
Brochures & booklets	Direct	1,916	1,181	689	-	-	3,786
Legal & professional	Direct	-	899	918	636	-	2,453
Support costs allocated to activities:							
Staff costs/contracts	Usage	181,434	2,648	-	3,000	-	187,082
Printing, stationery, other	Usage	2,187	32	-	-	-	2,219
Travel & entertainment	Usage	990	14	-	43	-	1,047
Management fee	Usage	(44,568)	(650)	46,550	-	-	1,332
Catering	Usage	428	6	-	-	-	434
Software/hardware	Usage	703	10	-	-	-	713
Office rent/materials	Usage	24,199	353	-	-	-	24,552
Legal & professional	Usage	-	-	-	-	48,164	48,164
Staff recruitment/training	Usage	13,500	197	-	-	-	13,697
Insurance	Usage	-	-	-	-	3,581	3,581
Bank charges	Usage	-	-	-	-	111	111
Total resources expended		623,567	9,100	66,281	24,260	51,856	775,064

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

5 Total Resources expended (continued)

2005							
	Basis of allocation	HEI Activities £	Business Activities £	Camden £	CTES £	Governance £	Total £
Costs directly allocated to activities:							
Staff costs/contracts	Direct	24,097	10,179	-	48,109	-	82,385
Printing, stationery, other	Direct	3,616	-	-	25,995	-	29,611
Travel & entertainment	Direct	5,608	1,050	-	86,716	-	93,374
Grants	Direct	523,287	-	-	647,500	-	1,170,787
Student support	Direct	10,553	-	-	-	-	10,553
Courses	Direct	5,133	1,289	-	244,540	-	250,962
Catering	Direct	3,176	-	-	39,518	-	42,694
Brochures & booklets	Direct	1,607	-	-	-	-	1,607
Office rent & materials	Direct	15	-	-	5	-	20
Insurance	Direct	-	-	-	5,237	-	5,237
Staff recruitment/training	Direct	-	-	-	753,225	-	753,225
Support costs allocated to activities:							
Staff costs/contracts	Usage	230,346	4,997	-	5,500	-	240,843
Printing, stationery, other	Usage	9,029	196	-	5,443	-	14,668
Travel & entertainment	Usage	1,439	31	-	2,987	-	4,457
Grants	Usage	-	-	-	500	-	500
Management fee	Usage	(227,906)	(4,944)	-	239,000	-	6,150
Catering	Usage	420	9	-	440	-	869
Software/hardware	Usage	4,513	98	-	-	-	4,611
Office rent/materials	Usage	28,767	624	-	-	-	29,391
Legal & professional	Usage	-	-	-	1,348	47,855	49,203
Insurance	Usage	-	-	-	-	4,360	4,360
Bank charges	Usage	-	-	-	-	248	248
Total resources expended		623,700	13,529	-	2,106,063	52,463	2,795,755

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

6 Employees

Staff costs in the year totalled £185,191 (2005 : £245,071).

Earnings of higher paid staff

	2006	2005
£50,000 - £59,999	-	1
£60,000 - £69,999	1	1
£100,000 - £109,999	-	-

Earnings of higher paid staff include salaries and pension costs before a share of the costs are allocated to London Technology Network Limited.

20% of the £60,000 - £69,999 employee salary is recharged to London Technology Network Limited.

Average staff numbers for the year

	2006	2005
Total number	<u>4</u>	<u>5</u>

7 Directors' remuneration

The directors of the company do not receive any remuneration for their services as directors.

8 Debtors

	2006 £	2005 £
Amounts owed by UCLBS	2,010	688
Amounts owed by London Technology Network Limited	11,872	11,733
Amounts owed by London Business School	2,618	-
Other debtors	<u>15,385</u>	<u>126,031</u>
	<u>31,885</u>	<u>138,452</u>

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

9 Creditors: amounts falling due within one year

	2006 £	2005 (As restated) £
Trade creditors	95,595	45,202
Amounts owed to London Business School	-	16,921
Overdraft at bank	-	144,578
Other creditors	12,793	32,878
	<u>108,388</u>	<u>239,579</u>

10 Controlling entities and related parties

UCLBS Limited is the immediate parent company of The Centre for Scientific Enterprise Limited. UCLBS Limited is a joint venture company of London Business School and UCL (University College London). London Technology Network Limited is a sister company also owned by UCLBS Limited.

Payments made during the year to UCL (University College London) were as follows:

	2006 £	2005 £
Grants	266,396	432,472
CTES student fees	-	71,500
Total	<u>266,396</u>	<u>503,972</u>

Payments made during the year to London Business School were as follows:

	2006 £	2005 £
Grants to programmes	68,954	90,933
Teaching materials	3,500	3,047
Conferences, training, catering	4,357	78,290
CTES student training	-	305,500
CTES virtual learning environment	-	2,938
Support services	33,346	41,406
Total	<u>110,157</u>	<u>522,114</u>

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

10 Controlling entities and related parties (continued)

Support services include the costs of human resources and accounts services, rent and the running costs of the premises.

Amounts owed to and by London Business School and UCL (University College London) at the year end, are disclosed in Notes 7 and 8. Amounts owed by London Technology Network Limited are disclosed in Note 7 and relate to cross charges not yet paid for support services.

11 Prior period adjustment

The results for 2005 have been restated for the overstatement of revenue in this year by £45,202. This was corrected during 2006 and therefore there is nil effect on the cumulative reserves as at 31 July 2006.

12 Taxation

In the opinion of the directors, The Centre for Scientific Enterprise Limited is an exempt charity within the means of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506 (1) of the Taxes Act 1988. Accordingly, the company is deemed to be exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied for exclusively charitable purposes.

13 Analysis of Net Assets between funds

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2006	2006	2006	2005
	£	£	£	£
Current assets	1,826,290	-	1,826,290	2,279,908
Current liabilities	(107,566)	(822)	(108,388)	(239,579)
Net assets	<u>1,718,724</u>	<u>(822)</u>	<u>1,717,902</u>	<u>2,040,329</u>

The Centre for Scientific Enterprise Limited

Notes to the financial statements for the year ended 31 July 2006 (continued)

14 Movement in funds

	At 1 August 2005 £	Incoming Resources £	Outgoing Resources £	At 31 July 2006 £
Restricted funds:				
Camden Innovation Central	-	18,909	(19,731)	(822)
Unrestricted funds:	2,040,329	433,728	(755,333)	1,718,724
Total funds	<u>2,040,329</u>	<u>452,637</u>	<u>(775,064)</u>	<u>1,717,902</u>

Funding has been received in the year to manage the Innovation Central Project for the London Borough of Camden. This funding is partly on a cost recovery basis. The closing deficit as at 31 July 2006 arises due to costs being recovered in arrears and is therefore the result of timing only. Costs incurred but not recovered during year ended 31 July 2006 will be claimed during year ended 31 July 2007.