

BRUNEL UNIVERSITY ENTERPRISES LIMITED

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006



Company No. 4237327

**BRUNEL UNIVERSITY ENTERPRISES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006**

DIRECTORS

K Robson	from 19 June 2001 to 28 February 2006
S R Hodgkinson	from 15 October 2001
T A C Webb	from 22 May 2002
T Holloway	from 19 February 2003
C V G Allport	from 11 June 2003
A Simon	from 17 December 2003
C Jenks	from 21 September 2004 to 1 June 2006

SECRETARY

L Glassberg from 3 September 2003

REGISTERED OFFICE

Brunel Enterprise Centre
Brunel University
Uxbridge
Middlesex
UB8 3PH

COMPANY NUMBER

4237327

BANKERS

HSBC Bank plc
PO Box 41
High Street
Uxbridge
Middlesex
UB8 1BY

AUDITORS

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

BRUNEL UNIVERSITY ENTERPRISES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

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**BRUNEL UNIVERSITY ENTERPRISES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2006**

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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 UK Accounting Standards. 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial
- 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

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company's principal activity is the commercial exploitation of intellectual property created within Brunel University. It plans to hold major interests in spin-out companies and smaller participating interests in licensees of the University's intellectual property. It was also, until 1 August 2004, the parent company of Brunel Science Park Limited (BSPL), a Science Park operating company. In view of the fact that the activities of BUEL and BSPL are so closely connected, the boards of each company decided to merge their activities with effect from 1 August 2004 under the name of BUEL. The shareholding of BSPL was subsequently transferred to Brunel University.

The results for the year ended 31 July 2006 are set out on page 7

BRUNEL UNIVERSITY ENTERPRISES LIMITED
DIRECTORS' REPORT FOR THE
YEAR ENDED 31 JULY 2006 (Continued)

DIVIDENDS

The directors do not recommend the payment of a dividend

DIRECTORS

The directors who served during the period and their beneficial interests in the issued ordinary share capital were as follows

K Robson (to 28 February 2006)	NIL
S.R Hodgkinson	NIL
T A C Webb	NIL
T Holloway	NIL
C V G. Allport	NIL
A Simon	NIL
C Jenks (to 1 June 2006)	NIL


AUDITORS

KPMG LLP were appointed by the board as auditors at the meeting held on 13 July 2005

OWNERSHIP

The company is wholly owned by Brunel University, a Charter Corporation governed by the laws of England.

This report was approved by the board and signed on its behalf on 10 October 2006


L Glassberg
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRUNEL UNIVERSITY ENTERPRISES LIMITED

We have audited the financial statements on pages 7 to 12 of Brunel University Enterprises Limited for the year ended 31 July 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information in 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, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE
MEMBERS OF BRUNEL UNIVERSITY ENTERPRISES LIMITED (Continued)**

Opinion

In our opinion

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

KPMG LLP

KPMG LLP

Chartered Accountants and Registered Auditors
Birmingham

21 December 2006

BRUNEL UNIVERSITY ENTERPRISES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2006

		Year to 31 July 2006	Year to 31 July 2005
		£	£
Turnover		787,468	445,060
Cost of sales		(341,420)	(314,019)
Gross profit		<u>446,048</u>	<u>131,041</u>
Miscellaneous income		3,361	24,262
Administration expenses		(283,875)	(183,704)
Dividends from shares in group undertakings		0	0
Operating Profit/(Loss)	Note 2	<u>165,534</u>	<u>(28,401)</u>
Interest payable		(15,805)	(12,036)
Interest receivable	Note 5	703	391
Profit/(Loss) on ordinary activities before taxation		<u>150,432</u>	<u>(40,046)</u>
Tax on profit on ordinary activities	Note 7	0	0
Profit/(Loss) on ordinary activities after taxation		<u>150,432</u>	<u>(40,046)</u>
Dividends	Note 8	0	0
Retained Profit/(Loss) for the year		<u><u>150,432</u></u>	<u><u>(40,046)</u></u>

All results are from continuing operations

In the year, there was no difference between the loss on ordinary activities after taxation and the retained loss for the year stated above and their historical cost equivalents

In the year, the company had no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses was presented

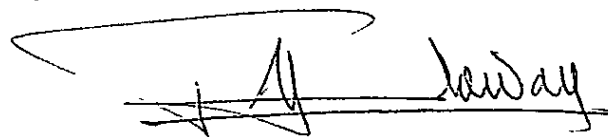
The notes on pages 10 to 12 form part of these financial statements

BRUNEL UNIVERSITY ENTERPRISES LIMITED
BALANCE SHEET
AT 31 JULY 2006

		As at 31 July 2006	As at 31 July 2005
		£	£
FIXED ASSET INVESTMENTS	Note 9		
Shares in group undertakings		87	153
Participating interests		<u>90,206</u>	<u>65,170</u>
		<u>90,293</u>	<u>65,323</u>
CURRENT ASSETS			
Debtors	Note 10		
due within one year		267,179	324,020
due after one year		<u>202,557</u>	<u>172,557</u>
		<u>469,736</u>	<u>496,577</u>
Investments		0	0
Cash at bank and in hand		<u>89,321</u>	<u>6,092</u>
		<u>559,057</u>	<u>502,669</u>
Creditors (amounts falling due within one year)	Note 11	653,775	722,849
NET CURRENT (LIABILITIES)/ASSETS		<u>(94,718)</u>	<u>(220,180)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,425)</u>	<u>(154,857)</u>
NET (LIABILITIES)/ASSETS		<u><u>(4,425)</u></u>	<u><u>(154,857)</u></u>
CAPITAL AND RESERVES			
Called-up share capital	Note 12	1	1
Profit and loss account		<u>(4,426)</u>	<u>(154,858)</u>
		<u>(4,425)</u>	<u>(154,857)</u>
EQUITY SHAREHOLDER'S FUNDS		<u><u>(4,425)</u></u>	<u><u>(154,857)</u></u>

The notes on pages 10 to 12 form part of these financial statements

The financial statements were approved by the board and signed on its behalf on 10 October 2006



Dr T Holloway
Director

BRUNEL UNIVERSITY ENTERPRISES LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
FOR THE YEAR ENDED 31 JULY 2006

	As at 31 July 2006	As at 31 July 2005
	£	£
(Loss)/Profit for the financial year	150,432	(40,046)
New share capital subscribed (net of issue costs)	<u>0</u>	<u>0</u>
Net (reduction in)/addition to shareholders' funds	150,432	(40,046)
Opening shareholders' funds	(154,857)	(114,811)
Closing shareholders' funds	<u><u>(4,425)</u></u>	<u><u>(154,857)</u></u>

BRUNEL UNIVERSITY ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

1 ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable UK Accounting Standards. The financial statements have been prepared on the going concern basis, and the directors consider that this is appropriate given that the anticipated favourable effect of the merger with Brunel Science Park Limited.

Investments

Investments consist entirely of short-term cash deposits.

Turnover

Turnover, which is stated net of Value Added Tax, represents amounts invoiced to Science Park tenants for rent and service charges. Turnover arises entirely within the United Kingdom.

Operating Leases

All leases are operating leases, and the annual rentals are charged to operating profit on a straight line basis over the lease term.

Lease of premises

The premises occupied by BUEL have been leased from Brunel University for a period of 6 years from 1 August 2001. The premises may be sub-let, but only for specific uses that are set out in the Lease.

Deferred taxation

Deferred tax is provided in full on an undiscounted basis, on all timing differences which result in an obligation at the balance sheet date, to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in financial statements.

Cash flow statement and consolidation

The company has taken advantage of the exemption in Financial Reporting Standard 1 from producing a cash flow statement on the grounds that its results, which are publicly available, are consolidated into those of its ultimate parent undertaking, Brunel University.

2 OPERATING PROFIT/(LOSS)

	2005-06	2004-05
Operating profit/(loss) is stated after charging		
Operating lease rentals (other)	£77,400	£77,400
Auditors' remuneration	<u>£2,050</u>	<u>£2,000</u>

3 DIRECTORS' EMOLUMENTS

Directors' emoluments of £129,676 were paid or payable by the company during the year (2005 - £30,116). These are included in the staff costs of £273,754.

4 EMPLOYEE INFORMATION

The number of persons employed during the period was 32 full-time equivalents (2005 - 32). Four staff were employed and four were seconded from Brunel University. The employees of BUEL received non-pensionable salaries and the employees of Brunel University are members of two University pension schemes, the Universities' Superannuation Scheme and the London Pensions Fund Authority scheme. Brunel University contributes to these defined benefit schemes for the three seconded employees, and these contributions are included in the staff costs in the University's accounts. The seconded employee salary costs are fully reimbursed to Brunel University, and are included in Cost of Sales. One of the employees has joined a defined contribution stakeholder pension scheme, to which the company makes a contribution.

	2005-06	2004-05
Salaries and wages	£229,069	£138,272
Social security costs	£23,469	£6,378
Pension costs	<u>£21,215</u>	<u>£2,921</u>
	<u>£273,753</u>	<u>£147,571</u>

5 INTEREST RECEIVABLE

	2005-06	2004-05
Bank interest receivable	<u>£703</u>	<u>£391</u>

6 GIFT AID

The board has resolved to make a gift aid donation of £Nil (2005 - £Nil) to Brunel University, an Exempt Charity, out of the company's profits for the period.

7 TAXATION

No liability to Corporation Tax is expected to crystallise in respect of the results for this accounting period (2005 - Nil).

BRUNEL UNIVERSITY ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 JULY 2006

8 DIVIDENDS

	2005-06 £	2004-05 £
Dividend declared per £1 share	0	0
Final dividend paid	<u>0</u>	<u>0</u>

9 INVESTMENTS

	Group undertakings £	Participating interests £
At 1 August	153	65,170
Additions in year	85	25,037
Disposals in year	<u>(151)</u>	<u>(1)</u>
At 31 July	<u>87</u>	<u>90,206</u>

Investments in subsidiaries

	Number of shares held	Nominal value	Cost (£)	% of issued share capital
ForceSensSys Ltd	85	£1	£85	85%
Purebreathe Limited *	1	£1	£1	100%
Synbiogen Limited *	1	£1	£1	100%
			<u>£87</u>	

Participating interests

Ability Products Limited	5	£1	£5	33.33%
Active Fasteners Limited *	35	20p	£7	45.45%
Advanced Acoustic Emissions	98	£1	£98	49%
BioRegional MiniMills (UK) Limited *	2	£1	£2	0.5%
Cascade Fund Management Limited	20	£1	£20	20%
Dynamic Extractions Limited	224	20p	£35 000	24.9%
Extansys Limited *	24	£1	£24	30.4%
FlexnLok Limited	375	10p	£37.50	37.5%
ForceSensSys Ltd - Preference shares	500	1p	£25 000	13.886%
Lifelab Innovations Limited	20 000	£1	£20 000	25.2%
Performance Brunel Ltd *	13	£1	£13	43.33%
Polymus Limited	15	£1	£10 000	10%
R.T. Circuits Limited (see note below)	6,667	50p	£0	0.2%
			<u>£90,206</u>	

Note: Current asset investments are stated net of impairment of £9,999 in respect of R.T. Circuits Limited

* Dormant from incorporation to 31 July 2006

10 DEBTORS

	2006 £	2005 £
Debtors due within one year		
Debtors	267,179	324,020
Value added tax recoverable	0	0
Amounts owed by parent/group undertakings		
Brunel University	0	0
Episport Limited	0	0
Prepayments and accrued income	<u>0</u>	<u>0</u>
	<u>£267,179</u>	<u>£324,020</u>
Debtors due after one year		
Loan to Cascade Fund Limited Partnership	100,000	50 000
Loan to Lifelab Innovations	13,333	13 333
Loan to Park Fund	50,000	70,000
Loan to Dynamic Extractions Limited	<u>39,224</u>	<u>39 224</u>
	<u>£202,557</u>	<u>£172 557</u>

The amounts owed by Group undertakings are unsecured interest free, and have no fixed date for repayment

11 CREDITORS amounts falling due within one year

	2006 £	2005 £
Cash overdrawn		0
Creditors including taxation	125,661	94,350
Other creditors	0	0
Accruals and deferred income	193,077	267 783
Amounts owing to parent undertaking		
Brunel University	<u>335,037</u>	<u>360,716</u>
	<u>£653,775</u>	<u>£722 849</u>

The amounts owed to Group undertakings are unsecured interest-free and have no fixed date for repayment

BRUNEL UNIVERSITY ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 JULY 2006

12. CALLED-UP SHARE CAPITAL

		2006	2005
Authorised	1000 Ordinary shares of £1 each	<u>£1,000</u>	<u>£1,000</u>
Allotted, issued and fully paid	1 Ordinary shares of £1 each	<u>£1</u>	<u>£1</u>
1 ordinary share of £1 each was issued at par on 19 June 2001			

13. RELATED PARTY TRANSACTIONS

The company has had material transactions with its ultimate parent, Brunel University. These transactions are eliminated in the Consolidated Financial Statements of Brunel University which are publicly available. Accordingly, the company has availed itself of the dispensation in FRS 8 not to disclose such items in these financial statements.

14. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Brunel University, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Brunel University's consolidated financial statements can be obtained from its administrative headquarters, Cleveland Road, Uxbridge, Middlesex, UB8 3PH.

15. CAPITAL COMMITMENTS

The company had no capital expenditure commitments at 31 July 2006 (2005 - Nil)

16. CONTINGENT LIABILITIES

In the opinion of the directors, the company had no material contingent liabilities at 31 July 2006 (2005 - Nil)

17. FINANCIAL COMMITMENTS

At 31 July 2006, the company had annual commitments under non-cancellable operating leases for the rent of land and buildings expiring as follows

	2006	2005
	£000	£000
Within one year	0	0
Within two to five years	77,400	77,400
After five years	<u>0</u>	<u>0</u>
	<u>77,400</u>	<u>77,400</u>