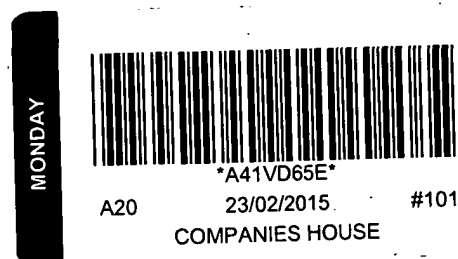


Lancaster University Network Services Limited

Company Registration number: 04311892

Directors Report and Financial Statements

Year Ended 31 July 2014



Lancaster University Network Services Limited

Registered Office: Lancaster University, University House, Bailrigg, Lancaster, Lancashire, LA1 4YW

T 08460 50 50 50 **F** 01524 510019 **E** info@luns.net.uk

www.luns.net.uk

Company No. 04311892



Lancaster University Network Services Limited

Directors' annual report and financial statements for the year ended 31 July 2014

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Lancaster University Network Services Limited

Directors' report for the year ended 31 July 2014

The directors present their annual report and the audited financial statements of the company for the year ended 31 July 2014.

Principal activities

The company's principal activity is to commercialise IT expertise in respect of computer networking technology and software systems.

Business review and future developments

In the last three years LUNS successfully negotiated a difficult transitional period and achieved a stable and profitable position by re-focusing activities upon the provision of high quality network services in the region around and to the North of Lancaster and the provision of VLE and other hosting services to a range of customers throughout the UK and beyond. More recently there has been steady growth with new business won on the back of word-of-mouth recommendations. The company is now operating with a stable base of around 70 customers serviced by four very capable full time staff.

In the next operating period we aim for further carefully controlled growth to ensure continuing stability and success. This will be achieved through carefully targeted and low key marketing activities designed to attract appropriate new business. This will require quite modest funding (from revenue) and be carefully managed to avoid the risks associated with too rapid growth or the swamping of resources available to fulfil customer enquiries and orders.

Results and dividends

The company made a profit for the year of £208,201 (2013: £71,094).

The directors do not recommend the payment of a dividend (2013: nil).

Risks, uncertainties & key performance indicators

The Company's Directors believe that the analysis of KPIs and risks and uncertainties are consistent with those of its parent Lancaster University. These are adequately set out and described in the Lancaster University group financial statements, and as such, they have not made any further disclosure within these financial statements.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Lancaster University. The directors have received confirmation that Lancaster University intend to support the company for at least one year after these financial statements are signed.

Lancaster University Network Services Limited

Directors' report for the year ended 31 July 2014 (continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

T McMillan	(resigned 31 December 2013)
R D O'Brien	(resigned 15 August 2014)
N Burd	(resigned 22 May 2014)
P Harness	
S J Randall-Paley	(appointed 22 May 2014)
N C Banfield	(appointed 22 May 2014)
M Jameson	(appointed 18 August 2014)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

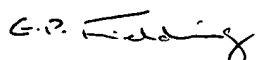
- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board and signed by its order by



G P Fielding
Company Secretary
18 December 2014

Lancaster University Network Services Limited

Statement of directors' responsibilities

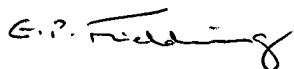
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Approved by the Board and signed by its order by



G P Fielding
Company Secretary
18 December 2014

Lancaster University Network Services Limited

Independent auditors' report to the members of Lancaster University Network Services Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 July 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Lancaster University Network Services Limited, comprise:

- the Balance Sheet as at 31 July 2014;
- the Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Lancaster University Network Services Limited

Independent auditors' report to the members of Lancaster University Network Services Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Greg Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
19 December 2014

Lancaster University Network Services Limited

Profit and loss account for the year ended 31 July 2014

	<i>Note</i>	2014 £	2013 £
Turnover	2	832,096	771,555
Cost of sales	3	<u>(577,206)</u>	<u>(615,402)</u>
Gross profit		254,890	156,153
Distribution costs		(18,619)	(25,048)
Administrative expenses		<u>(25,182)</u>	<u>(56,158)</u>
Operating profit		211,089	74,947
Interest payable and similar charges	4	<u>(2,888)</u>	<u>(3,853)</u>
Profit on ordinary activities before taxation	5	208,201	71,094
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
Profit for the financial year	14	208,201	71,094

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

Lancaster University Network Services Limited

Registered Company Number : 04311892

Balance sheet*As at 31 July 2014*

	<i>Note</i>	2014 £	2014 £	2013 £	2013 £
Tangible Fixed assets	<i>9</i>		95,035		132,615
Current assets					
Stocks	<i>10</i>	6,402		8,118	
Debtors: amounts falling due within one year	<i>11</i>	120,604		102,109	
Cash at Bank and in hand		83,438		81,854	
Creditors: amounts falling due within one year	<i>12</i>	(527,313)		(754,731)	
Net current liabilities			(316,869)		(562,650)
Total assets less current liabilities			(221,834)		(430,035)
Net liabilities			(221,834)		(430,035)
Capital and reserves					
Called up share capital	<i>13</i>		300,000		300,000
Profit and loss account	<i>14</i>		(521,834)		(730,035)
Total shareholder's deficit	<i>14</i>		(221,834)		(430,035)

The financial statements on pages 7 to 14 were approved by the board of directors on 20 November 2014 and were signed on its behalf by:

Paul C Harness 18th December 2014.

P Harness
Director

Lancaster University Network Services Limited

Notes to the financial statements for the year ended 31 July 2014

1 Accounting Policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historic cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The company has net current liabilities of £316,869 (2013: £562,650). The parent company has confirmed its intention to continue to provide financial support to the company for a period of not less than 12 months from the date these financial statements are signed. The directors consider it appropriate therefore to prepare the financial statements on the going concern basis.

Cash flow statement

The company is exempt from the requirement of FRS 1, to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of Lancaster University and its cash flows are included within the consolidated cash flow statement of that entity which are publicly available.

Related party transactions exemption

The directors have taken advantage of the exemption in FRS8 and have not disclosed related party transactions with parent and fellow subsidiary undertakings. There are no other related party transactions which require specific disclosure.

Current taxation

Corporation tax payable is provided on taxable profits at the current rate.

Pensions

Pension costs relate to payments made by Lancaster University to the Universities Superannuation Scheme and Local Government Pension Scheme and subsequently recharged to the company. These are charged to the profit and loss account as they fall due.

Lancaster University Network Services Limited

Notes to the financial statements for the year ended 31 July 2014 (continued)

1 Accounting Policies (continued)

Tangible Fixed Assets and Depreciation

Equipment costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. Office furniture is written off in the year of acquisition. All other items of equipment and vehicles are capitalised and depreciated over their expected useful lives. The carrying value of tangible fixed assets is the cost less accumulated depreciation. Equipment and vehicles are depreciated over 5 years, the Telecity GEO lease is depreciated over 10 years.

Turnover

Turnover represents amounts receivable for goods and services, excluding VAT, delivered during the year and consists of sales made in the United Kingdom.

2 Turnover

All turnover took place in the UK and largely comprises retail sales, together with other sundry income totalling £31k.

3 Cost of sales

	2014 £	2013 £
Telecom circuits	291,183	298,360
Staff costs	153,663	145,337
Infrastructure maintenance	70,742	110,362
Business rates on circuits	18,987	18,987
Equipment depreciation	28,730	28,730
Hardware	5,250	-
Consultancy	-	5,298
Site shares	8,651	8,328
	<u>577,206</u>	<u>615,402</u>

4 Interest payable and similar charges

Interest is received or paid on the inter-company balances held with its parent, Lancaster University, at a rate of Base Rate plus 0.25%.

Lancaster University Network Services Limited

Notes to the financial statements for the year ended 31 July 2014 (*continued*)

5 Profit on ordinary activities before taxation

	2014	2013
	£	£
<i>Profit is stated after charging:</i>		
Depreciation of tangible fixed assets	37,580	37,581
Auditors' remuneration: Audit services	4,230	4,110

6 Taxation on profit on ordinary activities

As the company has trading losses brought forward, no charge to taxation arises on the profit for the financial year.

7 Directors' remuneration and employee costs

	2014	2013
	£	£
<i>Employee costs</i>		
Wages and salaries	126,910	120,048
Social security costs	9,290	8,990
Other pension costs	17,463	16,299
	<u>153,663</u>	<u>145,337</u>

	2014	2013
Average monthly number of employees	4	4

8 Directors' emoluments

The directors have not received any remuneration for services provided to the Company. Administrative expenses include management charges of £5,701 in respect of part time duties of company directors employed by Lancaster University (2013: £13,960).

Lancaster University Network Services Limited

Notes to the financial statements for the year ended 31 July 2014 (*continued*)

9 Tangible Fixed Assets

	Vehicles £	Equipment £	Total £
Cost			
At 1 August 2013	44,252	331,605	375,857
Additions	-	-	-
At 31 July 2014	44,252	331,605	375,857
Accumulated Depreciation			
At 1 August 2013	26,553	216,689	243,242
Charge for the Year	8,850	28,730	37,580
At 31 July 2014	35,403	245,419	280,822
Net Book Value			
At 31 July 2014	8,849	86,186	95,035
At 31 July 2013	17,699	114,916	132,615

10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Lancaster University Network Services Limited

Notes to the financial statements for the year ended 31 July 2014 (*continued*)

11 Debtors: amounts falling due within one year

	2014 £	2013 £
Trade debtors	51,080	42,219
Other debtors	69,524	59,890
	<u>120,604</u>	<u>102,109</u>

12 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	21,749	48,037
Amounts owed to Lancaster University	240,458	485,774
Accruals and deferred income	254,226	220,920
Value Added Tax	10,880	-
	<u>527,313</u>	<u>754,731</u>

13 Called up share capital

	2014 £	2013 £
Authorised 5,000,000 (2013: 5,000,000) ordinary shares of £1 each	5,000,000	5,000,000
Allotted, called up and fully paid 300,000 (2013: 300,000) ordinary shares of £1 each	300,000	300,000

Lancaster University Network Services Limited

Notes to the financial statements for the year ended 31 July 2014 (*continued*)

14 Reconciliation of movement in shareholder's deficit

	Called Up Share Capital £	Profit and loss account £	Total Shareholders' Deficit £
At 1 August 2013	300,000	(730,035)	(430,035)
Profit for the financial year	-	208,201	208,201
At 31 July 2014	300,000	(521,834)	(221,834)

15 Pension schemes

Company employees are members of the Universities Superannuation Scheme or the Local Government Pension Scheme. Full disclosures have been made in the financial statements of Lancaster University.

The company is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the schemes in respect of the accounting year.

16 Capital commitments

There are currently no capital commitments (2013: nil).

17 Ultimate parent company

The ultimate parent undertaking and controlling party is Lancaster University.

Lancaster University is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 July 2014. The consolidated financial statements can be obtained from:

Lancaster University
University House
Bailrigg
Lancaster
Lancashire
LA1 4YW