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NATURAL RESEARCH LIMITED
GROUP FINANCIAL STATEMENTS
Year to 31st July 2003



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Year to 31st July 2003

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NATURAL RESEARCH LIMITEDLEGAL AND ADMINISTRATIVE INFORMATIONDIRECTORS AND TRUSTEES:

Dr M. Madders
Dr M.J. McGrady
P.K. Stirling-Aird
Dr Carole A. Bainbridge

SECRETARY:

Elliot & Company, W.S.,
8 Charlotte Street,
Perth,
PH1 5LL

REGISTERED OFFICE:

8 Charlotte Street,
Perth,
PH1 5LL

AUDITORS:

Bird Simpson & Co, C.A.,
144 Nethergate,
Dundee.
DD1 4EB

BANKERS:

The Royal Bank of Scotland,
Bowmore,
Isle of Islay,
PA43 7JJ,

CHARITY NUMBER:

SC030363

COMPANY NUMBER:

SC209393

COMPANY STATUS:

Company limited by Guarantee
and governed by its Memorandum
& Articles of Association.

NATURAL RESEARCH LIMITED

THE DIRECTORS' REPORT

The directors present their report and group financial statements for the year ended 31st July, 2003.

OBJECTS OF THE CHARITY

The Charity conducts research into natural resources and wild life internationally. It further endeavours to enhance the education of the public by disseminating the results of such research.

The company has a trading subsidiary, Natural Research (Projects) Limited. Its trade involves undertaking consultancy work and advising on the environmental and ecological impact of industrial and commercial developments. It is the subsidiary's policy to transfer any profits generated to the parent company. To this end it was agreed at the AGM of Natural Research (Projects) Limited held on 25th February, 2004 to give a donation of £50,000 to Natural Research Limited. The donation was received prior to 30th April, 2004.

ORGANISATION

The board of directors, who are in regular contact, administer the charity. Dr M. Madders is the managing director and he manages the day to day operations of the company.

DIRECTORS

The Directors of the charitable company are its trustees for the purposes of charity law. The Directors who served the company during the year are as follows:

Dr M. Madders	
Dr. M.J. McGrady	
P.K. Stirling-Aird	
Dr Carole A. Bainbridge	(Appointed 13th November 2002)

In accordance with the Articles of Association PK Stirling-Aird retires at the Annual General Meeting and is eligible for re-election.

The Directors are also members of the charitable company and as such guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 31st July, 2003 was 4.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Directors are required by law to prepare accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the surplus or deficit of the company for that period, and which comply with applicable accounting standards.

They are also required to ensure that appropriate accounting policies have been used and applied consistently, that reasonable and prudent judgements and estimates have been made, where necessary, and that the accounts have been prepared on a going concern basis.

The are also responsible for maintaining adequate accounting records and ensuring that the appropriate procedures have been followed to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

NATURAL RESEARCH LIMITEDTHE DIRECTORS' REPORT (continued)STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE PREPARATION OF FINANCIAL STATEMENTS (continued)

The Directors confirm that these accounts comply with these requirements.

REVIEW OF THE ACTIVITIES AND FUTURE DEVELOPMENTS

The group produced a surplus of £120,209 in the year, made up as follows:

Natural Research Limited	deficit	£ (3,920)
Natural Research (Projects) Limited	profit	124,129
		<hr/>
		£ 120,209
		=====

Activity within the subsidiary trading company has increased substantially in the current year. It is hoped that this trend will continue, thus generating funds which can be utilised to fulfil the charity's objectives.

GOING CONCERN

The Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and have, thereafter used the going concern basis in preparing the financial statements.

RESERVE POLICY AND RISK MANAGEMENT

During the year the directors have reviewed the company's activities looking at the opportunities available to the company as well as establishing the risks to which it is exposed. Two key risk areas have been identified, People Issues and Data Issues. Within these areas there are a number of risks to the company and the directors are currently addressing these and establishing procedures to mitigate these risks.

The directors acknowledge that for efficient running of the charity a level of reserves should be built up to assist in it's cash flow. Reserves should also allow the charity to survive any failures in it's earning capability or unforeseen costs which have not been identified by the above risk analysis.

The directors have agreed that reserves should be built up to a level of between 6-12 months operating expenditure for this purpose.

INVESTMENT POLICY

At present all the charity's funds are required for cash flow purposes and are therefore kept in bank accounts for immediate access. This policy will be reviewed once excess funds are available.

GRANT POLICY

The charity has not yet issued any grants. A policy on this is currently being formulated for the future.

NATURAL RESEARCH LIMITEDTHE DIRECTORS' REPORT (continued)AUDITORS

A resolution for the re-appointment of Bird Simpson & Company, Chartered Accountants, as auditors, is to be proposed at the forthcoming Annual General Meeting in terms of Section 384 of the Companies Act 1985.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

Approved by the Board of Directors
and signed on its behalf by:


.....
Elliot & Company, W.S., Secretaries.


.....
Date

NATURAL RESEARCH LIMITEDINDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NATURAL RESEARCH LIMITED

We have audited the group financial statements on pages 7 to 16 of Natural Research Limited for the year ended 31st July 2003. These financial statements have been prepared under the historical cost convention and 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, or this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the company's directors who are also the trustees of Natural Research Limited for the purposes of charity law, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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, and the Charities Accounts (Scotland) Regulations 1992. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 have conducted our audit in accordance with United Kingdom Auditing Standards 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.

NATURAL RESEARCH LIMITEDINDEPENDENT AUDITORS' REPORT TO THE MEMBERS OFNATURAL RESEARCH LIMITED (continued)

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 of the group's and charities affairs as at 31st July 2003 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the Charities Accounts (Scotland) Regulations 1992.

Bird Simpson & Co

Bird Simpson & Co
Chartered Accountants
and Registered Auditors
Dundee

Date 9th August 2004

NATURAL RESEARCH LIMITED
CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

For the year ended 31st July 2003

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
<u>INCOME</u>	3		
Donations, Grants & Sponsorship		-	3,679
Commercial trading operations	4	675,334	346,800
Interest		734	-
		<hr/> 676,068	<hr/> 350,479
<u>EXPENDITURE</u>			
Research Expenses		53,420	3,361
Fundraising Expenses		800	-
Administrative Expenses		169	26
Commercial Trading Expenses	4	467,260	268,622
		<hr/> 521,649	<hr/> 272,009
Surplus/(Deficit) on ordinary activities before taxation		<hr/> 154,419	<hr/> 78,470
Tax on surplus on commercial activities	6	34,210	4,718
		<hr/>	<hr/>
Surplus/(Deficit) on ordinary activities after taxation		120,209	73,752
Transfer (to)/from reserves		(120,209)	(73,752)
		<hr/>	<hr/>
		<hr/>	<hr/>

The group has no gains or losses other than the results shown for the year.
The turnover and reported results are in respect of continuing operations.

The notes on page 9 to 16 form part of the these financial statements.

NATURAL RESEARCH LIMITED
CONSOLIDATED & CHARITY BALANCE SHEET

As at 31st July 2003

	<u>Notes</u>	<u>2003</u>	<u>Group</u> <u>2002</u>	<u>Charity</u> <u>2003</u>	<u>2002</u>
			£	£	£
<u>FIXED ASSETS</u>					
Tangible Assets	7	18,760	3,690	-	-
Investment	8	-	-	1	1
		<u>18,760</u>	<u>3,690</u>	<u>1</u>	<u>1</u>
<u>CURRENT ASSETS</u>					
Debtors	9	300,455	129,041	9,412	-
Cash at bank		45,516	72,015	7,431	8,291
		<u>345,971</u>	<u>201,056</u>	<u>16,843</u>	<u>8,291</u>
<u>CURRENT LIABILITIES</u>					
Creditors due within one year	10	154,067	115,196	12,472	-
		<u>191,904</u>	<u>85,860</u>	<u>4,371</u>	<u>8,291</u>
<u>NET CURRENT ASSETS/(LIABILITIES)</u>					
		<u>210,664</u>	<u>89,550</u>	<u>4,372</u>	<u>8,292</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>					
Provisions for liabilities and charges	11	1,453	548	-	-
		<u>209,211</u>	<u>89,002</u>	<u>4,372</u>	<u>8,292</u>
<u>Represented by:</u>					
Restricted Funds	12,13	-	318	-	318
Unrestricted Funds	13	209,211	88,684	4,372	7,974
		<u>209,211</u>	<u>89,002</u>	<u>4,372</u>	<u>8,292</u>
<u>TOTAL FUNDS</u>					
		<u>209,211</u>	<u>89,002</u>	<u>4,372</u>	<u>8,292</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities

Approved by the Board of Directors
and signed on its behalf by:

.....
Director

02/08/04
.....
Date

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTSAt 31st July 20031. ACCOUNTING POLICIES1.1 Accounting Basis

The financial statements have been prepared under the historical cost convention and in accordance with Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2000), applicable accounting standards, the Charities Accounts (Scotland) Regulations 1992 and the Companies Act 1985.

1.2 Group Accounts

These financial statements consolidate the results of the charity and its wholly-owned subsidiary Natural Research (Projects) Limited on a line by line basis. A separate Statement of Financial Activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by Section 230 of the Companies Act 1985 and paragraph 304 of SORP 2000.

1.3 Incoming Resources

All income receivable is allocated to the year in which it relates, with the exception of donations which are recognised on their receipt. Restricted income is allocated to the appropriate Restricted Fund. Income with no restriction attached is allocated to Unrestricted Funds.

Income from trading activities represents amounts receivable for consultancy services rendered net of VAT.

1.4 Resources Expended

Resources expended are included on an accruals basis and allocated to the appropriate fund, being dependent on the nature of the underlying expense.

Expenditure relating to trading activities is specified separately.

1.5 Tangible Fixed Assets and Depreciation

Tangible fixed assets other than freehold land are stated at cost, less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings freehold	2%	straight line
Fixtures, fittings & equipment	33.33%	straight line

No depreciation is provided in respect of freehold land.

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTSAt 31st July 2003**1.6 Funds**

Funds generated or drawn on via the Income and Expenditure Account are classified as either restricted funds or unrestricted funds, defined as follows:

- Restricted funds are subject to specific conditions which may be declared by the donor or with their authority, e.g., by the restrictive wording of an appeal. Some are restricted income funds expended at the discretion of the Directors. Others are capital where the assets are required to be invested for long-term use.
- Unrestricted funds are expendable at the discretion of the directors in furtherance of the objects of the charity.

1.7 Foreign Currencies

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction.

Balances denominated in foreign currencies are translated at the rate of exchange prevailing at the year end.

1.8 Investments

Investments are stated at cost.

1.9 Research Expenditure

Research expenditure is where possible, allocated to the restricted fund to which it relates. Research expenditure of a general nature is allocated to unrestricted funds.

1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.11 Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTS (continued)At 31st July 20032. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	<u>Restricted</u>	<u>Unrestricted</u>	<u>2003</u>	<u>2002</u>
	<u>Funds</u>	<u>Funds</u>	<u>Total</u>	<u>Total</u>
<u>INCOME RESOURCES</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Donations	-	-	-	3,679
Activities for generating funds:				
- Commercial trading operations	-	675,334	675,334	346,800
Interest receivable	-	734	734	-
Total Incoming Resources	-	676,068	676,068	350,479
	=====	=====	=====	=====
<u>Resources Expended</u>				
Cost of generating funds:				
- Commercial trading operations	-	467,260	467,260	268,622
- Taxation	-	34,210	34,210	4,718
	-	501,470	501,470	273,340
Research Expenditure	318	53,102	53,420	3,361
Fundraising Expenditure	-	800	800	-
Administrative Expenditure	-	169	169	26
Total Resources Expended	318	555,541	555,859	276,727
	=====	=====	=====	=====
Net Incoming Resources	(318)	120,527	120,209	73,752
Total Funds b/f	318	88,684	89,002	15,250
Total Funds c/f	-	209,211	209,211	89,002
	=====	=====	=====	=====

3. INCOME3.1 Donations

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Outwith UK Donations	-	3,679
	=====	=====

3.2 Commercial Trading Operations

Consultancy Income	675,334	346,800
	=====	=====

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTS (continued)At 31st July 2003

3.	<u>INCOME</u> (continued)	<u>2003</u>	<u>2002</u>
		£	£
3.3	<u>Interest</u>		
	Bank Interest	418	-
	Other Interest	316	-
		<u>734</u>	<u>-</u>
		=====	=====

4. COMMERCIAL TRADING OPERATIONS AND INVESTMENT IN TRADING SUBSIDIARY

The wholly owned subsidiary, Natural Research (Projects) Limited, which is incorporated in the United Kingdom, pays a substantial portion of its profits to the charity by gift aid.

Natural Research (Projects) Limited undertakes consultancy work on environmental issues. The charity owns the entire issued share capital of one ordinary share of £1. A summary of the trading results is shown below:

Summary profit and loss account

	<u>2003</u>	<u>2002</u>
	£	£
Turnover	675,334	346,800
Cost of sales	373,248	204,068
	<u>302,086</u>	<u>142,732</u>
Gross profit		
Administrative expenses	(94,012)	(64,554)
Interest receivable	677	-
Interest payable	(412)	-
	<u>208,339</u>	<u>78,178</u>
Corporation tax	34,210	4,718
	<u>174,129</u>	<u>73,460</u>
Gifted to the charity	50,000	8,000
	<u>124,129</u>	<u>65,460</u>
Retained in the company	=====	=====

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTS (continued)At 31st July 20034. COMMERCIAL TRADING OPERATIONS AND INVESTMENT IN TRADING SUBSIDIARY
(continued)

The Assets and Liabilities of the subsidiary were:

	<u>2003</u> £	<u>2002</u> £
Tangible fixed assets	18,760	3,690
Current assets	338,540	192,765
	<u>357,300</u>	<u>196,455</u>
Creditors due within 1 year	(151,007)	(115,196)
Provisions for liabilities	(1,453)	(548)
	<u>204,840</u>	<u>80,711</u>
	=====	=====
Aggregate share capital and reserves	204,840	80,711
	=====	=====

5. STAFF COSTS

The following staff costs are included in group expenditure:

	<u>2003</u> £	<u>2002</u> £
Directors remuneration	30,973	16,000
Wages and salaries	189,558	75,710
Social security costs	21,641	8,214
Pension costs	-	18,000
	<u>242,172</u>	<u>117,924</u>
	=====	=====

The costs above have been allocated over the following headings:

	<u>Un- restricted Funds</u>	<u>Restricted Funds</u>	<u>Total</u>	<u>2002</u>
Research Expenses	33,724	318	34,042	-
Fundraising	800	-	800	-
Commercial Trading Activities	207,330	-	207,330	117,924
	<u>241,854</u>	<u>318</u>	<u>242,172</u>	<u>117,024</u>
	=====	=====	=====	=====

While undertaking work for the group two of it's directors incurred expenses amounting to £2,677. These expenses were reimbursed.

6. TAXATION

The parent company is accepted as a charity by the Board of the Inland Revenue and consequently relief is given under S505T.A. 1988 to exempt it from the payment of Corporation Tax.

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTS (continued)At 31st July 20036. TAXATION (continued)

The subsidiary company is subject to normal corporation tax legislation, and hence pays corporation tax on its profits as follows:

	<u>2003</u> £	<u>2002</u> £
<u>Domestic current year tax</u>		
UK corporation tax	29,180	4,170
Adjustment for previous year	4,125	-
	<hr/>	<hr/>
<u>Current tax charge</u>	33,305	4,170
<u>Deferred tax</u>		
Deferred tax charge for current year	905	548
	<hr/>	<hr/>
	<u>34,210</u>	<u>4,718</u>
	<u>=====</u>	<u>=====</u>

7. TANGIBLE FIXED ASSETS - GROUP AND CHARITY

	<u>Land & buildings</u> £	<u>Group Plant & machinery</u> £	<u>Total</u> £	<u>Charity Total</u> £
<u>Cost</u>				
At 1st August 2002	-	5,548	5,548	-
Additions	10,000	10,372	20,372	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st July 2003	10,000	15,920	25,920	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Depreciation</u>				
At 1st August 2002	-	1,858	1,858	-
Charge for the year	-	5,302	5,302	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st July 2003	-	7,160	7,160	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<u>Net book value</u>				
At 31st July 2003	10,000	8,760	18,760	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 31st July 2002	-	3,690	3,690	-
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTS (continued)At 31st July 2003

8.	<u>INVESTMENTS - CHARITY</u>	<u>2003</u> £	<u>2002</u> £
----	------------------------------	------------------	------------------

Natural Research (Projects) Limited	1	1
	===	===

The charitable company is the sole shareholder of Natural Research (Projects) Limited, a company which advises on the environmental and ecological impact of carrying out various projects and developments. The investment is cancelled out on consolidation.

9.	<u>DEBTORS</u>	<u>2003</u> £	<u>Group</u> <u>2002</u> £	<u>Charity</u> <u>2003</u> £	<u>2002</u> £
	Trade debtors	295,817	128,791	-	-
	Other debtors	4,638	250	-	-
	Amounts due from subsidiary	-	-	9,412	-
		<u>300,455</u>	<u>129,041</u>	<u>9,412</u>	<u>-</u>
		=====	=====	=====	=====

10.	<u>CREDITORS</u>	<u>2003</u> £	<u>Group</u> <u>2002</u> £	<u>Charity</u> <u>2003</u> £	<u>2002</u> £
	Trade creditors	29,787	20,601	-	-
	Taxes and Social Security	79,655	48,720	3,288	-
	Other Creditors	44,625	45,875	9,184	-
		<u>154,067</u>	<u>115,196</u>	<u>12,472</u>	<u>-</u>
		=====	=====	=====	=====

11.	<u>PROVISIONS FOR LIABILITIES AND CHARGES - GROUP</u>	<u>Deferred Tax liability</u> £
	Balance at 1st August 2002	548
	Charge for year	905
		<u>1,453</u>
		=====

The deferred charge liability is made up as follows:

	<u>2003</u> £	<u>2002</u> £
Accelerated capital allowances	1,453	548
	=====	=====

12. RESTRICTED FUNDS

During the year there was one restricted fund, being established with monies received from the Hawk Foundation. At the year end all monies within this fund had been utilised.

NATURAL RESEARCH LIMITEDNOTES TO THE GROUP ACCOUNTS (continued)At 31st July 200313. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	<u>Un- Restricted fund</u>	<u>Restricted fund</u>	<u>Total</u>	<u>2002</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Tangible Fixed Assets	18,760	-	18,760	3,690
Investments	-	-	-	-
Debtors	300,455	-	300,455	129,041
Cash at Bank	45,516	-	45,516	72,015
Creditors	(154,067)	-	(154,067)	(115,196)
Provisions for liabilities	(1,453)	-	(1,453)	(548)
	<u>209,211</u>	<u>-</u>	<u>209,211</u>	<u>89,002</u>

14. RELATED PARTY TRANSACTIONS

Transactions between the charity and it's subsidiary cancel out on consolidation and are therefore not reported.

During the year the group has undertaken the following transactions with its directors, in addition to the normal travel expenses etc., disclosed in Note 5.

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
<u>M. Madders</u>		
Subcontractors fees	-	7,500
Car hire	3,000	1,250
Use of office	5,000	5,000

The balances due to related parties at the year end were as follows:

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
M. Madders - work in progress	-	3,303
M. McGray - work in progress	-	6,880