

Company Registration No 01765239



STATUTORY FINANCIAL STATEMENTS

for the year ended

31 December 2011

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**(A Charitable Company Limited by Guarantee)**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31st December 2011**

**Registered Charity Number: 290866**

# Lhasa Limited

## CONTENTS

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<b>Contents</b>	<b>Page</b>
Mission Statement	1
Officers and Professional Advisers	2
Directors and Trustees Report	3
Directors Responsibilities in the Preparation of Financial Statements	15
Independent Auditors' Report to the Members of Lhasa Limited	16
Consolidated Statement of Financial Activities (incorporating an income and expenditure account)	18
Balance Sheet	19
Consolidated cash flow statement	20
Accounting Policies	21
Notes to the Financial Statements	24

# Lhasa Limited

## MISSION STATEMENT

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### OBJECTIVES

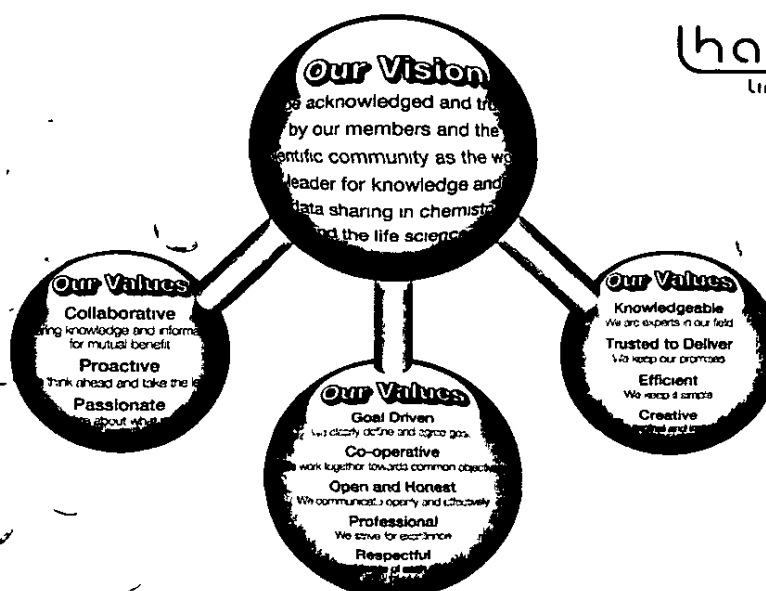
Lhasa Limited is a not-for-profit organisation whose objective is to promote scientific knowledge and understanding through the development of computer-aided reasoning and information systems in chemistry and the chemistry-related sciences

### OUR MISSION

Shared Knowledge, Shared Progress

### OUR VISION

"To be acknowledged and trusted by our members and the scientific community as the world leader in knowledge and data sharing for chemistry and the life sciences"



**Lhasa**  
Limited

Shared Knowledge, Shared Progress

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# Lhasa Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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Chairman	Dr FH Allen
Deputy Chairman	Dr N Greene
Chief Executive Officer	Mr DK Watson
Company Secretary	Dr JJ Langowski
Other Members	Mr MA Chatwin Dr DR Hawkins Dr WE Lindup Dr RA Rodford Prof P Willett Dr AGE Wilson Dr DM Richardson
Registered Office	22 – 23 Blenheim Terrace Woodhouse Lane Leeds LS2 9HD
Auditors	Baker Tilly UK Audit LLP 2 Whitehall Quay Leeds LS1 4HG
Bankers	The Cooperative Bank 9 Prescott Street London E1 8BE
Solicitors	Irwin Mitchell LLP 2 Wellington Place Leeds LS1 4BZ
Registered Charity Number	290866
Company Number	01765239

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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The Board of Directors presents the report and financial statements of Lhasa Limited for the year ended 31 December 2011. The statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities. The report and statements also comply with the Companies Act 2006 as Lhasa Limited was incorporated as a Company Limited by Guarantee on 27 October 1983. It has no share capital and is a registered charity. The guarantee of each member is limited to £10. The governing documents are the Memorandum and Articles of Association of the company and members of the Board of Trustees are the Directors of the company.

### STRUCTURE GOVERNANCE AND MANAGEMENT

The Charity is governed by its Articles of Association (June 2010), its Memorandum of Association (June 2006) and its Codes of Practice (December 2008).

#### GOVERNANCE

The governing bodies consist of a Board of Directors, responsible for the governance of the Charity and a Scientific Advisory Board, responsible for scientific matters, which reports to the Board of Directors. Both of these bodies meet quarterly at the company offices in Leeds.

#### RECRUITMENT, INDUCTION AND TRAINING OF DIRECTORS

In accordance with policy, Directors are recruited either by recommendation or via a recruitment process, for their specific skills defined as a requirement by the Board of Directors. Upon approval, potential Directors are sent an induction pack covering their obligations under Charity and Company Law, Articles of Association, Memorandum of Association and Codes of Practice, company policies and a non-disclosure agreement. Potential Directors are invited to attend a maximum of 2 meetings as observers and at the first of these receive an induction to the business covering key aspects of the organisation, its operations and salient Health and Safety information. After these two meetings the Board and the individual consider their suitability to act as a Director ahead of their formal acceptance to the post.

During 2011, the Company Administrator attended one governance seminar and the information derived from this was passed on to Directors and appropriate changes to governance procedures were adopted.

#### MEMBERSHIP OF LHASA LIMITED

As at the Annual General Meeting held on 15 June 2011, there were 213 members of which 113 were full members, 96 associate, 1 honorary and 3 affiliate memberships of Lhasa Limited. At the Ordinary General Meeting in December 2011, there were 224 members of which 113 were full, 106 associate, 1 honorary and 4 affiliate members. A list of Lhasa Limited member organisations can be found on the Lhasa Limited website ([www.lhasalimited.org](http://www.lhasalimited.org)).

#### MANAGEMENT AND STAFFING

Day to day management is delegated to the Chief Executive Officer who leads the management team based in Leeds. Key members of the management team are:

Chief Executive Officer	Dave Watson
Company Secretary	Jan Langowski
Financial Controller	Jennifer Horsley
Director of Science	Christopher Barber
Operations Manager	Charles McArdle

The Chief Executive Officer formally reports to the Board through a quarterly report and by attendance at quarterly meetings of the Board of Directors. Progress is reviewed with the Chairman and Deputy Chairman monthly, via telephone conference.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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At 31 December 2011, FTE staff numbers stood at 69 against the 61 of the previous year

### RISK MANAGEMENT & REVIEW

The Board of Directors is responsible for the management of risk by the Charity. Key controls for the management of risk include

- Formal agendas for all Board activity,
- Comprehensive strategic planning, budgeting and management accounting,
- Established organisational structure and lines of reporting,
- Formal written policies,
- Clear authorisation and approval levels

The Board of Directors has conducted a review of the major risks to which the Charity is exposed and systems have been established to mitigate those risks. During 2007 the Board approved the use of Charity Magique software which is used to further identify, manage and mitigate risks throughout the Charity's operations

#### ***Corporate Risk***

The Board of Directors meet on a regular basis to review the performance of the Charity and its activities and are provided with financial management reports and forecasts which they use as a means of ensuring proper business controls are in place. Contractual and other legal arrangements are regularly reviewed by the management team and brought to the Board of Directors for their consideration and approval before action.

As far as the Board of Directors is aware there are no instances of actual, suspected or alleged fraud that will affect the Charity.

#### ***Financial Risk***

With the majority of income derived from overseas sources, the risk of currency fluctuation is mitigated by our policy not to retain significant currency holdings. The foreign exchange loss in the current year is £13,417 compared to a gain in the prior year of £15,224 reflecting the movement in the currency market.

#### ***Data loss***

The risk of data loss is minimised by the implementation of procedures for regular back-ups and the storage of key data and software source code off-site. The company employs a full-time Systems Administrator who has implemented regular and stringent, local and off-site back-up procedures for all crucial data.

#### ***Fraud***

To minimise risk from fraud, all key financial transactions greater than £10,000 are pre-approved by the Chairman/Deputy Chairman through regular telephone conversations and these require further authorisation from one director and either the CEO, the Company Secretary or one other Director. All signatories have clear and communicated authorisation levels.

#### ***Competitive Risk***

In August 2007 it was reported that an organisation calling itself Lhasa LLC was exhibiting at a stand at the American Chemistry Society Conference and offering software to predict toxicology, DEREK. Investigations revealed that this company was constituted in the state of Massachusetts in 2004 under licence from Harvard University and was offering software based on the original collaboration that evolved into Lhasa Limited. In order to mitigate this risk, contact was established with both Harvard and Lhasa LLC but discussions did not end in a resolution. The Board took the decision to monitor this risk and there was no evidence of activity by Lhasa LLC in any of Lhasa Limited's core markets.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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In November 2011 an organisation LASA was identified as a potential conflict to the Lhasa brand however it was felt that, as they provided strategic and independent advice on welfare rights, voluntary sector ICT support services and policy development support, they were not operating in the same target market and therefore offered no competitive risk. Nevertheless contact was made to ensure their awareness of our prior art on the brand identity.

### ***Public Benefit***

The Lhasa Limited Board of Directors/Trustees holds in high regard the principle of public benefit and requires the Chief Executive Officer and staff of Lhasa Limited to pursue strategies that demonstrate this. The Board of Directors/Trustees, at its quarterly meetings, reviews ongoing charitable activities to ensure consistency with our charitable objects.

The Charity is committed to the development and use of computer-aided reasoning and information systems for the advancement of chemistry and the life sciences. By performing research on chemical, toxicology and metabolism data, our scientists are able to provide members with software systems that allow them to make predictions about the safety of chemicals, thereby providing public benefit through

- reducing the need for animal testing,
- improving the lengthy and costly process of developing new drugs,
- safeguarding human health from the adverse effects of chemicals

The charitable aims of Lhasa Limited include the sponsorship of activities that advance scientific knowledge and understanding through the use of computer-aided reasoning in chemistry and the life sciences. The Charity directly promotes and encourages the use of our software for academic teaching and research by offering membership on significantly preferential terms. In addition, the Charity actively supports research through sponsorship of

- computational chemistry events,
- scientific symposia and academic prizes,
- research projects and scientific training to Ph D level

As well as performing research and development ourselves, the Charity is committed to providing financial support for others to carry out their own research and to discuss their findings to further advance and refine the science. Specifically, the Charity provides support for research within academic institutions and the outcomes of this research, and that of our own scientists, are disseminated through publications, talks and poster presentations at relevant scientific events, all around the world.

The software developed by the Charity enables the scientific community to carry out research much more effectively, reducing animal use in experiments, helping to improve toxicological testing and improving the communication of knowledge about toxicology and metabolism. Members, academic and government regulatory organisations benefit from the unique data and knowledge-sharing approach of Lhasa Limited, enhancing quality of life by assisting in the development of, and access to, safer chemical entities for the benefit of the public.

Our position as a charity, without a purely commercial outlook, makes it easier for organisations to donate their data, secure in the knowledge that it will only be used to promote scientific development to the benefit of all. In addition, our unique position is seen as key for sharing contributed data (by acting as "honest broker"), which further expands the scope of scientific collaboration for the public benefit.



# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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Membership and software sponsorship fees are used to support the ongoing research and development carried out by the Charity. Through the generous funding of our main sponsors, Lhasa Limited is able to offer very low fees to academic organisations and public non-political bodies to ensure that its knowledge is available to the widest possible public audience. In addition, members contribute the results of their own research, thereby making scientific research publicly available that would not otherwise be accessible to the scientific community. The Charity therefore plays an invaluable role by bringing previously unpublished information into the public domain, and permitting the knowledge derived from this to be used by the scientific community for the public benefit.

### PRINCIPAL ACHIEVEMENTS IN THE YEAR

#### OPERATIONS

##### *Finance*

A good financial performance was delivered during the year with charitable income above forecast by £120,935. In tough economic conditions, sound financial management of costs delivered a surplus of £634,014 against a forecast surplus of £12,498.

##### *Membership*

In line with the improved sponsorship income, membership levels increased from 205 in 2010 to 223 in 2011.

##### *Vision*

Lhasa Limited's continuing participation in the IMI eTOX and OECD Toolbox projects is a clear indication of a growing acceptance of Lhasa Limited's role at the heart of knowledge and data sharing in our chosen field and as such, is in line both with our vision and our charitable objects. Furthermore, participation in projects of this type promotes further opportunities for the public to benefit from our activities as we widen our scope of influence.

#### STRATEGY

The strategic plan first developed in October 2006 and reviewed/revised in detail annually, underwent a major review in 2011 leading to the publication of a 5 year plan reviewed and approved by the Board in June 2011. All aspects of strategy are reviewed quarterly by the internal Strategy Group in the light of new market and scientific information and any suggested changes needed are recommended to the Board. As such, the scientific strategy was further reviewed in December 2011 to provide additional focus for the scientific effort.

#### RESEARCH AND DEVELOPMENT

Research and development of software, accumulated knowledge development and data management continued throughout the period, refining predictions and increasing the safety of member products delivered for public consumption.

The continued willingness of members to use Lhasa Limited as a vehicle for sharing proprietary data (secure in the knowledge that their confidentiality will not be compromised) has meant knowledge and data are continuously improved in pursuit of charitable aims, bringing more scientific research into the public domain and for the public benefit. In addition, special projects driven by individual members add further value when the outputs are incorporated in the software tools illustrated below. In pursuit of its vision, Lhasa Limited has significantly improved its position with regard to its ability to deliver research with the creation of an internal Research Group during 2009, whose remit is to focus on transformational science in order to increase the impact of our efforts in pursuit of our charitable objects. During 2011, several significant advances in the scientific approach to our existing software have been proposed as a result of this research.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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### ***Derek Nexus Toxicity Prediction***

The development of Derek Nexus continued as planned throughout the year. The main focus in this time was the development and uploading of additional information to the knowledge base covering those toxicity endpoints prioritised by members. In addition to this, refinements were made to existing records as more/new data was made available by sponsors to assist with this development. During 2011, 23 alerts were modified in the light of additional information and 100 new alerts were added of which 29 were full alerts and 71 were rapid prototype alerts.

### ***Meteor Metabolism Prediction***

Growth and refinement of the biotransformation knowledge was the focus of attention for the development of Meteor, including the addition of information on intermediate transformations in line with the 'roadmap' implemented in 2010. In all, 43 biotransformations were revised and 47 new ones added, with developments to the reasoning providing enhanced prediction capability. This work facilitates the study of the metabolic fate of chemicals in living organisms and enables more information to be made available relating to the safety of chemicals.

### ***Vitic Toxicity Database***

The database was refined in line with member requests and current records updated. In excess of 21,000 new records were added which include records for 1,342 new substances with the focus on complementing Derek Nexus knowledge. The software is now being used as part of Lhasa Limited's contribution to the IMI eTOX project. Much work was done throughout 2011 to develop the software schema to meet the specific needs of the eTOX project.

### ***Zeneth***

The Chemical Degradation Prediction project initiated during 2008 was completed at the end of 2010 with the release of the first version of the software for general use. Throughout the year additional software sponsors have been acquired and the development of the software has continued in line with the collaborative principles of development of other Lhasa Limited software.

During the year 53 new degradation pathways have been added to the software and 5 enhancements made. Strategic Projects

During 2011 ongoing strategic projects were completed on schedule and additional research commissioned on projects funded directly by members, with outputs being made generally available to members in releases scheduled for 2012/2013. The value realised to members in the December 2011 software release was £134,339.

## KEY COLLABORATIONS

### ***USA Federal Drug Administration***

The FDA CRADA (Cooperative Research and Development Agreement) reported in 2006 came to an end in December 2011. The CRADA was replaced by an RCA (Research Collaboration Agreement) allowing the data shared by the FDA with Lhasa Limited to continue to aid the development of our Derek Nexus, Meteor and Vitic software. This in turn advances computer-aided reasoning in chemistry and the life sciences in accordance with our charitable objects.

### ***OECD Toolbox Phase II***

Lhasa Limited, having been invited as part of a consortium to participate in an open tender by the European Chemical Hazards Agency (ECHA) in association with the Organisation of Economic Cooperative Development (OECD), was formally recognised as a partner in the project on 18 December 2008. Since that time Lhasa Limited has made available key researchers to explore toxicological pathways to support the development of the Toolbox. This project continues to deliver successful outcomes for publicly available software in support of the prediction of the activity of chemicals in the environment as part of the chemicals registration process overseen by ECHA.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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### ***IMI - eTOX Project***

Working as part of a consortium of 15 European pharmaceutical companies and 10 SME/Academic partners, Lhasa Limited is providing database and toxicology skills with the objective of improving *in silico* prediction of toxicology and pharmacology. This project officially began in January 2010 and we are continuing to provide support for the programme, with a specific focus on our role as host of the public and confidential data that are being shared as the cornerstone of this project.

### ***DEFRA***

This UK Government sponsored project, managed by Liverpool John Moores University, entitled 'Development of Alternatives to Animal Testing for Risk Assessment to Meet the Requirements of New Chemicals Legislation' ended in December 2010. Lhasa Limited's role was the provision of *in silico* tools and techniques alongside expert systems knowledge to advance the thinking in intelligent testing regimes which reduce animal testing and improve safety for humans and the environment. Our work here has produced new insights into the possibilities of *in silico* prediction and contributed to the testing system models proposed by the project. The outputs of the project were made public during 2011.

### ***Intermediates data sharing***

The Intermediates data sharing project initiated in 2006 produced its first release in June 2007 using the Vitic software. The project continues to add data records covering areas of interest to the participating members and enabling predictions to be made about production intermediates that improve the safety of products without the need for additional testing. During the latter part of 2011 the project was expanded to cover the provision and sharing of data for aryl boronic acids and aromatic amines.

### ***Excipients data sharing***

This data sharing project began in 2008 following the selection of Lhasa Limited and our Vitic software by an industry group whose focus was the sharing of test data with the primary aim of reducing animal testing. Lhasa Limited continued to promote this group and have had some success in widening participation during 2011.

## TRAINING, CONFERENCES AND PUBLICATIONS

### ***Training***

As part of the Lhasa Limited service to its members, and in support of education of individual users at each of our member organisations 68 training sessions were given overall with 33 at member sites, 34 via the web and 1 in our offices in Leeds.

### ***International Collaborative Group Meetings (ICGMs)***

The purpose of these meetings is to share knowledge and experience in chemistry and the life sciences as it applies to the future developments of the Charity's collaborative tools. Given the downturn in the economic climate it was decided to continue 'virtual' ICGMs, allowing members to provide their support for development of the science through regular seminars. During 2011 we delivered 7 virtual ICGM's and two 'live' ICGMs were held in the USA and Japan.

- The 29<sup>th</sup> ICGM was held at the offices of the FDA, Washington (USA) on the 11<sup>th</sup> March 2011 to coincide with the end of the Society of Toxicology Meeting. There were 14 participants representing 13 company members and 19 regulators representing 2 regulatory organisations.
- The 30<sup>th</sup> ICGM was held at Kasumigaseki, Tokyo (Japan) on the 10<sup>th</sup> November 2011. There were 22 participants for the member session and a further 23 for the open session consisting of potential members.

### ***Conferences***

Members of Lhasa Limited staff attended in excess of 30 international events in support of our aims, philosophy, services and charitable objects.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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### ***Publications***

A key part of the work of Lhasa Limited is the expansion of understanding of toxicology and metabolism prediction. During 2011 this objective was achieved by the delivery of 5 presentations to conferences, the submission of 2 book chapters for publication and 13 posters were presented at conferences.

The Trustees and the Charity are working to further increase Lhasa Limited's contributions to the open scientific literature in future years, so as to better inform the wider scientific community of the Charity's high-quality scientific research activities.

### **SPONSORSHIP**

Sponsorship expenditure during 2011 totalled £151,763. During 2011 the Board of Directors approved a number of sponsorship activities in accordance with Lhasa Limited's charitable objects including:

- The 2011 Toxicology Module Prize in the School of Biomedical Sciences at the University of Leeds,
- Patronage of the ISSX,
- The African Education Initiative in which the participation of 7 African students in the toxicology programme was enabled by Lhasa Limited sponsorship,
- Initial Funding of the Judson Foundation for the promotion of the use of computer aided reasoning and toxicology in Africa,
- World Congress on Alternatives to Animal use in Life Sciences, Japan,
- Sponsorship of the AltTox.org e-newsletter,
- The sponsorship of a PhD at the University of Cambridge looking at transporter mediated metabolism which is expected to conclude in 2014,
- A post-doctoral research project with the University of Copenhagen investigating reactivity models for metabolism prediction,
- The sponsorship of a PhD at the University of Bradford looking at the influence of formulation on toxicity.

In addition to those activities undertaken in 2011 the following previous commitments were continued:

- Knowledge Transfer Programme at the University of Surrey commencing in September 2008. During 2011 the Associate for this programme was replaced and the research transfer resumed with some excellent progress made in a very short time and this is anticipated to make a contribution to the Lhasa Limited software during 2012.
- (Short) Knowledge Transfer Programme at the University of Sheffield commenced in January 2011 applying and developing the knowledge gained within the PhD previously sponsored by Lhasa Limited. This project has made excellent progress during 2011 and is also anticipated to make a contribution to Lhasa Limited software during 2012.

The cost of these charitable activities may be found in 'other direct costs' in note 2.

### **ORGANISATIONAL DEVELOPMENT**

#### ***Organisation***

The Aligning Processes with Customer Needs (APCN Project) initiated in September 2008 is now established as an ongoing process improvement methodology across the whole of the organisation covering all processes. Regular audits are in place to ensure continuous improvement across all key processes.

#### ***Member facing activity***

The reorganisation and recruitment to support the changes to member-facing processes was begun in Q3 of 2011 and it is envisaged that transition will be completed by the end of Q2 2012. At this time there will be separate Sales, Marketing and Account Management functions reporting to a Director of Member Services. The focus of these functions will be:

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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- Sales – attracting new members and software sponsorship for Lhasa Limited,
- Account Management – providing scientific and software technical support working with members to further relationship development,
- Marketing – managing formal scientific engagement situations with members at conferences, symposia and ICGMs alongside the provision of brand management and market research

### **Research Group**

The Research Group formed towards the end of 2010 provided useful scientific insights in support of the strategic direction of Lhasa Limited and this was given even more impetus with the recruitment of a Director of Science in September 2011. The work done by this group during 2011 has significantly contributed to the scientific strategy agreed by the Board at its December 2010 meeting.

### **LHASA SERVICES LIMITED**

From time to time, Lhasa Limited has been offered opportunities to undertake specific research that would be unlikely to be made available to the wider membership within a reasonable time after its completion. Whilst activities of this type could be described as contributing to the advancement of science, the Board felt it prudent to decline these opportunities as it was felt that the undertaking would not be compatible with the spirit of 'Shared Knowledge, Shared Progress' and thus with Lhasa Limited's charitable objects.

In consideration of the potential positive impact on the Charity that undertaking research of this type would have, the Board decided to constitute Lhasa Services Limited as a wholly owned subsidiary, specifically to provide a service for members within the scientific remit of our charitable objects.

There has been no new activity in 2011 and with finalisation of the Leadscope SBIR project there was a small surplus for 2011 to Lhasa Services Limited of £517. This has been used to offset the previous years' loss of £828.

### **PLANS FOR 2012 AND BEYOND**

#### **INCOME**

Income growth is expected to slow in 2012 given the general economic situation and the continuing negative impact on research and development resources in the Charity's pharmaceutical membership base. The focus will remain on increasing membership and sponsorship of existing software and by developing strategic, collaborative projects that meet our member's future needs.

With a continuing, more focussed approach to the improvement of software, 2012 and 2013 will see the release of additional, enhanced software which is anticipated (as a minimum) to underpin existing revenues and to support some further income growth.

#### **MEMBER SERVICES**

It is planned that a Director of Member Services be recruited during the first half of 2012 to oversee the member facing activity of the Sales, Marketing and Account Management teams.

#### **Sales**

By the end of Q2 2012 the reorganisation of externally facing activities will see the Sales team fully focussed on developing the use of our software by new members. Scientific conference and exhibition attendance will be the key vehicle for attracting new members and the re-launch of the Customer Relationship Management system (SLX) will be used to ensure that a return on investment in time and effort is achieved from each conference attended.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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### **Marketing**

The focus of the Marketing group will continue in its strategic approach to deliver the three key themes previously identified

- Attract new members
  - Promoting Lhasa Limited in ways that will attract new members and additional income.
- Retain existing members
  - Research the needs of members in relation to scientific and software development and customer support,
  - Monitor and respond to industry developments and competitor activity to ensure Lhasa Limited's science, software and services remain the preferred choice of current members
- Improve operational performance in pursuit of the above
  - Engage the employees of Lhasa Limited in working in ways that exemplify behaviours consistent with the company's values that in turn make the company's vision a reality

### **Account Management**

Building on their excellent reputation for technical support and service, the account management team will continue to proactively communicate with members in order to promote member understanding and market leading, tailored scientific and technical support for members. The recruitment of an additional account manager in Q2 2012 is planned in order to facilitate greater levels of scientific interaction and greater strategic alignment with our membership

## **OPERATIONS**

The Operations team will focus on continuously improving the project delivery processes in support of the effective delivery of improvements to the software and services provided to members. Synergies arising from the integration of the software, knowledge and data teams will be leveraged to increase the quality, accuracy and transparency of scientific interpretation the Lhasa Limited software provides for members

## **RESEARCH**

The Research Group will continue to deliver the necessary capacity to investigate opportunities to develop computer-aided reasoning for the life sciences outside of the general improvements delivered via operational projects

With the additional direction arising from the review of Scientific Strategy in December 2011 a number of key scientific domains have been identified for support from specific projects

- Novel approaches to the prediction of toxicology/metabolism/degradation with the objective of improving the accuracy and scope of applicability,
- Automation of the acquisition of new knowledge in support of expert development and curation,
- Increase the understanding and articulation of the chemistry/biology interface,
- Develop new approaches for the resolution of workflow challenges in safety assessment in the pharmaceutical/cosmetics/chemical/agrochemical markets

## **REVIEW OF FINANCE POSITION**

### **FUNDING SOURCES**

#### **Lhasa Limited**

Lhasa Limited receives the bulk of its income from membership fees, software sponsorship fees and buying-in fees, with the aim of attracting significant income from the additional sponsorship of specific research and development projects. The results derived from these projects are incorporated into the software available to the whole Lhasa Limited membership

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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Lhasa Limited is involved in several externally funded research projects. During 2011 the Charity continued its involvement with the IMI (Innovation in Medicine Initiative/EFPIA (European Federation of Pharmaceutical Industries and Associations) project attracting funding for the creation of a database for the sharing of data toxicological information to encourage the development of new modelling techniques. Lhasa Limited is also part of the consortium to deliver the OECD QSAR (Organisation for Economic Cooperation and Development, Quantitative Structure Activity Relationship) Toolbox Phase II project which moved forward significantly during 2011 with the Charity working on new scientific approaches to pathway prediction. The largest and most important of the externally funded projects in which Lhasa Limited participates is the IMI (Innovation in Medicine Initiative) eTOX project.

### ***Lhasa Services Limited***

During 2011, income was derived from this subsidiary on the basis of subcontracted software development to support a United States SBIR (Small Business Industrial Research) grant-funded research project to present toxicological data and predictions in a single interface.

### RESULTS FOR THE YEAR

The surplus for the financial year 2011 was £634,014. As anticipated, incoming resources for the 2011 financial year increased as a number of new organisations bought into the Derek, Meteor, Vitic and Zeneth systems and the majority of existing customers renewed their membership and continued to licence the software. The income split for 2011 may be seen below:

Derek	54%
Meteor	16%
Vitic	11%
Zeneth	2%
Other	17%

The geographic split of income was:

Europe	53%
Americas	30%
Asia	17%

The value of the software systems owned and developed by Lhasa Limited has increased during 2011 partly as a result of the launch of the new system Zeneth and continued investment in the existing databases. The capitalisation staff effort expended in developing these systems of £950,100 was offset by their depreciation charges during the year of £768,568.

The presentation of the accounts is in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" 2005 and as part of this process the main activities identified for the Charity have been each of the main databases. The notes to the financial statements on pages 24 to 37 indicate how the incoming resources totalling £5,063,191 (2010 £4,442,229) represent the commitment of the existing customers to the Charity and each of the databases.

The resources expended have been allocated on the same basis as income across the main activities. The allocation of the costs being based on the staff hours spent on each database together with the direct costs incurred.

The governance costs totalling £55,759 are detailed in note 3 on page 28 and include the management time incurred in assisting the Board of Directors to fulfil their duties.

The Charity has prepared a budget for the year ended 31 December 2012 which indicates a moderate loss (£77,617) for the coming year. This budget is based on identified income sources.

The level of business and the Charity's year end position in 2011 were positive and very satisfactory.

# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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### RESERVES POLICY

Lhasa Limited's reserves policy requires the retention of income sufficient to encompass.

- 1 The balance on tangible fixed assets for use by the Charity to avoid having to liquidate functional assets to release cash
- 2 All deferred income designated as required to deliver the service promised for the duration of each individual member sponsorship agreement
- 3 Funds to enable all designated expenses, other than customary direct costs and support costs, agreed in the budget or at Board Meetings held from time to time a materiality level for retention of 3% of total incoming resources for charitable activities (£150,755)
- 4 A range of +/- 50% of the deferred income level
- 5 The reserves policy will be reviewed annually to take into consideration perceived risks and opportunities

#### *Current position*

Based upon the above our present position is

	<u>Dec 2011</u>
<b>Unrestricted Reserves</b>	<b>£5,682,913</b>
<b>Fixed Assets</b>	<b>£3,887,966</b>
<b>Deferred Income</b>	<b>£2,445,983</b>
<b>Designated Spending (Copenhagen)</b>	<b>£ 109,000</b>
	<b>£6,442,949</b>
<b>Balance of Unrestricted Reserves</b>	<b>( £760,036)</b>
<b>Upper Range</b>	<b>£1,222,992</b>
<b>Lower Range</b>	<b>£(1,222,992)</b>

This deficit is considered a comfortable position as it is perceived that the risk that we will not be able to continue and deliver our member related services for 2012 and beyond, is low

### INVESTMENT POLICY

Lhasa Limited receives income on an annual basis through membership subscriptions, sponsorships, grants and other sources. It plans activities over a three to five year time horizon and budgets to expend all anticipated income, except for retaining a prudent amount in reserves, every year and provides for capital expenditure within the budget or through designated income funds. The only funds of Lhasa Limited that are not expendable within 12 months of receipt are reserves and any grants or sponsorships for activities over a longer period. Consequently, the Board of Directors does not currently consider that it is prudent to invest income for the longer term. Its policy for investment is therefore to retain funds as cash and place them on short-term Guaranteed Investment bank deposit at the best rate obtainable. This is in accordance with the Memorandum and Articles of Association. During the course of 2007 banking facilities and the mortgage on the Leeds Offices were transferred from the Royal Bank of Scotland plc to the Cooperative Bank in pursuit of this policy.

### TANGIBLE FIXED ASSETS

The movement in tangible fixed assets are set out in note 5



# Lhasa Limited

## DIRECTORS AND TRUSTEES REPORT

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### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

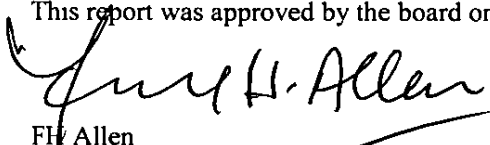
The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### AUDITORS

A resolution to reappoint Baker Tilly UK Audit LLP Chartered Accountants as auditors will be put to the members at the annual general meeting. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board on 13<sup>th</sup> June 2012 and signed on its behalf

  
F.H. Allen  
CHAIRMAN

By order of the Board

# Lhasa Limited

## STATEMENT OF TRUSTEES RESPONSIBILITIES

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees 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 those financial statements, the Trustees are required to:

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Trustees 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LHASA LIMITED

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We have audited the group and parent charity financial statements Lhasa Limited ("the financial statements") for the year ended 31 December 2011 on pages 19 to 39. 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).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' responsibilities set out on page 16 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2011 and of the group's incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006 and the Charities Act 2011

### **Opinion on other requirement of the Companies Act 2006**

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

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LHASA LIMITED

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent charitable company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Baker Tilly UK Audit LLP*

Claire Leece (Senior Statutory Auditor)  
For and on behalf of Baker Tilly UK Audit LLP  
Chartered Accountants  
2 Whitehall Quay  
Leeds  
LS1 4HG

21 June 2012

# Lhasa Limited

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)

For the year ended 31 December 2011

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2011 £	Total 2010 £
<b>INCOMING RESOURCES</b>					
Incoming resources from charitable activities	1	4,754,867	271,434	5,026,301	4,418,706
Incoming resources from generated funds					
Investment income	1	36,890	-	36,890	23,523
<b>TOTAL INCOMING RESOURCES</b>		<b>4,791,757</b>	<b>271,434</b>	<b>5,063,191</b>	<b>4,442,229</b>
<b>RESOURCES EXPENDED</b>					
Resources expended on charitable activities	2	4,372,901	-	4,372,901	3,870,112
Governance costs	2,3	55,759	-	55,759	81,509
<b>TOTAL RESOURCES EXPENDED</b>	<b>2</b>	<b>4,428,660</b>	<b>-</b>	<b>4,428,660</b>	<b>3,951,621</b>
<b>NET INCOMING RESOURCES</b>	<b>4</b>	<b>363,097</b>	<b>271,434</b>	<b>634,531</b>	<b>490,608</b>
<b>TRANSFER BETWEEN FUNDS</b>	<b>12</b>	<b>142,355</b>	<b>(142,355)</b>	<b>-</b>	<b>-</b>
Total funds brought forward at 1 January 2011		5,175,812	70,934	5,246,746	4,756,138
<b>TOTAL FUNDS CARRIED FORWARD</b>					
<b>AT 31 DECEMBER 2011</b>		<b>5,681,264</b>	<b>200,013</b>	<b>5,881,277</b>	<b>5,246,746</b>

The net income for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Statement of Financial Activities

# Lhasa Limited

Company Registration No 01765239

## CONSOLIDATED AND CHARITY BALANCE SHEET

As at 31 December 2011

	Notes	Group 2011 £	Group 2010 £	Charity 2011 £	Charity 2010 £
<b>FIXED ASSETS</b>					
Tangible	5	3,887,965	3,774,690	3,887,965	3,774,690
Investments	6	-	-	1	1
		<u>3,887,965</u>	<u>3,774,690</u>	<u>3,887,966</u>	<u>3,774,691</u>
<b>CURRENT ASSETS</b>					
Debtors	7	1,747,079	1,473,666	1,746,693	1,472,930
Cash at bank		3,748,604	3,089,320	3,748,381	3,087,545
		<u>5,495,683</u>	<u>4,562,986</u>	<u>5,495,074</u>	<u>4,560,475</u>
<b>CREDITORS Amounts falling due within one year</b>	8	677,306	673,149	675,049	668,475
Deferred income	9	2,445,983	1,984,853	2,445,983	1,984,853
		<u>3,123,289</u>	<u>2,658,002</u>	<u>3,121,032</u>	<u>2,653,328</u>
<b>NET CURRENT ASSETS</b>		<u>2,372,394</u>	<u>1,904,984</u>	<u>2,374,042</u>	<u>1,907,147</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,260,359</u>	<u>5,679,674</u>	<u>6,262,008</u>	<u>5,681,838</u>
<b>CREDITORS Amounts falling due after more than one year</b>	10	379,082	432,928	379,082	432,928
<b>NET ASSETS</b>		<u>5,881,277</u>	<u>5,246,746</u>	<u>5,882,926</u>	<u>5,248,910</u>
<b>FUNDS</b>					
Accumulated restricted funds	12,13	200,013	70,934	200,013	70,934
Accumulated unrestricted funds	12,13	5,681,264	5,175,812	5,682,913	5,177,976
<b>TOTAL FUNDS</b>		<u>5,881,277</u>	<u>5,246,746</u>	<u>5,882,926</u>	<u>5,248,910</u>

The financial statements on pages 19 to 39 were approved by the board of directors and authorised for issue on 13 June 2012 and are signed on its behalf by

  
FH Allen Chairman

# Lhasa Limited

## CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cashflow from operations	14a	1,714,677	1,259,142
Returns on investments and servicing of finance	14b	36,890	23,523
Capital expenditure and financial investment	14b	(1,038,437)	(1,043,264)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>713,130</b>	<b>239,401</b>
Financing	14b	(53,846)	(53,846)
<b>INCREASE IN CASH IN THE PERIOD</b>		<b>659,284</b>	<b>185,555</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
		2011 £	2010 £
Increase in cash in the year		659,284	185,555
Movement on bank loan	14c	53,846	53,846
<b>Change in net funds resulting from cash flows</b>		<b>713,130</b>	<b>239,401</b>
<b>MOVEMENT IN NET FUNDS IN THE YEAR</b>		<b>713,130</b>	<b>239,401</b>
NET FUNDS AT 1 JANUARY 2011	14c	2,602,546	2,363,145
NET FUNDS AT 31 DECEMBER 2011	14c	3,315,676	2,602,546

# Lhasa Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and the Statement of Recommended Practice Accounting and Reporting by Charities issued in March 2005 ('SORP')

### GOING CONCERN

Having reviewed the current working capital position, the forecast trading and capital commitment spend, the directors believe that there are no apparent reasons that the charity will not continue to operate for the foreseeable future and as such the financial statements have been prepared on the basis that Lhasa Limited is and will continue to be a going concern

### BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of those undertakings which are owned by Lhasa Limited. Group turnover excludes transactions between group undertakings, intra group sales being eliminated on consolidation. All subsidiary company accounting periods are co-terminus with the parent company.

A separate statement of financial activities and income and expenditure account are not presented for Lhasa Limited as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

### FUND ACCOUNTING

Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of the charity.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors. They include income received under contracts with members in respect of special projects where use of the income is restricted to that project. On completion of a project, the resulting data or software becomes available to the general membership and so there is no longer any restriction on the assets. At this point the value of the income relating to the completed projects is transferred from restricted to unrestricted funds.

### INCOMING RESOURCES

Income comprises

#### *Buying in fees*

This is a one-off payment by a sponsor to buy into an existing Lhasa Limited software development project. This takes account of the investment already made in the project by the existing sponsors. This income is recognised once access to the relevant database has been granted.

#### *Computer software sponsorship and licence fees*

This is an annual fee made by an organisation to fund ongoing software development projects. This income is recognised on an accruals basis in line with the period of service provided.

#### *Subscriptions*

This is an annual fee payable by an organisation to become a member of Lhasa Limited and to have access to software developed by Lhasa Limited. This income is recognised on an accruals basis in line with the period of membership.

#### *Project sponsorship*

This is income received from sponsors for specific projects. Once a contract has been entered into the income is recognised in restricted funds as it becomes receivable. On completion of projects, once software is available to the general membership and there is no longer any restriction on the assets, the value of the income relating to the completed projects is transferred from restricted to unrestricted funds.



# Lhasa Limited

## ACCOUNTING POLICIES

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### RESEARCH AND DEVELOPMENT

Expenditure, including direct staff costs, attributable to the computer software is capitalised. All other expenditure on research and development is written off in the year in which it is incurred.

### FOREIGN CURRENCIES

Assets and liabilities denominated 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 date ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating surplus or deficit for the year.

### RESOURCES EXPENDED

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that activity. Where costs cannot be directly allocated to activities they have been allocated to activities on a basis consistent with the use of resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Support costs are allocated on an actual basis to the key strategic areas of activity with any unallocated support costs being apportioned on an income received basis for each strategic area of activity.

Governance costs include the cost of governance arrangements which relate to the general running of the charity. These activities provide the governance infrastructure which allows the charity to operate and to generate the information required for public accountability. They include the strategic planning processes that contribute to future development of the charity.

### TANGIBLE FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation.

Expenditure, including direct staff costs, attributable to project sponsorship is either capitalised if attributable to the computer software or prepaid until the information is available to add to the software.

Assets with a cost in excess of £500 intended to be of ongoing use to Lhasa Limited in carrying out its activities are capitalised as fixed assets.

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life at the following rates:

Freehold properties	2%
Freehold property refurbishment	10%
Fixtures and fittings	20%
Computer hardware	25%
Computer Software	20%
Office equipment	20%

### INVESTMENTS

Fixed asset investments are recorded at cost less any provision for impairment losses.

# Lhasa Limited

## ACCOUNTING POLICIES

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### RETIREMENT BENEFITS

The charitable company participates in the Universities Superannuation Scheme. This is a multi-employer scheme for which it is not possible to separately identify the charity's share of the underlying assets and liabilities attributable to the scheme.

The pension charge represents contributions payable by the charity to the fund in respect of the year, as disclosed in note 16.

### TAXATION

As a charity Lhasa Limited is exempt from tax on income and gains falling within Section 505 of the Taxes Act 1983 and Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity.

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

1	INCOMING RESOURCES	Membership fees £	Derek £	Meteor £	Vitic £	Zeneth £	Other £	Total 2011 £	Total 2010 £
	Unrestricted incoming resources								
	Buying in fees	-	205,012	182,671	66,322	52,200	-	506,205	248,442
	Subscription	218,942	-	-	-	-	-	218,942	178,610
	Computer software sponsorship	-	2,499,360	653,858	480,343	66,548	-	3,700,109	3,523,269
	Consultancy and sundry	-	-	-	-	-	107,957	107,957	131,371
	Special projects	-	-	-	-	-	221,654	221,654	247,058
	Bank interest	-	-	-	-	-	36,890	36,890	23,523
	Total unrestricted incoming resources	218,942	2,704,372	836,529	546,665	118,748	366,501	4,791,757	4,352,273
	Restricted incoming resources								
	Research and project sponsorship	-	-	-	-	-	271,434	271,434	89,956
	Total restricted incoming resources	-	-	-	-	-	271,434	271,434	89,956
	Total incoming resources	218,942	2,704,372	836,529	546,665	118,748	637,935	5,063,191	4,442,229
	The percentage of income arising from outside the UK was 86% (2010 88%)								

**Lhasa Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2011**

2 RESOURCES EXPENDED										
a	Analysis of total resources expended	Membership fees £	Derek £	Meteor £	Vinc £	Zeneth £	Special projects £	Other £	Total 2011 £	Total 2010 £
	Unrestricted resources expended									
	Direct staff costs	40,026	396,399 (377,766)	201,834 (169,874)	209,296 (198,655)	79,887 (69,465)	401,530	92,580	1,421,552 (815,760)	2,538,944 (732,524)
	Less transfer to fixed assets	-					-	-		
	Other direct cost	40,026	18,633	31,960	10,641	10,422	401,530	92,580	605,792	1,806,420
	Support costs		1,512,698	511,712	365,628	73,348	207,371	-	2,670,757	1,239,149
		5,788	578,401	219,002	159,917	31,547	90,868	10,829	1,096,352	824,543
	Governance costs	45,814	2,109,732	762,674	536,186	115,317	699,769	103,409	4,372,901	3,870,112
		295	29,434	11,145	8,137	1,605	4,624	519	55,759	81,509
	Total unrestricted resources expended	46,109	2,139,166	773,819	544,323	116,922	704,393	103,928	4,428,660	3,951,621

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

### 2 RESOURCES EXPENDED (continued)

	Membership fees £	Derek £	Meteor £	Vinc £	Zeneth £	Special projects £	Other £	Total 2011 £	Total 2010 £
Restricted resources expended									
Direct staff costs	-	-	-	-	-	-	-	-	-
Less transfer to prepayments	-	-	-	-	-	-	-	-	-
Total restricted resources expended	-	-	-	-	-	-	-	-	-
Total resources expended	46,109	2,139,166	773,819	544,323	116,922	704,393	103,928	4,428,660	3,951,621

**Lhasa Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2011

**2 RESOURCES EXPENDED (continued)**

**b Analysis of support costs**

	<i>Membership fees</i>	<i>Derek</i>	<i>Meteor</i>	<i>Vitic</i>	<i>Zeneth</i>	<i>Special projects</i>	<i>Other</i>	<i>Total 2011</i>	<i>Total 2010</i>
	£	£	£	£	£	£	£	£	£
<b>Unrestricted funds</b>									
Employee related costs	2,625	262,339	99,331	72,531	14,309	41,214	4,634	496,983	508,927
Premises	593	59,242	22,432	16,379	3,231	9,307	1,046	112,230	78,319
Financial costs	(84)	(8,393)	(3,178)	(2,320)	(458)	(1,319)	(148)	(15,900)	(12,218)
Travelling	159	15,882	6,013	4,391	866	2,495	281	30,087	35,143
Communication and IT	558	55,764	21,114	15,418	3,042	8,761	985	105,642	116,274
Royalty Fees	163	16,246	6,151	4,492	886	2,552	287	30,777	28,470
Other	1,774	177,321	67,139	49,026	9,671	27,858	3,744	336,533	69,628
<b>Total unrestricted</b>	<b>5,788</b>	<b>578,401</b>	<b>219,002</b>	<b>159,917</b>	<b>31,547</b>	<b>90,868</b>	<b>10,829</b>	<b>1,096,352</b>	<b>824,543</b>

All support costs are allocated on the basis of incoming resources, with the exception of recruitment of direct staff which are based on the hours spent on each database

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

3	ANALYSIS OF GOVERNANCE COSTS	2011 £	2010 £
	Legal and professional	21,161	43,449
	Audit	11,928	18,755
	Cost of AGMs and Board of Directors Expenses	22,670	19,305
		<u>55,759</u>	<u>81,509</u>

4	NET INCOMING RESOURCES	2011 £	2010 £
	These are stated after charging/(crediting)		
	Auditors' remuneration	11,928	18,755
	Depreciation	924,148	815,755
	Exchange losses/(gains)	13,417	(15,224)
	Loss on disposal of fixed assets	1,014	4,440
		<u>950,507</u>	<u>823,726</u>

No directors' remuneration was paid in either year. Directors' expenses totalling £15,708 (2010 £5,312) were incurred by the charity for eight directors.

The average number of employees in the year, analysed by category, is as follows:

	2011	2010
Administration and Customer Support	16	16
Database and Knowledge Base	26	22
Marketing	2	1
Project Management	4	4
Sales	6	6
Software development	10	9
Research	5	3
	<u>69</u>	<u>61</u>

Wages and salaries paid to these employees was:

	2011 £	2010 £
Wages and salaries	2,673,519	2,319,071
Social security	190,211	175,714
Pension	341,230	316,429
	<u>3,204,960</u>	<u>2,811,214</u>

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

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### 4 NET INCOMING RESOURCES *(continued)*

Employees received emoluments of more than £60,000 as follows

	2011	2010
£60,000 - £70,000	1	-
£70,000 - £80,000	-	-
£80,000 - £90,000	-	1
£90,000-£100,000	1	-
	<hr/>	<hr/>
	2	1
	<hr/>	<hr/>

Pension contributions in respect of the above higher paid staff were £20,803



# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

### 5 TANGIBLE FIXED ASSETS - GROUP AND CHARITY

	Freehold Land and Buildings £	Computer hardware £	Computer Software £	Office Equipment £	Total £
<b>Cost</b>					
At 1 January 2011	2,078,828	330,721	6,820,719	53,836	9,284,104
Additions	36,099	49,439	950,100	2,799	1,038,437
Disposals	-	(14,789)	-	-	(14,789)
	<u>2,114,927</u>	<u>365,371</u>	<u>7,770,819</u>	<u>56,635</u>	<u>10,307,752</u>
<b>Depreciation</b>					
At 1 January 2011	529,246	242,341	4,685,383	52,444	5,509,414
Provided in year	109,344	44,799	768,567	1,438	924,148
Disposals	-	(13,775)	-	-	(13,775)
	<u>638,590</u>	<u>273,365</u>	<u>5,453,950</u>	<u>53,882</u>	<u>6,419,787</u>
<b>Net book value</b>					
At 31 December 2011	<u>1,476,337</u>	<u>92,006</u>	<u>2,316,869</u>	<u>2,753</u>	<u>3,887,965</u>
At 31 December 2010	<u>1,549,582</u>	<u>88,380</u>	<u>2,135,336</u>	<u>1,392</u>	<u>3,774,690</u>

#### Computer software

	Derek £	Meteor £	Vitic £	Zeneth £	Total £
<b>Cost</b>					
At 1 January 2011	3,520,748	2,015,604	1,156,412	127,955	6,820,719
Additions	512,104	169,875	198,656	69,465	950,100
	<u>4,032,852</u>	<u>2,185,479</u>	<u>1,355,068</u>	<u>197,420</u>	<u>7,770,819</u>
<b>Depreciation</b>					
At 1 January 2011	2,476,061	1,425,699	783,622	-	4,685,382
Provided in year	380,432	197,520	158,392	32,224	768,568
	<u>2,856,493</u>	<u>1,623,219</u>	<u>924,014</u>	<u>32,224</u>	<u>5,453,950</u>
<b>Net book value</b>					
At 31 December 2011	<u>1,176,359</u>	<u>562,260</u>	<u>413,054</u>	<u>165,196</u>	<u>2,316,869</u>
At 31 December 2010	<u>1,044,687</u>	<u>589,905</u>	<u>372,790</u>	<u>127,955</u>	<u>2,135,337</u>

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

6	INVESTMENTS	Group		Charity	
		2011	2010	2011	2010
		£	£	£	£
	Unlisted fixed asset investments				
	Investment in subsidiary undertaking	-	-	1	1

The investment in subsidiary undertaking represents an investment in Lhasa Services Limited, a wholly owned subsidiary of Lhasa Limited

The wholly owned subsidiary Lhasa Services Limited is incorporated in the United Kingdom

The charity owns the entire share capital of £1 ordinary shares. A summary of the trading results is shown below

	2011	2010
	£	£
Turnover	1,123	1,225
Cost of sales	5	(337)
Gross profit	1,128	888
Net operating expenses	(611)	(1,716)
Profit/(loss) on ordinary activities	517	(828)

The assets and liabilities of the subsidiary were

Current assets	610	2,510
Current liabilities	(2,257)	(4,674)
Total net liabilities	(1,647)	(2,164)
Aggregate share capital and reserves	(1,647)	(2,164)

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

### 7 DEBTORS

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Trade debtors	1,678,949	1,272,878	1,678,949	1,272,878
Prepayments and accrued income	54,653	167,665	54,653	167,665
Other debtors	13,450	33,123	13,091	32,387
Other Tax and Social Security	27	-	-	-
	<u>1,747,079</u>	<u>1,473,666</u>	<u>1,746,693</u>	<u>1,472,930</u>

### 8 CREDITORS amounts falling due within one year

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	136,131	107,988	136,131	107,988
Bank loan	53,846	53,846	53,846	53,846
Other tax and social security	64,172	68,006	64,172	68,006
Other creditors	150,364	178,119	148,857	175,080
Accruals	272,793	265,190	272,043	263,555
	<u>677,306</u>	<u>673,149</u>	<u>675,049</u>	<u>668,475</u>

The bank loan is secured on the freehold land and buildings (note 10)

### 9 DEFERRED INCOME – GROUP AND COMPANY

Deferred income in the year relates to monies invoiced in the year for subscriptions, knowledge contributions and licences which relate to subsequent years

	2011	2010
	£	£
Deferred income as at 1 January 2011	1,984,853	1,957,367
Invoiced during year	4,298,951	4,419,270
Deferred income as at 31 December 2011	<u>(2,445,983)</u>	<u>(1,984,853)</u>
Income for the year	<u>3,837,821</u>	<u>4,391,784</u>

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

### 10 CREDITORS Amounts falling due after more than one year

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Bank loan	379,082	432,928	379,082	432,928

Included within creditors above are amounts falling due after more than five years as follows

Bank loan	163,698	217,544
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The bank loan is secured with a first legal charge over the property 22-23 Blenheim Terrace, Woodhouse Lane, Leeds LS2 9HD with a maximum loan limit of £700,000 with equal repayments ending January 2020. The current loan is £379,082 which is interest free so long as equivalent credit balances are held. The current book value of the property and land is held at £1,476,337 this includes refurbishment costs.

No interest was payable on the loan or overdrafts during the year.

### 11 ANALYSIS OF ASSETS BETWEEN FUNDS – GROUP

	Unrestricted Fund £	Restricted Fund £	Total £
Fixed assets	3,687,952	200,013	3,887,965
Debtors	1,747,079	-	1,747,079
Cash at bank	3,748,604	-	3,748,604
Creditors falling due within one year	(677,306)	-	(677,306)
Deferred income	(2,445,983)	-	(2,445,983)
Creditors due in more than one year	(379,082)	-	(379,082)
At 31 December 2011	5,681,264	200,013	5,881,277

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

### 12 RESERVES - GROUP

	Unrestricted Fund £	Restricted Fund £	Total £
At 1 January 2011	5,175,812	70,934	5,246,746
Net movement in funds	363,097	271,434	634,531
Transfer between funds	142,355	(142,355)	-
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2011	5,681,264	200,013	5,881,277
	<u>          </u>	<u>          </u>	<u>          </u>

Transfers during the year relate to completion of special projects. At this point the value of the income relating to the completed projects is transferred from restricted to unrestricted funds.

### 13 RESERVES - CHARITY

	Unrestricted Fund £	Restricted Fund £	Total £
At 1 January 2011	5,177,976	70,934	5,248,910
Net movement in funds	362,580	271,434	634,014
Transfer between funds	142,355	(142,355)	-
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2011	5,682,913	200,013	5,882,926
	<u>          </u>	<u>          </u>	<u>          </u>

The financial activities shown in the consolidated statement includes those of the charity and its wholly owned subsidiary Lhasa Services Limited.

Restricted funds consist of special projects sponsorships: OECD Toolbox £138,241, FDA Approval Document Database £54,782, Vitic Standardisation Project £6,990.

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

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### 13 RESERVES – CHARITY (continued)

A summary of the financial activities undertaken by the charity is set out below

	2011 £	2010 £
Total incoming resources	5,062,069	4,441,004
Total expenditure on charitable activities	(4,372,294)	(3,869,775)
Governance costs	(55,759)	(79,794)
	<hr/>	<hr/>
Net incoming resources	634,016	491,435
Total funds brought forward	5,248,910	4,757,475
Total funds carried forward	5,882,926	5,248,910
	<hr/>	<hr/>
Represented by		
Accumulated restricted funds	200,013	70,934
Accumulated unrestricted funds	5,682,913	5,177,976
	<hr/>	<hr/>
	5,882,926	5,248,910
	<hr/>	<hr/>

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

14	CASH FLOWS	2011 £	2010 £
a	RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATIONS		
	Net incoming resources	634,531	490,608
	Investment income	(36,890)	(23,523)
	Depreciation	924,148	815,754
	Loss on disposal of fixed assets	1,014	4,440
	Increase in debtors	(273,413)	(310,964)
	Increase in creditors	465,287	282,827
		<u>1,714,677</u>	<u>1,259,142</u>
b	ANALYSIS OF CASHFLOWS FOR HEADINGS NETTED IN THE CASHFLOW		
	<b>Returns on investments and servicing of finance</b>		
	Interest received	36,890	23,523
		<u>36,890</u>	<u>23,523</u>
	<b>Net cash outflow for returns on investments and servicing of finance</b>	<u>36,890</u>	<u>23,523</u>
	<b>Capital expenditure and financial investment</b>		
	Purchase of tangible fixed assets	(88,337)	(310,740)
	Internally developed software	(950,100)	(732,524)
	Sale of tangible fixed assets	-	-
		<u>(1,038,437)</u>	<u>(1,043,264)</u>
	<b>Net cash outflow for capital expenditure and financial investment</b>	<u>(1,038,437)</u>	<u>(1,043,264)</u>
	<b>Financing</b>		
	Repayment of bank loan	(53,846)	(53,846)
		<u>(53,846)</u>	<u>(53,846)</u>
	<b>Net cash (outflow) from financing</b>	<u>(53,846)</u>	<u>(53,846)</u>

# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

### 14 CASHFLOWS (continued)

#### c ANALYSIS OF NET FUNDS

	At 1 January 2011 £	Cashflow £	At 31 December 2011 £
Cash at bank and in hand	3,089,320	659,284	3,748,604
Debt due within one year Bank Loan	(53,846)	-	(53,846)
Debt due in more than one year Bank loan	(432,928)	53,846	(379,082)
	<u>2,602,546</u>	<u>713,130</u>	<u>3,315,676</u>

### 15 LIABILITY OF MEMBERS

Lhasa Limited is a company limited by guarantee. The company has 185 members and joint liability under guarantee is limited to £10 per member.

### 16 PENSION FUND

Employees of this company together with other University entities may, if eligible, join the Universities Superannuation Scheme. This is a defined benefit scheme and the rules require a full actuarial valuation of the Fund at intervals of not less than three years and six months. The assets of the Scheme are held in a separate Trustee administered fund. The Universities Superannuation Scheme is a multi-employer scheme for which it is not possible to separately identify the share of the total underlying assets and liabilities attributable to this particular company.

The latest actuarial valuation of the Universities Superannuation Scheme was carried out as at 31 March 2008. The valuation at 31 March 2008 shows that the market value of the total assets held by the University Scheme was £28,842.6m and that was the actuarial valuation of these assets represented 103% of the amount of the liabilities of the scheme. Contributions by participating employers are at the rate of 16% of salaries.

The basis of the valuation was from the long term yield on Government bonds in the market at the valuation date and the significant assumptions underlying the valuation were that the investment return would be 4.4% a year for past service and 6.1% for future service, that salary increases would be 4.3% a year and that pensions in payment and in deferment would increase by 3.3% a year.

During the year the company made contributions for the year, in respect of its eligible employees, totalling £341,230 (2010 £316,429).

Pension contributions were made in respect of 69 (2010 60) employees in the year.

It is anticipated that the charity will contribute £435,000 to the pension fund in 2012.





# Lhasa Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

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### 17 RELATED PARTY TRANSACTIONS

The company has taken advantage of exemptions under FRS 8 for disclosing intra group transactions with its wholly owned subsidiary