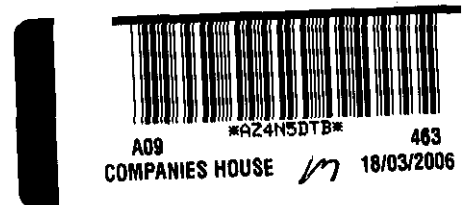


Company Number: 2714181

KCL ENTERPRISES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 JULY 2005



KCL ENTERPRISES LIMITED

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KCL ENTERPRISES LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Professor Sir L Freedman (Chairman)

Dr A F Campbell (Managing Director)

Mr S Large

Professor A Hayday

Professor M Clark

Professor R Hider

Professor M Yianneskis

Appointed 20 October 2004

Professor B W Ife

Resigned 31 August 2004

Professor P J Whitfield

Resigned 20 October 2004

Ms C Quest (Knowledge Transfer Director)

Resigned 1 September 2004

SECRETARY

Mr B K Kirpalani

REGISTERED OFFICE

King's College London

Strand

London

WC2R 2LS

AUDITOR

KPMG LLP

1 Forest Gate

Brighton Road

Crawley

West Sussex

RH11 9PT

SOLICITORS

Nabarro Nathanson

Lacon House

84 Theobalds Road

London

WC1X 8RW

KCL ENTERPRISES LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 July 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the profit and loss of the company for the period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The primary activities of KCL Enterprises Limited are:-

- i) to assist King's College London to market its research and consultancy capabilities;
- ii) to negotiate all contracts related to (i) above with particular reference to improving the recovery of the full costs associated with research activities;
- iii) to provide financial management of the research grants and contracts of the College;
- iv) to protect and exploit the intellectual property of the College generated from its research activities; and
- v) to manage selected College activities in research administration, continuing education and knowledge transfer.

The company also provides seminars and training courses for the College's academic staff on the above mentioned topics. The Managing Director is appointed as a member of the College Research Committee.

KCL ENTERPRISES LIMITED

DIRECTORS' REPORT (CONTINUED)

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The operating profit for 2004/05 was £36,854 (2003/04 - £57,323) and resulted primarily from licensing and services rendered. The decrease over 2004/05 is due to a shift of technology transfer activity from revenue generating licences to establishing spin-out companies in which the College holds equity. Ninety five percent of the profit has been donated to the College (2005: £35,011, 2004: £54,457).

DIVIDENDS

The financial statements of the company are to be found on pages 5 to 14 of this report. The Directors do not propose a dividend (2004: nil).

DIRECTORS

The Directors holding office during the year are detailed on page 1.

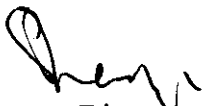
DIRECTORS' INTEREST IN SHARES

None of the Directors held any beneficial interests in the share capital of the company.

AUDITORS

KPMG LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order to the Board,



S Large, Director
16 November 2005

Independent auditors' report to the members of KCL Enterprises Limited

We have audited the financial statements on pages 5 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient 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 state of the company's affairs as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
16 November 2005

1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

KCL ENTERPRISES LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 July 2005**

	Note	2005 £	2004 £
Turnover	2	1,690,430	1,629,902
Administrative expenses		(1,688,588)	(1,627,036)
Operating profit		<u>1,842</u>	<u>2,866</u>
Profit on ordinary activities before taxation	3	1,842	2,866
Tax on profit on ordinary activities	9	(1,236)	(3,463)
Profit/(Loss) for the financial year	12	<u><u>606</u></u>	<u><u>(597)</u></u>

Footnote – Administrative expenses includes a Gift Aid to the parent undertaking of £35,011 (2004: £54,457).

There are no gains or losses for the year other than those passing through the profit and loss account. Accordingly no statement of Total Recognised Gains and Losses has been produced.

The results of the year and the previous year as set out above are derived entirely from continuing operations.

KCL ENTERPRISES LIMITED

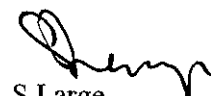
BALANCE SHEET

As at 31 July 2005

	Note	2005		2004	
		£	£	£	£
FIXED ASSETS					
Tangible assets	5		49,560		56,936
CURRENT ASSETS					
Debtors	6	60,553		9,605	
Cash at bank and in hand		<u>101,009</u>		<u>75,508</u>	
		<u>161,562</u>		<u>85,113</u>	
CREDITORS:					
AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(114,134)</u>		<u>(131,691)</u>	
NET CURRENT LIABILITIES			47,428		(46,578)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>96,988</u>		<u>10,358</u>
CREDITORS:					
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8		(85,714)		-
Provisions for liabilities and charges	10		(2,861)		(2,551)
TOTAL NET ASSETS			<u>8,413</u>		<u>7,807</u>
CAPITAL AND RESERVES					
Called up share capital	11		2		2
Profit and loss account	12		8,411		7,805
EQUITY SHAREHOLDERS' FUNDS			<u>8,413</u>		<u>7,807</u>

Approved by the Board of Directors on 16 November 2005

Signed on behalf of the Board of Directors



S Large
Director

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Tangible fixed assets

Depreciation is provided on cost in equal instalments over the estimated lives of the assets. The annual rates of depreciation are as follows:

Furniture and Equipment - 20% per annum

Motor Vehicles - 20% per annum

Pension costs

The pension schemes for the Company's staff are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the Company benefits from the employees' services.

The assets of the scheme are held separately from those of the company in a separately administered fund.

Related party transactions

The Company has taken advantage of the exemption which is conferred by Financial Reporting Standard Number 8, Related Party Disclosures, that allows it not to disclose transactions with Group undertakings that are eliminated on consolidation.

Cash flow statement

The Company has not produced a cash flow statement since it has taken advantage of the exemption available to wholly owned subsidiaries, given by Financial Reporting Standard 1(revised), Cash Flow Statements.

Taxation

The charge for taxation is based on the profit for the year. Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

2. TURNOVER

Turnover represents fees and external income receivable.

	2005	2004
	£	£
Turnover by destination:		
United Kingdom	1,690,430	1,629,902
Other	-	-
	<u>1,690,430</u>	<u>1,629,902</u>

3. PROFIT ON ORDINARY ACTIVITIES IS STATED AFTER:

	2005	2004
	£	£
CHARGING		
Depreciation - owned assets	23,171	24,057
Auditors' remuneration	3,425	3,114
CREDITING		
Gain on disposal of fixed assets	-	1,116

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All staff, including Directors, are seconded from the parent company and recharged to KCL Enterprises Limited. An analysis of the charge made by the parent company is given below.

Average number of persons seconded during the year:

	2005	2004
	No.	No.
Full-time	30	30
Part-time	<u>10</u>	<u>10</u>

Staff costs incurred during the year (including directors' emoluments):

	2005	2004
	£	£
Wages and salaries	1,154,114	1,069,384
Social security costs	96,849	89,107
Other pension costs	124,968	115,325
	<u>1,375,931</u>	<u>1,273,816</u>

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

Directors' emoluments

Wages and salaries	103,539	112,019
Pension scheme contributions	14,496	12,253
	<u>118,035</u>	<u>124,272</u>

One Director was a member of a defined benefit pension scheme (2004: one).

5. TANGIBLE FIXED ASSETS

	Furniture and Equipment £	Total £
Cost :		
At 1 August	100,057	100,057
Additions	15,795	15,795
Disposals	(21,017)	(21,017)
At 31 July	<u>94,835</u>	<u>94,835</u>
Depreciation :		
At 1 August	43,121	43,121
Charge for the year	23,171	23,171
Disposals	(21,017)	(21,017)
At 31 July	<u>45,275</u>	<u>45,275</u>
Net Book Value at 31 July 2005	<u>49,560</u>	<u>49,560</u>
Net Book Value at 31 July 2004	<u>56,936</u>	<u>56,936</u>

6. DEBTORS

	2005 £	2004 £
Amount owed by group undertaking	37,155	-
Prepayments and Accrued Income	<u>23,398</u>	<u>9,605</u>
	<u>60,553</u>	<u>9,605</u>

KCL ENTERPRISES LIMITED**NOTES TO THE ACCOUNTS****For the year ended 31 July 2005****7. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005	2004
	£	£
Amount owed to group undertaking	-	71,560
Tax and Social Security	926	912
Accruals and Deferred Income	77,174	4,946
Audit fee	3,425	3,114
Trade Creditors	32,609	51,159
	<u>114,134</u>	<u>131,691</u>

8. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005	2004
	£	£
Accruals and Deferred Income	85,714	-
	<u>85,714</u>	<u>-</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in period	2005	2004
	£	£
<i>UK Corporation Tax</i>		
Current tax on income for the period	926	912
<i>Deferred Tax</i>		
Origination of timing differences	310	2,551
Tax on profit on ordinary activities	<u>1,236</u>	<u>3,463</u>

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

Factors Affecting the Tax Charge for the Current Period:

The current tax charge for the period is higher (2004: higher) than the standard rate of corporation tax in the UK (2005: 19%, 2004: 19%). The differences are explained below:

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	1,842	2,866
Current tax at 19% (2003: 19%)	350	545
<i>Effects of:</i>		
Expenses not deductible for tax purposes	398	698
Capital allowances for period (higher) / lower than depreciation	310	(197)
Marginal Relief	(132)	(134)
	<u>926</u>	<u>912</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Taxation including deferred taxation 2005 £	Taxation including deferred taxation 2004 £
At beginning of year	2,551	-
Charge to the profit and loss for the year	310	2,551
At end of year	<u>2,861</u>	<u>2,551</u>

The elements of deferred taxation are as follows:

	2005 £	2004 £
Difference between accumulated depreciation and capital allowances	<u>15,057</u>	<u>13,426</u>
Deferred Tax Liability	<u>2,861</u>	<u>2,551</u>

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

11. CALLED UP SHARE CAPITAL

	2005	2004
Authorised : 100 ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
Allotted, called up and fully paid : 2 ordinary shares of £1 each	<u>£2</u>	<u>£2</u>

12. RESERVES

	2005 £	2004 £
At beginning of the year	7,805	8,402
Profit for the year after taxation	<u>606</u>	<u>(597)</u>
At end of the year	<u>8,411</u>	<u>7,805</u>

13. PENSIONS

The company's employees are members of King's College London's pension scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if it was a defined contribution scheme.

The two principal pension schemes in which the College participates are the Universities Superannuation Scheme (USS), and the Superannuation Arrangements of the University of London (SAUL). USS provides benefits based on final pensionable salary for academic and related employees of all UK universities and some other employers. SAUL provides similar benefits for non-academic staff. These are externally funded centralised defined benefit schemes which are contracted out of the Second State Pension. The assets of the schemes are held in separate trustee-administered funds. It is not possible to identify the Company's share of the underlying assets and liabilities of the schemes. Therefore contributions are accounted for as if the schemes were defined contribution schemes and pension costs are based on the amounts actually paid in accordance with paragraphs 8 -12 of FRS17.

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

13. PENSIONS (Continued)

Universities Superannuation Scheme (USS)

The latest actuarial valuation of the scheme was as at 31 March 2002 using the projected unit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Investment returns per annum	5.0%	6.0%
Salary scale increases per annum	3.7%	3.7%
Pensions increases per annum	2.7%	2.7%
Market value of assets at date of last valuation		£19,938 million
Value of past service liabilities at date of last valuation		£19,776 million
Surplus of assets at date of last valuation		£162 million
Proportion of members' accrued benefits covered by the actuarial value of the assets		101%

The contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5 million (including the Supplementary Section) to be carried forward.

The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

Superannuation Arrangements of the University of London (SAUL)

The last available actuarial valuation of the scheme was as at 31 March 2002 using the projected unit credit method. The assumptions which have the most significant effect on the result of the valuation and the valuation results are set out below.

	Past service	Future service
Investment returns on liabilities per annum before retirement	6.0%	7.0%
Investment returns on liabilities per annum after retirement	5.0%	5.0%
Salary scale increases per annum	4.2%	4.2%
Pensions increases per annum	2.7%	2.7%
Market value of assets at date of last valuation		£941 million
Proportion of members' accrued benefits covered by the actuarial value of the assets		121%

The contribution rate required for future service benefits alone at the date of the valuation was 17.4% of salaries. Employers who have recently joined SAUL and certain employee groups (as agreed by the Trustee of SAUL), pay 17.4% of salaries until the second actuarial valuation after entry (or some other period as agreed with the Trustee). The past service surplus allows all other Employers to pay contributions at the rate of 10.5 % of pensionable salaries, subject to review at future valuations. The surplus also supports the continuation of the Employee contribution rate of 5% of salaries, again subject to review. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

KCL ENTERPRISES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 July 2005

14. PARENT UNDERTAKING

The company is a subsidiary of King's College London, a body incorporated in England by Royal Charter.

The largest group in which the results of the company are consolidated is that headed by Kings College London

Copies of King's College London financial statements may be obtained from King's College London, Strand, London WC2R 2LS. No other group companies include the results of this company.