

Net North West Limited

Directors' report and financial statements

For the year ended 31st July 2004

Registered number 03643358



Net North West Limited

Directors' report and financial statements

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Net North West Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 2004.

Principal activities

The company's principal activities are telecommunications networking.

Business review

Net North West Limited is a company limited by guarantee. It was incorporated in October 1998. It originated as a consortium of higher education institutions in the north west of England who wished to establish improved electronic network connections to support their work in teaching, learning, research and commercial applications. A feasibility study was undertaken which evaluated the idea and concluded that there were very positive reasons for establishing a regional network in the northwest.

Seventeen higher education institutions in the northwest gave their approval to establishing a mutual trading company to manage the new regional network. Since 1998 four higher education institutions have resigned their membership of the company; in May 2003 the University College of Chester applied to be, and was accepted, as a Founder Member of the company; and in October 2004 Manchester Victoria merged with UMIST. The current list of Founder Members is:

Bolton Institute
Council for the Central Laboratory of the Research Councils
Edge Hill College of Higher Education
Keele University
Liverpool Hope University College
Liverpool John Moores University
Manchester Metropolitan University
Staffordshire University
University College Chester
University of Central Lancashire
University of Liverpool
University of Manchester
University of Salford

The Company Board comprises a Director from each of the Founder institutions. Up to four additional directors may be taken on to the Board of Directors representing ordinary members of the company. There are no ordinary members of the company. Each founder institution may also nominate an Alternate Director, who may attend Board meetings instead of the nominated Director.

Net North West Limited

The directors remain satisfied with the direction and progress made by the company to date. Towards the latter part of 2003, the company was in negotiations with UKERNA regarding the finalisation of the second year of the Regional Partner Academic Network service contract. This was agreed at £1,438,660 for the period 1st October 2003 to 30th September 2004 and will ensure continued expansion of the network as well as sustained financial health for the company.

At present the company primarily carries out activities with its own members, but an amount of third party trading takes place. The company's Memorandum of Association provides that all assets will eventually return to its members. As a result, the Directors consider that the Company is a mutual trading company and therefore its principal activities carried on with its own members fall outside the UK tax system. Non member source income and investment income, however, is fully taxable.

The Directors consider the level of business and the financial position of the company as at 31st July 2004 to be satisfactory. It is expected that this will continue for the foreseeable future.

During the year, the Company purchased services from its members as follows:

Technical services from Manchester University;

Company secretarial and financial services from Edge Hill College of Higher Education;

Technical support from Staffordshire University, University of Liverpool and UCLAN.

The Company employs no staff of its own.

Results and dividends

The company's income for the year was £2.387million. The company's profit after allowing for operating costs, provisions, and interest and tax was £273,926. The directors have not made or recommended any dividend payments for the year.

Charitable and political donations

The company did not make any such payments during the year.

Fixed assets

The company has fixed assets to the value of £60,627.

Shareholdings

The company does not have any shares.

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Directors and directors' interests

The directors in office during the year were as follows:

M J Clark (Director, University of Manchester – Re-elected Chairman of the Board 29 October 2003)
M Ahern (Director, University of Central Lancashire)
K E Alcock (Alternate Director, Liverpool Hope University College) (Resigned 1 August 2003)
M Allanson (Alternate Director, Bolton Institute)
M Allinson (Alternate Director, Edge Hill College of Higher Education)
G Ashton (Alternate Director, University of Central Lancashire)
P Butler (Alternate Director, Staffordshire University)
B Fitzpatrick (Director, University College Chester)
A J Foster (Alternate Director, Keele University)
D R Giles (Alternate Director, University of Salford)
L C Grant (Director, Manchester Metropolitan University)
P Harness (Director, UMIST) (Resigned 1 October 2004)
S J Igoe (Director, Edge Hill College of Higher Education)
R.M.Jenkinson (Director, Bolton Institute) (Resigned 30 September 2003)
J Kumar (Director, Liverpool Hope University College)
P S Kummer (Director, Council for the Central Laboratory of the Research Councils)
A M Lewis (Director, University of Salford)
D L Long (Director, Royal Northern College of Music) (Resigned 29 September 2004)
J F Niman (Alternate Director, Manchester Metropolitan University)
D Ord (Director, Staffordshire University) (Resigned 31 July 2004)
P S D O'Reilly (Director, Bolton Institute) (Appointed 29 October 2003)
T B Robinson (Alternate Director, University of Manchester)
I Stinson (Director, University of Liverpool)
K A Walsh (Director, Liverpool John Moores University)
J D H White (Director, Keele University)
S Williamson (Alternate Director, UMIST) (Resigned 1 October 2004)
C D Wooff (Alternate Director, University of Liverpool)

The Directors have no financial interests in the company in the current or previous years.

Net North West Limited

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 of the profit or loss for that 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.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the Board



M J Clark
Director & Chair of the Board
3rd November 2004



S Igoe
Director & Company Secretary
3rd November 2004

Company Secretary's Office
Edge Hill College of Higher Education
St Helens Road
Ormskirk
L39 4QP

Net North West Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NET NORTH WEST LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

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 affairs of the company as at 31 July 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Manchester

3rd November 2004

Net North West Limited

Profit & Loss Account

for the year ended 31st July 2004

<i>Continuing Operations</i>	<i>Note</i>	2004 £	2003 £
Turnover – Continuing operations	4, 5	2,386,856	1,915,722
Cost of Sales		-	-
Gross Profit		2,386,856	1,915,722
Administration Expenses	6	(2,145,331)	(1,729,772)
Operating Profit from Continuing Activities	7	241,525	185,950
Exceptional Items: Profit on sale of Fixed Assets		-	-
Profit on ordinary activities before interest			185,950
Interest Receivable and Similar Income	8	37,201	9,121
Profit on Ordinary Activities before Taxation		278,726	195,071
Tax on profit on Ordinary Activities	9	(4,800)	5,862
Retained Profit for the Financial Year		273,926	200,933

The notes on pages 8 to 13 form part of these accounts.

The company has no recognised gains and losses other than the profits above therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities and the retained profit for the period stated above and their historical cost equivalents.

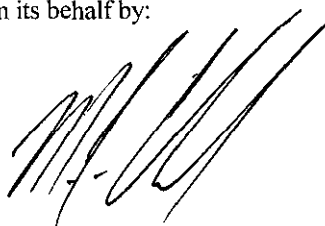
Net North West Limited

Balance sheet

As at 31st July 2004

		2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	10		60,627		325,530
Investments in subsidiaries	11		1		-
			<hr/>		<hr/>
			60,628		325,530
Current assets					
Debtors	12	89,571		1,551,710	
Cash at bank and in hand		2,525,391		617,321	
		<hr/>		<hr/>	
		2,614,962		2,169,031	
Creditors: amounts falling due within one year	13,16	(1,514,768)		(1,564,405)	
		<hr/>		<hr/>	
Net current assets			1,100,194		604,626
Creditors: amounts falling due after one year	14		-		(43,260)
			<hr/>		<hr/>
Total net assets			1,160,822		886,896
			<hr/>		<hr/>
Reserves					
Profit and Loss Account	17		1,160,822		886,896
			<hr/>		<hr/>
			1,160,822		886,896
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 3rd November 2004 and were signed on its behalf by:



M J Clark
Director & Chair of the Board



S Igoe
Director & Company Secretary

Net North West Limited

Notes

(forming part of the financial statements)

1 *Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The Board is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason, the going concern basis has been adopted in the preparation of the financial statements.

Recognition of income

Turnover represents specific grants/contributions from UKERNA, member and other institutions being the funding allocation attributable to the current year which is credited direct to the profit and loss account. Any amounts related to future periods are held as deferred income.

Grants and contributions from institutions which are applied to acquire tangible fixed assets are credited to deferred grants and released to the profit and loss account over the estimated useful life of relevant assets.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Equipment	-	33.3% per annum

No depreciation is provided on freehold land.

All items of capital equipment over £500 are capitalised.

Profits

Any profit will be retained by the company for the future provision of network services.

Leased Assets

All leases are 'operating leases' or contracts for the actual network cables, on which the annual rentals and installation costs are charged to the profit and loss account. Each individual cable has a contract in place ranging in period from one to seven years. In the event of termination the company would be liable to pay the balance of rentals due for the length of the contract outstanding less any negotiated discounts. Costs in respect of operating leases are charged in a straight-line basis over the lease term.

Cashflow Statement

The company has taken advantage of the exemption available to small companies not to prepare a cashflow statement.

Net North West Limited

Notes (continued)

2 Remuneration of directors

No directors received any emoluments during the year.

3 Staff numbers

The company did not directly employ any staff. All staff resources are purchased from consultants, the University of Central Lancashire, Edge Hill College of Higher Education, the University of Manchester, University of Liverpool and Staffordshire University.

4 Turnover

	2004 £	2003 £
Restricted Income (see note 5)	2,386,856	1,915,722

5 Analysis of Turnover

	2004 £	2003 £
UKERNA Grants	1,643,982	1,372,252
Other Institutional Contributions	256,500	249,000
Other	486,374	294,470
	2,386,856	1,915,722

Restricted income refers to income received in the form of grants and contributions to complete specific tasks (e.g. install and operate networks)

6 Administration Expenses

	2004 £	2003 £
Network Costs	1,751,872	1,331,644
Sums Recharged by Consortium Members	322,580	306,507
Depreciation	285,078	298,549
Other	54,158	81,627
Release from Capital Grants	(268,357)	(288,555)
	2,145,331	1,729,772

Net North West Limited

Notes (continued)

7 Operating Profit

	2004 £	2003 £
Operating Profit is stated after charging:		
Operating Lease Rentals	1,106,862	1,026,543
Depreciation	285,078	298,549
Auditors Remuneration - Audit Services	3,500	3,500
Non Audit Services	2,500	8,500

8 Interest Receivable and Similar Income

	2004 £	2003 £
Interest on Bank Deposits	37,201	9,121

9 Taxation

	2004 £	2003 £
UK Corporation tax	7,320	2,736
Overprovision in respect of prior years	(2,520)	(8,598)
	<u>4,800</u>	<u>(5,862)</u>

At present the company primarily carries out activities with its own members, but a small amount of third party trading takes place. The company's Memorandum of Association provides that all assets will eventually return to its members. As a result, the Directors consider that the Company is a mutual trading company and therefore its principal activities carried on with its own members fall outside the UK tax system. Non member source income and investment income, however, is fully taxable.

10 Tangible fixed assets

	2004 £	2003 £
Computer Equipment		
<i>Cost or valuation</i>		
At beginning of year	978,593	837,058
Additions	20,175	141,535
At end of year	<u>998,768</u>	<u>978,593</u>
<i>Depreciation</i>		
At beginning of year	653,063	354,514
Charge for year	285,078	298,549
At end of year	<u>938,141</u>	<u>653,063</u>
Net Book Value at the end of the year	<u>60,627</u>	<u>325,530</u>

Net North West Limited

Notes (continued)

11 Investments in Subsidiaries

	2004 £	2003 £
Investment in NNW (Commercial Services) Limited	1	-

The company owns 100% of the issued share capital of its subsidiary company NNW (Commercial Services) Limited. NNW (Commercial Services) Limited was incorporated on 13th October 2003 under the name Broomco Limited. The company changed its name by special resolution on 8th March 2004 to NNW (Commercial Services) Limited. The company is dormant.

12 Debtors: amounts falling due with in one year

	2004 £	2003 £
Trade Debtors	35,739	1,348,206
Prepayments and accrued income	53,832	203,504
	<u>89,571</u>	<u>1,551,710</u>

13 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade Creditors	231,447	408,738
Accruals & Deferred Income	1,069,721	608,937
Other Creditors (VAT and Corporation Tax)	170,340	278,373
Deferred Capital Grants	43,260	268,357
	<u>1,514,768</u>	<u>1,564,405</u>

14 Creditors: amounts falling due after one year

	2004 £	2003 £
Deferred Capital Grants	-	43,260
	<u>-</u>	<u>43,260</u>

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Notes (continued)

15 Operating Lease Commitments

Payments committed under operating leases related to telecommunication lines at the end of the year in respect of the next financial year are as follows:

	2004 £	2003 £
Annual commitments under non-cancellable operating leases:		
Expiring within 1 year	786,103	277,717
Expiring in 2 – 5 years	189,233	642,811
Expiring after 5 years	-	5,000
	<u>975,336</u>	<u>925,528</u>

16 Deferred Capital Grants

	2004 £	2003 £
<i>Grants Receivable</i>		
At beginning of year	912,956	783,177
Received/Receivable during the year	-	129,779
At end of year	<u>912,956</u>	<u>912,956</u>
<i>Releases to Profit & Loss Account</i>		
At beginning of year	601,339	312,786
Release during the year	268,357	288,553
At end of year	<u>869,696</u>	<u>601,339</u>
Balance at the end of the year	<u>43,260</u>	<u>311,617</u>

17 Reserves

	2004 £	2003 £
At the beginning of the year	886,896	685,963
Retained profit for the year	273,926	200,933
	<u>1,160,822</u>	<u>886,896</u>

18 Capital commitments

As at 31st July 2004, the company had no capital commitments.

Net North West Limited

Notes *(continued)*

19 **Related Parties**

The company was formed following a decision by the higher education institutions listed on page 1, all of whom are represented on the board of directors. Each financial year all the member institutions contribute towards the costs of the company and in addition specific services are purchased from certain institutions.

Further information can be obtained from:

Steve Igoe
Director & Company Secretary
Edge Hill College of Higher Education
St Helens Road
Ormskirk L39 4QP