

Net North West Limited

Directors' report and financial statements

For the year ended 31st July 2007

Registered number 03643358

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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 2007

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 North West 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

University of Bolton
University of Chester
Science and Technology Facilities Council
Edge Hill University
Keele University
Liverpool Hope University
Liverpool John Moores University
Manchester Metropolitan University
Staffordshire University
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 other ordinary members of the company. Each Founder institution may also nominate an Alternate Director, who may attend Board meetings instead of the nominated Director.

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The directors remain satisfied with the direction and progress made by the company to date. Negotiations surrounding the Regional Partner Academic Network service contract for the period 1st October 2006 to 30th September 2007 concluded in a basic annual payment of £2,038,277 which will ensure continued expansion of the network as well as sustained financial health for the company. This year has witnessed a significant degree of investment in the network through the SuperJANET5 (SJ5) funding provided by JANET (UK) (formally UKERNA). The total SJ5 funding secured is £1,975,950 and will be invested over a five year period to further improve and expand upon network facilities.

It should be noted that whilst our net reserves position is healthy, NNW Ltd has agreed to a further reduction in subscription rates for 2007/08 following the initial reduction applied this financial year. The position for the five year period commencing October 2008 remains unclear as the new JPA (Joint Partner Agreement) contractual model for that period is being negotiated between JANET (UK) and the national RN organisations. The new contract will be considerably less generous and will require new support models which may increase operating costs. The subscription model for this period will be reconsidered in the light of the new contract. Therefore it is considered prudent to maintain reserves at a level such that the company would be capable of maintaining the network in the event of loss of external funding and as a mechanism to cushion against significant change requirements.

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 2007 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 University,
Technical support from Staffordshire University, University of Liverpool and UCLAN
Marketing and development support from UCLAN

The Company employs no staff of its own.

Results and dividends

The company's income for the year was £2,943million. The company's profit after allowing for operating costs, provisions, and interest and tax was £112,402. 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 £149,346.

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Directors' report (*continued*)

Shareholdings

The company does not have any shares

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 8th November 2006)
M Ahern (Director, University of Central Lancashire)
M Allanson (Alternate Director, University of Bolton)
M Allinson (Alternate Director, Edge Hill University)
G Ashton (Alternate Director, University of Central Lancashire)
P Butler (Director, Staffordshire University)
M Carassik (Alternate Director, University of Salford)
B Fitzpatrick (Director, University of Chester)
C B Gibson (Director, Edge Hill University)
L C Grant (Director, Manchester Metropolitan University)
E Hart (Alternate Director, Staffordshire University)
P S Kummer (Director, Council for the Central Laboratory of the Research Councils)
A M Lewis (Director, University of Salford)
J F Niman (Alternate Director, Manchester Metropolitan University)
P S D O'Reilly (Director, University of Bolton)
T B Robinson (Alternate Director, University of Manchester)
I Stinson (Director, University of Liverpool)
R Tasker (Alternate Director, Council for the Central Laboratory of the Research Councils)
K A Walsh (Director, Liverpool John Moores University)
J D H White (Director, Keele University)
C D Wooff (Alternate Director, University of Liverpool)

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

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

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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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

By order of the Board



M J Clark
Director
12th December 2007



C Gibson
Finance Director
12th December 2007

Company Secretary's Office
Edge Hill University
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 of Net North West Limited which comprise the profit and loss account, the balance sheet, and the related notes

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 the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 directors' report and 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 International Standards on Auditing (UK and Ireland) 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.

Net North West Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs at 31 July 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements for the year ended 31 July 2007

KPMG LLP

KPMG LLP
Chartered Accountants and Registered Auditor
St James' Square
Manchester
M2 6DS
12th December 2007

Net North West Limited

Profit & Loss Account

for the year ended 31st July 2007

Continuing Operations	Note	2007 £	2006 £
Turnover – Continuing operations	4, 5	2,943,102	3,094,082
Cost of Sales		-	-
Gross Profit		2,943,102	3,094,082
Administration Expenses	6	(2,874,030)	(2,827,968)
Operating Profit from Continuing Activities and profit on ordinary activities before interest	7	69,072	266,114
Interest Receivable and Similar Income	8	57,941	59,411
Profit on Ordinary Activities before Taxation		127,013	325,525
Tax on profit on Ordinary Activities	9	(14,611)	(16,027)
Retained Profit for the Financial Year		112,402	309,498

The notes on pages 9 to 14 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

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Balance sheet

As at 31st July 2007

		2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	10		149,346		251,788
Investments in subsidiaries	11		1		1
			<u>149,347</u>		<u>251,789</u>
Current assets					
Debtors	12	176,187		452,964	
Cash at bank and in hand		3,147,342		1,842,945	
		<u>3,323,529</u>		<u>2,295,909</u>	
Creditors: amounts falling due within one year	13,16	<u>(1,702,437)</u>		<u>(782,794)</u>	
Net current assets			1,621,092		1,513,115
Creditors: amounts falling due after one year	14		<u>(14,161)</u>		<u>(121,027)</u>
Total net assets			<u>1,756,278</u>		<u>1,643,877</u>
Reserves					
Profit and Loss Account	17		1,756,278		1,643,877
			<u>1,756,278</u>		<u>1,643,877</u>

These financial statements were approved by the board of directors on 12th December 2007 and were signed on its behalf by



M J Clark
Director



C Gibson
Finance Director

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 JANET UK, 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

Equipment	-	33 3% per annum
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All items of capital equipment over £1000 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

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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 University, the University of Manchester, University of Liverpool and Staffordshire University

4 Turnover

	2007	2006
	£	£
Restricted Income (see note 5)	2,943,102	3,094,082

5 Analysis of Turnover

	2007	2006
	£	£
UKERNA Grants	2,332,978	2,238,629
Other Institutional Contributions	502,674	745,382
Other	107,450	110,071
	2,943,102	3,094,082

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

	2007	2006
	£	£
Network Costs	2,149,771	2,202,657
Sums Recharged by Consortium Members	624,825	583,159
Depreciation	144,923	137,488
Other	97,060	36,347
Release from Capital Grants	(142,549)	(131,683)
	2,874,030	2,827,968

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Notes (continued)

7 Operating Profit

	2007	2006
	£	£
Operating Profit is stated after charging		
Operating Lease Rentals	1,346,742	1,298,591
Depreciation	144,923	137,488
Auditors Remuneration	4,145	3,605
Non Audit Services	2,160	5,060

The audit fee for the year is £3,860

8 Interest Receivable and Similar Income

	2007	2006
	£	£
Interest on Bank Deposits	57,941	59,411

9 Taxation

	2007	2006
	£	£
UK Corporation tax	14,611	16,027
	<u>14,611</u>	<u>16,027</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

	2007	2006
	£	£
Computer Equipment		
<i>Cost or valuation</i>		
At beginning of year	1,391,056	1,027,975
Additions	42,481	363,081
At end of year	<u>1,433,537</u>	<u>1,391,056</u>
<i>Depreciation</i>		
At beginning of year	1,139,268	1,001,780
Charge for year	144,923	137,488
At end of year	<u>1,284,191</u>	<u>1,139,268</u>
Net Book Value at the end of the year	<u>149,346</u>	<u>251,788</u>

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Notes (continued)

11 Investments in Subsidiaries

	2007 £	2006 £
Investment in NNW (Commercial Services) Limited	1	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 within one year

	2007 £	2006 £
Trade Debtors	94,409	272,755
Prepayments and accrued income	81,778	172,037
Other debtors – VAT	-	8,172
	<u>176,187</u>	<u>452,964</u>

13 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade Creditors	329,370	2,578
Accruals & Deferred Income	1,075,692	635,801
Corporation Tax	14,611	16,027
Other Creditors	147,577	-
Deferred Capital Grants	135,187	128,388
	<u>1,702,437</u>	<u>782,794</u>

14 Creditors: amounts falling due after one year

	2007 £	2006 £
Deferred Capital Grants	<u>14,161</u>	<u>121,027</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

	2007 £	2006 £
Annual commitments under non-cancellable operating leases		
Expiring within 1 year	1,200,789	1,022,610
Expiring after 1 year and within 5 years	161,949	282,217
Expiring after 5 years	-	-
	<u>1,362,738</u>	<u>1,304,827</u>

16 Deferred Capital Grants

	2007 £	2006 £
<i>Grants Receivable</i>		
At beginning of year	1,298,119	925,151
Received/Receivable during the year	42,481	372,968
At end of year	<u>1,340,600</u>	<u>1,298,119</u>
<i>Releases to Profit & Loss Account</i>		
At beginning of year	1,048,704	917,021
Release during the year	142,548	131,683
At end of year	<u>1,191,252</u>	<u>1,048,704</u>
Balance at the end of the year	<u>149,348</u>	<u>249,415</u>

17 Reserves

	2007 £	2006 £
At the beginning of the year	1,643,876	1,334,378
Retained profit for the year	112,402	309,498
	<u>1,756,278</u>	<u>1,643,876</u>

18 Capital commitments

As at 31st July 2007, the company had no capital commitments

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Notes *(continued)*

19 **Related Parties**

The founding members listed on page 1 are entitled to full representation 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

Carl Gibson
Finance Director
Edge Hill University
St Helens Road
Ormskirk L39 4QP