

Net North West Limited

Directors' report and financial statements

For the year ended 31st July 2008

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 2008.

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 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 2007 to 30th September 2008 concluded in a basic annual payment of £2,090,295 which ensures 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) and SURFnet funding provided by JANET (UK).

It should be noted that whilst our net reserves position is healthy, NNW Ltd has agreed to make available additional network project funding for the benefit of its members. Furthermore, in 2008/09 the company faces sharp increases in support costs which are unlikely to be funded by JANET (UK). Finally the Board has agreed a number of initiatives to further strengthen the network which, again, are not anticipated to attract JANET (UK) funding. Subscription rates will, for 2008/09, be maintained at the significantly reduced rate of £5k though we do intend to revisit the subscription model as part of our 5 year plan.

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 2008 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 £3.242 million. The company's profit after allowing for operating costs, provisions, and interest and tax was £244,108. 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 £89,134.

Net North West Limited

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:

I Stinson (Director, University of Liverpool – Elected Chair of the Board 12.12.07)
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)
M J Clark (Director, University of Manchester – Resigned 21.12.07)
B Fitzpatrick (Director, University of Chester)
L C Grant (Director, Manchester Metropolitan University – Resigned 08.11.07))
P C Harness (Director, University of Manchester – Appointed 12.01.08)
E Hart (Alternate Director, Staffordshire University – Resigned 12.12.07)
M E Heaney (Director, Manchester Metropolitan University – Appointed 01.04.08)
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)
S Paton (Alternate Director, University of Manchester – Appointed 23.06.08)
R Tasker (Alternate Director, Council for the Central Laboratory of the Research Councils)
L J Taylor (Director, Liverpool Hope University – Appointed 11.06.08)
K A Walsh (Director, Liverpool John Moores University)
J D H White (Director, Keele University)
C D Wooff (Alternate Director, University of Liverpool)

C B Gibson (Finance Director)
T B Robinson (Operations & Technical Director)

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

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss for that period. In preparing those financial statements, the directors are required to:

Net North West Limited

- 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.

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



Director & Chair of the Board
Date: 12th November 2008



C Gibson
Finance Director
Date: 12th November 2008

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. These financial statements have been prepared under the accounting principles set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' Responsibilities on page 3.

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.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We 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 2008 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 2008.

KPMG LLP

KPMG LLP
Chartered Accountants and Registered Auditor
St James' Square
Manchester
M2 6DS

Date: 12th November 2008

Net North West Limited

Profit & Loss Account

for the year ended 31st July 2008

<i>Continuing Operations</i>	<i>Note</i>	2008 £	2007 £
Turnover – Continuing operations	4, 5	3,242,699	2,943,102
Cost of Sales		-	-
Gross Profit		3,242,699	2,943,102
Administration Expenses	6	(3,008,196)	(2,874,030)
Operating Profit from Continuing Activities and profit on ordinary activities before interest	7	234,503	69,072
Interest Receivable and Similar Income	8	81,971	57,941
Profit on Ordinary Activities before Taxation		316,474	127,013
Tax on profit on Ordinary Activities	9	(72,366)	(14,611)
Retained Profit for the Financial Year		244,108	112,402

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.

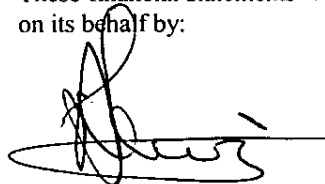
Net North West Limited

Balance sheet

As at 31st July 2008

		2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	10		89,134		149,346
Investments in subsidiaries	11		1		1
			<hr/>		<hr/>
			89,135		149,347
Current assets					
Debtors	12	170,367		176,187	
Cash at bank and in hand		3,053,915		3,147,342	
		<hr/>		<hr/>	
		3,224,282			
Creditors: amounts falling due within one year	13	(1,278,067)		(1,702,437)	
		<hr/>		<hr/>	
Net current assets			1,946,215		1,621,092
Creditors: amounts falling due after one year	14		(34,964)		(14,161)
			<hr/>		<hr/>
Total net assets			2,000,386		1,756,278
			<hr/>		<hr/>
Reserves					
Profit and Loss Account	17	2,000,386		1,756,278	
		<hr/>		<hr/>	
		2,000,386		1,756,278	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 12th November 2008 and were signed on its behalf by:



Director & Chair of the Board



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.

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

4 Turnover

	2008	2007
	£	£
Restricted Income (see note 5)	3,242,699	2,943,102

5 Analysis of Turnover

	2008	2007
	£	£
JANET(UK) Grants	2,544,658	2,332,978
Other Institutional Contributions	305,204	502,674
Other	392,837	107,450
	3,242,699	2,943,102

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

	2008	2007
	£	£
Network Costs	2,212,470	2,149,771
Sums Recharged by Consortium Members	610,494	624,825
Depreciation	172,675	144,923
Other	182,708	97,060
Release from Capital Grants	(170,151)	(142,549)
	3,008,196	2,874,030

Net North West Limited

Notes (continued)

7 Operating Profit

	2008	2007
	£	£
Operating Profit is stated after charging:		
Operating Lease Rentals	1,564,518	1,346,742
Depreciation	172,675	144,923
Auditors Remuneration	3,860	4,145
Non Audit Services	2,880	2,160
The audit fee for the year is £3,860		

8 Interest Receivable and Similar Income

	2008	2007
	£	£
Interest on Bank Deposits	81,971	57,941

9 Taxation

	2008	2007
	£	£
UK Corporation tax	72,366	14,611

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

	2008	2007
	£	£
Computer Equipment		
<i>Cost or valuation</i>		
At beginning of year	1,433,537	1,391,056
Additions	112,463	42,481
Disposals	(561,000)	-
At end of year	985,000	1,433,537
<i>Depreciation</i>		
At beginning of year	1,284,191	1,139,268
Charge for year	172,675	144,923
Disposals	(561,000)	-
At end of year	895,866	1,284,191
Net Book Value at the end of the year	89,134	149,346

Net North West Limited

Notes (continued)

11 Investments in Subsidiaries

	2008	2007
	£	£
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 with in one year

	2008	2007
	£	£
Trade Debtors	52,943	94,409
Prepayments and accrued income	72,169	81,778
Other debtors – VAT	45,255	-
	<u>170,367</u>	<u>176,187</u>

13 Creditors: amounts falling due within one year

	2008	2007
	£	£
Trade Creditors	-	329,370
Accruals & Deferred Income	1,156,578	1,075,692
Corporation Tax	72,366	14,611
Other Creditors	-	147,577
Deferred Capital Grants	49,123	135,187
	<u>1,278,067</u>	<u>1,702,437</u>

14 Creditors: amounts falling due after one year

	2008	2007
	£	£
Deferred Capital Grants	<u>34,964</u>	<u>14,161</u>

Net North West Limited

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:

	2008 £	2007 £
Annual commitments under non-cancellable operating leases:		
Expiring within 1 year	1,470,701	1,200,789
Expiring after 1 year and within 5 years	193,160	161,949
Expiring after 5 years	-	-
	<u>1,663,861</u>	<u>1,362,738</u>

16 Deferred Capital Grants

	2008 £	2007 £
<i>Grants Receivable</i>		
At beginning of year	1,340,600	1,298,119
Received/Receivable during the year	104,891	42,481
At end of year	<u>1,445,491</u>	<u>1,340,600</u>
<i>Releases to Profit & Loss Account</i>		
At beginning of year	1,191,252	1,048,704
Release during the year	170,151	142,548
At end of year	<u>1,361,403</u>	<u>1,191,252</u>
Balance at the end of the year	<u>84,088</u>	<u>149,348</u>

17 Reserves

	2008 £	2006 £
At the beginning of the year	1,756,278	1,643,876
Retained profit for the year	244,108	112,402
	<u>2,000,386</u>	<u>1,756,278</u>

18 Capital commitments

As at 31st July 2008, the company had no capital commitments.

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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:

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