

# **Net North West Limited**

## **Directors' report and financial statements**

**For the year ended 31st July 2001**

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 2001.

## **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. These were known as the Founding members and comprised: -

Bolton Institute of Higher Education  
Council for the Central Laboratory of the Research Councils  
Cumbria College of Art & Design  
Edge Hill College  
Keele University  
Liverpool Hope University College  
Liverpool John Moores University  
Manchester Metropolitan University  
Royal Northern College of Music  
St Martin's College  
Staffordshire University  
UMIST  
University of Central Lancashire  
University of Lancaster  
University of Liverpool  
University of Manchester  
University of Salford

A further institution joined the network as an Ordinary member, namely Chester College of Higher Education.

The Company Board comprises a Director from each of the Founder institutions. Up to four additional members may be taken on to the Board of Directors as Ordinary members. As at October 2000 one additional Director has joined the Board from Chester College of Higher Education. Each institution also nominates an Alternate Director, who may attend Board meetings instead of the nominated Director.

# Net North West Limited

## **Directors' report (*continued*)**

Net North West has just completed its second full year of trading and the directors remain satisfied with the direction and progress made by the company to date. Towards the latter part of the year, the company was in negotiations with UKERNA regarding the application of £1.4million to support capital development of the network infrastructure, in particular looking at issues regarding resilience and extending the coverage of the network.

The last six months has also seen significant work undertaken by the company in relation to acquiring various rights and obligations from UKERNA in relation to the provision of a high-speed academic networking backbone for the northwest region. As at 31 July 2001, Net North West is close to completing negotiations with UKERNA regarding its status as a regional partner academic networking body (RPAN). This is a significant development for Net North West since it will enable the company to develop its networking provision, not just across higher education but also across further education as well.

At present, the Company carries out its activities solely with its own members and no 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 fall outside the UK tax system. Investment income, however, is fully taxable as indicated in the accounts.

The Directors consider the level of business and the financial position of the company as at 31st July 2001 to be satisfactory. It is expected that this will continue for the foreseeable future.

The Company purchases services from its members as follows:

- Technical services from Manchester University
- Company secretarial services from Edge Hill College of Higher Education
- Financial services from University of Central Lancashire
- Project administration from Bolton Institute of HE

The Company employs no staff of its own.

The Company also uses the following professional services: -

Auditors	-	PricewaterhouseCoopers
Bankers	-	HSBC Bank plc
Insurers	-	AON
Solicitors	-	Halliwel Landau

## **Results and dividends**

The company's income for the year was £1,351,329. The company's profit after allowing for operating costs, provisions, and interest and tax was £115,781. The directors have not made or recommended any dividend payments for the year.

## **Charitable and political donations**

The company did not make any gift aid payments to the members during the year.

# Net North West Limited

## **Directors' report (*continued*)**

### **Fixed assets**

The company has fixed assets to the value of £67,483.

### **Shareholdings**

The company does not have any shares.

### **Directors and directors' interests**

The directors in office during the year were as follows:

W R McDonough (Director, University of Manchester and Chairman of the Board – Resigned as Chairman 30<sup>th</sup> September 2001)

C Adams (Alternate Director, Lancaster)

M Ahern (Director, University of Central Lancashire)

F Aitken (Director, Lancaster University)

M Allanson (Director Bolton Institute) (Appointed 18<sup>th</sup> October 2000)

K E Alcock (Alternate Director, Liverpool Hope University College)

M Allinson (Alternate Director, University College of St Martins)

G Ashton (Alternate Director, University of Central Lancashire) (Appointed 13<sup>th</sup> October 2000)

O Bristow (Alternate Director, Bolton Institute) (Appointed 24<sup>th</sup> April 2001)

P Butler (Alternate Director, Staffordshire University)

M J Clark (Director, University of Salford – Appointed Chairman of the Board 1<sup>st</sup> October 2001)

B Fitzpatrick (Director, University College Chester)

A J Foster (Alternate Director, Keele University)

L C Grant (Director, Manchester Metropolitan University)

P H Harman (Alternate Director, Cumbria College of Art & Design)

R J Hogg (Director, Liverpool Hope University College)

C F Hubbard (Director, Bolton Institute of Higher Education) (Resigned 22<sup>nd</sup> March 2001)

S J Igoe (Director, Edge Hill College of Higher Education)

A J James (Director, University College of St Martin)

P S Kummer (Director, Council for the Central Laboratory of the Research Councils)

M C Lewis (Alternate Director, University of Liverpool)

D L Long (Director, Royal Northern College of Music)

P E Mills (Alternate Director, University of Manchester) (Resigned 1<sup>st</sup> August 2000)

J F Niman (Alternate Director, Manchester Metropolitan University)

D Ord (Director, Staffordshire University)

R P M Procter (Alternate Director, UMIST)

T B Robinson (Alternate Director, University of Manchester) (Appointed 1<sup>st</sup> August 2000)

J L Schonfelder (Director, University of Liverpool) (Resigned 30<sup>th</sup> September 2000)

I Stinson (Director, UMIST)

M Vale (Alternate Director, Edge Hill College of HE) (Resigned 31<sup>st</sup> December 2000)

D G Vaughan (Director, Cumbria College of Art & Design)

K A Walsh (Director, Liverpool John Moores University)

J D H White (Director, Keele University)

C D Wooff (Director, Liverpool University) (Appointed 1<sup>st</sup> October 2000)

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

# Net North West Limited

## Directors' report (*continued*)

### 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.

### Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting

By order of the Board



M J Clark  
Director & Chair of the Board



S Igoe  
Director & Company Secretary

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

# Net North West Limited

## AUDITORS' REPORT TO THE MEMBERS OF NET NORTHWEST LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with the applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester M2 3PW

Dated 31<sup>st</sup> October 2001

# Net North West Limited

## Profit & Loss Account

*for the year ended 31st July 2001*

<b>Continuing Operations</b>		<b>2001 £</b>	<b>2000 £</b>
<b>Turnover - Continuing operations</b>	4, 5	<b>1,335,565</b>	<b>1,583,846</b>
<b>Cost of Sales</b>		<b>-</b>	<b>-</b>
<b>Gross Profit</b>		<b>1,335,565</b>	<b>1,583,846</b>
<b>Administration Expenses</b>	6	<b>(1,230,821)</b>	<b>(1,520,702)</b>
<b>Operating Profit from Continuing Activities</b>	7	<b>104,744</b>	<b>63,144</b>
<b>Interest Receivable and Similar Income</b>	8	<b>15,764</b>	<b>7,130</b>
<b>Profit on Ordinary Activities before Taxation</b>		<b>120,508</b>	<b>70,274</b>
<b>Tax on profit on Ordinary Activities</b>	9	<b>(4,727)</b>	<b>(2,139)</b>
<b>Retained Profit for the Financial Year</b>		<b>115,781</b>	<b>68,135</b>

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 2001

		2001		2000
		£	£	£
<b>Fixed assets</b>				
Tangible assets	10	67,483		54,740
<b>Current assets</b>				
Debtors	11	145,229	1,224,212	
Cash at bank and in hand		399,771	62,771	
		<u>545,000</u>	<u>1,286,983</u>	
<b>Creditors: amounts falling due within one year</b>	12,15	<u>(257,143)</u>	<u>(1,072,454)</u>	
<b>Net current assets</b>		287,857		214,529
<b>Creditors: amounts falling due after one year</b>	13	-		(29,710)
		<u>355,340</u>	<u>239,559</u>	
<b>Total net assets</b>		<u>355,340</u>	<u>239,559</u>	
<b>Reserves</b>				
Profit and Loss Account	16	355,340	239,559	
		<u>355,340</u>	<u>239,559</u>	

These financial statements were approved by the board of directors on 31<sup>st</sup> October 2001 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 from HEFCE, UKERNA and ERDF being the funding allocation attributable to the current year which is credited direct to the profit and loss account.

Grants 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 the University of Central Lancashire, Edge Hill College of Higher Education, the University of Manchester and Bolton Institute.

### 4 Turnover

	2001	2000
	£	£
Restricted Income (see note 5)	1,335,565	1,583,846

### 5 Analysis of Turnover

	2001	2000
	£	£
UKERNA Grants	612,341	449,915
HEFCE - LAN MAN Grant	(1,969)	344,719
Institutional Contributions towards LAN MAN	104,374	246,526
ERDF Grants	303,994	160,372
Other Institutional Contributions	276,891	352,652
Other	39,934	29,662
	1,335,565	1,583,846

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

	2001	2000
	£	£
Network Costs	786,043	1,163,298
Sums Recharged by Consortium Members	152,297	133,366
Depreciation	47,846	27,649
ERDF Grant Projects (net of admin charges)	221,433	160,372
Permanent Diminution in Value of Assets (note 10)	-	42,143
Other	36,691	14,192
Release from Capital Grants	(13,489)	(20,318)
	1,230,821	1,520,702

# Net North West Limited

## Notes (continued)

### 7 Operating Profit

	2001 £	2000 £
Operating Profit is stated after charging:		
Operating Lease Rentals	614,877	556,878
Depreciation	47,846	27,649
Auditors Remuneration - Audit Services	2,200	3,500
	<u>664,923</u>	<u>588,027</u>

### 8 Interest Receivable and Similar Income

	2001 £	2000 £
Interest on Bank Deposits	15,764	7,130
	<u>15,764</u>	<u>7,130</u>

### 9 Taxation

	2001 £	2000 £
UK Corporation tax payable on net interest receivable for the year at 30%	4,727	2,139

### 10 Tangible fixed assets

	2001 £	2000 £
<b>Computer Equipment</b>		
<i>Cost or valuation</i>		
At beginning of year	82,946	175,933
Permanent diminution in value	-	(174,260)
Additions	60,589	81,273
At end of year	<u>143,535</u>	<u>82,946</u>
<i>Depreciation</i>		
At beginning of year	28,206	58,644
Permanent diminution in value	-	(58,087)
Charge for year	47,846	27,649
At end of year	<u>76,052</u>	<u>28,206</u>
<b>Net Book Value at the end of the year</b>	<u>67,483</u>	<u>54,740</u>

# Net North West Limited

## Notes (continued)

### 11 Debtors: amounts falling due with in one year

	2001 £	2000 £
Trade Debtors	49,585	595,288
Prepayments and accrued income	95,644	562,990
Other Debtors	-	65,934
	<u>145,229</u>	<u>1,224,212</u>

### 12 Creditors: amounts falling due within one year

	2001 £	2000 £
Accruals & Deferred Income	113,638	798,883
Amounts Owing to University of Central Lancashire	117,302	182,575
Other Creditors (VAT and Corporation Tax)	12,713	70,677
Deferred Capital Grants	13,490	20,319
	<u>257,143</u>	<u>1,072,454</u>

### 13 Creditors: amounts falling due after one year

	2001 £	2000 £
Deferred Capital Grants	-	29,710
	<u>-</u>	<u>29,710</u>

# Net North West Limited

## Notes (continued)

### 14 Leases

The Company has entered in to a number of operating leases for the network connections, each lease has a term of seven years, the first expiring in July 2005 and the last in October 2007. The annual commitment for operating lease payments is £614,877 should the Company wish to terminate any of the leases prematurely the commitment would remain.

### 15 Deferred Capital Grants

	2001 £	2000 £
<i>Grants Received</i>		
At beginning of year	70,347	-
Received during the year	-	70,347
Transferred back to Profit & Loss Account	(23,050)	-
At end of year	47,297	70,347
<i>Releases to Profit &amp; Loss Account</i>		
At beginning of year	20,318	-
Release during the year	13,489	20,318
At end of year	33,807	20,318
<b>Balance at the end of the year</b>	<b>13,490</b>	<b>50,029</b>

An amount of £23,050 has been transferred back to the Profit & Loss Account as the grant was actually used to fund revenue expenditure.

### 16 Reserves -

	2001 £	2000 £
At the beginning of the year	239,559	171,424
Retained profit for the year	115,781	68,135
	355,340	239,559

### 17 Capital commitments

The Company has been allocated a one off capital sum of £1.458 million from UKERNA to assist with the development of a regional network. This grant will be used to upgrade core equipment and develop additional links with in the region and will be wholly utilised with in the financial year 2001/02.

# Net North West Limited

## Notes *(continued)*

### 18 **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