



Financial Statements
Lancashire County
Developments Limited

For the year ended 31 March 2010

Company information

| | |
|--------------------------------------|--|
| Company registration number : | 1624144 |
| Registered office : | P O Box 78 County Hall Preston Lancashire PR1 8XJ |
| Directors : | G Davies (resigned 9 June 2009) E Forshaw (resigned 9 June 2009) Mrs H Harding (resigned 9 June 2009) A C P Martin (resigned 9 June 2009) Ms D Pollitt (resigned 9 June 2009) V K Riley (resigned 9 June 2009) D Ruddick (resigned 9 June 2009) J S Sutcliffe (resigned 9 June 2009) K A Young (resigned 23 July 2009) Mrs E A Smith (resigned 23 July 2009) Ms N D Penney M Welsh (appointed 17 July 2009) H Henshaw (appointed 21 July 2009) R J C Lawrenson (appointed 20 July 2009) G Driver (appointed 17 July 2009) M P France (appointed 22 July 2009) G Fitzgerald T M Ashton |
| Secretary : | I M Fisher |
| Bankers : | The Royal Bank of Scotland Plc 97 Fishergate Preston PR1 2DP |
| Auditors : | Grant Thornton UK LLP Registered Auditors Chartered Accountants 4 Hardman Square Spinningfields Manchester M3 3EB |

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Chair's statement

Company performance

The year under review has been characterised by intense pressures following the near collapse of the financial system in 2009; in parallel the Company has undertaken a profound review of its objectives following the change in political control of Lancashire County Council. The result has been to strengthen the commitment to support economic growth across Lancashire by supporting the development of new, innovative business in a number of key sectors. The County Council's Economic Development Strategy puts particular emphasis on the need to work closely with private sector partners and institutions such as the Universities in achieving the core objective – improving Lancashire's performance against comparable sub regions in terms of gross value added. Raising our collective game is essential if the County is to rise to the challenges posed by the new Age of Austerity.

Whilst income from properties fell by £0.4 million and other investment and grant income was reduced by £0.5 million this was offset by a one off contractual payment relating to a prior year property sale. This financial bonus was a timely reward associated with overage clauses negotiated in a property sale and this has enabled the Company to deliver a profit whilst increasing business expenditure in 2009/10.

The County Council has extended the £5.52 million loan to 30th September 2030 to further support the Company in providing economic development services across Lancashire. This has strengthened the balance sheet increasing the net worth to £47.8 million and emphasises the importance of the Company and further equipping it to lead on the economic development agenda.

Investment property balance sheet values have increased to over £40 million thanks to the Company's investment in high quality offices at Rising Bridge in Rossendale. This investment will eventually span over three financial years with the Company investing £5.7 million in this prestigious development by the end of the next financial year.

It is planned to increase the Company's financial capacity through new borrowing, enabling us to increase our investments in loans, equity shares and commercial property over the next three years, taking advantage of the expected demise of the NWDA and other central government agencies that have been the principal sources of state sponsored investment in the Region. We expect that the reduction of bureaucratic controls and the freeing up of the system will open up new and exciting opportunities which the company is well placed to exploit.

Future plans

The Company's strategic mission is to facilitate growth in the Lancashire economy by removing obstacles and stimulating growth among private sector operators who are the essential drivers of economic prosperity.

Future Activity will be focussed on generating growth in the Lancashire economy, working with the private sector to facilitate their delivery of improved Lancashire prosperity.

This will include the development and expansion of Rosebud investment and loan products to finance businesses with higher growth potential. There will be a particular focus on innovative businesses in the creative and digital and environmental technical services sectors. This will naturally necessitate the Company developing joint projects with the Lancashire Universities notably on graduate employment and spin out businesses and incubation.

Working with private, public and voluntary sector partners, the Company expects to achieve specific outcomes in the following key areas.

- **Economic Growth, Knowledge and Innovation with a focus on Business Development and Creative Industries:-** Unlocking Lancashire's growth potential as a location for nuclear and other energy sectors, enhancing competitive advantage in advanced manufacturing and ensure that the County's deficit in knowledge based and creative sectors is bridged.
- **Spatial:** - Identify and support those areas of the County that have the strongest growth potential in recognition that this is the best way to develop Lancashire as a regional centre of excellence for innovation, financial and professional services and personal development.
- **Skills and Employment:** - Focus on graduate employment and working with the three private sector led Employment and Skills Boards, ensuring that Lancashire has the right supply of NVQ4 plus skills to meet current and future demands and employers maximise their use of apprentices.
- **Infrastructure:** - Support partners in seeking to develop Lancashire's digital infrastructure and ensure Lancashire's new and emerging Local Transport Plan framework supports agreed economic priorities.
- **Partnership Development:** - Support the work to ensure that Lancashire's sub-regional economic partnership is fit for purpose. Work with partners seeking to ensure the Lancashire brand helps to attract and retain strategic investors and highly skilled professionals and establish and strengthen economic trade in India, China, Brazil and USA.

In addition to the re-focus of our activities as highlighted above, to further equip the business to meet the ongoing financial pressures, the Company will deliver specific business improvements that reduce costs and improve income.

I would like to thank the Managing Director and all members of staff for their hard work and dedication over the last twelve months. I look forward to working with them as they deliver against these new priorities and support the private sector led growth of the Lancashire economy.

To find out more, please log onto Lancashire County Council's website: www.lancashire.gov.uk/home/index.asp and select L for LCDL or telephone the Group on 01772 536600.

County Councillor Michael Welsh
Chairman
Lancashire County Developments Limited

Report of the directors

The directors present their report together with the audited financial statements of the company and the group for the year ended 31 March 2010.

Principal activities

The principal activities of the group are to invest in Lancashire with a view to acting as a catalyst in promoting the economic development of industry in the County, to provide industrial premises and associated facilities for businesses and to promote job creation and training particularly associated with new technologies.

Lancashire County Developments Limited is a company under the control of Lancashire County Council within the meaning of Part V of the Local Government and Housing Act 1989.

Business review

A detailed review of operations of the group during the year and a commentary on the state of affairs, financial position and plans for the future is contained in the Chair's statement.

The group profit before taxation amounted to £201,260 (2009: £39,588). The group profit after taxation amounted to £79,318 (2009: loss - £261,261), which has been transferred to reserves.

Capital funding

Lancashire County Developments Limited is a company limited by guarantee, therefore, does not have a share capital.

Directors and employees

The Board of Directors during the year ended 31 March 2010 is shown below. All served on the Board throughout the year and thereafter, unless otherwise indicated.

| | |
|-----------------|--------------------------|
| G Davies | (resigned 9 June 2009) |
| E Forshaw | (resigned 9 June 2009) |
| Mrs H Harding | (resigned 9 June 2009) |
| A C P Martin | (resigned 9 June 2009) |
| Ms D Pollitt | (resigned 9 June 2009) |
| V K Riley | (resigned 9 June 2009) |
| D Ruddick | (resigned 9 June 2009) |
| J S Sutcliffe | (resigned 9 June 2009) |
| K A Young | (resigned 23 July 2009) |
| Mrs E A Smith | (resigned 23 July 2009) |
| Ms N D Penney | |
| M J Welsh | (appointed 17 July 2009) |
| H Henshaw | (appointed 21 July 2009) |
| J R C Lawrenson | (appointed 20 July 2009) |
| G Driver | (appointed 17 July 2009) |
| M P France | (appointed 22 July 2009) |
| G B Fitzgerald | |
| T M Ashton | |

At 31 March 2010, the group had no paid employees (2009: Nil), because with effect from 1 January 2004 all employees of the group were transferred to become employees of Lancashire County Council. Management services were also provided by the staff of Lancashire County Council and by professional advisers.

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of 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

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed to be reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the company receives notice under 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD

I M Fisher
Secretary



Report of the independent auditor to the members of Lancashire County Developments Limited

We have audited the financial statements of Lancashire County Developments Limited for the year ended 31 March 2010 which comprise the principal accounting policies, the consolidated profit and loss account, the statement of total recognised gains and losses, the group and parent company reconciliation of movement in members' funds, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of directors' responsibilities, set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.



Report of the independent auditor to the members of Lancashire County Developments Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

STUART MUSKETT (Senior Statutory Auditor)
For and on behalf of
GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
MANCHESTER

Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention modified by the revaluation of certain fixed assets.

The principal accounting policies of the group are set out below.

Basis of consolidation

The group financial statements combine the financial statements of Lancashire County Developments Limited and all of its subsidiary undertakings.

In the year of acquisition, the consolidated profit and loss account incorporates the group's share of the results of subsidiary undertakings from the date of acquisition.

The group also holds corporate investments in certain companies where its shareholding is in excess of 20% of the total voting capital of these companies. In order to reflect the investment nature of all holdings, the group accounts for profits and losses on all of its corporate investments upon realisation. As the investments are held primarily for the purpose of promoting economic development, disclosure of share capital, reserves and results for the year of each investment, as required by the Companies Act 2006, is not considered appropriate.

Goodwill

Goodwill arising on consolidation which represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised over its estimated useful economic life, typically 20 years. Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired, which is 5 years.

Income from investments

Investment income is the amount of income receivable in the accounting period from investments and loans.

Income from property

Property income comprises rents arising from investment properties in the accounting period, but excludes service charges which are credited against the relevant expenditure.

Assets under the course of construction

Assets under the course of construction are capitalised at cost based upon external valuations provided by industry specialists.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19, certain of the group's properties are held for long-term investment and are included in the balance sheet at their open market values. The surplus(es) or deficit(s) on revaluation of such properties are transferred to the investment property revaluation reserve. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not amortised where the unexpired term is over twenty years.

This policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the financial statements may give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Corporate investments

Investments are stated at cost less provision for impairment. Provision is made against investments if, in the opinion of the directors, the diminution in value is considered permanent and likely to crystallise in the foreseeable future. All costs incurred in connection with the making of corporate investments are written off in the period in which they are incurred.

Government and EEC grants

Government and EEC grants received and receivable in respect of capital expenditure on investment properties are deducted from the cost of the relevant tangible fixed assets. This does not comply with paragraphs 17 and 27 of Schedule 1 to SI 2008/410, which have the effect of prohibiting the deduction of grants from the purchase price of the related asset. This would therefore require the grant to be treated as deferred income.

As stated above no depreciation is provided on investment properties and therefore, there would be no corresponding release of any deferred income to profit and loss account. The directors do not consider that the creation of a permanent deferred credit will show a true and fair view of the state of the affairs of the group at the balance sheet date.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Leased assets

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Consolidated profit and loss account

| Continuing activities | Note | 2010 £ | 2009 £ |
|--|------|----------------------|-------------------------|
| Operating income | 2 | 6,981,132 | 7,835,005 |
| Expenditure | | <u>(7,348,712)</u> | <u>(7,053,213)</u> |
| Operating (loss)/profit | | (367,580) | 781,792 |
| Profit on sale of tangible fixed assets | | 860,076 | – |
| Unrealised loss on revaluation of investment properties | | – | (705,000) |
| Provisions against investments | | <u>(441,551)</u> | <u>(454,578)</u> |
| Profit/(loss) on ordinary activities before interest and taxation | | 50,945 | (377,786) |
| Interest receivable | 3 | 189,632 | 515,753 |
| Interest payable and similar charges | 3 | <u>(39,317)</u> | <u>(98,379)</u> |
| Profit on ordinary activities before taxation | 2 | 201,260 | 39,588 |
| Taxation on profit on ordinary activities | 5 | (121,942) | (300,849) |
| Profit/(loss) retained and transferred to reserves | 13 | <u><u>79,318</u></u> | <u><u>(261,261)</u></u> |

Statement of total recognised gains and losses

| | 2010 £ | 2009 £ |
|---|----------------------|---------------------------|
| Profit/(loss) for the financial year | 79,318 | (261,261) |
| Unrealised loss on revaluation of investment properties | – | (2,474,973) |
| Total recognised gains and losses relating to the year | <u><u>79,318</u></u> | <u><u>(2,736,234)</u></u> |

Reconciliation of movement in members' funds/(deficit)

| Group | 2010 | 2009 |
|---|---------------------|-------------|
| | £ | £ |
| Profit/(loss) for the year | 79,318 | (261,261) |
| Revaluation in the year | – | (2,474,973) |
| Net addition to/(reduction in) members' funds | 79,318 | (2,736,234) |
| Members' funds at beginning of the year | 41,727,294 | 44,463,528 |
| Members' funds at end of the year | 41,806,612 | 41,727,294 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Company | | |
| Loss for the year | (1,207,859) | (465,641) |
| Members' deficit at beginning of the year | (9,394,805) | (8,929,164) |
| Members' deficit at end of the year | (10,602,664) | (9,394,805) |
| | <hr/> <hr/> | <hr/> <hr/> |

Consolidated balance sheet

| | 2010 | 2009 |
|--|--------------------------|--------------------------|
| Note | £ | £ |
| Fixed assets | | |
| Investment properties | 7 40,319,345 | 37,543,468 |
| Corporate investments | 8 2,647,223 | 2,718,594 |
| | <u>42,966,568</u> | <u>40,262,062</u> |
| Current assets | | |
| Debtors | 9 2,493,996 | 2,483,447 |
| Cash at bank and in hand | 9,012,409 | 11,852,561 |
| | <u>11,506,405</u> | <u>14,336,008</u> |
| Creditors :amounts falling due within one year | 10 <u>(6,660,335)</u> | <u>(12,026,496)</u> |
| Net current assets | <u>4,846,070</u> | <u>2,309,512</u> |
| Total assets less current liabilities | <u><u>47,812,638</u></u> | <u><u>42,571,574</u></u> |
| Financed by: | | |
| Capital funding reserve | 13 8,730,878 | 8,730,878 |
| Investment property revaluation reserve | 13 19,331,317 | 19,331,317 |
| Investment revaluation reserve | 13 712,276 | 712,276 |
| Profit and loss account | 13 13,032,141 | 12,952,823 |
| Members' funds | <u>41,806,612</u> | <u>41,727,294</u> |
| Creditors :amounts falling due after more than one year | 11 5,942,026 | 782,280 |
| Provisions for liabilities | 12 64,000 | 62,000 |
| | <u>47,812,638</u> | <u>42,571,574</u> |

These financial statements were approved by the Board on
 and signed on their behalf by:

Chair

Company no: 1624144

The accompanying notes form part of these financial statements.

Company balance sheet

| | 2010 | 2009 |
|--|------------------|---|
| Note | £ | £ |
| Fixed assets | | |
| Investment properties | 7 | 48,996 |
| Corporate investments | 8 | 9,219,729 |
| | <u>9,268,725</u> | <u>9,268,725</u> |
| Current assets | | |
| Debtors | 9 | 2,345,570 |
| Cash at bank and in hand | | 1,817,635 |
| | <u>3,920,758</u> | <u>4,163,205</u> |
| Creditors :amounts falling due within one year | 10 | <u>(17,850,121)</u> (22,044,455) |
| Net current liabilities | | <u>(13,929,363)</u> (17,881,250) |
| Total assets less current liabilities | | <u><u>(4,660,638)</u></u> <u><u>(8,612,525)</u></u> |
| Financed by: | | |
| Capital funding reserve | 13 | 7,660,241 |
| Profit and loss account | 13 | <u>(18,262,905)</u> (17,055,046) |
| Members' deficit | | <u>(10,602,664)</u> (9,394,805) |
| Creditors :amounts falling due after more than one year | 11 | 5,942,026 782,280 |
| | | <u><u>(4,660,638)</u></u> <u><u>(8,612,525)</u></u> |

These financial statements were approved by the Board on
 and signed on their behalf by:

Chair

Company no: 1624144

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

| | Note | 2010 £ | 2009 £ |
|--|------|---------------------------|------------------------|
| Net cash (outflow)/inflow from operating activities | 14 | (20,400) | 312,818 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 189,632 | 515,753 |
| Interest paid | | <u>(39,317)</u> | <u>(98,379)</u> |
| Net cash inflow from returns on investments and servicing of finance | | 150,315 | 417,374 |
| Taxation paid | | (326,274) | (309,906) |
| Capital expenditure and financial investment | | | |
| Purchase of investment properties | | (2,824,873) | – |
| Disposal of investment properties | | 860,076 | – |
| Purchase of corporate investments | | (1,014,429) | (878,230) |
| Disposal and repayment of corporate investments | | <u>695,687</u> | <u>617,926</u> |
| Net cash outflow from capital expenditure and financial investment activities | | (2,283,539) | (260,304) |
| Net cash (outflow)/inflow before financing | | (2,479,898) | 159,982 |
| Financing | | | |
| New loan from parent undertaking | | – | 110,000 |
| Repayment of bank loans | | <u>(360,254)</u> | <u>(310,012)</u> |
| Net cash outflow from financing | 15 | (360,254) | (200,012) |
| Decrease in cash in the year | 16 | <u>(2,840,152)</u> | <u>(40,030)</u> |

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Constitution

Lancashire County Developments Limited is a company limited by guarantee. At 31 March 2010 there were 3 members (2009: 3), each of whom on a winding-up had undertaken to contribute an amount not exceeding £1.

2 Operating income and profit on ordinary activities before taxation

Operating income and profit on ordinary activities before taxation are attributable to the group's principal activities, which were carried out entirely within the United Kingdom. The profit on ordinary activities before taxation is stated after charging:

| | 2010 | 2009 |
|--|---------------|---------------|
| | £ | £ |
| Auditors' remuneration | | |
| – audit services | 32,012 | 25,470 |
| – non-audit services | 6,285 | 33,475 |
| Management fee paid to Lancashire County Council | 345,048 | 349,195 |
| Operating lease rentals | | |
| – land and buildings | <u>97,011</u> | <u>97,011</u> |

Non-audit services relate primarily to tax compliance and advisory fees.

3 Net interest

| | 2010 | 2009 |
|---|----------------|----------------|
| | £ | £ |
| Interest payable and similar charges | | |
| Bank loans | <u>39,317</u> | <u>98,379</u> |
| Interest receivable | | |
| Bank interest receivable | <u>189,632</u> | <u>515,753</u> |

4 Directors and employees

The chairman received £Nil (2009: £Nil) during the year. The total received from the group by the other directors was £Nil (2009: £Nil).

The employees of the group were officially transferred to Lancashire County Council with effect from 1 January 2004. The average number of employees in the year ended 31 March 2010 was Nil (2009 : Nil). Employee costs of £2,474,686 for the year (2009 : £2,017,354) were recharged from Lancashire County Council to Lancashire County Developments Limited and are included within administrative expenses.

5 Taxation

| | 2010 | 2009 |
|--|----------------|----------------|
| | £ | £ |
| Corporation tax on profit on ordinary activities at 28% (2009 : 28.5%) | | |
| – current year | 90,000 | 159,681 |
| – adjustment in respect of prior years | 29,942 | 143,168 |
| | <u>119,942</u> | <u>302,849</u> |
| Deferred taxation | | |
| – current year (other) | (11,000) | 2,000 |
| – adjustment in respect of prior years | 13,000 | (4,000) |
| | <u>2,000</u> | <u>(2,000)</u> |
| | <u>121,942</u> | <u>300,849</u> |
| Tax on profit on ordinary activities | <u>121,942</u> | <u>300,849</u> |

Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the United Kingdom of 28% (2009 : 28.5%). The differences are explained as follows :

| | 2010 | 2009 |
|--|----------------|----------------|
| | £ | £ |
| Profit on ordinary activities before taxation | <u>201,260</u> | <u>39,588</u> |
| Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2009 : 28.5%) | 56,353 | 11,283 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 25,574 | 149,259 |
| Differences between capital allowances and depreciation | 7,934 | (861) |
| Group relief | 139 | – |
| Adjustment in respect of prior years | 29,942 | 143,168 |
| | <u>119,942</u> | <u>302,849</u> |

6 Profit and loss account

Under the provisions of s480 of the Companies Act 2006, Lancashire County Developments Limited has not published its own profit and loss account. The loss dealt with in the financial statements of the parent undertaking is £1,207,859 (2009 : £465,641).

7 Investment properties

| Group | Freehold | Assets under the course of construction | Total |
|---|-------------------|---|-------------------|
| | £ | £ | £ |
| Cost or valuation and net book value | | | |
| At 1 April 2009 | 37,294,171 | 249,297 | 37,543,468 |
| Additions | – | 2,824,873 | 2,824,873 |
| Reclassifications | (48,996) | – | (48,996) |
| At 31 March 2010 | <u>37,245,175</u> | <u>3,074,170</u> | <u>40,319,345</u> |
| Cumulative grants | | | |
| At 31 March 2010 | | | <u>3,143,187</u> |
| At 31 March 2009 | | | <u>2,343,633</u> |

The properties were externally revalued on an open market basis as at 31 March 2007 by King Sturge LLP. The properties were internally revalued by the group's parent undertaking (Lancashire County Council) on an open market basis at 31 March 2009 and this valuation has subsequently been updated by the directors to 31 March 2010. The historical cost of the premises are as follows :

| | |
|------------------|-------------------|
| | £ |
| At 31 March 2009 | 23,408,089 |
| Additions | <u>2,824,873</u> |
| At 31 March 2010 | <u>26,232,962</u> |

Company

At the year end the cost and net book value of the assets was £nil (2009: £48,996).

Capital commitments

At 31 March 2010, the group and the company had capital commitments of £1,798,570 (2009: £nil).

8 Corporate investments

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|-----------------------------------|------------------|--------------------|------------------|----------------------|
| Shares in subsidiary undertakings | – | – | 200 | 200 |
| Shares in associated undertaking | 163,136 | 163,136 | – | – |
| Loans to subsidiary undertakings | – | – | 9,219,529 | 9,219,529 |
| Other investments in shares | 1,466,594 | 1,417,598 | 48,996 | – |
| Other participating interests | 16,709 | 17,208 | – | – |
| Other loans | 1,000,784 | 1,120,652 | – | – |
| | <u>2,647,223</u> | <u>2,718,594</u> | <u>9,268,725</u> | <u>9,219,729</u> |

| Subsidiary undertakings | Principal activity | % of ordinary shares | % of preference shares |
|---|---------------------|----------------------------|------------------------------|
| Lancashire County Developments (Investments) Limited | Investment company | 100 | – |
| Lancashire County Developments (Property) Limited | Property investment | 100 | – |
| Lancashire Enterprises (Investments) Limited | Investment company | 100 | 100 |
| Lancashire County Enterprises (Leasing) Limited | Dormant | 100 | – |
| The Lancashire Rosebud (Small Firms) Fund Company Limited | Dormant | – | – |
| Associated undertaking | | | |
| North West Regional Fund Limited | Investment company | 25 | – |

Other participating interests

Other participating interests at 31 March 2010 represent investments in The HSBC (UK) Enterprise Fund for the North West and the Enterprise Venture Fund. The interests are 11.9% and 15.7% respectively (2009 : 11.9% and 15.7% respectively).

Corporate investments (continued)

Group

| | Shares in associated undertakings £ | Other participating interests £ | Other investment in shares £ | Loans £ | Total £ |
|--|--|--|---------------------------------------|------------------|------------------|
| Cost | | | | | |
| At 1 April 2009 | 163,136 | 17,208 | 2,058,445 | 2,298,399 | 4,537,188 |
| Additions | – | – | – | 1,014,429 | 1,014,429 |
| Reclassifications | – | – | 48,996 | – | 48,996 |
| Amounts written off | – | – | – | (100,492) | (100,492) |
| Repayments | – | – | – | (666,174) | (666,174) |
| Net share of profits of other participating interests | – | (499) | – | – | (499) |
| At 31 March 2010 | <u>163,136</u> | <u>16,709</u> | <u>2,107,441</u> | <u>2,546,162</u> | <u>4,833,448</u> |
| Provisions | | | | | |
| At 1 April 2009 | – | – | 640,847 | 1,177,747 | 1,818,594 |
| Charge for the year | – | – | – | 438,610 | 438,610 |
| Amounts written off | – | – | – | (70,979) | (70,979) |
| At 31 March 2010 | <u>–</u> | <u>–</u> | <u>640,847</u> | <u>1,545,378</u> | <u>2,186,225</u> |
| Net book value | | | | | |
| At 31 March 2010 | <u>163,136</u> | <u>16,709</u> | <u>1,466,594</u> | <u>1,000,784</u> | <u>2,647,223</u> |
| At 31 March 2009 | <u>163,136</u> | <u>17,208</u> | <u>1,417,598</u> | <u>1,120,652</u> | <u>2,718,594</u> |

| | Principal activity | % of ordinary shares held at 31 March 2010 | % of preference shares held at 31 March 2010 |
|--|--|---|--|
| Other investments | | | |
| C Probe Technologies Limited | Remedial cathodic protection for structural concrete | 19 | 54 |
| Manhattan Showers Limited | Manufacture of shower screens | 20 | – |
| M B Aseptic Technology Limited | Development of aseptic food filling machinery | 35 | 100 |
| North West Regional Fund Limited | Investment company | 25 | – |
| Plant Impact Plc | Development of crop nutrients and natural pesticides | 3.72 | – |
| Porpoise Viscometers Limited | Manufacture of measuring equipment | 36 | 85 |
| Select Hearing Systems Limited | Manufacture of electronic hearing aid accessories | 12 | 33 |
| SOL Publications Limited | Publishing and Media company | 15 | – |
| Noetic Associates Ltd trading as Malagasy | Producer/distributor of fine food, drink and health products | 3.5 | – |
| Outerlin Limited (formerly EXML Systems) | Development of Expense World Expenses System | 2 | – |
| Notren Limited | Development and sale of dietary and health recording products | 2 | – |

The group holds other investments in which more than 20% of share capital is held. The group does not include these as associated undertakings as no significant influence is exerted over these companies.

9 Debtors: amounts falling due within one year

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|--|------------------|--------------------|------------------|----------------------|
| Trade debtors | 1,826,428 | 1,537,456 | 649,318 | 282,196 |
| Accrued income and prepayments | 471,584 | 289,431 | 36,560 | 22,346 |
| Amounts owed by parent undertaking | 31,364 | 82,083 | 24,490 | – |
| Amounts owed by other group undertakings | – | – | 2,990,755 | 1,477,705 |
| Amounts owed by related undertakings | 58,813 | 353,947 | 58,813 | 353,947 |
| Social security and other taxes | 105,807 | 220,530 | 105,822 | 155,376 |
| Deferred taxation (note 12) | – | – | 55,000 | 54,000 |
| | <u>2,493,996</u> | <u>2,483,447</u> | <u>3,920,758</u> | <u>2,345,570</u> |

10 Creditors: amounts falling due within one year

| | 2010 £ | Group 2009 £ | 2010 £ | Company 2009 £ |
|---|------------------|--------------------|-------------------|----------------------|
| Bank overdraft | – | – | 939,707 | – |
| Bank loans (note 11) | 300,000 | 300,000 | 300,000 | 300,000 |
| Amounts owed to parent undertaking - Lancashire County Council (note 11) | 1,710,000 | 7,230,000 | 1,710,000 | 7,230,000 |
| Trade creditors | 409,104 | 309,390 | 409,104 | 257,540 |
| Amounts owed to parent undertaking | 425,423 | 74,161 | 425,423 | 74,161 |
| Amounts owed to other group undertakings | – | – | 12,959,702 | 13,101,167 |
| Amounts owed to related undertakings | – | 8,626 | – | 8,626 |
| Corporation tax | 90,000 | 294,332 | – | – |
| Social security and other taxes | – | 291,771 | – | – |
| Accruals and deferred income | 3,725,808 | 3,518,216 | 1,106,185 | 1,072,961 |
| | <u>6,660,335</u> | <u>12,026,496</u> | <u>17,850,121</u> | <u>22,044,455</u> |

11 Creditors: amounts falling due after more than one year

| | Group and Company | |
|--|-------------------|----------------|
| | 2010 | 2009 |
| | £ | £ |
| Amount owed to parent undertaking - Lancashire County Council | 5,520,000 | — |
| Bank loans | 422,026 | 782,280 |
| | <u>5,942,026</u> | <u>782,280</u> |

The loan from Lancashire County Council included in creditors: amounts falling due after more than one year of £5,520,000 is interest free and is repayable in full on 30 September 2030.

The Royal Bank of Scotland plc bank loans are repayable as follows :

| | Group and company | |
|---------------------------------|-------------------|------------------|
| | 2010 | 2009 |
| | £ | £ |
| Within one year | 300,000 | 300,000 |
| After one and within two years | 300,000 | 300,000 |
| After two and within five years | 122,026 | 482,280 |
| | <u>722,026</u> | <u>1,082,280</u> |

The bank loan is secured by fixed and floating charges over all assets of the group and is repayable by equal quarterly instalments. Interest is based upon bank LIBOR rate.

12 Provisions for liabilities

Deferred taxation

| | Group | Company |
|------------------------------------|---------------|-----------------|
| | £ | £ |
| Provision/(asset) at 1 April 2009 | 62,000 | (54,000) |
| Charge/(credit) for the year | 2,000 | (1,000) |
| Provision/(asset) at 31 March 2010 | <u>64,000</u> | <u>(55,000)</u> |

Deferred taxation provided for in the financial statements is set out below.

| | Group | | Company | |
|--------------------------------|-------------------------|---------------|-------------------------|-----------------|
| | Amount provided 2010 | 2009 | Amount provided 2010 | 2009 |
| | £ | £ | £ | £ |
| Accelerated capital allowances | 111,000 | 109,000 | (22,000) | (21,000) |
| Other timing differences | (47,000) | (47,000) | (33,000) | (33,000) |
| | <u>64,000</u> | <u>62,000</u> | <u>(55,000)</u> | <u>(54,000)</u> |

13 Reserves

| Group | Capital funding reserve £ | Investment property revaluation reserve £ | Investment revaluation reserve £ | Profit and loss account £ |
|---------------------|------------------------------------|---|---|---------------------------------|
| At 1 April 2009 | 8,730,878 | 19,331,317 | 712,276 | 12,952,823 |
| Profit for the year | - | - | - | 79,318 |
| At 31 March 2010 | <u>8,730,878</u> | <u>19,331,317</u> | <u>712,276</u> | <u>13,032,141</u> |

| Company | Capital funding reserve £ | Profit and loss account £ |
|-------------------|------------------------------------|------------------------------------|
| At 1 April 2009 | 7,660,241 | (17,055,046) |
| Loss for the year | - | (1,207,859) |
| At 31 March 2010 | <u>7,660,241</u> | <u>(18,262,905)</u> |

14 Net cash (outflow)inflow from operating activities

| | 2010 £ | 2009 £ |
|---|-----------------|----------------|
| Operating (loss) / profit | (367,580) | 781,792 |
| Increase in debtors | (10,549) | (321,143) |
| Increase/ (decrease) in creditors | 357,230 | (82,496) |
| Share of loss/ (profit) in participating interests (note 8) | 499 | (65,335) |
| Net cash (outflow)/inflow from operating activities | <u>(20,400)</u> | <u>312,818</u> |

15 Reconciliation of net cashflow to movement in net funds

| | 2010 £ | 2009 £ |
|------------------------------------|------------------|------------------|
| Decrease in cash in the year | (2,840,152) | (40,030) |
| Cash outflow from movement of debt | 360,254 | 200,012 |
| Movement in net funds | (2,479,898) | 159,982 |
| Opening net funds | 3,540,281 | 3,380,299 |
| Closing net funds | <u>1,060,383</u> | <u>3,540,281</u> |

16 Analysis of changes in net funds

| | At 31 March 2009 £ | Cashflows £ | At 31 March 2010 £ |
|--------------------------------|-----------------------------|--------------------|-----------------------------|
| Cash at bank and in hand | 11,852,561 | (2,840,152) | 9,012,409 |
| Cash at bank | 11,852,561 | (2,840,152) | 9,012,409 |
| Bank loans: | | | |
| The Royal Bank of Scotland plc | (1,082,280) | 360,254 | (722,026) |
| Other loans: | | | |
| Lancashire County Council | (7,230,000) | - | (7,230,000) |
| | <u>3,540,281</u> | <u>(2,479,898)</u> | <u>1,060,383</u> |

17 Operating lease commitments

Operating lease payments due within one year are as follows :

| | 2010 Land and Buildings £ | 2009 Land and Buildings £ |
|---------------------------|------------------------------------|------------------------------------|
| Expiring after five years | <u>92,860</u> | <u>92,860</u> |

18 Related parties

The company has made purchases on behalf of Lancashire and Blackpool Tourist Board Limited of £76,041 (2009 : £137,706). The amount owed by this related party at 31 March 2010 is £8,813 (2009 : £277,032).

Sales from Lancashire Technology Centre during the year amount to £Nil (2009: £29,779). The amount owed by this related party was £50,000 (2009 : £76,915). The amount owed to this related party at 31 March 2010 was £Nil (2009: £8,626).

Sales from Lancashire County Council during the year amount to £2,340,990 (2009: £2,257,466).

Purchases with Lancashire County Council amount to £3,760,862 (2009: £3,348,302). The amount owed by this related party at 31 March 2010 is £28,490 (2009: £82,083). The amount owed to this related party at 31 March 2010 is £425,423 (2009: £74,161).