

# **Napier University Ventures Limited**

## **Annual Report and Accounts**

**For the year ended 31 July 2017**

**Company Number: SC103082**

**Directors**

Prof Andrea Nolan OBE  
Dr Gerald Webber  
The Very Revd Dr Graham Forbes  
Prof Alistair Sambell  
Mr Simon Belfer (Until 16/09/2016)  
Mr Andy McGoff (From 05/12/2016)

**Secretary**

Dr Gerald Webber

**Auditor**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**Bankers**

Royal Bank of Scotland  
206 Bruntsfield Place  
Edinburgh  
EH10 4DF

**Solicitors**

Anderson Strathern LLP  
1 Rutland Court  
Edinburgh  
EH3 8EY

**Registered Office**

Merchiston Tower  
10 Colinton Road  
Edinburgh  
EH10 5DT

# Napier University Ventures Limited

## Strategic Report

### Year Ended 31 July 2017

The Directors have pleasure in presenting their strategic report for the year ended 31 July 2017.

#### Review of the business

The principal activity of the Company is to provide and to assist in providing research, consultancy, training and general education services. The Statement of Income and Retained Earnings the Company is set out on page 9.

	2017	2016	Change	Change
	£000	£000	£000	%
Turnover	11,742	12,527	(785)	(6%)
Profit after tax (PAT)	4,002	3,777	225	6%
Gift aid donation	4,727	4,596	131	3%
KPIs				
PAT as % of turnover	34%	30%		4%
Current assets as % of current liabilities	398%	321%		77%

The income of Napier University Ventures Ltd ("NUVL") for the year has decreased by 6% to £11,742,352 from £12,526,909 in 2016. Turnover in the rest of the World decreased by £292,880 and in the UK by £529,035. In Europe, turnover increased by £37,358.

Profit after tax increased by 6% primarily due to a gain on disposal of fixed assets in the year.

The directors anticipate that the company's financial performance for the next year will improve and that underlying growth will be sustained for the foreseeable future thereby supporting a growing Gift Aid Donation to Edinburgh Napier University in line with the University's strategic plan. A Gift Aid payment of £4,727,077 was made to the University during the year (2015-16 – £4,596,150).

The Financial Statements were prepared according to the new FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. There were no changes to accounting policies in the year.

During the year a property owned by the Company, Morningside Church, was sold. This was sold for £1,025,000 resulting in a gain on sale of £963,040 in NUVL. The church was held in assets held for sale at 31 July 2016.

The Company is grateful to all members of academic and administrative staff who contribute to our work with industry and commerce.

## Principal Risks and Uncertainties

### *Risk Management Framework*

Risk is managed within the context of the overall University Risk Management policy, which is subject to periodic review and approved by the University Court. The risk management policy is part of the University's internal control and corporate governance arrangements. The policy explains the institution's underlying approach to risk management, documents the roles and responsibilities of the members of Court, the University Leadership Team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

### *Consideration of risks*

The directors believe that the principal risks and uncertainties affecting the company's financial performance include not delivering improved project activity levels resulting in anticipated growth not being achieved.

The company's principal financial instrument is cash. Other financial assets and liabilities, such as trade debtors and creditors arise directly from the company's operating activities. The main risks associated with the company's financial assets and liabilities are set out below.

### *Credit risk*

The company's activities are spread across a significant number of smaller customers and the company therefore has a relatively low level of exposure to external credit risk.

### *Liquidity risk*

The company aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts. The company also maintains a current account with its ultimate parent Edinburgh Napier University through which it manages liquidity.

On behalf of the Board



Dr Gerald Webber  
Director

15 December 2017

## Directors' Report

Registered No: SC103082

Year ended 31 July 2017

The directors present their report together with the financial statements for the year ended 31 July 2017.

### Company Structure

The Company is limited by guarantee. The liability of each of the guarantors in the event of a winding up is limited to £1. At 31 July 2017 there were 5 guarantors in the register of members.

### Results and dividends

The profit for the year after taxation amounted to £4,001,932 (2016 – £3,777,137). The directors do not recommend a final dividend (2016 – £nil).

### Future Developments

The company continues to undertake the provision of education, research and consultancy services. The company is looking to grow its income by £1.3m in 2017-18, with overseas programmes identified as the area most growth.

### Directors

The directors who served the company during the year were as follows:

Prof Andrea Nolan OBE  
Dr Gerald Webber  
The Very Revd Dr Graham Forbes  
Prof Alistair Sambell  
Mr Simon Belfer (Until 16/09/2016)  
Mr Andrew McGoff (From 05/12/2016)

### Disclosure of information to auditor

At the date of making this report each of the company's directors, as set out above, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing its report of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

### Going Concern

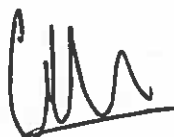
The directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives are described above.

The Company has a wide range of activities and built up successful long term relationships with a number of customers and suppliers both in the UK and Overseas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the Board



Dr Gerald Webber  
Director  
EDINBURGH

15 December 2017

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAPIER UNIVERSITY VENTURES LIMITED

## Opinion

We have audited the financial statements of Napier University Ventures Limited ("the company") for the year ended 31 July 2017 which comprise the Statement of Income and Retained Earnings, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAPIER UNIVERSITY VENTURES LIMITED (continued)

going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Andrew Shaw (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
**Chartered Accountants**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

20 December 2017



**Napier University Ventures Limited**  
**Statement of Income and Retained Earnings**  
**Year Ended 31 July 2017**

	Notes	2017 £	2016 £
Turnover	2	11,742,352	12,526,909
Consultancy Expenses		(7,341,873)	(7,426,182)
<b>Gross Profit</b>		<u>4,400,479</u>	<u>5,100,727</u>
Administrative Expenses		(416,727)	(378,179)
Gain on Sale of Fixed Asset		963,040	-
Interest Receivable		29	4
		<u>546,342</u>	<u>(378,175)</u>
<b>Profit before taxation</b>	3	4,946,821	4,722,552
Tax on Profit	5	(944,889)	(945,415)
<b>Profit on ordinary activities after taxation</b>		<u>4,001,932</u>	<u>3,777,137</u>
<b>Other comprehensive income and expenditure</b>		-	-
<b>Total comprehensive income</b>		<u>4,001,932</u>	<u>3,777,137</u>
<b>Retained earnings</b>			
Gift aid payment	4	(4,727,077)	(4,596,150)
Current tax credit	5	944,889	945,415
<b>Effect of gift aid</b>		<u>(3,782,188)</u>	<u>(3,650,735)</u>
<b>Retained earnings</b>		<u>219,744</u>	<u>126,402</u>

All company activities are continuing.  
There are no recognised gains and losses other than the profit for both years.  
The notes on the pages 11-15 form part of the financial statements.

Napier University Ventures Limited – Company Number SC103082

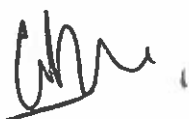
Balance Sheet

As at 31 July 2017

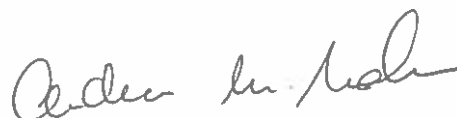
	Notes	2017	2016
		£	£
<b>Fixed assets</b>			
Tangible fixed assets	6	49,349	18,830
Investments	7	17,918	17,915
		<u>67,267</u>	<u>36,745</u>
<b>Current assets</b>			
Debtors	8	6,672,753	6,944,832
Cash at bank and in hand		18,141	14,465
Asset held for sale	9	-	45,400
		<u>6,690,894</u>	<u>7,004,697</u>
<b>Creditors: amounts falling due within one year</b>	10	(1,679,563)	(2,182,588)
<b>Net current assets</b>		5,011,331	4,822,109
<b>Total net assets</b>		<u>5,078,598</u>	<u>4,858,854</u>
<b>Capital and reserves</b>			
Revaluation reserve	11	-	45,404
General reserve	12	5,078,598	4,813,450
<b>Total funds</b>		<u>5,078,598</u>	<u>4,858,854</u>

The notes on pages 11-15 form part of the financial statements.

The Accounts were approved by the Board of Directors on 15 December 2017 and were signed on its behalf by:



Dr. Gerald Webber, Director



Prof Andrea Nolan OBE, Director

# Napier University Ventures Limited

## Notes to the 2016-17 Accounts

### 1. Accounting Policies

#### (a) Basis of Preparation

The accounts have been prepared according to Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The accounts have been prepared under the historical cost convention, modified to include the revaluation of land and buildings. Investments in associated undertakings are valued at cost unless the directors consider a reduction is appropriate.

The FRS 102 exemption has been taken from preparing a cash flow statement on the grounds the Edinburgh Napier University include the cash flow in its published financial statements, which can be obtained from Sighthill Campus, Edinburgh, EH11 4BN.

#### (b) Going concern

The Directors anticipate making a Gift Aid payment to Edinburgh Napier University, which still leaves the company in a net asset position. A review of the company's business is outlined in the Directors' Report. Additionally, Edinburgh Napier University, as it exercises a dominant influence, has committed to providing continuing support to the company. Based on this, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the financial statements on a going concern basis.

#### (c) Turnover

Turnover, represents the value of goods and services (net of VAT) supplied in respect of training, research and consultancy services provided in the period. Turnover is recognised when the services are supplied to the customer or when the terms of the contract have been satisfied.

#### (d) Consultancy Expenses

Consultancy expenses represents all direct expenditure relating to the services provided in the period. Profit is calculated on a basis to reflect the proportion of work carried out at the year-end, by recording turnover and related costs as project activity progresses. Full provision is made for losses on all contracts in the year in which they are first foreseen.

#### (e) Fixed Assets and Depreciation

Fixed assets, other than land and buildings, are stated at their purchase cost together with any incidental expenses of acquisition.

Depreciation is provided by the straight-line method at percentages designed to write off the book value of assets over the term of their expected useful life. Computer equipment is depreciated over 3 years and non-computer equipment is depreciated over 10 years.

#### (f) Grants Received

Grants related to fixed assets are credited to a deferred income account and are released to revenue over the expected useful life of the related asset by equal annual amounts. Revenue based grants are credited to the profit and loss account in the year to which they relate.

#### (g) Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless Financial Reporting Standard 102 does not permit such provision.

#### (h) Investments

Investments in associates are carried at cost less impairment. Other investments include investments in ordinary and preference shares, which are not publically traded and the fair value of these cannot be reliably measured. These are measured at cost less impairment.

# Napier University Ventures Limited

## Notes to the 2016-17 Accounts

**(i) Foreign Currency**

The presentation currency of these financial statements is sterling. Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of income and retained earnings.

**(j) Basic financial instruments**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Cash at bank and in hand comprises cash balances and call deposits.

**(k) VAT**

The company is partially exempt for VAT purposes. Non-recoverable VAT is charged to the statement of income and retained earnings.

**2. Segmental Reporting**

	<b>2017</b>	<b>2016</b>
	£	£
Turnover		
Analysis by geographical market		
United Kingdom	3,871,169	4,400,204
Rest of Europe	319,593	282,235
Rest of World	7,551,590	7,844,470
	<u>11,742,352</u>	<u>12,526,909</u>

**3. Profit on ordinary activities before taxation**

	<b>2017</b>	<b>2016</b>
	£	£
Profit is stated after charging: -		
Auditor's remuneration – Audit	5,100	5,100
Auditor's remuneration – Non Audit Services	2,500	2,500
Depreciation	9,241	13,585

Directors' Remuneration

None of the Directors' received any remuneration during the financial year in respect of their position on the board.

**4. Gift Aid Donation**

	<b>2017</b>	<b>2016</b>
	£	£
Gift Aid Donation to Edinburgh Napier University	<u>4,727,077</u>	<u>4,596,150</u>

## Napier University Ventures Limited

### Notes to the 2016-17 Accounts

5. Corporation Tax	2017 £	2016 £
Tax on profit on ordinary activities	944,889	945,415
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	4,946,821	4,722,552
Tax at UK corporation tax rate of 19.67% (2016 – 20%)	972,830	944,510
<b>Effects of:</b>		
Expenses not deductible for tax purposes	44	143
Income not taxable	(189,389)	-
Chargeable gains	166,458	-
Fixed asset differences	-	324
Rate change	(428)	515
Deferred tax not recognized	(4,626)	(77)
Current tax charge for the period	944,889	945,415
Gift Aid payment to be paid by 30 April	4,804,743	4,727,077
Tax credit at UK corporation tax rate of 19.67% (2016 – 20%)	944,889	945,415
Total current tax charge	-	-

#### Factors that may affect future tax charges

The company has a recognised deferred tax asset of £nil (2016 £4,626). This asset has not been recognised as the company gifts all profits to Edinburgh Napier University under the Gift Aid Scheme and therefore will not be able to recover the asset in the foreseeable future. A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

6. Tangible Fixed Assets	Equipment, Furniture & Fittings £
Cost	
At 1 August 2016	65,351
Additions	39,760
At 31 July 2017	105,111
<b>Depreciation</b>	
At 1 August 2016	46,521
Charge for the year	9,241
At 31 July 2017	55,762
<b>Net book value at 31 July 2017</b>	49,349
<b>Net book value at 31 July 2016</b>	18,830

## Napier University Ventures Limited

### Notes to the 2016-17 Accounts

7. Investments	2017	2016
<b>Cost</b>	£	£
At 1 August	61,665	61,665
Additions	3	-
Disposals	(345)	-
At 31 July	<u>61,323</u>	<u>61,665</u>
 <b>Diminution</b>		
At 1 August	43,750	43,717
Diminution in year	-	33
Disposals	(345)	-
At 31 July	<u>43,405</u>	<u>43,750</u>
 Investment value at 31 July	<u>17,918</u>	<u>17,915</u>

The Company's investments are held in the shares of seven unlisted companies, three of which qualify as an associated company.

#### Associated Companies

At 31 July 2017 the Company held:

- 33% of the issued ordinary preference share capital of Flexicage Ltd, a company established on 27 November 2008 to exploit the commercial potential of a revolutionary component adaptation and integration tool in the global software market. Patent registered in various identified trading territories. The value of the net liabilities in this entity are £26,725 at 30 November 2016.

- 21.64% of the issued share capital of Symphonic Software Ltd, a company established on 14 May 2012 to exploit the commercial potential of the secure data sharing within and between organisations. The value of net assets in this entity are £505,763 at 31 May 2016.

- 30.34% of the issued share capital of Cyan Forensics Ltd, a company established on 23 June 2016 to find data on devices, in storage and on networks, to be applied in cybersecurity. The value of the net assets of this entity are £177,339 at 31 December 2016.

	2017	2016
	£	£
<b>8. Debtors: Amounts due within one year</b>		
Trade debtors	3,016,088	2,703,828
Accrued income	40,877	610,482
Prepayments	184,340	157,754
Amounts due from Edinburgh Napier University	3,431,448	3,472,768
	<u>6,672,753</u>	<u>6,944,832</u>

## Napier University Ventures Limited

### Notes to the 2016-17 Accounts

	2017 £	2016 £
<b>9. Assets held for sale</b>		
At 1 August	45,400	-
Transfer from Tangible Fixed Assets (Note 6)		45,400
Sold during year	(45,400)	-
At 31 July	-	45,400

	2017 £	2016 £
<b>10. Creditors: Amounts falling due within one year</b>		
Other creditors	127,763	123,078
Accruals	128,776	257,543
Deferred income	1,423,024	1,801,967
	1,679,563	2,182,588

	2017 £	2016 £
<b>11. Revaluation Reserve</b>		
Balance at 1 August	45,404	47,025
Transfer to General Reserve	(45,404)	(1,621)
Balance at 31 July	-	45,404

	2017 £	2016 £
<b>12. General Reserve</b>		
Balance at 1 August	4,813,450	4,685,427
Profit for the financial year	4,001,932	3,777,137
Current tax credit	944,889	945,415
Gift Aid payment	(4,727,077)	(4,596,150)
Transfer from Revaluation Reserve	45,404	1,621
Balance at 31 July	5,078,598	4,813,450

#### 13. Parent Undertaking

The Company is not a legal subsidiary of Edinburgh Napier University. However, as the University exercises a dominant influence it is treated as a subsidiary for financial reporting purposes. The consolidated financial statements of Edinburgh Napier University are prepared in accordance with FRS 102 can be obtained from Sighthill Campus, Edinburgh, EH11 4BN. The company has taken advantage of the exemption contained in section 33.1A of FRS 102 from disclosing related party transactions with entities which form part of that group.