

**Napier University Ventures Ltd**

**Annual Report  
and Accounts**

**2001**

# Napier University Ventures Ltd

## Report of the Directors

Year Ended 31 July 2001

The Directors have pleasure in presenting their report together with the audited Accounts for the year ended 31st July 2001.

### **Activities**

The principal activity of the Company is to provide and to assist in providing research, consultancy, training and general education services. The Profit and Loss Account of the Company is set out on page 4.

### **Business Review**

The revenue income of Napier University Ventures Ltd for the year has decreased by 40% to £2,456,397 from £4,110,735 in the previous 12 month period. Part of this decline (10%) can be directly attributed to the transfer to Napier University of activities which are more appropriately included in the turnover of the University however a more substantial portion (17%) is due to the reduction in European Social Fund awards to activities supported by Higher Education. The Company is grateful to all members of academic and administrative staff who contribute to our work with Industry and Commerce.

### **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 31st July 2001 there were 5 guarantors in the register of members.

### **Directors**

The Directors of the Company for the year to 31st July 2001 were :

Mr A Anderson	(resigned 27 May 2000)
Mr C Bryce	
Dr I Grieve	
Prof. J Mavor	
Sir Ronald Miller	(resigned 31 July 2001)
Prof. M Thorne	(resigned 30 September 2001)
Dr G Webber	

The following appointments have subsequently been made:

Dr A Cubie	(appointed 1 August 2001)
Mrs D Robertson	(appointed 22 October 2001)

Napier University Ventures Ltd

Report of the Directors

Year Ended 31 July 2001

**Statement of Directors' Responsibilities**

Company law requires the directors to prepare accounts 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 of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

**By Order of the Board**

G.C. Webber  
Secretary

EDINBURGH

22 October 2001

Registered No: 103082

Napier University Ventures Ltd

Report of the Auditors

Year Ended 31 July 2001

To the members of Napier University Ventures Ltd

We have audited the company's financial statements for the year ended 31 July 2001 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

Registered Auditors  
Ten George Street  
Edinburgh  
EH2 2DZ

22 October 2001

Napier University Ventures Ltd

Profit and Loss Account

Year Ended 31 July 2001

	Notes	2001 £	2000 £
Turnover	1 (b)	2,456,397	4,110,735
Consultancy Expenses		1,414,090	2,683,513
<b>Gross Profit</b>		<u>1,042,307</u>	<u>1,427,222</u>
Administrative Expenses		24,652	38,713
<b>Operating Profit</b>		<u>1,017,655</u>	<u>1,388,509</u>
Interest Receivable		61,550	66,232
<b>Profit on ordinary activities before taxation</b>	2	<u>1,079,205</u>	<u>1,454,741</u>
Deed of Covenant	4	1,095,081	1,470,000
<b>Loss for period</b>		<u>(15,876)</u>	<u>(15,259)</u>
<b>Balance Brought Forward</b>		(178,636)	(164,998)
<b>Transfer from Revaluation Reserve</b>		1,621	1,621
<b>Balance Carried Forward</b>		<u>(192,891)</u>	<u>(178,636)</u>

All company activities are continuing. There are no recognised gains and losses other than the loss for the year.

Napier University Ventures Ltd

Balance Sheet

As at 31 July 2001

	Notes	2001 £	2000 £
<b>Fixed Assets</b>			
Tangible Fixed Assets	5	82,520	99,025
Investments	6	4,063	3,500
		<hr/>	<hr/>
<b>Current Assets</b>		86,583	102,525
Debtors	7	681,025	
Cash at Bank and in Hand		485,335	1,238,686
		<hr/>	<hr/>
		1,166,360	1,153,866
<b>Creditors due within one year</b>	8	1,168,092	2,392,552
		<hr/>	<hr/>
<b>Net Current Assets</b>		(1,732)	2,384,955
		<hr/>	<hr/>
<b>Total Assets less Current Liabilities</b>		84,851	7,597
	9	(8,017)	<hr/>
<b>Deferred Capital Grants</b>		<hr/>	110,122
		76,834	
<b>Total Net Assets</b>		<hr/>	(17,412)
		<hr/>	<hr/>
Represented by:-			92,710
<b>Creditors (amounts falling due after more than one year)</b>	10	200,000	<hr/>
<b>Capital and Reserves</b>		(192,891)	
	11	69,725	200,000
Profit and Loss Account		<hr/>	
Revaluation Reserve		76,834	(178,636)
		<hr/>	<hr/>
			71,346
			<hr/>
			92,710
			<hr/>

The Accounts on pages 4 to 10 were approved by the Board of Directors on 22 October 2001 and were signed on its behalf by:

PROFESSOR J MAVOR, Chairman

DR G WEBBER, Secretary

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2001

**1. Accounting Policies**

**(a) Basis of Accounting**

- ) The accounts have been prepared under the historical cost convention, modified to include the revaluation of land and buildings, and in accordance with applicable accounting standards. Investments in associated undertakings are valued at cost unless the directors consider a reduction is appropriate.

**(b) Turnover**

- ) Turnover, represents the invoiced value of goods and services supplied in respect of research, consultancy and laboratory services provided in the period. In addition, revenue based grants for the provision of training are credited to turnover in the period in which they are received.

**(c) Consultancy Expenses**

- ) Consultancy expenses as shown in the accounts represent all the expenditure on contracts including a provision for outstanding expenditure. No profit is recognised until the contracts are completed.

**(d) Fixed Assets and Depreciation**

- ) Fixed assets, other than land and buildings which is included at valuation (see Note 5), are stated at their purchase cost together with any incidental expenses of acquisition. On adoption of FRS 15, the Company has followed the transitional provisions to retain the book value of land and buildings which were revalued in 1992, but not to adopt a policy of revaluation in the future.

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. The principal rates range from 2% (for Land & Buildings) to 50% (for equipment).

**(e) 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.

**(f) Pensions**

- ) The Company obtained Admitted Body status to the Local Government Superannuation Scheme (LGSS) in 1997. The LGSS is a contributory, final salary scheme administered by the City of Edinburgh Council. The Company's contributions to this scheme are charged to the Profit & Loss Account so as to achieve the accounting objective of recognising the costs of providing pensions on a systematic and rational basis over the period during which the Company benefits from the employee's services.

**(g) Taxation**

- ) Deferred tax is accounted for in respect of all material timing differences to the extent that it is probable that a liability will crystallise in the foreseeable future. The Company undertakes to make an annual payment by deed of covenant to Napier University sufficient to eliminate the profit for corporation tax purposes.

**(h) VAT**

- ) The company is partially exempt for VAT purposes. Non-recoverable VAT is charged to the profit and loss account.

**(i) Operating Leases**

- ) Rentals payable under operating leases are charged to the profit and loss account in the period in which they become payable.



(j) **Foreign Currencies**

- ) Transactions in foreign currencies are recorded at the date ruling at the date of transaction. Monetary assets denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2001

	2001 £	2000 £
<b>2. Profit on ordinary activities before taxation</b>		
Profit is stated after charging:-		
Auditors' remuneration	6,825	6,500
Depreciation	16,505	19,605
	<hr/>	<hr/>

**3. Employee Information**

(a The average number of persons employed by the Company during the period is shown below:-

Departmental Units & Centres	-	11
	<hr/>	<hr/>
	-	11
	<hr/>	<hr/>

(b Employment costs - all employees:

Wages & Salaries	-	194,446
Social Security Costs	-	15,625
Other Pension Costs	-	18,499
	<hr/>	<hr/>
Total Remuneration Costs	-	228,570
	<hr/>	<hr/>

(c Directors Emoluments

) No emoluments were received by directors during the year

	2001 £	2000 £
<b>4. Deed of Covenant</b>		
Deed of Covenant to Napier University	1,095,081	1,470,000
	<hr/>	<hr/>

The amount paid by deed of covenant is the Company's profit assessable to corporation tax.

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2001

5. <b>Tangible Fixed Assets</b>	Freehold Land & Buildings £	Equipment , Furniture & Fittings £	Total £
<b>Cost</b>			
At 1 August 2000	81,075	602,252	683,327
Additions	-	-	
Disposals	-	(500,976)	-
	-----	-----	(500,976)
At 31 July 2001	81,075	101,276	-----
<b>Depreciation</b>			
At 1 August 2000			182,351
Depreciation for the period	9,729	574,573	
Disposals	1,621	14,884	
	-	(500,976)	
	-----	-----	584,302
At 31 July 2001			16,505
	11,350	88,481	(500,976)
	-----	-----	-----
<b>Net book value at 31 July 2001</b>			99,831
<b>Net book value at 31 July 2000</b>	69,725	12,795	-----
	-----	-----	-----
	71,346	27,679	82,520
	-----	-----	-----
			99,025
			-----

The Company's freehold land and buildings have been valued by the directors at an amount equivalent to its original cost to Napier University.

6. <b>Investments</b>	2001 £	2000 £
Cost at 1 August 2000	36,500	33,000
Additions	563	3,500
Provision for diminution in value	(33,000)	(33,000)
	-----	-----
Value at 31 July 2001	4,063	3,500
	-----	-----

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

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2001

6. Investments (Contd)

**Associated Companies**

As at 31 July 2001 the Company held:

- 33% of the issued share capital of Freelight Systems Ltd., a company established to exploit the commercial potential of polymer technology developed within Napier University. To date the company has focused its resources on product development and market research. No trading activity has taken place (value of net assets £10,694 at 30 Nov 2000).
- 25% of the issued share capital of Surfactant Solutions Ltd., a company established to exploit the commercial potential of surfactant technology developed within Napier University. No trading activity has taken place (value of net liabilities £8,876 at 31 July 2001).
- 20% of the issued share capital of CardioDigital Ltd., a company established in March 2001 to exploit the commercial potential of proprietary patents in the field of unique medical analysis software. No trading activity has taken place.

	2001	2000
	£	£
<b>7. Debtors</b>		
Trade Debtors	524,750	750,402
Amounts due from Napier University	62,715	390,289
Other Debtors	3,812	9,213
Accrued Income	89,748	88,782
	<hr/>	<hr/>
	681,025	1,238,686
	<hr/>	<hr/>
<b>8. Creditors due within one year</b>		
Trade Creditors	361,033	1,255,572
Amounts due to Napier University	627,642	968,388
Taxation and Social Security	84,062	59,082
Accruals	81,182	93,188
Deferred Income	14,173	8,725
	<hr/>	<hr/>
	1,168,092	2,384,955
	<hr/>	<hr/>

Included in Trade Creditors are Open Project Balances of £243,922 (99/00 £1,170,256).

	2001	2000
	£	£
<b>9. Deferred Capital Grants</b>		
Balance at 1 August 2000	17,412	12,508
Received during year	-	14,300
Released to Income and Expenditure	(9,395)	(9,396)
	<hr/>	<hr/>
Balance at 31 July 2001	8,017	17,412
	<hr/>	<hr/>

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2001

	2001 £	2000 £
<b>10. Creditors (amounts due after more than one year)</b>		
Scottish Enterprise Loan	200,000	200,000

The above loan of £200,000 including interest of £37,100 is repayable in annual instalments commencing 1 April 1997. Repayment is conditional on the profitability of the Scottish Electronic Manufacturing Centre, the operating centre in respect of which the loan was granted. The terms of the loan agreement are currently under review and it is not anticipated that any repayment will be due in the near future.

**11. Revaluation Reserve**

Balance at 1 August 2000	71,346	72,967
Transfer to Profit and Loss Account	(1,621)	(1,621)
Balance as at 31 July 2001	69,725	71,346

**12. Deferred Tax**

The Company has a deferred tax asset for which no provision has been made in the accounts amounting to £25,000.

**13. Cash Flow Statement**

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No 1 on the grounds that it is entitled to the exemptions available in Section 246 to 247 of the Companies Act 1985 for small companies.

**14. Parent Undertaking**

The Company is not a legal subsidiary of Napier University. However, as the University exercises a dominant influence it is treated as a subsidiary for financial reporting. Copies of the accounts for Napier University can be obtained from 219 Colinton Road, Edinburgh.