

Napier University Ventures Ltd

**Annual Report
and Accounts**

2002

Napier University Ventures Ltd

Report of the Directors

Year Ended 31 July 2002

The Directors have pleasure in presenting their report together with the audited Accounts for the year ended 31st July 2002.

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 increased by 7.8% to £2,647,513 from £2,456,397 in the previous 12 month period.

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 2002 there were 6 guarantors in the register of members.

Directors

The Directors of the Company for the year to 31st July 2002 were :

Mr C Bryce	
Dr A Cubie	(appointed 1 August 2001)
Dr I Grieve	(resigned 6 February 2002)
Prof. J Mavor	
Mrs D Robertson	(appointed 22 October 2001)
Miss G Tucker	(appointed 1 November 2001)
Dr G Webber	

Napier University Ventures Ltd

Report of the Directors

Year Ended 31 July 2002

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

The Directors have resolved to exercise the dispensation available under the Companies Act 1985 to appoint Auditors annually.

By Order of the Board

G.C. Webber
Secretary

EDINBURGH

21 October 2002

Registered No: 103082

Napier University Ventures Ltd

Report of the Auditors

Year Ended 31 July 2002

To the members of Napier University Ventures Ltd

We have audited the company's financial statements for the year ended 31 July 2002 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 13. 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditors
Ten George Street
Edinburgh
EH2 2DZ

21 October 2002

Napier University Ventures Ltd

Profit and Loss Account

Year Ended 31 July 2002

	Notes	2002 £	2001 £
Turnover		2,647,513	2,456,397
Consultancy Expenses		1,669,380	1,414,090
Gross Profit		978,133	1,042,307
Administrative Expenses		21,401	24,652
Operating Profit		956,732	1,017,655
Interest Receivable		40,242	61,550
Profit on ordinary activities	2	996,974	1,079,205
Gift Aid Donation	3	1,053,396	1,095,081
Loss for period		(56,422)	(15,876)
Balance Brought Forward		(192,891)	(178,636)
Transfer from Revaluation Reserve		1,622	1,621
Balance Carried Forward		(247,691)	(192,891)

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 2002

	Notes	2002 £	2001 £
Fixed Assets			
Tangible Fixed Assets	5	165,468	82,520
Investments	6	4,143	4,063
		<hr/>	<hr/>
Current Assets			
		169,611	86,583
Debtors	7	830,784	681,025
Cash at Bank and in Hand		827,692	485,335
		<hr/>	<hr/>
		1,658,476	
Creditors due within one year	8	1,634,947	1,166,360
		<hr/>	<hr/>
Net Current Assets		23,529	1,168,092
		<hr/>	<hr/>
Total Assets less Current Liabilities		193,140	
	9	(172,728)	(1,732)
Deferred Capital Grants		<hr/>	<hr/>
		20,412	
Total Net Assets		<hr/>	84,851
			(8,017)
Represented by:-			<hr/>
Creditors (amounts falling due after more than one year)	10	200,000	76,834
			<hr/>
Capital and Reserves	11	(247,691)	
		68,103	
Profit and Loss Account		<hr/>	
Revaluation Reserve			200,000
		20,412	
		<hr/>	<hr/>
			(192,891)
			69,725
			<hr/>
			76,834
			<hr/>

The Accounts were approved by the Board of Directors on 21 October 2002 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 2002

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 value of goods and services supplied in respect of training, research and consultancy services provided in the period along with any attributable grant income (see note 1e)

(c) Consultancy Expenses

-) Consultancy expenses as shown in the accounts represent all direct expenditure relating to the services provided in the period. Profit is calculated on a prudent 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.

(d) Fixed Assets and Depreciation

-) Fixed assets, other than land and buildings which is included at valuation (see Note 4), 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 Pension Scheme (LGPS) in 1997. The LGPS 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

-) FRS 19 'Deferred Taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(h) VAT

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

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2002

1. Accounting Policies (Cont'd)

(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.

	2002	2001
	£	£
2. Profit on ordinary activities before taxation		

Profit is stated after charging:-

Auditors' remuneration	7,000	6,825
Depreciation	57,592	16,505
	<hr/>	<hr/>
	-	

3. Gift Aid Donation

Gift Aid Donation to Napier University	1,053,396	1,095,081
	<hr/>	<hr/>
	-	

The amount paid under the Gift Aid Scheme is the Company's profit assessable to corporation tax.

4. Corporation Tax

Factors affecting the tax charge in year:-

Profit on ordinary activities before tax	996,974	1,079,205
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001:30%)		323,761
	299,092	

Effect of:

Disallowed expenses and non-taxable income		1,410
Depreciation in excess of capital allowances		231
Short term timing differences	1,387	(7,796)
Non-trade charges	(28,546)	(317,606)
	51,284	
Current tax charge for the period	(323,217)	<hr/>
)	0
	<hr/>	<hr/>
	0	
	<hr/>	
	-	

Factors that may affect future tax charges

The Company has an unrecognised deferred tax asset of £157,616. This asset has not been recognised as the company gifts all profits to Napier University under the Gift Aid Scheme and therefore will not be able to recover the asset in the foreseeable future.

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2002

5. Tangible Fixed Assets	Freehold Land & Buildings £	Equipment , Furniture & Fittings £	Total £
Cost			
At 1 August 2001	81,075	101,176	182,251
Additions	-	140,540	140,540
Disposals	-	(30,039)	(30,039)
	<hr/>	<hr/>	<hr/>
At 31 July 2002	81,075	211,677	292,752
Depreciation			
At 1 August 2001			
Depreciation for the period	11,350	88,381	99,731
Disposals	1,622	55,970	57,592
	-	(30,039)	(30,039)
	<hr/>	<hr/>	<hr/>
At 31 July 2002	12,972	114,312	127,284
	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2002			
	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2001	68,103	97,365	165,468
	<hr/>	<hr/>	<hr/>
	69,725	12,795	82,520
	<hr/>	<hr/>	<hr/>

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. Investments	2002 £	2001 £
Cost at 1 August 2001	37,063	36,500
Additions	80	563
Provision for diminution in value	(33,000)	(33,000)
	<hr/>	<hr/>
Value at 31 July 2002	4,143	4,063
	<hr/>	<hr/>

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 2002

6. Investments (Cont'd)

Associated Companies

As at 31 July 2001 the Company held:

- 34% of the issued share capital of Freelight Systems Ltd., a company established to exploit the commercial potential of polymer technology developed within Napier University. Value of net assets £4,091 at 30 Nov 2001.
- 31% 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).
- 29% 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 software. Value of net liabilities £3,992 at 31 May 2002.

	2002	2001
	£	£
7. Debtors		
Trade Debtors	635,934	524,750
Amounts due from Napier University	92,215	62,715
Accrued Income	54,236	89,748
Prepayments	43,692	1,763
Other Debtors	4,707	2,049
	<hr/>	<hr/>
	830,784	681,025
	<hr/>	<hr/>
8. Creditors due within one year		
Trade Creditors	543,077	361,033
Amounts due to Napier University	716,114	627,642
Taxation and Social Security	99,076	84,062
Accruals	69,496	81,182
Deferred Income	207,184	14,173
	<hr/>	<hr/>
	1,634,947	1,168,092
	<hr/>	<hr/>
9. Deferred Capital Grants		
Balance at 1 August 2001	8,017	17,412
Received during year	216,000	-
Released to Income and Expenditure	(51,289)	(9,395)
	<hr/>	<hr/>
Balance at 31 July 2002	172,728	8,017
	<hr/>	<hr/>

Napier University Ventures Ltd

Notes to the Accounts at 31 July 2002

	2002 £	2001 £
10. Creditors (amounts due after more than one year)		
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 2001	69,725	71,346
Transfer to Profit and Loss Account	(1,622)	(1,621)
Balance as at 31 July 2002	68,103	69,725

12. 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.

13. 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.