

Napier University Ventures Limited

Annual Report and Accounts

2003

Company Number: SC103082

Napier University Ventures Limited

Report of the Directors

Year Ended 31 July 2003

The Directors have pleasure in presenting their report together with the audited Accounts for the year ended 31st July 2003.

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 18% to £3,129,052 from £2,647,513 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 2003 there were 5 guarantors in the register of members.

Directors

The Directors of the Company for the year to 31st July 2003 were:

Prof. J Stringer	(appointed 1 January 2003)
Mr C Bryce	(resigned 21 October 2002)
Dr A Cubie	
Prof. J Mavor	(resigned 31 December 2002)
Mrs D Robertson	
Miss G Tucker	
Dr G Webber	

Napier University Ventures Limited

Report of the Directors

Year Ended 31 July 2003

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

Ernst & Young LLP tendered their resignation as auditors of the company in a letter dated 22nd August 2003 and confirmed that in accordance with Section 394(i) of the Companies Act 1985 that there were no circumstances connected with their resignation which should be brought to the attention of the Board. The Board subsequently appointed Henderson Loggie on 1st October 2003 to audit the company's 2002/03 financial accounts.

By Order of the Board

Dr. G. Webber
Secretary

EDINBURGH

21 November 2003

Napier University Ventures Limited

Report of the Auditors

Year Ended 31 July 2003

Independent auditors' report to the members of Napier University Ventures Limited

We have audited the accounts of Napier University Ventures Limited for the year ended 31 July 2003 on pages 4 to 10. These accounts have been prepared under the historical cost accounting rules and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 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.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Henderson Loggie
Chartered Accountants
Registered Auditors

2003

Napier University Ventures Limited

Profit and Loss Account

Year Ended 31 July 2003

	Notes	2003 £	2002 £
Turnover		3,129,052	2,647,513
Consultancy Expenses		2,269,422	1,669,380
Gross Profit		<u>859,630</u>	<u>978,133</u>
Administrative Expenses		(5,495)	21,401
Gift Aid Donation	4	945,000	1,053,396
		<u>939,505</u>	<u>1,074,797</u>
Operating Loss		(79,875)	(96,664)
Interest Receivable		110,703	40,242
Profit/(loss) on ordinary activities before taxation	3	30,828	(56,422)
Balance Brought Forward		(247,691)	(192,891)
Transfer from Revaluation Reserve		1,621	1,622
Balance Carried Forward		<u>(215,242)</u>	<u>(247,691)</u>

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

Napier University Ventures Limited

Balance Sheet

As at 31 July 2003

	Notes	2003 £	2002 £
Fixed Assets			
Tangible Fixed Assets	6	66,481	165,468
Investments	7	4,176	4,143
		<hr/>	<hr/>
Current Assets		70,657	169,611
			<hr/>
Debtors	8	632,310	738,569
Cash at Bank and in Hand		805,368	827,692
		<hr/>	<hr/>
		1,437,678	1,556,261
Creditors due within one year	9	1,657,095	1,542,732
		<hr/>	<hr/>
		(219,417)	23,529
Net Current Liabilities		<hr/>	<hr/>
Total Assets less Current Liabilities		(148,760)	193,140
Deferred Capital Grants	10	0	(172,728)
		<hr/>	<hr/>
Total Net (liabilities)/assets		(148,760)	20,412
		<hr/>	<hr/>
Represented by: -			
Creditors (amounts falling due after more than one year)	11	0	200,000
Capital and Reserves			
Revaluation Reserve	12	66,482	68,103
Profit and Loss Account		(215,242)	(247,691)
		<hr/>	<hr/>
		(148,760)	20,412
		<hr/>	<hr/>

The Accounts were approved by the Board of Directors on 21 November 2003 and were signed on its behalf by:

PROFESSOR J STRINGER, Chairman

DR G WEBBER, Secretary

Napier University Ventures Limited

Notes to the Accounts at 31 July 2003

1. Fundamental Accounting Concept

At the year end the company was in a net liability position. Napier University, as it exercises a dominant influence, is committed to providing continued support and on this basis the directors consider it appropriate to prepare the financial statements on a going concern basis.

2. 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 (net of VAT) 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 6), 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.

(g) Taxation

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.

Napier University Ventures Limited

Notes to the Accounts at 31 July 2003

(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.

	2003 £	2002 £
3. Profit on ordinary activities before taxation		

Profit is stated after charging: -

Auditors' remuneration	2,500	7,000
Depreciation	5,293	57,592

Bank Interest was previously received net of income tax and is now received gross. The increase is due to receipt of tax relating to previous years.

4. Gift Aid Donation

Gift Aid Donation to Napier University	945,000	1,053,396
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The amount paid under the Gift Aid Scheme is the Company's profit assessable to corporation tax.

5. Corporation Tax

Factors affecting the tax charge in year: -

Profit on ordinary activities before tax	30,828	(56,422)
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Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002:30%)

9,248	(16,927)
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Effect of:

Disallowed expenses and non-taxable income	831	1,387
Depreciation in excess of capital allowances	(2,352)	(28,546)
Short term timing differences	(7,727)	44,086

Current tax charge for the period

0	0
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Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £13,116 (2002 £47,285). This asset has not been recognized 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 Limited

Notes to the Accounts at 31 July 2003

6. Tangible Fixed Assets	Freehold Land & Buildings £	Equipment, Furniture & Fittings £	Total £
Cost			
At 1 August 2002	81,075	211,677	292,752
Disposals	0	(140,540)	(140,540)
	81,075	71,137	152,212
At 31 July 2003			
Depreciation			
At 1 August 2002	12,972	114,312	127,284
Depreciation for the year	1,622	3,671	5,293
Disposals	0	(46,846)	(46,846)
	14,594	71,137	85,731
At 31 July 2003			
Net book value at 31 July 2003	66,481	0	66,481
Net book value at 31 July 2002	68,103	97,365	165,468

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

During the year to 31 July 2002 a Capital Grant was received for purchasing equipment for the Optoelectronics Centre. This equipment remains the property of the grant holder and represents the disposal of £140,540. An equivalent amount has been adjusted through deferred capital grants.

7. Investments	2003 £	2002 £
Cost at 1 August 2002	37,143	37,063
Additions	33	80
Provision for diminution in value	(33,000)	(33,000)
	4,176	4,143
Value at 31 July 2003	4,176	4,143

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

Napier University Ventures Limited

Notes to the Accounts at 31 July 2003

7. Investments (Cont'd)

Associated Companies

As at 31 July 2003 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 £3,541 at 30 Nov 2002.
- 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 £114,103 at 31 July 2002).
- 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.

	2003 £	2002 £
8. Debtors		
Trade Debtors	554,289	635,934
Other Debtors	6,206	4,707
Accrued Income	34,715	54,236
Prepayments	37,100	43,692
	<hr/>	<hr/>
	632,310	738,569
	<hr/>	<hr/>
9. Creditors due within one year		
Trade Creditors	384,187	213,338
Amounts due to Napier University	333,304	623,899
Taxation and Social Security	103,662	92,103
Other Creditors	411,761	329,740
Accruals	31,281	76,468
Deferred Income	192,900	207,184
Scottish Enterprise Loan	200,000	0
	<hr/>	<hr/>
	1,657,095	1,542,732
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Napier University Ventures Limited

Notes to the Accounts at 31 July 2003

10. Deferred Capital Grants	2003 £	2002 £
Balance at 1 August 2002	172,728	8,017
Received during year	0	216,000
Released during year	(169,154)	0
Released to Profit and Loss Account	(3,574)	(51,289)
	0	172,728
	0	172,728
 11. Creditors (amounts due after more than one year)		
Scottish Enterprise Loan	0	200,000
	0	200,000
	0	200,000

The above loan of £200,000 including interest of £37,100 is repayable in annual instalments, which were due to commence 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 has been included in creditors due within one year.

12. Revaluation Reserve		
Balance at 1 August 2002	68,103	69,725
Transfer to Profit and Loss Account	(1,621)	(1,622)
	66,482	68,103
	66,482	68,103

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 Craighouse Campus, Craighouse Road, Edinburgh.