

Napier University Ventures Limited

Annual Report and Accounts

2004

Company Number: SC103082

Napier University Ventures Limited

Report of the Directors

Year Ended 31 July 2004

The Directors have pleasure in presenting their report together with the audited Accounts for the year ended 31st July 2004.

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 7.6% to £3,366,891 from £3,129,052 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 2004 there were 5 guarantors in the register of members.

Directors

The Directors of the Company for the year to 31st July 2004 were:

Prof. J Stringer
Dr A Cubie
Mrs D Robertson
Miss G Tucker
Dr G Webber

Napier University Ventures Limited

Report of the Directors

Year Ended 31 July 2004

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 Board appointed RSM Robson Rhodes LLP as auditors to the company with effect from the 1 April 2004. This follows the completion of the one year fixed term appointment of the previous auditors, Henderson Loggie.

By Order of the Board

Dr. G. Webber
Secretary

EDINBURGH

8 December 2004

Napier University Ventures Limited

Report of the Auditors

Year Ended 31 July 2004

Independent Auditors' Report to the members of Napier University Ventures Limited

We have audited the accounts on pages 4 to 10.

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 auditors' 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' responsibilities for preparing the Annual Report and accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the accounts 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 accounts, 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 misstatement 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 July 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Edinburgh, Scotland
2004

Napier University Ventures Limited

Profit and Loss Account

Year Ended 31 July 2004

	Notes	2004 £	2003 £
Turnover		3,366,891	3,129,052
Consultancy Expenses		(2,280,908)	(2,269,422)
Gross Profit		<u>1,085,983</u>	<u>859,630</u>
Administrative Expenses		10,156	5,495
Gift Aid Donation	4	(1,165,000)	(945,000)
		<u>(1,154,844)</u>	<u>(939,505)</u>
Operating Loss		(68,861)	(79,875)
Interest Receivable		61,176	110,703
(Loss) / profit on ordinary activities before taxation	3	(7,685)	30,828
Balance Brought Forward		(215,242)	(247,691)
Transfer from Revaluation Reserve		1,622	1,621
Balance Carried Forward		<u>(221,305)</u>	<u>(215,242)</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 2004

	Notes	2004 £	2003 £
Fixed Assets			
Tangible Fixed Assets	6	64,859	66,481
Investments	7	4,176	4,176
		<hr/>	<hr/>
Current Assets		69,035	70,657
		<hr/>	<hr/>
Debtors	8	394,765	632,310
Cash at Bank and in Hand		1,642,089	805,368
		<hr/>	<hr/>
		2,036,854	1,437,678
Creditors due within one year	9	2,262,334	1,657,095
		<hr/>	<hr/>
		(225,480)	(219,417)
Net Current Liabilities		<hr/>	<hr/>
Total Assets less Current Liabilities		(156,445)	(148,760)
		<hr/>	<hr/>
Total Net (liabilities)		(156,445)	(148,760)
		<hr/>	<hr/>
Represented by: -			
 Capital and Reserves			
Revaluation Reserve	10	64,860	66,482
Profit and Loss Account		(221,305)	(215,242)
		<hr/>	<hr/>
		(156,445)	(148,760)
		<hr/>	<hr/>

The Accounts were approved by the Board of Directors on 25 October 2004 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 2004

1. Fundamental Accounting Concept

At the year end the company was in a net liability position. Napier University, as it exercises a dominant influence, has committed to providing continuing 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) 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 19 does not permit such provision.

Napier University Ventures Limited

Notes to the Accounts at 31 July 2004

(g) VAT

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

	2004 £	2003 £
3. Profit on ordinary activities before taxation		
Profit is stated after charging: -		
Auditors' remuneration	1,200	2,500
Depreciation	1,622	5,293
	_____	_____

4. Gift Aid Donation

	2004 £	2003 £
Gift Aid Donation to Napier University	1,165,000	945,000
	_____	_____

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

5. Corporation Tax

	2004 £	2003 £
Factors affecting the tax charge in year: -		
Profit on ordinary activities before tax	(7,685)	30,828
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003:30%)	(2,305)	9,248
Effect of:		
Disallowed expenses and non-taxable income	1,903	831
Depreciation in excess of capital allowances	3,318	(2,352)
Short term timing differences	(2,916)	(7,727)
	_____	_____
Current tax charge for the period	0	0

Factors that may affect future tax charges

The company has an unrecognised deferred tax asset of £14,970 (2003 £13,116). 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 2004

6. Tangible Fixed Assets	Freehold Land & Buildings £	Equipment, Furniture & Fittings £	Total £
Cost			
At 1 August 2003	81,075	71,137	152,212
	-----	-----	-----
At 31 July 2004	81,075	71,137	152,212
	-----	-----	-----
Depreciation			
At 1 August 2003	14,594	71,137	85,731
Depreciation for the year	1,622	0	1,622
	-----	-----	-----
At 31 July 2004	16,216	71,137	87,353
	-----	-----	-----
Net book value at 31 July 2004	64,859	0	64,859
	-----	-----	-----
Net book value at 31 July 2003	66,481	0	66,481
	-----	-----	-----

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

	2004 £	2003 £
7. Investments		
Cost at 1 August 2003	37,176	37,143
Additions	285	33
Provision for diminution in value	(33,285)	(33,000)
	-----	-----
Value at 31 July 2004	4,176	4,176
	-----	-----

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 2004

7. Investments (Cont'd)

Associated Companies

As at 31 July 2004 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 liabilities £11,934 at 30 Nov 2003.
- 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. Value of net liabilities £261,755 at 31 January 2004.
- 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 assets £26,706 at 31 December 2003.

	2004 £	2003 £
8. Debtors		
Trade Debtors	314,461	554,289
Other Debtors	3,078	6,206
Accrued Income	40,126	34,715
Prepayments	37,100	37,100
	<hr/>	<hr/>
	394,765	632,310
	<hr/>	<hr/>
9. Creditors due within one year		
	2004 £	2003 £
Trade Creditors	637,613	384,187
Amounts due to Napier University	852,020	333,304
Taxation and Social Security	69,809	103,662
Other Creditors	405,200	411,761
Accruals	19,442	31,281
Deferred Income	78,250	192,900
Scottish Enterprise Loan	200,000	200,000
	<hr/>	<hr/>
	2,262,334	1,657,095
	<hr/>	<hr/>

Napier University Ventures Limited

Notes to the Accounts at 31 July 2004

	2004 £	2003 £
10. Revaluation Reserve		
Balance at 1 August 2003	66,482	68,103
Transfer to Profit and Loss Account	(1,622)	(1,621)
	<hr/>	<hr/>
Balance as at 31 July 2004	64,860	66,482
	<hr/>	<hr/>

11. 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.

12. 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, Edinburgh, EH10 5LG.