

# **Napier University Ventures Limited**

## **Annual Report and Accounts**

**For the year ended 31 July 2006**

**Company Number: SC103082**

# **Napier University Ventures Limited**

## **Report of the Directors**

### **Year Ended 31 July 2006**

The Directors have pleasure in presenting their report together with the audited Accounts for the year ended 31st July 2006.

#### **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 5.

#### **Business Review**

The revenue income of Napier University Ventures Ltd for the year has decreased by 1.42% to £4,004,523 from £4,062,163 in 2005. This is due to a drop in activity levels in terms of the number of projects between the two years.

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 Napier University in line with the University's strategic plan.

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**

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.

#### **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 2006 there were 4 guarantors in the register of members.

#### **Directors**

The Directors of the Company as at 31st July 2006 were:

Prof. J Stringer  
Dr A Cubie  
Dr G Webber  
Prof. P Strike (from January 2006)

Mrs Deirdre Robertson resigned as a Director in February 2006.  
Mr Eric R Gibson was appointed as a Director in November 2006.

# **Napier University Ventures Limited**

## **Report of the Directors**

**Year Ended 31 July 2006**

### **Disclosure of information to auditors**

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 their 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 auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### **Statement of directors' responsibilities for the financial statements**

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 enable them to ensure that the financial statements 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### **Auditors**

A resolution to authorise the Directors to appoint external auditors for the current financial year, and fix their remuneration will be proposed at the forthcoming Annual General Meeting.

### **By Order of the Board**

Dr. G. Webber  
Secretary

EDINBURGH

4<sup>th</sup> December 2006

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

**Year Ended 31 July 2006**

We have audited the financial statements of Napier University Ventures Limited for the year ended 31 July 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

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

**Year Ended 31 July 2006**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 July 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors

Edinburgh, Scotland

# Napier University Ventures Limited

## Profit and Loss Account

Year Ended 31 July 2006

	Notes	2006 £	2005 £
Turnover		4,004,523	4,062,163
Consultancy Expenses		(2,793,969)	(3,036,966)
<b>Gross Profit</b>		<u>1,210,554</u>	<u>1,025,197</u>
Administrative Expenses		(11,437)	12,589
Other Operating Income	3	-	162,900
Gift Aid Donation	5	-	(1,280,056)
Interest Receivable		47,719	39,101
		<u>36,282</u>	<u>(1,065,466)</u>
<b>(Loss) / profit on ordinary activities before taxation</b>	4	1,246,836	(40,269)
<b>Balance Brought Forward</b>		(259,952)	(221,305)
<b>Transfer from Revaluation Reserve</b>	11	1,622	1,622
<b>Balance Carried Forward</b>		<u><u>988,506</u></u>	<u><u>(259,952)</u></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 2006**

	Notes	2006 £	2005 £
<b>Fixed Assets</b>			
Tangible Fixed Assets	7	71,315	77,414
Investments	8	4,176	4,176
		75,491	81,590
<b>Current Assets</b>			
Debtors	9	898,414	845,308
Cash at Bank and in Hand		1,379,103	1,827,304
		2,277,517	2,672,612
<b>Creditors: amounts falling due within one year</b>	10	1,302,886	2,950,916
<b>Net Current Assets</b>		974,631	
<b>Net Current Liabilities</b>			(278,304)
<b>Total Assets less Current Liabilities</b>		1,050,122	(196,714)
<b>Total Net Assets/(Liabilities)</b>		1,050,122	(196,714)
Represented by: -			
<b>Capital and Reserves</b>			
Revaluation Reserve		61,616	63,238
Profit and Loss Account	11	988,506	(259,952)
		1,050,122	(196,714)
		1,050,122	(196,714)

The Accounts were approved by the Board of Directors on 4th December 2006 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 2006

### 1. Fundamental Accounting Concept

The Directors anticipate making a Gift Aid payment to Napier University, which will place the company 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 2e).

#### (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 7), 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 25% (for equipment/vehicles).

#### (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.

#### (g) VAT

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



## Napier University Ventures Limited

### Notes to the Accounts at 31 July 2006

3. Other Operating Income	2006 £	2005 £
Loan from Scottish Enterprise no longer repayable	-	162,900
<b>4. Profit on ordinary activities before taxation</b>		
Profit is stated after charging: -		
Auditors' remuneration	1,300	1,250
Depreciation	6,098	5,349
<b>5. Gift Aid Donation</b>		
Gift Aid Donation to Napier University	-	1,280,056
<b>6. Corporation Tax</b>	<b>2006</b> £	<b>2005</b> £
<b>Factors affecting the tax charge in year: -</b>		
Profit on ordinary activities before tax	1,246,836	(40,268)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004:30%)	374,051	(12,080)
<b>Effect of:</b>		
Disallowed expenses and non-taxable income	(380,500)	5,532
Depreciation in excess of capital allowances	-	9,604
Short term timing differences	6,449	(3,056)
Current tax charge for the period	-	-

#### **Factors that may affect future tax charges**

The company has an unrecognised deferred tax asset of £27,967 (2005 £21,518). 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 2006

7. <b>Tangible Fixed Assets</b>	<b>Freehold Land &amp; Buildings £</b>	<b>Equipment, Furniture &amp; Fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 August 2005	81,075	17,903	98,978
Disposals	-	-	-
Additions during year	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 July 2006	81,075	17,903	98,978
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 August 2005	17,837	3,728	21,565
Disposals	-	-	-
Depreciation for the year	1,622	4,476	6,098
	<hr/>	<hr/>	<hr/>
At 31 July 2006	19,459	8,204	27,663
	<hr/>	<hr/>	<hr/>
<b>Net book value at 31 July 2006</b>	61,616	9,699	71,315
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net book value at 31 July 2005</b>	63,239	14,175	77,414
	<hr/> <hr/>	<hr/> <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. Fixed Asset postings have been actioned during the year to match off fully depreciated assets against their accumulated depreciation.

8. <b>Investments</b>	<b>2006 £</b>	<b>2005 £</b>
Cost at 1 August	24,461	37,461
Additions	-	-
Provision for diminution in value	(20,285)	(33,285)
	<hr/>	<hr/>
Value at 31 July	4,176	4,176
	<hr/> <hr/>	<hr/> <hr/>

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

# Napier University Ventures Limited

## Notes to the Accounts at 31 July 2006

### 8. Investments (Cont'd)

#### Associated Companies

As at 31 July 2006 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 £16,915 at 30 November 2005.
- 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 £21,140 at 31 December 2005.

	<b>2006</b>	<b>2005</b>
	£	£
<b>9. Debtors: Amounts due within one year</b>		
Trade Debtors	440,473	578,239
Other Debtors	431	264
Accrued Income	233,894	266,495
Prepayments	4,727	310
Amounts due from Napier University	218,889	-
	898,414	845,308
	898,414	845,308

### 10. Creditors: Amounts falling due within one year

Amounts due to Napier University	-	1,365,263
Taxation and Social Security	42,258	40,092
Other Creditors	4,018	329,740
Accruals	834,974	887,400
Deferred Income	421,636	328,421
	1,302,886	2,950,916
	1,302,886	2,950,916

## Napier University Ventures Limited

### Notes to the Accounts at 31 July 2006

	2006 £	2005 £
<b>11. Revaluation Reserve</b>		
Balance at 1 August 2005	63,238	64,860
Transfer to Profit and Loss Account	(1,622)	(1,622)
	<hr/>	<hr/>
Balance as at 31 July 2006	61,616	63,238
	<hr/> <hr/>	<hr/> <hr/>

### 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 Craighouse Campus, Edinburgh, EH10 5LG.