

Napier University Ventures Limited

Annual Report and Accounts

For the year ended 31 July 2019

Company Number: SC103082

Napier University Ventures Limited

Company Information

Directors

Prof Andrea Nolan OBE
Mr David Cloy
The Very Revd Dr Graham Forbes
Prof Alistair Sambell
Mr Andy McGoff

Secretary

Mr David Cloy

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Bankers

Royal Bank of Scotland
206 Bruntsfield Place
Edinburgh
EH10 4DF

Solicitors

Anderson Strathern LLP
1 Rutland Court
Edinburgh
EH3 8EY

Registered Office

Merchiston Tower
10 Colinton Road
Edinburgh
EH10 5DT

Napier University Ventures Limited

Strategic Report

Year Ended 31 July 2019

The Directors have pleasure in presenting their strategic report for the year ended 31 July 2019.

Review of the business

The principal activity of the Company is to provide and to assist in providing research, consultancy, training and general education services. The Statement of Income and Retained Earnings the Company is set out on page 9.

	2019	2018	Change	Change
	£000	£000	£000	%
Turnover	12,836	11,151	1,685	15%
Profit after tax (PAT)	5,132	3,352	1,780	53%
Gift aid donation	3,356	4,805	(1,449)	(30%)
KPIs				
PAT as % of turnover	40%	30%		10%
Current assets as % of current liabilities	449%	326%		123%

The income of Napier University Ventures Ltd ("NUVL") for the year increased by 15% to £12,836,468 from £11,151,228 in 2018. The increase in turnover is attributed to an increase in Continuing Professional Development (CPD) income of £1,013,008, an increase of £391,356 in overseas programmes, an increase of £134,581 in research grant income and, finally, an increase in research income of £115,476.

Turnover in the UK increased by £1,280,138, in the Rest of the World by £394,361 and in Europe by £10,741. Profit after tax increased by £1,780,458 primarily as a result of a significant increase in UK Turnover and a one off gain on sale of investments during the year.

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 future growth in the Gift Aid Donation to Edinburgh Napier University in line with the University's strategic plan. A Gift Aid payment of £3,356,275 was made to the University during the year (2017-18 – £4,804,743).

The Financial Statements were prepared according to the new FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. There were no changes to accounting policies in the year.

The Company is grateful to all members of academic and administrative staff who contribute to our work with industry and commerce.

Napier University Ventures Limited

Strategic Report (continued)

Year Ended 31 July 2019

Principal Risks and Uncertainties

Risk Management Framework

Risk is managed within the context of the overall University Risk Management policy, which is subject to periodic review and approved by the University Court. The risk management policy is part of the University's internal control and corporate governance arrangements. The policy explains the institution's underlying approach to risk management, documents the roles and responsibilities of the members of Court, the University Leadership Team, and other key parties. It also outlines key aspects of the risk management process, and identifies the main reporting procedures.

Consideration of risks

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.

The company's principal financial instrument is cash. Other financial assets and liabilities, such as trade debtors and creditors arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below.

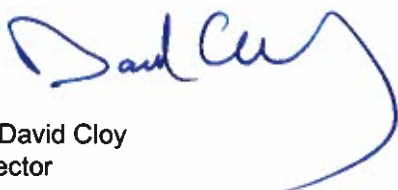
Credit risk

The company's activities are spread across a significant number of smaller customers and the company therefore has a relatively low level of exposure to external credit risk.

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts. The company also maintains a current account with its ultimate parent Edinburgh Napier University through which it manages liquidity.

On behalf of the Board



Mr David Cloy
Director

4 December 2019

Directors' Report

Registered No: SC103082

Year ended 31 July 2019

The directors present their report together with the financial statements for the year ended 31 July 2019.

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 31 July 2019 there were five guarantors in the register of members.

Results

The profit for the year after taxation amounted to £5,132,048 (2017-18 – £3,351,590).

Future Developments

The company continues to undertake the provision of education, research and consultancy services. The company is looking to grow its income by £2.6m in 2019-20, with consultancy and CPD identified as the areas with most growth.

Directors

The directors who served the company during the year were as follows:

Prof Andrea Nolan OBE
The Very Revd Dr Graham Forbes
Prof Alistair Sambell
Mr Andrew McGoff
Mr David Cloy

Disclosure of information to auditor

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 auditor in connection with preparing its report of which the company's auditor is 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 auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Going Concern

The directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives are described above.

The Company has a wide range of activities and built up successful long term relationships with a number of customers and suppliers both in the UK and Overseas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the Board


Mr David Cloy
Director

4 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAPIER UNIVERSITY VENTURES LIMITED

Opinion

We have audited the financial statements of Napier University Ventures Limited ("the company") for the year ended 31 July 2019 which comprise the Statement of Income and Retained Earnings, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as in respect of the value of defined benefit pension obligations and the carrying value of fixed assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group and the University's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAPIER UNIVERSITY VENTURES LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAPIER
UNIVERSITY VENTURES LIMITED (continued)**

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



**Andrew Shaw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

18 December 2019

Napier University Ventures Limited
Statement of Income and Retained Earnings
Year Ended 31 July 2019

	Notes	2018-19 £	2017-18 £
Turnover	2	12,836,468	11,151,228
Consultancy Expenses		(7,938,254)	(7,495,743)
Gross Profit		<u>4,898,214</u>	<u>3,655,485</u>
Administrative Expenses		(347,510)	(303,924)
Gain on Sale of Investments		581,169	-
Interest Receivable		175	29
		<u>233,834</u>	<u>(303,895)</u>
Profit before taxation	3	5,132,048	3,351,590
Tax on Profit	5	-	-
Profit after taxation		<u>5,132,048</u>	<u>3,351,590</u>
Other comprehensive income and expenditure		-	-
Total comprehensive income		<u>5,132,048</u>	<u>3,351,590</u>
Retained earnings			
Gift aid payment	4	(3,356,275)	(4,804,743)
Retained earnings		<u>1,775,773</u>	<u>(1,453,153)</u>

All company activities are continuing.

There are no recognised gains and losses other than the profit for both years.

The notes on the pages 11-15 form part of the financial statements.

Napier University Ventures Limited – Company Number SC103082

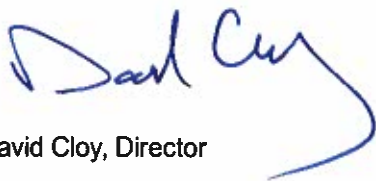
Balance Sheet

As at 31 July 2019

	Notes	£	2019 £	£	2018 £
Fixed assets					
Tangible fixed assets	6		102,647		44,093
Investments	7		258		17,918
			<u>102,905</u>		<u>62,011</u>
Current assets					
Debtors	8	6,624,054		5,018,139	
Cash at bank and in hand		194,415		120,268	
		<u>6,818,469</u>		<u>5,138,407</u>	
Creditors: amounts falling due within one year	9	(1,520,156)		(1,574,973)	
Net current assets			<u>5,298,313</u>		<u>3,563,434</u>
Total net assets			<u>5,401,218</u>		<u>3,625,445</u>
Capital and reserves					
General reserve	10		5,401,218		3,625,445
Total funds			<u>5,401,218</u>		<u>3,625,445</u>

The notes on pages 11-15 form part of the financial statements.

The Accounts were approved by the Board of Directors on 4 December 2019 and were signed on its behalf by:



Mr David Cloy, Director



Prof Andrea Nolan OBE, Director

Napier University Ventures Limited

Notes to the 2018-19 Accounts

1. Accounting Policies

(a) Basis of Preparation

The accounts have been prepared according to Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The accounts have been prepared under the historical cost convention, modified to include the revaluation of land and buildings. Investments in associated undertakings are valued at cost unless the directors consider a reduction is appropriate.

The FRS 102 exemption has been taken from preparing a cash flow statement on the grounds the Edinburgh Napier University include the cash flow in its published financial statements, which can be obtained from Sighthill Campus, Edinburgh, EH11 4BN.

(b) Going concern

The Directors anticipate making a Gift Aid payment to Edinburgh Napier University, which still leaves the company in a net asset position. A review of the company's business is outlined in the Directors' Report. Additionally, Edinburgh Napier University, as it exercises a dominant influence, has committed to providing continuing support to the company. Based on this, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the financial statements on a going concern basis.

(c) 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. Turnover is recognised when the services are supplied to the customer or when the terms of the contract have been satisfied.

(d) Consultancy Expenses

Consultancy expenses represents all direct expenditure relating to the services provided in the period. Profit is calculated on a 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.

(e) Fixed Assets and Depreciation

Fixed assets, other than land and buildings, are stated at their purchase cost together with any incidental expenses of acquisition.

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. Computer equipment is depreciated over 3 years and non-computer equipment is depreciated over 10 years.

(f) 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.

(g) 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 102 does not permit such provision.

Napier University Ventures Limited

Notes to the 2018-19 Accounts

(h) Investments

Investments in associates are carried at cost less impairment. Other investments include investments in ordinary and preference shares, which are not publically traded and the fair value of these cannot be reliably measured. These are measured at cost less impairment.

(i) Foreign Currency

The presentation currency of these financial statements is sterling. Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences are recognised in the statement of income and retained earnings.

(j) Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Cash at bank and in hand comprises cash balances and call deposits.

(k) VAT

The company is partially exempt for VAT purposes. Non-recoverable VAT is charged to the statement of income and retained earnings.

(l) Gift Aid

Gift Aid is recognised when there is a legal obligation for the distribution.

(m) Estimation Techniques

The preparation of the financial statements requires management to make estimations that affect the financial statements during the reporting period. Actual results could differ from those estimates. Estimates are principally used when accounting for the carrying value and depreciation of tangible fixed assets. Details of the estimates used are set out in the relevant accounting policy.

2. Segmental Reporting

	2019	2018
	£	£
Turnover		
Analysis by geographical market		
United Kingdom	4,785,669	3,505,531
Rest of Europe	190,623	179,882
Rest of World	7,860,176	7,465,815
	<u>12,836,468</u>	<u>11,151,228</u>

3. Profit on ordinary activities before taxation

	2019	2018
	£	£
Profit is stated after charging: -		
Auditor's remuneration – Audit	6,360	5,250
Auditor's remuneration – Non Audit Services	3,080	2,500
Depreciation	11,937	5,256

Directors' Remuneration

None of the Directors received any remuneration during the financial year in respect of their position on the Board.

Napier University Ventures Limited

Notes to the 2018-19 Accounts

4. Gift Aid Donation	2019	2018
	£	£
Gift Aid Donation to Edinburgh Napier University	3,356,275	4,804,743
5. Corporation Tax	2019	2018
	£	£
Current tax reconciliation		
Profit before tax	5,132,048	3,351,590
Tax at UK corporation tax rate of 19% (2017-18 – 19%)	975,089	636,802
Effects of:		
Expenses not deductible for tax purposes	380	890
Gift Aid	(975,469)	(637,692)
Tax charge for the period	-	-
6. Tangible Fixed Assets		Other Equipment
Cost		£
At 1 August 2018		105,111
Additions		70,491
At 31 July 2019		175,602
Depreciation		
At 1 August 2018		61,018
Charge for the year		11,937
At 31 July 2019		72,955
Net book value at 31 July 2019		102,647
Net book value at 31 July 2018		44,093

Napier University Ventures Limited

Notes to the 2018-19 Accounts

7. Investments	2019	2018
Cost	£	£
At 1 August	38,223	61,323
Disposals	(37,945)	(23,100)
At 31 July	<u>278</u>	<u>38,223</u>
 Diminution		
At 1 August	20,305	43,405
Disposals	(20,285)	(23,100)
At 31 July	<u>20</u>	<u>20,305</u>
 Investment value at 31 July	 <u>258</u>	 <u>17,918</u>

The Company's investments are held in the shares of four unlisted companies.

	2019	2018
	£	£
8. Debtors: Amounts due within one year		
Trade debtors	2,612,025	1,506,576
Accrued income	171,383	129,294
Prepayments	97,729	202,570
Amounts due from Edinburgh Napier University	3,742,917	3,179,699
	<u>6,624,054</u>	<u>5,018,139</u>

	2019	2018
	£	£
9. Creditors: Amounts falling due within one year		
Other creditors	48,292	79,294
Accruals	190,107	209,611
Deferred income	1,281,757	1,286,068
	<u>1,520,156</u>	<u>1,574,973</u>

Napier University Ventures Limited

Notes to the 2018-19 Accounts

	2019 £	2018 £
10. General Reserve		
Balance at 1 August	3,625,445	5,078,598
Profit for the financial year	5,132,048	3,351,590
Gift Aid payment	(3,356,275)	(4,804,743)
Balance at 31 July	<u>5,401,218</u>	<u>3,625,445</u>

11. Parent Undertaking

The Company is not a legal subsidiary of Edinburgh Napier University. However, as the University exercises a dominant influence it is treated as a subsidiary for financial reporting purposes. The consolidated financial statements of Edinburgh Napier University are prepared in accordance with FRS 102 can be obtained from Sighthill Campus, Edinburgh, EH11 4BN. The company has taken advantage of the exemption contained in section 33.1A of FRS 102 from disclosing related party transactions with entities which form part of that group.