A DECADE OF INVESTING

NDRC ANNUAL REPORT 2017/2018
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NDRC’s vision is to contribute to keeping Ireland at the forefront of digital evolution and digital economic success enabling Ireland to be a globally recognised hub for digital startups.

While Ireland’s success in attracting international tech companies to our shores is impressive, to maximise the benefit to our economy we need to complement this success with a vibrant indigenous tech sector. Developing a healthy and vibrant ecosystem in support of this goal is a long-term commitment. Silicon Valley did not grow up overnight, but developed over a number of decades.

Our effort in Ireland is of a more recent vintage, and it needs to continue. NDRC’s investments have been an essential driver of entrepreneurial support in the absence of a mature private sector support base.

For that reason, Government, politicians of all parties and none, and their civil servants deserve credit for their foresight in supporting the digital startup ecosystem and for sustaining that support even in the most difficult of times when we need it most.

It was in June 2008 when the NDRC Board signed off on our first Concession Agreement. That’s why it was particularly welcome in 2017 to have been approached by the Oman Technology Fund (OTF) to run their first pre-seed accelerator. It has been a hugely positive experience on both sides. The OTF has benefited from access to high class accelerator expertise and experience, and time spent working with early stage startups is as much a vocation as it is a job.

Over that decade, our ventures have:
- Generated €448 million in market capital value.
- Attracted nearly €200 million of follow-on investment.
- Created almost 1,000 direct jobs.

It is a significant track record of achievement and, undoubtedly, there is more to come. Investments already made will mature in the coming years and hopefully enhance those numbers even further.

Yet, these figures mask a journey of change and evolution over the last ten years.

The model we deployed in June 2008 is not the model we operate now. Nor should it be. The startup ecosystem is forever changing and evolving and the pace of change in digital technology far outstrips that of other sectors.

NDRC has had to respond and react, changing our model in response to developments in the ecosystem. We learned from our experiences and refined our approach accordingly. We looked abroad to determine best practice. We looked at the ecosystem as a whole to see where innovation was necessary. But all the while we remained focused on the importance of opportunity validation as preparation for follow on investment.

Over this decade we have seen the ecosystem evolve. There are certainly more players than there were ten years ago, and this is both welcome and important. The ecosystem is a strange mix of collaboration and competition, but most of this is healthy from a venture’s perspective.

Ireland is now becoming a well-established tech hub. The presence of global giants is undoubtedly a huge success. As the IDA has reported, nine of the top ten global software companies, nine of the top ten US tech companies and each of the top ten ‘born on the internet’ companies operate in this country.

But there are signs too that Ireland’s reputation as a source of digital startups is gaining traction.

NDRC is frequently visited by public policy makers from other jurisdictions looking to learn from our experience. This is where we, as a country, want to be. We want to be leaders in this field the place where others come to learn.

Ultimately the real credit is due to our ventures – the entrepreneurs who dare to dream and to take risks to build something new and innovative. Whether they are from Ireland’s third-level institutions developing an Intellectual Property powered product or are solving a problem that’s bedevilled them in their business sector, they are at the heart of everything that NDRC does.
Finding and investing in ventures that can scale, attract investment and succeed is difficult. Finding and investing in ventures that can scale, attract investment and succeed when they’re as early stage as those we support is even more difficult.

This is why it is great to see such positive findings in our annual report, with a series of results during 2017 showing that NDRC, now a decade into its investment activities, continues to perform exceptionally well within an area of national economic need: digital entrepreneurship.

NDRC’s mission is to deliver a sustainable supply of globally scalable Irish digital startups – that is both the investment mandate of our fund and our raison d'être as a company.

NDRC’s mission is to deliver a sustainable supply of globally scalable Irish digital startups – that is both the investment mandate of our fund and our raison d'être as a company. In all, the past decade has proven that, with small amounts of capital and a dedicated and we have evolved to match that need. In all, the past decade has helped NDRC learn from the startups as much as they have

We found that there is a diverse range of entrepreneurs driving NDRC investee companies. Around one-in-four of our founders are female, with four-in-five coming from Ireland, spread throughout the regions. Nine-in-ten of our founders have achieved a degree or higher, showing the interplay between Ireland’s education and startup ecosystems.

In 2017, some €40 million in follow-on investment was secured by NDRC’s portfolio of companies. In 2016 that figure was €27 million.

Beyond the follow-on investments secured by these ventures, there are also the significant returns secured through our portfolio. Further realisations in 2017 added to a strong foundation from previous years, bringing our total to more than €1.5 million realised through businesses including Clearsight Innovations and Logentries, with further realisations in sight for 2018.

Seeing these ventures grow and entrepreneurs learn and develop during their time at NDRC is perhaps the most rewarding aspect of all, with their success testament to what we do across our ever-growing Irish footprint. In this context, 2017 was an important year beyond these core numbers.

NDRC launched its first ever regional accelerator, NDRC at PorterShed, in Galway. Our regional expansion, which is multi-year in nature, also includes NDRC at AnLabs, in Waterford, and reinforces our national reach, which has been important since day one.

NDRC employs a residential approach in support of its hybrid investment model, in that investee companies reside in NDRC for the duration of their pre-seed stage of development. To support such a structure as we moved into Galway and Waterford, NDRC partnered with regional stakeholders, the Galway City Innovation District, in the west and Waterford Institute of Technology in the southeast of Ireland, and with Enterprise Ireland.

We have learned a lot through our ventures during the past decade, and with ever-increasing experience and a continuously growing portfolio these learnings have become even more meaningful and insightful in recent years. For example, during 2017 NDRC commissioned research into our portfolio, discovering the various independent pressure points throughout the startup journey.

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When a model works, it is important to leverage that hard-won experience both in continuing the work and in expanding its reach.

In the current NDRC model works, thanks to our flexibility and experience in this critical stage of the startup journey, NDRC has proven that, with small amounts of capital and a dedicated focus on commercialisation, scalable startups can emerge and ultimately attract outside investment.

Another decade of investment awaits.
A DECADE OF INVESTING

NDRC’s origins lie in a 2005 request for tender administered by the Higher Education Authority on behalf of the Department of Communications, Marine and Natural Resources. As part of a strategic shift in emphasis on the part of the State, from non-directive or blue-sky research to more commercially directed research, a tender was issued for the management, operation and maintenance of a National Digital Research Centre. The successful tenderer was a partnership of five higher education institutions – DCU, IADT, NCAD, TCD and UCD.

The partnership’s vision had a primary focus on translational research, developing new applications and technologies with strong commercial and societal engagement. The goal was to act as a national focal point for technology innovation in the digital media industries. NDRC’s origins in this partnership were essential to establishing early credibility. In time, NDRC’s own track record of performance and results delivery grew to imbue the company with its own credibility.

In November 2006, a Concession Agreement was entered into between the Minister for Communications, Marine and Natural Resources and National Digital Research Centre (NDRC) Limited. Operations commenced with the appointment of its CEO in February 2007. Our decade of investing is derived from our first investment cohort of June 2008.

Acceleration has always been at the heart of NDRC, yet while we deploy our own accelerator model – one that has been informed by years of investment experience – to describe NDRC as purely an accelerator would be a mistake. NDRC’s pre-seed investment approach, targeted at providing a pipeline of globally scalable, indigenous digital ventures into the seed and later stage technology venture investment ecosystem, has been honed over many years.

Accelerating the commercial prospects of research, ideas and teams, by helping them validate the potential of their concepts in the shortest possible timeframe, has been the hallmark of NDRC since it commenced operations. By helping fledgling ventures concentrate their limited resources in a lean manner on the priorities that will prove their next-stage investor readiness, NDRC’s experience-driven approach means that our ventures go further and get there faster than would otherwise be the case. A commitment to that worthy objective has been the unwavering constant in NDRC’s history.

Today, with a mandate that is both more expanded and more focused, NDRC continues to accelerate the development of the ventures in which we invest. The mandate has expanded beyond third-level research to inclusively add digital startups emerging from the ecosystem and those emanating from the country’s well-established corporate sector.

As a result, NDRC’s journey from itself being a green field startup to being recognised by the startup and investment ecosystem as the best place to start for any digital venture, masks a considerable amount of change.

NDRC’s history is awash with deep learning experiences and important milestone achievements. In the early days, our investment was exclusively focused on commercialising research, when NDRC had to cover the additional costs of translating those results into a form factor that was suitable to begin commercialisation. The current era sees our venture prospects powered by research results from TLIs as well as ideas from the entrepreneurial and corporate ecosystems.

The model evolution occurred in phases, a key phase being during which we introduced NDRC LaunchPad and NDRC VentureLab. It involved primarily an increased focus on opportunities that were closer to market; reduction of our initial investment amounts; expanding our investment scope wider than TLIs; changing our investment mechanisms from unincorporated joint ventures to incorporated companies and a new budget model that distinguished capital from value-add.

Having been voted by the ecosystem as the “best place to start” over several years, and then being ranked as the #1 university business accelerator in Europe and #2 in the world, new levels of ambition and confidence were captured by the organisation, adopting that externally bestowed recognition as our company tagline.

A signature characteristic of NDRC has been to never become complacent. Change is a constant in this business.

In 2013 we were awarded a second Concession Agreement, following an independent review. Difficult economic circumstances saw funding reduced but NDRC’s outcomes in particular continued to gain traction. From 2012 we continued upon a steady upward trajectory. 2017 is no different. Over the same time we initiated a dedicated programme in fintech, a successful Female Founders programme, culminating last year with expansion into the regions in Galway and Waterford, as well as overseas in Oman.

In 2017 in line with the Concession Agreement the Government commissioned a further analysis of the NDRC space. A further Concession Agreement is to be awarded. Building a healthy ecosystem in the digital space takes time and commitment. We’ve had a good ten-year start, but there is a lot of work left to do.
SilverCloud Health is one of the brightest lights among NDRC’s portfolio, originally investing in its founders in 2009. Since then, SilverCloud Health has gone on to now employ more than 40 people in Ireland and the US, with more than €10 million secured in follow-on funding to date.

“Often, worldwide, later-stage academic research can be created and be incredible on the world stage. But the difficulty is that it could end up back on the shelf. What NDRC did for us was put a commercial spin on the multiple parties that formed SilverCloud, to allow us to be brought from an embryonic stage into something that could be spun out, become commercial and raise a significant investment round and build the research foundation that has been in our DNA right up into today.”

The investments into SilverCloud, to date, have been about building on what the company has already achieved. “It’s not just a marketing term to refer to the fact that we have kept to that research DNA. That has become a key differentiator to others in this space […] By building that DNA and keeping it alive all the way along, I would point to it being one of the most important things that we have done.”

Ken Cahill
SilverCloud Health

Nuritas is a biotechnology company that is revolutionising the discovery and use of bioactive peptides through artificial intelligence and genomics.

“NDRC played a really important role initially. It bridged that gap for me coming out of academia and into business. I think any company starting off needs three things: mentorship, funding and a physical space. NDRC provided all three.”

Since launching in 2014, Nuritas has grown rapidly with its AI-powered peptide discovery platform, with applications spanning health and wellness, pharmaceuticals, agriculture and dermatology among others. In December, 2017, Nuritas announced a funding round of €15.6 million, bringing the total investment in the company to date to €20 million.

Dr Nora Khalidi
Nuritas

31% of our startups have female founders on the team

Nuritas raised €15.6 million in a Series A round in 2017
Wia’s Internet of Things cloud platform enables developers to turn any type of sensing device into a secure, smart and useful application in a matter of minutes. This generates considerable time and cost savings for teams who would previously have had to spend many months on 100,000s of lines of code to try to build out their own cloud infrastructure. The company secured seed investment of €750,000 during 2017, branching out into a new city-centre location.

“Moving the company from Belfast to Dublin, there was quite a lot to do: incorporate the company, learn about growing a network down here, etc. NDRC helped with all of those things. Also, being a solo founder, having to take on those additional tasks while trying to build the company was a big challenge, but I had a lot of support from NDRC for that.”

CONALL LAVERTY  Wia

NDRC originally invested in iCabbi – which provides agile, flexible world-class cloud based taxi dispatch systems, booking engines and mobile booking applications that integrate seamlessly with each other – in 2011. Since then, the company has exploded into a major employer, with its 82-strong Sutton-based team now servicing clients all over the world.

Backed by more than €1.5 million in follow-on investment since leaving NDRC’s accelerator programme, lessons learned then have stood Gavan and his team in good stead.

“One of the key things for me was the mentorship. Every Friday NDRC would bring in experienced entrepreneurs. To see the people you aspired to be, I really look back on with a great deal of positivity.”

GAVAN WALSH  iCabbi

25% OF NDRC STARTUPS HAVE SECURED MORE THAN €250,000 IN FOLLOW-ON FUNDING

Wia raised €750,000 in seed funding in 2017

20% OF EMPLOYEES AT NDRC COMPANIES ARE BASED ABROAD
EquiRatings was founded by Sam Watson, an international Irish event rider and skilled coder, and commercial lawyer Diarmuid Byrne. It works with federations around the world on safety analysis, high performance analysis and provides data to international media outlets.

NDRC invested in EquiRatings in 2017, with the company’s growth through partnerships with international organisations continuing apace in the past 12 months.

“We’ve grown a lot, we’re at seven or eight-times the revenue since we joined NDRC. A huge part of that is not just the money that facilitated additional hires, or improved our internal financial system. It was people sitting beside us telling us, ‘That deal is actually worth X or Y’, or ‘Why don’t you structure your company that way?’”

“NDRC was never about the money for us, it was all about the people and learning from them here. That has been our biggest success from the programme, definitely.”

Profile 90 is a smart scouting platform that integrates scientific insights, taking traditional scouting to a new level. This allows clubs to see a 360-degree view of a player before they ever sign them.

The company was founded by Dr Jag Basra and Trev Keane. It improves the efficiency of the academy, reduces the cost of player acquisition and increases revenue from player sales. The company uses consistent, efficient reporting, coupled with scientific insights, to identify top talent.

“Being part of NDRC has given us a solid foundation to grow our start-up, and the support has been immense. NDRC is a fantastic hub and the support they offer is second to none. Having access to the team in NDRC extends your own team as they have insights and experience with most of the challenges that arise.”

“Being part of the female start-up scene here has also been such an inspiring experience as the support, guidance and assistance you get cannot be underestimated. Start-up life is a tough journey, and a female’s perspective and experience is different.”

NDRC ventures have raised almost €200 million in follow-on funding to-date.

20% of NDRC founders from our 2017 startups were female.

€200m
These NDRC companies raised significant investments in 2017

33% OF NDRC 2017 FOUNDERS ARE FROM OUTSIDE OF IRELAND

357 Applications to NDRC’s 2017 programmes

996 Direct jobs created to date

Since 2008, NDRC has invested in 255 startups

Number of digital startups created per year

Market Capital of NDRC companies

Direct jobs created to date

Follow on investment raised by NDRC companies

- Nuritas €15.6M
- Drop €4.3M
- Tandem €2M

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NEW ADDITIONS TO OUR PORTFOLIO IN 2017

OPENING
Opening.io finds the highest potential candidates for roles through machine learning and AI. Opening.io solves a multi-billion-dollar problem by activating 100 per cent of the CVs in companies’ databases ensuring they hire the right people faster, smarter and at lower cost.

LIQUIDEDGE
LiquidEdge enables powerful, highly targeted real-time and programmatic customer engagement by leveraging hidden data from Wi-Fi, social media and other systems.

BUYMEDIA
BuyMedia helps advertisers achieve a better advertising ROI by matching their campaign criteria with the best fit advertising solution.

ADDJUST
Addjust radically simplifies how change orders are captured, communicated and approved in construction contracts. Its technology enables customers to achieve greater efficiency and profitability by eliminating outdated methods of sending information between all stakeholders in the building industry.

CURASY
Curasy is a marketplace for product designers to sell luxury products.

TRANSPORTZONE
TransportZone is connecting and transforming the logistics supply chain – improving network visibility, the speed of decision-making, delivering efficiencies and ultimately enhancing customer relationships.

DOCUMENTATIONHQ
DocumentationHQ permits the rapid verification of governance, ownership and identity, thus avoiding lost revenue opportunities.

EQUIRATINGS
EquiRatings is a sports data and analytics company dedicated to equestrian sports. It helps federations around the world commercialise their database and provides risk and performance insights.

DWEELDOWN
DwellDown lets users rate, review and compare their rentals. DwellDown helps tenants discover the ideal place to call home through sharing and transparency.

MEDIT
Medit is a knowledge-sharing platform for medical professionals - helping them learn from the collective expertise of the medical community and discover quality content, shaped to their needs, by artificial intelligence.

HORUS
Horus has developed the Horus Sentinel, the world’s first intelligent, cloud-connected sensor which acts as an early warning device to identify failures in machines.

STRIDE
Stride makes career discovery personal. Stride uses machine learning to bring relevant and authentic information to every student, inspiring great college and career choices.

TRAVAPLAN
TravaPlan has developed a new way to deliver convenience control and compliance to unmanaged business travel, the largest and fastest-growing sector of the business travel market.

ROOMIGO
Roomigo helps people look for roommates by matching and connecting them with the right person, based on compatibility.

PROFILE 90
Profile 90 takes traditional sport talent identification and scouting to the next level, by integrating the latest scientific insights.

WELLCLIK
Wellikli is a SaaS business management solution for wellness practitioners, combining bookings, analytics, automated sales and marketing tools on one platform.

EIRSCOPE
Eirscope changes the way oil distributors interact with customers, improving relationships, retention and operational efficiency.

FARMEYE
FarmEye helps global food brands demonstrate and authenticate their sustainability credentials to consumers, by making both regulatory compliance and quality assurance simple.

REALSPEAKER
RealSpeaker provides instant transcription of audio and video files, allowing content owners in SMEs to make their media accessible and searchable.

TASKBLAST
TaskBlast is a communications tool designed specifically for project managers, allowing them to deliver successful projects, on time, thanks to its easy-to-use format.

SINTERMEDICAL
SinterMedical automates the design of orthopaedic implants, simplifying personalised surgical procedures.

SHOWHOUS
ShowHouse helps estate agents create, publish and measure high-quality video content of their properties.

APPRAISEE
Appraisee is digital appraisal software used by car dealerships to maximise the profit potential when buying part-exchange vehicles.

TABSPACE
Tabspace gathers peer reviews of software development teams from current and former employees, allowing you to gain quantifiable insights into how engineering teams operate.

50%
ALMOST HALF OF ENTIRE NDRC PORTFOLIO ARE STILL TRADING OR HAVE EXITED

NDRC VENTURES SECURED ALMOST €41 MILLION IN FOLLOW-ON INVESTMENT IN 2017
NDRC’s mission is to deliver a sustainable supply of globally scalable Irish digital start-ups to the next stage venture investor community. It does this by sourcing and building young digital companies that it then invests in and works with to advance their commercial potential.

NDRC has a commercial mandate from the Department of Communications, Climate Action and Environment to make these investments, ensuring Ireland has a vibrant and growing culture of digital entrepreneurship. With its digital focus, NDRC is uniquely positioned at the centre of multiple players in the innovation and investment space – from third level institutions, to Enterprise Ireland, industry players, commercial partners and investors.

NDRC operates at a stage when the risk is prohibitive to venture capital. It targets both financial and impact returns through its hybrid fund and provides a pipeline of risk reduced venture investment opportunities to the economy.

The key business performance indicator for the company is third party follow on investment (FoI) that is secured by ventures emerging or developing from the company’s portfolio. Cumulative follow on investment increased by 26% year on year, from €427m by 2016 to €486m by end 2017. The enterprise value of ventures emerging from NDRC, also increased by 14% year on year, from €427m by 2016 to €486m by end 2017.

These growth outcomes (cf. results for the year below) are a consequence of a continued flow of investments and ventures through NDRC, and increasing maturity of NDRC ventures that have proven their viability since emerging in previous years.

One again NDRC received financial returns from some of its investments in 2017. During the year NDRC received a return on its equity stake following the sale of a company, for which the investment cost was expensed to the Income and Expenditure account over a number of previous financial years in line with the company’s accounting policies. A reserves policy has been agreed by the board following this and previous years’ returns. NDRC has decided to hold reserves of €195,216 which is the proceeds from these realisations less the usage agreed in previous years and which is detailed in the ‘Designated Reserves’ note to the financial statements.

Designated reserves are held to enable NDRC to deploy funds to seed investments that may fall outside of the current programmes operated and to ensure that the organisation has the flexibility and financial security to do so; to fund working capital where it might be necessary during the course of an accounting period; to enable NDRC to apply the funds in the pursuit of strategic goals and expansion activities, and to cover any potential requirement for cost coverage or unforeseen events/liabilities. While the company’s current hybrid funds can only ever deliver a fractional financial return, these realisations, building on the first such return in 2014, underline the company’s positioning and performance as a very early stage investor, substantiating its investment reputation, and validating its business model.

RESULTS AND DIVIDENDS

The statement of comprehensive income for the year ended 31 December 2017 and the statement of financial position at that date are set out on pages 32 and 33. The total comprehensive expense for the financial year was €263,858 (2016: income of €459,684). This represents the board-approved utilisation of designated reserves as set out above. In a year where planned usage exceeded additions as anticipated, the company is exempt from corporation taxation.

Results in the form of third party follow on investments in the outputs of the company’s investments continue to be strong for the year. Building on very strong results in the previous year, the company reports a cumulative €192m (2016: €152m) of follow on investment secured by new enterprises emerging.
or developing from the company’s investment programmes. The amount of equity released in, or valuations placed on, these new enterprises to secure the follow on investment indicates a year end cumulative enterprise value of these enterprises of €486m (2016: €427m).

DIRECTORS
The directors who served during the financial year were:

Sean Baker (Interim Chair)
Brendan Cremen (alternate for Orla Feely, resigned 8 June 2017)
Orla Feely
Ben Hurley
Aengus McClean
Geaorl Mooney
Diarmaid O’Brien
Stjohn O’Connor
Mark O’Donovan
Philip Sharpe

The company is limited by guarantee, does not have a share capital and in the event of a winding up, the members have agreed to pay €5 each to the debts of the company.

FUTURE DEVELOPMENTS
The company will continue to operate to its main objective in 2018.

HEALTH AND SAFETY OF EMPLOYEES
The Safety, Health and Welfare at Work Act, 2005 imposes certain obligations on employers and the directors are satisfied that the company has taken the necessary action to ensure compliance with the Act.

CHARITABLE AND POLITICAL CONTRIBUTIONS
The company made no political or charitable contributions during the year.

ENVIRONMENTAL MATTERS
The company pays particular adherence to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues.

PRINCIPAL RISKS AND UNCERTAINTIES
The directors consider that the following is the principal risk factor that could materially and adversely affect the company’s operation:

There is a dependence on the Department of Communication, Climate Action and Environment for short, medium and long term funding. There is a reasonable expectation that short term funding is available as there are formal agreements in place that govern cumulative funding of €42.5bn for the period from mid-2008 to mid-2018 and confirmation of additional funding of €5.25bn through to end 2019.

The company has controls in place to limit potential exposures and management and the directors regularly review, reassess and proactively limit the associated risks.

TAX STATUS
The company is recognised by the Revenue Commissioners as having registered charity status registration number CHY 17864.

ACCOUNTING RECORDS
The measures taken by the directors to ensure compliance with the requirements of Sections 280 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company’s accounting records are maintained at the company’s registered office at Digital Exchange, Crane Street, The Digital Hub, Dublin 8, D08 HKR9.

STATEMENT ON RELEVANT AUDIT INFORMATION
Each of the persons who are directors at the time when this Directors’ Report is approved has confirmed that:

• so far as the director is aware, there is no relevant audit information of which the company’s auditors are unaware; and
• the director has taken all the steps that ought to have been taken in order to be aware of any relevant audit information and to establish that the company’s auditors are aware of that information.

POST BALANCE SHEET EVENTS
NDRC regularly monitors investments in financial assets for indicators of impairment. Events may arise after the end of the reporting period which indicate an impairment of certain investments after the end of the reporting period, however the extent of the financial effect of such events is generally only determinable at the end of the next reporting period.

AUDITORS
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

On behalf of the board

Irish law requires the directors to prepare the financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with the Companies Act 2014 and have elected to prepare the financial statements in accordance with Irish Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

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 assets, liabilities and financial position of the company as at the financial year end date, of the profit or loss of the company for that financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• make judgments and accounting estimates that are reasonable and prudent;
• state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the company keeps or causes to be kept adequate accounting records which:

• enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, and
• enable them to ensure that the financial statements and directors’ report comply with the Companies Act 2014 and enable the financial statements to be audited. The directors 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.

On behalf of the board

Stjohn O’Connor
Sean Baker
STATEMENT OF INTERNAL CONTROLS

For the financial year ended 31 December 2017

As Chairperson and on behalf of the Board of NDRC, I acknowledge the Board’s responsibility for ensuring that an effective system of internal control is maintained and operated, in accordance with the requirements of the Code of Practice for the Governance of State Bodies (2016) (“the Code”). Although NDRC is not a State Body, under its SLA it has agreed to comply with the principles of the Code. NDRC is a small organisation with 18 employees and so its systems are appropriate to the size and operation of the organisation.

The Board of NDRC has delegated responsibility to the CEO to deal with management and operational issues and to report to the Board regularly. The system is designed to manage risk to a tolerable level and therefore can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely manner.

The system of internal control described in this Statement, which accords with the guidance issued by the Department of Public Expenditure and Reform has been in place in NDRC for the year ending 31 December 2017 and is ongoing up to the date of the approval of the financial statements, except for the control issues outlined below.

CONTROL ENVIRONMENT

The following steps have been taken to ensure an appropriate control environment:

1. The Board has a regular schedule of meetings (at least six per annum) at which it is provided with regular updated reports of expenditure.
2. Management responsibilities are assigned, with corresponding accountability.
3. The Leadership Team holds regular meetings and reports on expenditure and operations.
4. Management responsibilities are clearly assigned with corresponding accountability.
5. Management accounts are kept on a monthly basis and reported upon to the Audit & Risk Committee and the Board at each meeting.
6. There is an ongoing system of reporting which indicates financial performance against budget.
7. There are clearly defined investment control procedures and properly established Investment Committees to oversee them and report regularly to the Board.
8. There is a properly established Audit & Risk Committee, with appropriate Terms of Reference which include ensuring systems that guarantee internal financial control. The Committee reports to the Board after each of its 6 meetings in the year.
9. There is a properly constituted Remuneration Committee, which reports to the Board.
10. There are systems to ensure the security of the information and communication technology systems in use in NDRC.
11. The Financial Policies and Procedures Manual (FPPM) has been revised and approved by the Audit & Risk Committee to comply with the Code, the SLA and statutory requirements. It covers all aspects of financial controls, procedures and management.
12. NDRC added a Secretary to the Board/Compliance Officer to its staff during the year.

RISK MANAGEMENT

NDRC has established processes to:

• Identify the nature and extent of financial risks and business risks facing it.
• Assess the likelihood of identified risks occurring.
• Assess its ability to manage and mitigate the risks that do occur.

CONTROL MECHANISM

The system of internal control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, there is/are:

1. an appropriate and comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board.
2. regular review by senior management of periodic and annual financial reports which indicate financial performance against forecasts.
3. regular senior management team meetings.
4. a robust Risk Register which is informed by an appropriate system for all key business operations, which identifies, analyses, assesses and puts controls in place to manage identified risks and is reviewed and updated quarterly by the Leadership Team and reported on to the Audit & Risk Committee on an ongoing basis.
5. a standing item relating to risk on the agenda for both the Audit & Risk Committee and the Board.
6. an internal auditor who reports to the Audit and Risk Committee. The internal auditor operates in accordance with the Code of Practice for the Governance of State Bodies. The NDRC’s monitoring and review of effectiveness of the systems of internal control is informed by the work of the outsourced internal auditor and the Audit and Risk Committee. The following audits were carried out in 2017:
   a. An investment process audit
   b. A detailed Gap Analysis of areas of the Code that required additional systems to be put in place
   c. A full audit of internal controls
7. monitoring and review of the effectiveness of the systems of internal financial control is informed by the work of the Internal Auditor and the Audit & Risk Committee.
8. adequate mechanisms for ensuring the security of the Information and Communication Technology (ICT) systems

The final Internal audit noted the following:

• There are policies and procedures in place for all key components of internal controls.
• There were no Whistleblowing, Data Protection or Risk incidents to report in 2017.
• There were no high risk findings that may result in a material financial loss or operational disruption to the NDRC.

Overall the assessment indicated that significant assurance can be placed on the sufficiency and operation of internal controls to mitigate and/or manage key inherent risks to which financial activities are exposed as at year end 31 December 2017.

INTERNAL CONTROLS

DEROGATIONS

NDRC is not a State body but in accordance with its SLA, complies with the Code of Practice for the Governance of State Bodies 2016. Because of its size and the nature and scale of its activities, some of the Code requirements are disproportionate to or not applicable to NDRC. A request for derogation is being prepared in relation to these, in accordance with the Code of Practice.

PROCUREMENT PLAN

NDRC incorporates its policy on procurement into its FPPM but is in the process of developing a separate formal Corporate Procurement Plan. Prior to the adoption of a new corporate Procurement Plan, a small number of contracts have been awarded to suppliers which do not strictly adhere to the procurement policy of the FPPM.

A draft Corporate Procurement Plan has been prepared and when finalised, it will be introduced to all staff for ongoing implementation.

RISK MANAGEMENT POLICY

While a robust Risk Register records all risks and is regularly reviewed and updated, a formal Risk Policy was not in place in 2017. A draft Risk Management Policy has been prepared and when finalised, it will be introduced to all staff for ongoing implementation.

DCCAE SLA AND CONCESSION AGREEMENT COMPLIANCE

Save any notices in this statement, NDRC confirms that it is in compliance with the Service Level Agreement (SLA) and the Concession Agreement Mark II in place between it and DCCAE.
INDEPENDENT AUDITORS’ REPORT
TO THE MEMBERS OF NATIONAL DIGITAL RESEARCH CENTRE

Report on the audit of the financial statements

OPINION
In our opinion, National Digital Research Centre’s financial statements:

• give a true and fair view of the company’s assets, liabilities and financial position as at 31 December 2017 and of its loss and cash flows for the year then ended;

• have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and promulgated by the Institute of Chartered Accountants in Ireland and Irish law); and

• have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

• the Statement of Financial Position as at 31 December 2017;

• the Statement of Comprehensive Income for the year then ended;

• the Statement of Cash Flows for the year then ended;

• the Statement of Changes in Equity for the year then ended; and

• the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (Ireland) (“ISAs (Ireland)”) and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASB’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN
We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

• the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s ability to continue as a going concern.

Sean Baker
Chairperson
21 June 2018

STATEMENT OF INTERNAL CONTROLS – CONTINUED

Approval by the Board

This Statement on the System of Internal Controls was reviewed by the Audit and Risk Committee and the Board to ensure that it accurately reflects the control system in operation during the reporting period, 1 January to 31 December 2017.

I confirm that the Board is reasonably assured that the systems of internal control instiuted and implemented in 2017 for the financial year ended 31 December 2017 are effective.

Sean Baker
Chairperson
21 June 2018
REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors’ Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

DIRECTORS’ REPORT

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

• In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors’ Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

• Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors’ Report.

CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES (THE “CODE”)

Under the Code of Practice for the Governance of State Bodies (the “Code”), we are required to report to you if the statement regarding the system of internal control included in the Annual Report on pages 26 - 28 does not reflect the company’s compliance with paragraph 1.9(b) of the Code or if it is not consistent with the information of which we are aware from our audit work on the financial statements. We have nothing to report in respect of this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

DIRECTORS’ RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors’ Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors’ report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the company’s members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2014 opinions on other matters

• We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

• In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.

• The financial statements are in agreement with the accounting records.

COMPANIES ACT 2014 EXCEPTION REPORTING

DIRECTORS’ REMUNERATION AND TRANSACTIONS

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors’ remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Claire Doyle
For and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
26 June 2018
# STATEMENT OF COMPREHENSIVE INCOME

**FINANCIAL YEAR ENDED 31 DECEMBER 2017**

<table>
<thead>
<tr>
<th></th>
<th>TOTAL 2017</th>
<th>TOTAL 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NOTES</strong></td>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td>Government subvention</td>
<td>4 4,184,136</td>
<td>3,698,060</td>
</tr>
<tr>
<td>Other income</td>
<td>5 516,045</td>
<td>381,176</td>
</tr>
<tr>
<td>Realisations on investments</td>
<td>6 19,924</td>
<td>459,684</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>4,720,105</td>
<td>4,538,920</td>
</tr>
<tr>
<td>Research investment and fund management</td>
<td>(3,704,720)</td>
<td>(1,209,623)</td>
</tr>
<tr>
<td>General overheads and fund administration</td>
<td>(1,002,721)</td>
<td>(853,227)</td>
</tr>
<tr>
<td>Fair value movements on investments</td>
<td>(276,522)</td>
<td>(16,386)</td>
</tr>
<tr>
<td><strong>(Deficit)/surplus on ordinary activities before tax</strong></td>
<td>(263,858)</td>
<td>459,684</td>
</tr>
<tr>
<td><strong>Tax on (deficit)/surplus on ordinary activities</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>(Deficit)/surplus for the financial year</strong></td>
<td>(263,858)</td>
<td>459,684</td>
</tr>
<tr>
<td>Other comprehensive income for the financial year net of tax</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total comprehensive (expense)/income for the financial year</strong></td>
<td>(263,858)</td>
<td>459,684</td>
</tr>
<tr>
<td>Addition to Board approved designated reserves</td>
<td>19,924</td>
<td>459,684</td>
</tr>
<tr>
<td>Use of Board approved designated reserves</td>
<td>(283,782)</td>
<td>-</td>
</tr>
<tr>
<td><strong>(263,858)</strong></td>
<td>459,684</td>
<td></td>
</tr>
</tbody>
</table>

The notes on pages 36 to 45 form part of these financial statements.

---

# STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2017**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NOTES</strong></td>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>12</td>
<td>34,994</td>
</tr>
<tr>
<td>Financial assets</td>
<td>13</td>
<td>967,719</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,002,713</td>
<td>1,119,161</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors (amounts falling due within one year)</td>
<td>14</td>
<td>186,290</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>15</td>
<td>1,942,053</td>
</tr>
<tr>
<td><strong>Creditors (amounts falling due within one year)</strong></td>
<td>16</td>
<td>(1,404,865)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td>723,478</td>
<td>870,888</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>1,726,191</td>
<td>1,990,049</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>1,726,191</td>
<td>1,990,049</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated reserves</td>
<td>18</td>
<td>995,296</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>18</td>
<td>730,895</td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td>1,726,191</td>
<td>1,990,049</td>
</tr>
</tbody>
</table>

On behalf of the board

Stjohn O'Connor          Sean Baker
21 June 2018            21 June 2018

The notes on pages 36 to 45 form part of these financial statements.
STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED 31 DECEMBER 2017

Cash flows from operating activities
(Deficit)/surplus for the financial year
Adjustments for:
- Depreciation of tangible assets
- (Increase)/decrease in debtors
- Decrease in creditors
- Fair value movement on investments
Net cash used in operating activities

Cash flows from investing activities
Purchase of tangible fixed assets
Purchase of financial assets
Net cash used in investing activities

Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of financial year
Cash and cash equivalents at the end of financial year

Cash and cash equivalents at the end of financial year comprise:
Cash at bank and in hand

The notes on pages 36 to 45 form part of these financial statements.
NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION
National Digital Research Centre is a company limited by guarantee and incorporated in Ireland. The registered office is at Digital Exchange, Crane Street, The Digital Hub, Dublin 8, D08 HKX9. The company was founded in 2006 and began operational establishment in 2007, for the charitable purpose of education, including promotion of innovation, research, development and education in the arts and sciences.

2 ACCOUNTING POLICIES
2.1 Basis of preparation of financial statements
The entity financial statements have been prepared on a going concern basis and in accordance with Irish GAAP (Accounting standards issued by the Financial Reporting Council of the UK and promulgated by the Institute of Chartered Accountants in Ireland and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2014. These policies have been consistently applied to all financial years presented, unless otherwise stated.

The preparation of entity financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company’s accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Income
Income from the Department of Communication, Energy and Natural Resources is recognised when related costs are incurred.
Grant income from EU sources is recognised when related costs are incurred.

Other sources of income are accounted for in the period to which they relate.

2.3 Employee benefits
Short term employee benefits
Short-term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial year in which employees render the related service. The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a present legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

2.4 Tangible fixed assets
Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the original purchase price and expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

- Industrial equipment: 4 years straight line
- Fixtures and fittings: 5 years straight line
- Computer equipment: 3 years straight line

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected.

2.5 Project related fixed assets
Capital equipment purchased by research partners and funded by NDRC, most of which is computer equipment, is written off to the Income and Expenditure account at time of purchase.

2.6 Investment in research activities
The company invests in the early stages of research driven technology development and commercialisation through partnerships, new ventures, and continuous assessment projects. Investment in these projects is expensed to the income and expenditure account as the directors believe that given the stage of development of these entities and the underlying business opportunities, there is not an appropriate level of certainty as to the recoverability of the investment.

2.7 Debtors
Short-term debtors are measured at transaction price. Less any impairment. Loans receivable are measured initially at fair value, including transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company’s cash management.

2.9 Financial instruments
The company has chosen to apply the provisions of Section 11 and 12 of FRS 102 to account for all of its financial instruments.

The company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from and to related parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently assessed at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

However, if the arrangements of a short term instrument constitute a financial transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

As part of the investment portfolio of the company, follow on investment by the company in the shares of companies that are commercialising intellectual property generated by the company’s research investment activities is recognised on the statement of financial position at cost, less allowance for impairment losses unless the fair value of investments can be measured reliably.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset’s carrying amount and the present value of estimated cash flows discounted at the asset’s original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset’s carrying amount and the best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in financial costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.
3 JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical management judgement in applying accounting policies

Significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements is as follows:

(i) Recognition of provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies.

(ii) Subsequent measurement of financial assets

Judgment is exercised by management in determining that follow on investment in the shares of companies that are commercialising intellectual property generated by the company’s research investment activities, which are not publicly traded, are subsequently measured at cost less impairment as fair values cannot be measured reliably.

3.2 Key sources of estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

(i) Estimating useful lives of tangible fixed assets

The company estimates the useful lives of tangible fixed assets based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of tangible fixed assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(ii) Impairment of investments and fair value movements on investments

Allowance is made for valuations of investments where objective evidence of impairment exists. The company evaluates the amount of allowance for impairment based on available facts and circumstances surrounding the fair value of investments and also relies on the share price recorded at the reporting date and subsequent funding rounds for investments that are not publicly traded and whose fair value cannot be reliably measured.
11 TAXATION

The service is exempt from company taxation on the basis that it is an eligible tax exempt charity for the purposes of Section 45 of the Finance Act, 2001.

12 TANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Industrial equipment</th>
<th>Fixtures and fittings</th>
<th>Computer equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2017</td>
<td>69,830</td>
<td>72,298</td>
<td>233,846</td>
<td>375,974</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>14,168</td>
<td>16,277</td>
<td>30,445</td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>69,830</td>
<td>86,466</td>
<td>250,123</td>
<td>406,419</td>
</tr>
</tbody>
</table>

Accumulated depreciation

| At 1 January 2017 | 69,830 | 66,200 | 255,724 | 361,774 |
| Charge for the period on owned assets | - | 1,966 | 7,705 | 9,671 |

At 31 December 2017

| 69,830 | 68,166 | 233,429 | 371,425 |

Net book value

| At 31 December 2017 | - | 18,300 | 16,694 | 34,994 |
| At 31 December 2016 | - | 6,098 | 8,122 | 14,220 |

9 KEY MANAGEMENT COMPENSATION

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and other short-term benefits</td>
<td>849,361</td>
<td>781,031</td>
</tr>
<tr>
<td>Total key management compensation</td>
<td>849,361</td>
<td>781,031</td>
</tr>
</tbody>
</table>

10 DIRECTORS’ REMUNERATION

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ remunements</td>
<td>164,197</td>
<td>163,976</td>
</tr>
<tr>
<td>Company contributions to defined contribution pension schemes</td>
<td>24,008</td>
<td>24,058</td>
</tr>
<tr>
<td>Total</td>
<td>188,205</td>
<td>187,984</td>
</tr>
</tbody>
</table>
13 FINANCIAL ASSETS

Listed investments Unlisted investments

Fair value Cost Fair value Cost
€ € € €

Cost or valuation

At 1 January 2017 90,818 1,014,123 1,014,941
Additions - 139,300 139,300
Disposals - - -
Fair value movement 31,090 (307,612) (276,522)

At 31 December 2017 121,908 845,811 967,719

Net book value

At 31 December 2017 121,908 845,811 967,719

At 31 December 2016 90,818 1,014,123 1,014,941

During the year as part of research commercialisation, the company made a number of follow on investments in spinouts created for the commercial exploitation of intellectual property developed.

The following categories of investment were made during the year:

<table>
<thead>
<tr>
<th>Year</th>
<th>Healthcare</th>
<th>Enterprise software</th>
<th>Fintech</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>100,000</td>
<td>39,100</td>
<td>-</td>
<td>139,100</td>
</tr>
<tr>
<td>2016</td>
<td>150,000</td>
<td>129,135</td>
<td>100,000</td>
<td>379,335</td>
</tr>
</tbody>
</table>

14 DEBTORS

- amounts falling due within one year

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade debtors</th>
<th>Prepayments and accrued income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>135,636</td>
<td>50,654</td>
</tr>
<tr>
<td>2016</td>
<td>135,636</td>
<td>50,654</td>
</tr>
</tbody>
</table>

Trade debtors and accrued income

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>186,290</td>
</tr>
<tr>
<td>2016</td>
<td>186,290</td>
</tr>
</tbody>
</table>

15 CASH AT BANK AND IN HAND

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash at bank and in hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,942,053</td>
</tr>
<tr>
<td>2016</td>
<td>1,942,053</td>
</tr>
</tbody>
</table>

16 CREDITORS

(amounts falling due within one year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade creditors</th>
<th>Taxation and social insurance</th>
<th>Pension and VHI</th>
<th>Accruals</th>
<th>Deferred income/government subvention (note 21)</th>
<th>Deferred services income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>50,891</td>
<td>124,459</td>
<td>14,068</td>
<td>840,939</td>
<td>293,366</td>
<td>81,142</td>
</tr>
<tr>
<td>2016</td>
<td>192,850</td>
<td>40,285</td>
<td>10,636</td>
<td>833,286</td>
<td>544,502</td>
<td>-</td>
</tr>
</tbody>
</table>

Trade and other creditors are payable at various dates in the next three months in accordance with the suppliers’ usual and customary credit terms.

Tax and social insurance are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Other taxation and social insurance:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income tax deducted under PAYE</th>
<th>Pay related social insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>46,351</td>
<td>21,176</td>
</tr>
<tr>
<td>2016</td>
<td>26,999</td>
<td>13,286</td>
</tr>
</tbody>
</table>

17 FINANCIAL INSTRUMENTS

Financial assets measured at fair value through profit or loss

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial assets - listed investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>121,908</td>
</tr>
<tr>
<td>2016</td>
<td>90,818</td>
</tr>
</tbody>
</table>

Financial assets that are debt instruments measured at amortised cost

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade debtors</th>
<th>Bank and cash balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>135,636</td>
<td>1,942,053</td>
</tr>
<tr>
<td>2016</td>
<td>1,276</td>
<td>2,484,469</td>
</tr>
</tbody>
</table>

Financial assets that are equity instruments measured at cost less impairment

<table>
<thead>
<tr>
<th>Year</th>
<th>Financial assets - unlisted investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>845,811</td>
</tr>
<tr>
<td>2016</td>
<td>845,811</td>
</tr>
</tbody>
</table>

Financial assets measured at fair value through profit or loss

<table>
<thead>
<tr>
<th>Year</th>
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Financial assets that are debt instruments measured at amortised cost

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Financial assets that are equity instruments measured at cost less impairment

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<td>2016</td>
<td>845,811</td>
</tr>
</tbody>
</table>
Fixed financial assets comprise unlisted investments measured at cost less impairment and listed investments measured at fair value determined by a quoted market price in an active market.

18 Capital and reserves

(a) Designated reserves
Designated reserves are held to enable NDRC to deploy funds to seed investments that may fall outside of the current programmes operated and to ensure that the organisation has the flexibility and financial security to do so; to fund working capital where it might be necessary during the course of an accounting period; to enable NDRC to apply the funds in the pursuit of strategic goals and expansion activities and to cover any potential requirement for cost coverage or unforeseen events/liabilities.

(b) Profit and loss account
The profit and loss account includes all retained surplus for current and prior periods.

19 Company status
The company is limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding €5 towards the assets of the company in the event of liquidation.

20 Pension commitments
The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to €51,619 (2016: €44,734). Contributions payable to the fund at the year end have been included in accruals and amount to €9,949 (2016: €7,701).

21 Other financial commitments
The company has entered into a renewed management operation and maintenance agreement (Concession Agreement MKII) with the Department of Communications, Climate Action and Environment in August 2013 which provides for additional funding of €17.5m over a multi-year period from 1 July 13, bringing the cumulative total to €42.5m under these agreements. The renewed agreement, approved in August 2013, is governed by a contractual commitment of €17.5m funding with the expectation that the funding be fully drawn down within five years from 1 July 2013. At 31 December 2017, cumulative funding of €24.4 million had been received under the original agreement (2016: €24.4 million) and €15.6m (2016: €11.8m) under the renewal agreement. The funds are used in order to achieve the purpose of the fund as outlined in the Concession Agreement.

The purpose of this grant is service provision. In line with the Concession Agreement, the mission of the fund is to create high impact ventures out of opportunities in the research base. The national benefit targeted is high value jobs, and the advancement of Ireland’s capability in digital entrepreneurship and science and technology commercialisation.

22 Related party transactions
Dr Sean Baker, a director of the company, provided services to the company outside of his role as a director. During the year, he provided services amounting to €3,550 (2016: €18,955), of which €3,350 (2016: €18,955) was outstanding at 31 December 2017.

Philip Sharpe, a director of the company, provided services to the company outside of his role as a director. During the year, he provided services amounting to €5,300 (2016: €10,660), of which €5,300 (2016: €10,660) was outstanding at 31 December 2017.

23 Post balance sheet events
NDRC regularly monitors investments in financial assets for indicators of impairment. Events may arise after the end of the reporting period which indicate an impairment of certain investments after the end of the reporting period, however the extent of the financial effect of such events is generally only determinable at the end of the next reporting period.

24 Approval of financial statements
The board of directors approved these financial statements for issue on ____________________.