Jisc Services Limited

Annual Report and Financial Statements

Year Ended: 31 July 2017

Company registration number: 02881024

Contents

Strategic Report

The directors present their strategic report for the year ended 31 July 2017.

Our vision

Our vision is for the UK to be the most digitally advanced higher and further education and research nation in the world

Delivering our vision

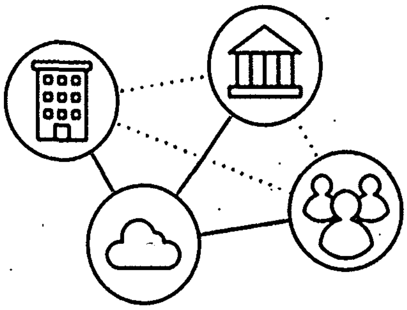
Jisc Services Limited (the "Company") is a subsidiary of Jisc (the charity). Our vision and key activities to deliver it are supported by Jisc and its two subsidiary companies (Jisc Services Limited and Jisc Commercial Limited – hereafter the "Jisc group") working together. Further information on the Jisc group structure can be found in the Jisc Trustees' Report and Financial Statements 2016-17. This activity is managed across the group structure and not segmented according to company. Reporting on this activity is therefore included in the parent company report (see Jisc Trustees' Report and Financial Statements 2016-17).

What the Jisc group does

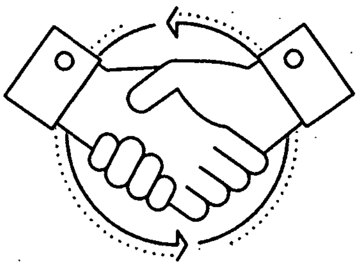
(a) **We provide and advise on digital technologies and content for UK education and research.**
(b) **We assist the educational providers in the sectors we serve to deliver against their own strategic priorities to be efficient, effective and world-leading education and research institutions.**
(c) **We help our sectors to remain competitive in a global marketplace by enabling access to innovative services and technologies. Many of these are unique to the UK. We alone can deliver them as a central source of infrastructure and innovation.**
(d) **We fulfil the demand for innovation in teaching, learning and research by working with our sectors to identify their needs and building solutions for the benefit of the whole sector.**

Further information on our innovation process can be found in the Research and Development segment of the Jisc Trustees' Report and Financial Statements 2016-17.

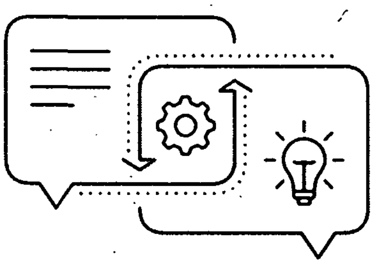
Our work can be described under three headings, all of which support the needs and priorities of the sectors we serve and drive their digital transformation:



Shared services – we operate shared digital infrastructure and services



Sector deals – we negotiate sector-wide deals with IT vendors and commercial publishers



Trusted advice and practical assistance - for universities, colleges and learning providers

Achievements and Performance

Through 2016-17 we have continued to deliver against our three main areas of activity highlighted above, we have focussed on eight further strategic priority areas in line with our strategy for 2016-19, all of which are described in the Jisc Trustees' Report and Financial Statements 2016-17.

Key performance indicators (KPIs)

Given the nature of the company and the way in which it is managed, analysis using standard financial KPIs was not considered appropriate for an understanding of the development, performance or position of the company. A variety of indicators are measured, including relevant financial and operational indicators such as % variance forecast outturn against budget, in order to ensure operational efficiency as well as to ensure that appropriate service levels are being met.

A range of key performance indicators associated with our strategic priority areas were also identified for the Jisc group in 2016-17. These are reported on in the Priority activities and progress against key performance indicators 2016-17 section in the Jisc Trustees' Report and Financial Statements 2016-17.

Key performance indicators for 2017-18 have been identified for the Jisc group – these are included in the Jisc Trustees' Report and Financial Statements 2016-17.

Financial Performance and Strategy

Total income for the year was £102.7m (2016: £102.7m). The major constituent elements of this income are presented in Note 5 accompanying these Financial Statements.

Total expenditure in the year was £102.7m (2016: £102.4m). Interest received was £47k (2016: £49k), and gifts made to Jisc of £nil (2016: £1.7m). The breakdown of the direct expenditure is presented in Note 6 of these Financial Statements.

Net assets at 31 July 2017 were £6.7m (2016: £6.7m). Cash at 31 July 2017 was £8.1m (2016: £14.8m). The cash outflow in the year of £6.7m (2016: £17.7m) is principally the result of the reduction in creditors at 31 July 2017 along with an increase in debtors as compared with the previous year.

Principal Risks and Uncertainties

The principal risks and uncertainties of Jisc Services Limited are integrated with the risks identified in the Jisc Trustees' Report and Financial Statements 2016-17 and can be found under the Principal Risks and Uncertainties section of the Strategic Report in that document.

Approved and authorised for issue by the Jisc Services Limited Board and signed on its behalf by:

Dr Paul Feldman, Jisc Services Limited Chair

11 April 2018

Directors' Report

The directors are pleased to present their report and audited financial statements for the year ended 31 July 2017.

Jisc and Jisc Services Limited share a mutuality of interest to support Jisc's charitable objectives, subject to implementation of UK GAAP and the applicable Charities SORP.

Jisc Services Limited aligns the formal legal structure of the Jisc group with the Jisc organisational model. More importantly it optimises the legal structure so that Jisc's work for its sectors sits in the charity, and two other legal vehicles with suitable separation from the charity to facilitate the operation of the VAT-exempt Cost Sharing Group, ensure the group is managing tax appropriately, and to carry out commercial income generation activity. This structure places Jisc in the best position to deal with the challenges and exploit the opportunities of the future.

What Jisc Services Limited does

As a wholly owned subsidiary of Jisc and in the context of supporting Jisc's charitable objectives, Jisc Services Limited contributes to the purpose of Jisc. The activities that are delivered by Jisc Services Limited on behalf of Jisc primarily fall into two categories: some aspects of the Jisc network and technology services; and the licensing, subscriptions, publishing services and legacy Jisc Collections services. These services are delivered through Jisc Services Limited to ensure the Jisc group supports the VAT-exempt cost sharing group and manages tax appropriately.

This is not an exhaustive list of the activities of Jisc Services Limited and further activities may be added to the portfolio of services at the request of Jisc as necessary to ensure that the group continues to operate effectively, for example, revenue generating services such as Learning Analytics and Analytics Labs services. Jisc may from time to time contract with third parties and will require Jisc Services Limited to perform certain services as its sub-contractor in order to fulfil those contracts. Further information is available in the Plans for Future Periods section of this report on page 13.

Legal and administrative information

Directors

The directors of the company are a subset of the permanent members of the Jisc Executive Group and hold their position as directors of Jisc Services Limited by virtue of their positions as members of the Jisc Executive Group.

The directors of the company who were in office during the year and up to the date of signing the financial statements (except where indicated) were:

Ms Alice Colban, Jisc Chief Operating Officer and Deputy Chief Executive

Dr Paul Feldman, Jisc Chief Executive (Chair)

Mr Robert Haymon-Collins, Jisc Executive director, Marketing and Communications

Mr Timothy Kidd, Jisc Executive director, Jisc Technologies

Dr Phil Richards, Jisc Chief Innovation Officer

Mr Mark Wright, Jisc Chief Financial Officer

Company Secretary: Ms Alice Colban

Jisc Executive Group

The following members of the Jisc Executive Group are responsible for managing the day to day activities of the company:

Dr Paul Feldman, Chief Executive

Ms Alice Colban, Chief Operating Officer and Deputy Chief Executive (Company Secretary)

Mr Mark Wright, Chief Financial Officer

Mr Keith Cole, Interim Executive director, Digital Resources

Mr Robert Haymon-Collins, Executive director, Marketing and Communications

Mr Timothy Marshall, Executive director, Sales and Customer Relationships (until 31 July 2017)

Mr Jon Tucker, Executive director, Member engagement and sales (from 3 July 2017)

Mr Timothy Kidd, Executive director, Jisc Technologies

Mr Bob Day, Executive director, Janet, Chief Technology Officer, Jisc Technologies

Dr Phil Richards, Chief Innovation Officer

Registered and head office address

One Castlepark
Tower Hill
Bristol
BS2 0JA

Company registration number: 02881024

Independent Auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Bankers

HSBC Bank plc
Apex Plaza
Reading
RG1 1AX

Lloyds Bank Plc
39 Threadneedle Street
The City
London
EC2R 8AU

Barclays Wealth
1 Churchill Place
London
E14 5HP

Solicitors

DAC Beachcroft
100 Fetter Lane
London
EC4A 1BN

Clayden Law
Prama House
267 Banbury Road
Summertown
Oxford
OX2 7HT

Legal status of Jisc Services Limited

Jisc Services Limited (company number 02881024) is a wholly owned subsidiary of Jisc, a charitable company limited by guarantee (company number 05747339).

The Jisc Board has overall strategic oversight of the Jisc group, which comprises Jisc as the holding company and two wholly-owned trading subsidiary companies – Jisc Services Limited and Jisc Commercial Limited. All three companies in the group operate under defined Articles of Association. The Jisc Articles are available from the Jisc website at **http://www.jisc.ac.uk/about/corporate/company-and-charity-details**.

As charity trustees, the directors of Jisc have a duty to exercise oversight of Jisc Services Limited in order to safeguard, promote and achieve the charitable objectives of Jisc. In discharge of that duty, a Management and Supervision Agreement sets out how Jisc Services Limited will carry on its business. This Agreement exists to guide the working practices between Jisc and Jisc Services Limited and in no way compromises the fiduciary duties of the directors of Jisc Services Limited under the Companies Act 2006.

The liability of Jisc as a member of Jisc Services Limited is limited to a maximum of £1. This liability will apply for the duration of membership of the company and for one year beyond the end of membership.

As the sole member of Jisc Services Limited, Jisc has the following rights according to provisions in the Companies Act 2006:

- To receive a copy of the annual report and financial statements
- To agree changes to the Articles of Association and company name
- To be sent a proposed written resolution
- To require circulation of a written resolution
- To require directors to call a general meeting
- To receive notice of a general meeting
- To require circulation of a statement
- To appoint a proxy to act at a meeting

Further information on the types of decision that can be made by Jisc with regard to Jisc Services Limited is included in the Jisc Services Limited Articles of Association.

Funding and income

Jisc Services Limited received the majority of its income from Jisc in the reporting year. Jisc, in turn, received funding from the UK higher and further education funding bodies and a small proportion of income from institutional subscriptions from higher education institutions. Further information on the business model is included in the Jisc Trustees' Report and Financial Statements 2016-17.

In order to carry on the business retained by Jisc Services Limited and other future activities, Jisc Services Limited requires access to certain services, resources and facilities. A Memorandum of Understanding is in place to describe the services that Jisc will provide to Jisc Services Limited in this regard, the services that Jisc Services Limited undertakes to deliver to Jisc's customers on behalf of Jisc and the funding associated with delivery of retained services.

Company objects

The Jisc Services Limited objects, as stated in the company Articles of Association, are as follows:

Working at all times within the overall strategy, priorities and allocation of responsibilities across the Jisc Group set by the Board of trustees of Jisc from time to time, the Company's objects are:

(i) to provide and maintain technology expertise; world-class, cost effective and value-adding shared networks; and other ICT infrastructure, applications, systems and services;
(ii) to procure and provide simple and fast access to a wealth of high-quality digital information resources and discovery environments;
(iii) to provide guidance, tools and practical assistance in relation to the exploitation of digital content and new technologies and information management practices;
(iv) to provide foresight, evaluation, experimentation, co-development and prototyping in order to identify potential opportunities;
(v) to use its operational discretion to deliver the strategy and priorities set by the Board of directors of Jisc in a manner that delivers economy, efficiency and effectiveness for the Company's members and its customers, users and wider stakeholders, taking account of the allocation of responsibilities across the Jisc Group set by the Board of directors of Jisc;
(vi) to engage with the Company's customers, users and wider stakeholders, responding appropriately to their needs and in accordance with the strategy, priorities and allocation of responsibilities across the Jisc Group set by the Board of directors of Jisc;
(vii) to promote the interests of Jisc in any manner whatsoever, either with or without consideration and whether or not any benefit flows to the Company other than the promotion of such interests, to the intent that the promotion of the interests of Jisc shall be an object and not a power of the Company;
(viii) to make donations and/or provide other forms of support, to Jisc, irrespective of whether the provision of such support advances the interests of the Company.

Corporate structure, governance and management

Role of directors

In discharging their responsibilities, directors must act solely in the interests of the company. Directors are subject to the directors duties described in sections 171-178 and section 184 of the Companies Act 2006.

Responsibilities of directors

The directors have ultimate responsibility for directing the affairs of the company. To ensure that directors are able to appropriately discharge their duties, they are expected to make every effort to attend Board meetings and to participate fully in discussions.

Appointment of chair and directors

The Jisc Services Limited chair is the Chief Executive of Jisc. The role of chair is held by virtue of the position of Jisc Chief Executive. The directors of the company are a subset of the permanent members of the Jisc Executive Group and hold their position as directors of Jisc Services Limited by virtue of their positions as members of the Jisc Executive Group.

Remuneration of directors

No remuneration is paid to any Jisc Services Limited director for holding this position. The directors are remunerated for the roles they hold within the Jisc Executive Group. In line with Jisc's staff travel and subsistence policy, actual costs are refunded to directors on submission of a claim with supporting receipts.

Director indemnity insurance

Director indemnity insurance provides insurance cover for directors against claims which may arise from their legitimate actions as directors. Insurance is in place for all directors through the course of their appointment with Jisc Services Limited.

Key Board committees

The Jisc group has three standing committees that have responsibility for all three companies in the group. Reports from the committees are regularly received by the company Boards and the Boards each remains responsible for the activity delegated to these committees. These are:

- Audit and Risk Management committee
- Nominations and Governance Committee
- Remuneration committee

The details of membership, terms of reference and key activities in the reporting year are included in the Jisc Trustees' Report and Financial Statements 2016-17.

Jisc Services Limited Board and internal control

The Jisc Board is ultimately responsible for the charitable company's system of internal control and for reviewing its effectiveness. Such a system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance of effectiveness.

The Jisc Services Limited Board normally meets three times a year for formal meetings. By virtue of their positions as the Jisc Executive Group, and acting in that capacity, Jisc Services Limited directors also participate in an annual strategy-focussed away day with the Jisc Board. As described in the Key Board Committees section, the Jisc group has an Audit and Risk Management committee, Nominations and Governance committee and a Remuneration committee. There are agreed terms of reference for these committees which include the authority delegated to the committee by the company Boards. While authority is delegated, responsibility continues to reside with the Board of each company. The Jisc Services Limited Articles of Association clearly identify areas of responsibility which cannot be delegated.

Day to day running of Jisc Services Limited is delegated to the Jisc Executive Group as described in the Legal and administration section of this report.

Risk Management Framework

The following key principles outline the approach to risk management in place for Jisc and Jisc Services Limited:

- The Jisc Board has responsibility for overseeing risk management within Jisc as a whole.
- The Jisc Board encourages well-managed risk taking where it has good potential to realise sustainable improvements in service delivery and value for money.
- The Jisc Board encourages Jisc to use the risk assessment as a means of assessing the opportunities, as well as threats, for operations.
- An open and receptive approach to solving risk problems is adopted by the Board.
- The Jisc Executive Group supports, advises and implements decisions agreed by the Board.
- Decision making and planning should be supported by risk assessment and management at a Jisc-wide, Jisc directorate, service or project level.

Full information on the approach to risk management, internal controls and key risks can be found in the Jisc Trustees' Report and Financial Statements 2016-17.

Appointment of Independent Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

Financial risk management

Jisc Services Limited received the majority of its funding from annual funding agreements with Jisc. Jisc, in turn, received funding from the UK higher and further education funding bodies. Jisc and Jisc Services Limited have agreements in place with the United Kingdom higher and further education and research funding bodies which incorporate the activities of Jisc Services Limited and which defines, inter alia, Jisc Services Limited's accountability for public funds.

Jisc Services Limited is a not-for-profit business. The forecast out-turn for the financial year is reviewed at every Board meeting.

Jisc Services Limited does not use any financial instruments to manage financial risk.

Price risk

Jisc Services Limited has no exposure to equity securities price risk, as it holds no listed or other equity investments.

Credit risk

Jisc Services Limited's business is primarily with state-funded research and educational bodies and, as such, the company has minimal credit risk.

Liquidity risk

The historical funding regime for Jisc Services Limited resulted in minimal exposure to liquidity risk. The company managed the stability of its cash flows by submitting a payment profile to Jisc, and drawing down cash on a monthly basis. Commitments were not made to third parties prior to the company securing the necessary funding agreement. Jisc Services Limited is exposed to the risk of future funding constraints as a result of Government spending cuts. Jisc continues to ensure that, as a top priority, Jisc Services Limited continues to receive appropriate levels of financial support. See the basis of accounting set out in note 3 to the Financial Statements.

Interest rate cash flow risk

Jisc may from time to time place funds on interest-bearing deposit on behalf of the Jisc group. These are short-term deposits and Jisc Services Limited is not exposed to risk from fluctuations in interest rates.

Financial policies

The Jisc group maintains a treasury management policy and a reserves policy which apply to Jisc Services Limited. These policies are described further in the Jisc Trustees' Report and Financial Statements 2016-17.

Going Concern

The directors have received confirmation that the company will receive funding for the year ending 31 July 2018 from Jisc, which will enable the company to deliver its part of the Jisc strategy and meet its existing and anticipated liabilities as they fall due. The directors expect that the company will continue to receive funding from Jisc in future periods. Accordingly, these financial statement shave been prepared on a going concern basis and in accordance with the historical cost convention.

Results and dividends

The statement of comprehensive income is set out on page 18. The surplus for the year after tax is £61k (2016: £339k). The directors consider the results for the year and the year-end financial position, to be satisfactory. In particular, maintaining a prudent level of reserves in Jisc is essential as changes to the funding strategies for the research and education sector continue to develop.

Jisc Services Limited is prohibited from paying dividends under the terms of its Articles of Association.

Use of payments received from the Higher Education Funding Council for England

The directors confirm that payments received from, or on the instructions of, the Higher Education Funding Council for England have been applied for the purposes for which they were provided.

Internal organisation and policies

Directorate structure and staff numbers

Following the changes to the internal organisation of the Jisc group in terms of delivery of services to its customers, Jisc Services Limited employs 7 staff members (2016: 8). These staff are included within the staff figures described in the Jisc Trustees' Report and Financial Statements 2016-17 and are subject to the same policies and procedures as described in the Internal organisation and policies section of the Jisc Trustees' Report and Financial Statements 2016-17.

Plans for Future Periods

Jisc will continue to develop to ensure that Jisc remains a trusted partner, a source of expertise and advice, and continues to provide a world class range of high quality services for customers. Jisc Services Limited plays a key role in providing these services.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102. The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable 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 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statement;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement of disclosure of information to auditors

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each directors has taken all the steps that he/she ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved and authorised for issue by the Jisc Services Limited Board and signed on its behalf by:

Dr Paul Feldman, Jisc Services Limited Chair

11 April 2018

Independent auditors' report to the members of Jisc Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Jisc Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of comprehensive income for the year ended 31 July 2017; Balance Sheet as at 31 July 2017; Statement of changes in equity for the year ended 31 July 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) 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 the UK, which includes the FRC'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 (UK) require us to report to you when:

- 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.

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 Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Directors' Report

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 13 , 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 (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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 Chapter 3 of Part 16 of the Companies Act 2006 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 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Paul Wherity

Paul Wherity (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
24 April 2018

Statement of comprehensive income for the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Turnover	5	**102,739**	102,695
Cost of sales	6	**(93,844)**	(93,888)
Gross profit		**8,895**	8,807
Administrative expenses		**(8,881)**	(8,517)
Profit on ordinary activities before interest and taxation		**14**	290
Interest receivable and similar income	7	**47**	49
Profit on ordinary activities before taxation	8	**61**	339
Profit for the financial year		**61**	339
Total comprehensive income for the year		**61**	339

Balance Sheet as at 31 July 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	12	6,421	8,566
Tangible assets	13	20,329	17,640
		26,750	26,206
Current assets			
Debtors	14	27,596	24,052
Cash at bank and in hand		8,104	14,840
		35,700	38,892
Creditors: amounts falling due within one year	15	**(40,577)**	(43,533)
Net current liabilities		**(4,877)**	(4,641)
Total assets less current liabilities		**21,873**	21,565
Creditors: amounts falling due after more than one year	16	**(15,138)**	(14,891)
Net assets		**6,735**	6,674
Capital and reserves			
Retained earnings		**6,735**	6,674
Total equity		**6,735**	6,674

The accompanying notes are an integral part of these financial statements.

The financial statements on pages 18 to 33 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Mark Wright

Finance Director
Jisc Services Limited
11 April 2018
Registered Number: 02881024

Statement of changes in equity for the year ended 31 July 2017

	Retained Earnings	Total equity
	£'000	£'000
Balance at 01 August 2015	**8,070**	**8,070**
Profit for the financial year	339	339
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**339**	**339**
Gift aid payment to Jisc	(1,735)	(1,735)
Total transactions with owners, recognised directly in equity	**(1,735)**	**(1,735)**
Balance at 31 July 2016	**6,674**	**6,674**
Balance at 1 August 2016	**6,674**	**6,674**
Profit for the financial year	61	61
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**61**	**61**
Gift aid payment to Jisc	-	-
Total transactions with owners, recognised directly in equity	-	-
Balance at 31 July 2017	**6,735**	**6,735**

Notes to the financial statements for the year ended 31 July 2017

1. General Information

Jisc Services Limited (the 'company') is a wholly owned subsidiary of Jisc, a charitable company limited by guarantee. The activities that are delivered by Jisc Services Limited on behalf of Jisc primarily fall into two categories: some aspects of the Jisc network and technology services; and the licensing, subscriptions, publishing services and legacy Jisc Collections service.

The company is a private company limited by guarantee without share capital and is incorporated and domiciled in England. The address of its registered office is One Castlepark, Tower Hill, Bristol, BS2 0JA.

2. Statement of compliance

The individual financial statements of Jisc Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going Concern

The Directors have received confirmation that the Company will receive grant funding for the year ended 31 July 2018 from Jisc, which will enable the company to operate within its business plan and meet its existing and anticipated liabilities as they fall due. The Directors expect that the company will continue to receive funding from Jisc in future periods but the level of this funding remains uncertain. Budgets and cashflows have therefore been prepared for future periods based on a range of funding scenarios, which set out the actions planned to address such changes in funding..

(c) Income

Income is accounted for in accordance with the purpose of the grant. Grants for running costs are credited to the statement of comprehensive income in the period in which they are applied. Grants for the purchase of assets are credited to the deferred grant account and are released to the statement of comprehensive income over the estimated useful life of the related assets. Deferred income is recognised to the extent that grant income received in the financial year exceeds expenditure. Accrued income is recognised where expenditure on projects exceeds grant income received due to timing differences.

Income for services is recognised rateably over the period when the relevant service is provided, or in line with the work being performed, whichever is most appropriate. Subscription income is recognised in the accounting period to which the services covered by those subscriptions relate, and is stated net of VAT where applicable.

(d) Intangible assets

Intangible assets are stated at historic cost less accumulated amortisation, together with any incidental cost of acquisition.

Intangible assets are assessed for indications of impairment on an annual basis.

Amortisation is calculated as to write off the cost of intangible assets, less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned. The annual rates used for this purpose are:

Electronic content	10%

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

(e) Tangible assets

Tangible assets are stated at historic purchase cost less accumulated depreciation, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The annual rates used for this purpose are:

Plant and machinery	20%
Network equipment	33%
Website	25%

(f) Research and development expenditure

Research and development expenditure is written off in the statement of comprehensive income in the year in which it is incurred.

(g) Gift aid payments

Based on technical guidance issued by the ICAEW, the gift aid payment from the company to the parent charity is to be treated as a distribution from reserves rather than an expense in the statement of comprehensive income and hence will only be recognised once declared.

(h) Taxation and deferred taxation

The Company is a body corporate incorporated under the Companies Act 2006. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are not discounted.

(i) Pension costs

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. The Company also contributes to certain personal pension schemes and these contributions are charged to the statement of comprehensive income in the period to which they relate.

(j) Foreign currency

Transactions arising during the year which are denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities at the balance sheet date are retranslated at rates of exchange ruling on that date. All exchange differences are taken to the statement of comprehensive income in the year in which they arise.

The company's functional and presentational currency is the pound sterling.

(k) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease.

(l) Exemptions for qualifying entities under FRS 102

As permitted by FRS 102, the company has taken advantage of the following disclosure exemptions available under the standard:

- (i) a reconciliation of the number of shares outstanding at the beginning and end of the period. [FRS 102 para 4.12(a)(iv)];
- (ii) the requirement to prepare a statement of cash flows. [Section 7 of FRS 102 and para 3.17(d)];
- (iii) the non-disclosure of key management personnel compensation in total. [FRS 102 para 33.7].

Where required, equivalent disclosures are given in the consolidated financial statements of Jisc. The Company has notified Jisc Board, in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies:

i) Multi-employer defined benefit pension scheme

The institution participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme. See note 18 for further details.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic life of tangible and intangible assets

The annual depreciation charge for tangible assets and annual amortisation charge for intangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 12 and 13 for the carrying amount of the intangible and fixed assets respectively, and notes 3(d) and 3(e) for the useful economic lives for each class of assets.

ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

iii) Multi-Employer defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet which is accounted for as a defined contribution scheme. The assumptions reflect historical experience and current trends. See note 18 for the disclosures relating to the defined benefit pension scheme.

5. Turnover

The income, surplus and net assets are attributable to the principal activity of the provision of network and other related services to the education and research community and the provision of content and associated licensing of the Jisc Collections division. The Company operates in the UK. Income for the year to 31 July 2017 from external customers that are non-UK based was £1,506k (2016: £883k) with the remainder generated in the UK.

	2017	2016
	£'000	£'000
Grants from Jisc	50,551	68,508
Grants from other funding bodies	1,834	1,734
Charges for services	13,821	12,871
Subscription income	25,818	24,049
Transfers from / (to) deferred grant account	10,677	(4,467)
Other income	38	-
	102,739	**102,695**

6. Cost of sales

	Note	2017	2016
		£'000	£'000
Network operations & services		(56,330)	(56,956)
Rights to electronic content - amortisation	12	(2,145)	(2,126)
Subscriptions		(25,229)	(24,348)
Technical and development		(4,332)	(4,905)
Support and liaison		(4,789)	(5,553)
Futures		(1,019)	-
		(93,844)	**(93,888)**

7. Interest receivable and similar income

	2017	2016
	£'000	£'000
Bank interest	47	49

8. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	2017	2016
	£'000	£'000
Depreciation of tangible fixed assets – owned	9,089	7,739
Loss on disposal of fixed assets	-	2
Operating lease charges	168	167
Amortisation of intangible fixed assets	2,145	2,126
Impairment of investment	-	10
Audit fees payable to the company's auditor	35	35

In accordance with SI 2008/489 the company has not disclosed the fees payable to the company's auditors for 'Other services' as this information is included in the consolidated financial statements of Jisc. The audit fees and costs of other services were met by Jisc.

9. Tax on profit on ordinary activities

a) Taxation on surplus of income less expenditure on ordinary activities

	2017	2016
Current tax	£ '000	£ '000
United Kingdom corporation tax due for the year	-	-
Total current tax charge	-	-

b) Reconciliation of tax charge

The tax for the year is lower (2016: lower) than the applicable rate of corporation tax in the United Kingdom (2017: 19.67%; 2016: 20%). The difference is explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	**61**	339
Profit on ordinary activities before taxation multiplied by the rate in the UK of 19.67% (2016: 20%)	**12**	68
Effects of:		
Expenses not deductible/non taxable	**-**	-
Profit not taxable as transferred to parent under Gift aid multiplied by the rate in the UK of 19%	**(12)**	(68)
Total tax charge for the year	**-**	-

At 31 July 2017 the Company had no deferred tax assets or liabilities (2016: £nil).

It is the directors intention to gift aid all profits to its parent undertaking, Jisc. The donation will be paid within nine months of the year end in accordance with HMRC regulations and, as a result there is no liability to corporation tax for the year.

10. Employee information

The average monthly number of persons, including executive directors, employed by the company or by the parent, Jisc, during the year was:

By activity:	**17 ımber**	2016 Number
Management	**5**	5
Technical	**142**	137
Administration	**4**	4
	151	146

Of the total staff numbers listed above, 7 (2016: 8) are directly employed by Jisc Services Limited. The remainder are employees of Jisc (the parent), but who perform their services for the company and so their employee costs are recharged in full to JSL.

Staff costs for the above persons:

	2017 £'000	2016 £'000
Wages and salaries	**7,238**	6,797
Social security costs	**719**	605
Other pension costs (see Note 18)	**1,235**	1,002
	9,192	8,404

Included in the £9,192k (2016: £8,404k) total above, are staff costs of £8,867k for the 12 months (2016: £8,130k) who represent staff transferred to and now employed by Jisc as part of the Business Transformation agreement in 2015 but still providing services to the company; the remaining costs are for the 7 staff employed by the company directly.

11. Directors' emoluments

The emoluments of five of the six directors (including those resigned during the year) totalling £690,203 (2016: £709,382) have been borne by the parent company and not recharged to this entity. The amounts below reflect the recharge from the parent company of the remaining director. Retirement benefits accrued to one (2016: one) director under the Universities Superannuation Scheme. Amount of benefits under this scheme accrued to the highest paid director was £197,459 (2016: £93,187).

	2017	2016
	£'000	£'000
Aggregate Emoluments	**113**	107
Company contributions to a pension scheme	**19**	18
	132	125

12. Intangible assets

	Rights to Electronic Content
	£'000
Cost	
At 1 August 2016	14,440
At 31 July 2017	**14,440**
Accumulated Amortisation	
At 1 August 2016	5,874
Charge for the year	2,145
At 31 July 2017	**8,019**
Net Book Amount	
At 31 July 2017	**6,421**
At 31 July 2016	8,566

Assets were assessed for impairment indicators in the year. No impairment indicators were noted.

13. Tangible assets

	Network Equipment £'000	Plant and Machinery £'000	Website £'000	Total £'000
Cost				
At 1 August 2016	61,583	167	58	61,808
Additions	11,778	-	-	11,778
Disposals	(3,773)	-	-	(3,773)
At 31 July 2017	**69,588**	**167**	**58**	**69,813**
Accumulated Depreciation				
At 1 August 2016	43,943	167	58	44,168
Charge for the year	9,089	-	-	9,089
Disposals	(3,773)	-	-	(3,773)
At 31 July 2017	**49,259**	**167**	**58**	**49,484**
Net Book Amount				
At 31 July 2017	**20,329**	-	-	**20,329**
At 31 July 2016	17,640	-	-	17,640

14. Debtors

	2017 £'000	2016 £'000
Trade debtors	**3,248**	5,926
Amounts owed from group undertakings	**1,381**	-
Oher taxation and social security	**312**	-
Other debtors	**5**	441
Prepayments and accrued income	**22,650**	17,685
	27,596	24,052

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	8,129	3,536
Amounts owed to group undertakings	-	3,104
Taxation and social security	-	407
Other creditors	70	977
Deferred capital grant	9,910	9,056
Accruals and deferred income	22,468	26,453
	40,577	43,533

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Deferred capital grant	15,138	14,891
	15,138	14,891

Deferred capital grant	2017 £'000	2016 £'000
Balance at 1 August	14,891	11,490
Received from / (transferred to) Jisc in the year	11,778	(715)
(Released to) / transferred from statement of comprehensive income	(10,677)	4,467
Movement in amounts falling due within one year	(854)	(351)
Balance at 31 July	15,138	14,891

17. Financial commitments

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £'000	2016 £'000
Land and buildings		
Not later than one year	184	184
Later than one year and not later than five years	583	736
Later than five years	-	33
	767	953

18. Post-employment benefits

The institution participates in the Universities Superannuation Scheme. With effect from 1 October 2016, the scheme changed from a defined benefit scheme to a hybrid scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 "Employee benefits", the institution therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contribution payable to the scheme. Since the institution has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the institution recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

PENSION COSTS

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The company is required to contribute a specified percentage of payroll costs to the pension scheme to fund the benefits payable to the company's employees. In 2017, the percentage was 18% (2016: 17%). The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme.

The total cost charged to the profit and loss account is £1,228,857 (2016: £995,744) in respect of the USS scheme, pension costs payable to other personal pension schemes amounted to £6,466 (2016: £6,395). There was neither a prepayment nor an accrual at the end of the financial year in respect of these contributions. The disclosures below represent the position from the scheme's financial statements.

It should be noted that the majority of these costs represent the recharge value of employees of Jisc who perform services for JSL, with only seven employees under USS being employed directly by JSL, the cost of whose contributions totalled £43k (2016: £52k).

Under FRS 102, a provision has been made by members of the USS pension scheme to cover the member's share of the overall scheme liability. It has been judged that in the case of employees directly employed by Jisc but recharged to JSL, the liability for the USS pension deficit is held by Jisc.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method. The valuation as at 31 March 2017 is underway.

Since the institution cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme have been produced using the following assumptions:

	2017	**2016**
Discount rate	2.57%	3.6%
Pensionable salary growth	n/a	n/a
Pension increases (CPI)	2.41%	2.2%

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

Male members' mortality	98% of S1NA ["light"] YoB tables – No age rating
Female members' mortality	99% of S1NA ["light"] YoB tables – rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

	2017	**2016**
Males currently aged 65 (years)	24.4	24.3
Females currently aged 65 (years)	26.6	26.5
Males currently aged 45 (years)	26.5	26.4
Females currently aged 45 (years)	29.0	28.8

	2017	**2016**
Existing benefits		
Scheme assets	£60.0bn	£49.8bn
Liabilities	£77.5bn	£58.3bn
Deficit	£17.5bn	£8.5bn
Funding level	77%	85%

19. Related Party Disclosures

Related Party	Income	Expenditure
	£'000	£'000
Abertay University	3	-
Birkbeck College	100	10
Buckinghamshire New University	74	-
Forth Valley College of Further and Higher Education	4	-
HEFCW – Board member	3	-
National Science Museum	7	-
Oxford Brookes University	124	-
Richmond upon Thames College	7	-
Royal Holloway, University of London	123	-
School of Hygiene & Tropical Medicine	27	-
Staffordshire University	95	-
University UK	1	-
University of Greenwich	67	9
University of Hull	338	-
University of Lancaster	361	-
University of London	39	-
University of Oxford	399	42
Total	**1,772**	**61**

There were no outstanding balances at year end. The Company is exempt under FRS102 from disclosing related party transactions with entities that are wholly owned subsidiaries of Jisc.

20. Controlling parties

The immediate parent undertaking is Jisc, a Charity registered in England and Wales.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Jisc. Copies of Jisc consolidated financial statements can be obtained from the Company Secretary at Level 3, One Castlepark, Tower Hill, Bristol BS2 0JA.