

**NAPIER UNIVERSITY**  
**ACCOUNTS FOR THE YEAR TO 31 JULY 1998**

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# Napier University

## General Information

Chancellor	Rt Hon Viscount Younger of Leckie KT KCVO TD DL FRSE
Chairman of Court	Sir Ronald Miller CBE, DSc (Hon), BSc, CA
Vice Chancellor	Professor J Mavor FEng FRSE
Secretary and Academic Registrar	I J Miller MA LLB
Director of Finance	A Anderson CA
External Auditors	Ernst & Young Ten George Street Edinburgh EH2 2DZ
Internal Auditors	Deloitte & Touche 39 George Street Edinburgh EH2 2HZ
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern WS 12 South Charlotte Street Edinburgh EH2 4AY
Actuaries	Hymans Robertson 13 Charlotte Square Edinburgh EH2 4DJ

# Napier University

## Members of Court

The following persons served as members of Court during the year to 31 July 1998. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

	<b>Date of Appointment</b>	<b>Date of Retirement</b>	<b>Category</b>
Mr G B Archer		December 1997	Non-Executive
Mr T N Aitchison			Non-Executive
Mrs A Brobbel			Non-Executive
Professor C F A Bryce			Staff
Mr A Cubie			Non-Executive
Dr T M Crawford			Non-Executive
Mr I Cupples			Student
Hon Lord Cullen			Non-Executive
Mrs M Jeffcoat			Non-Executive
Mr D Johnston			Staff
Mr W MacDonald			Student
Mr T McKay			Staff
Mr P Mackay			Non-Executive
Mr R Maiden			Non-Executive
Professor J Mavor			<i>Ex Officio</i>
Sir R Miller (Chairman from 1 January 1998)			Non-Executive
Mr R O S Miller			Non-Executive
Mr J Owens			Non-Executive
Lady Rifkind			Non-Executive
Mr B E Sealey (Vice-Chairman)			Non-Executive
Mr A L Stewart (Chairman until 31 December 1997)		December 1997	Non-Executive
Mr P de Vink		December 1997	Non-Executive
Mr D Wise			Graduates' Association
Mrs S Watson			Staff
Lord Sanderson			Chancellor's Assessor
Professor M Thorne	March 1998		<i>Ex Officio</i>
Miss M Greenwood	March 1998		Non-Executive
Mr A Fleming	March 1998		Non-Executive

# **Napier University**

## **Report by the Chairman of Court**

### **Scope of the Accounts**

The Accounts for the year ended 31 July 1998 comprising the results of the University and that of its subsidiary, Napier University Ventures Limited, follow the same format as that for the previous year. They are prepared in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions and the accounting requirement of the Scottish Higher Education Funding Council.

The University's interest in its subsidiary can be found on page 28 of these Accounts. Napier University Ventures Limited covenants the whole of its taxable profits to the University.

### **Results of the Year**

The Consolidated Income & Expenditure Account is summarised on page 11 of the Accounts. The total income shows an increase of £3.7m (6.4 per cent) over that of 1997. This is attributable to both a rise in the level of research and commercial activities and an increase in academic fee income. Staff and other costs have increased by £3.4m. This includes £1.3m being the calculation of pensions provisions for staff who have taken early retirement, the majority of which arose during the financial year to 31 July 1998. The higher level of activity, combined with very effective control of costs, has resulted in an increased operating surplus of £827,000.

### **Balance Sheet**

With the Craighouse Campus having now been completed, the University's expenditure on Fixed Assets this year has been lower at £1.4m which compares to last year's of £5.5m. The Net Current Asset position has improved from a deficit last year of £2.3m to a positive balance of £250,000. Other than a small loan of £200,000 through Napier University Ventures Limited, the University does not have any borrowings.

### **Future Developments**

The University has considered a review of its Estates Strategy which is currently being finalised. It is likely that there will be sizeable capital expenditure over the next 5–10 years. This may result in the University having to look at taking on loans to fund this activity. The University is in a strong position and would only embark on this expenditure in the full knowledge that it would improve its academic and commercial facilities without weakening its financial position.

# Napier University

## Corporate Governance

Napier University was established by a Statutory Instrument entitled “The Napier University (Scotland) Order of Council 1993”. The Order makes provision regarding the constitution, functions and powers of the University Court, and the arrangements to be adopted by it in discharging its functions. The Order provides that the Court shall be the Governing Body of the University and shall administer it for the objects of providing education, carrying out research and promoting teaching, research and general scholarship.

The composition of the Court is prescribed by the Statutory Instrument and comprises non-executive members, *ex officio* members, academic and non-academic members of staff and representatives of the Students’ Association and the Graduates’ Association. The non-executive members of the Court must always remain in the majority. The Chancellor is the titular head of the University with power to confer degrees. The Principal and Vice-Chancellor is the Chief Executive Officer of the University with delegated authority to deal with the organisation and management of the University, and the appointment, promotion and discipline of staff. The Chairman and Vice Chairman of the Court are appointed from the non-executive Court members and accordingly the roles of Chancellor, Principal and Vice-Chancellor and Chairman of Court are separated and clearly established.

The Statutory Instrument sets out the functions and powers of the Court, and makes particular provision for financial and property matters, administration and academic affairs. The University Court is required to hold at least four meetings per annum, and provision is made in the University’s Standing Orders for members of the Court disclosing any interests and the Court is also given power to remove members in certain specified circumstances. The Academic Board generally has the responsibility of dealing with the overall planning, co-ordination, development and supervision of the academic work of the University. Otherwise the Court is responsible for the strategic planning and policies of the University and has delegated many of its functions to a series of committees which are formally constituted with established terms of reference and are all chaired by non-executive members of the University Court. The Finance & General Purposes Committee generally manages all matters of finance and property of the University, recommends to the Court the annual budget, monitors the management accounts of the University throughout the year, and is responsible via the Principal for preparing the Annual Accounts of the income and expenditure of the University. The Finance & General Purposes Committee also makes recommendations to the Court for filling vacancies on the Court and consults widely about the filling of these vacancies. Under the Statutory Instrument, Court members are appointed for renewable four year terms, subject to a maximum of 12 years continuous service.

The Audit Committee consists entirely of non-executive members of the Court. The Audit Committee meets at least three times per annum when the external auditors and internal auditors of the University are present when requested. The Committee receives regular reports from the internal auditors on the University’s systems of internal control and the procedures adopted by the University to secure value for money. They also receive and consider reports from the Scottish Higher Education Funding Council’s Audit Branch and the National Audit Office. The Committee have the opportunity to meet for independent discussions with the external auditors and internal auditors in the absence of any senior executives of the University.

The Remuneration Committee comprises entirely non-executive members and deals with the annual remuneration of the Senior Management Team of the University.

# Napier University

## Responsibilities of the University Court

In accordance with the Statutory Instrument, the University Court is responsible for the administration and management of the affairs of the University and is required to present audited Accounts for each financial year. The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the Accounts are prepared in accordance with the University's Statutory Instrument, the Statement of Recommended Practice in Higher Education Institutions and other relevant standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University, the Court, through its designated Office Holder, is required to prepare Accounts for each financial year which give a true and fair view of the University and of the surplus or deficit and cash flows for that year.

In causing the Accounts to be prepared, the Court has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- Accounts are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation.

The Court has taken reasonable steps to:

- ensure that funds from the Scottish Higher Education Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

# Napier University

## Report of the Auditors to the Court of Napier University

Year to 31 July 1998

We have audited the Accounts on pages 11 to 30 which have been prepared under the historical cost convention, as modified by the revaluation of certain assets and the accounting policies set out on pages 8 to 10.

### Respective responsibilities of the Council and Auditors

As described on page 6, the University Court is responsible for ensuring that Accounts are prepared. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Court in the preparation of the Accounts, and of whether the accounting policies are appropriate to the circumstances of the University and its subsidiary, Napier University Ventures Limited (the group), consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

### Opinion

In our opinion:

- i) the Accounts give a true and fair view of the state of the affairs of the University and the group at 31 July 1998 and of the group's income and expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting in Higher Education Institutions and the Further and Higher Education (Scotland) Act 1992 (the Act);
- ii) income from Scottish Higher Education Funding Council grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purpose for which they were received;
- iii) income has been applied in accordance with the Act governing the University and where appropriate with the Financial Memorandum dated 1 August 1996 with the Scottish Higher Education Funding Council.

Ernst & Young  
Registered Auditors  
Edinburgh

7 December 1998

# Napier University

## Statement of Principal Accounting Policies

Year to 31 July 1998

### 1. Accounting Conventions

The Accounts have been prepared under the historical cost convention and in accordance with both the Statement of Recommended Practice: Accounting in Higher Education Institutions (SORP) and applicable accounting standards.

### 2. Basis of Consolidation

The Consolidated Accounts consolidate the Accounts of the University and its subsidiary undertaking Napier University Ventures Limited in accordance with the provisions of Financial Reporting Statement No 2.

### 3. Recognition of Income

Income from Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs.

### 4. Pension Schemes

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme ("STSS") and the Local Government Pension Scheme ("LGPS"). Academic staff may elect to join the STSS. LGPS provides similar benefits for other employees of the University. Both schemes are defined schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

The STSS is a statutory, contributory, final salary scheme administered by The Scottish Office Pensions Agency, an executive agency of the Secretary of State for Scotland. This is an unfunded scheme, which operates under the Teachers' Superannuation (Scotland) Regulations.

The LGPS is also a contributory, final salary scheme administered by the City of Edinburgh Council. The scheme is a funded scheme operating under the Local Government Superannuation (Scotland) Regulations.

The University's contributions to these schemes are charged to the Income and Expenditure Account so as to achieve the accounting objective of recognising the costs of providing pensions on a systematic and rational basis over the period during which the University benefits from the employees' services.

The University's contributions are determined from periodic valuations of the schemes carried out by qualified actuaries, for the STSS every five years using the entry age method and, for the LGPS, every three years using the projected unit method.



The University is funding directly certain pension costs for employees who have taken early retirement. An actuarial valuation of the liability has been calculated for those employees. The valuation includes those employees who left prior to 1994, SHEFC's New Blood Initiative, the Administrative Premature Retirement Schemes, and those who left during the financial years up to and including 31 July 1998. The valuation has been carried out by the University's actuaries Hymans Robertson. A provision has been set aside to cover all these liabilities.

## 5. Leases

Payments in respect of operating leases are charged in the Income & Expenditure Account. There are no assets held under finance leases.

## 6. Land and Buildings

Land and Buildings are stated at cost. Buildings are depreciated over their expected useful life of 50 years and leasehold land over the life of the lease. Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the buildings. Capital projects will not be depreciated until the project has been completed.

## 7. Equipment

Equipment, including micro computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised. Capitalised equipment is stated at cost and is depreciated over its useful life as follows:

Non Computer Equipment	– 10 years
Computer Equipment	– 3 years
Research equipment project life	– Project life – 2 years generally
Furniture	– 10 years
Residences - Furniture and Fittings	– 8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

## 8. Investments

Investments, and Endowment Assets Investments are included in the Balance Sheet at valuation.

## 9. Stocks

Stocks are valued at the lower of cost or net realisable value. No account is taken of stocks held in academic departments or support departments.

## 10. **Maintenance of Premises**

The University has a ten year rolling maintenance plan which is reviewed on an annual basis. The cost of maintenance is charged to the Income & Expenditure Account as it is incurred. The University also sets aside sums on a regular basis to meet the cost of major maintenance costs which occur on an irregular basis for its residences. These are disclosed as provisions.

## 11. **Taxation**

The University has been granted charitable status by the Inland Revenue. Accordingly the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 in the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Non-recoverable Value Added Tax is charged to the Income & Expenditure Account, as the University receives no similar exemption.

**Napier University**  
**Consolidated Income & Expenditure Account**  
**Year to 31 July 1998**

	Notes	1997-98 £000s	1996-97 £000s
<b>Income</b>			
Funding Council Grants	1	26,989	26,380
Academic Fees	2	11,627	10,636
Research Grants and Contracts	3	2,626	2,065
Other Operating Income	4	17,638	16,212
Endowment Income and Interest Receivable	5	334	268
		<hr/>	<hr/>
Total Income		59,214	55,561
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff Costs	6	36,077	34,171
Depreciation	8	1,578	1,669
Other Operating Expenditure	7	20,719	19,144
Interest Payable		13	20
		<hr/>	<hr/>
Total Expenditure	8	58,387	55,004
		<hr/>	<hr/>
<b>Surplus</b>		827	557
		<hr/>	<hr/>

**Napier University**  
**Consolidated Balance Sheet**  
**At 31 July 1998**

	Notes	1998 £000s	1997 £000s
<b>Fixed Assets</b>			
Tangible Fixed Assets	10	38,096	38,404
Investments	11	1,511	1,470
		<hr/>	<hr/>
		39,607	39,874
<b>Endowment Asset Investments</b>	12	191	178
<b>Current Assets</b>			
Stocks	13	51	72
Debtors	14	2,992	2,892
Cash at Bank and in Hand		5,168	1,827
		<hr/>	<hr/>
		8,211	4,791
<b>Creditors due within one year</b>	15	7,960	7,081
		<hr/>	<hr/>
<b>Net Current Assets/(Liabilities)</b>		251	(2,290)
		<hr/>	<hr/>
<b>Total Assets less Current Liabilities</b>		40,049	37,762
<b>Creditors due after more than one year</b>	16	(200)	(190)
<b>Provisions for Liabilities and Charges</b>	17	(5,268)	(3,854)
<b>Deferred Capital Grants</b>	18	(28,521)	(28,722)
		<hr/>	<hr/>
<b>Total Net Assets</b>		6,060	4,996
		<hr/>	<hr/>
Represented by			
<b>Reserves</b>			
Endowment Funds	19	191	178
Reserves	20	5,869	4,818
		<hr/>	<hr/>
<b>Total Funds</b>		6,060	4,996
		<hr/>	<hr/>

The Accounts on pages 8 to 30 were approved by the University Court on 7 December 1998 and were signed on its behalf by: SIR R MILLER, Chairman; PROFESSOR J MAVOR, Accounting Officer; A ANDERSON, Director of Finance.

# Napier University

## Balance Sheet

At 31 July 1998

	Notes	1998 £000s	1997 £000s
<b>Fixed Assets</b>			
Tangible Fixed Assets	10	37,977	38,297
Investments	11	1,511	1,457
		<hr/>	<hr/>
		39,488	39,754
<b>Endowment Asset Investments</b>	12	191	178
<b>Current Assets</b>			
Stocks	13	51	72
Debtors	14	2,961	2,664
Cash at Bank and in Hand		4,205	971
		<hr/>	<hr/>
		7,217	3,707
<b>Creditors due within one year</b>	15	7,001	6,010
		<hr/>	<hr/>
<b>Net Current Assets/(Liabilities)</b>		216	(2,303)
		<hr/>	<hr/>
<b>Total Assets less Current Liabilities</b>		39,895	37,629
<b>Provisions for Liabilities and Charges</b>	17	(5,268)	(3,854)
<b>Deferred Capital Grants</b>	18	(28,506)	(28,722)
		<hr/>	<hr/>
<b>Total Net Assets</b>		6,121	5,053
		<hr/>	<hr/>
Represented by:-			
<b>Reserves</b>			
Endowment Funds	19	191	178
Reserves	20	5,930	4,875
		<hr/>	<hr/>
<b>Total Funds</b>		6,121	5,053
		<hr/>	<hr/>

**Napier University**  
**Consolidated Cash Flow Statement**

**Year to 31 July 1998**

	Notes	1998 £000s	1997 £000s
<b>Net cash inflow/(outflow) from operating activities</b>	22	1,340	(1,586)
<b>Returns on investment and servicing of finance</b>			
Income from Endowments	13	8	
Other Interest Received	310	246	
Interest Paid	(13)	(20)	
Investment Income Received	54	36	
		<hr/>	<hr/>
<b>Net cash inflow from returns on investment and servicing of finance</b>		364	270
<b>Investing activities</b>			
Payments to Acquire Tangible Fixed Assets	(1,362)	(5,496)	
Receipts from Sale of Tangible Fixed Assets	239	89	
Payments to Acquire Investments	(20)	(190)	
Realisation of Investments	175	-	
Deferred Capital Grants Received	2,604	4,522	
Endowments Received	1	37	
		<hr/>	<hr/>
<b>Net cash inflow/(outflow) from investing activities</b>		1,637	(1,038)
<b>Net cash inflow/(outflow) before financing</b>		3,341	(2,354)
<b>Net cash inflow from financing</b>		-	-
		<hr/>	<hr/>
<b>Increase/(Decrease) in cash</b>	23/24	3,341	(2,354)
		<hr/>	<hr/>

**Statement of Consolidated Total Recognised Gains and Losses**

Surplus	827	557
Appreciation of Endowment Asset Investments	23	18
Appreciation of Fixed Asset Investments	224	78
Endowment Income retained for year	(11)	(14)
New Endowments	1	37
	<hr/>	<hr/>
	1,064	676
	<hr/>	<hr/>

# Napier University

## Notes to the 1997–98 Accounts

	1997–98 £000s	1996–97 £000s
<b>1. Scottish Higher Education Funding Council Grants</b>		
Recurrent Grant	24,101	23,604
Specific Grants	167	451
Released from Deferred Capital Grants		
– Buildings	529	521
– Equipment	2,192	1,804
	<hr/>	<hr/>
	26,989	26,380
	<hr/>	<hr/>
<b>2. Academic Fees</b>		
Home/EU	8,895	8,278
Overseas	1,076	885
Part-Time	1,609	1,463
Examination Fees	47	10
	<hr/>	<hr/>
	11,627	10,636
	<hr/>	<hr/>
<b>3. Research Grants and Contracts</b>		
Grants (SHEFC)	1,019	649
Contracts	1,607	1,416
	<hr/>	<hr/>
	2,626	2,065
	<hr/>	<hr/>
<b>4. Other Operating Income</b>		
Consultancy and Fee Income	4,026	3,335
Residences and Refectories	3,819	3,466
Other Services Rendered	8,558	8,559
Released from Deferred Capital Grants	84	79
Other Income	1,151	773
	<hr/>	<hr/>
	17,638	16,212
	<hr/>	<hr/>

# Napier University

## Notes to the 1997–98 Accounts

	1997–98 £000s	1996–97 £000s
<b>5. Endowment Income and Interest Receivable</b>		
Transferred from Specific Endowments	24	22
Other Interest Receivable	310	246
	<hr/>	<hr/>
	334	268
	<hr/>	<hr/>
<b>6. Staff Costs</b>		
Wages and Salaries	31,659	29,907
Social Security Costs	2,379	2,294
Pension Costs	2,039	1,970
	<hr/>	<hr/>
	36,077	34,171
	<hr/>	<hr/>
Emoluments of the Vice-Chancellor	120	112
	<hr/>	<hr/>

The emoluments of the Vice-Chancellor are shown on the same basis as for other higher paid staff. The University's pension contributions to STSS are paid at the same rates as for other academic staff, and amounted to £5,952 (1996–97 – £6,622).

### Average Staff Numbers by Major Category:

	Number 1997–98	Number 1996–97
Academic	582	617
Administrative/Clerical	528	495
Technical	168	173
Manual	188	210
Research	85	66
	<hr/>	<hr/>
	1,551	1,561
	<hr/>	<hr/>
Remuneration of higher paid staff, excluding employer's pension contributions		
	7	2
£50,000–£59,999	1	1
£60,000–£69,999	-	-
£70,000–£79,999	1	2
£80,000–£89,999	-	-
£90,000–£99,999	-	-
£100,000–£109,999	-	1
£110,000–£119,999	1	-
£120,000–£129,999		



# Napier University

## Notes to the 1997–98 Accounts

	1997–98 £000s	1996–97 £000s
<b>7. Other Operating Expenditure</b>		
Supplies and Maintenance	4,877	6,203
Residences and Refectories	2,946	2,637
Napier University Ventures Limited	3,207	2,735
Property Maintenance	873	1,185
Other Expenses	1,008	773
Heat, Light and Power	993	723
Rent, Rates and Insurance	1,063	986
Consultancy Expenditure	-	336
Early Retirement	1,947	420
Library Books and Services	591	605
Conferences and Hospitality	950	554
Postages and Telephone	558	547
Travel	573	399
Students' Association	275	281
Fees	102	94
Recruitment Costs	246	236
Advertising	190	169
Transport	235	176
Provision for Long-Term Maintenance	60	60
Audit Fees	25	25
	<u>20,719</u>	<u>19,144</u>

### 8. Analysis of 1997–98 Expenditure by Activity

	Staff Costs £000s	Depreciation £000s	Other Operating Expenses £000s	Interest Payable £000s	Total £000s
Academic Departments	23,717	323	3,924	-	27,964
Academic Services	3,742	254	1,905	-	5,901
Central Administration	5,011	15	2,394	3	7,423
Property	650	802	3,031	-	4,483
Research Grants and Contracts	1,790	33	1,000	-	2,823
Residences and Refectories	693	124	3,006	-	3,823
Consultancy Expenditure	474	27	3,213	10	3,724
Other Expenditure	-	-	2,246	-	2,246
	<u>36,077</u>	<u>1,578</u>	<u>20,719</u>	<u>13</u>	<u>58,387</u>

The Depreciation charge has been funded as follows:

Released from Deferred Capital Grants	1,228
General Income	350
	<u>1,578</u>

# Napier University

## Notes to the 1997–98 Accounts

### 9. Residences and Refectory Operations

	1997–98			1996–97		
	Residences ←	Refectory →	Total →	Residences ←	Refectory →	Total →
	£000s	£000s	£000s	£000s	£000s	£000s
Income	2,550	1,269	3,819	2,305	1,161	3,466
Cost of Goods Sold	-	564	564	-	550	550
Gross Profit	<u>2,550</u>	<u>705</u>	<u>3,255</u>	<u>2,305</u>	<u>611</u>	<u>2,916</u>
Remuneration Costs	124	569	693	109	498	607
Depreciation	122	2	124	122	-	122
Other Costs	<u>2,302</u>	<u>140</u>	<u>2,442</u>	<u>2,010</u>	<u>137</u>	<u>2,147</u>
	<u>2,548</u>	<u>711</u>	<u>3,259</u>	<u>2,241</u>	<u>635</u>	<u>2,876</u>
Surplus/(Deficit)	<u>2</u>	<u>(6)</u>	<u>(4)</u>	<u>64</u>	<u>(24)</u>	<u>40</u>
Refectory Gross Profit		55.6%			52.6%	

# Napier University

## Notes to the 1997–98 Accounts

10. Tangible Fixed Assets – Consolidated	Land and Buildings £000s	Equipment £000s	1998 £000s	1997 £000s
<b>Cost</b>				
At 1 August	38,069	4,461	42,530	37,123
Additions	688	674	1,362	5,496
Disposals	(98)	-	(98)	(89)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	38,659	5,135	43,794	42,530
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 August	1,656	2,470	4,126	2,457
Depreciation for the Year	774	804	1,578	1,669
Disposals	(6)	-	(6)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	2,424	3,274	5,698	4,126
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value at 31 July</b>	<b>36,235</b>	<b>1,861</b>	<b>38,096</b>	<b>38,404</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Tangible Fixed Assets – University</b>				
<b>Cost</b>				
At 1 August	37,988	3,884	41,872	36,477
Additions	688	635	1,323	5,484
Disposals	(98)	-	(98)	(89)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	38,578	4,519	43,097	41,872
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 August	1,650	1,925	3,575	1,964
Depreciation for the Year	773	778	1,551	1,611
Disposals	(6)	-	(6)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	2,417	2,703	5,120	3,575
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value at 31 July</b>	<b>36,161</b>	<b>1,816</b>	<b>37,977</b>	<b>38,297</b>
	<hr/>	<hr/>	<hr/>	<hr/>

# Napier University

## Notes to the 1997–98 Accounts

	Cost £000s	Valuation 1998 £000s	Valuation 1997 £000s
<b>11. Investments</b>			
* Unlisted Investments	33	-	13
CVCP Properties - 31,876 Ordinary Shares of £1 each	32	32	32
Scottish Knowledge plc - 20,000 Ordinary Shares of £1 each	20	20	20
£150,100 4 <sup>5/8</sup> % Index-Linked Treasury Stock 1998	-	-	172
£25,500 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2001	46	51	48
£9,700 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2003	18	19	18
£93,000 4 <sup>3/8</sup> % Index-Linked Treasury Stock 2004	107	119	110
£72,400 2% Index-Linked Treasury Stock 2006	133	157	141
£34,800 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2009	57	69	61
£49,700 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2011	84	105	91
£81,100 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2013	113	143	122
£103,300 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2016	154	199	166
£77,300 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2020	109	147	120
£137,200 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2024	164	223	177
£141,300 4 <sup>1/8</sup> % Index-Linked Treasury Stock 2030	166	227	179
* Held by Napier University Ventures Limited			
	1,236	1,511	1,470
	Cost	Valuation	Valuation
	£	1998	1997
		£	£
<b>12. Endowment Asset Investments</b>			
Fixed Interest Stocks:			
£12,764 12 <sup>1/4</sup> % Exchequer Stock 1999	12,479	13,152	13,770
£9,547 5 <sup>1/2</sup> % Treasury Stock 2008/2012	5,200	9,513	8,475
£25,000 8% Treasury Stock 2002/2006	24,091	26,406	25,875
	41,770	49,071	48,120
Equities:			
1,500 British Telecommunications 25p Ordinary Shares	5,617	13,305	6,397
1,818 Scottish Power 50p Ordinary Shares	6,296	10,790	7,836
306 Hanson £2 Ordinary Shares	3,129	964	946
1,000 Land Securities £1 Ordinary Shares	5,823	8,430	9,300
1,000 GlaxoWellcome 25p Ordinary Shares	6,255	18,880	12,915
1,000 P & O £1 Deferred Stock	6,057	9,560	6,210
1,400 British Petroleum 25p Ordinary Shares	5,848	11,382	11,683
12,500 Fleming Income & Capital Trust 25p Ordinary Shares	9,835	15,437	11,437
	48,860	88,748	66,724
Bank Balances		51,640	62,323
Investment Debtors		1,041	417
		190,500	177,584

# Napier University

## Notes to the 1997–98 Accounts

	Consolidated		University	
	1998 £000s	1997 £000s	1998 £000s	1997 £000s
<b>13. Stocks</b>				
Stocks for Resale	28	30	28	30
Other Stocks	23	42	23	42
	<u>51</u>	<u>72</u>	<u>51</u>	<u>72</u>
<b>14. Debtors</b>				
Trade Debtors	1,604	1,794	1,027	1,151
Other Debtors	442	358	392	332
Prepayments and Accrued Income	657	620	603	578
Research	289	120	289	120
Napier University Ventures Limited	-	-	650	483
	<u>2,992</u>	<u>2,892</u>	<u>2,961</u>	<u>2,664</u>
<b>15. Creditors due within one year</b>				
Trade Creditors	3,355	3,438	1,894	2,327
Taxation and Social Security	1,258	1,037	1,144	962
Other Creditors	194	196	194	196
Accruals and Deferred Income	2,826	2,192	2,767	2,122
Research	327	218	327	218
Napier University Ventures Limited	-	-	675	185
	<u>7,960</u>	<u>7,081</u>	<u>7,001</u>	<u>6,010</u>
<b>16. Creditors due after more than one year</b>				

Creditors due after more than one year are represented by a loan from Scottish Enterprise to Napier University Ventures Limited, which may be repayable in annual instalments commencing on 1 April 1997. To date no repayments have been made.

# Napier University

## Notes to the 1997–98 Accounts

### 17. Provisions for Liabilities and Charges

#### Pensions

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme ("STSS") and the Local Government Pension Scheme ("LGPS"). Both schemes are of a defined benefit type.

During the year the total pension cost to the University was £2,039,000. The rate of employer's contributions was determined by the most recent valuation of the STSS for the five years to 31 March 1986 and of the LGPS for the three years to 31 March 1996. An actuarial review of the STSS is ongoing.

The last actuarial valuation of the STSS for the Scottish Office Pensions Agency by the Government Actuary (as at 31 March 1986), revealed total values of STSS fund assets (estimated future contributions plus proceeds from notional investments held at the valuation date) of £3,241,100,000 and of liabilities (pensions currently in payment and the estimated cost of future benefits) of £3,447,700,000. The current rate of employer contribution is 6.9 per cent of salary. The cost of pension increases is excluded from the valuation; consequently, neither teachers nor the University contribute to the cost of pension increases as these are met directly by the Exchequer. Based on the most recent information available no provision for underfunding is required.

The last actuarial valuation of the LGPS was based on assumptions of a 9 per cent return on investments, a 6.5 per cent rate of increase in salaries and a 5 per cent rate of increase in pensions. The valuation revealed a market value of assets of £1,095,876,000 and an actuarial valuation of 985,396,000. It also revealed liabilities of the fund of £979,962,000, indicating a net surplus in funding of £5,434,600. Employer contributions of 125 per cent, 175 per cent and 175 per cent of employees' contributions were recommended from 1 April 1997, 1998 and 1999 respectively.

During the year to 31 July 1998, the University obtained an independent actuarial valuation of the future costs associated with staff who had been granted early retirement. Provisions have been set aside to cover the liabilities arising from these retirals as at 31 July 1998. The provision will again be revalued by independent actuaries in 1999 and the provision will be revised at that time.

# Napier University

## Notes to the 1997–98 Accounts

	1998 £000s	1997 £000s
<b>17. Cont'd</b>		
<b>Provisions for Liabilities and Charges – Pensions</b>		
Balance at 1 August	3,734	3,783
Income from Investments	54	36
Early Retirement Pensions	(72)	(85)
Transfer from Income & Expenditure Account	1,372	-
	5,088	3,734
<b>Provisions for Liabilities and Charges – Long-Term Maintenance</b>		
Balance at 1 August	120	60
Transfer from Income & Expenditure Account	60	60
	180	120
	5,268	3,854
<b>Total Provisions for Liabilities and Charges</b>		

# Napier University

## Notes to the 1997–98 Accounts

	SHEFC £000s	Other £000s	Total £000s
<b>18. Deferred Capital Grants – Consolidated</b>			
<b>Balance at 1 August 1997</b>			
Buildings	24,713	2,766	27,479
Equipment	1,243	-	1,243
	25,956	2,766	28,722
<b>Received during year</b>			
Buildings	424	-	424
Equipment	2,160	20	2,180
	2,584	20	2,604
<b>Released to Income &amp; Expenditure Account</b>			
Buildings	529	79	608
Equipment	2,192	5	2,197
	2,721	84	2,805
<b>Balance at 31 July 1998</b>			
Buildings	24,608	2,687	27,295
Equipment	1,211	15	1,226
	25,819	2,702	28,521
	25,819	2,702	28,521



# Napier University

## Notes to the 1997–98 Accounts

		SHEFC £000s	Other £000s	Total £000s
18.	<b>Cont'd</b>			
	<b>Deferred Capital Grants – University</b>			
	<b>Balance at 1 August 1997</b>			
	Buildings	24,713	2,766	27,479
	Equipment	1,243	-	1,243
		<hr/>	<hr/>	<hr/>
		25,956	2,766	28,722
		<hr/>	<hr/>	<hr/>
	<b>Received during year</b>			
	Buildings	424	-	424
	Equipment	2,160	-	2,160
		<hr/>	<hr/>	<hr/>
		2,584	-	2,584
		<hr/>	<hr/>	<hr/>
	<b>Released to Income &amp; Expenditure Account</b>			
	Buildings	529	79	608
	Equipment	2,192	-	2,192
		<hr/>	<hr/>	<hr/>
		2,721	79	2,800
		<hr/>	<hr/>	<hr/>
	<b>Balance at 31 July 1998</b>			
	Buildings	24,608	2,687	27,295
	Equipment	1,211	-	1,211
		<hr/>	<hr/>	<hr/>
		25,819	2,687	28,506
		<hr/>	<hr/>	<hr/>

# Napier University

## Notes to the 1997–98 Accounts

### Consolidated and University

	Specific £000s	General £000s	Total £000s
<b>19. Endowment Funds</b>			
At 1 August 1997	178	-	178
Additions	1	-	1
Appreciation of Endowment Asset Investments	23	-	23
Income for Year	13	-	13
Transferred to Income & Expenditure Account	(24)	-	(24)
	<hr/>	<hr/>	<hr/>
At 31 July 1998	191	-	191
	<hr/>	<hr/>	<hr/>

<b>Endowment Funds:</b>	1998 £	1997 £
Clark Bequest – Narrower Range	49,169	54,142
Clark Bequest – Wider Range	97,892	82,483
James Dick Memorial	1,090	956
Heriot-Watt College Prize	799	728
Heriot-Watt College Printing Prize	305	265
Heriot-Watt College Frank P Restall	416	356
Blyth & Blyth Service Co Fund	423	372
J B Scott Memorial	331	339
John Napier Memorial	289	267
David McMillan Memorial	196	192
R A Farmer Memorial	870	835
Karen Fretwell Memorial	5,386	4,586
Lloyd's of London Press Prize	284	262
Lothian College of Health Studies:		
– Amenities Fund	952	1,962
– Educational Development Fund	24,296	22,412
– Marion MacDonald Trust Fund	7,802	7,427
	<hr/>	<hr/>
	190,500	177,584
	<hr/>	<hr/>

# Napier University

## Notes to the 1997–98 Accounts

20. Reserves	Consolidated		University	
	1998 £000s	1997 £000s	1998 £000s	1997 £000s
<b>Consultancy Reserve</b>				
Balance at 1 August	671	529	671	529
Transfer from Income & Expenditure Account	427	142	427	142
	1,098		1,098	671
Balance at 31 July	1,098	671	1,098	671
<b>Income &amp; Expenditure Account</b>				
Balance at 1 August	4,063		4,120	3,663
Surplus for Year	827		831	599
Transfer to Consultancy Reserve	(427)	3,648	(427)	(142)
	4,463	557	4,524	4,120
Balance at 31 July	4,463	(142)	4,524	4,120
		4,063		
<b>Revaluation Reserve</b>				
Balance at 1 August	84		84	6
Appreciation of Investments	224		224	78
	308	6	308	84
Balance at 31 July	308	78	308	84
<b>Total Reserves</b>	5,869	84	5,930	4,875
		4,818		

# Napier University

## Notes to the 1997–98 Accounts

### 21. Napier University Ventures Limited

Napier University Ventures Limited, a company limited by guarantee, is not a legal subsidiary of the University. However as the University exercises a dominant influence, it is treated as a subsidiary for financial reporting.

The Company's Profit and Loss Account is detailed below:

	1997–98 £000s	1996–97 £000s
<b>Turnover</b>	4,611	3,786
Consultancy Expenses	3,438	3,056
	<hr/>	<hr/>
<b>Gross Profit</b>	1,173	730
Administrative Expenses	285	308
	<hr/>	<hr/>
<b>Operating Profit</b>	888	422
Interest Receivable	80	61
	<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	968	483
Deed of Covenant to Napier University	996	525
	<hr/>	<hr/>
<b>Loss for year</b>	(28)	(42)
	<hr/>	<hr/>

Loss for the year is stated after charging:

Auditors' Remuneration	6	6
Depreciation	27	58
Operating Lease Rentals	1	4

Turnover of £4,611,000 is included in Note 4. Expenditure of £3,723,000 is included in Note 8.

# Napier University

## Notes to the 1997–98 Accounts

	1997–98 £000s	1996–97 £000s
<b>22. Reconciliation of Surplus to Net Cash Flow from Operating Activities</b>		
Surplus	827	557
Depreciation of Tangible Fixed Assets	1,578	1,669
Deferred Capital Grants Released to Income	(2,805)	(2,404)
Investment Income	(324)	(268)
Interest Payable	13	20
Write down value of Investments	33	-
Gain on Sale of Tangible Fixed Assets	(147)	-
Gain on Realisation of Investments	(5)	-
(Increase)/Decrease in Stocks	21	(2)
Increase in Debtors	(100)	(791)
Increase/(Decrease) in Creditors	879	(350)
Increase in Loan	10	8
Increase/(Decrease) in Provisions	1,360	(25)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,340</b>	<b>(1,586)</b>
	<hr/>	<hr/>

### 23. Analysis of Net Funds

	Opening £000s	Cash Flow £000s	Other £000s	Closing £000s
Cash	1,827	3,341	-	5,168
Long-Term Loans	(190)	-	(10)	(200)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,637	3,341	(10)	4,968
	<hr/>	<hr/>	<hr/>	<hr/>

### 24. Reconciliation of Net Cash Flow to Movement in Net Funds

	1997–98 £000s	1996–97 £000s
Increase/(Decrease) in Cash	3,341	(2,354)
Cash Inflow from Increase in Debt	-	-
	<hr/>	<hr/>
Change in Net Funds Arising from Cash Flows	3,341	(2,354)
Additional Accrual to Loan	(10)	(8)
	<hr/>	<hr/>
Movement in Net Funds	3,331	(2,362)
Net Funds at 1 August 1997	1,637	3,999
	<hr/>	<hr/>
Net Funds at 31 July 1998	4,968	1,637
	<hr/>	<hr/>

# Napier University

## Notes to the 1997–98 Accounts

	1997–98 £000s	1996–97 £000s
<b>25. Lease Obligations</b>		
The commitments under non-cancellable operating leases are as follows		
Operating leases which expire		
– within one year	-	10
– between two and five years	-	-
	<u>          </u>	<u>          </u>
	-	10
	<u>          </u>	<u>          </u>