

NAPIER UNIVERSITY

ACCOUNTS FOR THE YEAR TO 31 JULY 1999

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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	G C Webber BA DPhil MBA
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

Court Membership

The following persons served as members of Court during the year to 31 July 1999. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

	Date of Appointment	Date of Retirement	Category
Mr T N Aitchison			Non-Executive
Mr K Aitken	October 1998		Non-Executive
Mrs A Brobbel			Non-Executive
Mr D Campbell	June 1999		Staff
Mr A Cubie (Vice-Chairman from January 1999)			Non-Executive
Dr T M Crawford			Non-Executive
Hon Lord Cullen			Non-Executive
Mr A Fleming			Non-Executive
Miss M Greenwood			Non-Executive
Mrs M Jeffcoat			Non-Executive
Mr D I Johnston		March 1999	Staff
Mr D MacDonald	June 1999		Non-Executive
Mr P Mackay			Non-Executive
Mr T McKay			Staff
Mr D McLellan	October 1998	June 1999	Student
Mr R Maiden		December 1998	Non-Executive
Professor J Mavor			<i>Ex Officio</i>
Sir Ronald Miller (Chairman)			Non-Executive
Mr R O S Miller		June 1999	Non-Executive
Mr J Owens		December 1998	Non-Executive
Lady Rifkind			Non-Executive
Mr D Roberts	October 1998	June 1999	Student
Mr B E Sealey (Vice-Chairman)		December 1998	Non-Executive
Lord Sanderson of Bowden			Chancellor's Assessor
Professor A Sibbald			Staff
Professor M Thorne			<i>Ex Officio</i>
Mr D Wise			Graduates' Association
Mrs S Watson			Staff
Mr M Walker	March 1999		Non-Executive
Mr P Wilson	June 1999		Non-Executive

Napier University

Report by the Chairman of Court

Scope of the Accounts

The Accounts for the year ended 31 July 1999 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 has adopted early implementation of the draft Statement of Recommended Practice: Further and Higher Education Institutions in that Deferred Capital Grants are shown as part of Total Funds in the Balance Sheet. This adoption reflects a more realistic presentation of Total Net Assets and best represents the University's financial position.

The University's interest in its subsidiary can be found on page 27 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 University's total income increased by £0.7m (1.2 per cent) compared with the previous year a substantial proportion of which has arisen as a result of changes to the funding methods of the Scottish Higher Education Funding Council. This has also resulted in a corresponding drop in Academic Fees. Staff Costs and Other Operating Expenditure have been well controlled with staffing only increasing by £0.9m (2.5 per cent) in comparison to the previous year. Other Operating Expenditure includes again a pension provision for early retirement which this year amounted to £1.5m. The surplus is higher than the previous year and the University will continue to strive to attain substantial surpluses to generate cash for our Estates Strategy.

Balance Sheet

The Balance Sheet continues to strengthen with greater liquidity to meet foreseeable requirements now being attained. Expenditure on Fixed Assets was £1.95m which is an increase on the previous year. With only a small loan of £0.2m through its subsidiary, Napier University Ventures Limited, the University does not have any borrowings.

Future Developments

The University has comprehensively reviewed its Estates Strategy recently. It is likely that there will be sizeable capital expenditure over the next 5-10 years. This may result in the University taking on loans to fund this activity. There is now a strong balance sheet and the University would only embark on this expenditure in the full knowledge that it would improve its academic and commercial facilities without weakening its financial position.

The University systems have been reviewed and over the next two years new or upgraded systems for student records, personnel and payroll will be implemented.

Year 2000

With the Millennium fast approaching the University believes that it has carried out appropriate reviews to its systems, non-financial as well as financial, to establish the impact, if any that the year 2000 will have on the accuracy of its calculations, processing and reporting. It has developed plans to enhance its computer and other systems, that when implemented should ensure that the impact of the year 2000 will not create significant errors in accounting records or adversely impact on operations or operational activities.

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 functions as a Nominations Committee which 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. Court members receive no remuneration for their service on the Court or Court Committees.

The Audit Committee consists entirely of non-executive members of the Court. The Audit Committee meets at least four 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 1999

We have audited the Accounts on pages 11 to 28 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 1999 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 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

Ernst & Young
Registered Auditors
Edinburgh

6 December 1999

Napier University

Statement of Principal Accounting Policies

Year to 31 July 1999

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 and applicable accounting standards. The University has adopted early implementation of the draft Statement of Recommended Practice: Further and Higher Education Institutions in that Deferred Capital Grants are shown as part of Total Funds in the Balance Sheet. This adoption gives a more realistic presentation of the Total Net Assets and best represents the University's financial position.

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 Pension Scheme (Scotland) Regulations 1998.

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 1999. 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 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 or service 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.

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 1999

	Notes	1998-99 £000s	1997-98 £000s
Income			
Funding Council Grants	1	29,785	26,989
Academic Fees	2	10,381	11,627
Research Grants and Contracts	3	2,899	2,626
Other Operating Income	4	16,409	17,568
Endowment Income and Interest Receivable	5	430	334
Total Income		<u>59,904</u>	<u>59,144</u>
Expenditure			
Staff Costs	6	36,979	36,077
Depreciation	8	1,691	1,578
Other Operating Expenditure	7	19,683	20,649
Interest Payable		-	13
Total Expenditure	8	<u>58,353</u>	<u>58,317</u>
Surplus		<u>1,551</u>	<u>827</u>

Areas shaded throughout these Accounts denote that the figures have been consolidated with those of the University's subsidiary.

Napier University
Consolidated Balance Sheet
At 31 July 1999

	Notes	1999 £000s	1998 £000s
Fixed Assets			
Tangible Fixed Assets	10	38,274	38,096
Investments	11	1,655	1,511
		39,929	39,607
Endowment Asset Investments	12	204	191
Current Assets			
Stocks	13	39	51
Debtors	14	3,211	2,992
Cash at Bank and in Hand		7,881	5,168
		11,131	8,211
Creditors due within one year	15	9,108	7,960
Net Current Assets		2,023	251
Total Assets less Current Liabilities		42,156	40,049
	16	(394)	(380)
Creditors due after more than one year	17	(6,386)	(5,088)
Provisions for Liabilities and Charges		35,376	34,581
Total Net Assets	18	27,608	28,521
Represented by:	19	204	191
	20	7,564	5,869
Deferred Capital Grants		35,376	34,581
Endowment Funds		35,376	34,581
Reserves		35,376	34,581
Total Funds		35,376	34,581

The Accounts on pages 8 to 28 were approved by the University Court on 6 December 1999 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 1999

	Notes	1999 £000s	1998 £000s
Fixed Assets			
Tangible Fixed Assets	10	38,165	37,977
Investments	11	1,655	1,511
		<hr/>	<hr/>
		39,820	39,488
Endowment Asset Investments	12	204	191
Current Assets			
Stocks	13	39	51
Debtors	14	2,978	2,961
Cash at Bank and in Hand		6,963	4,205
		<hr/>	<hr/>
		9,980	7,217
Creditors due within one year	15	7,968	7,001
		<hr/>	<hr/>
Net Current Assets		2,012	216
		<hr/>	<hr/>
Total Assets less Current Liabilities		42,036	39,895
	16	(194)	(180)
Creditors due after more than one year	17	(6,386)	(5,088)
		<hr/>	<hr/>
Provisions for Liabilities and Charges		35,456	34,627
		<hr/>	<hr/>
Total Net Assets			
Represented by:	18	27,596	28,506
	19	204	191
	20	7,656	5,930
		<hr/>	<hr/>
Deferred Capital Grants			
Endowment Funds		35,456	34,627
Reserves			
		<hr/>	<hr/>
Total Funds			

Napier University
Consolidated Cash Flow Statement
Year to 31 July 1999

	Notes	1999 £000s	1998 £000s
Net cash inflow from operating activities	22	3,719	1,340
Returns on investment and servicing of finance			
	11	13	
Income from Endowments	426	310	
Other Interest Received	-	(13)	
Interest Paid	42	54	
Investment Income Received		<u> </u>	
		479	364
Net cash inflow from returns on investment and servicing of finance			
Investing activities			
Payments to Acquire Tangible Fixed Assets	(1,949)	(1,362)	
Receipts from Sale of Tangible Fixed Assets	210	239	
Payments to Acquire Investments	-	(20)	
Realisation of Investments	-	175	
Deferred Capital Grants Received	253	2,604	
Endowments Received	1	1	
		<u>(1,485)</u>	<u>1,637</u>
Net cash inflow/(outflow) from investing activities			3,341
Net cash inflow before financing		2,713	
		-	-
Net cash inflow from financing	23/24	<u> </u>	<u>3,341</u>
Increase in cash		<u>2,713</u>	<u> </u>

Statement of Consolidated Total Recognised Gains and Losses

Surplus	1,551	827
Appreciation of Endowment Asset Investments	5	23
Appreciation of Fixed Asset Investments	144	224
Endowment Income retained for year	7	(11)
New Endowments	1	1
	<u> </u>	<u> </u>
	1,708	1,064
	<u> </u>	<u> </u>

Napier University

Notes to the 1998-99 Accounts

	1998-99 £000s	1997-98 £000s
1. Scottish Higher Education Funding Council Grants		
Recurrent Grant	28,328	24,101
Specific Grants	376	167
Released from Deferred Capital Grants	530	529
- Buildings	551	2,192
- Equipment		
	<u>29,785</u>	<u>26,989</u>
2. Academic Fees		
Home/EU	6,792	8,667
Overseas	1,545	1,304
Part-Time	2,007	1,609
Examination Fees	37	47
	<u>10,381</u>	<u>11,627</u>
3. Research Grants and Contracts		
Grants (SHEFC)	854	1,019
Contracts	2,045	1,607
	<u>2,899</u>	<u>2,626</u>
4. Other Operating Income		
Consultancy and Fee Income	3,038	4,026
Residences and Catering	3,569	3,749
Other Services Rendered	8,883	8,558
Released from Deferred Capital Grants	85	84
Other Income	834	1,151
	<u>16,409</u>	<u>17,568</u>

Napier University

Notes to the 1998-99 Accounts

	1998-99 £000s	1997-98 £000s
5. Endowment Income and Interest Receivable		
Transferred from Specific Endowments	4	24
Other Interest Receivable	426	310
	<u>430</u>	<u>334</u>
6. Staff Costs		
Wages and Salaries	32,168	31,659
Social Security Costs	2,432	2,379
Pension Costs	2,379	2,039
	<u>36,979</u>	<u>36,077</u>
Emoluments of the Vice-Chancellor	<u>128</u>	<u>120</u>

The emoluments of the Vice-Chancellor are shown on the same basis as for other higher paid staff. The Vice-Chancellor's emoluments are settled by the Remuneration Committee. These emoluments contain an element of performance related pay. The University's pension contributions to STSS are paid at the same rates as for other academic staff, and amounted to £6,041 (1997-98 - £5,952).

Average Staff Numbers by Major Category:	1998-99 Number	1997-98 Number
Academic	554	582
Administrative/Clerical	543	528
Technical	161	168
Manual	185	188
Research	76	85
	<u>1,519</u>	<u>1,551</u>
Remuneration of higher paid staff, excluding employer's pension contributions:		
£50,000 - £59,999	6	7
£60,000 - £69,999	3	1
£70,000 - £79,999	-	-
£80,000 - £89,999	1	1
£90,000 - £99,999	1	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£120,000 - £129,999	1	1

Napier University

Notes to the 1998-99 Accounts

	1998-99 £000s	1997-98 £000s
7. Other Operating Expenditure		
Supplies and Maintenance	4,775	4,965
Residences and Catering	2,926	2,946
Napier University Ventures Limited	2,609	3,207
Property Maintenance	936	933
Other Expenses	1,264	938
Heat, Light and Power	908	993
Rent, Rates and Insurance	1,005	1,063
Early Retirement	1,746	1,947
Library Books and Services	599	591
Conferences and Hospitality	1,013	1,197
Postages and Telephone	544	558
Travel	248	238
Students' Association	278	275
Fees	95	102
Recruitment Costs	245	246
Advertising	304	190
Transport	161	235
Audit Fees	27	25
	19,683	20,649
	19,683	20,649

8. Analysis of 1998-99 Expenditure by Activity

	Staff Costs £000s	Depreciati on £000s	Other Operating Expenditur e £000s	Interes t Payable £000s	Total £000s
Academic Departments	23,989	379	3,998	-	28,366
Academic Services	4,191	299	2,100	-	6,590
Central Administration	5,119	26	2,167	-	7,312
Property	715	814	2,929	-	4,458
Research Grants and Contracts	1,858	24	1,344	-	3,226
Residences and Catering	589	125	2,986	-	3,700
Consultancy Expenditure	518	24	2,135	-	2,677
Other Expenditure	-	-	2,024	-	2,024
	36,979	1,691	19,683	-	58,353
	36,979	1,691	19,683	-	58,353

The Depreciation charge has been funded as follows:

Released from Deferred Capital	1,132
Grants	559
General Income	-
	1,691
	1,691

Napier University

Notes to the 1998-99 Accounts

9. Residences and Catering Operations

	Residences ← 1998-99 → £000s	Catering 1998-99 £000s	Total → £000s	Residences ← 1997-98 → £000s	Catering 1997-98 £000s	Total → £000s
Income	2,372	1,197	3,569	2,480	1,269	3,749
Cost of Goods Sold	-	526	526	-	564	564
Gross Profit	<u>2,372</u>	<u>671</u>	<u>3,043</u>	<u>2,480</u>	<u>705</u>	<u>3,185</u>
Remuneration Costs	76	513	<u>589</u>	124	<u>569</u>	<u>693</u>
Depreciation	124	1	<u>125</u>	122	2	<u>124</u>
Other Costs	<u>2,305</u>	<u>155</u>	<u>2,460</u>	<u>2,302</u>	<u>140</u>	<u>2,442</u>
	2,505	669	<u>3,174</u>	2,548	711	<u>3,259</u>
Surplus/ (Deficit)	<u>(133)</u>	<u>2</u>	<u>(131)</u>	<u>(68)</u>	<u>(6)</u>	<u>(74)</u>
Catering Gross Profit		56.1%			55.6%	

Napier University

Notes to the 1998-99 Accounts

10. Tangible Fixed Assets - Consolidated	Land and Buildings £000s	Equipment £000s	1999 £000s	1998 £000s
Cost				
At 1 August	38,659	5,135	43,794	42,530
Additions	1,025	924	1,949	1,362
Disposals	(87)	(32)	(119)	(98)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	39,597	6,027	45,624	43,794
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August	2,424	3,274	5,698	4,126
Depreciation for the Year	794	897	1,691	1,578
Disposals	(7)	(32)	(39)	(6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	3,211	4,139	7,350	5,698
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 31 July	36,386	1,888	38,274	38,096
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Tangible Fixed Assets - University				
Cost				
At 1 August	38,578	4,519	43,097	41,872
Additions	1,025	910	1,935	1,323
Disposals	(87)	-	(87)	(98)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	39,516	5,429	44,945	43,097
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August	2,417	2,703	5,120	3,575
Depreciation for the Year	792	875	1,667	1,551
Disposals	(7)	-	(7)	(6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	3,202	3,578	6,780	5,120
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value at 31 July	36,314	1,851	38,165	37,977
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 1998-99 Accounts

	Cost £000s	Valuation 1999 £000s	Valuation 1998 £000s
11. Investments			
CVCP Properties - 31,876 Ordinary Shares of £1 each	32	32	32
Scottish Knowledge - 20,000 Ordinary Shares of £1 each	20	20	20
£25,500 2 ^{1/2} % Index-Linked Treasury Stock 2001	46	52	51
£9,700 2 ^{1/2} % Index-Linked Treasury Stock 2003	18	20	19
£93,000 4 ^{3/8} % Index-Linked Treasury Stock 2004	107	123	119
£72,400 2% Index-Linked Treasury Stock 2006	133	170	157
£34,800 2 ^{1/2} % Index-Linked Treasury Stock 2009	57	75	69
£49,700 2 ^{1/2} % Index-Linked Treasury Stock 2011	84	113	105
£81,100 2 ^{1/2} % Index-Linked Treasury Stock 2013	113	155	143
£103,300 2 ^{1/2} % Index-Linked Treasury Stock 2016	154	219	199
£77,300 2 ^{1/2} % Index-Linked Treasury Stock 2020	109	164	147
£137,200 2 ^{1/2} % Index-Linked Treasury Stock 2024	164	253	223
£141,300 4 ^{1/8} % Index-Linked Treasury Stock 2030	166	259	227
* Unlisted Investments	33	-	-
	<u>1,236</u>	<u>1,655</u>	<u>1,511</u>
* Held by Napier University Ventures Limited			
	Cost	Valuation	Valuation
	£	1999	1998
		£	£
12. Endowment Asset Investments			
Fixed Interest Stocks:			
£12,764 12 ^{1/4} % Exchequer Stock 1999	-	-	13,152
£25,000 8% Treasury Stock 2002/2006	24,091	26,472	26,406
£9,547 5 ^{1/2} % Treasury Stock 2008/2012	5,200	9,608	9,513
£5,520 2 ^{1/2} % Index-Linked Treasury Stock 2011	12,764	12,527	-
	<u>42,055</u>	<u>48,607</u>	<u>49,071</u>
Equities:			
1,500 British Telecommunications 25p Ordinary Shares	5,617	16,125	13,305
1,818 Scottish Power 50p Ordinary Shares	6,296	9,417	10,790
306 Hanson £2 Ordinary Shares	3,129	1,689	964
1,000 Land Securities £1 Ordinary Shares	5,823	8,295	8,430
1,000 Glaxo Wellcome 25p Ordinary Shares	6,255	15,920	18,880
1,000 P & O £1 Deferred Stock	6,057	9,990	9,560
1,400 BP Amoco US\$ 0.50 Ordinary Shares	5,848	16,898	11,382
12,500 Fleming Income & Capital Trust 25p Ordinary Shares	9,835	16,313	15,437
	<u>48,860</u>	<u>94,647</u>	<u>88,748</u>
Bank Balances		60,597	51,640
Investment Debtors		630	1,041
		<u>204,481</u>	<u>190,500</u>

Napier University

Notes to the 1998-99 Accounts

	Consolidated		University	
	1999	1998	1999	1998
	£000s	£000s	£000s	£000s
13. Stocks				
Stocks for Resale	29	28	29	28
Other Stocks	10	23	10	23
	39	51	39	51
14. Debtors				
Trade Debtors	1,709	1,604	1,104	1,027
Other Debtors	562	442	559	392
Prepayments and Accrued Income	601	657	550	603
Research	339	289	339	289
Napier University Ventures Limited	-	-	426	650
	3,211	2,992	2,978	2,961
15. Creditors due within one year				
	4,016	3,355	2,522	1,894
Trade Creditors	1,208	1,258	1,149	1,144
Taxation and Social Security	152	194	152	194
Other Creditors	3,199	2,826	3,079	2,767
Accruals and Deferred Income	533	327	533	327
Research	-	-	533	675
Napier University Ventures Limited	9,108	7,960	7,968	7,001

16. Creditors due after more than one year

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.

Accruals	194	180	194	180
Scottish Enterprise Loan	200	200	-	-
	394	380	194	180

Napier University

Notes to the 1998-99 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 £2,379,000. 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 1999, 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 1999. The liabilities will again be revalued by independent actuaries in 2000 and the provision will be revised at that time.

	1999 £000s	1998 £000s
At 1 August	5,088	3,734
Income from Investments	42	54
Early Retirement Pensions	(307)	(266)
Transfer from Income & Expenditure Account	1,563	1,566
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
At 31 July	6,386	5,088
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Napier University

Notes to the 1998-99 Accounts

	SHEFC £000s	Other £000s	Total £000s
18. Deferred Capital Grants - Consolidated			
At 1 August 1998			
Buildings	24,608	2,687	27,295
Equipment	1,211	15	1,226
	<hr/>	<hr/>	<hr/>
	25,819	2,702	28,521
Received during year			
Buildings	40	-	40
Equipment	210	3	213
	<hr/>	<hr/>	<hr/>
	250	3	253
Released to Income & Expenditure Account			
Buildings	530	79	609
Equipment	551	6	557
	<hr/>	<hr/>	<hr/>
	1,081	85	1,166
At 31 July 1999			
Buildings	24,118	2,608	26,726
Equipment	870	12	882
	<hr/>	<hr/>	<hr/>
	24,988	2,620	27,608
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 1998-99 Accounts

	SHEFC £000s	Other £000s	Total £000s
18. Cont'd			
Deferred Capital Grants - University			
At 1 August 1998			
Buildings	24,608	2,687	27,295
Equipment	1,211	-	1,211
	<hr/>	<hr/>	<hr/>
	25,819	2,687	28,506
	<hr/>	<hr/>	<hr/>
Received during year			
Buildings	40	-	40
Equipment	210	-	210
	<hr/>	<hr/>	<hr/>
	250	-	250
	<hr/>	<hr/>	<hr/>
Released to Income & Expenditure Account			
	530	79	609
Buildings	551	-	551
Equipment	<hr/>	<hr/>	<hr/>
	1,081	79	1,160
	<hr/>	<hr/>	<hr/>
At 31 July 1999			
Buildings	24,118	2,608	26,726
Equipment	870	-	870
	<hr/>	<hr/>	<hr/>
	24,988	2,608	27,596
	<hr/>	<hr/>	<hr/>

Napier University

Notes to the 1998-99 Accounts

	Consolidated and University		
	Specific £000s	General £000s	Total £000s
19. Endowment Funds			
At 1 August 1998	191	-	191
Additions	1	-	1
Appreciation of Endowment Asset Investments	5	-	5
Income for Year	11	-	11
Transferred to Income & Expenditure Account	(4)	-	(4)
	<hr/>	<hr/>	<hr/>
At 31 July 1999	204	-	204
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Endowment Funds:	1999 £	1998 £
Clark Bequest - Narrower Range	51,626	49,169
Clark Bequest - Wider Range	106,697	97,892
James Dick Memorial	1,159	1,090
Heriot-Watt College Prize	834	799
Heriot-Watt College Printing Prize	325	305
Heriot-Watt College Frank P Restall	443	416
Blyth & Blyth Service Co Fund	434	423
J B Scott Memorial	300	331
John Napier Memorial	308	289
David McMillan Memorial	196	196
R A Farmer Memorial	891	870
Karen Fretwell Memorial	5,640	5,386
Lloyd's of London Press Prize	302	284
Lothian College of Health Studies - Amenities Fund	1,014	952
Lothian College of Health Studies - Educational Development Fund	25,865	24,296
Lothian College of Health Studies - Marion	7,805	7,802
MacDonald Trust Fund	642	-
Steven Spooner Memorial	<hr/>	<hr/>
	204,481	190,500
	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 1998-99 Accounts

20. Reserves

	Consolidated		University	
	1999 £000s	1998 £000s	1999 £000s	1998 £000s
Consultancy Reserve				
At 1 August	1,098	671	1,098	671
Transfer (to)/from Income & Expenditure Account	(1,098)	427	(1,098)	427
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	-	1,098	-	1,098
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income & Expenditure Account				
At 1 August	4,463		4,524	
Surplus for Year	1,551		1,582	
Transfer (to)/from Consultancy Reserve	1,098	4,063	1,098	4,120
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	7,112	827 (427)	7,204	831 (427)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revaluation Reserve		4,463		4,524
At 1 August	308		308	
Appreciation of Investments	144		144	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	452		452	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		84		84
	7,564	224	7,656	224
Total Reserves	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		308		308
		<u> </u>		<u> </u>
		5,869		5,930
		<u> </u>		<u> </u>

Napier University

Notes to the 1998-99 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:

	1998-99 £000s	1997-98 £000s
Turnover	4,074	4,611
Consultancy Expenses	2,895	3,438
	<hr/>	<hr/>
Gross Profit	1,179	1,173
Administrative Expenses	262	285
	<hr/>	<hr/>
Operating Profit	917	888
Interest Receivable	52	80
	<hr/>	<hr/>
Profit on ordinary activities before taxation	969	968
	1,000	996
Deed of Covenant to Napier University	<hr/>	<hr/>
	(31)	(28)
	<hr/> <hr/>	<hr/> <hr/>
Loss for year		
Loss for the year is stated after charging:	7	6
	24	27
	-	1
Auditors' Remuneration		
Depreciation		
Operating Lease Rentals		

Turnover of £4,074,000 is included in Notes 3 and 4. Expenditure of £3,157,000 is included in Notes 7 and 8.

Napier University

Notes to the 1998-99 Accounts

	1998-99 £000s	1997-98 £000s
22. Reconciliation of Surplus to Net Cash Flow from Operating Activities		
Surplus	1,551	827
Depreciation of Tangible Fixed Assets	1,691	1,578
Deferred Capital Grants Released to Income	(1,166)	(2,805)
Investment Income	(438)	(324)
Interest Payable	-	13
Write down value of Investments	-	33
Gain on Sale of Tangible Fixed Assets	(130)	(147)
Gain on Realisation of Investments	-	(5)
Decrease in Stocks	12	21
Increase in Debtors	(219)	(100)
Increase in Creditors	1,162	879
Increase in Loan	-	10
Increase in Provisions	1,256	1,360
	<hr/>	<hr/>
Net cash inflow from operating activities	3,719	1,340
	<hr/> <hr/>	<hr/> <hr/>

23. Analysis of Net Funds

	Opening £000s	Cash Flow £000s	Closing £000s
Cash	5,168	2,713	7,881
Long-Term Loans	(200)	-	(200)
	<hr/>	<hr/>	<hr/>
	4,968	2,713	7,681
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	1998-99 £000s	1997-98 £000s
Increase in Cash	2,713	3,341
Cash Inflow from Increase in Debt	-	-
	<hr/>	<hr/>
Change in Net Funds Arising from Cash Flows	2,713	3,341
Additional Accrual to Loan	-	(10)
	<hr/>	<hr/>
Movement in Net Funds	2,713	3,331
Net Funds at 1 August	4,968	1,637
	<hr/>	<hr/>
Net Funds at 31 July	7,681	4,968
	<hr/> <hr/>	<hr/> <hr/>