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annual report & accounts

2005/06

NAPIER UNIVERSITY
EDINBURGH

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Napier University

General Information

Chancellor	Vacant
Chairman of Court	Dr A Cubie CBE FRSE LLD (Glasgow) DUniv (Edinburgh) DBA (QMUC) FRCPS (Glasgow) LLB Hons WS
Principal and Vice-Chancellor	Prof J K Stringer CBE BA (Hons) CertEd PhD CCMI FRSA FRSE
Secretary	Dr G C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
Finance Director	E R Gibson
External Auditors	RSM Robson Rhodes LLP Conference House 152 Morrison Street The Exchange Edinburgh EH3 8EB
Internal Auditors	Henderson Loggie 34 Melville Street Edinburgh EH3 7HA
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern WS 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Mercer Human Resource Consulting 45 Waterloo Street Glasgow G2 6HS

Napier University Court Membership

The following persons served as members of Court during the year to 31 July 2006. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

Court Member	Date of Appointment	Date of Retirement	Category
Mr A Anderson			Non-Executive (A)
Professor G C Borthwick			Non-Executive (R)
Mr C Bryce		31 March 2006	Staff
Dr J Boyle			Non-Executive (F)
Dr L Burley			Non-Executive (F)
Mr D Campbell			Staff
Mrs A Crawford			Non-Executive
Dr A Cubie (Chairman)			Non-Executive (F,R)
Dr P Easy	12 September 2005		Vice Principal
Dr T Fernandes			Staff
Mr G Garvie			Non-Executive (A)
Ms M Greenwood		31 July 2006	Non-Executive (F)
Mr H Hall			Non-Executive (A)
Dr K Lyall		12 December 2005	Non-Executive (F)
Mr P Marshall		31 July 2006	Student
Mr B Naylor			Non-Executive
Dr J Rees	29 May 2006		Staff
Ms S Snell	1 August 2005	31 July 2006	Student
Ms M Stephenson			Non-Executive (F)
Professor P Strike	1 August 2005		Vice-Principal (F)
Professor J K Stringer			Principal & Vice-Chancellor (F)
Ms E Thomson			Non-Executive
Mr D Wise		31 July 2006	Graduates' Association
Mr P Wilson			Non-Executive (A, R)
Mr H Wollman			Staff

- (A) Member of Audit Committee
(F) Member of Finance & Commercialisation Committee
(R) Member of Remuneration Committee

Napier University

Report by the Chairman of Court

The University

The Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of governing Napier University. The University is an exempt charity for the purposes of the Charities Act 1993 (No.SC018373). A copy of these Accounts can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

Scope of the Accounts

The Accounts for the year ended 31 July 2006, comprising the results of the University and those of its subsidiary undertakings, are presented in a revised format that incorporates changes in presentation and revised disclosure requirements. They are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the accounting requirements of the Scottish Funding Council.

The most significant change relates to the full implementation of Financial Reporting Standard 17 relating to the accounting for pension fund deficits. The effect is to show the University's liability in respect of the deficit on the Local Government Pension Scheme administered by the City of Edinburgh Council on the face of the Balance Sheet for the first time rather than as a note to the Accounts. The 2004/05 figures have also been restated for comparison. The revised accounting policy is described in No 6 of the Principal Accounting Policies set out on page 12 and details of the relevant calculations are included in Note 7 to the Accounts.

Results of the Year

The Consolidated Income and Expenditure Account is presented on page 15 of the Accounts. The University is pleased to be able to report an exceptional surplus of over £8.1m. This includes £2.9m relating to adjustments in connection with the Pension Reserves and Provisions. The operating surplus excluding these adjustments was £5.2m, which demonstrates the University's continuing commitment to ensuring the financial sustainability of its activities thereby creating the environment necessary to support the key strategic goal of being widely regarded as "The Best Modern University in Scotland" by 2010.

Total income has increased by £4.0m or 5.2%, whilst total operating expenditure has decreased by £1.4m, or 1.9%. Within this total Staff Costs have increased by £2.1m, or 4.5% with over £0.3m of this increase attributable to higher Pension Scheme costs. Staff Restructuring Costs increased by £0.4m as a result of progressing changes to the senior management and the academic structures within the University. Other Operating Expenditure decreased by £3.5m.

Balance Sheet

Notwithstanding the inclusion of the Pension Fund liability, the Balance Sheet remains strong with total net funds of around £40m. Cash at bank and in hand of £9m is after repaying all of the outstanding loans of £7.5m during the year. In addition to continuing investment in the estate and facilities of the University, around £1m was invested in the development of a Screen Academy Scotland in collaboration with Edinburgh College of Art and funding support from Skillset, Scottish Screen and Industry sponsorship. The Academy was formally opened in September 2006.

Creditors Payment Policy

It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. As at 31 July 2006, the University had an average of 25 days purchases outstanding in trade creditors. The amount of interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

Future Developments

Following an extensive review of the Estate Strategy, which was concluded during the year, the University Court at its meeting on 23 October 2006 approved a summary business case and authorised the University Executive to develop a stage D design consistent with the strategy. This will result in a major investment in the quality of the estate and the facilities available to students and staff.

In partnership with the trade unions the University has also progressed the development of revised pay and grading structures under the national Framework Agreement together with a range of other HR modernisation issues. Subject to formal agreement they will be brought into effect from 1 August 2006.

Disabled Employees

The University gives equal consideration to all applications for employment regardless of disability, and where a candidate with a disability is the best person for the job, full consideration is given to what reasonable adjustments are necessary to ensure the requirements of the job can be adequately fulfilled.

Where existing employees become disabled it is the University's policy, wherever practicable, to support employees in continuing employment by making appropriate adjustments where necessary. Members of staff who have a disability are employed under the same terms and conditions as their able-bodied colleagues and the University provides training, career development and promotion opportunities to all staff, regardless of their disability wherever appropriate.

Dr Andrew Cubie, CBE
Chairman of Court

11 December 2006

Introduction

Napier University is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998 and subsequent relevant codes. Such reference is to help the reader of the financial statements of the University understand how the principles have been applied.

Statement of full Combined Code Compliance

In the opinion of the Governors, the University complies with all the provisions of the Combined Code and other subsequent relevant codes in so far as they apply to the higher education sector, and it has so complied throughout the year ended 31 July 2006. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen in November 2004. The University is fully compliant with this Code and, following the completion of a review of governance in 2005, has taken steps to ensure that a maximum membership of 25 (as suggested by the Code) is now in place.

Governing Body

The University Court meets four times a year and has a committee structure through which it conducts its business. Each committee has formally constituted terms of reference. These committees include: a Finance & Commercialisation Committee, a Nominations Committee, a Remuneration Committee and an Audit Committee.

The Finance & Commercialisation Committee, in its range of responsibilities recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Nominations Committee considers nominations for vacancies in the Governing Body membership including those from public advertisement. The University has a responsibility to ensure that a process is in place to ensure appropriate training is given to Governing Body members as required.

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2006 are set out in note 6 to the financial statements.

The Audit Committee meets four times a year, with the University's external and internal auditors in attendance. The Audit Committee advises the Court on the appointment of the internal and external auditors and the auditors' remuneration.

The University's internal auditors monitor the systems on internal control, risk management controls and governance processes in accordance with an agreed plan, and reports their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Audit Committee considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers relevant reports from the Scottish Funding Council (the SFC) as they affect the University's business and monitors adherence to the regulatory requirements.

Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the committee and once a year the committee meets the external auditors on their own for independent discussions.

Corporate Strategy

In respect of its strategic and development responsibilities, the Governing Body receives recommendations and advice from its senior executives. The Governing Body and the senior management team hold an annual residential conference to discuss strategic issues facing the University.

Governing Body Statement on Internal Control

The University's Governing Body is ultimately responsible for the University's system of internal control and as accountable officer to the SFC the Principal is responsible for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit and health, safety and environmental monitoring functions, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Governing Body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2006 meeting the Governing Body received the annual report from the Audit Committee covering the period to 30 November 2006. At its March 2006 meeting, the Governing Body considered the annual risk assessment for the year by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2005.

The Governing Body is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2006 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body and accords with current good practice of governance in the higher education sector of the U.K.

Going Concern

The Governing Body considers that the University has adequate resources to continue in operational existence for the foreseeable future.

On behalf of the University Court
Dr Andrew Cubie, CBE, Chairman of Court

11 December 2006

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 including ensuring an effective system of internal control and is required to present audited Accounts for each financial year. The Court, however, secures that its functions relating to the organisation and management of the University are discharged by the Principal and Vice-Chancellor and subject thereto may delegate such other of its functions and powers as the Court may from time to time determine. In discharging such functions, the Principal and Vice-Chancellor is subject to the strategic direction and control of the Court, but otherwise the Principal and Vice-Chancellor has all the powers and duties of the Court in relation to the implementation of such strategy.

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 for Further and Higher Education Institutions and other relevant standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Funding Council (SFC) 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 its 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 is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Accounts.

The Court has taken reasonable steps to:

- ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the SFC 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

Responsibilities of the University Court

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, Senior Managers and Heads of Schools and Services;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks;
- periodic reviews of financial results involving variance reporting and periodic updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court;
- comprehensive Financial Procedures and Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and Commercialisation Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court and whose head provides the Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

On behalf of the University Court
Dr Andrew Cubie, CBE, Chairman of Court

11 December 2006

Napier University

Independent Auditors' Report to the Court of Napier University

We have audited the financial statements of Napier University for the year ended 31 July 2006, which comprise the income and expenditure account, the balance sheet, the cashflow statement, the statement of recognised gains and losses and the related notes.

This report is made solely to the University Court. Our audit work has been undertaken so that we might state to the Court those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University's Court, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Court and auditors

The University's Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education institutions, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as described in the statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions. We also report to you whether, in our opinion, in all material respects income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied for the purposes for which they were received and whether income has been applied in accordance with the University's financial memorandum with the Scottish Funding Council and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Report by the Chairman of the Court is not consistent with the financial statements, if the University has not kept proper accounting records, if the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report by the Chairman of the Court and the Corporate Governance Statement.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Scottish Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Court in the preparation of the financial statements and of whether the accounting policies are appropriate to the University's circumstances, 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 us reasonable assurance that the financial statements 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 financial statements.

Napier University

Independent Auditors' Report to the Court of Napier University

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2006 and of its surplus for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education Institutions;
- in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- in all material respects, funds provided by the Scottish Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2006.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Edinburgh

14 December 2006

1 Basis of Preparation and Accounting

The Accounts have been prepared under the historical cost convention, modified by the revaluation of investments and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable accounting standards. They conform to guidance published by the Scottish Funding Council (SFC).

2 Basis of Consolidation

The Consolidated Accounts consolidate the Accounts of the University and all its subsidiary undertakings in accordance with the provisions of Financial Reporting Standard No 2. In accordance with FRS2, the activities of the Students' Union have not been consolidated because the University does not exercise control over these activities.

3 Recognition of Income

Recurrent grants from SFC and Scottish Executive are recognised in the period in which they are receivable. 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. All income from short-term deposits is credited to the Income & Expenditure Account in the period in which it is earned.

4 Maintenance of Premises

The University has a ten year rolling maintenance plan that is reviewed on an annual basis. The cost of long-term and routine corrective maintenance is charged to the Income & Expenditure Account as it is incurred.

5 Foreign Currency Translations

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6 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 join the STSS, whilst the LGPS provides similar benefits for other employees of the University. Both schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension Scheme.

Contributions to the STSS are charged to the income and expenditure so as to spread the cost of pensions over the period during which the University benefits from the employee's services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making allowances for future withdrawals. The contributions are determined by the Trustees on the basis of advice provided by qualified actuaries.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

6 Pension Schemes (contd)

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet based on changes in the annual actuarial valuation conducted by the University's actuaries.

7 Tangible Fixed Assets

a. Land and Buildings

The University's 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 land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Certain items of infrastructure, including wiring and heating installations, are depreciated over their expected useful life of 25 years.

b. 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 at cost. Capitalised equipment is stated at cost and is depreciated over its useful economic life as follows:

Non-Computer Equipment	– 10 years
Computer Equipment	– 3 years
Research equipment	– 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 in accordance with the above policy. The related grants are treated as deferred capital grants and released to income over the expected useful economic life of the related equipment.

8 Leases

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

9 Investments

Investments and Endowment Assets Investments are included in the Balance Sheet at valuation. Where investments are not listed on a recognised stock exchange they are carried at historical cost less any provision for impairment in their value.

Napier University

Statement of Principal Accounting Policies - Year to 31 July 2006

10 Stocks

Stocks are valued at the lower of cost or net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks. No account is taken of stocks held in academic or service departments.

11 Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 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. The University receives no similar exemption in respect of Value Added Tax which is charged to the Income & Expenditure Account.

12 Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

13 Liquid Resources

Liquid resources comprise government securities and short-term deposits with recognised banks and building societies.

Napier University
Consolidated Income & Expenditure Account - Year to 31 July 2006

	Notes	2006 £000	Restated 2005 £000
Income			
Scottish Higher Education Funding Council Grants	1	40,390	38,586
Tuition Fees and Education Contracts	2	26,440	25,220
Research Contracts	3	2,321	2,708
Other Operating Income	4	11,549	10,193
Endowment and Investment Income	5	651	595
Total Income		81,351	77,302
Expenditure			
Staff Costs	6	48,381	46,309
Staff Restructuring Costs	9	495	117
Other Operating Expenditure	8	21,217	24,762
Depreciation	9	2,812	2,719
Interest and Other Finance Costs	10	319	732
Total Expenditure	9	73,224	74,639
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets		8,127	2,663
Gain on Disposal of Tangible Fixed Assets		-	1,745
Surplus on Continuing Operations after Depreciation of Assets and Disposal of Assets		8,127	4,408
Transfer to Accumulated Income within Specific Endowments		(16)	(6)
Surplus for the Year retained within General Reserves		8,111	4,402

The Income & Expenditure account is in respect of continuing activities.

Napier University
Statement of Consolidated Total Recognised Gains and Losses

	2006 £000	Restated 2005 £000
Surplus on Continuing Operations after Depreciation of Assets and Disposal of Assets	8,127	4,408
Appreciation / (Amortisation) of Fixed Asset Investments	(4)	104
Appreciation of Endowment Asset Investments	10	38
Gain on Disposal of Endowment Asset Investments	-	2
Actuarial Loss in respect of Pension Scheme	(261)	(3,541)
	<hr/>	<hr/>
Total Recognised Gains for the Year	7,872	1,011
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
Opening Reserves and Endowments as previously stated	8,891	19,384
Prior Year Adjustment	-	(11,373)
	<hr/>	<hr/>
Opening Reserves and Endowments as restated	8,891	8,011
Reallocation of Reserves to Deferred Income on Consolidation	(384)	(131)
Total Recognised Gains for the Year	7,872	1,011
	<hr/>	<hr/>
Closing Reserves and Endowments	16,379	8,891
	<hr/> <hr/>	<hr/> <hr/>

Prior Year Adjustment

The University has adopted FRS 17 in full in these financial statements. The full adoption of FRS 17 has had the following impact upon the accounts.

The impact of the prior year adjustment on the net assets at 31 July 2005 represents the inclusion of the FRS 17 liability of £11,373,000. The impact of the prior year adjustment on the Income and Expenditure Account for the year ended 31 July 2005 represents a reversal of the SSAP 24 net pension charge of £2,677,000 and the inclusion of a net pension cost under FRS 17 of £2,552,000.

Napier University
Balance Sheets - At 31 July 2006

	Notes	Consolidated		University	
		2006 £000	Restated 2005 £000	2006 £000	Restated 2005 £000
Fixed Assets					
Tangible Fixed Assets	12	58,805	58,730	61,938	62,013
Investments	13	1,828	2,217	1,572	1,703
		<u>60,633</u>	<u>60,947</u>	<u>63,510</u>	<u>63,716</u>
Endowment Asset Investments	14	497	471	265	247
Current Assets					
Stocks	15	38	30	38	30
Debtors	16	13,829	12,527	6,155	8,801
Cash at Bank and in Hand		9,070	10,018	12,478	2,011
		<u>22,937</u>	<u>22,575</u>	<u>18,671</u>	<u>10,842</u>
Creditors: Amounts Falling Due Within One Year	17	16,961	22,939	13,535	11,287
		<u>5,976</u>	<u>(364)</u>	<u>5,136</u>	<u>(445)</u>
Total Assets less Current Liabilities		67,106	61,054	68,911	63,518
Provisions for Liabilities and Charges	18	(11,928)	(14,803)	(11,928)	(14,803)
		<u>55,178</u>	<u>46,251</u>	<u>56,983</u>	<u>48,715</u>
Total Net Assets excluding Pension Liability		55,178	46,251	56,983	48,715
Pension Liability		(15,143)	(14,963)	(15,143)	(14,963)
		<u>40,035</u>	<u>31,288</u>	<u>41,840</u>	<u>33,752</u>
NET ASSETS		<u>40,035</u>	<u>31,288</u>	<u>41,840</u>	<u>33,752</u>
Deferred Capital Grants	19	23,656	22,397	23,656	22,397
Endowment Funds	20	497	471	265	247
Revaluation Reserve	21	692	696	692	691
General Reserve excluding Pension Reserve		30,333	22,687	32,370	25,380
Pension Reserve		(15,143)	(14,963)	(15,143)	(14,963)
		<u>15,190</u>	<u>7,724</u>	<u>17,227</u>	<u>10,417</u>
General Reserve including Pension Reserve	22	15,190	7,724	17,227	10,417
		<u>40,035</u>	<u>31,288</u>	<u>41,840</u>	<u>33,752</u>
TOTAL FUNDS		<u>40,035</u>	<u>31,288</u>	<u>41,840</u>	<u>33,752</u>

The Accounts on pages 12 to 40 were approved by the University Court on 11 December 2006 and were signed on its behalf by:

Napier University
Consolidated Cash Flow Statement - Year to 31 July 2006

	Notes	2006 £000	2005 £000
Cash Flow from Operating Activities	24	6,614	6,027
Returns on Investment and Servicing of Finance	25	307	2
Capital Expenditure and Financial Investment	26	(360)	(962)
Management of Liquid Resources	27	(9)	5
Financing	28	(7,500)	250
		_____	_____
Increase / (Decrease) in cash in the Year	29	(948)	5,322
		=====	=====
 Reconciliation of Net Cash Flow to Movements in Net Funds / (Debt)			
Increase / (Decrease) in Cash in the Year		(948)	5,322
Cash Inflow / (Outflow) from (Increase) / Decrease in Debt		7,500	(250)
		_____	_____
Movement in Net Funds		6,552	5,072
Net Funds / (Debt) at 1 August		2,518	(2,554)
		_____	_____
Net Funds at 31 July		9,070	2,518
		=====	=====

Napier University
Notes to the 2005-2006 Accounts

	2006 £000	2005 £000
1 Scottish Higher Education Funding Council Grants		
Recurrent Teaching Grant	35,017	34,107
Funding for Increased STSS Contributions	861	834
Research Grant	2,332	2,152
Other Grants	1,344	901
Released from Deferred Capital Grants	658	413
- Buildings	178	179
- Equipment		
	<u>40,390</u>	<u>38,586</u>
2 Tuition Fees and Education Contracts		
UK and EU Fees	9,676	9,992
Non EU Fees	7,411	6,211
Non Credit Bearing Course Fees	338	356
Education Contracts	9,015	8,661
	<u>26,440</u>	<u>25,220</u>
3 Research Grants and Contracts		
Research Councils	300	449
UK Based Charities	381	285
European Commission	406	217
UK Industry, Commerce and Public Bodies	68	639
UK Government, Health and Hospital Authorities	932	1,024
Other Grants and Contracts	234	94
	<u>2,321</u>	<u>2,708</u>
4 Other Operating Income		
Consultancy and Fee Income	1,947	1,739
Residences and Catering	4,681	4,204
Other Services Rendered	3,823	2,840
Released from Deferred Capital Grants	65	53
Other Income	1,033	1,357
	<u>11,549</u>	<u>10,193</u>

Napier University
Notes to the 2005-06 Accounts

	2006	2005
	£000	£000
5 Endowment and Investment Income		
Income from Specific Endowments	25	10
Other Interest Receivable	595	585
Net Pension Credit (Note 7)	31	-
	<u>651</u>	<u>595</u>

6 Staff Costs		
Wages and Salaries	40,104	38,497
Social Security Costs	3,130	3,006
Pension Costs	5,147	4,806
	<u>48,381</u>	<u>46,309</u>

The above Staff Costs include amounts payable to the Vice-Chancellor of:

Salary	160	148
Benefits in kind	1	1
	<u>161</u>	<u>149</u>
Pension Contributions	<u>22</u>	<u>19</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. The University's pension contributions to STSS are paid at the same rates as for other academic staff.

The average monthly number of persons, including senior post holders, employed by the University during the year, expressed as full-time equivalents, was:

	2006	2005
	Number	Number
Academic Departments	757	757
Academic Services	203	188
Central Administrative	239	238
Property	25	27
Research	50	54
Residences and Catering	46	49
	<u>1,320</u>	<u>1,313</u>

Napier University
Notes to the 2005-06 Accounts

6 Staff Costs (contd)

The number of staff, who are all senior post-holders, who received emoluments in the following ranges was:

£70,000 – £79,999	3	4
£80,000 – £89,999	4	1
£90,000 – £99,999	-	-
£100,000 – £109,999	-	-
£110,000 – £119,999	-	-
£120,000 – £129,999	-	-
£130,000 – £139,999	-	-
£140,000 – £149,000	-	1
£150,000 – £159,000	-	-
£160,000 – £169,000	1	-
	<u> </u>	<u> </u>
	2006	2005
	£000	£000

Compensation for Loss of Office Paid to a Former Senior Post-Holder

Compensation paid to the former post-holder	-	149
Estimated value of other benefits, including provisions for pension benefits	-	32
	<u> </u>	<u> </u>

Napier University

Notes to the 2005-06 Accounts

7 Pension and Similar Obligations

There are two pension schemes operated for University staff. These are The Scottish Teachers Superannuation Scheme ("STSS") and the Local Government Pension Scheme ("LGPS"). The total pension cost for the year was £5,147,000 (2005 - £4,806,000)

Total Pension Cost for the Year (Note 6)

	2006	2005
	£000	£000
STSS – contributions paid	2,339	2,254
LGPS – charge to the Income and Expenditure Account	2,808	2,552
	<hr/>	<hr/>
	5,147	4,806
	<hr/>	<hr/>

The Scottish Teachers Superannuation Scheme ("STSS") is the principal scheme for University academic staff. It is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective Benefits
Investment returns per annum	7%
Salary scale increases per annum	5%
Market value of assets at date of last valuation	£15,202m
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

Employer contribution rates were 12.5% of salary throughout the financial year, and will increase to 13.5% of salary with effect from 1 April 2007.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits, the STSS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

7 Pension and Similar Obligations (contd)

The Local Government Pension Scheme ("LPGS") is the principal scheme for non- academic staff of the University. It is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The University is one of many employers who participate in the scheme.

The most recent actuarial valuation was performed for the three year period to 31 March 2005 using the projected unit method. The following assumptions were made for actuarial valuation purposes:

Investment Returns – Equities	6.7%
Investment Returns – Bonds	4.9%
Pay Increases	4.4%
Price Inflation / Pension Increases	2.9%

The market value of the assets at the valuation date was £2,089m with an actuarial valuation of £2,092m. The liabilities of the scheme have been valued at £2,450m resulting in a deficit of £358m. On the basis of actuarial recommendations, employer contributions were 315% of employee contributions for the period to 31 March 2006, and have been reduced to 292% of employee contributions for the three years ending on 31 March 2009.

Changes to the LGPS permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of the LPGS actuaries we have taken the view that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change to the pension scheme.

The following information is based upon the full actuarial valuation of the fund at 31 March 2005, updated to 31 July 2006 by a qualified independent actuary.

	July 2006 %	July 2005 %	July 2004 %
Rate of increase in salaries	4.6	4.3	4.4
Rate of increase in pensions	3.1	2.8	2.9
Discount Rate	5.1	5.0	5.8
Inflation Rate	3.1	2.8	2.9

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Napier University
Notes to the 2005-06 Accounts

7 Pensions and Similar Obligations (contd)

	July 2006		July 2005		July 2004	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	7.7	49,357	7.3	45,054	7.9	30,818
Bonds	4.7	3,713	4.7	3,506	5.4	3,121
Property	5.7	6,892	5.4	5,510	6.7	3,899
Cash	4.8	2,005	4.5	1,549	4.5	5,424
		<u> </u>		<u> </u>		<u> </u>
Total market value		61,967		55,619		43,262
Present value of scheme liabilities		77,110		70,582		57,108
		<u> </u>		<u> </u>		<u> </u>
Net pension deficit		(15,143)		(14,963)		(13,846)
		<u> </u>		<u> </u>		<u> </u>

Analysis of the amount charged to staff costs (Note 6)

	2006 £000	2005 £000
Current service cost	2,754	2,536
Past service cost	37	16
Curtailement and settlements	17	-
	<u> </u>	<u> </u>
Total operating charge	2,808	2,552
Less: contributions paid	(2,858)	(2,677)
	<u> </u>	<u> </u>
Pension costs less contributions payable	(50)	(125)
	<u> </u>	<u> </u>

**Analysis of the amount charge / credited to interest and other Finance
Costs (Note 10) / Endowment and Investment Income (Note 5)**

Expected return on pension scheme assets	3,137	3,061
Interest on pension scheme liabilities	(3,106)	(3,235)
	<u> </u>	<u> </u>
Net (charge) / credit	31	(174)
	<u> </u>	<u> </u>

Napier University
Notes to the 2005-06 Accounts

7 **Pensions and Similar Obligations (contd)**

	2006 £000	2005 £000
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Difference between expected and actual return on scheme assets	3,693	6,125
Experience gains and losses arising on the scheme liabilities	(1,256)	(123)
Changes in the assumptions underlying the present value of the scheme liabilities	(2,698)	(9,543)
	<hr/>	<hr/>
Actuarial Loss recognised in the STRGL	(261)	(3,541)
	<hr/> <hr/>	<hr/> <hr/>
Movement in the deficit during the year		
Deficit in scheme at 1 August	(14,963)	(11,373)
Movement in the year:		
Current service cost	(2,754)	(2,536)
Contributions	2,858	2,677
Past service costs	(37)	(16)
Curtailment and settlements	(17)	-
Net financial return (charge)	31	(174)
Actuarial loss	(261)	(3,541)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(15,143)	(14,963)
	<hr/> <hr/>	<hr/> <hr/>

History of experience gains and losses	2006 £000	2005 £000	2004 £000	2003 £000	2002 £000
Difference between actual and expected return on scheme assets	3,693	6,125	1,019	1,376	(7,484)
% of scheme assets	6.0%	11.0%	2.4%	3.7%	(6.5%)
Experience gains and losses on scheme liabilities	(1,256)	(123)	(4)	(1,314)	467
% of scheme liabilities	(1.6%)	(0.2%)	0.0%	(2.5%)	1.3%
Amount recognised in statement of total recognised gains and losses on scheme liabilities	(261)	(3,541)	937	(6,806)	(1,265)
% of scheme liabilities	(0.3%)	(5.0%)	1.6%	(13.2%)	(3.4%)

Napier University
Notes to the 2005-06 Accounts

	2006	2005
	£000	£000
8 Other Operating Expenditure		
Supplies and Maintenance	5,718	6,665
Residences and Catering	3,901	3,572
Napier University Ventures Ltd	2,798	3,045
Property Maintenance	1,974	1,937
Other Expenses	2,118	2,487
Heat, Light and Power	1,099	928
Rent, Rates and Insurance	803	749
Early Retirement	(2,126)	1,119
Library Books and Services	908	877
Staff Development, Conferences and Travel	1,981	1,655
Postages and Telephone	513	490
Students' Association	372	354
Recruitment Costs	364	282
Advertising	520	441
Transport	190	70
Auditors' Remuneration	84	91
	<u>21,217</u>	<u>24,762</u>

Other Operating Expenditure includes:

External Auditors – Audit Services	33	32
– Other Services	1	1
Internal Auditors – Audit Services	50	58
Hire of Buildings – Operating Leases	2,259	2,164
Hire of Vehicles – Operating Leases	18	15
	<u>2,361</u>	<u>2,270</u>

9 Analysis of 2005–06 Expenditure by Activity

	Staff Costs	Other		Interest	Total
	£000	Operating	Depreciation	Payable	£000
		Expenditure	£000	£000	
		£000			£000
Academic Departments	29,030	4,150	344	-	33,524
Academic Services	7,350	3,720	774	-	11,844
Central Administration	7,917	3,408	174	-	11,669
Property	877	3,538	1,499	319	6,233
Research Grants and Contracts	2,424	1,456	-	-	3,880
Residences and Catering	833	3,901	15	-	4,749
Napier University Ventures Ltd	-	2,798	6	-	2,804
Other Expenditure	(50)	(1,754)	-	-	(1,974)
Exceptional Restructuring Costs	495	-	-	-	495
	<u>48,876</u>	<u>21,217</u>	<u>2,812</u>	<u>319</u>	<u>73,224</u>

Napier University
Notes to the 2005-06 Accounts

	2006	2005
	£000	£000
10 Interest and other Finance Costs		
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by installments	319	558
	<u>319</u>	<u>558</u>
Net Return on Pension Scheme Assets	-	174
	<u>-</u>	<u>174</u>
	<u>319</u>	<u>732</u>

11 Residences and Catering Operations

	← Residences	Catering	Total	← Residences	Catering	Total
	←	2006	→	←	2005	→
	£000	£000	£000	£000	£000	£000
Income	2,716	1,965	4,681	2,549	1,655	4,204
Cost of Goods Sold	-	655	655	-	572	572
	<u>2,716</u>	<u>1,310</u>	<u>4,026</u>	<u>2,549</u>	<u>1,083</u>	<u>3,632</u>
Gross Profit	2,716	1,310	4,026	2,549	1,083	3,632
Remuneration Costs	-	833	833	-	775	775
Depreciation	1	14	15	1	16	17
Other Costs	2,917	329	3,246	2,813	187	3,000
	<u>2,918</u>	<u>1,176</u>	<u>4,094</u>	<u>2,814</u>	<u>978</u>	<u>3,792</u>
Surplus / (Deficit)	<u>(202)</u>	<u>134</u>	<u>(68)</u>	<u>(265)</u>	<u>105</u>	<u>(160)</u>
Catering Gross Profit		66.7%			65.4%	

Napier University
Notes to the 2005-06 Accounts

12 Tangible Fixed Assets - Consolidated	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost			
At 1 August 2005	61,883	9,850	71,733
Additions	1,644	1,243	2,887
Disposals	-	(602)	(602)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	63,527	10,491	74,018
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 August 2005	7,172	5,831	13,003
Depreciation for the Year	1,356	1,456	2,812
Disposals	-	(602)	(602)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	8,528	6,685	15,213
	<u> </u>	<u> </u>	<u> </u>
Net Book Value at 31 July 2006	<u>54,999</u>	<u>3,806</u>	<u>58,805</u>
Net Book Value at 31 July 2005	<u>54,711</u>	<u>4,019</u>	<u>58,730</u>
Tangible Fixed Assets – University			
Cost			
At 1 August 2005	65,243	9,833	75,076
Additions	1,555	1,243	2,798
Disposals	-	(602)	(602)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	66,798	10,474	77,272
	<u> </u>	<u> </u>	<u> </u>
Depreciation			
At 1 August 2005	7,234	5,829	13,063
Depreciation for the Year	1,423	1,450	2,873
Disposals	-	(602)	(602)
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2006	8,657	6,677	15,334
	<u> </u>	<u> </u>	<u> </u>
Net Book Value at 31 July 2006	<u>58,141</u>	<u>3,797</u>	<u>61,938</u>
Net Book Value at 31 July 2005	<u>58,009</u>	<u>4,004</u>	<u>62,013</u>

Napier University
Notes to the 2005-06 Accounts

	Consolidated £000	University £000
13 Investments		
At 1 August 2005	2,217	1,703
Additions	3	-
Disposals	(366)	(133)
Appreciation / (Depreciation) of Investments	(26)	2
	<u> </u>	<u> </u>
At 31 July 2006	1,828	1,572
	<u> </u>	<u> </u>
Represented by:		
Index-Linked Stocks	1,540	1,540
Equities – Listed	252	-
Equities – Unlisted	36	32
	<u> </u>	<u> </u>
	1,828	1,572
	<u> </u>	<u> </u>
14 Endowment Asset Investments		
At 1 August 2005	471	247
Additions	21	21
Disposals	(14)	(14)
Appreciation of Investments	10	4
Increase In Cash Balances Held	9	7
	<u> </u>	<u> </u>
At 31 July 2006	497	265
	<u> </u>	<u> </u>
Represented by:		
Index-Linked Stocks	15	15
Fixed Interest Stocks	31	31
Equities – Listed	361	129
Cash Balances	90	90
	<u> </u>	<u> </u>
	497	265
	<u> </u>	<u> </u>

Napier University
Notes to the 2005-06 Accounts

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
15 Stocks				
Stocks for Resale	37	29	37	29
Other Stocks	1	1	1	1
	<u>38</u>	<u>30</u>	<u>38</u>	<u>30</u>
16 Debtors				
Trade Debtors	3,222	3,059	2,782	2,479
Other Debtors	8,907	7,468	1,914	467
Prepayments and Accrued Income	1,284	1,209	1,043	899
Research	416	791	416	791
Subsidiary Undertakings	-	-	-	4,165
	<u>13,829</u>	<u>12,527</u>	<u>6,155</u>	<u>8,801</u>
17 Creditors: Amounts Falling Due Within One Year				
Trade Creditors	1,612	1,870	1,612	2,419
Taxation and Social Security	1,147	1,053	1,105	1,013
Other Creditors	2,055	2,468	305	397
Accruals and Deferred Income	10,454	8,435	8,601	5,845
Research	1,693	1,613	1,693	1,613
Loans	-	7,500	-	-
Subsidiary Undertakings	-	-	219	-
	<u>16,961</u>	<u>22,939</u>	<u>13,535</u>	<u>11,287</u>

The loans creditor in 2005 was a £7.5m fixed term loan to a subsidiary company, NUNIV Developments Ltd., by the Clydesdale Bank plc, which was repaid during the year.

Napier University
Notes to the 2005-06 Accounts

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
18 Provisions for Liabilities and Charges				
Abnormal Costs				
At 1 August	-	-	-	2,897
Transfer to Fixed Assets	-	-	-	(2,441)
Transfer (to)/from Income & Expenditure Account	-	-	-	(456)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Pension Liability				
Balance at 1 August	14,803	14,393	14,803	14,393
Income from Investments	39	41	39	41
Early Retirement Pensions	(788)	(786)	(788)	(786)
Transfer (to) / from Income & Expenditure Account	(2,126)	1,155	(2,126)	1,155
	<u>11,928</u>	<u>14,803</u>	<u>11,928</u>	<u>14,803</u>
	<u>11,928</u>	<u>14,803</u>	<u>11,928</u>	<u>14,803</u>
Total Provisions for Liabilities and Charges	<u>11,928</u>	<u>14,803</u>	<u>11,928</u>	<u>14,803</u>

A valuation of this pension provision was carried out by Mercer Human Resource Consulting Ltd., an independent firm of actuaries at 31 July 2006.

Napier University
Notes to the 2005-06 Accounts

	SFC	Other	Total
	£000	£000	£000
19 Deferred Capital Grants – Consolidated and University			
Balance at 1 August			
Buildings	18,035	2,537	20,572
Equipment	1,825	-	1,825
	<u> </u>	<u> </u>	<u> </u>
	19,860	2,537	22,397
	<u> </u>	<u> </u>	<u> </u>
Transfers			
Buildings	220	-	220
Equipment	(220)	-	(220)
	<u> </u>	<u> </u>	<u> </u>
	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Received During the Year			
Buildings	1,530	500	2,030
Equipment	128	-	128
	<u> </u>	<u> </u>	<u> </u>
	1,658	500	2,158
	<u> </u>	<u> </u>	<u> </u>
Released During the Year			
Buildings	658	63	721
Equipment	178	-	178
	<u> </u>	<u> </u>	<u> </u>
	836	63	899
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 July 2006			
Buildings	19,127	2,974	22,101
Equipment	1,555	-	1,555
	<u> </u>	<u> </u>	<u> </u>
	20,682	2,974	23,656
	<u> </u>	<u> </u>	<u> </u>

Napier University
Notes to the 2005-06 Accounts

	Consolidated £000	University £000
20 Endowment Funds		
At 1 August 2005	471	247
Additions	-	-
Appreciation of Endowment Asset Investments	10	4
Income for Year	27	25
Expenditure for Year	(11)	(11)
	<hr/>	<hr/>
At 31 July 2006	497	265
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Edward Clark Bequest	212	212
Prize Funds	5	5
Memorial Funds	12	12
Other Funds	268	36
	<hr/>	<hr/>
	497	265
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2005-06 Accounts

	Consolidated		University	
	2006 £000	2005 £000	2006 £000	2005 £000
21 Revaluation Reserve				
Balance at 1 August	696	592	691	599
Appreciation / (Depreciation) of Investments	(4)	104	1	92
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 July	692	696	692	691
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
22 General Reserve				
Balance at 1 August as previously stated	7,724	18,367	10,417	19,867
Prior Year Adjustment in respect of FRS 17	-	(11,373)	-	(11,373)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 1 August restated	7,724	6,994	10,417	8,494
Surplus for the Year	8,111	4,402	7,071	5,464
Actuarial Loss in respect of pension scheme	(261)	(3,541)	(261)	(3,541)
Reallocation of Reserves to Deferred Income on Consolidation	(384)	(131)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 July	15,190	7,724	17,227	10,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance represented by:				
Pension Reserve	(15,143)	(14,963)	(15,143)	(14,963)
Income and Expenditure Reserve	30,333	22,687	32,370	25,380
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	15,190	7,724	17,227	10,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Napier University

Notes to the 2005-06 Accounts

23 Subsidiary Undertakings

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 and its accounts are included within these consolidated accounts. The Company's Profit and Loss Account and Balance Sheet are detailed below:

	2006 £000	2005 £000
Profit and Loss Account		
Turnover	4,005	4,062
Consultancy Expenses	(2,794)	(3,037)
	<hr/>	<hr/>
Gross Profit	1,211	1,025
Administrative Expenses	(11)	13
Other Operating Income	-	163
Gift Aid Donation to Napier University	-	(1,280)
Interest Receivable	48	39
	<hr/>	<hr/>
Profit / (Loss) for the Year	1,248	(40)
	<hr/>	<hr/>
Balance Sheet		
Fixed Assets	75	82
Current Assets	2,278	2,672
Creditors: Amounts Falling Due Within One Year	(1,303)	(2,951)
	<hr/>	<hr/>
Net Assets / (Liabilities)	1,050	(197)
	<hr/>	<hr/>
Capital and Reserves:		
Revaluation Reserve	62	63
Profit and Loss Account	988	(260)
	<hr/>	<hr/>
Total Funds	1,050	(197)
	<hr/>	<hr/>

Napier University
Notes to the 2005-06 Accounts

23 **Subsidiary Undertakings (contd)**

Napier University Development Trust 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 Trust's Statement of Financial Activities and Balance Sheet are detailed below:

Statement of Financial Activities	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2006 £000	2005 £000
Donations	18	334	-	352	1,072
Investment Income	25	15	3	43	49
Total Incoming Resources	43	349	3	395	1,121
Direct Charitable Expenditure	(2)	(837)	-	(839)	(645)
Administrative Expenses	(1)	-	-	(1)	-
Net Incoming Resources	40	(488)	3	(445)	476
Transfers	(2)	2	-	-	-
Gains / (Losses) on Investment Assets:					
Realised	-	(24)	-	(24)	6
Unrealised	-	(22)	6	(16)	24
Net Movement in Funds	38	(532)	9	(485)	506
Fund Balances at 1 August (restated)	95	1,130	224	1,449	943
Fund Balances at 31 July	133	598	233	964	1,449
Balance Sheet					
Investments				484	732
Current Assets				517	717
Current Liabilities				(37)	-
Net Assets				964	1,449
Funds:					
Endowments				233	224
Restricted Funds				598	1,119
Unrestricted Funds				133	106
Total Funds				964	1,449

Napier University
Notes to the 2005-06 Accounts

23 **Subsidiary Undertakings (contd)**

As at 31 July 2006, the following were subsidiary companies of the University, whose accounts are included within these consolidated accounts:

100% of the issued share capital of NUNIV Construction Limited, a company engaged in construction services.

100% of the issued share capital of NUNIV Developments Limited, a company engaged in property development.

24 **Reconciliation of Consolidated Operating Surplus to Net Cash Flow from Operating Activities**

	2006	2005
	£000	£000
Surplus	8,111	4,402
Depreciation of Tangible Fixed Assets	2,812	2,719
Deferred Capital Grants Released to Income	(899)	(906)
Investment Income	(595)	(585)
Interest Payable	319	558
Pension costs less contributions payable	(81)	49
Gain on Sale of Tangible Fixed Assets	-	(1,487)
Gain on Realisation of Investments	-	(27)
(Increase) / Decrease in Stocks	(8)	2
Increase in Debtors	(1,331)	(930)
Increase in Creditors	1,200	1,863
Increase / (Decrease) in Provisions	(2,914)	369
	<hr/>	<hr/>
Net cash inflow from operating activities	6,614	6,027
	<hr/> <hr/>	<hr/> <hr/>

25 **Returns on Investments and Servicing of Finance**

Income from Endowments	16	6
Other Interest Received	663	565
Interest Paid	(372)	(569)
	<hr/>	<hr/>
Net cash inflow from returns on investments and Servicing of Finance	307	2
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2005-06 Accounts

	2006 £000	2005 £000
26 Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets	(2,877)	(4,763)
Payments to acquire endowment assets	(21)	(21)
Sales of tangible fixed assets	366	2,138
Receipts from sales of endowment assets	14	10
Deferred capital grants received	2,158	1,674
	<u> </u>	<u> </u>
Net cash outflow from capital expenditure and financial investment	(360)	(962)
	<u> </u>	<u> </u>
27 Management of Liquid Resources		
Movement in endowment assets	(9)	5
	<u> </u>	<u> </u>
Net cash inflow / (outflow) from management of liquid resources	(9)	5
	<u> </u>	<u> </u>
28 Financing		
New secured loans repayable in less than one year	-	250
Repayment of amounts borrowed	(7,500)	-
	<u> </u>	<u> </u>
Net cash inflow / (outflow) from financing	(7,500)	250
	<u> </u>	<u> </u>

Napier University
Notes to the 2005-06 Accounts

	At 1 August 2005 £000	Cashflows £000	Other Changes £000	At 31 July 2006 £000
29 Analysis of Changes in Net Funds				
Cash in hand, and at bank	10,018	(948)	-	9,070
Debt due within one year	(7,500)	7,500	-	-
	<u>2,518</u>	<u>6,552</u>	<u>-</u>	<u>9,070</u>

30 Capital Commitments

As at 31 July 2006 the University and its consolidated subsidiaries had commitments contracted for, amounting to £413,944.

31 Contingent Liabilities

As at 31 July 2006 the University and its consolidated subsidiaries had no known contingent liabilities.

32 Financial Commitments

As at 31 July the University had annual commitments under non-cancellable operating leases as follows:

	2006 £000	2005 £000
Land and Buildings:		
Expiring within two to five years inclusive	25	27
Expiring in over five years	2,215	2,215
Vehicles:		
Expiring in one to two years	-	15
Expiring within two to five years inclusive	-	-
	<u>2,240</u>	<u>2,257</u>

Napier University
Notes to the 2005-06 Accounts

33 **Hardship and Mature Bursary Funds**

	MSB 2006 £000	Hardship 2006 £000	MSB & Hardship 2006 £000	MSB & Hardship 2005 £000
Balance at 1 August 2005	59	29	88	39
SAAS Grants Received	158	433	591	511
Transfer Between Funds	(67)	67	-	-
Interest Earned	6	10	16	13
	<u>156</u>	<u>539</u>	<u>695</u>	<u>563</u>
Disbursed to Students	(71)	(500)	(571)	(471)
Administration Costs	-	-	-	(4)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4)</u>
Balance at 31 July 2006	<u>85</u>	<u>39</u>	<u>124</u>	<u>88</u>

Hardship and Mature Student Bursary Funds are available solely for students; the University acts only as paying agent. The Grants and related disbursements are therefore excluded from the Income & Expenditure Account.

34 **Related Party Transactions**

The University has taken advantage of the exemption available under FRS8, Related Party Transactions, not to disclose transactions with subsidiary companies that are eliminated on consolidation.

No other related party transactions have occurred during the period.



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