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Scottish Charity Number – SC018373

Napier University

General Information

Chancellor	Tim Waterstone – appointed with effect from 1 August 2007
Chairman of Court	Dr A Cubie CBE FRSE LLD (Glasgow) DUniv (Edinburgh) DBA (QMUC) FRCPS (Glasgow) LLB Hons WS, FRSA
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	Grant Thornton UK LLP 1-4 Atholl Crescent Edinburgh EH3 8LQ
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 LLP 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 2007. 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)
Dr J Boyle			Non-Executive (F)
Dr L Burley			Non-Executive (F)
Professor A Burns	1 September 2006		Non-Executive (R)
Mr D Campbell		31 July 2007	Staff
Mrs A Crawford			Non-Executive
Dr A Cubie (Chairman)			Non-Executive (F,R)
Dr P Easy			Vice Principal
Dr T Fernandes			Staff
Mr G Garvie			Non-Executive (A)
Mr H Hall			Non-Executive (A)
Ms F Kabir	1 September 2006	31 May 2007	Non-Executive
Mr D Lutton	1 August 2006	31 July 2007	Student
Mr B Naylor			Non-Executive (F)
Dr J Rees			Staff
Mr A Simm	1 August 2006		Student
Ms M Stephenson			Non-Executive (F)
Professor P Strike			Vice-Principal (F)
Professor J K Stringer			Principal & Vice-Chancellor (F)
Mr R Sweetman	1 September 2006		Non-Executive (F)
Ms E Thomson			Non-Executive
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 2007, comprising the results of the University and those of its subsidiary undertakings, have been 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.

Results of the Year

The Consolidated Income and Expenditure Account is presented on page 15 of the Accounts. The University is pleased to report a surplus of just over £5m including £0.8m relating to the disposal of Redwood House campus. The operating surplus excluding this adjustment was £4.2m, which demonstrates the University's continuing commitment to ensuring its financial health and the sustainability of its activities thereby creating the environment necessary to support its continuing development and achievement of its key strategic goals.

Total income has increased by £7.5m or 9.2%, whilst total operating expenditure has increased by £11.4m, or 15.6%. Within this total staff costs have increased by £5.2m, or 10.4%. Staff Restructuring Costs reduced by £0.2m following last year's changes to the senior management and the academic structures within the University. Other Operating Expenditure increased by £6.3m.

Balance Sheet

As a result of the significant reduction to the Pension Fund liability, the Balance Sheet remains strong with total net funds of around £59m. Cash at bank and in hand of £17m is without any outstanding loans.

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 2007, the University had an average of 49 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

At its meeting on 29 October 2007 the University Court approved the revised business case for the implementation of the University estate strategy and authorised the University Executive to proceed with the implementation, subject to all relevant consents and finance being obtained.

The Court has also approved an update to the strategic plan for the period to 2010 confirming the strategy which is ambitious, yet is durable, with realistic and achievable objectives. The University intends –

- To deliver a sustainable academic portfolio
- To be accessible to the widest body of students who can benefit from higher education
- To deliver high quality and leading edge learner – centred approaches to learning, teaching and assessment and learner support
- To internationalise our activities
- To develop and sustain excellent areas of research and knowledge transfer
- To embed customer focus across all our operations
- To manage our resources and infrastructure effectively.

In taking these forward, the University, in addition to the significant investment in the quality of the estate and the facilities available, is *inter alia* working towards a revised module credit structure and academic calendar, developing its international activities both at home and overseas, investing in the development of its research and knowledge transfer activities and implementing the outcome of a review of the University professional services, which will lead to improved efficiency and effectiveness.

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.

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 Court (otherwise the Governing Body or 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 2007. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen (CUC) in November 2004. Following the completion of a review of governance in 2005, the University has taken steps to ensure that it is fully compliant with this Code including updating its constitution by introducing an Amendment Order of Council which came into force as a Scottish Statutory Instrument on 1 August 2007.

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 2007 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 members of the corporate management team 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 members of the corporate management team. The Governing Body holds an annual residential conference with the corporate management team and other senior managers to discuss strategic issues facing the University.

Governing Body Statement on Internal Control

The University's Governing Body is responsible for the University's system of internal control and has delegated to the Principal the review of its effectiveness, as the nominated officer responsible to the SFC for propriety and regularity in the use of public funding and for the economic, efficient and effective use of all available resources. 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 Court and the corporate management team receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. A review of key performance indicators was conducted following publication of the relevant CUC Report in November 2006, and further improvements were subsequently made to the institutional performance monitoring reports that have been provided for the governing body since 1998. The corporate 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 regularly considers risk and control and receives reports thereon from the corporate 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 2007 meeting the Governing Body received the annual report from the Audit Committee covering the period to 30 November 2007. At its June 2007 meeting, the Governing Body considered the annual risk assessment for the year ahead by considering documentation from the corporate management team and internal audit, and taking account of events since 31 July 2006.

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 2007 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.

Auditors

RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 1 July 2007, creating a casual vacancy which the governing body has filled by appointing Grant Thornton.

Going Concern

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

Napier University

Responsibilities of the University Court

The University Court has unambiguous and collective responsibility for the oversight of the Universities activities and determining its future direction. In addition 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 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 is subject to the strategic direction and control of the Court, but otherwise the Principal 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 SFC and the Court of the University, the Court, through its designated Officer, 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, as set out in the University's Schedule of Delegated Authority which was updated and approved by the Court in December 2006;
- 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

17 December 2007

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 2007, 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.

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 2007 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 2007.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Edinburgh

17 December 2007

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.

6 Pension Schemes (contd)

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.

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.

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 2007

		2007	2006
		£000	£000
Income	Notes		
Scottish Funding Council Grants	1	45,830	40,390
Tuition Fees and Education Contracts	2	25,780	26,440
Research Contracts	3	2,309	2,321
Other Operating Income	4	13,172	11,549
Endowment and Investment Income	5	1,732	651
		-----	-----
Total Income		88,823	81,351
		-----	-----
Expenditure			
Staff Costs	6	54,995	49,808
Staff Restructuring Costs	9	266	495
Other Operating Expenditure	8	26,118	19,790
Depreciation	9	2,953	2,812
Interest and Other Finance Costs	10	292	319
		-----	-----
Total Expenditure	9	84,624	73,224
		-----	-----
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets		4,199	8,127
Gain on Disposal of Tangible Fixed Assets		840	-
		-----	-----
Surplus on Continuing Operations after Depreciation of Assets and Disposal of Assets		5,039	8,127
Transfer (to) / from Accumulated Income within Specific Endowments		11	(16)
		-----	-----
Surplus for the Year retained within General Reserves		5,050	8,111
		=====	=====

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

Napier University
Statement of Consolidated Total Recognised Gains and Losses

	2007 £000	2006 £000
Surplus on Continuing Operations after Depreciation of Assets and Disposal of Assets	5,039	8,127
Appreciation / (Amortisation) of Fixed Asset Investments	(5)	(4)
Appreciation of Endowment Asset Investments	15	10
Actuarial Gain / (Loss) in respect of Pension Scheme	11,432	(261)
	<hr/>	<hr/>
Total Recognised Gains for the Year	16,481	7,872
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
Opening Reserves and Endowments	16,379	8,891
Reallocation of Reserves (to) / from Deferred Income on Consolidation	28	(384)
Total Recognised Gains for the Year	16,481	7,872
	<hr/>	<hr/>
Closing Reserves and Endowments	32,888	16,379
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Balance Sheets - At 31 July 2007

	Notes	Consolidated		University	
		2007 £000	2006 £000	2007 £000	2006 £000
Fixed Assets					
Tangible Fixed Assets	12	65,475	58,805	68,547	61,938
Investments	13	1,795	1,828	1,567	1,572
		<u>67,270</u>	<u>60,633</u>	<u>70,114</u>	<u>63,510</u>
Endowment Asset Investments	14	501	497	264	265
Current Assets					
Stocks	15	27	38	27	38
Debtors	16	7,858	13,829	5,389	6,155
Cash at Bank and in Hand		17,063	9,070	21,766	12,478
		<u>24,948</u>	<u>22,937</u>	<u>27,182</u>	<u>18,671</u>
Creditors: Amounts Falling Due Within One Year	17	18,141	16,961	15,532	13,535
Net Current Assets		<u>6,807</u>	<u>5,976</u>	<u>11,650</u>	<u>5,136</u>
Total Assets less Current Liabilities		<u>74,578</u>	<u>67,106</u>	<u>82,028</u>	<u>68,911</u>
Provisions for Liabilities and Charges	18	(12,623)	(11,928)	(17,954)	(11,928)
Total Net Assets excluding Pension Liability		<u>61,955</u>	<u>55,178</u>	<u>64,074</u>	<u>56,983</u>
Pension Liability	7	(2,741)	(15,143)	(2,741)	(15,143)
NET ASSETS		<u>59,214</u>	<u>40,035</u>	<u>61,333</u>	<u>41,840</u>
Deferred Capital Grants	19	26,326	23,656	26,326	23,656
Endowment Funds	20	501	497	264	265
Revaluation Reserve	21	687	692	687	692
General Reserve excluding Pension Reserve		34,441	30,333	36,797	32,370
Pension Reserve		(2,741)	(15,143)	(2,741)	(15,143)
General Reserve including Pension Reserve	22	<u>31,700</u>	<u>15,190</u>	<u>34,056</u>	<u>17,227</u>
TOTAL FUNDS		<u>59,214</u>	<u>40,035</u>	<u>61,333</u>	<u>41,840</u>

The Accounts on pages 12 to 40 were approved by the University Court on 17 December 2007 and were signed on its behalf by:

DR ANDREW CUBIE, CBE, Chairman; PROFESSOR JOAN K STRINGER, CBE, Accounting Officer; ERIC R GIBSON, Finance Director

Napier University
Consolidated Cash Flow Statement - Year to 31 July 2007

	Notes	2007 £000	2006 £000
Cash Flow from Operating Activities	24	12,049	6,614
Returns on Investment and Servicing of Finance	25	919	307
Capital Expenditure and Financial Investment	26	(4,982)	(360)
Management of Liquid Resources	27	7	(9)
Financing	28	-	(7,500)
		-----	-----
Increase / (Decrease) in cash in the Year	29	7,993	(948)
		=====	=====
 Reconciliation of Net Cash Flow to Movements in Net Funds			
Increase / (Decrease) in Cash in the Year		7,993	(948)
Cash Inflow from Decrease in Debt		-	7,500
		-----	-----
Movement in Net Funds		7,993	6,552
Net Funds at 1 August		9,070	2,518
		-----	-----
Net Funds at 31 July		17,063	9,070
		=====	=====

Napier University
Notes to the 2006-07 Accounts

	2007 £000	2006 £000
1 Scottish Funding Council Grants		
Recurrent Teaching Grant	39,470	35,017
Funding for Increased STSS Contributions	647	861
Research Grant	1,812	2,332
Other Grants	2,982	1,344
Released from Deferred Capital Grants		
- Buildings	478	658
- Equipment	441	178
	<hr/>	<hr/>
	45,830	40,390
	<hr/> <hr/>	<hr/> <hr/>
 2 Tuition Fees and Education Contracts		
UK and EU Fees	10,950	9,676
Non EU Fees	8,642	7,411
Non Credit Bearing Course Fees	242	338
Education Contracts	5,946	9,015
	<hr/>	<hr/>
	25,780	26,440
	<hr/> <hr/>	<hr/> <hr/>
 3 Research Grants and Contracts		
Research Councils	332	300
UK Based Charities	238	381
European Commission	591	406
UK Industry, Commerce and Public Bodies	3	68
UK Government, Health and Hospital Authorities	1,062	932
Other Grants and Contracts	83	234
	<hr/>	<hr/>
	2,309	2,321
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2006-07 Accounts

	2007	2006
	£000	£000
4 Other Operating Income		
Consultancy and Fee Income	1,655	1,947
Residences and Catering	4,968	4,681
Other Services Rendered	5,478	3,823
Released from Deferred Capital Grants	65	65
Other Income	1,006	1,033
	<hr/>	<hr/>
	13,172	11,549
	<hr/> <hr/>	<hr/> <hr/>
5 Endowment and Investment Income		
Income from Specific Endowments	13	25
Other Interest Receivable	1,144	595
Net Pension Credit (Note 7)	575	31
	<hr/>	<hr/>
	1,732	651
	<hr/> <hr/>	<hr/> <hr/>
6 Staff Costs		
Wages and Salaries	46,061	41,279
Social Security Costs	3,576	3,239
Pension Costs	5,358	5,290
	<hr/>	<hr/>
	54,995	49,808
	<hr/> <hr/>	<hr/> <hr/>
The above Staff Costs include amounts payable to the Vice-Chancellor of:		
Salary	168	160
Benefits in kind	1	1
	<hr/>	<hr/>
	169	161
	<hr/> <hr/>	<hr/> <hr/>
Pension Contributions	22	22
	<hr/> <hr/>	<hr/> <hr/>

6 Staff Costs (contd)

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

	2007 Number	2006 Number
Academic Departments	783	757
Academic Services	200	203
Central Administration	242	239
Property	28	25
Research	61	50
Residences and Catering	55	46
	<hr/>	<hr/>
	1,369	1,320
	<hr/> <hr/>	<hr/> <hr/>

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

£70,000 – £79,999	3	3
£80,000 – £89,999	3	4
£90,000 – £99,999	2	-
£100,000 – £109,999	-	-
£110,000 – £119,999	-	-
£120,000 – £129,999	-	-
£130,000 – £139,999	-	-
£140,000 – £149,000	-	-
£150,000 – £159,000	-	-
£160,000 – £169,000	1	1
	<hr/>	<hr/>

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 £5,358,000 (2006 - £5,290,000)

Total Pension Cost for the Year (Note 6)

	2007	2006
	£000	£000
STSS – contributions paid	2,715	2,482
LGPS – charge to the Income and Expenditure Account	2,643	2,808
	<hr/>	<hr/>
	5,358	5,290
	<hr/> <hr/>	<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 from August 2006 to March 2007, and 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 (“LGPS”) 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 LGPS actuaries, an allowance has been made for exchanging part of the LGPS pension for additional cash, for retirements with effect from 6 October 2006 and for life expectancy improvements.

The following information is based upon the full actuarial valuation of the fund at 31 March 2005, updated to 31 July 2007 by a qualified independent actuary.

	July 2007	July 2006	July 2005
	%	%	%
Rate of increase in salaries	4.8	4.6	4.3
Rate of increase in pensions	3.3	3.1	2.8
Discount Rate	5.8	5.1	5.0
Inflation Rate	3.3	3.1	2.8

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 2006-07 Accounts

7 Pensions and Similar Obligations (contd)

	July 2007		July 2006		July 2005	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	8.0	54,190	7.7	49,357	7.3	45,054
Bonds	5.2	5,302	4.7	3,713	4.7	3,506
Property	6.0	9,338	5.7	6,892	5.4	5,510
Cash	5.1	4,452	4.8	2,005	4.5	1,549
		-----		-----		-----
Total market value		73,282		61,967		55,619
Present value of scheme liabilities		76,023		77,110		70,582
		-----		-----		-----
Net pension deficit		(2,741)		(15,143)		(14,963)
		=====		=====		=====

	2007 £000	2006 £000
Analysis of the amount credited to staff costs (Note 6)		
Current service cost	3,719	2,754
Past service cost	(1,076)	37
Curtailment and settlements	-	17
	-----	-----
Total operating charge	2,643	2,808
Less: contributions paid	(3,038)	(2,858)
	-----	-----
Pension costs less contributions payable	(395)	(50)
	=====	=====

Analysis of the amount credited to Endowment and Investment Income (Note 5)

Expected return on pension scheme assets	4,579	3,137
Interest on pension scheme liabilities	(4,004)	(3,106)
	-----	-----
Net credit	575	31
	=====	=====

Napier University
Notes to the 2006-07 Accounts

	2007 £000	2006 £000
7 Pensions and Similar Obligations (contd)		
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Difference between expected and actual return on scheme assets	3,493	3,693
Experience gains and losses arising on the scheme liabilities	(12)	(1,256)
Changes in the assumptions underlying the present value of the scheme liabilities	7,951	(2,698)
	<hr/>	<hr/>
Actuarial Gain / (Loss) recognised in the STRGL	11,432	(261)
	<hr/> <hr/>	<hr/> <hr/>

Movement in the deficit during the year

Deficit in scheme at 1 August	(15,143)	(14,963)
Movement in the year:		
Current service cost	(3,719)	(2,754)
Contributions	3,038	2,858
Past service costs	1,076	(37)
Curtailment and settlements	-	(17)
Net financial return	575	31
Actuarial gain / (loss)	11,432	(261)
	<hr/>	<hr/>
Deficit in scheme at 31 July	(2,741)	(15,143)
	<hr/> <hr/>	<hr/> <hr/>

History of experience gains and losses	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Difference between actual and expected return on scheme assets	3,493	3,693	6,125	1,019	1,376
% of scheme assets	4.8 %	6.0%	11.0%	2.4%	3.7%
Experience gains and losses on scheme liabilities	(12)	(1,256)	(123)	(4)	(1,314)
% of scheme liabilities	(0.0%)	(1.6%)	(0.2%)	(0.0%)	(2.5%)
Amount recognised in statement of total recognised gains and losses on scheme liabilities	11,432	(261)	(3,541)	937	(6,806)
% of scheme liabilities	15.0%	(0.3%)	(5.0%)	1.6%	(13.2%)

Napier University
Notes to the 2006-07 Accounts

	2007	2006
	£000	£000
8 Other Operating Expenditure		
Supplies and Maintenance	7,115	5,718
Residences and Catering	4,055	3,901
Napier University Ventures Ltd	994	1,371
Property Maintenance	3,194	1,974
Other Expenses	1,804	2,118
Heat, Light and Power	1,678	1,099
Rent, Rates and Insurance	846	803
Early Retirement	1,425	(2,126)
Library Books and Services	861	908
Staff Development, Conferences and Travel	2,058	1,981
Postages and Telephone	480	513
Students' Association	390	372
Recruitment Costs	431	364
Advertising	599	520
Transport	93	190
Auditors' Remuneration	95	84
	26,118	19,790

Other Operating Expenditure includes:

External Auditors – Audit Services	47	33
– Other Services	1	1
Internal Auditors – Audit Services	47	50
Hire of Buildings – Operating Leases	2,609	2,259
Hire of Vehicles – Operating Leases	39	18
	2,743	2,361

9 Analysis of 2006–07 Expenditure by Activity

	Staff Costs	Other	Depreciation	Interest	Total
	£000	Operating	£000	Payable	£000
		Expenditure		£000	
		£000			
Academic Departments	31,710	4,825	422	-	36,957
Academic Services	8,074	4,681	798	-	13,553
Central Administration	8,631	4,526	77	-	13,234
Property	957	4,030	1,636	292	6,915
Research Grants and Contracts	3,463	1,192	-	-	4,655
Residences and Catering	988	4,055	14	-	5,057
Napier University Ventures Ltd	1,567	994	6	-	2,567
Other Expenditure	(395)	1,815	-	-	1,420
Exceptional Restructuring Costs	266	-	-	-	266
	55,261	26,118	2,953	292	84,624

Napier University
Notes to the 2006-07 Accounts

	2007 £000	2006 £000
10 Interest and Other Finance Costs		
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	292	319
	<u> </u>	<u> </u>
	292	319
	<u> </u>	<u> </u>

11 Residences and Catering Operations

	← Residences	Catering	Total	← Residences	Catering	Total
	←	2007	→	←	2006	→
	£000	£000	£000	£000	£000	£000
Income	2,952	2,016	4,968	2,716	1,965	4,681
Cost of Goods Sold	-	702	702	-	655	655
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross Profit	2,952	1,314	4,266	2,716	1,310	4,026
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Remuneration Costs	13	975	988	-	833	833
Depreciation	-	14	14	1	14	15
Other Costs	3,113	240	3,353	2,917	329	3,246
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,126	1,229	4,355	2,918	1,176	4,094
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Surplus / (Deficit)	(174)	85	(89)	(202)	134	(68)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Catering Gross Profit		65.2%			66.7%	

Napier University
Notes to the 2006-07 Accounts

12 Tangible Fixed Assets - Consolidated	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost			
At 1 August 2006	63,527	10,491	74,018
Additions	6,840	2,920	9,760
Disposals	(180)	(719)	(899)
At 31 July 2007	<u>70,187</u>	<u>12,692</u>	<u>82,879</u>
Depreciation			
At 1 August 2006	8,528	6,685	15,213
Charged	1,498	1,455	2,953
Released	(43)	(719)	(762)
At 31 July 2007	<u>9,983</u>	<u>7,421</u>	<u>17,404</u>
Net Book Value at 31 July 2007	<u>60,204</u>	<u>5,271</u>	<u>65,475</u>
Net Book Value at 31 July 2006	<u>54,999</u>	<u>3,806</u>	<u>58,805</u>
Tangible Fixed Assets – University			
Cost			
At 1 August 2006	66,798	10,474	77,272
Additions	6,840	2,920	9,760
Disposals	(180)	(719)	(899)
At 31 July 2007	<u>73,458</u>	<u>12,675</u>	<u>86,133</u>
Depreciation			
At 1 August 2006	8,657	6,677	15,334
Charged	1,563	1,451	3,014
Released	(43)	(719)	(762)
At 31 July 2007	<u>10,177</u>	<u>7,409</u>	<u>17,586</u>
Net Book Value at 31 July 2007	<u>63,281</u>	<u>5,266</u>	<u>68,547</u>
Net Book Value at 31 July 2006	<u>58,141</u>	<u>3,797</u>	<u>61,938</u>

Napier University
Notes to the 2006-07 Accounts

	Consolidated £000	University £000
13 Investments		
At 1 August 2006	1,828	1,572
Additions	88	-
Disposals	(88)	-
Depreciation of Investments	(33)	(5)
	<u>1,795</u>	<u>1,567</u>
At 31 July 2007	<u>1,795</u>	<u>1,567</u>
Represented by:		
Index-Linked Stocks	1,535	1,535
Equities – Listed	228	-
Equities – Unlisted	32	32
	<u>1,795</u>	<u>1,567</u>
14 Endowment Asset Investments		
At 1 August 2006	497	265
Additions	21	21
Disposals	(25)	(25)
Appreciation of Investments	15	10
Decrease In Cash Balances Held	(7)	(7)
	<u>501</u>	<u>264</u>
At 31 July 2007	<u>501</u>	<u>264</u>
Represented by:		
Index-Linked Stocks	15	15
Fixed Interest Stocks	10	10
Equities – Listed	394	157
Cash Balances	82	82
	<u>501</u>	<u>264</u>

Napier University
Notes to the 2006-07 Accounts

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
15 Stocks				
Stocks for Resale	27	37	27	37
Other Stocks	-	1	-	1
	<u>27</u>	<u>38</u>	<u>27</u>	<u>38</u>
16 Debtors				
Trade Debtors	2,974	3,222	2,633	2,782
Other Debtors	3,002	8,907	1,110	1,914
Prepayments and Accrued Income	1,368	1,284	1,132	1,043
Research	514	416	514	416
	<u>7,858</u>	<u>13,829</u>	<u>5,389</u>	<u>6,155</u>
17 Creditors: Amounts Falling Due Within One Year				
Trade Creditors	2,212	1,612	2,212	1,612
Taxation and Social Security	1,185	1,147	1,185	1,105
Other Creditors	2,269	2,055	116	305
Accruals and Deferred Income	10,469	10,454	9,303	8,601
Research	2,006	1,693	2,006	1,693
Subsidiary Undertakings	-	-	710	219
	<u>18,141</u>	<u>16,961</u>	<u>15,532</u>	<u>13,535</u>

Napier University
Notes to the 2006-07 Accounts

	Consolidated		University	
	2007	2006	2007	2006
	£000	£000	£000	£000
18 Provisions for Liabilities and Charges				
Unfunded Pension Liability				
At 1 August	11,928	14,803	11,928	14,803
Income from Investments	36	39	36	39
Early Retirement Pensions	(805)	(788)	(805)	(788)
Transfer (to) / from Income and Expenditure Account	1,464	(2,126)	1,464	(2,126)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	12,623	11,928	12,623	11,928
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Construction Contracts				
At 1 August	-	-	-	-
Potential liability to subsidiary undertakings	-	-	5,331	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	-	-	5,331	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total Provisions for Liabilities and Charges	12,623	11,928	17,954	11,928
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

A valuation of the unfunded pension liability was carried out by Mercer Human Resource Consulting Ltd., an independent firm of actuaries, at 31 July 2007.

A provision has been made to recognise the University's potential liability to subsidiary undertakings in respect of disputed VAT on construction contracts which may crystallise in the future.

Napier University
Notes to the 2006-07 Accounts

	SFC	Other	Total
	£000	£000	£000
19 Deferred Capital Grants – Consolidated and University			
At 1 August 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>
Received During the Year			
Buildings	2,434	18	2,452
Equipment	1,337	-	1,337
	<u> </u>	<u> </u>	<u> </u>
	3,771	18	3,789
	<u> </u>	<u> </u>	<u> </u>
Released During the Year			
Buildings	615	63	678
Equipment	441	-	441
	<u> </u>	<u> </u>	<u> </u>
	1,056	63	1,119
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2007			
Buildings	20,946	2,929	23,875
Equipment	2,451	-	2,451
	<u> </u>	<u> </u>	<u> </u>
	23,397	2,929	26,326
	<u> </u>	<u> </u>	<u> </u>

Napier University
Notes to the 2006-07 Accounts

	Consolidated £000	University £000
20 Endowment Funds		
At 1 August 2006	497	265
Appreciation of Endowment Asset Investments	15	10
Income for Year	12	12
Expenditure for Year	(23)	(23)
	<hr/>	<hr/>
At 31 July 2007	501	264
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Edward Clark Bequest	221	221
Prize Funds	5	5
Memorial Funds	12	12
Other Funds	263	26
	<hr/>	<hr/>
	501	264
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2006-07 Accounts

	Consolidated		University	
	2007 £000	2006 £000	2007 £000	2006 £000
21 Revaluation Reserve				
At 1 August	692	696	692	691
Appreciation / (Depreciation) of Investments	(5)	(4)	(5)	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	687	692	687	692
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
22 General Reserve				
At 1 August	15,190	7,724	17,227	10,417
Surplus for the Year	5,050	8,111	5,397	7,071
Actuarial Gain / (Loss) in respect of pension scheme	11,432	(261)	11,432	(261)
Reallocation of Reserves (to) / from Deferred Income on Consolidation	28	(384)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	31,700	15,190	34,056	17,227
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Represented by:				
Pension Reserve	(2,741)	(15,143)	(2,741)	(15,143)
Income and Expenditure Reserve	34,441	30,333	36,797	32,370
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31,700	15,190	34,056	17,227
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Napier University
Notes to the 2006-07 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:

	2007	2006
	£000	£000
Profit and Loss Account		
Turnover	3,614	4,005
Consultancy Expenses	(2,598)	(2,794)
	<hr/>	<hr/>
Gross Profit	1,016	1,211
Administrative Expenses	30	(11)
Gift Aid Donation to Napier University	(1,288)	-
Interest Receivable	36	48
	<hr/>	<hr/>
Profit / (Loss) for the Year	(206)	1,248
	<hr/> <hr/>	<hr/> <hr/>
Balance Sheet		
Fixed Assets	69	75
Current Assets	2,022	2,278
Creditors: Amounts Falling Due Within One Year	(1,247)	(1,303)
	<hr/>	<hr/>
Net Assets	844	1,050
	<hr/> <hr/>	<hr/> <hr/>
Capital and Reserves:		
Revaluation Reserve	60	62
Profit and Loss Account	784	988
	<hr/>	<hr/>
Total Funds	844	1,050
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2006-07 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	2007 £000	2006 £000
Donations	22	729	-	751	352
Investment Income	17	17	-	34	43
	-----	-----	-----	-----	-----
Total Incoming Resources	39	746	-	785	395
Direct Charitable Expenditure	(8)	(644)	-	(652)	(839)
Administrative Expenses	(1)	-	-	(1)	(1)
	-----	-----	-----	-----	-----
Net Incoming/(Outgoing) Resources	30	102	-	132	(445)
Gain / (Loss) on Investment Assets:					
Realised	-	5	-	5	(24)
Unrealised	-	(28)	4	(24)	(16)
	-----	-----	-----	-----	-----
Net Movement in Funds	30	79	4	113	(485)
Fund Balances at 1 August	133	598	233	964	1,449
	-----	-----	-----	-----	-----
Fund Balances at 31 July	163	677	237	1,077	964
	=====	=====	=====	=====	=====
Balance Sheet					
Investments				461	484
Current Assets				658	517
Current Liabilities				(42)	(37)
				-----	-----
Net Assets				1,077	964
				=====	=====
Funds:					
Endowments				237	233
Restricted Funds				677	598
Unrestricted Funds				163	133
				-----	-----
Total Funds				1,077	964
				=====	=====

Napier University
Notes to the 2006-07 Accounts

23 Subsidiary Undertakings (contd)

As at 31 July 2007, 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

	2007	2006
	£000	£000
Surplus	5,050	8,111
Depreciation of Tangible Fixed Assets	2,953	2,812
Deferred Capital Grants Released to Income	(1,119)	(899)
Investment Income	(1,157)	(595)
Interest Payable	292	319
Pension costs less contributions payable	(970)	(81)
Gain on Sale of Tangible Fixed Assets	(840)	-
(Increase) / Decrease in Stocks	11	(8)
(Increase) / Decrease in Debtors	5,945	(1,331)
Increase in Creditors	1,225	1,200
Increase / (Decrease) in Provisions	659	(2,914)
	-----	-----
Net cash inflow from operating activities	12,049	6,614
	=====	=====

25 Returns on Investments and Servicing of Finance

Income from Endowments	(8)	16
Other Interest Received	1,219	663
Interest Paid	(292)	(372)
	-----	-----
Net cash inflow from returns on investments and Servicing of Finance	919	307
	=====	=====

Napier University
Notes to the 2006-07 Accounts

	2007	2006
	£000	£000
26 Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets	(9,837)	(2,877)
Payments to acquire endowment assets	(21)	(21)
Sales of tangible fixed assets	1,065	366
Receipts from sales of endowment assets	22	14
Deferred capital grants received	3,789	2,158
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	(4,982)	(360)
	<hr/> <hr/>	<hr/> <hr/>
 27 Management of Liquid Resources		
Movement in endowment assets	7	(9)
	<hr/>	<hr/>
Net cash inflow / (outflow) from management of liquid resources	7	(9)
	<hr/> <hr/>	<hr/> <hr/>
 28 Financing		
Repayment of amounts borrowed	-	(7,500)
	<hr/>	<hr/>
Net cash outflow from financing	-	(7,500)
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2006-07 Accounts

	At 1 August 2006 £000	Cashflows £000	Other Changes £000	At 31 July 2007 £000
29 Analysis of Changes in Net Funds				
Cash in hand, and at bank	9,070	7,993	-	17,063
	<u>9,070</u>	<u>7,993</u>	<u>-</u>	<u>17,063</u>

30 Capital Commitments

At 31 July 2007 the University and its consolidated subsidiaries had commitments contracted for amounting to £3,936,588 (2006 - £413,944).

31 Contingent Liabilities

At 31 July 2007 the University and its consolidated subsidiaries had contingent liabilities in respect of outstanding equal pay claims from members of staff.

32 Financial Commitments

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

	2007 £000	2006 £000
Land and Buildings:		
Expiring within two to five years inclusive	35	25
Expiring in over five years	2,457	2,215
Vehicles:		
Expiring in one to two years	-	-
Expiring within two to five years inclusive	38	-
	<u>2,530</u>	<u>2,240</u>

Napier University
Notes to the 2006-07 Accounts

33 Hardship and Mature Bursary Funds

	Hardship 2007 £000	Childcare 2007 £000	Hardship & Childcare 2007 £000	Hardship & Childcare 2006 £000
At 1 August	39	85	124	88
SAAS Grants Received	439	177	616	591
Transfer Between Funds	50	(50)	-	-
Interest Earned	12	7	19	16
	-----	-----	-----	-----
	540	219	759	695
Disbursed to Students	(499)	(183)	(682)	(571)
	-----	-----	-----	-----
At 31 July	41	36	77	124
	=====	=====	=====	=====

Hardship and Childcare 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.

During the year the sum of £6,000 was paid to Ernst & Young LLP for professional services. At that time, Richard Sweetman, a member of the University Court, was one of the partners of Ernst & Young LLP.