

Contents

	Page
General Information	2
Court Membership	3
Operating and Financial Review	4
Corporate Governance	8
Responsibilities of the University Court	10
Independent Auditors' Report	12
Statement of Principal Accounting Policies	14
Consolidated Income & Expenditure Account	18
Statement of Consolidated Total Recognised Gains & Losses	19
Balance Sheets	20
Consolidated Cash Flow Statement	22
Notes to the 2011-12 Financial Statements	23

Scottish Charity Number – SC018373

Edinburgh Napier University

General Information

Chancellor	Tim Waterstone MA
Chairman of Court (to 31 July 2012)	Professor George C Borthwick CBE FRSE CEng DEng DBA BSc (Hons) FIMechE FIET CCMI FRCSEd (Hon) FRCPS (Glas) FRCOphth (Hon) FRCOG (Hon)
Chairman of Court (from 1 August 2012)	The Very Revd Dr Graham Forbes CBE MA BD
Principal and Vice-Chancellor	Professor Dame Joan K Stringer DBE BA (Hons) CertEd PhD CCMI FRSA FRSE
Secretary	Dr Gerald C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
Finance Director	Jacqueline T Mackenzie BA CA
External Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Internal Auditors	Deloitte LLP 9 George Square Glasgow G2 1QQ
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Mercer 1 George Square Glasgow G2 1AL

Edinburgh Napier University

Court Membership

The following persons served as members of Court during the year to 31 July 2012, and up to the date of approval of these Financial Statements. 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
Ms M Ali			Non-Executive
Prof G C Borthwick		31 July 2012	Non-Executive (F)(R)
Dr J Boyle		31 July 2012	Non-Executive (R)
Prof A Burns		31 July 2012	Non-Executive (F)
Hon Lady Clark of Calton			Non-Executive
Mr M Connarty			Non-Executive (A)(N)
Ms K Dudgeon	1 August 2011	31 July 2012	Student
Prof J Duffield			Vice-Principal (F)
Dr V Ellis	1 August 2012		Staff
The Very Revd Dr G Forbes	1 August 2012		Non-Executive (F)(R)(N)
Mr W Gallagher			Non-Executive (A)(R)
Mr R Hare	1 October 2011		Non-Executive (F)
Mr R Kemmer			Staff
Mr G Kildare		14 February 2012	Non-Executive
Mr S Logie	1 August 2011		Staff
Prof R Mackenzie		31 March 2012	Vice-Principal
Mr R Maclennan			Non-Executive (F)
Mr G McCarra		31 July 2012	Staff
Dr J Rees		30 September 2011	Vice-Principal
Mr B Rigby	1 October 2011		Non-Executive
Prof A Sambell	1 April 2012		Vice-Principal
Ms M Stephenson			Non-Executive (F)(R)(N)
Dr P Stollard			Non-Executive (A)
Prof Dame J K Stringer			Principal & Vice-Chancellor (F)(N)
Mr R Sweetman			Non-Executive (F)
Ms P Woodburn			Non-Executive (A)(N)
Mr T Zanelli	1 August 2011		Student

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

The University

The University Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of governing Edinburgh Napier University. The University is an exempt charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005 (No.SC018373). The University Court considers that the University meets the 'Charity Test' set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005. It will take such actions as are necessary to ensure continued full compliance with the legislation and retention of charitable status. A copy of these Financial Statements can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

Scope of the Financial Statements

The Financial Statements for the year ended 31 July 2012, comprising the consolidated 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 2007, applicable law and relevant UK accounting standards.

Overview of achievements

2011-12 was again a very successful year for the University which continues to build on the achievements of previous years to give a solid foundation from which to invest in strategically important areas for the future. The University also achieved a substantial rise in UCAS applications for 2011 entry and this progress was maintained with a modest further rise in the 2012 admissions cycle – a period of significant market perturbation due to changes in fee structures across the UK. Our total student population was at an all-time high with growth in international undergraduates studying in Edinburgh and growth in students studying on our programmes delivered overseas. In total 30% of the University's students were from overseas (July 2012), representing over 100 countries.

Graduate employability has held up well and the University's headline graduate employment rate (in work or further study within 6 months of graduation) increased slightly from 93.2% last year to 93.6% this year, above the University's benchmark (90.5%) and positioning the University among the top ten universities in the UK for graduate employability. Graduate employability remains a consistent strength.

Collaboration with Colleges makes a significant contribution to the University's success and will continue to be an important element of our strategy going forward and the University will continue to build on its success in widening access and articulation routes. By the end of the 2011-12 admissions cycle the University was on course to meet or exceed its articulation targets.

During 2011-12, as in the previous year, the University and the higher education sector in general continued to operate against a backdrop of pressures on public funding, the impact of recession and the moving forward of key policies by governments in Scotland, and the UK committed to change within education and higher education in particular. A major focus has continued to be on ensuring our long term financial stability and sustainability and cost control and delivery of non-exchequer income growth has been a core feature for 2011-12 to enable us to operate in an increasingly competitive market both at home and overseas. A major achievement of the year was therefore meeting those challenges and keeping the University on a sustainable financial footing.

We have continued to invest in areas of potential growth and as a key strategic priority. The University has continued to build on its track record of international success in 2011-12 with particular focus on achieving substantial growth in our in-country presence in Hong Kong, India and Singapore. This year around 1,400 students

Edinburgh Napier University Operating and Financial Review

graduated in Hong Kong with Edinburgh Napier qualifications and around 270 are expected to graduate following the year-end in India. The University remains the largest UK-based provider of transnational higher education in Hong Kong.

The University has also continued to progress a major programme of investment in its estate. After the successful completion of the Sighthill Campus project in 2011, work commenced on the Merchiston Campus Co-location project in 2011-12 which incorporates a phased construction of internal remodelling and refurbishment, as well as providing new build multi-use space and a new build music area.

The University has continued to grow its reputation as an environmentally responsible institution. For the second year running, the University gained 1st Class Award status and was the top Scottish university for the third consecutive year in the People & Planet Green League – the only independent, nationwide assessment of universities' environmental performance. The University was also awarded Carbon Masters Standard in recognition of our environmental commitment in May 2012.

Despite the economy still in recovery mode, development activity has had a successful year, which has helped to support some of the key funding priorities for the University including: estates costs, local and international scholarships and community engagement. The University gratefully acknowledges the support of The National Lottery through the Big Lottery Fund for funding of £90,336 received for the 'Towards a Confident Futures' project.

Results for the year

The University is pleased to report a surplus for the year of £6.4m.

The overall results for each of the last three years were –

	2011-12	change	2010-11	change	2009-10
	£m	%	£m	%	£m
Income	104.0	(2.1)	106.2	0.5	105.7
Expenditure	98.1	(7.1)	105.6	4.9	100.7
Operating surplus	5.9	883.3	0.6	(88.0)	5.0
Gain on disposal and other adjustments	0.5	(86.8)	3.8	100.0	0.0
Net surplus	6.4	45.4	4.4	(12.0)	5.0

The continuing generation of operating surpluses demonstrates the University's commitment to ensuring its financial health and the sustainability of its activities thereby creating the environment necessary to support its ongoing development and the achievement of its key strategic goals to be one of the leading, modern, professional universities in the United Kingdom.

Total income decreased by £2.2m to £104m which reflects the 9% decrease in SFC funding during the year offset by increases in commercial and other operating income. Within the total, Tuition Fees were relatively stable in difficult economic circumstances and grew by £190k (0.6%), supported by an increase in Non EU fees of £414k (3%) reflecting the continuing success of the University's international strategy both in attracting students to Edinburgh Napier and through collaborative partnerships overseas. Overall student numbers expressed as full time equivalents for each of the last three years were –

Full Time Equivalents	2011-12	2010-11	2009-10
Home and EU	10,301	10,427	10,515
Non EU	3,727	3,972	3,721

Edinburgh Napier University

Operating and Financial Review

Research grants and contracts income recovered slightly during the year and increased by £650k in spite of the difficult economic conditions and against a reduction of £1.4m last year

The financial statements show a gain on disposal of fixed assets relating to the sale of a property in Blantyre Terrace.

Total operating expenditure decreased by £7.5m, although within this other operating expenditure decreased by £8.2m reflecting decreases in restructuring costs of £1m, dilapidations provision in the previous year of £6.2m, and an increase in the release from the provision for onerous leases of £720k. There was also a reduction in staff costs of £599k which is evident in the reduction in the average number of staff employed during the year from 1,262 to 1,236.

Cash flow for the year from operating activities continued to be strong, generating £12.5m. Cash balances at 31 July 2012 were £52m but offset by bank loans of £45m from Barclays Bank which are repayable in two tranches, the first by 2017.

During the year, the University invested £7m on works on its estates and infrastructures including Merchiston Campus and major items of faculty equipment, computer and information technology developments and facilities.

A valuation of pension liabilities at 31 July 2012 has resulted in an actuarial loss of £12.7m which has increased the pension liability to £27.9m, calculated under FRS 17 (as described in note 7). Net assets, excluding pensions, increased at 31 July to £91.3m. The University also has provisions of £22m for unfunded pensions, onerous leases costs and dilapidations relating to student accommodation.

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. At 31 July 2012, there was an average of 48 days purchases (2011 - 40 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

The members of the Court of Edinburgh Napier University who held office at the date of approval of this report and financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Future developments and factors influencing performance

In 2009 the University adopted a revised strategy to 2015, which continues to be implemented across the University. Plans for the years ahead include:

- Completion of the Merchiston co-location project, which will result in the Faculty of Engineering, Computing and Creative Industries all being located on the same campus;
- A new 725 bed student accommodation residence in the city centre. We anticipate that this will be available for occupation by the summer of 2013.

In addition, the University is currently assessing priorities for investment to underpin and deliver its growth objectives in key strategic areas. Given the University's international success and standing, future focus will be placed on furthering transnational education, particularly but not exclusively in Hong Kong.

Edinburgh Napier University

Operating and Financial Review

The financial strategy and current financial plan underpinning the corporate strategy is designed to ensure the long term financial health of the University. The political and financial context in which the University operates in Scotland has changed in a number of respects in the last twelve months and there continues to be a significant risk that the environment in which the University operates could be affected by the wider economic situation. Contributing factors continue to include:

- The pressure on resources available to Scottish Higher Education.
- Developments in Scottish Government policy on higher education funding and changes to the Scottish Funding Council's funding methodology together with the Scottish Government's vision and reform agenda for post-16 education
- The geographic variability of the recovery in the global economy, exchange rate volatility and the potential impact of immigration policy on student recruitment.

The University recognises that there is a continuing need to augment core public funding from the Scottish Funding Council and SAAS with a broader base of sustainable income streams and to control costs, particularly staff costs.

The University is taking a number of measures consistent with the strategy to reduce its costs and ensure that it is sustainable in the long term. The University continually reviews the efficiency of its internal processes as part of delivering its strategic objective of achieving the highest organisational standards.

The University is implementing measures to broaden its base of sustainable income streams and to increase the percentage of its income drawn from non-exchequer sources. The University's nine Institutes for research and innovation were established to deliver growth in commercial income. The University is diversifying its successful international activity both in terms of its geographic spread and in terms of increasing its presence and ability to deliver in-country in the key markets of Hong Kong, India and Singapore.

The University defines its commitment to academic excellence in terms of, *inter alia*, responding to changes in student demand informed by good market intelligence. The continued relevance of our academic portfolio, combined with flexible approaches to learning, initiatives to enhance student support and improved retention all provide us with a strong platform on which to continue to grow student numbers. The opportunity to build on the Edinburgh Napier brand adopted in 2009 provides an additional means of raising the University's profile and ability to respond to uncertainty in the student recruitment market.

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.



On behalf of the University Court,
The Very Revd Dr Graham Forbes, CBE, Chairman

17 December 2012

Introduction

Edinburgh Napier University is committed to exhibiting good practice in all aspects of corporate governance, with one of our six strategic objectives being 'To achieve the highest organisational standards'. This summary describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance, first issued by the London Stock Exchange in 2006, and currently embodied as the UK Corporate Governance Code 2010. Such reference is to help the reader of the financial statements of the University understand how the principles have been applied.

Statement of full UK Corporate Governance Code 2010 Compliance

In the opinion of the Court, the University complies with all the provisions of the UK Corporate Governance Code 2010 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 2012. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen (CUC) in November 2004. Governance Reviews are conducted by the Court on a quinquennial basis, most recently in 2009-10, to ensure compliance with the CUC Code of Practice and to ensure appropriate ongoing enhancement of governance arrangements at the University.

University Court

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 and constitutions. 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 Court the University's annual revenue and capital budgets and monitors performance in relation to approved budgets. In parallel with the Audit Committee, it also reviews the financial statements and makes appropriate recommendations regarding their approval to the Court.

The Nominations Committee considers nominations for vacancies in the Court membership including those from public advertisement. The University fulfils its responsibility of ensuring that a process is in place to make appropriate training available to Court 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 2012 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. In parallel with the Finance & Commercialisation Committee, it also reviews the financial statements and makes appropriate recommendations regarding their approval to the Court.

The University's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan, and report 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 Principal's Executive Group attend meetings of the Audit Committee as necessary, they are not members of the committee and once a year the committee meets both the internal and external auditors on their own for independent discussions.

Corporate Strategy

In respect of its strategic and development responsibilities, the Court receives recommendations and advice from members of the Principal's Executive Group. The Court holds an annual conference with the Principal's Executive Group and other senior managers to discuss strategic issues facing the University. It is the Court that approves the University Strategy and puts in place appropriate measures by which it can monitor progress.

University Court Statement on Internal Control

The University Court is responsible for the 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 Principal's Executive Group 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 Court since 1998. The Principal's Executive Group and the Court Committees 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 Court regularly considers risk and control and receives reports thereon from the Principal's Executive Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2011 meeting the Court received the annual report from the Audit Committee covering the period to 30 November 2011. At its June 2012 meeting, the Court considered the annual risk assessment for the year ahead by considering documentation from the Principal's Executive Group and internal audit, and taking account of events since 31 July 2011.

The Court 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 2012 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Court and accords with current good practice of governance in the higher education sector of the U.K.

Going Concern

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



On behalf of the University Court,
The Very Revd Dr Graham Forbes, CBE,
Chairman



Professor Dame Joan K Stringer, DBE,
Principal and Vice-Chancellor

17 December 2012

Edinburgh Napier University

Statement of Responsibilities of the University Court

The University Court has unambiguous and collective responsibility for the oversight of the University's activities and determining its future direction. In addition, in accordance with its 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 financial statements for each financial year. The Court, however, ensures that its functions relating to the organisation and management of the University are discharged by the Principal and 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 financial statements are prepared in accordance with the University's Statutory Instrument, the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 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 financial statements for each financial year which give a true and fair view of the state of affairs of the University and of its surplus or deficit and cash flows for that year.

The Court takes proper account of the interests of stakeholders, including students, staff, alumni, the wider community and funding bodies.

In causing the financial statements 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 financial statements;
- financial statements are prepared which comply with the Charities and Trustee Investment (Scotland) Act 2005;
- financial statements 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 financial statements.

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.

Edinburgh Napier University

Statement of 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, Deans of Faculties and Directors of Professional Services, as set out in the University's Schedule of Delegated Authority which was updated and approved by the Court in October 2012;
- 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 the 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,
The Very Revd Dr Graham Forbes, CBE, Chairman

17 December 2012

Edinburgh Napier University

Independent Auditors' Report to the University Court

We have audited the financial statements of Edinburgh Napier University for the year ended 31 July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the University Court of Edinburgh Napier University, as a body, in accordance with the Charter and Statutes of the University; and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the University 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 Court of Edinburgh Napier University as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditor

As explained more fully in the Statement of Responsibilities of the University Court set out on pages 10 and 11, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Charter and Statutes of the University and also under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Operating and Financial Review, Statement of Corporate Governance and Internal Control and Court Membership to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2012 and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.
- Have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

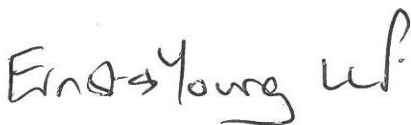
In our opinion:

- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, the Financial Memorandum with the Scottish Funding Council.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations (as amended) require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Ernst & Young LLP
Edinburgh

17 December 2012

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

1 Basis of Preparation and Accounting

The financial statements 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 2007 and applicable accounting standards. They conform to guidance published by the Scottish Funding Council (SFC).

2 Basis of Consolidation

The Consolidated financial statements consolidate the financial statements of the University and its subsidiary undertakings in accordance with the provisions of Financial Reporting Standard No 2 (FRS2). Intra-group sales and profits are eliminated fully on consolidation. 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 are recognised in the period in which they are receivable. Tuition fee income is stated gross and credited to the Income & Expenditure Account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. The cost of bursaries and scholarships are accounted for as expenditure, and included within other operating expenditure.

Income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the Balance Sheet as liabilities.

Grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. The grants are credited to deferred capital grants and an annual transfer made to the Income & Expenditure Account over the useful economic life of the asset at the same rate as the depreciation charge on the asset for which the grant was awarded.

Income from the sale of goods or services is credited to the Income & Expenditure Account when the goods or services are supplied to the external customers against the order received or the terms of the contract have been satisfied.

Endowment and investment income is credited to the Income & Expenditure Account on a receivable basis. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the Income & Expenditure Account to specific endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the Balance Sheet.

Increases in value arising from the revaluation of fixed asset investments are carried as a credit to the Revaluation Reserve via the Statement of Total Recognised Gains and Losses; a diminution in value is charged to the Income & Expenditure Account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases / decreases in value arising from the revaluation or disposal of endowment assets (i.e. the appreciation / depreciation of endowment assets) are added to or subtracted from the funds concerned and accounted for through the Balance Sheet by debiting or crediting the endowment fund and reported in the Statement of Total Recognised Gains and Losses.

4 Agency Arrangements

Funds which the University receives and disburses as paying agent on behalf of a funding body or other body, where the University is exposed to minimal risk or enjoys minimal economic benefit related to the receipt and subsequent disbursement of the funds, are excluded from income and expenditure of the University.

5 Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged to the Income & Expenditure Account on a straight-line basis over the term of the lease.

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the Income & Expenditure Account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

6 Taxation

The University is an exempt charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 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. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

7 Foreign Currency Transactions

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.

8 Liquid Resources

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

9 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.

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 pension payments made and changes in the annual actuarial valuation conducted by the University's actuaries.

10 Accounting for Charitable Donations

Charitable donations are recognised in the financial statements when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Where charitable donations are restricted to a particular objective specified by the donor, these are accounted for as an endowment.

11 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 and buildings 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.

12 Investments

Listed investments held as fixed assets or endowment assets are included in the Balance Sheet at market value. Unlisted investments are stated at the lower of cost or net realisable value.

13 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.

14 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.

Edinburgh Napier University
Consolidated Income & Expenditure Account - Year to 31 July 2012

		2012 £000	2011 £000
Income	Notes		
Scottish Funding Council grants	1	51,566	56,574
Tuition fees and education contracts	2	31,774	31,585
Research grants and contracts	3	5,566	4,916
Other income	4	14,438	12,850
Endowment and investment income	5	627	248
		<hr/>	<hr/>
Total Income		103,971	106,173
		<hr/>	<hr/>
Expenditure			
Staff costs	6	60,624	61,223
Other operating expenses	8	28,948	37,104
Depreciation	9	5,562	5,046
Interest and other finance costs	10	2,949	2,182
		<hr/>	<hr/>
Total Expenditure	9	98,083	105,555
		<hr/>	<hr/>
Surplus after depreciation of fixed assets		5,888	618
Exceptional items: continuing operations			
Gain on disposal of fixed assets	11	475	3,860
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of fixed assets and disposal of assets		6,363	4,478
Surplus for the year transferred (to) / from accumulated income in endowment funds		3	(110)
		<hr/>	<hr/>
Surplus for the year retained within general reserves		6,366	4,368
		<hr/> <hr/>	<hr/> <hr/>

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

There is no difference between the surplus stated above and its historical cost equivalent.

Edinburgh Napier University**Statement of Consolidated Total Recognised Gains and Losses - Year to 31 July 2012**

	2012 £000	2011 £000
Surplus on continuing operations after depreciation of fixed assets and disposal of assets	6,363	4,478
Appreciation of investments	17	172
Diminution of endowment asset investments	(4)	(4)
Actuarial gain / (loss) in respect of pension scheme	(12,668)	10,518
	<hr/>	<hr/>
Total recognised gains / (losses) for the year	(6,292)	15,164
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
Opening reserves and endowments	34,258	19,094
Total recognised gains / (losses) for the year	(6,292)	15,164
	<hr/>	<hr/>
Closing reserves and endowments	27,966	34,258
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Balance Sheets - At 31 July 2012

	Notes	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Fixed assets					
Tangible fixed assets	12	117,752	116,317	120,492	119,133
Investments	13	1,821	1,907	1,810	1,874
		_____	_____	_____	_____
		119,573	118,224	122,302	121,007
Endowment assets	14	332	339	221	225
Current assets					
Stock	15	47	49	47	49
Debtors	16	6,596	8,254	4,463	5,998
Cash at bank and in hand		52,003	42,982	51,226	42,204
		_____	_____	_____	_____
		58,646	51,285	55,736	48,251
Less: creditors - amounts falling due within one year	17	(20,160)	(19,485)	(20,611)	(19,143)
		_____	_____	_____	_____
Net current assets		38,486	31,800	35,125	29,108
		_____	_____	_____	_____
Total assets less current liabilities		158,391	150,363	157,648	150,340
Less: creditors - amounts falling due after more than one year	18	(45,000)	(43,000)	(45,000)	(43,000)
Less: provisions for liabilities	19	(22,122)	(21,961)	(22,122)	(21,961)
		_____	_____	_____	_____
Net assets excluding pension liability		91,269	85,402	90,526	85,379
Pension liability	7	(27,862)	(15,725)	(27,862)	(15,725)
		_____	_____	_____	_____
Net assets including pension liability		63,407	69,677	62,664	69,654
		=====	=====	=====	=====

Edinburgh Napier University
Balance Sheets - At 31 July 2012

	Notes	Consolidated		University	
		2012 £000	2011 £000	2012 £000	2011 £000
Deferred capital grants	20	35,441	35,419	35,441	35,419
Endowments	21				
Permanent		325	334	214	220
Expendable		7	5	7	5
		—————	—————	—————	—————
		332	339	221	225
		—————	—————	—————	—————
Reserves					
Income and expenditure account excluding pension reserve		54,467	48,632	53,793	48,683
Pension reserve	7	(27,862)	(15,725)	(27,862)	(15,725)
		—————	—————	—————	—————
Income and expenditure account including pension reserve	22	26,605	32,907	25,931	32,958
Revaluation reserve	23	1,029	1,012	1,071	1,052
		—————	—————	—————	—————
		27,634	33,919	27,002	34,132
		—————	—————	—————	—————
Total funds		63,407	69,677	62,664	69,654
		=====	=====	=====	=====

The financial statements on pages 14 to 41 were approved by the University Court on 17 December 2012 and were signed on its behalf by:



The Very Revd Dr Graham Forbes, CBE, Chairman



Professor Dame Joan K Stringer, DBE, Principal and Vice-Chancellor



Jacqueline T Mackenzie, Finance Director

Edinburgh Napier University
Consolidated Cash Flow Statement - Year to 31 July 2012

	Notes	2012 £000	2011 £000
Net cash inflow from operating activities	25	12,505	9,999
Returns on investment and servicing of finance			
Income from endowments		3	10
Other interest received		370	260
Interest paid		(2,941)	(2,115)
		<hr/>	<hr/>
Net cash outflow from returns on investment and servicing of finance		(2,568)	(1,845)
		<hr/>	<hr/>
Capital expenditure			
Payments to acquire fixed assets		(4,750)	(10,283)
Proceeds from sale of fixed assets		610	9,935
Payments to acquire endowment assets		(15)	(65)
Proceeds from sale of endowment assets		18	29
Deferred capital grants received		1,227	2,176
		<hr/>	<hr/>
Net cash inflow / (outflow) from capital expenditure		(2,910)	1,792
		<hr/>	<hr/>
Cash inflow before management of liquid resources and financing		7,027	9,946
Management of liquid resources			
Movement in endowment assets		(6)	26
Financing	26	2,000	13,000
		<hr/>	<hr/>
Increase in cash in the year		9,021	22,972
		<hr/>	<hr/>
Reconciliation of net cash flow to movements in net funds / (debt)			
Increase in cash in the year		9,021	22,972
Change in debt		(2,000)	(13,000)
Net debt at 1 August		(18)	(9,990)
		<hr/>	<hr/>
Net funds / (debt) at 31 July		7,003	(18)
		<hr/>	<hr/>

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	2012	2011
	£000	£000
1 Scottish Funding Council grants		
Recurrent teaching grant	44,110	49,452
Research grant	2,469	2,647
Other grants	3,905	3,435
Released from deferred capital grants		
- Buildings	638	628
- Equipment	444	412
	<u>51,566</u>	<u>56,574</u>
2 Tuition fees and education contracts		
Scotland and EU fees	14,903	15,139
Other UK fees	1,652	1,702
Non EU fees	13,668	13,254
Non credit bearing course fees	1,551	1,490
	<u>31,774</u>	<u>31,585</u>
3 Research grants and contracts		
Research councils and charities	445	685
Industry and commerce	1,268	1,176
Governmental	1,996	1,841
Other grants and contracts	1,857	1,214
	<u>5,566</u>	<u>4,916</u>
4 Other income		
Consultancy and expert services	1,920	1,541
Residences and catering	5,898	5,212
Other services rendered	4,460	4,590
Released from deferred capital grants	71	127
Other income	2,089	1,380
	<u>14,438</u>	<u>12,850</u>

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	2012	2011
	£000	£000
5 Endowment and investment income		
Income from permanent endowments	7	24
Other interest receivable	331	221
Net pension credit (note 7)	289	3
	<u>627</u>	<u>248</u>

6 Staff costs		
Salaries	49,644	50,257
Social security costs	4,043	3,996
Pension costs	6,937	6,970
	<u>60,624</u>	<u>61,223</u>

The above staff costs include amounts payable to the Vice-Chancellor of:

Salary	207	202
Benefits in kind	2	2
Pension contributions	15	30
	<u>224</u>	<u>234</u>

The number of other higher paid staff who received emoluments in the following ranges was:

	2012	2011
	Number	Number
£70,000 – £79,999	18	22
£80,000 – £89,999	5	8
£90,000 – £99,999	3	2
£100,000 - £109,999	2	2
£110,000 - £119,999	2	1

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

Academic departments	685	691
Academic services	193	211
Central administration	232	235
Property	25	24
Research	59	57
Residences and catering	42	44
	<u>1,236</u>	<u>1,262</u>

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	2012 £000	2011 £000
6 Staff costs (contd)		
Compensation for loss of office of former senior post-holders		
Compensation paid to the former post-holders	177	115
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>177</u>	<u>115</u>

7 Pension schemes

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 £6,937,000 (2011 - £6,970,000)

Total pension cost for the year (note 6)

	2012 £000	2011 £000
STSS – contributions paid	3,199	3,073
LGPS – charge to the income and expenditure account	3,738	3,897
	<u>6,937</u>	<u>6,970</u>

The Scottish Teachers Superannuation Scheme 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 2005
Actuarial method	Prospective Benefits
Investment returns per annum	6.5%
Salary scale increases per annum	4.5%
Actuarial value of the assets	£18,474m
Proportion of members' accrued benefits covered by the actuarial value of the assets	95.7%

The employer contribution rate was 14.9% of salary throughout the financial year.

7 Pension schemes (contd)

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.

The Local Government Pension Scheme 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 2011 using the projected unit method. The following assumptions were made for actuarial valuation purposes:

Gilt-based discount rate	4.3%
Funding basis discount rate	5.8%
Pay increases	5.1%
Price inflation / pension increases	2.8%

The market value of the assets at the valuation date was £3,477m. The past service liabilities of the scheme have been valued at £3,619m resulting in a deficit of £142m. This represents a funding level of 96%. On the basis of actuarial recommendations, employer contributions were 19.4% of pensionable pay for the year ended 31 March 2012, and are set at 15.8% of pensionable pay plus a fixed sum of £705,200 for each of the three years ending 31 March 2015.

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 2011, updated to 31 July 2012 by a qualified independent actuary.

	July 2012	July 2011	July 2010
	%	%	%
Rate of increase in salaries	4.5	5.0	4.9
Rate of increase in pensions	2.2	2.7	3.4
Discount rate	4.1	5.3	5.4
Inflation rate	2.2	2.7	3.4

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 financial statements. Any differences between expected and actual outcomes are reported through experience gains and losses.

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

7 Pension schemes (contd)

	July 2012		July 2011		July 2010	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	5.5	73,396	7.0	72,550	7.3	60,537
Bonds	2.9	8,579	4.6	8,265	4.8	7,169
Property	3.7	10,485	5.1	9,184	5.3	7,965
Cash	2.8	2,860	4.0	1,837	4.4	3,983
		_____		_____		_____
Fair value of assets		95,320		91,836		79,654
Present value of scheme liabilities		123,182		107,561		106,093
		_____		_____		_____
Net pension deficit		(27,862)		(15,725)		(26,439)
		=====		=====		=====

The following amounts at 31 July were measured in accordance with the requirements of FRS 17

Analysis of the amount shown in the Balance Sheet

	2012 £000	2011 £000
The University's estimated asset share	95,320	91,836
Present value of the University's scheme liabilities	(123,182)	(107,561)
	_____	_____
Deficit in the scheme – net pension liability	(27,862)	(15,725)
	=====	=====

Analysis of the amount charged to the Income and Expenditure Account

	2012	2011
Current service cost	3,738	3,692
Curtailments and settlements	-	205
	_____	_____
Total operating charge	3,738	3,897
	=====	=====

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	2012 £000	2011 £000
7 Pension schemes (contd)		
Analysis of the amount credited to Endowment and investment income (note 5)		
Expected return on pension scheme assets	6,050	5,439
Interest on pension scheme liabilities	(5,761)	(5,436)
	<u> </u>	<u> </u>
Net credit	289	3
	<u> </u>	<u> </u>
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	(5,128)	3,629
Changes in the assumptions underlying the present value of the scheme liabilities	(7,540)	6,889
	<u> </u>	<u> </u>
Actuarial gain / (loss) recognised in the STRGL	(12,668)	10,518
	<u> </u>	<u> </u>
Analysis of movements in the present value of the scheme liabilities		
Balance at 1 August	107,561	106,093
Current service cost	3,738	3,692
Contributions	1,458	1,449
Benefits paid	(2,876)	(2,425)
Interest costs	5,761	5,436
Curtailment and settlements	-	205
Actuarial (gain) / loss	7,540	(6,889)
	<u> </u>	<u> </u>
Balance at 31 July	123,182	107,561
	<u> </u>	<u> </u>
Analysis of movements in the market value of the scheme assets		
Balance at 1 August	91,836	79,654
Contributions	5,438	5,539
Benefits paid	(2,876)	(2,425)
Expected return on assets	6,050	5,439
Actuarial gain / (loss)	(5,128)	3,629
	<u> </u>	<u> </u>
Balance at 31 July	95,320	91,836
	<u> </u>	<u> </u>

7 Pension schemes (contd)

In the 2010 budget, the UK government announced that it intended that the future increases in public sector pension schemes be linked to changes in the Consumer Price Index (CPI) rather than, as previously the Retail Price Index (RPI). The Lothian Pension Fund moved forward the adoption of the CPI as opposed to the RPI as the inflation measure for the Local Government Pension Scheme from April 2011. The University has reviewed the Lothian Pension Fund Scheme Rules and associated members' literature and has considered that, as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised in 2011 through the Statement of Total Recognised Gains and Losses (STRGL).

History of experience gains and losses	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets	(5,128)	3,629	4,986	(12,471)	(12,119)
% of scheme assets	(5.4%)	4.0%	6.3%	(18.9%)	(17.3%)
Experience gains and (losses) on scheme liabilities	3,546	-	-	4,728	(3)
% of the present value of the scheme liabilities	2.9%	0.0%	0.0%	5.2%	(0.0%)
Total amount recognised in statement of total recognised gains and losses	(12,668)	10,518	(418)	(17,883)	(5,867)
% of the present value of the scheme liabilities	(10.3%)	9.8%	(0.4%)	(19.6%)	(7.5%)

8 Other operating expenses

	2012	2011
	£000	£000
Supplies and consumables	7,898	8,554
Residences and catering	5,206	4,515
Napier University Ventures Ltd	1,555	1,546
Property maintenance	2,116	2,881
Other expenses	3,111	3,457
Heat, light and power	1,446	1,196
Rent, rates and insurance	1,112	1,455
Early retirement	1,861	672
Library books and services	858	856
Staff development, conferences and travel	2,672	2,434
Postages and telephone	231	381
Students' association	411	370
Recruitment costs	94	51
Advertising	741	1,138
Transport	86	130
Auditors' remuneration	117	108
Restructuring costs	458	1,506
Provision for onerous leases (note 19)	(1,025)	(305)
Provision for dilapidations (note 19)	-	6,159
	28,948	37,104

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

12 Tangible Fixed Assets – Consolidated

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost				
At 1 August 2011	-	119,645	20,663	140,308
Additions	2,660	2,600	1,789	7,049
Disposals	-	(80)	(3,062)	(3,142)
	-----	-----	-----	-----
At 31 July 2012	2,660	122,165	19,390	144,215
	=====	=====	=====	=====
Depreciation				
At 1 August 2011	-	11,882	12,109	23,991
Charge for the year	-	3,030	2,532	5,562
Disposals	-	(28)	(3,062)	(3,090)
	-----	-----	-----	-----
At 31 July 2012	-	14,884	11,579	26,463
	=====	=====	=====	=====
Net book value at 31 July 2012	2,660	107,281	7,811	117,752
	=====	=====	=====	=====
Net book value at 31 July 2011	-	107,763	8,554	116,317
	=====	=====	=====	=====
Tangible Fixed Assets – University				
Cost				
At 1 August 2011	-	122,916	20,646	143,562
Additions	2,660	2,600	1,775	7,035
Disposals	-	(80)	(3,044)	(3,124)
	-----	-----	-----	-----
At 31 July 2012	2,660	125,436	19,377	147,473
	=====	=====	=====	=====
Depreciation				
At 1 August 2011	-	12,337	12,092	24,429
Charge for the year	-	3,097	2,527	5,624
Disposals	-	(28)	(3,044)	(3,072)
	-----	-----	-----	-----
At 31 July 2012	-	15,406	11,575	26,981
	=====	=====	=====	=====
Net book value at 31 July 2012	2,660	110,030	7,802	120,492
	=====	=====	=====	=====
Net book value at 31 July 2011	-	110,579	8,554	119,133
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	Consolidated £000	University £000
13 Investments		
At 1 August 2011	1,907	1,874
Additions	4	-
Disposals	(83)	(83)
Appreciation / (diminution) of investments	(7)	19
	<hr/>	<hr/>
At 31 July 2012	1,821	1,810
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Index-linked stocks	1,778	1,778
Equities – listed	6	-
Equities – unlisted	37	32
	<hr/>	<hr/>
	1,821	1,810
	<hr/> <hr/>	<hr/> <hr/>
14 Endowment Assets		
At 1 August 2011	339	225
Additions	15	15
Disposals	(18)	(18)
Diminution of investments	(10)	(4)
Increase in cash balances held	6	3
	<hr/>	<hr/>
At 31 July 2012	332	221
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Equities – listed	195	189
Cash balances	136	31
Investment debtors	1	1
	<hr/>	<hr/>
	332	221
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	Consolidated		University	
	2012 £000	2011 £000	2012 £000	2011 £000
15 Stocks				
Stocks for resale	47	49	47	49
	<u>47</u>	<u>49</u>	<u>47</u>	<u>49</u>
16 Debtors				
Trade debtors	2,579	3,538	937	1,578
Other debtors	1,240	1,948	1,094	1,830
Prepayments and accrued income	1,705	1,242	1,360	1,064
Research	1,072	1,526	1,072	1,526
	<u>6,596</u>	<u>8,254</u>	<u>4,463</u>	<u>5,998</u>
	<u>6,596</u>	<u>8,254</u>	<u>4,463</u>	<u>5,998</u>
17 Creditors - amounts falling due within one year				
Trade creditors	5,481	2,125	5,481	2,125
Taxation and social security	1,292	1,307	1,292	1,307
Other creditors	496	500	202	177
Accruals and deferred income	10,373	11,426	8,442	10,193
Research	2,518	4,127	2,518	4,127
Subsidiary undertakings	-	-	2,676	1,214
	<u>20,160</u>	<u>19,485</u>	<u>20,611</u>	<u>19,143</u>
	<u>20,160</u>	<u>19,485</u>	<u>20,611</u>	<u>19,143</u>
18 Creditors - amounts falling due after more than one year				
Unsecured loans repayable by 2017	35,000	33,000	35,000	33,000
Unsecured loans repayable by 2039	10,000	10,000	10,000	10,000
	<u>45,000</u>	<u>43,000</u>	<u>45,000</u>	<u>43,000</u>
	<u>45,000</u>	<u>43,000</u>	<u>45,000</u>	<u>43,000</u>

Of the loans outstanding, £35m is fixed at a rate of 6.36%, and the remaining £10m is fixed at a rate of 5.55%

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	2012	2011
	£000	£000
19 Provisions for liabilities – Consolidated and University		
Unfunded pension liability		
At 1 August	13,137	13,312
Income from investments	39	39
Early retirement pensions	(921)	(886)
Transfer from income and expenditure account	1,861	672
	<hr/>	<hr/>
At 31 July	14,116	13,137
	<hr/> <hr/>	<hr/> <hr/>
Onerous leases		
At 1 August	2,665	2,970
Transfer to income and expenditure account	(1,025)	(305)
	<hr/>	<hr/>
At 31 July	1,640	2,665
	<hr/> <hr/>	<hr/> <hr/>
Dilapidations		
At 1 August	6,159	-
Transfer from income and expenditure account	207	6,159
	<hr/>	<hr/>
At 31 July	6,366	6,159
	<hr/> <hr/>	<hr/> <hr/>
Total provisions for liabilities	22,122	21,961
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	SFC £000	Other £000	Total £000
20 Deferred capital grants – Consolidated and University			
At 1 August 2011			
Buildings	30,282	3,057	33,339
Equipment	2,075	5	2,080
	<hr/>	<hr/>	<hr/>
	32,357	3,062	35,419
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Received during the year			
Buildings	953	-	953
Equipment	274	-	274
	<hr/>	<hr/>	<hr/>
	1,227	-	1,227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Released during the year			
Buildings	691	70	761
Equipment	443	1	444
	<hr/>	<hr/>	<hr/>
	1,134	71	1,205
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2012			
Buildings	30,544	2,987	33,531
Equipment	1,906	4	1,910
	<hr/>	<hr/>	<hr/>
	32,450	2,991	35,441
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	Restricted Permanent £000	Restricted Expendable £000	Total £000
21 Endowments – Consolidated			
At 1 August 2011			
Capital value	282	5	287
Accumulated income	52	-	52
	-----	-----	-----
	334	5	339
Diminution of endowment assets	(10)	-	(10)
Income for the year	10	3	13
Expenditure for the year	(9)	(1)	(10)
	-----	-----	-----
At 31 July 2012	325	7	332
	-----	-----	-----
Represented by:			
Capital value	273	7	280
Accumulated income	52	-	52
	-----	-----	-----
	325	7	332
	=====	=====	=====
Endowments – University			
At 1 August 2011			
Capital value	168	5	173
Accumulated income	52	-	52
	-----	-----	-----
	220	5	225
Diminution of endowment assets	(4)	-	(4)
Income for the year	7	3	10
Expenditure for the year	(9)	(1)	(10)
	-----	-----	-----
At 31 July 2012	214	7	221
	-----	-----	-----
Represented by:			
Capital value	162	7	169
Accumulated income	52	-	52
	-----	-----	-----
	214	7	221
	=====	=====	=====

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

	Consolidated		University	
	2012	2011	2012	2011
	£000	£000	£000	£000
22 Income and expenditure account				
At 1 August	32,907	18,021	32,958	18,424
Surplus retained for the year	6,366	4,368	5,641	4,016
Actuarial gain / (loss) in respect of pension scheme	(12,668)	10,518	(12,668)	10,518
	—	—	—	—
At 31 July	26,605	32,907	25,931	32,958
	=====	=====	=====	=====
Represented by:				
Income and expenditure reserve	54,467	48,632	53,793	48,683
Pension reserve	(27,862)	(15,725)	(27,862)	(15,725)
	—	—	—	—
	26,605	32,907	25,931	32,958
	=====	=====	=====	=====
23 Revaluation reserve				
At 1 August	1,012	840	1,052	875
Appreciation of investments	17	172	19	177
	—	—	—	—
At 31 July	1,029	1,012	1,071	1,052
	=====	=====	=====	=====
24 Post Balance Sheet Events				

There were no post balance sheet events which require disclosure within these financial statements.

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

25 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. The Company's Profit and Loss Account and Balance Sheet are detailed below:

	2012	2011
	£000	£000
Profit and Loss Account		
Turnover	8,537	7,416
Consultancy expenses	(5,359)	(4,782)
	-----	-----
Gross Profit	3,178	2,634
Administrative expenses	(35)	(62)
Gift aid donation to Edinburgh Napier University	(2,483)	(2,388)
Interest receivable	1	-
	-----	-----
Profit for the year	661	184
	=====	=====
Balance Sheet		
Fixed assets	68	77
Current assets	4,782	3,450
Creditors - amounts falling due within one year	(1,980)	(1,318)
	-----	-----
Net assets	2,870	2,209
	=====	=====
Capital and reserves:		
Revaluation reserve	52	54
Profit and loss account	2,818	2,155
	-----	-----
Total funds	2,870	2,209
	=====	=====

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

25 Subsidiary undertakings (contd)

Edinburgh 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	2012 £000	2011 £000
Donations	17	377	-	394	704
Investment income	3	-	2	5	4
	-----	-----	-----	-----	-----
Total incoming resources	20	377	2	399	708
Direct charitable expenditure	(22)	(383)	-	(405)	(1,172)
	-----	-----	-----	-----	-----
Net incoming / (outgoing) resources	(2)	(6)	2	(6)	(464)
Loss on investment assets:					
- realised	-	-	-	-	(1)
- unrealised	(4)	-	(5)	(9)	(10)
	-----	-----	-----	-----	-----
Net movement in funds	(6)	(6)	(3)	(15)	(475)
Fund balances at 1 August	146	658	114	918	1,393
	-----	-----	-----	-----	-----
Fund balances at 31 July	140	652	111	903	918
	=====	=====	=====	=====	=====
Balance Sheet					
Investments				117	123
Current assets				803	799
Current liabilities				(17)	(4)
				-----	-----
Net assets				903	918
				=====	=====
Endowments				111	114
Restricted funds				652	658
Unrestricted funds				140	146
				-----	-----
Total funds				903	918
				=====	=====

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

25 Subsidiary undertakings (contd)

As at 31 July 2012, the following were dormant subsidiary companies of the University.

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.

26 Reconciliation of surplus for the year retained within general reserves to net cash inflow from operating activities	2012 £000	2011 £000
Surplus for the year retained within general reserves	6,366	4,368
Depreciation of tangible fixed assets	5,562	5,046
Deferred capital grants released to income	(1,205)	(1,115)
Investment income	(331)	(221)
Interest payable	2,949	2,182
Pension costs less contributions payable	(531)	(196)
Gain on disposal of tangible fixed assets	(475)	(3,860)
(Increase) / decrease in stock	2	(18)
(Increase) / decrease in debtors	1,658	(161)
Decrease in creditors	(1,612)	(1,666)
Increase in provisions	122	5,640
	<hr/>	<hr/>
Net cash inflow from operating activities	12,505	9,999
	<hr/> <hr/>	<hr/> <hr/>

	At 1 August 2011 £000	Cashflows £000	Other changes £000	At 31 July 2012 £000
27 Analysis of changes in net funds				
Cash at bank and in hand	42,982	9,021	-	52,003
Debts due after more than one year	(43,000)	(2,000)	-	(45,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	(18)	7,021	-	7,003
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

28 Capital commitments

At 31 July 2012 the University and its consolidated subsidiaries had commitments contracted for amounting to £4,898,744 (2011 - £1,107,728).

Edinburgh Napier University
Notes to the 2011-12 Financial Statements

29 Contingent liabilities

At 31 July 2012 the University and its consolidated subsidiaries had no known contingent liabilities requiring disclosure.

30 Financial commitments

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

	2012 £000	2011 £000
Land and Buildings:		
Expiring in less than one year	1,432	10
Expiring in one to two years	-	-
Expiring within two to five years inclusive	2,126	3,703
Expiring in over five years	200	200
Vehicles:		
Expiring in less than one year	1	-
Expiring in one to two years	5	17
	<u>3,764</u>	<u>3,930</u>

31 Discretionary and Childcare funds

	Discretionary £000	Childcare £000	Discretionary & Childcare 2012 £000	Discretionary & Childcare 2011 £000
At 1 August	140	210	350	246
SAAS grants received	583	293	876	854
Interest earned	1	1	2	3
	<u>724</u>	<u>504</u>	<u>1,228</u>	<u>1,103</u>
Disbursed to students	(603)	(187)	(790)	(574)
Repaid to SAAS	(80)	(184)	(264)	(179)
	<u>41</u>	<u>133</u>	<u>174</u>	<u>350</u>

Discretionary 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.

32 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.