

NAPIER UNIVERSITY  
ACCOUNTS FOR THE YEAR TO 31 JULY 2003

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# Napier University

## General Information

Chancellor	Vacant
Chairman of Court	Dr A Cubie CBE FRSE LLD (Glasgow) DUniv (Edinburgh) DBA (QMUC) LLB Hons WS
Principal and Vice-Chancellor 31/12/02)	Prof. J Mavor DSc (Eng) FEng FRSE (until 31/12/02) Prof. J K Stringer, CBE, BA (Hons), PhD, FRSA, FRSE (as from 01/01/03)
Secretary	Dr G C Webber BA DPhil MBA
Director of Finance & Commercialisation Services	Mrs D Robertson LLB CA MBA
External Auditors	Henderson Loggie 10 Great Stuart Street Edinburgh EH3 7TN
Internal Auditors	Deloitte & Touche LLP Saltire Court 20 Castle Terrace EDINBURGH EH1 0BR
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern WS 48 Castle Street Edinburgh EH2 3LX
Actuaries	Hymans Robertson 221 West George Street Glasgow

## Napier University

### Court Membership

The following persons served as members of Court during the year to 31 July 2003. 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 T N Aitchison		October 2002	Non-Executive
Mr A Anderson			Non-Executive ++
Professor G C Borthwick			Non-Executive (+++)
Mrs A Brobbel			Non-Executive ++
Mr C Bryce	October 2002		Staff
Dr L Burley			Non-Executive
Mr D Campbell			Staff
Dr A Cubie (Chairman)			Non-Executive ++ (+++)
Lord Cullen of Whitekirk			Non-Executive (+++)
Dr T Fernandes			Staff
Mr N Freshwater	August 2002	July 2003	Student
Mr G Garvie			Non-Executive +
Baroness Goudie			Non-Executive
Ms M Greenwood			Non-Executive ++
Mr H Hall			Non-Executive +
Baroness Linklater			Chancellor's Assessor
Dr K Lyall			Non-Executive ++
Mr P Mackay			Non-Executive +
Professor J Mavor		December 2002	Principal & Vice- Chancellor ++
Mr B Naylor	October 2002		Non Executive
Ms A Mitchell		July 2003	Student
Professor J K Stringer	January 2003		Principal & Vice Chancellor ++
Ms E Thomson			Non-Executive
Professor G Tucker			Vice-Principal ++
Mr D Wise			Graduates' Association
Mr P Wilson			Non-Executive +
Mr H Wollman			Staff

+ Member of Audit Committee

++ Member of Finance & Commercialisation Committee

(+++) Member of Remuneration Committee

# Napier University

## Report by the Chairman of Court

### **Scope of the Accounts**

The Accounts for the year ended 31 July 2003, comprising the results of the University and those of its subsidiaries follow the same format as used in previous years. They are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the accounting requirement of the Scottish Higher Education Funding Council.

### **Results of the Year**

The Consolidated Income and Expenditure Account is presented on page 16 of the Accounts. The University is pleased to be able to report a surplus in excess of £2.7m. This surplus has been achieved after providing for 'abnormal costs' of £2.8m, arising as a result of the receivership of the main contractor on the Craiglockhart Campus redevelopment. Total income has increased by over £5m, mostly from Tuition Fees and Education Contracts along with Research Grants and Contracts. Other Operating Income has also increased by around £1m.

Total Operating Expenditure has increased by just over £4m. Within this total Staff Costs increased by £1.7m, or 4.5%, and Staff Restructuring Costs were reduced by £0.26m. Other Operating Expenditure increased by £2.6m.

### **Balance Sheet**

The increase in Fixed Assets of almost £4m reflects the continuing Craiglockhart Campus redevelopment. Despite an increased balance of Cash at Bank and in Hand, our Net Current Assets have reduced by around £0.5m. Total Net Assets, however, are increased by almost £2.9m.

### **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 2003, the University had an average of 39 days purchases outstanding in trade creditors.

# Napier University

## Report by the Chairman of Court

### **Future Developments**

The Craiglockhart Campus redevelopment has been delayed due to the receivership of the main contractor, but the University will continue with this project which will provide substantial new teaching accommodation. The University continues to have in place a loan of up to £15.5m with the Clydesdale Bank, which will assist with the financing of this redevelopment.

University systems continue to be reviewed, and work has now started on the implementation of a project to replace the accounting system.

### **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.

# Napier University

## Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary includes a description of the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. The University adheres, with minor exceptions, to the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks. The purpose of this summary is to help the reader of the financial statements understand how the principles have been applied.

Napier University was established by a Statutory Instrument entitled "The Napier University (Scotland) Order of Council 1993". The Order makes provision regarding the constitution, functions and powers of the University Court, and the arrangements to be adopted by it in discharging its functions. The Order provides that the Court shall be the Governing Body of the University and have overall responsibility for the governance of the University, including all aspects of strategic planning and management of all resources.

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

The Court met four times during 2002/03 and has a number of committees to which it delegates particular areas of responsibility. The decisions and recommendations of these committees are formally reported to Court. The Committees include a Finance and Commercialisation Committee, a Remuneration Committee, a Nominations Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference. They comprise mainly lay members of the Court, one of whom is the Chair.

In respect of its strategic and development responsibilities, the University Court during the year 2002/03 received recommendations and advice from the Finance and Commercialisation Committee. This Committee *inter alia* recommended to the Court the University's annual revenue and capital budgets and monitored performance in relation to the approved budgets.

The Remuneration Committee, which comprises entirely non-executive members, determines the annual remuneration of the most senior staff, including the Principal and Vice-Chancellor.

The Nominations Committee considers nominations to fill vacancies of non-executive members of Court and recommends specific individuals for approval by Court.

The Audit Committee, which consists of four non-executive members of the Court and one co-opted non-executive member of staff, meets four times a year, with the University's external and internal auditors in attendance. The Committee receives regular reports from the internal auditors with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. The Committee also receives an annual report and accounts from the External Auditors which covers matters arising from their audit of the University's annual financial statements. In addition the Committee is required to report to Court on the institutions system for the management of risk. It also receives and considers reports from the Scottish Higher Education Funding Council as they affect the University's business and monitors adherence to the regulatory requirements.

# Napier University

## Corporate Governance

Whilst the Principal and University Secretary attend meetings of the Audit Committee they are not members of the Committee and once a year the Committee meets both the External and Internal Auditors on their own for independent discussions.

The Corporate Management Team (CMT) is an advisory body to the Principal to assist the setting, implementation and monitoring of strategy, policy and budgets for the University. It comprises the ten most senior staff of the University and receives in particular reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units.

At its December 2002 meeting, the Court received the annual report of the Audit Committee for the year ended 31 July 2002 by considering documentation and taking account of events since 1 August 2001. At its June 2003 meeting the Court received the Annual Report of the Health and Safety Committee which reviewed the health, safety and environmental procedures and controls within the University for the twelve month period ending April 2003.

The University Court completed the final stages of its governance review in June 2002. The new arrangements came into effect as from August 2002 and are working well.

As part of its strategic and operational responsibilities the Court is responsible for the University's system of internal control and for reviewing their effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee has overseen the introduction of a matrix which identifies major risks and the Principal has allocated responsibility for the management of these risks, which will be reviewed annually by the Audit Committee and the Court.

The Court is of the view that the introduction of the new Committee structure from 1 August 2001 has, *inter alia*, facilitated a process, of identification, evaluation and management of the University's significant risks principally through the Audit Committee, the Finance and Commercialisation Committee and Risk Management Group. The Court was fully compliant by July 2003 with the Combined Code guidance for directors on internal control.

As already noted, Napier University complies with the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks apart from the following three exceptions:

**The size of an institution's Governing Body should not normally exceed 25 members, subject to the institution's constitution.** The size of the Court of Napier University in its constitution is 26 members as defined in



Statutory Instrument 1993/557 (clause 3(2)).

**The term of office of members of a Governing Body other than for members by virtue of their office should not be more than three years and members should not normally serve for a consecutive period of more than nine years.**

The constitution of Napier University provides for a term of office of four years with a maximum period of 12 years in office (clause 3(7)). However, the Standing Orders of the Court were amended during the year to read that members, other than ex officio members, should not normally serve for a consecutive period of more than nine years.

# Napier University

## Corporate Governance

**Members, other than members who are members by virtue of their office, should not normally serve for more than one complete term beyond the State retirement age which is assumed to be 65 years of age.** The constitution of Napier University provides that a member of Court who has attained 70 years of age shall not be eligible thereafter to take office for a first or subsequent term (clause 3(8)). However, no member of Court is over 65 years of age.

Ernst & Young LLP tendered their resignation as auditors of the University and its subsidiary companies in a letter dated 22 August 2003. Their resignation was the result of the potential conflict of interest with their acting as Receivers for Melville Dundas Limited while at the same time undertaking the University's external audit function. Ernst & Young LLP confirmed in the same letter that in accordance with Section 394(i) of the Companies Act 1985 there were no circumstances connected with their resignation which should be brought to the attention of the Court. After a formal tendering exercise, the University appointed Henderson Loggie to audit the University's 2002/03 financial accounts.

# Napier University

## Responsibilities of the University Court

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

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- Accounts are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation. The Court 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 Scottish Higher Education Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in

place to safeguard public funds and funds from other sources;

- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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;

## Napier University

### Responsibilities of the University Court

- 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;
- monthly 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.

Napier University

Independent Auditors' Report to the Court of Napier University

Year to 31 July 2003

**Independent Auditors' Report to the Court of Napier University**

We have audited the financial statements for the year ended 31 July 2003 which comprise the Consolidated Income and Expenditure Account, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement, Statement of Consolidated Recognised Gains and Losses and the related notes 1 to 27. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and on the basis of the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the Court of Napier University as a body, in accordance with its Financial Memorandum. 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 auditors' 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 Court as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the Court and Auditors**

As described in the Statement of Responsibilities of the University Court, the Court is responsible for the preparation of the financial statements in accordance with the University's Statutory Instrument, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 income from funding bodies, grants and income for specific purposes, and from other restricted funds administered by the University, have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Higher Education Funding Council.

We also report to you if, in our opinion, the Report by the Chairman of Court is not consistent with the financial statements, if the University has not kept proper accounting records, 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 Report by the Chairman of

Court and Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Higher Education 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 Court in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the University and its subsidiaries (the Group), consistently applied and adequately disclosed.

### Napier University

Independent Auditors' Report to the Court of Napier University

Year to 31 July 2003

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give 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:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the Group at 31 July 2003 and of the Group's surplus of income over expenditure and cash flows 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;
- (b) income from the Scottish Higher Education Funding Council, grants and income for specific purposes, and other restricted funds administered by the University, have been applied only for the purposes for which they were received; and
- (c) income has been applied in accordance with the Charter and Statutes governing the University and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

Henderson Loggie

**2003**

Chartered Accountants

Registered Auditors

**8**

**December**

# Napier University

## Statement of Principal Accounting Policies

Year to 31 July 2003

### **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 Institutions and applicable accounting standards. They conform to guidance published by the Scottish Higher Education Funding Council (SHEFC).

### **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.

### **Recognition of Income**

Recurrent grants from SHEFC 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.

### **Maintenance of Premises**

The University has a ten year rolling maintenance plan which 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.

### **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.

### **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 Earnings-Related Pension Scheme.

Napier University  
Statement of Principal Accounting Policies  
Year to 31 July 2003

The STSS is a statutory, contributory, final salary scheme administered by The Scottish Public Pensions Agency. This is an unfunded scheme, which operates under the Teachers' Superannuation (Scotland) Regulations.

The LGPS is also a contributory, final salary scheme administered by the City of Edinburgh Council. The scheme is a funded scheme operating under the Local Government Pension Scheme (Scotland) Regulations 1998.

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

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

The University is funding directly certain pension costs for employees who have taken early retirement. A provision has been established for these liabilities as determined by an annual actuarial valuation conducted by the University's actuaries Hymans Robertson.

## **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.

### **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.

Napier University  
Statement of Principal Accounting Policies  
Year to 31 July 2003

**Leases**

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

**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.

**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.

**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.

**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.

Napier University  
Consolidated Income & Expenditure Account  
Year to 31 July 2003

	Notes	2002-03 £000s	2001-02 £000s
<b>Income</b>			
Funding Council Grants	1	33,608	33,189
Tuition Fees and Education Contracts	2	22,690	20,683
Research Grants and Contracts	3	4,240	2,822
Other Operating Income	4	9,287	8,276
Endowment and Investment Income	5	666	445
		<hr/>	<hr/>
Total Income		70,491	65,415
		<hr/>	<hr/>
<b>Expenditure</b>			
Staff Costs	6	39,914	38,188
Staff Restructuring Costs	8	671	931
Other Operating Expenditure	7	22,264	19,663
Depreciation	8	1,764	1,895
Interest Payable	8	372	229
		<hr/>	<hr/>
Total Expenditure	8	64,985	60,906
		<hr/>	<hr/>
		5,506	4,509
		<hr/>	<hr/>
Loss Arising from Capital Projects	9	2,788	6,626
Release of Deferred Capital Grants	9	-	5,686
		<hr/>	<hr/>
Loss Arising from Capital Projects, Net of Release		2,788	940
		<hr/>	<hr/>
<b>Surplus for the Year</b>		<u>2,718</u>	<u>3,569</u>

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

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

Napier University  
Consolidated Balance Sheet  
At 31 July 2003

	Notes	2003 £000s	2002 £000s
<b>Consolidated</b>			
<b>Fixed Assets</b>			
Tangible Fixed Assets	11	45,632	41,656
Investments	12	1,669	1,611
		-----	-----
		47,301	43,267
<b>Endowment Asset Investments</b>	13	201	198
<b>Current Assets</b>			
Stocks	14	33	36
Debtors	15	11,697	12,240
Cash at Bank and in Hand		7,336	5,149
		-----	-----
		19,066	17,425
<b>Creditors due within one year</b>	16	17,695	15,604
		-----	-----
<b>Net Current Assets</b>		1,371	1,821
		-----	-----
<b>Total Assets less Current Liabilities</b>		48,873	45,286
	17	(13,079)	(12,365)
<b>Provisions for Liabilities and Charges</b>		-----	-----
		35,794	32,921
		=====	=====
<b>Total Net Assets</b>			
Represented by:			
<b>Reserves</b>	18	20,304	20,243
	19	201	198
Deferred Capital Grants	20	15,289	12,480
Endowment Funds		-----	-----
Reserves		35,794	32,921
		-----	-----
<b>Total Funds</b>			

The Accounts on pages 13 to 38 were approved by the University Court on 8 December 2003 and were signed on its behalf by: DR A CUBIE, Chairman; PROFESSOR J STRINGER, Accounting Officer; MRS D ROBERTSON, Director of Finance and Commercialisation Services

Napier University

Balance Sheet

At 31 July 2003

	Notes	2003 £000s	2002 £000s
<b>Fixed Assets</b>			
Tangible Fixed Assets	11	36,308	37,065
Investments	12	1,665	1,607
		<hr/>	<hr/>
		37,973	38,672
<b>Endowment Asset Investments</b>	13	201	198
<b>Current Assets</b>			
Stocks	14	33	36
Debtors	15	5,044	5,106
Cash at Bank and in Hand		19,124	9,728
		<hr/>	<hr/>
		24,201	14,870
<b>Creditors due within one year</b>	16	12,615	8,121
		<hr/>	<hr/>
<b>Net Current Assets</b>		11,586	6,749
		<hr/>	<hr/>
<b>Total Assets less Current Liabilities</b>		49,760	45,619
	17	(13,079)	(12,365)
<b>Provisions for Liabilities and Charges</b>		<hr/>	<hr/>
		36,681	33,254
		<hr/>	<hr/>
<b>Total Net Assets</b>			
Represented by:			
<b>Reserves</b>	18	20,304	20,071
	19	201	198
Deferred Capital Grants	20	16,176	12,985
Endowment Funds		<hr/>	<hr/>
Reserves		<hr/>	<hr/>
		36,681	33,254
		<hr/>	<hr/>
<b>Total Funds</b>			

The Accounts were approved by the University Court on 8 December 2003 and were signed on its behalf by:

DR A CUBIE, Chairman; PROFESSOR J STRINGER, Accounting Officer; MRS D ROBERTSON, Director of Finance and Commercialisation Services

Napier University  
 Consolidated Cash Flow Statement  
 Year to 31 July 2003

	Notes	2003 £000s	2002 £000s
<b>Net cash inflow from operating activities</b>	22	7,015	5,071
<b>Returns on investment and servicing of finance</b>			
	10	10	
Income from Endowments	663	443	
Other Interest Received	(372)	(229)	
Interest Paid	42	39	
Investment Income Received		_____	_____
		343	263
<b>Net cash inflow from returns on investment and servicing of finance</b>			
<b>Investing activities</b>			
Payments to Acquire Tangible Fixed Assets	(6,816)	(7,476)	
Receipts from Sale of Tangible Fixed Assets	-	-	
Payments to Acquire Investments	(37)	-	
Receipts from Sale of Investments	71	56	
Deferred Capital Grants Received	1,611	216	
Endowments Received	-	-	
		_____	_____
<b>Net cash outflow from investing activities</b>		(5,171)	(7,204)
<b>Net cash inflow/(outflow) before financing</b>		2,187	(1,870)
<b>Net cash inflow from financing</b>		2,500	-
<b>Increase/(Decrease) in cash</b>	23	_____	_____
		4,687	(1,870)
		=====	=====

Statement of Consolidated Total Recognised Gains and Losses

Surplus for the Year	2,718	3,569
Depreciation of Endowment Asset Investments	(7)	(23)
Appreciation of Fixed Asset Investments	91	5
Endowment Income retained for year	7	8
	_____	_____
	2,809	3,559
	=====	=====



Napier University

Notes to the 2002-03 Accounts

	2002-03 £000s	2001-02 £000s
<b>1. Scottish Higher Education Funding Council Grants</b>		
Recurrent Grant	32,150	31,848
Specific Grants	925	837
Released from Deferred Capital Grants	435	420
- Buildings	98	84
- Equipment	-----	-----
	33,608	33,189
	=====	=====
<b>2. Tuition Fees and Education Contracts</b>		
Home/EU	9,992	8,811
Overseas	2,607	2,364
Part-Time	2,084	2,278
Examination Fees	33	26
Education Contracts	7,974	7,204
	-----	-----
	22,690	20,683
	=====	=====
<b>3. Research Grants and Contracts</b>		
Grants (SHEFC)	1,821	954
Contracts	2,419	1,868
	-----	-----
	4,240	2,822
	=====	=====
<b>4. Other Operating Income</b>		
Consultancy and Fee Income	1,894	2,028
Residences and Catering	3,843	3,605
Other Services Rendered	1,369	1,096
Released from Deferred Capital Grants	25	115
Other Income	2,156	1,432
	-----	-----
	9,287	8,276
	=====	=====

Napier University

Notes to the 2002-03 Accounts

	2002-03 £000s	2001-02 £000s
<b>5. Endowment and Investment Income</b>		
Transferred from Specific Endowments	3	2
Other Interest Receivable	663	443
	<u>666</u>	<u>445</u>
<b>6. Staff Costs</b>		
Wages and Salaries	34,107	32,980
Social Security Costs	2,458	2,291
Pension Costs	3,349	2,917
	<u>39,914</u>	<u>38,188</u>
Emoluments of the current Principal and Vice-Chancellor from 1 January 2003	<u>87</u>	<u>-</u>
Emoluments of the former Principal and Vice-Chancellor to 31 December 2002	<u>85</u>	<u>169</u>

The emoluments of the current and former Principal and Vice-Chancellor are shown on the same basis as for other higher paid staff. The Principal and Vice-Chancellor's emoluments are settled by the Remuneration Committee. These emoluments contain an element of performance related pay. Included in the above emoluments of the current and former Principal and Vice-Chancellor are the University's pension contributions to STSS, which are paid at the same rates as for other academic staff, amounting to £9,156 (2001-02 - £6,705).

Average Staff Numbers by Major Category:	2002-03 Number	2001-02 Number
Academic	552	529
Administrative/Clerical	690	689
Technical	113	118
Research	96	81
	<u>1,451</u>	<u>1,417</u>

The number of staff, including the current and former Principal and Vice-Chancellor who received emoluments in the following ranges was:

	26	27
£50,000 - £59,999	1	-
£60,000 - £69,999	-	1
£70,000 - £79,999	2	2
£80,000 - £89,999	-	1
£90,000 - £99,999	2	-
£100,000 - £109,999	-	1
£160,000 - £169,999		

Napier University

Notes to the 2002-03 Accounts

	2002-03 £000s	2001-02 £000s
<b>7. Other Operating Expenditure</b>		
Supplies and Maintenance	5,844	4,579
Residences and Catering	3,249	3,131
Napier University Ventures Ltd	2,259	1,626
Property Maintenance	1,256	975
Other Expenses	3,003	3,570
Heat, Light and Power	762	778
Rent, Rates and Insurance	667	460
Early Retirement	1,017	407
Library Books and Services	666	611
Staff Development and Conferences	1,230	1,057
Postages and Telephone	509	567
Travel	402	580
Students' Association	311	312
Fees	127	74
Recruitment Costs	342	331
Advertising	315	314
Transport	158	203
External - Audit Services *	47	34
Auditors - Other Services	33	29
Internal - Audit Services	67	25
Auditors		
	<u>22,264</u>	<u>19,663</u>

\* Includes current and previous external auditors' fees

**8. Analysis of 2002-03 Expenditure by Activity**

	Staff Costs £000s	Other Operating Expenditure £000s	Deprecia tion £000s	Interest Payable £000s	Total £000s
Academic Departments	24,491	4,505	274	-	29,270
Academic Services	6,104	3,430	497	-	10,031
Central Administration	5,855	3,520	81	-	9,456
Property	816	2,763	810	372	4,761
Research Grants and Contracts	2,001 647	1,014 3,249	12 85	-	3,027 3,981
Residences and Catering	-	2,259	5	-	2,264
Napier University Ventures Ltd	-	1,524	-	-	1,524
Other Expenditure	671	-	-	-	671
Exceptional Restructuring Costs	<u>40,585</u>	<u>22,264</u>	<u>1,764</u>	<u>372</u>	<u>64,985</u>

Napier University

Notes to the 2002-03 Accounts

9. **Loss Arising from Capital Projects**

The loss arising from capital projects, of £2.8m, represents the estimated net 'abnormal' costs arising as a result of the receivership of the main contractor on the Craiglockhart Campus Redevelopment Project.

The comparative figure for 2001-02, of £6.6m, represents the Net Book Value of assets demolished as part of the redevelopment project. In 2001-02 there was also a corresponding release of Deferred Capital Grant associated with these assets, amounting to £5.7m.

10. **Residences and Catering Operations**

	Residenc es	Catering	Total	Residenc es	Caterin g	Total
	← 2002-03	→		← 2001-02	→	
	£000s	£000s	£000s	£000s	£000s	£000s
Income	2,351	1,492	3,843	2,236	1,369	3,605
Cost of Goods Sold	-	495	495	-	459	459
Gross Profit	2,351	997	3,348	2,236	910	3,146
Remuneration Costs	-	647	647	19	593	612
Depreciation	69	16	647	124	15	612
Other Costs	2,568	186	85	2,508	164	139
	2,637	849	2,754	2,651	772	2,672
			3,486			3,423
Surplus/ (Deficit)	(286)	148		(415)	138	
			(138)			(277)

Napier University

Notes to the 2002-03 Accounts

11. <b>Tangible Fixed Assets - Consolidated</b>	Assets Under Construction £000s	Land and Buildings £000s	Equipment £000s	2003 £000s	2002 £000s
<b>Cost</b>					
At 1 August	4,611	39,343	6,758	50,712	51,739
Additions	4,828	767	1,221	6,816	7,476
Disposals	-	(1,116)	(685)	(1,801)	(8,503)
At 31 July	9,439	38,994	7,294	55,727	50,712
<b>Depreciation</b>					
At 1 August	-	4,489	4,567	9,056	1,895
Depreciation for the Year	-	782	982	1,764	(1,877)
Disposals	-	(134)	(591)	(725)	9,038
At 31 July	-	5,137	4,958	10,095	1,895
<b>Net Book Value at 31 July</b>	<u>9,439</u>	<u>33,857</u>	<u>2,336</u>	<u>45,632</u>	<u>41,656</u>
<b>Tangible Fixed Assets - University</b>	Assets Under Construction £000s	Land and Buildings £000s	Equipment £000s	2003 £000s	2002 £000s

<b>Cost</b>					
At 1 August	-	39,450	6,547	45,997	48,436
Additions	-	767	1,221	1,988	6,034
Disposals	-	(1,116)	(544)	(1,660)	(8,473)
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July	-	39,101	7,224	46,325	45,997
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>					
At 1 August	-	4,479	4,453	8,932	
Depreciation for the Year	-	784	978	1,762	
Disposals	-	(134)	(543)	(677)	8,938
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July	-	5,129	4,888	10,017	1,841
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Book Value at 31 July</b>	-	<u>33,972</u>	<u>2,336</u>	<u>36,308</u>	<u>(1,847)</u>
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
					8,932
					<u>          </u>
					37,065
					<u>          </u>

Napier University

Notes to the 2002-03 Accounts

	Cost £000s	Valuation 2003 £000s	Valuation 2002 £000s
<b>12. Investments</b>			
CVCP Properties - 31,876 Ordinary Shares of £1 each	32	32	32
Scottish Knowledge - 16,877 Ordinary Shares of £1 each	17	-	17
£9,700 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2003	18	-	21
£93,000 4 <sup>3/8</sup> % Index-Linked Treasury Stock 2004	107	128	124
£72,400 2% Index-Linked Treasury Stock 2006	133	190	180
£34,800 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2009	57	83	76
£49,700 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2011	84	125	115
£81,100 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2013	113	171	157
£103,300 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2016	154	237	220
£77,300 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2020	109	174	164
£137,200 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2024	164	264	251
£141,300 4 <sup>1/8</sup> % Index-Linked Treasury Stock 2030	166	261	250
* Unlisted Investments	36	4	4
	<hr/>	<hr/>	<hr/>
	1,190	1,669	1,611
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
* Held by Napier University Ventures Limited			

Napier University

Notes to the 2002-03 Accounts

	Cost	Valuation	Valuation
	£	2003	2002
		£	£
<b>13. Endowment Asset Investments</b>			
Fixed Interest Stocks:			
£25,000 8% Treasury Stock 2002/2006	24,091	-	25,183
£21,400 7 <sup>1/2</sup> % Treasury Stock 2006	24,456	23,739	-
£9,547 5 <sup>1/2</sup> % Treasury Stock 2008/2012	5,200	10,094	9,918
£5,520 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2011	12,764	13,892	12,787
	<hr/>	<hr/>	<hr/>
	66,511	47,725	47,888
	<hr/>	<hr/>	<hr/>
Equities:			
1,500 BT Group 5p Ordinary Shares	3,948	-	3,022
2,120 Scottish Power 50p Ordinary Shares	7,323	-	7,420
1,000 Land Securities £1 Ordinary Shares	5,823	8,205	8,200
1,000 GlaxoSmithKline 25p Ordinary Shares	6,255	11,920	12,430
1,000 P & O £1 Deferred Stock	2,742	2,300	2,140
1,000 P & O Princess Cruises US\$ 0.50 Ordinary Shares	-	-	4,380
300 Carnival US\$ 1.66 Ordinary Shares	5,848	11,928	13,916
2,800 BP US\$ 0.25 Ordinary Shares	9,835	7,102	9,469
12,297 JP Morgan Fleming Inc & Cap Investment Trust 1p Ordinary Shares	3,914	3,804	4,314
600 British American Tobacco 25p Ordinary Shares	4,084	3,444	3,500
800 Associated British Food 5.68p Ordinary Shares	4,184	3,428	3,960
1,600 Tesco 5p Ordinary Shares	3,751	3,246	2,940
1,000 Allied Domecq 25p Ordinary Shares	5,790	3,695	-
875 Smith & Nephew 12.22p Ordinary Shares	5,746	5,257	-
1,000 Scottish & Newcastle 20p Ordinary Shares	1,143	-	675
850 Scottish and Southern Energy 50p Ordinary Shares	<hr/>	<hr/>	<hr/>
1,500 MMO2 0.1p Ordinary Shares	77,733	74,521	81,046
	<hr/>	<hr/>	<hr/>
Bank Balances		79,022	69,265
Investment Debtors		48	53
		<hr/>	<hr/>
		201,316	198,252
		<hr/>	<hr/>



Napier University

Notes to the 2002-03 Accounts

	Consolidated		University	
	2003	2002	2003	2002
	£000s	£000s	£000s	£000s
<b>14. Stocks</b>				
Stocks for Resale	32	34	32	34
Other Stocks	1	2	1	2
	<u>33</u>	<u>36</u>	<u>33</u>	<u>36</u>
<b>15. Debtors</b>				
Trade Debtors	2,349	3,142	1,795	2,506
Other Debtors	7,551	7,453	538	338
Prepayments and Accrued Income	892	1,161	820	1,063
Research	905	484	905	484
Subsidiary Undertakings	-	-	986	715
	<u>11,697</u>	<u>12,240</u>	<u>5,044</u>	<u>5,106</u>
<b>16. Creditors due within one year</b>				
	1,977	2,724	1,473	1,465
Trade Creditors	1,406	1,391	1,302	1,292
Taxation and Social Security	5,256	5,695	761	144
Other Creditors	5,606	4,901	7,676	4,187
Accruals and Deferred Income	750	893	750	893
Research	2,700	-	-	-
Loans	-	-	653	140
Subsidiary Undertakings	<u>17,695</u>	<u>15,604</u>	<u>12,615</u>	<u>8,121</u>

The loans creditor includes a secured £2.5m fixed term loan to a subsidiary company, NUNIV Developments Ltd., by the Clydesdale Bank plc, which will be repaid on 5 December 2003.

# Napier University

## Notes to the 2002-03 Accounts

### 17. Provisions for Liabilities and Charges

#### Unfunded Pension Liability

The University obtains an independent actuarial valuation, on an annual basis, of the future costs associated with staff who have been granted early retirement. This is used to establish the level of provision required for the unfunded pension liability at the year end and has been calculated on the SSAP24 basis, consistent with previous years. The main financial assumption made for valuation purposes was that the expected future pension payments were discounted at an investment return, net of expected future price inflation, of 2.1% per annum. Movements in the provision are shown below:

	2003 £000s	2002 £000s
Balance at 1 August	12,365	11,964
Income from Investments	42	39
Early Retirement Pensions	(701)	(674)
Transfer from Income & Expenditure Account	1,373	1,036
Balance at 31 July	13,079	12,365

On the FRS 17 basis, the balance at 31 July 2003 would have been £12.013m (2002 - £10.913m).

#### Pension Schemes

There are two main pension schemes operated for University staff, as noted below:

For the year ended 31 July 2003 the University has accounted for these schemes under SSAP24 and the required disclosures are made at (a) below. FRS17 - Retirement Benefits has yet to become fully effective for the University and for the current year to 31 July 2003 transitional arrangements apply (refer (b) below).

##### (a) SSAP24

**The Scottish Teachers Superannuation Scheme ("STSS")** is the principal scheme for University academic staff. It is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pensions Scheme ("SERPS"). The cost of contributions to the STSS during the year was £1.332m. The University is one of many employers who participate in the scheme.

The STSS is a notionally funded scheme as all benefits are paid by the Exchequer and as such, no specific assets are held to fund pension liabilities. Fund assets are defined as notional investments held at the valuation date plus estimated future contributions. Liabilities of the fund are calculated as current pension costs plus the estimated cost of future benefits.

The most recent actuarial valuation was performed for the five year period to 31 March 1996. For valuation purposes, notional assets were deemed to be invested at current market prices in government securities. Liabilities were valued using a prospective benefits valuation method. The following assumptions were made for notional valuation purposes:

Gross Rate of Interest	8.5%
Future Price Increases	5.0%
Earnings Increases	6.5%

This resulted in a total assets valuation of £6.890m, a total liabilities valuation of £7.120m and a balance of liability of £230m. Employer contributions are currently 7.40% of salary and will rise to 12.50% of salary effective 1 October 2003.

# Napier University

## Notes to the 2002-03 Accounts

### 17. Pension Schemes (Cont'd)

Transitional guidance applies to the STSS for the five year period to 31 March 1996, such that an alternative valuation was established for a notional fund which took account of pension increases. This was performed using a standardised portfolio approach such that the notional assets were deemed to be invested in a portfolio equivalent to an average portfolio of a large pension fund. This valuation produced a recommended employer contribution rate of 10.10% of salaries.

As the alternative contribution rate is higher, it does not impact on current recommendations for employer contributions. Actuarial valuations for periods after 1 April 1996 will be performed on the alternative valuation basis.

**The Local Government Pension Scheme ("LGPS")** is the principal scheme for non-academic staff of the University. It is a defined benefit scheme, which is externally funded and contracted out of SERPS. The cost of contributions to the LGPS during the year was £2.016m. 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 2002 using the projected unit method. The following assumptions were made for actuarial valuation purposes:

Investment Returns	-	6.5%
Equities		5.2%
Investment Returns	-	4.1%
Bonds		2.6%
Pay Increases		
Price		
Inflation/Pension		
Increases		

The market value of the assets at the valuation date was £1.784m with an actuarial valuation of £1.793m. The liabilities of the scheme have been valued at £1.867m resulting in a deficit of £74m. On the basis of actuarial recommendations, employer contributions were 275% of employee contributions for the period to 31 March 2003, rising to 285%, 300% and 350% from 1 April 2003, 1 April 2004 and 1 April 2005 respectively.

(b) FRS17

The **STSS** is a multi employer scheme and it is not possible to identify each employee's share of the underlying notional assets and liabilities of the scheme. In these circumstances, FRS17 provides for contributions to the scheme to be accounted for as if it were a deferred contribution scheme and as such the cost recognised in the University's Income & Expenditure Account will be equal to the contributions payable to the scheme.

The valuation at 31 March 1996 revealed a balance of liability of £230m for the scheme as a whole. The University's current contribution of 7.40% of salaries includes a supplementary contribution of 0.75% established to eliminate this balance over a period of 40 years commencing 1 April 2002 on the basis of actuarial assumptions made.

A full actuarial valuation of the **LGPS** was carried out as at 31 March 2002, and updated to 31 July 2003 by qualified independent actuaries.

The principal assumptions used by the actuaries were as follows:-

July	July
2003	2002
%	%

Rate of increase in salaries	4.1	3.9
Rate of increase in pensions	2.6	2.4
Discount Rate	5.5	6.0
Inflation Rate	2.6	2.4

Napier University

Notes to the 2002-03 Accounts

17. Pension Schemes (Cont'd)

	July 2003		July 2002	
	Long-term rate of return %	Value £000s	Long-term rate of return %	Value £000s
Equities	8.0	29,767	8.0	22,770
Bonds	5.0	2,669	5.5	2,483
Property	6.0	3,506	6.0	2,630
Cash	3.5	1,216	4.0	395
		<hr/>		<hr/>
Total market value		37,158		28,278
Present value of scheme liabilities		51,740		36,883
		<hr/>		<hr/>
Deficit		(14,582)		(8,605)
Related deferred tax liability		-		-
		<hr/>		<hr/>
		(14,582)		(8,605)
		<hr/>		<hr/>
<b>Net pension liability</b>		<hr/>		<hr/>

If FRS17 had been adopted in the financial statements, the Group's net assets and Income & Expenditure Reserve would have been as follows:-

	2003 £000s	2002 £000s
Net assets excluding FRS17 pension liability	35,794	32,921
Pension liability	(14,582)	(8,605)
	<hr/>	<hr/>
<b>Net Assets</b>	21,212	24,316
	<hr/>	<hr/>
Income & Expenditure Reserve excluding FRS17 pension liability	14,744	12,026
Pension liability	(14,582)	(8,605)
	<hr/>	<hr/>
<b>Income &amp; Expenditure Reserve</b>	162	3,421
	<hr/>	<hr/>

Had the Group adopted FRS17 early, the Income & Expenditure Account for the year ended 31 July would have been adjusted as follows:-

Amounts charged against operating surplus

Current service cost	1,332	1,638
Past service cost	-	133
Curtailement and settlements	-	101
	<hr/>	<hr/>
<b>Total amount charged against operating surplus</b>	1,332	1,872
	<hr/>	<hr/>

Napier University

Notes to the 2002-03 Accounts

	2003 £000s	2002 £000s
<b>17. Pension Schemes (Cont'd)</b>		
Amounts included as other finance costs		
Expected return on pension scheme assets	2,202	2,175
Interest on pension liabilities	(2,126)	(2,293)
	<hr/>	<hr/>
<b>Net financial return</b>	76	(118)
	<hr/> <hr/>	<hr/> <hr/>
Amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on assets	1,376	(7,484)
Experience gains and losses on liabilities	(1,320)	469
Impact of changes in assumptions relating to the present value of scheme liabilities	(6,868)	5,752
	<hr/>	<hr/>
<b>Actuarial Loss</b>	(6,812)	(1,263)
	<hr/> <hr/>	<hr/> <hr/>
Movement in the deficit during the year		
Deficit in scheme at 1 August	(8,605)	(7,077)
Current service cost	(1,332)	(1,638)
Contributions	2,091	1,725
Past service costs	-	(133)
Curtailement and settlements	-	(101)
Net financial return	76	(118)
Actuarial loss	(6,812)	(1,263)
	<hr/>	<hr/>
<b>Deficit in scheme at 31 July</b>	(14,582)	(8,605)
	<hr/> <hr/>	<hr/> <hr/>
History of experience gains and losses		
Difference between actual and expected return on scheme assets	1,376 3.7%	(7,484) (26.5%)
% of scheme assets		
Experience gains and losses on scheme liabilities	(1,320) (2.6%)	469 1.3%
% of scheme liabilities		
Amount recognised in statement of total recognised gains and losses on scheme liabilities	(6,812) (13.2%)	(1,262) (3.6%)
% of scheme liabilities		

Napier University

Notes to the 2002-03 Accounts

	SHEFC £000s	Other £000s	Total £000s
<b>18. Deferred Capital Grants - Consolidated</b>			
<b>Balance at 1 August 2002</b>			
Buildings	18,011	1,762	19,773
Equipment	298	172	470
	<hr/>	<hr/>	<hr/>
	18,309	1,934	20,243
	<hr/>	<hr/>	<hr/>
<b>Received during year</b>			
Buildings	618	-	618
Equipment	993	-	993
	<hr/>	<hr/>	<hr/>
	1,611	-	1,611
	<hr/>	<hr/>	<hr/>
<b>Released to Income &amp; Expenditure Account</b>			
	435	845	1,280
Buildings	98	172	270
Equipment	<hr/>	<hr/>	<hr/>
	533	1,017	1,550
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 July 2003</b>			
	18,194	917	19,111
Buildings	1,193	-	1,193
Equipment	<hr/>	<hr/>	<hr/>
	19,387	917	20,304
	<hr/>	<hr/>	<hr/>



Napier University

Notes to the 2002-03 Accounts

	SHEFC £000s	Other £000s	Total £000s
18. <b>Cont'd</b>			
<b>Deferred Capital Grants - University</b>			
<b>Balance at 1 August 2002</b>			
Buildings	18,011	1,762	19,773
Equipment	298	-	298
	-----	-----	-----
	18,309	1,762	20,071
	-----	-----	-----
<b>Received during year</b>			
Buildings	618	-	618
Equipment	993	-	993
	-----	-----	-----
	1,611	-	1,611
	-----	-----	-----
<b>Released to Income &amp; Expenditure Account</b>			
	435	845	1,280
Buildings	98	-	98
Equipment	-----	-----	-----
	533	845	1,378
	-----	-----	-----
<b>Balance at 31 July 2003</b>			
	18,194	917	19,111
Buildings	1,193	-	1,193
Equipment	-----	-----	-----
	19,387	917	20,304
	=====	=====	=====

Napier University

Notes to the 2002-03 Accounts

	Consolidated and University		
	Specific £000s	General £000s	Total £000s
<b>19. Endowment Funds</b>			
At 1 August 2002	198	-	198
Additions	3	-	3
Depreciation of Endowment Asset Investments	(7)	-	(7)
Income for Year	10	-	10
Transferred to Income & Expenditure Account	(3)	-	(3)
At 31 July 2003	201	-	201

<b>Endowment Funds:</b>	2003 £	2002 £
Clark Bequest - Narrower Range	61,316	58,992
Clark Bequest - Wider Range	83,536	85,947
James Dick Memorial	1,438	1,362
Heriot-Watt College Prize	1,025	969
Heriot-Watt College Printing Prize	407	380
Heriot-Watt College Frank P Restall	557	525
Blyth & Blyth Service Co Fund	533	501
J B Scott Memorial	298	268
John Napier Memorial	370	354
David McMillan Memorial	237	219
R A Farmer Memorial	996	952
Karen Fretwell Memorial	5,873	5,902
Lloyd's of London Press Prize	363	347
Lothian College of Health Studies - Amenities Fund	1,220	1,166
Lothian College of Health Studies - Educational Development Fund	31,110	29,755
Lothian College of Health Studies - Marion	9,389	8,979
MacDonald Trust Fund	772	738
Steven Spooner Memorial	1,603	(204)
James Hunt Fund	273	1,100
Heather Bell Fund		
	<u>201,316</u>	<u>198,252</u>

Napier University

Notes to the 2002-03 Accounts

20. Reserves

	Consolidated		University	
	2003 £000s	2002 £000s	2003 £000s	2002 £000s
<b>Income &amp; Expenditure Account</b>				
Balance at 1 August	12,026	8,457	12,531	8,674
Surplus for Year	2,718	3,569	3,100	3,857
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	14,744	12,026	15,631	12,531
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Revaluation Reserve</b>				
Balance at 1 August	454	449	454	449
Appreciation/(Depreciation) of Investments	91	5	91	5
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	545	454	545	454
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Reserves</b>	<u>15,289</u>	<u>12,480</u>	<u>16,176</u>	<u>12,985</u>

# Napier University

## Notes to the 2002-03 Accounts

### 21. **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 is detailed below:

	2002-03 £000s	2001-02 £000s
<b>Turnover</b>	3,129	2,647
Consultancy Expenses	2,269	1,669
	<hr/>	<hr/>
<b>Gross Profit</b>	860	978
Administrative Expenses	(5)	21
	<hr/>	<hr/>
<b>Operating Profit</b>	865	957
Interest Receivable	111	40
	<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	976	997
Gift Aid to Napier University	945	1,053
	<hr/>	<hr/>
<b>Profit/(Loss) for year</b>	<u>31</u>	<u>(56)</u>

Napier University

Notes to the 2002-03 Accounts

	2002-03 £000s	2001-02 £000s
<b>22. Reconciliation of Surplus to Net Cash Flow from Operating Activities</b>		
Surplus	2,718	3,569
Depreciation of	1,764	1,895
Tangible Fixed Assets	(558)	(6,305)
Deferred Capital Grants	(673)	(453)
Released to Income	372	229
Investment Income	84	6,626
Interest Payable	(1)	(10)
Loss on Sale of	3	20
Tangible Fixed Assets	543	(1,710)
Gain on Realisation of	2,091	848
Investments	672	362
Decrease in Stocks	—	—
(Increase)/Decrease in		
Debtors	7,015	5,071
Increase in Creditors	—	—
Increase in Provisions	—	—
<b>Net cash inflow from operating activities</b>		
<b>23. Reconciliation of Net Cash Flow to Movements in Net Funds</b>	4,687	(1,870)
	(2,500)	—
Increase/(Decrease) in		
Cash	—	—
Cash Inflow from	2,187	(1,870)
Increase in Debt	5,149	7,019
Movement in Net Funds	7,336	5,149
Net Funds at 1 August	—	—
Net Funds at 31 July		
<b>24. Capital Commitments</b>		

As at 31 July the University (Consolidated) had capital commitments contracted for, amounting to £2.41m.

**25. Financial Commitments**

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

	2003 £000s	2002 £000s
Land and Buildings		
Expiring in over five	1,991	1,929
years	—	—
	1,991	1,929

Napier University

Notes to the 2002-03 Accounts

26. **Post Balance Sheet Events**

There are no Post Balance Sheet Events requiring disclosure in the Financial Statements.

	MSB 2002-03 £000s	Hardship 2002-03 £000s	MSB & Hardship 2001-02 £000s
<b>27. Hardship/MSB Funds</b>			
Balance at 1 August	41	58	75
SAAS Grants Received	115	289	477
Virements	(44)	44	-
Interest Earned	3	8	14
	<hr/>	<hr/>	<hr/>
	115	399	566
Disbursed to Students	(77)	(368)	(467)
Administration Costs	(4)	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 July	34	31	99
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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