

NAPIER UNIVERSITY
ACCOUNTS FOR THE YEAR TO 31 JULY 2004

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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	Prof J K Stringer CBE BA (Hons) PhD FRSA FRSE
Secretary	Dr G C Webber BA DPhil MBA
Director of Finance & Commercialisation Services	Mrs D Robertson LLB CA MBA
External Auditors	RSM Robson Rhodes LLP Conference House 152 Morrison Street The Exchange Edinburgh EH3 8EB
Internal Auditors	Henderson Loggie 10 Great Stuart Street Edinburgh EH3 7TN
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern WS 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Hymans Robertson 221 West George Street Glasgow G2 2ND

Napier University

Court Membership

The following persons served as members of Court during the year to 31 July 2004. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

Court Member	Date of Appointment	Date of Retirement	Category
Mr A Anderson			Non-Executive
Professor G C Borthwick			Non-Executive (+++)
Mrs A Brobbel		July 2004	Non-Executive ++
Mr C Bryce			Staff
Dr L Burley			Non-Executive ++
Mr D Campbell			Staff
Ms R Campbell	August 2003	July 2004	Student
Mrs A Crawford	March 2004		Non-Executive
Dr A Cubie (Chairman)			Non-Executive ++ (+++)
Lord Cullen of Whitekirk			Non-Executive (+++)
Dr T Fernandes			Staff
Mr C Poziemski	August 2003		Student
Mr G Garvie			Non-Executive +
Baroness Goudie			Non-Executive
Ms M Greenwood			Non-Executive ++
Mr H Hall			Non-Executive +
Baroness Linklater		March 2004	Chancellor's Assessor
Dr K Lyall			Non-Executive ++
Mr P Mackay		July 2004	Non-Executive +
Mr B Naylor			Non-Executive
Professor J K Stringer			Principal & Vice-Chancellor ++
Ms E Thomson			Non-Executive
Professor 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

The University

The Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of conducting Napier University. The University is an exempt charity for the purposes of the Charities Act 1993. A copy of these Accounts can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

Scope of the Accounts

The Accounts for the year ended 31 July 2004, 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. This year the Consolidated Accounts include Napier University Development Trust. As a consequence, the results for 2002-03 have been restated, as appropriate.

Results of the Year

The Consolidated Income and Expenditure Account is presented on page 15 of the Accounts. The University is pleased to be able to report a surplus of over £3.8m. Total income, as restated, has increased by over £3.7m, from Funding Council Grants, Tuition Fees and Education Contracts along with Research Grants and Contracts.

Total Operating Expenditure has increased by just over £4.7m. Within this total Staff Costs increased by £3.3m, or 8.3%. Almost £1m of this increase is attributed to increased pension scheme contributions. Staff Restructuring Costs were reduced by £0.28m. Other Operating Expenditure increased by £1m, around 5%.

Balance Sheet

As last year, Fixed Assets includes a write off of 'abnormal costs' incurred on the Craiglockhart Campus redevelopment as a result of the receivership of the main contractor, although much reduced at £0.1m. As anticipated, the ongoing capital expenditure at the Craiglockhart Campus has reduced our balance of Cash at Bank and in Hand and we now have total loans outstanding of £7.25m. Total Net Assets, however, are increased by over £4.9m.

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 2004, the University had an average of 45 days purchases outstanding in trade creditors. The amount of interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

Napier University

Report by the Chairman of Court

Future Developments

The Craiglockhart Campus redevelopment has been completed on time and within the current budget, and provides 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.

The University has begun an Estates Strategy Review 2005-15, which will inform and guide the use of University accommodation over the next ten years.

University systems continue to be reviewed, and a new financial accounting system was successfully implemented and went live with effect from 1 August 2004.

Disabled Employees

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

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

Dr A Cubie
Chairman of Court
2004

6 December

Napier University

Corporate Governance

Introduction

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

Statement of full Combined Code Compliance

In the opinion of the Governors, the University complies with all the provisions of the Combined Code and other subsequent relevant codes in so far as they apply to the higher education sector, and it has so complied throughout the year ended 31 July 2004.

Governing Body

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

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

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

The Remuneration Committee determines the remuneration of the most senior staff, including the Principal. Details of the remuneration of senior post-holders for the year ended 31 July 2004 are set out in note 6 to the financial statements.

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

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

Napier University

Corporate Governance

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

Corporate Strategy

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

Governing Body Statement on Internal Control

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

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

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

The governing body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its June 2004 meeting, the governing body carried out the annual risk assessment for the year ended 31 July 2004 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2003.

The governing body is of a view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place throughout the year ended 31 July 2004 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the governing body and accords with current good practice of governance in the higher education sector of the U.K.

Going Concern

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

On behalf of the University Court
Dr A Cubie, Chairman
2004

6 December

Napier University

Responsibilities of the University Court

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

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

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

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- Accounts are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Accounts.

The Court has taken reasonable steps to:

- ensure that funds from the Scottish Higher Education Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

Napier University

Responsibilities of the University Court

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

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

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

On behalf of the University Court
Dr A Cubie, Chairman
2004

6 December

Napier University

Independent Auditors' Report to the Court of Napier University

We have audited the financial statements on pages 12 to 38.

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

Respective responsibilities of Court and auditors

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 applicable law and United Kingdom 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 on Accounting in Further and Higher Education Institutions. We also report to you whether, in our opinion monies expended out of funds from whatever source administered by the University for specific purposes were properly applied for those purposes and where relevant managed in accordance with appropriate legislation and whether monies expended out of funds provided by the Scottish Higher Education Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached to them.

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

We read other information contained with the financial statements and consider whether it is consistent with the audited financial statements. The other information comprises the Report by the Chairman of the Court and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board, and the Audit Code of 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 the Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other

irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Napier University

Independent Auditors' Report to the Court of Napier University

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of Napier University and its subsidiary companies at 31 July 2004 and of its surplus for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.

In our opinion, in all material respects, funds from whatever source administered by the University for specific purposes were properly applied for the intended purposes and, where relevant, managed in accordance with appropriate legislation for the year ended 31 July 2004.

In our opinion, in all material respects, funds provided by the Scottish Higher Education Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2004.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
Edinburgh

6 December 2004

Napier University

Statement of Principal Accounting Policies

Year to 31 July 2004

Basis of Preparation and Accounting

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

Napier University

Statement of Principal Accounting Policies

Year to 31 July 2004

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. 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.

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 2004

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 2004

	Notes	2003-04 £000s	2002-03 £000s
Income			
Funding Council Grants	1	35,665	33,608
Tuition Fees and Education Contracts	2	23,775	22,690
Research Grants and Contracts	3	4,641	4,240
Other Operating Income	4	8,632	8,709
Endowment and Investment Income	5	998	685
		<hr/>	<hr/>
Total Income		73,711	69,932
		<hr/>	<hr/>
Expenditure			
Staff Costs	6	43,248	39,914
Staff Restructuring Costs	8	394	671
Other Operating Expenditure	7	23,314	22,265
Depreciation	8	1,971	1,764
Interest Payable	8	799	372
		<hr/>	<hr/>
Total Expenditure	8	69,726	64,986
		<hr/>	<hr/>
Operating Surplus		3,985	4,946
Loss Arising from Capital Projects	9	(109)	(2,788)
		<hr/>	<hr/>
Surplus for the Year		3,876	2,158
		<hr/> <hr/>	<hr/> <hr/>

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 subsidiaries.

Napier University
Consolidated Balance Sheet

At 31 July 2004

	Notes	2004 £000s	2003 £000s
Fixed Assets			
Tangible Fixed Assets	11	57,615	45,632
Investments	12	1,808	1,730
		<u>59,423</u>	<u>47,362</u>
Endowment Asset Investments	13	425	436
Current Assets			
Stocks	14	32	33
Debtors	15	11,536	11,697
Cash at Bank and in Hand		4,896	7,560
		<u>16,464</u>	<u>19,290</u>
Creditors due within one year	16	20,677	17,698
Net Current Assets		<u>(4,213)</u>	<u>1,592</u>
Total Assets less Current Liabilities		55,635	49,390
Provisions for Liabilities and Charges	17	(14,393)	(13,079)
Total Net Assets		<u>41,242</u>	<u>36,311</u>
Represented by:			
Reserves			
Deferred Capital Grants	18	21,858	20,844
Endowment Funds	19	425	436
Reserves	20	18,959	15,031
		<u>41,242</u>	<u>36,311</u>
Total Funds		<u>41,242</u>	<u>36,311</u>

The Accounts on pages 12 to 38 were approved by the University Court on 6 December 2004 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 2004

	Notes	2004 £000s	2003 £000s
Fixed Assets			
Tangible Fixed Assets	11	36,794	36,308
Investments	12	1,718	1,664
		<hr/>	<hr/>
		38,512	37,972
Endowment Asset Investments	13	219	201
Current Assets			
Stocks	14	32	33
Debtors	15	5,005	5,044
Cash at Bank and in Hand		24,763	19,125
		<hr/>	<hr/>
		29,800	24,202
Creditors due within one year	16	11,983	12,615
		<hr/>	<hr/>
Net Current Assets		17,817	11,587
		<hr/>	<hr/>
Total Assets less Current Liabilities		56,548	49,760
Provisions for Liabilities and Charges	17	(14,393)	(13,079)
		<hr/>	<hr/>
Total Net Assets		42,155	36,681
		<hr/> <hr/>	<hr/> <hr/>
Represented by:			
Reserves			
Deferred Capital Grants	18	21,470	20,904
Endowment Funds	19	219	201
Reserves	20	20,466	15,576
		<hr/>	<hr/>
Total Funds		42,155	36,681
		<hr/> <hr/>	<hr/> <hr/>

The Accounts were approved by the University Court on 6 December 2004 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 2004

	Notes	2004 £000s	2003 £000s
Net cash inflow from operating activities	22	4,723	3,950
Returns on investment and servicing of finance			
Other Interest Received		961	682
Interest Paid		(741)	(372)
Investment Income Received		43	42
		<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance		263	352
Investing activities			
Payments to Acquire Tangible Fixed Assets		(13,954)	(6,816)
Payments to Acquire Investments		(42)	(37)
Receipts from Sale of Investments		16	111
Deferred Capital Grants Received		1,580	2,151
		<hr/>	<hr/>
Net cash outflow from investing activities		(12,400)	(4,591)
Net cash outflow before financing		(7,414)	(289)
Net cash inflow from financing		4,750	2,500
		<hr/>	<hr/>
Increase/(Decrease) in cash	23	(2,664)	2,211
		<hr/> <hr/>	<hr/> <hr/>

Statement of Consolidated Total Recognised Gains and Losses

	2004 £000s	2003 £000s
Surplus for the Year	3,876	2,158
Appreciation/(Depreciation) of Endowment Asset Investments	(22)	10
Appreciation of Fixed Asset Investments	52	87
Endowment Income retained for year	5	7
New Endowments	6	-
	<hr/>	<hr/>
	3,917	2,262
	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 2003-04 Accounts

	2003-04 £000s	2002-03 £000s
1. Scottish Higher Education Funding Council Grants		
Recurrent Grant	33,347	32,150
Specific Grants	1,694	925
Released from Deferred Capital Grants		
– Buildings	429	435
– Equipment	195	98
	<hr/>	<hr/>
	35,665	33,608
	<hr/> <hr/>	<hr/> <hr/>
2. Tuition Fees and Education Contracts		
Home/EU	10,593	9,992
Overseas	3,139	2,607
Part-Time	1,667	2,084
Examination Fees	9	33
Education Contracts	8,367	7,974
	<hr/>	<hr/>
	23,775	22,690
	<hr/> <hr/>	<hr/> <hr/>
3. Research Grants and Contracts		
Grants (SHEFC)	1,927	1,821
Contracts	2,714	2,419
	<hr/>	<hr/>
	4,641	4,240
	<hr/> <hr/>	<hr/> <hr/>
4. Other Operating Income		
Consultancy and Fee Income	2,042	1,892
Residences and Catering	3,801	3,843
Other Services Rendered	1,365	1,369
Released from Deferred Capital Grants	21	25
Other Income	1,403	1,580
	<hr/>	<hr/>
	8,632	8,709
	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 2003-04 Accounts

	2003-04 £000s	2002-03 £000s
5. Endowment and Investment Income		
Transferred from Specific Endowments	7	3
Other Interest Receivable	991	682
	<u>998</u>	<u>685</u>
6. Staff Costs		
Wages and Salaries	36,113	34,107
Social Security Costs	2,812	2,458
Pension Costs	4,323	3,349
	<u>43,248</u>	<u>39,914</u>
Emoluments of the current Principal and Vice-Chancellor from 1 January 2003	131	87
	<u>-</u>	<u>85</u>
Emoluments of the former Principal and Vice-Chancellor to 31 December 2002		

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 £15,289 (2002-03 - £9,156).

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

	2003-04 Number	2002-03 Number
Academic	488	496
Administrative/Clerical	590	568
Technical	105	109
Research	81	84
	<u>1,264</u>	<u>1,257</u>

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

£70,000 – £79,999	-	-
£80,000 – £89,999	1	2
£90,000 – £99,999	1	-
£100,000 – £109,999	-	2
£110,000 – £119,999	-	-
£120,000 – £129,999	-	-
£130,000 – £139,999	1	-

Napier University

Notes to the 2003-04 Accounts

	2003-04 £000s	2002-03 £000s
7. Other Operating Expenditure		
Supplies and Maintenance	5,656	5,844
Residences and Catering	3,408	3,249
Napier University Ventures Ltd	2,271	2,259
Property Maintenance	1,285	1,256
Other Expenses	2,923	3,004
Heat, Light and Power	840	762
Rent, Rates and Insurance	716	667
Early Retirement	1,854	1,017
Library Books and Services	750	666
Staff Development and Conferences	1,361	1,230
Postages and Telephone	549	509
Travel	503	402
Students' Association	337	311
Fees	40	127
Recruitment Costs	250	342
Advertising	320	315
Transport	181	158
External Auditors - Audit Services *	34	47
- Other Services	1	33
Internal Auditors - Audit Services	35	67
	<u>23,314</u>	<u>22,265</u>

* 2002-03 includes current and previous external auditors' fees

8. Analysis of 2003-04 Expenditure by Activity

	Staff Costs £000s	Other Operating Expenditure £000s	Depreciation £000s	Interest Payable £000s	Total £000s
Academic Departments	26,251	4,636	365	-	31,252
Academic Services	6,534	3,417	578	-	10,529
Central Administration	6,741	3,542	150	-	10,433
Property	924	2,856	825	799	5,284
Research Grants and Contracts	2,120	990	-	-	3,110
Residences and Catering	678	3,408	53	-	4,139
Napier University Ventures Ltd	-	2,271	-	-	2,271
Other Expenditure	-	2,194	-	-	2,194
Exceptional Restructuring Costs	394	-	-	-	394
	<u>43,642</u>	<u>23,314</u>	<u>1,971</u>	<u>799</u>	<u>69,726</u>

Napier University

Notes to the 2003-04 Accounts

9. Loss Arising from Capital Projects

The loss arising from capital projects, of £109k (2002-03 - £2,788k), represents additional net 'abnormal' costs arising as a result of the receivership of the main contractor on the Craiglockhart Campus Redevelopment Project, identified in 2003-04.

10. Residences and Catering Operations

	Residences ← 2003-04	Catering →	Total	Residences ← 2002-03	Catering →	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Income	2,306	1,495	3,801	2,351	1,492	3,843
Cost of Goods Sold	-	547	547	-	495	495
Gross Profit	<u>2,306</u>	<u>948</u>	<u>3,254</u>	<u>2,351</u>	<u>997</u>	<u>3,348</u>
Remuneration Costs	-	678	678	-	647	647
Depreciation	38	15	53	69	16	85
Other Costs	2,676	185	2,861	2,568	186	2,754
	<u>2,714</u>	<u>878</u>	<u>3,592</u>	<u>2,637</u>	<u>849</u>	<u>3,486</u>
Surplus/(Deficit)	<u>(408)</u>	<u>70</u>	<u>(338)</u>	<u>(286)</u>	<u>148</u>	<u>(138)</u>
Catering Gross Profit		63.4%			66.8%	

Napier University

Notes to the 2003-04 Accounts

11. Tangible Fixed Assets – Consolidated	Assets Under Construction £000s	Land and Buildings £000s	Equipment £000s	2004 £000s	2003 £000s
Cost					
At 1 August	9,439	38,994	7,294	55,727	50,712
Additions	11,495	645	1,814	13,954	6,816
Disposals	-	-	(769)	(769)	(1,801)
	<u>20,934</u>	<u>39,639</u>	<u>8,339</u>	<u>68,912</u>	<u>55,727</u>
At 31 July	20,934	39,639	8,339	68,912	55,727
Depreciation					
At 1 August	-	5,137	4,958	10,095	9,056
Depreciation for the Year	-	795	1,176	1,971	1,764
Disposals	-	-	(769)	(769)	(725)
	<u>-</u>	<u>-</u>	<u>(769)</u>	<u>(769)</u>	<u>(725)</u>
At 31 July	-	5,932	5,365	11,297	10,095
	<u>-</u>	<u>5,932</u>	<u>5,365</u>	<u>11,297</u>	<u>10,095</u>
Net Book Value at 31 July	<u>20,934</u>	<u>33,707</u>	<u>2,974</u>	<u>57,615</u>	<u>45,632</u>
Tangible Fixed Assets – University					
	Assets Under Construction £000s	Land and Buildings £000s	Equipment £000s	2004 £000s	2003 £000s
Cost					
At 1 August	-	39,101	7,224	46,325	45,997
Additions	-	645	1,814	2,459	1,988
Disposals	-	-	(769)	(769)	(1,660)
	<u>-</u>	<u>-</u>	<u>(769)</u>	<u>(769)</u>	<u>(1,660)</u>
At 31 July	-	39,746	8,269	48,015	46,325
	<u>-</u>	<u>39,746</u>	<u>8,269</u>	<u>48,015</u>	<u>46,325</u>
Depreciation					
At 1 August	-	5,129	4,888	10,017	8,932
Depreciation for the Year	-	797	1,176	1,973	1,762
Disposals	-	-	(769)	(769)	(677)
	<u>-</u>	<u>-</u>	<u>(769)</u>	<u>(769)</u>	<u>(677)</u>
At 31 July	-	5,926	5,295	11,221	10,017
	<u>-</u>	<u>5,926</u>	<u>5,295</u>	<u>11,221</u>	<u>10,017</u>
Net Book Value at 31 July	<u>-</u>	<u>33,820</u>	<u>2,974</u>	<u>36,794</u>	<u>36,308</u>

Napier University

Notes to the 2003-04 Accounts

	Cost £000s	Valuation 2004 £000s	Valuation 2003 £000s
12. Investments			
CVCP Properties - 31,876 Ordinary Shares of £1 each	32	32	32
£93,000 4 ^{3/8} % Index-Linked Treasury Stock 2004	107	126	128
£72,400 2% Index-Linked Treasury Stock 2006	133	192	190
£34,800 2 ^{1/2} % Index-Linked Treasury Stock 2009	57	82	83
£49,700 2 ^{1/2} % Index-Linked Treasury Stock 2011	84	125	125
£81,100 2 ^{1/2} % Index-Linked Treasury Stock 2013	113	172	171
£103,300 2 ^{1/2} % Index-Linked Treasury Stock 2016	154	242	237
£77,300 2 ^{1/2} % Index-Linked Treasury Stock 2020	109	182	174
£137,200 2 ^{1/2} % Index-Linked Treasury Stock 2024	164	282	264
£141,300 4 ^{1/8} % Index-Linked Treasury Stock 2030	166	283	261
Total University Investments		1,718	1,664
	1,119		
3,558 Molex Inc Com US\$ 0.05 Shares		57	62
10,000 First Group 5p Ordinary Shares	87	29	-
* Unlisted Investments	26	4	4
	36		
		1,808	1,730
* Held by Napier University Ventures Limited	1,268		

Napier University

Notes to the 2003-04 Accounts

	Consolidated £	University £
13. Endowment Asset Investments		
Fixed Interest Stocks:		
£21,400 7 ^{1/2} % Treasury Stock 2006	22,558	22,558
£9,547 5 ^{1/2} % Treasury Stock 2008/2012	9,644	9,644
£5,520 2 ^{1/2} % Index-Linked Treasury Stock 2011	13,888	13,888
	<hr/>	<hr/>
	46,090	46,090
	<hr/>	<hr/>
Equities:		
1,000 Land Securities 10p Ordinary Shares	11,330	11,330
1,000 GlaxoSmithKline 25p Ordinary Shares	11,170	11,170
1,000 P & O £1 Deferred Stock	2,233	2,233
2,800 BP US\$ 0.25 Ordinary Shares	14,448	14,448
12,297 JP Morgan Fleming Inc & Cap Investment Trust 1p Ordinary Shares	7,993	7,993
800 Associated British Food 5.68p Ordinary Shares	5,040	5,040
1,600 Tesco 5p Ordinary Shares	4,072	4,072
1,000 Allied Domecq 25p Ordinary Shares	4,450	4,450
875 Smith & Nephew 12.22p Ordinary Shares	4,856	4,856
850 Scottish and Southern Energy 50p Ordinary Shares	6,107	6,107
575 emap 25p Ordinary Shares	4,180	4,180
1,750 Alfred McAlpine 25p Ordinary Shares	4,576	4,576
1,200 Rexam 64.29p Ordinary Shares	5,118	5,118
5,000 Bookham Inc Com Stock US\$ 0.01 Shares	2,600	-
13,000 Royal Bank of Scotland 25p Ordinary Shares	200,980	-
	<hr/>	<hr/>
	289,153	85,573
	<hr/>	<hr/>
Bank Balances	89,693	86,942
	<hr/>	<hr/>
	424,936	218,605
	<hr/>	<hr/>
As at 31 July 2003:		
Fixed Interest Stocks	47,725	47,725
Equities	306,931	74,521
Bank Balances	81,772	79,022
Investment Debtors	48	48
	<hr/>	<hr/>
	436,476	201,316
	<hr/>	<hr/>

Napier University

Notes to the 2003-04 Accounts

	Consolidated		University	
	2004 £000s	2003 £000s	2004 £000s	2003 £000s
14. Stocks				
Stocks for Resale	31	32	31	32
Other Stocks	1	1	1	1
	<u>32</u>	<u>33</u>	<u>32</u>	<u>33</u>
15. Debtors				
Trade Debtors	1,732	2,349	1,418	1,795
Other Debtors	7,695	7,551	700	538
Prepayments and Accrued Income	1,168	892	1,090	820
Research	941	905	941	905
Subsidiary Undertakings	-	-	856	986
	<u>11,536</u>	<u>11,697</u>	<u>5,005</u>	<u>5,044</u>
16. Creditors due within one year				
Trade Creditors	2,384	1,977	1,535	1,473
Taxation and Social Security	825	1,302	825	1,302
Other Creditors	3,214	5,560	483	761
Accruals and Deferred Income	6,315	5,609	8,447	7,676
Research	689	750	689	750
Loans	7,250	2,500	-	-
Subsidiary Undertakings	-	-	4	653
	<u>20,677</u>	<u>17,698</u>	<u>11,983</u>	<u>12,615</u>

The loans creditor includes a secured £7.25m fixed term loan to a subsidiary company, NUNIV Developments Ltd., by the Clydesdale Bank plc, which will be repaid on the following dates:

£1.75m on 30 September 2004
 £1.5m on 17 November 2004
 £2.5m on 7 December 2004
 £1.5m on 20 January 2005

Napier University

Notes to the 2003-04 Accounts

	Consolidated		University	
	2004 £000s	2003 £000s	2004 £000s	2003 £000s
17. Provisions for Liabilities and Charges				
Abnormal Costs				
Balance at 1 August	-	-	2,788	-
Transfer from Income & Expenditure Account	-	-	109	2,788
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	-	-	2,897	2,788
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unfunded Pension Liability				
Balance as at 1 August	13,079	12,365	13,079	12,365
Income from Investments	43	42	43	42
Early Retirement Pensions	(773)	(701)	(773)	(701)
Transfer from Income & Expenditure Account	2,044	1,373	2,044	1,373
	<hr/>	<hr/>	<hr/>	<hr/>
	14,393	13,079	14,393	13,079
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total Provisions for Liabilities and Charges	14,393	13,079	17,290	15,867
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Abnormal Costs

A provision has been made in the University Balance Sheet for a total of £2.897m (2003 – £2.788m), representing the additional net 'abnormal' costs arising as a result of the receivership of the main contractor on the Craiglockhart Campus Redevelopment Project. In the Consolidated Balance Sheet, this sum has been set against the value of Assets Under Construction.

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 2.0% per annum.

On the FRS 17 basis, the balance at 31 July 2004 would have been £13.180m (2003 - £12.013m).

Provisions for Liabilities and Charges (Cont'd)

17.

Pension Schemes

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

For the year ended 31 July 2004 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 2004 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 Second Pension Scheme. The cost of contributions to the STSS during the year was £2.001m. 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 were increased to 12.5% of salary effective 1 October 2003.

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.

Notes to the 2003-04 Accounts

17. Provisions for Liabilities and Charges (Cont'd)

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 the State Second Pension Scheme. The cost of contributions to the LGPS during the year was £2.322m. 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 – Equities	6.5%
Investment Returns – Bonds	5.2%
Pay Increases	4.1%
Price Inflation/Pension Increases	2.6%

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 285% of employee contributions for the period to 31 March 2004, rising to 300%, and 350% from 1 April 2004, and 1 April 2005 respectively.

(b) FRS17

Although the following notes are provided under the arrangements required by FRS17, the University is continuing to investigate whether or not the **LGPS** scheme should be accounted for as if it were a defined contribution scheme. The University reserves the right to amend this level of disclosure within the accounts for 2004-05.

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 12.5% 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 and 31 July 2004 by qualified independent actuaries.

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

	July 2004	July 2003 %	July 2002 %
Rate of increase in salaries	4.4	4.1	3.9
Rate of increase in pensions	2.9	2.6	2.4
Discount Rate	5.8	5.5	6.0
Inflation Rate	2.9	2.6	2.4

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Notes to the 2003-04 Accounts

17. Provisions for Liabilities and Charges (Cont'd)

	July 2004		July 2003		July 2002	
	Long-term rate of return %	Value £000s	Long-term rate of return %	Value £000s	Long-term rate of return %	Value £000s
Equities	7.9	30,818	8.0	29,766	8.0	22,770
Bonds	5.4	3,121	5.0	2,668	5.5	2,483
Property	6.7	3,899	6.0	3,507	6.0	2,630
Cash	4.5	5,424	3.5	1,217	4.0	395
		<hr/>		<hr/>		<hr/>
Total market value		43,262		37,158		28,278
Present value of scheme liabilities		57,108		51,734		36,883
		<hr/>		<hr/>		<hr/>
Deficit		(13,846)		(14,576)		(8,605)
Related deferred tax liability		-		-		-
		<hr/>		<hr/>		<hr/>
Net pension liability		(13,846)		(14,576)		(8,605)
		<hr/> <hr/>		<hr/> <hr/>		<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:-

	2004 £000s	2003 £000s
Net assets excluding FRS17 pension liability	41,242	36,311
Pension liability	(13,846)	(14,576)
	<hr/>	<hr/>
Net Assets	27,396	21,735
	<hr/> <hr/>	<hr/> <hr/>
Income & Expenditure Reserve excluding FRS17 pension liability		14,491
Pension liability	18,367	(14,576)
	(13,846)	<hr/>
Income & Expenditure Reserve		(85)
	<hr/> <hr/>	<hr/> <hr/>
	4,521	

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

	2004	2003
Current service cost	2,217	1,332
Past service cost	372	-
Curtailment and settlements	-	-
	<hr/>	<hr/>
Total amount charged against operating surplus	2,589	1,332
	<hr/> <hr/>	<hr/> <hr/>

Notes to the 2003-04 Accounts

	2004 £000s	2003 £000s	
17. Provisions for Liabilities and Charges (Cont'd)			
Amounts included as other finance costs			
Expected return on pension scheme assets	2,832	2,202	
Interest on pension liabilities	(2,916)	(2,126)	
	(84)	76	
Net financial return	(84)	76	
Amounts recognised in the statement of total recognised gains and losses			
Actual return less expected return on assets	1,019	1,376	
Experience gains and losses on liabilities	(4)	(1,314)	
Impact of changes in assumptions relating to the present value of scheme liabilities	(78)	(6,868)	
	937	(6,806)	
Actuarial Gain/(Loss)	937	(6,806)	
Movement in the deficit during the year			
Deficit in scheme at 1 August	(14,576)	(8,605)	
Current service cost	(2,217)	(1,332)	
Contributions	2,306	2,091	
Contributions in respect of unfunded benefits	160	-	
Past service costs	(372)	-	
Curtailement and settlements	-	-	
Net financial return	(84)	76	
Actuarial loss	937	(6,806)	
	(13,846)	(14,576)	
Deficit in scheme at 31 July	(13,846)	(14,576)	
History of experience gains and losses	2004 £000s	2003 £000s	2002 £000s
Difference between actual and expected return on scheme assets	1,019	1,376	(7,484)
% of scheme assets	2.4%	3.7%	(26.5%)
Experience gains and losses on scheme liabilities	(4)	(1,314)	469
% of scheme liabilities	(0.0%)	(2.6%)	1.3%
Amount recognised in statement of total recognised gains and losses on scheme liabilities	937	(6,806)	(1,262)
% of scheme liabilities	1.6%	(13.2%)	(3.6%)

Napier University

Notes to the 2003-04 Accounts

	SHEFC £000s	Other £000s	Total £000s
18. Deferred Capital Grants – Consolidated			
Balance at 1 August 2003			
Buildings	18,194	1,457	19,651
Equipment	1,193	-	1,193
	<hr/>	<hr/>	<hr/>
	19,387	1,457	20,844
	<hr/>	<hr/>	<hr/>
Received during year			
Buildings	-	1,042	1,042
Equipment	617	-	617
	<hr/>	<hr/>	<hr/>
	617	1,042	1,659
	<hr/>	<hr/>	<hr/>
Released to Income & Expenditure Account			
Buildings	429	21	450
Equipment	195	-	195
	<hr/>	<hr/>	<hr/>
	624	21	645
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2004			
Buildings	17,765	2,478	20,243
Equipment	1,615	-	1,615
	<hr/>	<hr/>	<hr/>
	19,380	2,478	21,858
	<hr/>	<hr/>	<hr/>

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Notes to the 2003-04 Accounts

	SHEFC £000s	Other £000s	Total £000s
18. Deferred Capital Grants – Cont'd			
Deferred Capital Grants – University			
Balance at 1 August 2003			
Buildings	18,194	1,517	19,711
Equipment	1,193	-	1,193
	<hr/>	<hr/>	<hr/>
	19,387	1,517	20,904
	<hr/>	<hr/>	<hr/>
Received during year			
Buildings	-	594	594
Equipment	617	-	617
	<hr/>	<hr/>	<hr/>
	617	594	1,211
	<hr/>	<hr/>	<hr/>
Released to Income & Expenditure Account			
Buildings	429	21	450
Equipment	195	-	195
	<hr/>	<hr/>	<hr/>
	624	21	645
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2004			
Buildings	17,765	2,090	19,855
Equipment	1,615	-	1,615
	<hr/>	<hr/>	<hr/>
	19,380	2,090	21,470
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 2003-04 Accounts

	Consolidated Specific £000s	University Specific £000s
19. Endowment Funds		
At 1 August 2003	436	201
Additions	6	6
Appreciation/(Depreciation) of Endowment Asset Investments	(22)	7
Income for Year	12	12
Transferred to Income & Expenditure Account	(7)	(7)
	<hr/>	<hr/>
At 31 July 2004	425	219
	<hr/>	<hr/>

Endowment Funds:

	£	£
Clark Bequest – Narrower Range	62,338	62,338
Clark Bequest – Wider Range	95,953	95,953
James Dick Memorial	1,469	1,469
Heriot-Watt College Prize	1,050	1,050
Heriot-Watt College Printing Prize	413	413
Heriot-Watt College Frank P Restall	565	565
Blyth & Blyth Service Co Fund	539	539
J B Scott Memorial	305	305
John Napier Memorial	383	383
David McMillan Memorial	244	244
R A Farmer Memorial	1,030	1,030
Karen Fretwell Memorial	5,775	5,775
Lloyd's of London Press Prize	376	376
Lothian College of Health Studies – Amenities Fund	1,262	1,262
Lothian College of Health Studies – Educational Development Fund	32,201	32,201
Lothian College of Health Studies – Marion MacDonald Trust Fund	9,718	9,718
Steven Spooner Memorial	799	799
James Hunt Fund	3,686	3,686
Heather Bell Fund	191	191
Triathlon 2004 Fund	308	308
Napier University Development Trust	206,331	-
	<hr/>	<hr/>
	424,936	218,605
	<hr/>	<hr/>

Napier University

Notes to the 2003-04 Accounts

	Consolidated		University	
	2004 £000s	2003 £000s	2004 £000s	2003 £000s
20. Reserves				
Income & Expenditure Account				
Balance at 1 August	14,491	12,333	15,031	12,531
Surplus for Year	3,876	2,158	4,836	2,500
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	18,367	14,491	19,867	15,031
	<hr/>	<hr/>	<hr/>	<hr/>
Revaluation Reserve				
Balance at 1 August	540	454	545	454
Appreciation of Investments	52	86	54	91
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 July	592	540	599	545
	<hr/>	<hr/>	<hr/>	<hr/>
Total Reserves	<u>18,959</u>	<u>15,031</u>	<u>20,466</u>	<u>15,576</u>

Napier University

Notes to the 2003-04 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:

	2003-04 £000s	2002-03 £000s
Turnover	3,367	3,129
Consultancy Expenses	(2,281)	(2,269)
Gross Profit	1,086	860
Administrative Expenses	10	5
Gift Aid Donation to Napier University	(1,165)	(945)
Operating Loss	(69)	(80)
Interest Receivable	61	111
Profit/(Loss) for year	(8)	31

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 is detailed below:

	Unrestricted Funds £000s	Restricted Funds £000s	Endowment Funds £000s	2003-04 £000s	2002-03 £000s
Donations and Gifts	-	995	-	995	572
Investment Income	14	7	-	21	19
Total Incoming Resources	14	1,002	-	1,016	591
Direct Charitable Expenditure	-	(561)	-	(561)	(608)
Administrative Expenses	3	-	-	3	(3)
Net Incoming Resources	17	441	-	458	(20)
Gains/(Losses) on Investment Assets:					
Realised	-	(1)	-	(1)	1
Unrealised	-	(2)	(29)	(31)	6
	17	438	(29)	426	(13)
Net Movement in Funds	31	252	235	518	531
Fund Balances at 1 August	48	690	206	944	518
Fund Balances at 31 July	48	690	206	944	518

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

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

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

Napier University

Notes to the 2003-04 Accounts

	2003-04 £000s	2002-03 £000s
22. Reconciliation of Surplus to Net Cash Flow from Operating Activities		
Surplus	3,876	2,158
Depreciation of Tangible Fixed Assets	1,971	1,764
Deferred Capital Grants Released to Income	(645)	(556)
Investment Income	(991)	(682)
Interest Payable	799	372
Loss on Sale of Tangible Fixed Assets	-	84
Gain on Realisation of Investments	-	(1)
Decrease in Stocks	1	3
(Increase)/Decrease in Debtors	270	543
Decrease in Creditors	(1,829)	(407)
Increase in Provisions	1,271	672
	<hr/>	<hr/>
Net cash inflow from operating activities	4,723	3,950
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23. Reconciliation of Net Cash Flow to Movements in Net Funds		
Increase/(Decrease) in Cash	(2,664)	2,211
Cash Inflow from Increase in Debt	(4,750)	(2,500)
	<hr/>	<hr/>
Movement in Net Funds/(Debt)	(7,414)	(289)
Net Funds at 1 August	4,860	5,149
	<hr/>	<hr/>
Net Funds/(Debt) at 31 July	(2,554)	4,860
	<hr/>	<hr/>

24. Capital Commitments

As at 31 July the University (Consolidated) had capital commitments contracted for, amounting to £4.04m.

25. Financial Commitments

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

Land and Buildings: Expiring in over five years	2,086	1,991
Vehicles: Expiring within two to five years inclusive	15	-
	<hr/>	<hr/>
	2,101	1,991
	<hr/>	<hr/>

Napier University

Notes to the 2003-04 Accounts

26. Post Balance Sheet Events

On 2 August 2004, a subsidiary company, NUNIV Developments surrendered leases which it held over parts of Craiglockhart Campus. As a result of this surrender, the University paid NUNIV Developments £28.5m and acquired the Assets Under Construction.

27. Hardship/MSB Funds

	MSB 2003-04 £000s	Hardship 2003-04 £000s	MSB & Hardship 2002-03 £000s
Balance at 1 August	34	31	99
SAAS Grants Received	220	294	404
Transfer Between Funds	(43)	43	-
Interest Earned	5	6	11
	216	374	514
Disbursed to Students	(179)	(372)	(445)
Administration Costs	-	-	(4)
	37	2	65
	37	2	65

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.

28. Related Party Transactions

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

No other related party transactions have occurred during the period.