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## **Napier University**

### **General Information**

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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	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 20 Waterloo Street Glasgow G2 2DB

## Napier University

### Court Membership

The following persons served as members of Court during the year to 31 July 2005. 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 (R)
Mr C Bryce			Staff
Mr J Boyle	August 2004		Non-Executive (F)
Dr L Burley			Non-Executive (F)
Mr D Campbell			Staff
Mrs A Crawford			Non-Executive
Dr A Cubie (Chairman)			Non-Executive (F,R)
Lord Cullen of Whitekirk			Non-Executive (R)
Dr T Fernandes			Staff
Mr G Garvie			Non-Executive (A)
Baroness Goudie			Non-Executive
Ms M Greenwood			Non-Executive (F)
Mr H Hall			Non-Executive (A)
Dr K Lyall			Non-Executive (F)
Mr P Marshall	August 2004		Student
Mr B Naylor			Non-Executive
Mr C Poziemski		August 2005	Student
Ms M Stephenson	August 2004		Non-Executive (F)
Professor J K Stringer			Principal & Vice-Chancellor (F)
Ms E Thomson			Non-Executive
Professor G Tucker		February 2005	Vice-Principal (F)
Mr D Wise			Graduates' Association
Mr P Wilson			Non-Executive (A)
Mr H Wollman			Staff

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

# **Napier University**

## **Report by the Chairman of Court**

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### **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 (No.SC018373). A copy of these Accounts can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

### **Scope of the Accounts**

The Accounts for the year ended 31 July 2005, comprising the results of the University and those of its subsidiary undertakings, are presented in a new format that incorporates changes in presentation and revised disclosure requirements. They are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the accounting requirements of the Scottish Funding Council.

### **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 £4.45m. This demonstrates the University's continuing commitment to ensuring the financial sustainability of its activities thereby creating the financial environment necessary to support the key strategic goal of becoming "The Best Modern University in Scotland" by 2010.

Total income has increased by £3.58m, or 4.9%. Total operating expenditure has increased by £4.86m, or 7.0%. Within this total Staff Costs have increased by £3.19m, or 7.3% with over £0.6m of this increase attributable to higher Pension Scheme Contributions. Staff Restructuring Costs were reduced by £0.28m while Other Operating Expenditure increased by £1.45m.

The disposal of surplus land and buildings resulted in an exceptional gain of £1.75m.

### **Balance Sheet**

The redeveloped Craiglockhart Campus became fully operational during the year and has rapidly established itself as a facility that can attract events of local, national and international importance. In particular the University was proud to host visits from, amongst others, the Prime Minister, the Rt Hon Tony Blair MP and the President of the Czech Republic, Vaclav Klaus.

As a result of the completion of the Craiglockhart redevelopment there has been a transfer of £21.2m from Assets Under Construction to Land and Buildings. There were no further Abnormal Costs incurred in the year as a result of the receivership of the original main contractor for the Craiglockhart redevelopment.

Total loans outstanding are now £7.5m with a maximum loan facility of £13.7m available from the Clydesdale Bank plc. Overall Net Assets increased by £5.0m

### **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 2005, the University had an average of 31 days purchases outstanding in trade creditors. The amount of interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was nil.

### **Future Developments**

As part of its overall Strategic Plan the University is currently engaged on a major Estates Strategy Review. This will focus on delivering further, high quality, facilities for students and staff that are closely aligned with the University's strategic priorities. The review is considering a number of options with a view to recommending a strategy that optimises the use of existing facilities along with potential new developments.

The University is also working towards the implementation of the national Framework Agreement on staff remuneration from 1 August 2006 and will ensure that the financial implications of this are clearly identified and accommodated within the constraints of financial sustainability.

### **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

12 December 2005

### **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 2005. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen in November 2004. The University is fully compliant with this Code except that the Court formally comprised 26 members in 2004/05, compared to a maximum of 25 members suggested by the Code.

### **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 2005 are set out in note 6 to the financial statements.

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

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

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

## **Corporate Strategy**

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

## **Governing Body Statement on Internal Control**

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

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

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

The governing body's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2004 meeting the governing body received the annual report from the Audit Committee covering the period to 30 November 2004. At its March 2005 meeting, the governing body considered the annual risk assessment for the year by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2004.

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 2005 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

12 December 2005

## **Napier University**

### **Responsibilities of the University Court**

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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 (now the Scottish 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 (now the SFC) 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**

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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

12 December 2005

# **Napier University**

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

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We have audited the financial statements on pages 12 to 39.

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**

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### **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 2005 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 2005.

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 2005.

RSM Robson Rhodes LLP  
Chartered Accountants and Registered Auditors  
Edinburgh

12 December 2005

# **Napier University**

## **Statement of Principal Accounting Policies - Year to 31 July 2005**

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### **1 Basis of Preparation and Accounting**

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

### **2 Basis of Consolidation**

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

### **3 Recognition of Income**

Recurrent grants from 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.

### **4 Maintenance of Premises**

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

### **5 Foreign Currency Translations**

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

### **6 Pension Schemes**

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme ("STSS") and the Local Government Pension Scheme ("LGPS"). Academic staff join the STSS, whilst the LGPS provides similar benefits for other employees of the University. Both schemes are defined benefit schemes which are externally funded and contracted out of the State Second Pension Scheme.

## **6 Pension Schemes (contd)**

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.

## **7 Tangible Fixed Assets**

### **a. Land and Buildings**

The University's Land and Buildings are stated at cost. Buildings are depreciated over their expected useful life of 50 years and leasehold land over the life of the lease. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

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

### **b. Equipment**

Equipment, including computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is stated at cost and is depreciated over its useful economic life as follows:

Non-Computer Equipment	– 10 years
Computer Equipment	– 3 years
Research equipment	– Project life – 2 years generally
Furniture	– 10 years
Residences - Furniture and Fittings	– 8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy. The related grants are treated as deferred capital grants and released to income over the expected useful economic life of the related equipment.

# **Napier University**

## **Statement of Principal Accounting Policies - Year to 31 July 2005**

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### **8 Leases**

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

### **9 Investments**

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

### **10 Stocks**

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

### **11 Taxation**

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax which is charged to the Income & Expenditure Account.

### **12 Provisions**

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

**Napier University**  
**Consolidated Income & Expenditure Account - Year to 31 July 2005**

	Notes	2005 £000	2004 £000
<b>Income</b>			
Scottish Higher Education Funding Council Grants	1	38,586	37,592
Tuition Fees and Education Contracts	2	25,220	23,775
Research Contracts	3	2,708	2,714
Other Operating Income	4	10,193	8,632
Endowment and Investment Income	5	595	1,006
Total Income		<u>77,302</u>	<u>73,719</u>
<b>Expenditure</b>			
Staff Costs	6	46,434	43,248
Staff Restructuring Costs	9	117	394
Other Operating Expenditure	8	24,762	23,314
Depreciation	9	2,719	1,971
Interest Payable	10	558	799
Total Expenditure	9	<u>74,590</u>	<u>69,726</u>
<b>Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets</b>		2,712	3,993
Loss Arising from Capital Projects	11	-	(109)
Gain on Disposal of Tangible Fixed Assets		1,745	-
<b>Surplus on Continuing Operations after Depreciation of Assets and Disposal of Assets</b>		<u>4,457</u>	<u>3,884</u>
Transfer to Accumulated Income within Specific Endowments		(6)	(8)
<b>Surplus for the Year retained within General Reserves</b>		<u><u>4,451</u></u>	<u><u>3,876</u></u>

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

**Napier University****Statement of Consolidated Total Recognised Gains and Losses**

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	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Surplus on Continuing Operations after Depreciation of Assets and Disposal of Assets	4,457	3,884
Appreciation of Fixed Asset Investments	104	52
Appreciation/(Amortisation) of Endowment Asset Investments	38	(22)
Gain on Disposal of Endowment Asset Investments	2	3
	<hr/>	<hr/>
<b>Total Recognised Gains for the Year</b>	<b>4,601</b>	<b>3,917</b>
	<hr/>	<hr/>
<b>Reconciliation</b>		
Opening Reserves and Endowments	19,384	15,467
Reallocation of Reserves to Deferred Income on Consolidation	(131)	-
Total Recognised Gains for the Year	4,601	3,917
	<hr/>	<hr/>
<b>Closing Reserves and Endowments</b>	<b>23,854</b>	<b>19,384</b>
	<hr/>	<hr/>

**Napier University**  
**Balance Sheets - At 31 July 2005**

	Notes	Consolidated		University	
		2005 £000	2004 £000	2005 £000	2004 £000
<b>Fixed Assets</b>					
Tangible Fixed Assets	13	58,730	57,615	62,013	36,794
Investments	14	2,217	1,808	1,703	1,718
		<u>60,947</u>	<u>59,423</u>	<u>63,716</u>	<u>38,512</u>
<b>Endowment Asset Investments</b>	15	471	425	247	219
<b>Current Assets</b>					
Stocks	16	30	32	30	32
Debtors	17	12,527	11,536	8,801	5,691
Cash at Bank and in Hand		10,018	4,896	2,011	23,679
		<u>22,575</u>	<u>16,464</u>	<u>10,842</u>	<u>29,402</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	18	22,939	20,677	11,287	8,688
		<u>(364)</u>	<u>(4,213)</u>	<u>(445)</u>	<u>20,714</u>
<b>Net Current Assets / (Liabilities)</b>					
<b>Total Assets less Current Liabilities</b>		61,054	55,635	63,518	59,445
<b>Provisions for Liabilities and Charges</b>	19	(14,803)	(14,393)	(14,803)	(17,290)
<b>NET ASSETS</b>		<u>46,251</u>	<u>41,242</u>	<u>48,715</u>	<u>42,155</u>
Deferred Capital Grants	20	22,397	21,858	22,397	21,470
Endowment Funds	21	471	425	247	219
Revaluation Reserve	22	696	592	691	599
General Reserve	23	22,687	18,367	25,380	19,867
		<u>46,251</u>	<u>41,242</u>	<u>48,715</u>	<u>42,155</u>
<b>TOTAL FUNDS</b>		<u>46,251</u>	<u>41,242</u>	<u>48,715</u>	<u>42,155</u>

The Accounts on pages 12 to 39 were approved by the University Court on 12 December 2005 and were signed on its behalf by: DR A CUBIE, Chairman; PROFESSOR J STRINGER, Accounting Officer; MRS D ROBERTSON, Director of Finance.

**Napier University**  
**Consolidated Cash Flow Statement - Year to 31 July 2005**

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	<b>Notes</b>	<b>2005 £000</b>	<b>2004 £000</b>
<b>Cash Flow from Operating Activities</b>	25	6,027	4,723
<b>Returns on Investment and Servicing of Finance</b>	26	2	274
<b>Capital Expenditure and Financial Investment</b>	27	(962)	(12,403)
<b>Management of Liquid Resources</b>	28	5	(8)
<b>Financing</b>	29	250	4,750
		-----	-----
<b>Increase/(Decrease) in cash in the Year</b>	30	<b>5,322</b>	<b>(2,664)</b>
		=====	=====

**Reconciliation of Net Cash Flow to Movements in Net Funds/(Debt)**

Increase/(Decrease) in Cash in the year	5,322	(2,664)
Cash Inflow from Increase in Debt	(250)	(4,750)
	-----	-----
Movement in Net Funds/(Debt)	5,072	(7,414)
Net Funds/(Debt) at 1 August	(2,554)	4,860
	-----	-----
Net Funds/(Debt) at 31 July	<b>2,518</b>	<b>(2,554)</b>
		=====

**Napier University**  
**Notes to the 2004-05 Accounts**

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	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
<b>1 Scottish Higher Education Funding Council Grants</b>		
Recurrent Teaching Grant	34,107	33,482
Funding for Increased STSS Contributions	834	674
Research Grants	2,152	1,927
Other Grants	901	885
Released from Deferred Capital Grants		
- Buildings	413	429
- Equipment	179	195
	<hr/>	<hr/>
	<b>38,586</b>	<b>37,592</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>2 Tuition Fees and Education Contracts</b>		
UK and EU Fees	9,992	10,041
Non EU Fees	6,211	4,970
Non Credit Bearing Course Fees	356	397
Education Contracts	8,661	8,367
	<hr/>	<hr/>
	<b>25,220</b>	<b>23,775</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>3 Research Contracts</b>		
Research Councils	449	155
UK Based Charities	285	141
European Commission	217	189
UK Industry, Commerce and Public Bodies	639	626
UK Government, Health and Hospital Authorities	1,024	916
Other Grants and Contracts	94	687
	<hr/>	<hr/>
	<b>2,708</b>	<b>2,714</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>4 Other Operating Income</b>		
Consultancy and Fee Income	1,739	2,042
Residences and Catering	4,204	3,801
Other Services Rendered	2,840	1,365
Released from Deferred Capital Grants	53	21
Other Income	1,357	1,403
	<hr/>	<hr/>
	<b>10,193</b>	<b>8,632</b>
	<hr/> <hr/>	<hr/> <hr/>

**Napier University**  
**Notes to the 2004-05 Accounts**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>5 Endowment and Investment Income</b>		
Income from Specific Endowments	10	15
Other Interest Receivable	585	991
	<u>595</u>	<u>1,006</u>
<b>6 Staff Costs</b>		
Wages and Salaries	38,497	36,113
Social Security Costs	3,006	2,812
Pension Costs	4,931	4,323
	<u>46,434</u>	<u>43,248</u>

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

Salary	148	130
Benefits in kind	1	1
	<u>149</u>	<u>131</u>
Pension Contributions	<u>19</u>	<u>15</u>

The emoluments of the Vice Chancellor are shown on the same basis as for other higher paid staff. The Vice Chancellor's emoluments are settled by the Remuneration Committee. These emoluments contain an element of performance related pay. The University's pension contributions to STSS, are paid at the same rates as for other academic staff.

	<b>2005</b>	<b>2004</b>
	<b>Number</b>	<b>Number</b>
The average monthly number of persons, including senior post holders, employed by the University during the year, expressed as full-time equivalents, was:		
Academic	501	488
Administrative/Clerical	637	590
Technical	101	105
Research	69	81
	<u>1,308</u>	<u>1,264</u>

**6 Staff Costs (contd)**

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

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

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

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

**7 Pension Schemes**

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

For the year ended 31 July 2005 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 2005 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 £2.416m. 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.

**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 £2.515m. The University is one of many employers who participate in the scheme.

**7 Pension Schemes (contd)**

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

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 defined 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:-

	<b>July 2005</b>	<b>July 2004</b>	<b>July 2003</b>	<b>July 2002</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Rate of increase in salaries	4.3	4.4	4.1	3.9
Rate of increase in pensions	2.8	2.9	2.6	2.4
Discount Rate	5.0	5.8	5.5	6.0
Inflation Rate	2.8	2.9	2.6	2.4

**Napier University**  
**Notes to the 2004-05 Accounts**

7 Pensions Schemes (contd)

	July 2005		July 2004		July 2003		July 2002	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	7.3	45,05	7.9	30,818	8.0	29,766	8.0	22,770
Bonds	4.7	3,506	5.4	3,121	5.0	2,668	5.0	2,483
Property	5.4	5,510	6.7	3,899	6.0	3,507	6.0	2,630
Cash	4.5	1,549	4.5	5,424	3.5	1,217	4.0	395
		-----		-----		-----		-----
Total market value		55,6		43,262		37,158		28,278
Present value of scheme liabilities		73,181		57,108		51,734		36,883
		-----		-----		-----		-----
Deficit		(17,562)		(13,846)		(14,576)		(8,605)
Related deferred tax liability		-		-		-		-
		-----		-----		-----		-----
<b>Net pension deficit</b>		<b>(17,562)</b>		<b>(13,846)</b>		<b>(14,576)</b>		<b>(8,605)</b>
		=====		=====		=====		=====

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

	2005 £000	2004 £000
Net assets excluding FRS17 pension liability	46,582	41,242
Pension liability	(17,561)	(13,846)
	-----	-----
<b>Net Assets</b>	<b>29,021</b>	<b>27,396</b>
	=====	=====
Income & Expenditure Reserve excluding FRS17 pension liability	22,796	18,367
Pension liability	(17,561)	(13,846)
	-----	-----
<b>Income &amp; Expenditure Reserve</b>	<b>5,235</b>	<b>4,521</b>
	=====	=====

**7 Pensions Schemes (contd)**

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

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Amounts charged against operating surplus		
Current service cost	2,655	2,217
Past service cost	17	372
Curtailement and settlements	-	-
	<hr/>	<hr/>
<b>Total amount charged against operating surplus</b>	<b>2,672</b>	<b>2,589</b>
	<hr/> <hr/>	<hr/> <hr/>

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Amounts included as other finance costs		
Expected return on pension scheme assets	3,204	2,832
Interest on pension liabilities	(3,386)	(2,916)
	<hr/>	<hr/>
<b>Net financial return</b>	<b>(182)</b>	<b>(84)</b>
	<hr/> <hr/>	<hr/> <hr/>

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Amounts recognized in the statement of total recognized gains and losses		
Actual return less expected return on assets	6,411	1,019
Experience gains and losses on liabilities	(129)	(4)
Impact of changes in assumptions relating to the present value of scheme liabilities	(9,988)	(78)
	<hr/>	<hr/>
<b>Actuarial Gain/(Loss)</b>	<b>(3,706)</b>	<b>937</b>
	<hr/> <hr/>	<hr/> <hr/>

**Napier University**  
**Notes to the 2004-05 Accounts**

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7 Pension Schemes (contd)	2005 £000	2004 £000
Movement in the deficit during the year		
Deficit in scheme at 1 August	(13,846)	(14,576)
Current service cost	(2,655)	(2,217)
Contributions	2,677	2,306
Contributions in respect of unfunded benefits	167	160
Past service costs	(17)	(372)
Curtailement and settlements	-	-
Net financial return	(182)	(84)
Actuarial loss	(3,706)	937
	<u>          </u>	<u>          </u>
<b>Deficit in scheme at 31 July</b>	<b>(17,562)</b>	<b>(13,846)</b>
	<u>          </u>	<u>          </u>

	2005 £000	2004 £000	2003 £000	2002 £000
History of experience gains and losses				
Difference between actual and expected return on scheme assets	6,411	1,019	1,376	(7,484)
% of scheme assets	11.5%	2.4%	3.7%	(26.5%)
Experience gains and losses on scheme liabilities	(129)	(4)	(1,314)	469
% of scheme liabilities	(0.2%)	(0.0%)	(2.6%)	1.3%
Amount recognised in statement of total recognised gains and losses on scheme liabilities	(3,706)	937	(6,806)	(1,262)
% of scheme liabilities	(5.1%)	1.6%	(13.2%)	(3.6%)

**Napier University**  
**Notes to the 2004-05 Accounts**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>8 Other Operating Expenditure</b>		
Supplies and Maintenance	6,665	5,656
Residences and Catering	3,572	3,408
Napier University Ventures Ltd	3,045	2,271
Property Maintenance	1,937	1,285
Other Expenses	2,487	2,963
Heat, Light and Power	928	840
Rent, Rates and Insurance	749	716
Early Retirement	1,119	1,854
Library Books and Services	877	750
Staff Development, Conferences and Travel	1,655	1,864
Postages and Telephone	490	549
Students' Association	354	337
Recruitment Costs	282	250
Advertising	441	320
Transport	70	181
Auditors' Remuneration	91	70
	<u>24,762</u>	<u>23,314</u>

**Other Operating Expenditure includes:**

External Auditors – Audit Services	32	34
– Other Services	1	1
Internal Auditors – Audit Services	58	35
Hire of Buildings – Operating Leases	2,164	2,059
Hire of Vehicles – Operating Leases	15	15
	<u>2,270</u>	<u>2,144</u>

**9 Analysis of 2004–05 Expenditure by Activity**

	<b>Staff Costs</b>	<b>Other Operating Expenditure</b>	<b>Depreciation</b>	<b>Interest Payable</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Academic Departments	28,059	4,548	370	-	32,977
Academic Services	6,784	3,841	682	-	11,307
Central Administration	7,440	3,716	187	-	11,343
Property	890	3,360	1,458	558	6,266
Research Grants and Contracts	2,486	1,207	-	-	3,693
Residences and Catering	775	3,572	17	-	4,364
Napier University Ventures Ltd	-	3,045	5	-	3,050
Other Expenditure	-	1,473	-	-	1,473
Exceptional Restructuring Costs	117	-	-	-	117
	<u>46,551</u>	<u>24,762</u>	<u>2,719</u>	<u>558</u>	<u>74,590</u>

**Napier University**  
**Notes to the 2004-05 Accounts**

10	<b>Interest Payable</b>	<b>2005</b>	<b>2004</b>
		<b>£000</b>	<b>£000</b>
	On bank loans, overdrafts and other loans:		
	Repayable within 5 years, not by installments	558	799
		<u>558</u>	<u>799</u>

11 **Loss Arising from Capital Projects**

The loss arising from capital projects in 2004, of £109k, represents additional net 'abnormal' costs arising as a result of the receivership of the original main contractor on the Craiglockhart Redevelopment Project, identified in 2004.

12 **Residences and Catering Operations**

	← Residences	Catering 2005	→ Total	← Residences	Catering 2004	→ Total
	£000	£000	£000	£000	£000	£000
Income	2,549	1,655	4,204	2,306	1,495	3,801
Cost of Goods Sold	-	572	572	-	547	547
Gross Profit	<u>2,549</u>	<u>1,083</u>	<u>3,632</u>	<u>2,306</u>	<u>948</u>	<u>3,254</u>
Remuneration Costs	-	775	775	-	678	678
Depreciation	1	16	17	38	15	53
Other Costs	2,813	187	3,000	2,676	185	2,861
	<u>2,814</u>	<u>978</u>	<u>3,792</u>	<u>2,714</u>	<u>878</u>	<u>3,592</u>
Surplus/(Deficit)	<u>(265)</u>	<u>105</u>	<u>(160)</u>	<u>(408)</u>	<u>70</u>	<u>(338)</u>
Catering Gross Profit		65.4%			63.4%	

**Napier University**  
**Notes to the 2004-05 Accounts**

13 Tangible Fixed Assets - Consolidated	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
<b>Cost</b>				
At 1 August 2004	20,934	39,639	8,339	68,912
Additions	273	1,437	2,434	4,144
Transfer	(21,207)	21,207	-	-
Disposals	-	(400)	(923)	(1,323)
At 31 July 2005	<u>-</u>	<u>61,883</u>	<u>9,850</u>	<u>71,733</u>
<b>Depreciation</b>				
At 1 August 2004	-	5,932	5,365	11,297
Depreciation for the Year	-	1,330	1,389	2,719
Disposals	-	(90)	(923)	(1,013)
As at 31 July 2005	<u>-</u>	<u>7,172</u>	<u>5,831</u>	<u>13,003</u>
<b>Net Book Value at 31 July 2005</b>	<u>-</u>	<u>54,711</u>	<u>4,019</u>	<u>58,730</u>
<b>Net Book Value at 31 July 2004</b>	<u>20,934</u>	<u>33,707</u>	<u>2,974</u>	<u>57,615</u>
<b>Tangible Fixed Assets - University</b>				
<b>Cost</b>				
At 1 August 2004	-	39,746	8,269	48,015
Additions	-	25,897	2,416	28,313
Disposals	-	(400)	(852)	(1,252)
As at 31 July 2005	<u>-</u>	<u>65,243</u>	<u>9,833</u>	<u>75,076</u>
<b>Depreciation</b>				
As at 1 August 2004	-	5,926	5,295	11,221
Depreciation for the Year	-	1,397	1,386	2,783
Disposals	-	(89)	(852)	(941)
At 31 July 2005	<u>-</u>	<u>7,234</u>	<u>5,829</u>	<u>13,063</u>
<b>Net Book Value at 31 July 2005</b>	<u>-</u>	<u>58,009</u>	<u>4,004</u>	<u>62,013</u>
<b>Net Book Value at 31 July 2004</b>	<u>-</u>	<u>33,820</u>	<u>2,974</u>	<u>36,794</u>

**Napier University**  
**Notes to the 2004-05 Accounts**

	<b>Consolidated £000</b>	<b>University £000</b>
<b>14 Investments</b>		
Balance at 1 August 2004	1,808	1,718
Additions	626	-
Disposals	(314)	(107)
Appreciation of Investments	97	92
	<u>          </u>	<u>          </u>
Balance at 31 July 2005	<b>2,217</b>	<b>1,703</b>
	<u>          </u>	<u>          </u>
<b>Represented by:</b>		
Index-Linked Stocks	1,671	1,671
Equities – Listed	510	-
Equities – Unlisted	36	32
	<u>          </u>	<u>          </u>
	<b>2,217</b>	<b>1,703</b>
	<u>          </u>	<u>          </u>
<b>15 Endowment Asset Investments</b>		
Balance at 1 August 2004	425	219
Additions	21	21
Disposals	(8)	(8)
Appreciation of Investments	38	20
Decrease In Cash Balances Held	(5)	(5)
	<u>          </u>	<u>          </u>
Balance at 31 July 2005	<b>471</b>	<b>247</b>
	<u>          </u>	<u>          </u>
<b>Represented by:</b>		
Index-Linked Stocks	15	15
Fixed Interest Stocks	32	32
Equities – Listed	339	117
Cash Balances	85	83
	<u>          </u>	<u>          </u>
	<b>471</b>	<b>247</b>
	<u>          </u>	<u>          </u>

**Napier University**  
**Notes to the 2004-05 Accounts**

16	Stocks	Consolidated		University	
		2005 £000	2004 £000	2005 £000	2004 £000
	Stocks for Resale	29	31	29	31
	Other Stocks	1	1	1	1
		<u>30</u>	<u>32</u>	<u>30</u>	<u>32</u>
17	<b>Debtors: Amounts Due Within One Year</b>				
	Trade Debtors	3,059	1,732	2,479	1,414
	Other Debtors	7,468	7,695	467	693
	Prepayments and Accrued Income	1,209	1,168	899	1,085
	Research	791	941	791	941
	Subsidiary Undertakings	-	-	4,165	1,558
		<u>12,527</u>	<u>11,536</u>	<u>8,801</u>	<u>5,691</u>
18	<b>Creditors: Amounts Falling Due Within One Year</b>				
	Trade Creditors	1,870	2,384	1,870	1,535
	Taxation and Social Security	1,053	825	1,013	825
	Other Creditors	2,468	3,214	397	478
	Accruals and Deferred Income	8,435	6,315	6,394	5,161
	Research	1,613	689	1,613	689
	Loans	7,500	7,250	-	-
		<u>22,939</u>	<u>20,677</u>	<u>11,287</u>	<u>8,688</u>

The loans creditor is a £7.5m fixed term loan to a subsidiary company, NUNIV Developments Ltd by the Clydesdale Bank plc, which will be repaid on the following dates:

£1m on 15 August 2005  
£1m on 3 October 2005  
£1.5m on 18 November 2005  
£2.5m on 7 December 2005  
£1.5m on 23 January 2006

**Napier University**  
**Notes to the 2004-05 Accounts**

19	Provisions for Liabilities and Charges	Consolidated		University	
		2005 £000	2004 £000	2005 £000	2004 £000
	<b>Abnormal Costs</b>				
	Balance at 1 August	-	-	2,897	2,788
	Transfer to Fixed Assets	-	-	(2,441)	-
	Transfer (to)/from Income & Expenditure Account	-	-	(456)	109
	Balance at 31 July	-	-	-	2,897
	<b>Unfunded Pension Liability</b>				
	Balance at 1 August	14,393	13,079	14,393	13,079
	Income from Investments	41	43	41	43
	Early Retirement Pensions	(786)	(773)	(786)	(773)
	Transfer from Income & Expenditure Account	1,155	2,044	1,155	2,044
		14,803	14,393	14,803	14,393
	<b>Total Provisions for Liabilities and Charges</b>	14,803	14,393	14,803	17,290

A valuation of the existing pension provision was carried out by Hymans Robertson, an independent firm of actuaries at 31 July 2005.

**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 1.5% per annum.

On the FRS 17 basis, the balance at 31 July 2005 would have been £13.581m (2004 - £13.180m).

**Napier University**  
**Notes to the 2004-05 Accounts**

	SHEFC £000	Other £000	Total £000
<b>20 Deferred Capital Grants – Consolidated</b>			
<b>Balance at 1 August 2004</b>			
Buildings	17,765	2,478	20,243
Equipment	1,615	-	1,615
	<u>19,380</u>	<u>2,478</u>	<u>21,858</u>
<b>Received During the Year</b>			
Buildings	943	341	1,284
Equipment	390	-	390
	<u>1,333</u>	<u>341</u>	<u>1,674</u>
<b>Released During the Year</b>			
Buildings – Income and Expenditure Account	673	53	726
Equipment – Income and Expenditure Account	180	-	180
Reallocation of Deferred Capital Grants to Deferred Income on Consolidation	-	229	229
	<u>853</u>	<u>282</u>	<u>1,135</u>
<b>Balance at 31 July 2005</b>			
Buildings	18,035	2,537	20,572
Equipment	1,825	-	1,825
	<u><b>19,860</b></u>	<u><b>2,537</b></u>	<u><b>22,397</b></u>
<b>Deferred Capital Grants – University</b>			
<b>Balance at 1 August 2004</b>			
Buildings	17,765	2,090	19,855
Equipment	1,615	-	1,615
	<u>19,380</u>	<u>2,090</u>	<u>21,470</u>
<b>Received During the Year</b>			
Buildings	943	500	1,443
Equipment	390	-	390
	<u>1,333</u>	<u>500</u>	<u>1,833</u>
<b>Released During the Year</b>			
Buildings	673	53	726
Equipment	180	-	180
	<u>853</u>	<u>53</u>	<u>906</u>
<b>Balance at 31 July 2005</b>			
Buildings	18,035	2,537	20,572
Equipment	1,825	-	1,825
	<u><b>19,860</b></u>	<u><b>2,537</b></u>	<u><b>22,397</b></u>

**Napier University**  
**Notes to the 2004-05 Accounts**

	<b>Consolidated £000</b>		<b>University £000</b>	
<b>21 Endowment Funds – Specific</b>				
At 1 August 2004		425		219
Appreciation of Endowment Asset Investments		38		20
Income for Year		12		12
Expenditure for Year		(4)		(4)
		<u>          </u>		<u>          </u>
At 31 July 2005		<b>471</b>		<b>247</b>
		<u>          </u>		<u>          </u>
<b>Representing:</b>				
Edward Clark Bequest		188		188
Prize Funds		5		5
Memorial Funds		12		12
Other Funds		266		42
		<u>          </u>		<u>          </u>
		<b>471</b>		<b>247</b>
		<u>          </u>		<u>          </u>
<b>22 Revaluation Reserve</b>	<b>Consolidated</b>		<b>University</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 August	592	540	599	545
Appreciation of Investments	104	52	92	54
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 July	<b>696</b>	<b>592</b>	<b>691</b>	<b>599</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>23 General Reserve</b>				
Balance at 1 August	18,367	14,491	19,867	15,031
Surplus for Year	4,451	3,876	5,513	4,836
Reallocation of Reserves to Deferred Income on Consolidation	(131)	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 July	<b>22,687</b>	<b>18,367</b>	<b>25,380</b>	<b>19,867</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Napier University**  
**Notes to the 2004-05 Accounts**

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24 **Subsidiary Undertakings**

Napier University Ventures Limited, a company limited by guarantee, is not a legal subsidiary of the University. However as the University exercises a dominant influence, it is treated as a subsidiary for financial reporting and its accounts are included within these consolidated accounts. The Company's Profit and Loss Account and Balance Sheet are detailed below:

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
<b>Profit and Loss Account</b>		
<b>Turnover</b>	4,062	3,367
Consultancy Expenses	(3,037)	(2,281)
<b>Gross Profit</b>	<u>1,025</u>	<u>1,086</u>
Administrative Expenses	13	10
Other Operating Income	163	-
Gift Aid Donation to Napier University	(1,280)	(1,165)
Interest Receivable	39	61
	<u>          </u>	<u>          </u>
<b>Loss for year</b>	<b>(40)</b>	<b>(8)</b>
	<u>          </u>	<u>          </u>
 <b>Balance Sheet</b>		
Fixed Assets	82	69
Current Assets	2,672	3,138
Creditors: Amounts Falling Due Within One Year	(2,951)	(3,363)
	<u>          </u>	<u>          </u>
Total Net Liabilities	<b>(197)</b>	<b>(156)</b>
	<u>          </u>	<u>          </u>
Capital and Reserves:		
Revaluation Reserve	63	65
Profit and Loss account	(260)	(221)
	<u>          </u>	<u>          </u>
	<b>(197)</b>	<b>(156)</b>
	<u>          </u>	<u>          </u>

**Napier University**  
**Notes to the 2004-05 Accounts**

24 **Subsidiary Undertakings (contd)**

Napier University Development Trust is not a legal subsidiary of the University. However, as the University exercises a dominant influence, it is treated as a subsidiary for financial reporting. The Trust's Statement of Financial Activities and Balance Sheet are detailed below:

<b>Statement of Financial Activities</b>	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>2005 £000</b>	<b>2004 £000</b>
Donations and Gifts	25	1,047	-	1,072	995
Investment Income	40	9	-	49	21
Total Incoming Resources	<u>65</u>	<u>1,056</u>	<u>-</u>	<u>1,121</u>	<u>1,016</u>
Direct Charitable Expenditure	(7)	(638)	-	(645)	(561)
Administrative Expenses	-	-	-	-	3
Net Incoming Resources	<u>58</u>	<u>418</u>	<u>-</u>	<u>476</u>	<u>458</u>
Gains/(Losses) on Investment Assets:					
Realised	-	6	-	6	(1)
Un-realised	-	6	18	24	(31)
Net Movement in Funds	<u>58</u>	<u>430</u>	<u>18</u>	<u>506</u>	<u>426</u>
Fund Balances at 1 August	48	690	206	944	518
Fund Balances at 31 July	<u><b>106</b></u>	<u><b>1,120</b></u>	<u><b>224</b></u>	<u><b>1,450</b></u>	<u><b>944</b></u>

**Balance Sheet**

Investments	732	289
Current Assets	717	655
Net Assets	<u><b>1,449</b></u>	<u><b>944</b></u>
Funds:		
Endowments	224	206
Restricted Funds	1,119	690
Unrestricted Funds	106	48
	<u><b>1,449</b></u>	<u><b>944</b></u>

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 2004-05 Accounts**

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25	<b>Reconciliation of Consolidated Operating Surplus to Net Cash Flow from Operating Activities</b>	<b>2005 £000</b>	<b>2004 £000</b>
	Surplus	4,451	3,876
	Depreciation of Tangible Fixed Assets	2,719	1,971
	Deferred Capital Grants Released to Income	(906)	(645)
	Investment Income	(585)	(991)
	Interest Payable	558	799
	Gain on Sale of Tangible Fixed Assets	(1,487)	-
	Gain on Realisation of Investments	(27)	-
	Decrease in Stocks	2	1
	(Increase)/Decrease in Debtors	(930)	270
	Increase/(Decrease) in Creditors	1,863	(1,829)
	Increase in Provisions	369	1,271
		<hr/>	<hr/>
	<b>Net cash inflow from operating activities</b>	<b>6,027</b>	<b>4,723</b>
		<hr/> <hr/>	<hr/> <hr/>
26	<b>Returns on Investments and Servicing of Finance</b>		
	Income from Endowments	6	11
	Other Interest Received	565	1,004
	Interest Paid	(569)	(741)
		<hr/>	<hr/>
	<b>Net cash inflow from returns on investments and Servicing of Finance</b>	<b>2</b>	<b>274</b>
		<hr/> <hr/>	<hr/> <hr/>
27	<b>Capital Expenditure and Financial Investment</b>		
	Purchase of tangible fixed assets	(4,763)	(13,996)
	Payments to acquire endowment assets	(21)	(16)
	Sales of tangible fixed assets	2,138	16
	Receipts from sales of endowment assets	10	13
	Deferred capital grants received	1,674	1,580
		<hr/>	<hr/>
	<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(962)</b>	<b>(12,403)</b>
		<hr/> <hr/>	<hr/> <hr/>

**Napier University**  
**Notes to the 2004-05 Accounts**

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28 **Management of Liquid Resources**

	2005 £000	2004 £000
Movement in endowment assets	5	(8)
	<u>5</u>	<u>(8)</u>
<b>Net cash inflow/(outflow) from management of liquid resources</b>	<b>5</b>	<b>(8)</b>
	<u><u>5</u></u>	<u><u>(8)</u></u>

29 **Financing**

New loans repayable in less than one year	250	4,750
	<u>250</u>	<u>4,750</u>
<b>Financing</b>	<b>250</b>	<b>4,750</b>
	<u><u>250</u></u>	<u><u>4,750</u></u>

30 **Analysis of Changes in Net Funds**

	At 1 August 2004 £000	Cashflows £000	Other Changes £000	At 31 July 2005 £000
Cash in hand, and at bank	4,896	5,322	(200)	10,018
Debt due within one year	(7,450)	(250)	200	(7,500)
	<u>(7,450)</u>	<u>(250)</u>	<u>200</u>	<u>(7,500)</u>
<b>Total</b>	<b>(2,554)</b>	<b>5,072</b>	<b>-</b>	<b>2,518</b>
	<u><u>(2,554)</u></u>	<u><u>5,072</u></u>	<u><u>-</u></u>	<u><u>2,518</u></u>

31 **Capital Commitments**

As at 31 July 2005 the University and its consolidated subsidiaries had commitments contracted for, amounting to £45,000.

32 **Contingent Liabilities**

As at 31 July 2005 the University and its consolidated subsidiaries had no known contingent liabilities.

**Napier University**  
**Notes to the 2004-05 Accounts**

**33 Financial Commitments**

As at 31 July 2005, the University had annual commitments under non-cancellable operating leases as follows:

	<b>2005</b> <b>£000</b>	<b>2004</b> <b>£000</b>
Land and Buildings:		
Expiring within two to five years inclusive	27	25
Expiring in over five years	2,215	2,061
Vehicles:		
Expiring in one to two years	15	-
Expiring within two to five years inclusive	-	15
	<u>2,257</u>	<u>2,101</u>

**34 Hardship/MSB Funds**

	<b>MSB</b> <b>2005</b> <b>£000</b>	<b>Hardship</b> <b>2005</b> <b>£000</b>	<b>Total</b> <b>2005</b> <b>£000</b>	<b>MSB &amp; Hardship</b> <b>2004</b> <b>£000</b>
Balance at 1 August 2004	37	2	39	65
SAAS Grants Received	286	225	511	514
Transfer Between Funds	(40)	40	-	-
Interest Earned	8	5	13	11
	<u>291</u>	<u>272</u>	<u>563</u>	<u>590</u>
Disbursed to Students	(228)	(243)	(471)	(551)
Administration Costs	(4)	-	(4)	-
	<u>59</u>	<u>29</u>	<u>88</u>	<u>39</u>

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

**35 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.