

Contents

	Page
General Information	2
Court Membership	3
Operating and Financial Review	4
Corporate Governance	7
Responsibilities of the University Court	9
Report of the Auditors	11
Statement of Principal Accounting Policies	13
Consolidated Income & Expenditure Account	17
Statement of Consolidated Total Recognised Gains & Losses	18
Balance Sheets	19
Consolidated Cash Flow Statement	21
Notes to the Accounts	22

Scottish Charity Number – SC018373

Napier University

General Information

Chancellor	Tim Waterstone MA
Chairman of Court (to 31 July 2008)	Dr A Cubie CBE FRSE LLD (Glasgow) DUniv (Edinburgh) DBA (QMUC) FRCPS (Glasgow) LLB (Hons) WS, FRSA
Chairman of Court (from 1 August 2008)	Professor G C Borthwick CBE FRSE CEng DEng DBA BSc (Hons) FIMechE FIET CCMI FRCSEd (Hon) FRCPS(Glas) FRCOphth (Hon) FRCOG (Hon)
Principal and Vice-Chancellor	Prof J K Stringer CBE FRSE BA (Hons) CertEd PhD CCMI FRSA
Secretary	Dr G C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
Finance Director	E R Gibson CPFA
External Auditors	Grant Thornton UK LLP 1-4 Atholl Crescent Edinburgh EH3 8LQ
Internal Auditors	Henderson Loggie 34 Melville Street Edinburgh EH3 7HA
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Mercer Human Resource Consulting 45 Waterloo Street Glasgow G2 6HS

Napier University Court Membership

The following persons served as members of Court during the year to 31 July 2008. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

Court Member	Date of Appointment	Date of Retirement	Category
Mr A Anderson			Non-Executive (A)
Professor G C Borthwick			Non-Executive (R)
Mr J Boyle			Non-Executive (F)
Dr L Burley			Non-Executive (F)
Professor A Burns			Non-Executive (R)
Mrs A Crawford		31 July 2008	Non-Executive
Dr A Cubie (Chairman)		31 July 2008	Non-Executive (F,R)
Dr P Easy			Senior Vice Principal
Dr T Fernandes			Staff
Mr G Garvie			Non-Executive
Mr H Hall			Non-Executive (A)
Mr G Kildare	1 October 2007		Non-Executive
Professor R Mackenzie	1 December 2007		Vice-Principal (F)
Mr B Naylor			Non-Executive (F)
Dr J Rees			Vice Principal
Mr A Simm		31 July 2008	Student
Mrs A Smith	1 August 2007		Staff
Ms M Stephenson			Non-Executive (F)
Professor P Strike		1 December 2007	Vice-Principal (F)
Professor J K Stringer			Principal & Vice-Chancellor (F)
Mr R Sweetman			Non-Executive (F)
Ms E Thomson			Non-Executive (A)
Mr D Waddell	1 August 2007	31 July 2008	Student
Mr P Wilson		31 July 2008	Non-Executive (A, R)
Mr H Wollman		31 July 2008	Staff

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

Napier University

Operating and Financial Review

The University

The University Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of governing Napier University. The University is an exempt charity for the purposes of the Charities Act 1993 (No.SC018373). A copy of these Accounts can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

Corporate strategy

The current strategic plan covers the period to 2010. Following a review in 2007 the Court confirmed the strategy, which is ambitious, yet is durable with realistic and achievable objectives. The University intends to –

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

In taking these forward during 2007/8, the University has *inter alia* made a significant commitment to investment in the quality of the estate and the facilities available, implemented a revised module credit structure, planned changes to the academic calendar, continued to develop its international activities both at home and overseas, invested in the development of its research and knowledge transfer activities and implemented the outcome of a review of the University professional services, which will lead to improved efficiency and effectiveness.

Scope of the Accounts

The Accounts for the year ended 31 July 2008, comprising the consolidated results of the University and those of its subsidiary undertakings, have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions, applicable law and relevant UK accounting standards.

Results for the year

The University is pleased to report a surplus for the year of £3.9m including £1.4m relating to the gain arising from the disposal of the Marchmont Crescent campus, which was sold as part of the long term estate strategy and leased back pending the completion of the development of the Sighthill campus. Apart from the annual adjustments relating to the application of Financial Reporting Standard (FRS)17 in respect of Pension Fund liabilities the accounts contain two significant adjustments –

- I. In preparation for the development of the Sighthill campus its net book value prior to demolition has been written off by inclusion of an impairment charge of £2.7m offset by the release of related deferred capital grant of £2.3m.
- II. A provision of £3.7m has been made for future economic losses arising from a number of leases for student residential accommodation. An impairment charge of £0.8m has also been included in respect of expenditure up to 31 July 2008 on improvements to these properties.

Napier University

Operating and Financial Review

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

	2007/8	Change	2006/7	Change	2005/6
	£m	%	£m	%	£m
Income	99.3	11.8	88.8	9.2	81.3
Expenditure	96.8	14.4	84.6	15.6	73.2
Operating Surplus	2.5	(40.5)	4.2	(48.0)	8.1
Gain on sale and other adjustments	1.4	75.0	0.8	-	-
Net surplus	3.9	(22.0)	5.0	(38.3)	8.1

The continuing generation of operating surpluses demonstrates the University's continuing commitment to ensuring its financial health and the sustainability of its activities thereby creating the environment necessary to support its continuing development and achievement of its key strategic goals.

Total income increased by £10.5m including the £2.3m additional release of deferred grant relating to Sighthill. Within the total Home and European Union (EU) fees increased by £1.9m and Non EU fees grew by over £1m (11.6%) reflecting the continuing success of the University's international strategy both in attracting students to Napier and through collaborative partnerships overseas. Overall student numbers expressed as full time equivalents for each of the last three years were –

	2007/8	2006/7	2005/6
Home and EU	9,559	9,236	9,775
Non EU	2,344	2,047	1,746

Research grants and contracts also grew by £1.4m mainly from governmental sources and additional interest was generated from the active investment of higher cash balances.

Excluding the exceptional provision for onerous contracts and impairment charges referred to above total operating expenditure increased by £5.0m (5.9%). Within this total staff costs have increased by £3.7m (6.8%) reflecting a small increase of 22 staff in the average number employed over the year to 1,391 and the effect of previous pay agreements.

In October 2007 the University Court approved the revised business case for the implementation of the University estate strategy and authorised the University Executive to proceed with the implementation, subject to all relevant consents and finance being obtained. Planning consent has been obtained for the development at Sighthill campus and the Scottish Funding Council has granted consent both to the disposal of exchequer funded assets and to borrow up to £45m. During the year the University incurred £3.6m of the planned £69.5m in connection with the development, mainly in respect of professional fees, demolition and other enabling works. In addition the University invested a further £1.1m on minor works to other buildings and £2.5m in major items of faculty equipment and computer & information technology developments and facilities.

Notwithstanding these capital investments, cash flow for the year was positive with cash balances increasing by £7.4m (2006/7-£8m) to £24.5m at 31 July 2008. During the year the University adopted an active cash management strategy to improve returns and both limit and spread the risk over an agreed number of approved counterparties.

It is the University's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the University and its suppliers, providing that all trading terms and conditions have been complied with. At 31 July 2008, there was an average of 37 days purchases (2007- 47 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Despite an increase in the pension fund liability of £4.9m in respect of the Local Government Pension Scheme as calculated under FRS 17 (as described in note 7) and the impairment of assets referred to above, the balance sheet remains relatively strong. Net assets increased at 31 July by £1.8m to £61m, the University currently has no outstanding debt and has provisions of £16.2m against known significant liabilities.

Future developments and factors influencing performance

As the current strategic plan covers the period to 2010, the Principal has initiated a review of the University's longer term strategy with a view to preparing a new plan to 2015. The review is wide ranging covering *inter alia* performance in delivering the current plan, critical success factors, the changing external environment, the positioning of the University in the sector and the opportunities for further development. It is supported by a project focused on ensuring the effective deployment and use of resources across the University.

Although the current financial plan underpinning the corporate strategy is designed to ensure the long term financial health of the University it is recognised that the relative stability of the last few years is being replaced by a period of uncertainty and there is still a need to augment the reliance on the Scottish Funding Council and international strategy with a broader base of sustainable income streams.

Other factors which may affect future development and performance include –

- I. The effect of the downturn in the global economy, exchange rates and immigration policy on student recruitment.
- II. Alignment with Scottish Government policy, the impact of changes to the Scottish Funding Council funding arrangements and the effect of the outcome of the 2008 Research Assessment Exercise on future funding for Research and Knowledge Transfer.
- III. The impact on the pay bill of past and future pay agreements, increases in employer pension contribution rates following the triennial valuation of the Local Government Pension Scheme in March 2008, and increased pension fund liabilities.
- IV. Delivery of the current estate strategy in cost and programme terms and the effect on borrowing plans of movements in interest rates.

Disabled employees

The University gives equal consideration to all applications for employment regardless of disability, and where a candidate with a disability is the best person for the job, full consideration is given to what reasonable adjustments are necessary to ensure the requirements of the job can be adequately fulfilled. Where existing employees become disabled it is the University's policy, wherever practicable, to support employees in continuing employment by making appropriate adjustments where necessary. Members of staff who have a disability are employed under the same terms and conditions as their able-bodied colleagues and the University provides training, career development and promotion opportunities to all staff, regardless of their disability wherever appropriate.

Introduction

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

Statement of full Combined Code Compliance

In the opinion of the Court (otherwise the Governing Body or Governors), the University complies with all the provisions of the Combined Code and other subsequent relevant codes in so far as they apply to the higher education sector, and it has so complied throughout the year ended 31 July 2008. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen (CUC) in November 2004. Following the completion of a review of governance in 2005, the University has taken steps to ensure that it is fully compliant with this Code including updating its constitution by introducing an Amendment Order of Council which came into force as a Scottish Statutory Instrument on 1 August 2007.

Governing Body

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

The Finance & Commercialisation Committee, in its range of responsibilities recommends to the Governing Body the University's annual revenue and capital budgets and monitors performance in relation to approved budgets. In parallel with the Audit Committee, it also reviews the financial statements and makes appropriate recommendations regarding their approval to the Governing Body.

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 2008 are set out in note 6 to the financial statements.

The Audit Committee meets four times a year, with the University's external and internal auditors in attendance. The Audit Committee advises the Court on the appointment of the internal and external auditors and the auditors' remuneration. In parallel with the Finance & Commercialisation Committee, it also reviews the financial statements and makes appropriate recommendations regarding their approval to the Governing Body.

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

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

Corporate Strategy

In respect of its strategic and development responsibilities, the Governing Body receives recommendations and advice from members of the Principal's Executive Group. The Governing Body holds an annual residential conference with the Principal's Executive Group and other senior managers to discuss strategic issues facing the University.

Governing Body Statement on Internal Control

The University's Governing Body is responsible for the University's system of internal control and has delegated to the Principal the review of its effectiveness, as the nominated officer responsible to the SFC for propriety and regularity in the use of public funding and for the economic, efficient and effective use of all available resources. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Court and the Principal's Executive Group receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. A review of key performance indicators was conducted following publication of the relevant CUC Report in November 2006, and further improvements were subsequently made to the institutional performance monitoring reports that have been provided for the governing body since 1998. The Principal's Executive Group and the Audit Committee also receive regular reports from internal audit and health, safety and environmental monitoring functions, which include recommendations for improvement.

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

The Governing Body regularly considers risk and control and receives reports thereon from the Principal's Executive Group and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2008 meeting the Governing Body received the annual report from the Audit Committee covering the period to 30 November 2008. At its June 2008 meeting, the Governing Body considered the annual risk assessment for the year ahead by considering documentation from the Principal's Executive Group and internal audit, and taking account of events since 31 July 2007.

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 2008 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.

Napier University

Responsibilities of the University Court

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

The Court is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the Accounts are prepared in accordance with the University's Statutory Instrument, the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 and other relevant standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the SFC and the Court of the University, the Court, through its designated Officer, is required to prepare Accounts for each financial year which give a true and fair view of the University and of its surplus or deficit and cash flows for that year.

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

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

The Court has taken reasonable steps to:

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

Napier University

Responsibilities of the University Court

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

- clear definitions of the responsibilities of, and the authority delegated to, Senior Managers and Heads of Schools and Services, as set out in the University's Schedule of Delegated Authority which was updated and approved by the Court in December 2006;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks;
- periodic reviews of financial results involving variance reporting and periodic updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court;
- comprehensive Financial Procedures and Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and Commercialisation Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court and whose head provides the Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

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

On behalf of the University Court
Professor George C Borthwick, CBE, Chairman of Court

15 December 2008

Napier University

Independent Auditors' Report to the Court of Napier University

We have audited the financial statements of Napier University for the year ended 31 July 2008, which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes.

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

Respective responsibilities of Court and auditors

The University's Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007, applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as described in the statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007. We also report to you whether, in our opinion, in all material respects income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied for the purposes for which they were received and whether income has been applied in accordance with the University's financial memorandum with the Scottish Funding Council and any other terms and conditions attached to them.

We also report to you if, in our opinion, the Operating and Financial Review is not consistent with the financial statements, if the University has not kept proper accounting records, if the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Operating and Financial Review and the Corporate Governance Statement.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Scottish Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Court in the preparation of the financial statements and of whether the accounting policies are appropriate to the University's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2008 and of its surplus for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007;
- in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- in all material respects, funds provided by the Scottish Funding Council were applied in accordance with the financial memorandum and any other terms and conditions attached to them for the year ended 31 July 2008.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Edinburgh

15 December 2008

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

2 Basis of Consolidation

The Consolidated Accounts consolidate the Accounts of the University and all its subsidiary undertakings in accordance with the provisions of Financial Reporting Standard No 2. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the Students' Union have not been consolidated because the University does not exercise control over these activities.

3 Recognition of Income

Recurrent grants from SFC are recognised in the period in which they are receivable. Tuition fee income is stated gross and credited to the Income & Expenditure Account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income.

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

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

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

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

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

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

4 Agency Arrangements

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

5 Leases and Hire Purchase Contracts

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

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

6 Taxation

The University is an exempt charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

7 Foreign Currency 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.

8 Liquid Resources

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

9 Pension Schemes

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

Contributions to the STSS are charged to the income and expenditure so as to spread the cost of pensions over the period during which the University benefits from the employee's services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making allowances for future withdrawals. The contributions are determined by the Trustees on the basis of advice provided by qualified actuaries.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the University annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the University's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet based on changes in the annual actuarial valuation conducted by the University's actuaries.

10 Accounting for Charitable Donations

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

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

11 Tangible Fixed Assets

a. Land and Buildings

The University's Land and Buildings are stated at cost. Buildings are depreciated over their expected useful life of 50 years and leasehold land over the life of the lease. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use. A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Certain items of infrastructure, including wiring and heating installations, are depreciated over their expected useful life of 25 years.

b. Equipment

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

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

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

12 Investments

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

13 Stocks

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

14 Provisions

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

Napier University
Consolidated Income & Expenditure Account - Year to 31 July 2008

		2008	2007
		£000	£000
Income	Notes		
Scottish Funding Council grants	1	56,570	45,830
Tuition fees and education contracts	2	24,815	25,780
Research grants and contracts	3	4,098	2,652
Other income	4	11,135	12,836
Endowment and investment income	5	2,732	1,730
		-----	-----
Total Income		99,350	88,828
		-----	-----
Expenditure			
Staff costs	6	58,723	54,995
Other operating expenses	8	31,250	26,373
Depreciation	9	6,564	2,953
Interest and other finance costs	10	301	292
		-----	-----
Total Expenditure	9	96,838	84,613
		-----	-----
Surplus after depreciation of tangible fixed assets at cost		2,512	4,215
Exceptional items: continuing operations			
Disposal of fixed assets	11	1,424	840
		-----	-----
Surplus on continuing operations after depreciation of assets at cost and disposal of assets		3,936	5,055
Surplus for the year transferred (to) / from accumulated income in endowment funds		(11)	2
		-----	-----
Surplus for the year retained within general reserves		3,925	5,057
		=====	=====

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

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

Napier University**Statement of Consolidated Total Recognised Gains and Losses - Year to 31 July 2008**

	2008	2007
	£000	£000
Surplus on continuing operations after depreciation of assets at cost and disposal of assets	3,936	5,055
Appreciation / (amortisation) of fixed asset investments	144	(4)
Amortisation of endowment asset investments	(182)	(28)
Actuarial gain / (loss) in respect of pension scheme	(5,867)	11,432
	<hr/>	<hr/>
Total recognised gains / (losses) for the year	(1,969)	16,455
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
Opening reserves and endowments	32,862	16,379
Reallocation of reserves from deferred income on consolidation	-	28
Total recognised gains / (losses) for the year	(1,969)	16,455
	<hr/>	<hr/>
Closing reserves and endowments	30,893	32,862
	<hr/> <hr/>	<hr/> <hr/>

Prior Year Adjustment

The University has adopted the Statement of Recommended Practice (SORP) : Accounting for Further and Higher Education 2007. The impact of the prior year adjustment in respect of Endowments on the Income and Expenditure Account for the year ended 31 July 2007 resulted in an increased surplus for the year of £7,000. The impact of the prior year adjustment in respect of Endowments on the net assets at 31 July 2007 was a reduction of £26,000.

Napier University
Balance Sheets - At 31 July 2008

	Notes	Consolidated		University	
		2008 £000	2007 £000	2008 £000	2007 £000
Fixed Assets					
Tangible fixed assets	13	65,797	65,475	68,808	68,547
Investments	14	1,766	1,797	1,711	1,570
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		67,563	67,272	70,519	70,117
Endowment Assets	15	296	467	212	230
Current Assets					
Stock	16	24	27	24	27
Debtors	17	8,369	7,858	5,405	5,389
Cash at bank and in hand		24,514	17,094	29,853	21,797
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		32,907	24,979	35,282	27,213
Less: Creditors - amounts falling due within one year	18	(15,903)	(18,166)	(13,842)	(15,557)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Current Assets		17,004	6,813	21,440	11,656
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets less current liabilities		84,863	74,552	92,171	82,003
Less: Provisions for liabilities	19	(16,228)	(12,623)	(21,559)	(17,954)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets excluding pension liability		68,635	61,929	70,612	64,049
Pension liability	7	(7,659)	(2,741)	(7,659)	(2,741)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET ASSETS including pension liability		60,976	59,188	62,953	61,308
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Napier University
Balance Sheets - At 31 July 2008

	Notes	Consolidated		University	
		2008 £000	2007 £000	2008 £000	2007 £000
Deferred capital grants	20	30,083	26,326	30,083	26,326
Endowments	21				
Permanent		287	458	203	221
Expendable		9	9	9	9
		<u>296</u>	<u>467</u>	<u>212</u>	<u>230</u>
Reserves					
Income and expenditure account excluding pension reserve		37,424	34,448	39,488	36,805
Pension reserve		(7,659)	(2,741)	(7,659)	(2,741)
		<u>29,765</u>	<u>31,707</u>	<u>31,829</u>	<u>34,064</u>
Income and expenditure account including pension reserve	22	29,765	31,707	31,829	34,064
Revaluation reserve	23	832	688	829	688
		<u>30,597</u>	<u>32,395</u>	<u>32,658</u>	<u>34,752</u>
TOTAL FUNDS		<u>60,976</u>	<u>59,188</u>	<u>62,953</u>	<u>61,308</u>

The accounts on pages 13 to 41 were approved by the University Court on 15 December 2008 and were signed on its behalf by:

Prof. George C Borthwick, CBE, Chairman

Prof. Joan K Stringer, CBE, Principal and Vice-Chancellor

Eric R Gibson, Finance Director

Napier University
Consolidated Cash Flow Statement - Year to 31 July 2008

	Notes	2008 £000	2007 £000
Net cash inflow from operating activities	25	4,249	12,047
Returns on investment and servicing of finance			
Income from endowments		11	(6)
Other interest received		1,193	1,217
Interest paid		(323)	(292)
		<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance		881	919
		<hr/>	<hr/>
Capital expenditure			
Payments to acquire fixed assets		(6,917)	(9,837)
Proceeds from sale of fixed assets		1,906	1,065
Payments to acquire endowment assets		(25)	(22)
Proceeds from sale of endowment assets		17	24
Deferred capital grants received		7,312	3,789
		<hr/>	<hr/>
Net cash inflow / (outflow) from capital expenditure		2,293	(4,981)
		<hr/>	<hr/>
Cash inflow before management of liquid resources		7,423	7,985
Management of liquid resources			
Movement in endowment assets		(3)	39
		<hr/>	<hr/>
Increase in cash in the year		7,420	8,024
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movements in net funds			
Increase in cash in the year		7,420	8,024
Net funds at 1 August		17,094	9,070
		<hr/>	<hr/>
Net funds at 31 July		24,514	17,094
		<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2007-08 Accounts

	2008 £000	2007 £000
1 Scottish Funding Council grants		
Recurrent teaching grant	45,651	39,470
Funding for increased STSS contributions	428	647
Research grant	2,914	1,812
Other grants	4,100	2,982
Released from deferred capital grants		
- Buildings	2,997	478
- Equipment	480	441
	<hr/>	<hr/>
	56,570	45,830
	<hr/> <hr/>	<hr/> <hr/>
2 Tuition fees and education contracts		
UK and EU fees	12,840	10,950
Non EU fees	9,648	8,642
Non credit bearing course fees	294	242
Education contracts	2,033	5,946
	<hr/>	<hr/>
	24,815	25,780
	<hr/> <hr/>	<hr/> <hr/>
3 Research grants and contracts		
Research councils and charities	691	563
Industry and commerce	561	352
Governmental	2,554	1,653
Other grants and contracts	292	84
	<hr/>	<hr/>
	4,098	2,652
	<hr/> <hr/>	<hr/> <hr/>
4 Other income		
Consultancy and expert services	1,246	1,655
Residences and catering	4,905	4,968
Other services rendered	3,311	5,135
Released from deferred capital grants	78	65
Other income	1,595	1,013
	<hr/>	<hr/>
	11,135	12,836
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2007-08 Accounts

	2008	2007
	£000	£000
5 Endowment and investment income		
Income from permanent endowments	21	10
Other interest receivable	1,698	1,145
Net pension credit (Note 7)	1,013	575
	<hr/>	<hr/>
	2,732	1,730
	<hr/> <hr/>	<hr/> <hr/>
6 Staff Costs		
Salaries	48,485	46,061
Social security costs	3,805	3,576
Pension costs	6,433	5,358
	<hr/>	<hr/>
	58,723	54,995
	<hr/> <hr/>	<hr/> <hr/>
The above staff costs include amounts payable to the Vice-Chancellor of:		
Salary	176	168
Benefits in kind	1	1
Pension contributions	24	22
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
The number of other higher paid staff who received emoluments in the following ranges was:	2008	2007
	Number	Number
£70,000 – £79,999	9	3
£80,000 – £89,999	3	3
£90,000 – £99,999	4	2
£100,000 - £109,999	1	-
£160,000 - £169,999	-	1
£170,000 - £179,999	1	-
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
The average monthly number of persons, including senior post holders, employed by the University during the year, expressed as full-time equivalents, was:		
Academic departments	759	743
Academic services	227	235
Central administration	252	243
Property	27	28
Research	73	65
Residences and catering	53	55
	<hr/>	<hr/>
	1,391	1,369
	<hr/> <hr/>	<hr/> <hr/>

7 Pension and similar obligations

There are two pension schemes operated for University staff. These are the Scottish Teachers Superannuation Scheme ("STSS") and the Local Government Pension Scheme ("LGPS"). The total pension cost for the year was £6,433,000 (2007 - £5,358,000)

Total pension cost for the year (note 6)

	2008	2007
	£000	£000
STSS – contributions paid	3,185	2,715
LGPS – charge to the income and expenditure account	3,248	2,643
	<hr/>	<hr/>
	6,433	5,358
	<hr/> <hr/>	<hr/> <hr/>

The Scottish Teachers Superannuation Scheme is the principal scheme for University academic staff. It is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	Prospective Benefits
Investment returns per annum	7%
Salary scale increases per annum	5%
Market value of assets at date of last valuation	£15,202m
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

The employer contribution rate was 13.5% of salary throughout the financial year.

FRS 17

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits, the STSS is a multi-employer pension scheme. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

7 Pension and similar obligations (contd)

The Local Government Pension Scheme is the principal scheme for non- academic staff of the University. It is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The University is one of many employers who participate in the scheme.

The most recent actuarial valuation was performed for the three year period to 31 March 2005 using the projected unit method. The following assumptions were made for actuarial valuation purposes:

Investment returns – equities	6.7%
Investment returns – bonds	4.9%
Pay increases	4.4%
Price inflation / pension increases	2.9%

The market value of the assets at the valuation date was £2,089m with an actuarial valuation of £2,092m. The liabilities of the scheme have been valued at £2,450m resulting in a deficit of £358m. On the basis of actuarial recommendations, employer contributions were 292% of employee contributions for the three years ending on 31 March 2009.

Changes to the LGPS permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of the LGPS actuaries, an allowance has been made for exchanging part of the LGPS pension for additional cash, for retirements with effect from 6 October 2006 and for life expectancy improvements.

The following information is based upon the full actuarial valuation of the fund at 31 March 2005, updated to 31 July 2008 by a qualified independent actuary.

	July 2008	July 2007	July 2006
	%	%	%
Rate of increase in salaries	5.3	4.8	4.6
Rate of increase in pensions	3.8	3.3	3.1
Discount rate	6.7	5.8	5.1
Inflation rate	3.8	3.3	3.1

In calculating the scheme assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes but it is possible that actual outcomes will differ from those included in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

Napier University
Notes to the 2007-08 Accounts

7 Pensions and similar obligations (contd)

	July 2008		July 2007		July 2006	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	7.8	53,315	8.0	54,190	7.7	49,357
Bonds	5.7	6,389	5.2	5,302	4.7	3,713
Property	5.7	8,235	6.0	9,338	5.7	6,892
Cash	4.8	2,188	5.1	4,452	4.8	2,005
		-----		-----		-----
Total market value		70,127		73,282		61,967
Present value of scheme liabilities		77,786		76,023		77,110
		-----		-----		-----
Net pension deficit		(7,659)		(2,741)		(15,143)
		=====		=====		=====

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

Analysis of the amount shown in the Balance Sheet

	2008 £000	2007 £000
The University's estimated asset share	70,127	73,282
Present value of the University's scheme liabilities	(77,786)	(76,023)
	-----	-----
Deficit in the scheme – Net pension liability	(7,659)	(2,741)
	=====	=====

Analysis of the amount charged to the Income and Expenditure Account

	2008	2007
Current service cost	3,242	3,719
Past service cost	-	(1,076)
Curtailments and settlements	6	-
	-----	-----
Total operating charge	3,248	2,643
	=====	=====

7 Pensions and similar obligations (contd)

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

Expected return on pension scheme assets	5,523	4,579
Interest on pension scheme liabilities	(4,510)	(4,004)
	<hr/>	<hr/>
Net credit	1,013	575
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

Actual return less expected return on scheme assets	(12,119)	3,493
Changes in the assumptions underlying the present value of the scheme liabilities	6,252	7,939
	<hr/>	<hr/>
Actuarial gain / (loss) recognised in the STRGL	(5,867)	11,432
	<hr/> <hr/>	<hr/> <hr/>

Analysis of movements in the present value of the scheme liabilities

Balance at 1 August	76,023	77,110
Current service cost	3,242	3,719
Contributions	1,109	1,019
Past service costs	-	(1,076)
Benefits paid	(852)	(814)
Interest costs	4,510	4,004
Curtailment and settlements	6	-
Actuarial gain / (loss)	(6,252)	(7,939)
	<hr/>	<hr/>
Balance at 31 July	77,786	76,023
	<hr/> <hr/>	<hr/> <hr/>

Analysis of movements in the market value of the scheme assets

Balance at 1 August	73,282	61,967
Contributions	4,293	4,057
Benefits paid	(852)	(814)
Expected return on assets	5,523	4,579
Actuarial gain / (loss)	(12,119)	3,493
	<hr/>	<hr/>
Balance at 31 July	70,127	73,282
	<hr/> <hr/>	<hr/> <hr/>

Napier University
Notes to the 2007-08 Accounts

7 Pensions and similar obligations (contd)

History of experience gains and losses	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Difference between the expected and actual return on scheme assets	(12,119)	3,493	3,693	6,125	1,019
% of scheme assets	(17.3%)	4.8%	6.0%	11.0%	2.4%
Experience gains and (losses) on scheme liabilities	(3)	(12)	(1,256)	(123)	(4)
% of the present value of the scheme liabilities	(0.0%)	(0.0%)	(1.6%)	(0.2%)	(0.0%)
Total amount recognised in statement of total recognised gains and losses	(5,867)	11,432	(261)	(3,541)	937
% of the present value of the scheme liabilities	(7.5%)	15.0%	(0.3%)	(5.0%)	1.6%

Napier University
Notes to the 2007-08 Accounts

	2008	2007
	£000	£000
8 Other operating expenses		
Supplies and consumables	7,366	7,115
Residences and catering	4,148	4,055
Napier University Ventures Ltd	914	994
Property maintenance	2,136	2,011
Other expenses	2,816	2,976
Heat, light and power	1,454	1,678
Rent, rates and insurance	1,203	846
Early retirement	707	1,425
Library books and services	1,108	861
Staff development, conferences and travel	2,444	2,058
Postages and telephone	502	480
Students' association	400	390
Recruitment costs	556	431
Advertising	1,106	599
Transport	137	93
Auditors' remuneration	103	95
Restructuring costs	450	266
Provision for onerous leases	3,700	-

	31,250	26,373
--	---------------	---------------

Other operating expenses include:

External auditors – audit services	53	47
External auditors – other services	2	1
Internal auditors – audit services	48	47
Hire of buildings – operating leases	3,035	2,609
Hire of vehicles – operating leases	42	39

	3,180	2,743
--	--------------	--------------

9 Analysis of 2007–08 expenditure by activity

	Staff costs	Other operating expenses	Depreciation	Interest payable	Total
	£000	£000	£000	£000	£000
Academic departments	32,641	4,713	461	-	37,815
Academic services	8,432	5,087	855	-	14,374
Central administration	9,648	5,258	26	-	14,932
Property	910	3,503	1,632	301	6,346
Research grants and contracts	4,653	2,370	-	-	7,023
Residences and catering	1,061	4,148	13	-	5,222
Napier University Ventures Ltd	1,314	914	6	-	2,234
Other expenditure	64	5,257	3,571	-	8,892
	58,723	31,250	6,564	301	96,838

Napier University
Notes to the 2007-08 Accounts

	2008 £000	2007 £000
10 Interest and other finance costs		
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	301	292
	<u> </u>	<u> </u>

11 Exceptional items		
Gain on disposal of land and buildings	1,424	840
	<u> </u>	<u> </u>

During the year the University sold the Marchmont Campus, and will reinvest the whole proceeds in the redevelopment of the Sighthill Campus.

12 Residences and catering operations

	Residences	Catering	Total	Residences	Catering	Total
	←	2008	→	←	2007	→
	£000	£000	£000	£000	£000	£000
Income	2,856	2,049	4,905	2,952	2,016	4,968
Cost of goods sold	-	718	718	-	702	702
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross profit	2,856	1,331	4,187	2,952	1,314	4,266
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Remuneration	-	1,061	1,061	13	975	988
Depreciation	-	13	13	-	14	14
Other costs	3,229	201	3,430	3,113	240	3,353
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	3,229	1,275	4,504	3,126	1,229	4,355
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Surplus / (deficit)	(373)	56	(317)	(174)	85	(89)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Catering gross profit		65.0%			65.2%	

Napier University
Notes to the 2007-08 Accounts

13 Tangible Fixed Assets – Consolidated

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost				
At 1 August 2007	190	69,997	12,692	82,879
Additions	3,574	1,106	2,465	7,145
Disposals	-	(348)	(618)	(966)
Impairment adjustment	-	(3,588)	-	(3,588)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	3,764	67,167	14,539	85,470
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2007	-	9,983	7,421	17,404
Charged	-	1,459	2,399	3,858
Released	-	(89)	(618)	(707)
Impairment adjustment	-	(882)	-	(882)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	-	10,471	9,202	19,673
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2008	3,764	56,696	5,337	65,797
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2007	190	60,014	5,271	65,475
	<hr/>	<hr/>	<hr/>	<hr/>
Tangible Fixed Assets – University				
Cost				
At 1 August 2007	190	73,268	12,675	86,133
Additions	3,574	1,106	2,465	7,145
Disposals	-	(348)	(618)	(966)
Impairment adjustment	-	(3,588)	-	(3,588)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	3,764	70,438	14,522	88,724
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2007	-	10,177	7,409	17,586
Charged	-	1,524	2,395	3,919
Released	-	(89)	(618)	(707)
Impairment adjustment	-	(882)	-	(882)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2008	-	10,730	9,186	19,916
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2008	3,764	59,708	5,336	68,808
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2007	190	63,091	5,266	68,547
	<hr/>	<hr/>	<hr/>	<hr/>

Napier University
Notes to the 2007-08 Accounts

	Consolidated £000	University £000
14 Investments		
At 1 August 2007	1,797	1,570
Additions	48	-
Disposals	(223)	-
Appreciation of investments	144	141
	-----	-----
At 31 July 2008	1,766	1,711
	=====	=====
Represented by:		
Index-linked stocks	1,677	1,677
Fixed interest stocks	2	2
Equities – listed	51	-
Equities – unlisted	36	32
	-----	-----
	1,766	1,711
	=====	=====
15 Endowment Assets		
At 1 August 2007	467	230
Additions	14	14
Disposals	(17)	(16)
Diminution of investments	(171)	(22)
Increase in cash balances	3	6
	-----	-----
At 31 July 2008	296	212
	=====	=====
Represented by:		
Index-linked stocks	15	15
Fixed interest stocks	8	8
Equities – listed	216	132
Cash balances	57	57
	-----	-----
	296	212
	=====	=====

Napier University
Notes to the 2007-08 Accounts

	Consolidated		University	
	2008 £000	2007 £000	2008 £000	2007 £000
16 Stocks				
Stocks for resale	24	27	24	27
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
17 Debtors				
Trade debtors	3,268	2,974	2,409	2,633
Other debtors	3,205	3,002	1,298	1,110
Prepayments and accrued income	1,145	1,368	947	1,132
Research	751	514	751	514
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	8,369	7,858	5,405	5,389
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
18 Creditors - amounts falling due within one year				
Trade creditors	1,244	2,212	1,244	2,212
Taxation and social security	1,267	1,185	1,267	1,185
Other creditors	1,879	2,294	72	141
Accruals and deferred income	8,710	10,469	7,356	9,303
Research	2,803	2,006	2,803	2,006
Subsidiary undertakings	-	-	1,100	710
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	15,903	18,166	13,842	15,557
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Napier University
Notes to the 2007-08 Accounts

	Consolidated		University	
	2008 £000	2007 £000	2008 £000	2007 £000
19 Provisions for liabilities				
Unfunded pension liability				
At 1 August	12,623	11,928	12,623	11,928
Income from investments	38	36	38	36
Early retirement pensions	(840)	(805)	(840)	(805)
Transfer from income and expenditure account	707	1,464	707	1,464
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	12,528	12,623	12,528	12,623
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Construction contracts				
At 1 August	-	-	5,331	-
Potential liability to subsidiary undertakings	-	-	-	5,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	-	-	5,331	5,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Onerous leases				
At 1 August	-	-	-	-
Transfer from income and expenditure account	3,700	-	3,700	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	3,700	-	3,700	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total provisions for liabilities	16,228	12,623	21,559	17,954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

A valuation of the unfunded pension liability was carried out at 31 July 2008, by Mercer Human Resource Consulting, an independent firm of actuaries.

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

A provision has been made to recognise the future costs of onerous leases in respect of student accommodation.

Napier University
Notes to the 2007-08 Accounts

	SFC	Other	Total
	£000	£000	£000
20 Deferred capital grants – Consolidated and University			
At 1 August 2007			
Buildings	20,946	2,929	23,875
Equipment	2,451	-	2,451
	<hr/>	<hr/>	<hr/>
	23,397	2,929	26,326
	<hr/>	<hr/>	<hr/>
Received during the year			
Buildings	6,702	245	6,947
Equipment	355	10	365
	<hr/>	<hr/>	<hr/>
	7,057	255	7,312
	<hr/>	<hr/>	<hr/>
Released during the year			
Buildings	2,997	77	3,074
Equipment	480	1	481
	<hr/>	<hr/>	<hr/>
	3,477	78	3,555
	<hr/>	<hr/>	<hr/>
At 31 July 2008			
Buildings	24,651	3,097	27,748
Equipment	2,326	9	2,335
	<hr/>	<hr/>	<hr/>
	26,977	3,106	30,083
	<hr/>	<hr/>	<hr/>

Napier University
Notes to the 2007-08 Accounts

	Restricted Permanent £000	Restricted Expendable £000	Total £000
21 Endowments – Consolidated			
Restated balances at 1 August 2007:			
Capital value	392	9	401
Accumulated income	66	-	66
	-----	-----	-----
At 1 August 2007 restated	458	9	467
Diminution of endowment asset investments	(182)	-	(182)
Income for the year	20	1	21
Expenditure for the year	(9)	(1)	(10)
	-----	-----	-----
At 31 July 2008	287	9	296
	=====	=====	=====
Represented by:			
Capital value	210	9	219
Accumulated income	77	-	77
	-----	-----	-----
	287	9	296
	=====	=====	=====
Endowments – University			
Restated balances at 1 August 2007:			
Capital value	155	9	164
Accumulated income	66	-	66
	-----	-----	-----
At 1 August 2007 restated	221	9	230
Diminution of endowment asset investments	(29)	-	(29)
Income for the year	20	1	21
Expenditure for the year	(9)	(1)	(10)
	-----	-----	-----
At 31 July 2008	203	9	212
	=====	=====	=====
Represented by:			
Capital value	126	9	135
Accumulated income	77	-	77
	-----	-----	-----
	203	9	212
	=====	=====	=====

Napier University
Notes to the 2007-08 Accounts

	Consolidated			University
	2008	2007	2008	2007
	£000	£000	£000	£000
22	Income and expenditure account			
At 1 August	31,707	15,190	34,064	17,227
Surplus retained for the year	3,925	5,057	3,632	5,405
Actuarial gain / (loss) in respect of pension scheme	(5,867)	11,432	(5,867)	11,432
Reallocation of reserves from deferred income on consolidation	-	28	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	29,765	31,707	31,829	34,064
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Represented by:				
Income and expenditure reserve	37,424	34,448	39,488	36,805
Pension reserve	(7,659)	(2,741)	(7,659)	(2,741)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	29,765	31,707	31,829	34,064
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
23	Revaluation reserve			
At 1 August	688	692	688	692
Appreciation / (diminution) of investments	144	(4)	141	(4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 July	832	688	829	688
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Napier University
Notes to the 2007-08 Accounts

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:

	2008	2007
	£000	£000
Profit and Loss Account		
Turnover	3,610	3,614
Consultancy expenses	(2,169)	(2,598)
	-----	-----
Gross Profit	1,441	1,016
Administrative expenses	(66)	30
Gift aid donation to Napier University	(1,105)	(1,288)
Interest receivable	47	36
	-----	-----
Profit / (loss) for the year	317	(206)
	=====	=====
Balance Sheet		
Fixed assets	63	69
Current assets	2,488	2,022
Creditors - amounts falling due within one year	(1,390)	(1,247)
	-----	-----
Net assets	1,161	844
	=====	=====
Capital and reserves:		
Revaluation reserve	58	60
Profit and loss account	1,103	784
	-----	-----
Total funds	1,161	844
	=====	=====

Napier University
Notes to the 2007-08 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:

Statement of Financial Activities	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2008 £000	2007 £000
Donations	22	773	-	795	751
Investment income	17	18	-	35	34
	-----	-----	-----	-----	-----
Total incoming resources	39	791	-	830	785
Direct charitable expenditure	(25)	(844)	-	(869)	(652)
Administrative expenses	(1)	-	-	(1)	(1)
	-----	-----	-----	-----	-----
Net incoming / (outgoing) resources	13	(53)	-	(40)	132
Transfers	1	2	(3)	-	-
Gain / (loss) on investment assets:					
- realised	-	23	-	23	5
- unrealised	3	-	(150)	(147)	(24)
	-----	-----	-----	-----	-----
Net movement in funds	17	(28)	(153)	(164)	113
Fund balances at 1 August	163	677	237	1,077	964
	-----	-----	-----	-----	-----
Fund balances at 31 July	180	649	84	913	1,077
	=====	=====	=====	=====	=====
Balance Sheet					
Investments				135	461
Current assets				779	658
Current liabilities				(1)	(42)
				-----	-----
Net assets				913	1,077
				=====	=====
Endowments				84	237
Restricted funds				649	677
Unrestricted funds				180	163
				-----	-----
Total funds				913	1,077
				=====	=====

Napier University
Notes to the 2007-08 Accounts

24 Subsidiary undertakings (contd)

As at 31 July 2008, the following were subsidiary companies of the University, whose accounts are included within these consolidated accounts:

100% of the issued share capital of NUNIV Construction Limited, a company engaged in construction services.
 100% of the issued share capital of NUNIV Developments Limited, a company engaged in property development.

25 Reconciliation of surplus after depreciation of tangible fixed assets at cost to net cash inflow from operating activities

	2008	2007
	£000	£000
Surplus after depreciation of tangible fixed assets at cost	3,925	5,057
Depreciation of tangible fixed assets	6,564	2,953
Deferred capital grants released to income	(3,555)	(1,119)
Investment income	(1,719)	(1,155)
Interest payable	301	292
Pension costs less contributions payable	(949)	(970)
Gain on disposal of tangible fixed assets	(1,424)	(840)
Decrease in stock	3	11
Decrease in debtors	53	5,945
Increase / (decrease) in creditors	(2,517)	1,214
Increase in provisions	3,567	659
	-----	-----
Net cash inflow from operating activities	4,249	12,047
	=====	=====

	At 1 August	Cashflows	Other	At 31 July
	2007	£000	changes	2008
	£000		£000	£000
26 Analysis of changes in net funds				
Cash at bank and in hand	17,094	7,420	-	24,514
	-----	-----	-----	-----
	17,094	7,420	-	24,514
	-----	-----	-----	-----

27 Capital commitments

At 31 July 2008 the University and its consolidated subsidiaries had commitments contracted for amounting to £1,512,058 (2007 - £3,936,588).

Napier University
Notes to the 2007-08 Accounts

28 Contingent liabilities

At 31 July 2008 the University and its consolidated subsidiaries had contingent liabilities in respect of outstanding equal pay claims from members of staff.

29 Financial commitments

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

	2008 £000	2007 £000
Land and Buildings:		
Expiring within two to five years inclusive	67	35
Expiring in over five years	2,613	2,457
Vehicles:		
Expiring in one to two years	38	-
Expiring within two to five years inclusive	-	38
	<u>2,718</u>	<u>2,530</u>

30 Discretionary and childcare funds

	Discretionary 2008 £000	Childcare 2008 £000	Discretionary & Childcare 2008 £000	Discretionary & Childcare 2007 £000
At 1 August	41	36	77	124
SAAS grants received	448	202	650	616
Transfer between funds	94	(94)	-	-
Interest earned	16	6	22	19
	<u>599</u>	<u>150</u>	<u>749</u>	<u>759</u>
Disbursed to students	(545)	(70)	(615)	(682)
Repayment to SAAS	-	(11)	(11)	-
	<u>54</u>	<u>69</u>	<u>123</u>	<u>77</u>

Discretionary and Childcare Funds are available solely for students; the University acts only as paying agent. The grants and related disbursements are therefore excluded from the income & expenditure account.

31 Related party transactions

The University has taken advantage of the exemption available under FRS8, Related Party Transactions, not to disclose transactions with subsidiary companies that are eliminated on consolidation. No other related party transactions have occurred during the period.