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Scottish Charity Number – SC018373

Edinburgh Napier University
General Information

Chancellor	Tim Waterstone MA
Chairman of Court	Professor George C Borthwick CBE FRSE CEng DEng DBA BSc (Hons) FIMechE FIET CCMI FRCSEd (Hon) FRCPS(Glas) FRCOphth (Hon) FRCOG (Hon)
Principal and Vice-Chancellor FRSA	Professor Dame Joan K Stringer DBE FRSE BA (Hons) CertEd PhD CCMI
Secretary	Dr Gerald C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
Acting Finance Director	Jacqueline T Mackenzie BA CA
External Auditors	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
Internal Auditors	Deloitte LLP 9 George Square Glasgow G2 1QQ
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Mercer Human Resource Consulting 45 Waterloo Street Glasgow G2 6HS

Edinburgh Napier University
Court Membership

The following persons served as members of Court during the year to 31 July 2009. 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		31 July 2009	Non-Executive (A)
Prof G C Borthwick			Non-Executive (F) (R)
Dr J Boyle			Non-Executive (F)
Dr L Burley			Non-Executive (F)
Prof A Burns			Non-Executive (R)
Hon Lady Clark of Calton	1 December 2008		Non-Executive
Mr M Connarty	1 October 2008		Non-Executive (A)
Dr P Easy			Senior Vice-Principal
Ms C Evans		31 July 2009	Student
Dr T Fernandes		31 July 2009	Staff
Mr G Garvie		31 July 2009	Non-Executive
Mr H Hall			Non-Executive (A) (R)
Mr G McCarra	1 October 2008		Staff
Mr G Kildare			Non-Executive
Prof R Mackenzie			Vice-Principal (F)
Mr B Naylor			Non-Executive (F)
Dr J Rees			Vice-Principal
Mrs A Smith			Staff
Ms M Stephenson			Non-Executive (F) (R)
Prof Dame J K Stringer			Principal & Vice-Chancellor (F)
Mr R Sweetman			Non-Executive (F)
Ms E Thomson		31 July 2009	Non-Executive (A)
Mr M Wallace		31 July 2009	Student
Prof J Watson	1 October 2008		Non-Executive

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

The University

The University Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of governing Edinburgh Napier University. The University is an exempt charity for the purposes of the Charities 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 2009, 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.

Overview of achievements

2008-09 has, in overall terms, been an extremely successful one for the University, having delivered some significant milestones, initiatives and objectives. These achievements, and the progress made, have created a solid foundation for delivering the University's new Strategy.

A great deal of planning and preparation was involved in reviewing and revising the strategy, with full engagement and involvement across the University which helped create a strong sense of staff ownership of the Strategy. The Strategy is clearly focussed on delivering growth, efficiency, sustainability and an enhanced reputation, and the University is committed to becoming a larger, more resilient and sustainable University by 2015. Through the Strategic Review process, the concept of the Edinburgh Napier academic signature has been developed. This is now embedded in the Academic Strategy, which can be used to guide future innovation.

The University continued to improve its performance in the League Tables, with overall ranking improving in three of the major tables. This is contributing towards its enhanced reputation amongst students, stakeholders and influencers. This improved standing is one of the reasons for the noticeable increase in student applications. It is also having a positive impact upon staff morale, which remains high.

The University successfully sought approval for, and launched its new name and brand identity. This is already making a major contribution to the University's ability to promote itself and sustain demand from potential students. Its reputation for high graduate employability was further strengthened by the annual HESA performance indicators which placed it in the top ten in the UK for graduate employability, the second consecutive very positive outcome. This is a real achievement and consolidates the University's growing reputation as a destination of choice for prospective students.

Edinburgh Napier took part in the National Student Survey for the first time in 2009. Participation in this demonstrates commitment to the student experience; the findings highlight areas of extremely good practice at Edinburgh Napier as well as some areas requiring improvement.

In all that has been done the University continues to demonstrate innovation in the academic portfolio and demand for its programmes has continued to be strong, overall.

The student recruitment target was increased by 5.9% to 12,556 FTE and recruitment of 12,767 FTE was achieved. The full time target for Home/EU has been achieved, although the part time target continues to be challenging. Post graduate research student numbers increased by 12.6% from 119 FTE in 2007-08 to 134. The target for overseas students was again exceeded and students were welcomed to Edinburgh Napier from more than 100 countries. This indicates the strength of reputation internationally and is something that the University is well placed to build upon.

Retention and progression remain variable. A number of actions have been taken, including implementation of the new modular structure and academic calendar which are expected to show a positive effect on retention and progression in the future.

Several major evaluations of processes have been conducted this year to ensure that the academic infrastructure of the University is as lean and efficient as it can be, and that processes which particularly affect the student academic experience are clear, equitable and consistent, with a proper platform in place to facilitate the kind of academic development which is at the heart of the new University Strategy. Benefits include closer control of space demands, increased profile for the Confident Futures programme, and better integration of other induction activities.

Collaboration with FE Colleges is a central feature of the University's strategy. In this past year considerable progress has been made in creating excellent relationships with the Colleges. This has contributed to a broadening of the student base and has offered opportunities to those who may not otherwise have access to such opportunities. Edinburgh Napier was the only University approached to become a close partner in the collaborative venture of the three major Edinburgh Colleges. The University's status as a leading institution for promoting articulation with Colleges has been reaffirmed through Edinburgh Napier's leadership of the Edinburgh, Lothians and Borders Articulation Hub (ELRAH). ELRAH is arguably one of the significant academic successes of the past year and is recognised as a model of excellence by the Scottish Funding Council.

Collaboration with overseas partners has also made significant progress which has, in turn, increased the stability of international recruitment. A new office in India has been established and the Edinburgh Institute in Hong Kong launched. University operations in Hong Kong and its presence and profile continue to grow. Links between our major research centres and Chinese HEIs have been further developed and overseas research contracts secured.

Edinburgh Napier University is committed to carrying out internationally recognised applied research, wholly relevant to the economic, social and cultural needs of Scotland. The strategy for Research, Knowledge Transfer and Commercialisation forms a framework to ensure that the University can operate as main provider and conduit for the transfer of knowledge between the small and medium-sized business sector and the university sector in East Central Scotland. The strategy is intended to ensure that commercial income is generated to support the University's future strategic developments.

The reputation of the University's research was greatly enhanced by a successful outcome in the Research Assessment Exercise (RAE) with improved our results in both volume and qualitative measures, including a 21% achievement of internationally recognised research. This external validation of Edinburgh Napier University's internationally excellent and world-leading research activity is particularly pleasing given that nearly double the number of researchers were entered compared to the 2001 RAE.

The restructuring of the University's professional services has now been fully implemented and the structures populated for Policy and Communications, Student Affairs and Academic Development. A number of procedures and policies within the new structure have been reviewed and revised to bring them up to date and into alignment with the new Strategy. The Sustainable Futures Project has completed some very valuable work examining and advising on opportunities for improving processes and controlling costs.

Environmental Sustainability is also an area where excellent progress has been made. Edinburgh Napier's position in the Times Higher Education Green league table was improved by 22 places, rising from 56th to 34th in the UK and to 3rd place, and top modern university in Scotland. The University was also Highly Commended at the national Green Gown Awards, the most prestigious event to recognise and reward sustainability best practice in the learning and skills sector.

Edinburgh Napier University

Operating and Financial Review

Development activity has had a successful year which has created a direct impact on some of the key funding priorities for the University including: Sighthill capital costs, scholarships local and international, Community engagement and Confident Futures. The University gratefully acknowledges the support of The National Lottery through the Big Lottery Fund for the project *Towards a Confident Future*.

Results for the year

The University is pleased to report a surplus for the year of £1.6m after making a provision of £2m for liabilities arising from the first phase of a voluntary severance scheme, which was initiated during the year and on which decisions were taken prior to the year end.

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

	2008-09	change	2007-08	change	2006-07
	£m	%	£m	%	£m
Income	100.4	1.1	99.3	11.8	88.8
Expenditure	98.9	2.2	96.8	14.4	84.6
Operating surplus	1.5	(40.0)	2.5	(40.5)	4.2
Gain on disposal and other adjustments	0.1	(92.9)	1.4	75.0	0.8
Net surplus	1.6	(59.0)	3.9	(22.0)	5.0

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

Total income increased by £1.1m to over £100m for the first time. As the previous year included £2.6m additional release of deferred grant relating to Sighthill and Marchmont, on a like for like basis the increase for the year was £3.7m (3.7%). Within the total, Non EU fees grew by £1.2m (12.7%) reflecting the continuing success of the University's international strategy both in attracting students to Edinburgh Napier and through collaborative partnerships overseas. Overall student numbers expressed as full time equivalents for each of the last three years were –

	2008-09	2007-08	2006-07
Home and EU	10,122	9,559	9,236
Non EU	2,645	2,344	2,047

Research grants and contracts also grew by £1.9m (47.0%) to £6m mainly from governmental sources and despite difficult economic conditions income from consultancy & expert services and other services rendered increased by £1m (21.7%) to £5.5m.

Total operating expenditure increased, and within this staff costs have increased by £5m reflecting the effect of previous pay agreements and a small increase of 34 staff in the average number employed over the year to 1,425.

Cash flow for the year from operating activities was positive, generating £11m with a further £1.4m from returns on investments. Cash balances at 31 July 2009 were £18.5m.

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. The main building contract was let in January 2009 and is both on programme and budget. Total expenditure on the development, reflected as additions to assets under construction in the balance sheet, is £20.1m. In addition the University invested a further £0.8m on minor works to other buildings and £2.4m on major items of faculty equipment, computer and information technology developments and facilities.

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 2009, there was an average of 46 days purchases (2008 - 37 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Apart from the large increase in the pension fund liability of £17.8m to £25.5m in respect of the Local Government Pension Scheme, as calculated under FRS 17 (as described in note 7), the balance sheet remains relatively strong. Net assets, excluding that element, increased at 31 July to £75m, the University currently has no outstanding debt and has provisions of £15.8m against known significant liabilities.

Future developments and factors influencing performance

As indicated above, during the year the University adopted a revised strategy to 2015, which is now being implemented across the University. Although the financial strategy and 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 has been replaced by a period of uncertainty and there is a continuing 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 and the impact of changes to the Scottish Funding Council funding arrangements.
- III. The impact on the pay bill of past and future pay agreements, increases in employer pension contribution rates and increased pension fund liabilities.
- IV. Delivery of the current estate strategy in cost and programme terms and the effect on borrowing 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

Edinburgh 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 2009. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen (CUC) in November 2004.

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 fulfils its responsibility of ensuring that a process is in place to make appropriate training available 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 2009 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 2009 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 2008.

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 2009 and up to the date of approval of the annual report and accounts. This process is reviewed regularly 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
Professor George C Borthwick, CBE,
Chairman

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

14 December 2009

Edinburgh 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, ensures 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 state of affairs 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.

Edinburgh 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

14 December 2009

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

We have audited the Consolidated and University financial statements for the year ended 31 July 2009 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the University Court of Edinburgh Napier University ("Court"), as a body, in accordance with the Financial Memorandum of the University. Our audit work has been undertaken so that we might state to Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Court and auditors

Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 and other applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Financial Memorandum.

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 if, in our opinion the information given in the Report of the University 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 are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Funding Council.

We read other information contained in the Operating and Financial Review, Corporate Governance Statement and Responsibilities of the University Court and consider whether it is consistent with the audited financial statements. 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 judgments made by Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University and of the Group as at 31 July 2009, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007;
- funds from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Funding Council.

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.

Edinburgh Napier University
Consolidated Income & Expenditure Account - Year to 31 July 2009

		2009 £000	2008 £000
Income	Notes		
Scottish Funding Council grants	1	54,753	56,570
Tuition fees and education contracts	2	26,103	24,815
Research grants and contracts	3	6,024	4,098
Other income	4	12,586	11,135
Endowment and investment income	5	926	2,732
		-----	-----
Total Income		100,392	99,350
		-----	-----
Expenditure			
Staff costs	6	63,731	58,723
Other operating expenses	8	31,745	31,250
Depreciation	9	3,151	6,564
Interest and other finance costs	10	236	301
		-----	-----
Total Expenditure	9	98,863	96,838
		-----	-----
Surplus after depreciation of tangible fixed assets at cost		1,529	2,512
Exceptional items: continuing operations			
Disposal of fixed assets	11	40	1,424
		-----	-----
Surplus on continuing operations after depreciation of assets at cost and disposal of assets		1,569	3,936
Surplus for the year transferred to accumulated income in endowment funds		(2)	(11)
		-----	-----
Surplus for the year retained within general reserves		1,567	3,925
		=====	=====

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

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

Edinburgh Napier University**Statement of Consolidated Total Recognised Gains and Losses - Year to 31 July 2009**

	2009	2008
	£000	£000
Surplus on continuing operations after depreciation of assets at cost and disposal of assets	1,569	3,936
Appreciation / (diminution) of fixed asset investments	(112)	144
Diminution of endowment asset investments	(91)	(182)
Actuarial loss in respect of pension scheme	(17,883)	(5,867)
	<hr/>	<hr/>
Total recognised losses for the year	(16,517)	(1,969)
	<hr/>	<hr/>
Reconciliation		
Opening reserves and endowments	30,893	32,862
Total recognised losses for the year	(16,517)	(1,969)
	<hr/>	<hr/>
Closing reserves and endowments	14,376	30,893
	<hr/>	<hr/>

Edinburgh Napier University
Balance Sheets - At 31 July 2009

	Notes	Consolidated		University	
		2009 £000	2008 £000	2009 £000	2008 £000
Fixed Assets					
Tangible fixed assets	13	85,985	65,797	88,931	68,808
Investments	14	1,618	1,766	1,580	1,711
		<u>87,603</u>	<u>67,563</u>	<u>90,511</u>	<u>70,519</u>
Endowment Assets	15	207	296	189	212
Current Assets					
Stock	16	27	24	27	24
Debtors	17	7,476	8,369	5,868	5,405
Cash at bank and in hand		18,486	24,514	16,169	29,853
		<u>25,989</u>	<u>32,907</u>	<u>22,064</u>	<u>35,282</u>
Less: Creditors - amounts falling due within one year	18	(22,942)	(15,903)	(20,881)	(13,842)
		<u>3,047</u>	<u>17,004</u>	<u>1,183</u>	<u>21,440</u>
Net Current Assets					
Total assets less current liabilities		90,857	84,863	91,883	92,171
Less: Provisions for liabilities	19	(15,766)	(16,228)	(15,766)	(21,559)
		<u>75,091</u>	<u>68,635</u>	<u>76,117</u>	<u>70,612</u>
Net assets excluding pension liability					
Pension liability	7	(25,464)	(7,659)	(25,464)	(7,659)
		<u>49,627</u>	<u>60,976</u>	<u>50,653</u>	<u>62,953</u>
NET ASSETS including pension liability		<u><u>49,627</u></u>	<u><u>60,976</u></u>	<u><u>50,653</u></u>	<u><u>62,953</u></u>

Edinburgh Napier University
Balance Sheets - At 31 July 2009

	Notes	Consolidated		University	
		2009 £000	2008 £000	2009 £000	2008 £000
Deferred capital grants	20	35,251	30,083	35,251	30,083
Endowments	21				
Permanent		202	287	184	203
Expendable		5	9	5	9
		<u>207</u>	<u>296</u>	<u>189</u>	<u>212</u>
Reserves					
Income and expenditure account excluding pension reserve		38,913	37,424	39,920	39,488
Pension reserve		(25,464)	(7,659)	(25,464)	(7,659)
		<u>13,449</u>	<u>29,765</u>	<u>14,456</u>	<u>31,829</u>
Income and expenditure account including pension reserve	22	13,449	29,765	14,456	31,829
Revaluation reserve	23	720	832	757	829
		<u>14,169</u>	<u>30,597</u>	<u>15,213</u>	<u>32,658</u>
TOTAL FUNDS		<u>49,627</u>	<u>60,976</u>	<u>50,653</u>	<u>62,953</u>

The accounts on pages 14 to 42 were approved by the University Court on 14 December 2009 and were signed on its behalf by:

Professor George C Borthwick, CBE, Chairman

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

Jacqueline T Mackenzie, Acting Finance Director

Edinburgh Napier University
Consolidated Cash Flow Statement - Year to 31 July 2009

	Notes	2009 £000	2008 £000
Net cash inflow from operating activities	25	11,075	4,249
Returns on investment and servicing of finance			
Income from endowments		2	11
Other interest received		1,574	1,193
Interest paid		(157)	(323)
		<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance		1,419	881
		<hr/>	<hr/>
Capital expenditure			
Payments to acquire fixed assets		(24,681)	(6,917)
Proceeds from sale of fixed assets		99	1,906
Payments to acquire endowment assets		(6)	(25)
Proceeds from sale of endowment assets		4	17
Deferred capital grants received		6,062	7,312
		<hr/>	<hr/>
Net cash inflow / (outflow) from capital expenditure		(18,522)	2,293
		<hr/>	<hr/>
Cash inflow / (outflow) before management of liquid resources		(6,028)	7,423
Management of liquid resources			
Movement in endowment assets		-	(3)
		<hr/>	<hr/>
Increase / (decrease) in cash in the year		(6,028)	7,420
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movements in net funds			
Increase / (decrease) in cash in the year		(6,028)	7,420
Net funds at 1 August		24,514	17,094
		<hr/>	<hr/>
Net funds at 31 July		18,486	24,514
		<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2008-09 Accounts

	2009	2008
	£000	£000
1 Scottish Funding Council grants		
Recurrent teaching grant	47,850	45,651
Funding for increased STSS contributions	215	428
Research grant	2,213	2,914
Other grants	3,650	4,100
Released from deferred capital grants		
- Buildings	421	2,997
- Equipment	404	480
	<u>54,753</u>	<u>56,570</u>
2 Tuition fees and education contracts		
UK and EU fees	14,803	12,840
Non EU fees	10,872	9,648
Non credit bearing course fees	428	294
Education contracts	-	2,033
	<u>26,103</u>	<u>24,815</u>
3 Research grants and contracts		
Research councils and charities	740	691
Industry and commerce	553	561
Governmental	2,868	2,554
Other grants and contracts	1,863	292
	<u>6,024</u>	<u>4,098</u>
4 Other income		
Consultancy and expert services	1,386	1,246
Residences and catering	4,900	4,905
Other services rendered	4,158	3,311
Released from deferred capital grants	69	78
Other income	2,073	1,595
	<u>12,586</u>	<u>11,135</u>

Edinburgh Napier University
Notes to the 2008-09 Accounts

	2009	2008
	£000	£000
5 Endowment and investment income		
Income from permanent endowments	13	21
Other interest receivable	840	1,698
Income from other investments	73	-
Net pension credit (Note 7)	-	1,013
	<u>926</u>	<u>2,732</u>
6 Staff costs		
Salaries	52,674	48,485
Social security costs	4,122	3,805
Pension costs	6,935	6,433
	<u>63,731</u>	<u>58,723</u>
The above staff costs include amounts payable to the Vice-Chancellor of:		
Salary	189	176
Benefits in kind	2	1
Pension contributions	26	24
	<u>217</u>	<u>181</u>
The number of other higher paid staff who received emoluments in the following ranges was:		
	2009	2008
	Number	Number
£70,000 – £79,999	16	9
£80,000 – £89,999	6	3
£90,000 – £99,999	3	4
£100,000 - £109,999	2	1
£110,000 - £119,999	1	-
The average monthly number of persons, including senior post holders, employed by the University during the year, expressed as full-time equivalents, was:		
Academic departments	769	759
Academic services	233	227
Central administration	265	252
Property	27	27
Research	79	73
Residences and catering	52	53
	<u>1,425</u>	<u>1,391</u>

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 £6,935,000 (2008 - £6,433,000)

Total pension cost for the year (note 6)

	2009	2008
	£000	£000
STSS – contributions paid	3,377	3,185
LGPS – charge to the income and expenditure account	3,558	3,248
	<hr/>	<hr/>
	6,935	6,433
	<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 2005
Actuarial method	Prospective Benefits
Investment returns per annum	6.5%
Salary scale increases per annum	4.5%
Actuarial value of the assets	£18,474m
Proportion of members' accrued benefits covered by the actuarial value of the assets	95.7%

Employer contribution rates were 13.5% of salary until 31 March 2009, and 14.9% thereafter.

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 2008 using the projected unit method. The following assumptions were made for actuarial valuation purposes:

Gilt-based discount rate	4.5%
Funding basis discount rate	6.0%
Pay increases	5.1%
Price inflation / pension increases	3.6%

The market value of the assets at the valuation date was £2,901m with an actuarial valuation of £2,903m. The liabilities of the scheme have been valued at £3,427m resulting in a deficit of £524m. On the basis of actuarial recommendations, employer contributions are set at 18.1% of pensionable pay for the year ended 31 March 2010, rising to 18.7% from 1 April 2010, and 19.4% from 1 April 2011.

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 2008, updated to 31 July 2009 by a qualified independent actuary.

	July 2009	July 2008	July 2007
	%	%	%
Rate of increase in salaries	5.2	5.3	4.8
Rate of increase in pensions	3.7	3.8	3.3
Discount rate	6.0	6.7	5.8
Inflation rate	3.7	3.8	3.3

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.

Edinburgh Napier University
Notes to the 2008-09 Accounts

7 Pensions and similar obligations (contd)

	July 2009		July 2008		July 2007	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	7.3	52,659	7.8	53,315	8.0	54,190
Bonds	5.3	5,924	5.7	6,389	5.2	5,302
Property	5.3	5,924	5.7	8,235	6.0	9,338
Cash	4.3	1,316	4.8	2,188	5.1	4,452
		-----		-----		-----
Fair value of assets		65,823		70,127		73,282
Present value of scheme liabilities		91,287		77,786		76,023
		-----		-----		-----
Net pension deficit		(25,464)		(7,659)		(2,741)
		=====		=====		=====

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

	2009 £000	2008 £000
The University's estimated asset share	65,823	70,127
Present value of the University's scheme liabilities	(91,287)	(77,786)
	-----	-----
Deficit in the scheme – Net pension liability	(25,464)	(7,659)
	=====	=====

Analysis of the amount charged to the Income and Expenditure Account

	2009	2008
Current service cost	2,856	3,242
Past service cost	631	-
Curtailments and settlements	71	6
	-----	-----
Total operating charge	3,558	3,248
	=====	=====

7 Pensions and similar obligations (contd)

**Analysis of the amount charged to Interest and other finance costs
(note 10) and credited to Endowment and investment income (note 5)**

Expected return on pension scheme assets	5,221	5,523
Interest on pension scheme liabilities	(5,300)	(4,510)
	<hr/>	<hr/>
Net (charge) / credit	(79)	1,013
	<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 pension scheme assets	(12,471)	(12,119)
Changes in the assumptions underlying the present value of the scheme liabilities	(5,412)	6,252
	<hr/>	<hr/>
Actuarial loss recognised in the STRGL	(17,883)	(5,867)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of movements in the present value of the scheme liabilities

Balance at 1 August	77,786	76,023
Current service cost	2,856	3,242
Contributions	1,327	1,109
Past service costs	631	-
Benefits paid	(2,096)	(852)
Interest costs	5,300	4,510
Curtailment and settlements	71	6
Actuarial gain / (loss)	5,412	(6,252)
	<hr/>	<hr/>
Balance at 31 July	91,287	77,786
	<hr/> <hr/>	<hr/> <hr/>

Analysis of movements in the market value of the scheme assets

Balance at 1 August	70,127	73,282
Contributions	5,042	4,293
Benefits paid	(2,096)	(852)
Expected return on assets	5,221	5,523
Actuarial loss	(12,471)	(12,119)
	<hr/>	<hr/>
Balance at 31 July	65,823	70,127
	<hr/> <hr/>	<hr/> <hr/>

7 Pensions and similar obligations (contd)

History of experience gains and losses	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Difference between the expected and actual return on scheme assets	(12,471)	(12,119)	3,493	4,247	6,411
% of scheme assets	(18.9%)	(17.3%)	4.8%	6.9%	11.5%
Experience gains and (losses) on scheme liabilities	4,728	(3)	(12)	(1,174)	(3)
% of the present value of the scheme liabilities	5.2%	(0.0%)	(0.0%)	(1.5%)	(0.0%)
Total amount recognised in statement of total recognised gains and losses	(17,883)	(5,867)	11,432	7	(3,560)
% of the present value of the scheme liabilities	(19.6%)	(7.5%)	15.0%	0.0%	(5.0%)

Edinburgh Napier University
Notes to the 2008-09 Accounts

	2009	2008
	£000	£000
8 Other operating expenses		
Supplies and consumables	7,616	7,355
Residences and catering	4,533	4,198
Napier University Ventures Ltd	972	914
Property maintenance	1,427	2,136
Other expenses	4,876	2,801
Heat, light and power	2,010	1,454
Rent, rates and insurance	1,348	1,198
Early retirement	803	707
Library books and services	1,031	1,108
Staff development, conferences and travel	2,556	2,441
Postages and telephone	584	493
Students' association	411	400
Recruitment costs	323	556
Advertising	1,034	1,105
Transport	198	131
Auditors' remuneration	111	103
Restructuring costs	2,362	450
Provision for onerous leases	(450)	3,700
	<hr/>	<hr/>
	31,745	31,250
	<hr/> <hr/>	<hr/> <hr/>

Other operating expenses include:

External auditors – audit services	63	53
External auditors – other services	-	2
Internal auditors – audit services	48	48
Hire of buildings – operating leases	3,327	3,035
Hire of vehicles – operating leases	36	42
	<hr/>	<hr/>
	3,474	3,180
	<hr/> <hr/>	<hr/> <hr/>

9 Analysis of 2008–09 expenditure by activity

	Staff costs	Other operating expenses	Depreciation	Interest payable	Total
	£000	£000	£000	£000	£000
Academic departments	34,263	4,642	538	-	39,443
Academic services	9,755	5,259	837	-	15,851
Central administration	10,060	5,624	25	-	15,709
Property	973	4,457	1,683	157	7,270
Research grants and contracts	5,429	2,827	53	-	8,309
Residences and catering	1,374	4,533	13	-	5,920
Napier University Ventures Ltd	1,877	977	2	-	2,856
Other expenditure	-	3,426	-	79	3,505
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	63,731	31,745	3,151	236	98,863
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2008-09 Accounts

	2009 £000	2008 £000				
10 Interest and other finance costs						
On bank loans, overdrafts and other loans:						
- Repayable within 5 years, not by instalments	157	301				
Net pension charge (note 7)	79	-				
	<u>236</u>	<u>301</u>				
11 Exceptional items						
Gain on disposal of land and buildings	-	1,424				
Gain on disposal of investments	40	-				
	<u>40</u>	<u>1,424</u>				
12 Residences and catering operations						
	Residences	Catering	Total	Residences	Catering	Total
	←	2009	→	←	2008	→
	£000	£000	£000	£000	£000	£000
Income	2,984	1,916	4,900	2,856	2,049	4,905
Cost of goods sold	-	708	708	-	718	718
	<u>2,984</u>	<u>1,208</u>	<u>4,192</u>	<u>2,856</u>	<u>1,331</u>	<u>4,187</u>
Gross profit	2,984	1,208	4,192	2,856	1,331	4,187
Remuneration	256	1,118	1,374	271	1,061	1,332
Depreciation	-	13	13	-	13	13
Other costs	3,611	214	3,825	3,279	201	3,480
	<u>3,867</u>	<u>1,345</u>	<u>5,212</u>	<u>3,550</u>	<u>1,275</u>	<u>4,825</u>
Surplus / (deficit)	(883)	(137)	(1,020)	(694)	56	(638)
Catering gross profit		63.0%			65.0%	

Edinburgh Napier University
Notes to the 2008-09 Accounts

13 Tangible Fixed Assets – Consolidated

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost				
At 1 August 2008	3,764	67,167	14,539	85,470
Additions	20,123	837	2,379	23,339
Disposals	-	-	(1,038)	(1,038)
	-----	-----	-----	-----
At 31 July 2009	23,887	68,004	15,880	107,771
	=====	=====	=====	=====
Depreciation				
At 1 August 2008	-	10,471	9,202	19,673
Charge for the year	-	1,476	1,675	3,151
Disposals	-	-	(1,038)	(1,038)
	-----	-----	-----	-----
At 31 July 2009	-	11,947	9,839	21,786
	=====	=====	=====	=====
Net book value at 31 July 2009	23,887	56,057	6,041	85,985
	-----	-----	-----	-----
Net book value at 31 July 2008	3,764	56,696	5,337	65,797
	=====	=====	=====	=====
Tangible Fixed Assets – University				
Cost				
At 1 August 2008	3,764	70,438	14,522	88,724
Additions	20,123	837	2,379	23,339
Disposals	-	-	(1,038)	(1,038)
	-----	-----	-----	-----
At 31 July 2009	23,887	71,275	15,863	111,025
	=====	=====	=====	=====
Depreciation				
At 1 August 2008	-	10,730	9,186	19,916
Charge for the year	-	1,541	1,675	3,216
Disposals	-	-	(1,038)	(1,038)
	-----	-----	-----	-----
At 31 July 2009	-	12,271	9,823	22,094
	=====	=====	=====	=====
Net book value at 31 July 2009	23,887	59,004	6,040	88,931
	-----	-----	-----	-----
Net book value at 31 July 2008	3,764	59,708	5,336	68,808
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2008-09 Accounts

	Consolidated £000	University £000
14 Investments		
At 1 August 2008	1,766	1,711
Additions	23	-
Disposals	(59)	(59)
Diminution of investments	(112)	(72)
	<hr/>	<hr/>
At 31 July 2009	1,618	1,580
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Index-linked stocks	1,548	1,548
Equities – listed	11	-
Equities – unlisted	59	32
	<hr/>	<hr/>
	1,618	1,580
	<hr/> <hr/>	<hr/> <hr/>
15 Endowment Assets		
At 1 August 2008	296	212
Additions	10	10
Disposals	(4)	(4)
Diminution of investments	(91)	(25)
Increase in investment creditors	(4)	(4)
	<hr/>	<hr/>
At 31 July 2009	207	189
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Index-linked stocks	16	16
Equities – listed	139	121
Cash balances	56	56
Investment creditors	(4)	(4)
	<hr/>	<hr/>
	207	189
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2008-09 Accounts

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
16 Stocks				
Stocks for resale	27	24	27	24
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
17 Debtors				
Trade debtors	4,022	3,268	2,698	2,409
Other debtors	1,233	3,205	994	1,298
Prepayments and accrued income	1,108	1,145	1,063	947
Research	1,113	751	1,113	751
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	7,476	8,369	5,868	5,405
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
18 Creditors - amounts falling due within one year				
Trade creditors	1,774	1,244	1,774	1,244
Taxation and social security	1,359	1,267	1,359	1,267
Other creditors	848	1,879	303	72
Accruals and deferred income	16,147	8,710	14,608	7,356
Research	2,814	2,803	2,814	2,803
Subsidiary undertakings	-	-	23	1,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	22,942	15,903	20,881	13,842
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Consolidated		University	
	2009 £000	2008 £000	2009 £000	2008 £000
19 Provisions for liabilities				
Unfunded pension liability				
At 1 August	12,528	12,623	12,528	12,623
Income from investments	40	38	40	38
Early retirement pensions	(855)	(840)	(855)	(840)
Transfer from income and expenditure account	803	707	803	707
	_____	_____	_____	_____
At 31 July	12,516	12,528	12,516	12,528
	=====	=====	=====	=====
Construction contracts				
At 1 August	-	-	5,331	5,331
Utilised during the year	-	-	(5,331)	-
	_____	_____	_____	_____
At 31 July	-	-	-	5,331
	=====	=====	=====	=====
Onerous leases				
At 1 August	3,700	-	3,700	-
Transfer (to) / from income and expenditure account	(450)	3,700	(450)	3,700
	_____	_____	_____	_____
At 31 July	3,250	3,700	3,250	3,700
	=====	=====	=====	=====
Total provisions for liabilities	15,766	16,228	15,766	21,559
	=====	=====	=====	=====

A valuation of the unfunded pension liability was carried out at 31 July 2009, by Mercer Human Resource Consulting, an independent firm of actuaries.

A provision which was made in 2008 to recognise the University's potential liability to subsidiary undertakings in respect of disputed VAT on construction contracts has now been utilised.

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

Edinburgh Napier University
Notes to the 2008-09 Accounts

	SFC	Other	Total
	£000	£000	£000
20 Deferred capital grants – Consolidated and University			
At 1 August 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/>
Received during the year			
Buildings	5,748	-	5,748
Equipment	314	-	314
	<hr/>	<hr/>	<hr/>
	6,062	-	6,062
	<hr/>	<hr/>	<hr/>
Released during the year			
Buildings	421	68	489
Equipment	404	1	405
	<hr/>	<hr/>	<hr/>
	825	69	894
	<hr/>	<hr/>	<hr/>
At 31 July 2009			
Buildings	29,978	3,029	33,007
Equipment	2,236	8	2,244
	<hr/>	<hr/>	<hr/>
	32,214	3,037	35,251
	<hr/>	<hr/>	<hr/>

Edinburgh Napier University
Notes to the 2008-09 Accounts

	Restricted Permanent £000	Restricted Expendable £000	Total £000
21 Endowments – Consolidated			
At 1 August 2008			
Capital value	210	9	219
Accumulated income	77	-	77
	-----	-----	-----
	287	9	296
Diminution of endowment assets	(91)	-	(91)
Income for the year	13	1	14
Expenditure for the year	(7)	(5)	(12)
	-----	-----	-----
At 31 July 2009	202	5	207
	-----	-----	-----
Represented by:			
Capital value	119	5	124
Accumulated income	83	-	83
	-----	-----	-----
	202	5	207
	=====	=====	=====
Endowments – University			
At 1 August 2008			
Capital value	126	9	135
Accumulated income	77	-	77
	-----	-----	-----
	203	9	212
Diminution of endowment assets	(25)	-	(25)
Income for the year	13	1	14
Expenditure for the year	(7)	(5)	(12)
	-----	-----	-----
At 31 July 2009	184	5	189
	-----	-----	-----
Represented by:			
Capital value	101	5	106
Accumulated income	83	-	83
	-----	-----	-----
	184	5	189
	=====	=====	=====

	Consolidated			University
	2009	2008	2009	2008
	£000	£000	£000	£000
22	Income and expenditure account			
At 1 August	29,765	31,707	31,829	34,064
Surplus retained for the year	1,567	3,925	510	3,632
Actuarial loss in respect of pension scheme	(17,883)	(5,867)	(17,883)	(5,867)
	-----	-----	-----	-----
At 31 July	13,449	29,765	14,456	31,829
	=====	=====	=====	=====
Represented by:				
Income and expenditure reserve	38,913	37,424	39,920	39,488
Pension reserve	(25,464)	(7,659)	(25,464)	(7,659)
	-----	-----	-----	-----
	13,449	29,765	14,456	31,829
	=====	=====	=====	=====
23	Revaluation reserve			
At 1 August	832	688	829	688
Appreciation / (diminution) of investments	(112)	144	(72)	141
	-----	-----	-----	-----
At 31 July	720	832	757	829
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2008-09 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:

	2009	2008
	£000	£000
Profit and Loss Account		
Turnover	4,531	3,610
Consultancy expenses	(2,732)	(2,169)
	-----	-----
Gross Profit	1,799	1,441
Administrative expenses	(125)	(66)
Gift aid donation to Edinburgh Napier University	(1,551)	(1,105)
Interest receivable	6	47
	-----	-----
Profit for the year	129	317
	=====	=====
Balance Sheet		
Fixed assets	84	63
Current assets	2,817	2,488
Creditors - amounts falling due within one year	(1,610)	(1,390)
	-----	-----
Net assets	1,291	1,161
	=====	=====
Capital and reserves:		
Revaluation reserve	57	58
Profit and loss account	1,234	1,103
	-----	-----
Total funds	1,291	1,161
	=====	=====

Edinburgh Napier University
Notes to the 2008-09 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	2009 £000	2008 £000
Donations	20	953	-	973	795
Investment income	8	-	-	8	35
	-----	-----	-----	-----	-----
Total incoming resources	28	953	-	981	830
Direct charitable expenditure	(26)	(603)	-	(629)	(869)
Administrative expenses	(1)	-	-	(1)	(1)
	-----	-----	-----	-----	-----
Net incoming / (outgoing) resources	1	350	-	351	(40)
Gain / (loss) on investment assets:					
- realised	-	-	-	-	23
- unrealised	(40)	-	(66)	(106)	(147)
	-----	-----	-----	-----	-----
Net movement in funds	(39)	350	(66)	245	(164)
Fund balances at 1 August	180	649	84	913	1,077
	-----	-----	-----	-----	-----
Fund balances at 31 July	141	999	18	1,158	913
	=====	=====	=====	=====	=====
Balance Sheet					
Investments				29	135
Current assets				1,130	779
Current liabilities				(1)	(1)
				-----	-----
Net assets				1,158	913
				=====	=====
Endowments				18	84
Restricted funds				999	649
Unrestricted funds				141	180
				-----	-----
Total funds				1,158	913
				=====	=====

24 Subsidiary undertakings (contd)

As at 31 July 2009, 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

	2009	2008
	£000	£000
Surplus after depreciation of tangible fixed assets at cost	1,567	3,925
Depreciation of tangible fixed assets	3,151	6,564
Deferred capital grants released to income	(894)	(3,555)
Investment income	(926)	(1,719)
Interest payable	157	301
Pension costs less contributions payable	(78)	(949)
Gain on disposal of tangible fixed assets	(40)	(1,424)
(Increase) / decrease in stock	(3)	3
Decrease in debtors	285	53
Increase / (decrease) in creditors	8,358	(2,517)
Increase / (decrease) in provisions	(502)	3,567
	-----	-----
Net cash inflow from operating activities	11,075	4,249
	=====	=====

	At 1 August		Other	At 31 July
	2008	Cashflows	changes	2009
	£000	£000	£000	£000
26 Analysis of changes in net funds				
Cash at bank and in hand	24,514	(6,028)	-	18,486
	-----	-----	-----	-----
	24,514	(6,028)	-	18,486
	-----	-----	-----	-----

27 Capital commitments

At 31 July 2009 the University and its consolidated subsidiaries had commitments contracted for amounting to £41,037,937 (2008 - £1,512,058).

Edinburgh Napier University
Notes to the 2008-09 Accounts

28 Contingent liabilities

At 31 July 2009 the University and its consolidated subsidiaries had no known contingent liabilities.

29 Financial commitments

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

	2009	2008
	£000	£000
Land and Buildings:		
Expiring in one to two years	334	-
Expiring within two to five years inclusive	233	503
Expiring in over five years	2,983	2,787
Vehicles:		
Expiring in one to two years	29	38
	<u>3,579</u>	<u>3,328</u>

30 Discretionary and childcare funds

	Discretionary	Childcare	Discretionary & Childcare	Discretionary & Childcare
	£000	£000	2009	2008
			£000	£000
At 1 August	54	69	123	77
SAAS grants received	485	159	644	650
Transfer between funds	37	(37)	-	-
Interest earned	7	1	8	22
	<u>583</u>	<u>192</u>	<u>775</u>	<u>749</u>
Disbursed to students	(448)	(55)	(503)	(615)
Repayment to SAAS	(35)	(24)	(59)	-
	<u>100</u>	<u>113</u>	<u>213</u>	<u>123</u>
At 31 July	100	113	213	123

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.