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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	Professor Dame Joan K Stringer DBE FRSE BA (Hons) CertEd PhD CCMI FRSA
Secretary	Dr Gerald C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
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 2010. 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
Ms M Ali	1 October 2009		Non-Executive
Prof G C Borthwick			Non-Executive (F)(R)
Dr J Boyle			Non-Executive (R)
Dr L Burley			Non-Executive
Prof A Burns			Non-Executive (F)
Ms K Bylinska	1 October 2009		Student
Hon Lady Clark of Calton			Non-Executive
Mr M Connarty			Non-Executive (A)
Mr O Cruikshank	1 October 2009	31 July 2010	Student
Dr P Easy		31 December 2009	Senior Vice-Principal
Mr W Gallagher	1 October 2009		Non-Executive (A)
Mr H Hall		30 March 2010	Non-Executive (A)(R)
Mr G McCarra			Staff
Mr G Kildare			Non-Executive
Prof R Mackenzie			Vice-Principal (F)
Mr B Naylor			Non-Executive (F)
Dr J Rees			Vice-Principal
Prof B Sloan	1 October 2009		Staff
Mrs A Smith			Staff
Ms M Stephenson			Non-Executive (F)(R)
Prof Dame J K Stringer			Principal & Vice-Chancellor (F)
Mr P Stollard	1 October 2009		Non-Executive (A)
Mr R Sweetman			Non-Executive (F)
Prof J Watson			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 2010, 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 2007, applicable law and relevant UK accounting standards.

Overview of achievements

2009-10 was in overall terms 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.

Our new strategy was launched to staff in September 2009 with feedback from the Investors in People review showing high awareness of the objectives. For the first time in 2010, we achieved Bronze Investors in People status showing that we have developed beyond the standard. We again ran our employee engagement survey, where overall staff satisfaction rose from 69% to 71%.

More students than ever before applied to our courses, with undergraduate applications up by 49% for 2010-11 on the previous year. This compares with 35% for the Scottish modern competitor group and 14% for the whole of the UK Higher Education sector.

Students from over 100 countries are represented at the University. 7,024 (40.9%) of these are from the EU and other international countries. Collaboration with FE Colleges is a central feature of the University's strategy and continues, with 1650 of Scottish domiciled undergraduates coming to the University directly from a Scottish College in 2009-10.

We are Edinburgh's top university for graduate employability. 93.7% of our undergraduate students are in jobs or further study six months after graduating. Whilst our graduate employability figure has dropped from 97.4% to 93.7% - and we are no longer in the UK Top Ten - this must be seen in the context of the recession and is still an astonishingly high percentage.

We launched nine Institutes of Research and Innovation to engage with business, attract income and share our expertise. The move addresses the call from the Scottish Government and Scottish Funding Council to improve the transfer of research excellence from Scottish universities into the Scottish industrial base, in order to make a direct improvement in the country's economic development, productivity and innovation. EU project grants worth £8m and £4m of Scottish Government funding will be used by the new institutes to engage with business more effectively. The nine institutes will offer direct technical support, grants, specialist skills, training, CPD, facilities and equipment in sectors identified as key growth areas by the Scottish government.

In 2009, we were the only University in Scotland to receive the Queen's Anniversary Prize for Further and Higher Education. The award recognised 'Innovative housing construction for environmental benefit and quality of life' carried out by the University's Building Performance Centre.

Edinburgh Napier University

Operating and Financial Review

The new Sighthill campus construction continued throughout 2009-10, with the building handed over on time and on budget to the University in October 2010. During 2009-10, nearly £1m was donated by leading business figures to the new Sighthill campus. The redeveloped campus will become the new home of the Faculty of Health, Life and Social Sciences. It includes a five storey library, a state-of-the-art sports facility and 25 specialised teaching rooms, including clinical skills laboratories, project rooms and research rooms.

Environmental management – both in our teaching and our actions – remains a key priority with notable successes. The 2010 People and Planet Green League placed Edinburgh Napier top University in Scotland and 12th in the UK for environmental performance. We were also awarded the Carbon Trust Standard after achieving a 19% reduction in our carbon emissions between 1 August 2006 and 31 July 2009.

Collaboration with overseas partners continues and includes the development of a sister Biofuel Research Centre at City University in Hong Kong.

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, local and international scholarships, community engagement and Confident Futures. The University gratefully acknowledges the support of The National Lottery through the Big Lottery Fund for restricted funding of £84,813 received for the 'Towards a Confident Futures' project. A further £155,233 is expected over the next two years.

Results for the year

The University is pleased to report a surplus for the year of £5.0m.

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

	2009-10	change	2008-09	change	2007-08
	£m	%	£m	%	£m
Income	105.7	5.3	100.4	1.1	99.3
Expenditure	100.7	1.8	98.9	2.2	96.8
Operating surplus	5.0	233.3	1.5	(40.0)	2.5
Gain on disposal and other adjustments	0.0	(100.0)	0.1	(92.9)	1.4
Net surplus	5.0	212.5	1.6	(59.0)	3.9

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.

Edinburgh Napier University Operating and Financial Review

Total income increased by £5.3m to over £105.7m. Within the total, Tuition Fees grew by £4.2m (16.2%), supported by an increase in Non EU fees of £1.8m (16.5%) 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 –

	2009-10	2008-09	2007-08
Home and EU	10,515	10,122	9,559
Non EU	3,721	2,645	2,344

The increase in Non EU student numbers between 2008-09 and 2009-10 is due to growth in overseas programmes delivered.

Research grants and contracts also grew by £0.3m (5.7%) to £6.4m and despite difficult economic conditions, income from residences and catering grew by £0.5m (10.4%) to £5.4m.

Total operating expenditure increased by £1.8m, although within this staff costs were slightly reduced, by £0.2m, reflected in the reduction in the average number of staff employed over the year from 1,425 to 1,364.

Cash flow for the year from operating activities was positive, generating £6.7m. Cash balances at 31 July 2010 were £20m.

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 assets under construction in the balance sheet, is £59.5m. The redeveloped Sighthill Campus was handed over to the University by the contractors in October 2010. This was followed by a period of internal fit-out, during which various departments of the University's Professional Services moved to the Campus in phases. Students will occupy the Campus from January 2011. In addition, the University invested a further £1.6m on minor works to other buildings and £2.7m 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 2010, there was an average of 41 days purchases (2009 - 46 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Apart from the increase in the pension fund liability of £1m to £26.4m 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 pensions, increased at 31 July to £84.8m. The University currently has bank loans from Barclays Bank amounting to £30m, which are repayable in two tranches, the first by 2017. The University also has provisions of £16.3m for unfunded pension and onerous leases costs.

Future developments and factors influencing performance

As indicated above, at the beginning of the year the University adopted a revised strategy to 2015, which is now being implemented across the University. The financial strategy and current financial plan underpinning the corporate strategy is designed to ensure the long term financial health of the University. However it is recognised that the relative stability of the last few years has been replaced by a period of financial uncertainty. Contributing factors include:

- I. The pressure on resources available to Scottish Higher Education through the Scottish Funding Council.
- II. The uncertain future direction of Scottish Government policy on higher education funding and potential changes to the Scottish Funding Council's funding methodology.
- III. The geographic variability of the recovery in the global economy, exchange rate volatility and the potential impact of immigration policy on student recruitment.
- IV. The impact on the pay bill of past and future pay agreements, increases in employer pension contribution rates and increased pension fund liabilities.
- V. Delivery of the current estate strategy in cost and programme terms and the effect on borrowing of movements in interest rates.

The University recognises that there is a continuing need to augment the reliance on the Scottish Funding Council with a broader base of sustainable income streams and to control costs, particularly staff costs.

The University is taking a number of measures consistent with the strategy and financial strategy to reduce its costs and ensure that it is sustainable in the long term. It is engaged in a series of formal consultations with its recognised trades unions on proposals for structural change which will reduce staff costs. This process will continue through 2010-11. Vacancies will continue to be closely managed and discretionary non-pay costs carefully controlled in order to avoid as far as possible compulsory redundancies resulting from implementation of change. The University continually reviews the efficiency of its internal processes as part of delivering its strategic objective of achieving the highest organisational standards.

The University is taking a number of measures to broaden its base of sustainable income streams and to increase the percentage of its income drawn from non-exchequer sources. The University's nine Institutes for research and innovation were established to deliver growth in commercial income. The University is diversifying its international activity both in terms of its geographic spread and in terms of increasing its presence and ability to deliver in-country in the key markets of India, China and Hong Kong.

The University defines its commitment to academic excellence in terms of, *inter alia*, responding to changes in student demand informed by good market intelligence. Ensuring the continued relevance of our academic portfolio combined with flexible approaches to learning, initiatives to enhance student support and improve retention provide us with a strong platform on which to continue to grow student numbers. The opportunity to build on the Edinburgh Napier brand adopted in 2009 provides an additional means of raising the University's profile and ability to respond to uncertainty in the student recruitment market.

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, with one of our six strategic objectives being 'To achieve the highest organisational standards'. 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 2006. 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 2010. In June 2005, the Court also adopted the voluntary Governance Code of Practice published by the Committee of University Chairmen (CUC) in November 2004. Governance Reviews are conducted by the Governing Body on a quinquennial basis, most recently in 2009-10, to ensure compliance with the CUC Code of Practice and to ensure appropriate ongoing enhancement of governance arrangements at the University.

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 and constitutions. 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 2010 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 conference with the Principal's Executive Group and other senior managers to discuss strategic issues facing the University. It is the Governing Body that approves the University Strategy and puts in place appropriate measures by which it can monitor progress.

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 Court Committees 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 2009 meeting the Governing Body received the annual report from the Audit Committee covering the period to 30 November 2009. At its June 2010 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 2009.

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 2010 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

20 December 2010

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

20 December 2010

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 2010 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 32. 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 2010, 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.

Ernst & Young LLP
Registered Auditor
Edinburgh

20 December 2010

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 2010

		2010 £000	2009 £000
Income	Notes		
Scottish Funding Council grants	1	55,411	54,753
Tuition fees and education contracts	2	30,333	26,103
Research grants and contracts	3	6,367	6,024
Other income	4	13,353	12,586
Endowment and investment income	5	244	926
		<hr/>	<hr/>
Total Income		105,708	100,392
		<hr/>	<hr/>
Expenditure			
Staff costs	6	63,572	63,731
Other operating expenses	8	32,102	31,745
Depreciation	9	3,392	3,151
Interest and other finance costs	10	1,643	236
		<hr/>	<hr/>
Total Expenditure	9	100,709	98,863
		<hr/>	<hr/>
Surplus after depreciation of tangible fixed assets at cost		4,999	1,529
Exceptional items: continuing operations			
Gain / (loss) on disposal of fixed assets	11	(4)	40
		<hr/>	<hr/>
Surplus on continuing operations after depreciation of assets at cost and disposal of assets		4,995	1,569
Surplus for the year transferred to accumulated income in endowment funds		(5)	(2)
		<hr/>	<hr/>
Surplus for the year retained within general reserves		4,990	1,567
		<hr/> <hr/>	<hr/> <hr/>

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 2010**

	2010	2009
	£000	£000
Surplus on continuing operations after depreciation of assets at cost and disposal of assets	4,995	1,569
Appreciation / (diminution) of fixed asset investments	120	(112)
Appreciation / (diminution) of endowment asset investments	21	(91)
Actuarial loss in respect of pension scheme	(418)	(17,883)
	<hr/>	<hr/>
Total recognised gains / (losses) for the year	4,718	(16,517)
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation		
Opening reserves and endowments	14,376	30,893
Total recognised gains / (losses) for the year	4,718	(16,517)
	<hr/>	<hr/>
Closing reserves and endowments	19,094	14,376
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Balance Sheets - At 31 July 2010

	Notes	Consolidated		University	
		2010 £000	2009 £000	2010 £000	2009 £000
Fixed Assets					
Tangible fixed assets	13	122,476	85,985	125,357	88,931
Investments	14	1,735	1,618	1,698	1,580
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		124,211	87,603	127,055	90,511
Endowment Assets	15	233	207	213	189
Current Assets					
Stock	16	31	27	31	27
Debtors	17	8,093	7,476	6,434	5,868
Cash at bank and in hand		20,010	18,486	18,564	16,169
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		28,134	25,989	25,029	22,064
Less: Creditors - amounts falling due within one year	18	(21,492)	(22,942)	(20,793)	(20,881)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Current Assets		6,642	3,047	4,236	1,183
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets less current liabilities		131,086	90,857	131,504	91,883
Less: Creditors - amounts falling due after more than one year	19	(30,000)	-	(30,000)	-
Less: Provisions for liabilities	20	(16,282)	(15,766)	(16,282)	(15,766)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net assets excluding pension liability		84,804	75,091	85,222	76,117
Pension liability	7	(26,439)	(25,464)	(26,439)	(25,464)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET ASSETS including pension liability		58,365	49,627	58,783	50,653
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Edinburgh Napier University
Balance Sheets - At 31 July 2010

	Notes	Consolidated		University	
		2010 £000	2009 £000	2010 £000	2009 £000
Deferred capital grants	21	39,271	35,251	39,271	35,251
Endowments	22				
Permanent		229	202	209	184
Expendable		4	5	4	5
		<u>233</u>	<u>207</u>	<u>213</u>	<u>189</u>
Reserves					
Income and expenditure account excluding pension reserve		44,460	38,913	44,863	39,920
Pension reserve		(26,439)	(25,464)	(26,439)	(25,464)
		<u>18,021</u>	<u>13,449</u>	<u>18,424</u>	<u>14,456</u>
Income and expenditure account including pension reserve	23	18,021	13,449	18,424	14,456
Revaluation reserve	24	840	720	875	757
		<u>18,861</u>	<u>14,169</u>	<u>19,299</u>	<u>15,213</u>
TOTAL FUNDS		<u>58,365</u>	<u>49,627</u>	<u>58,783</u>	<u>50,653</u>

The accounts on pages 14 to 42 were approved by the University Court on 20 December 2010 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, Finance Director

Edinburgh Napier University
Consolidated Cash Flow Statement - Year to 31 July 2010

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	26	6,694	11,075
Returns on investment and servicing of finance			
Income from endowments		5	2
Other interest received		223	1,574
Interest paid		(581)	(157)
Net cash inflow / (outflow) from returns on investment and servicing of finance		(353)	1,419
Capital expenditure			
Payments to acquire fixed assets		(39,745)	(24,681)
Proceeds from sale of fixed assets		-	99
Payments to acquire endowment assets		(12)	(6)
Proceeds from sale of endowment assets		4	4
Deferred capital grants received		4,933	6,062
Net cash outflow from capital expenditure		(34,820)	(18,522)
Cash outflow before management of liquid resources and financing		(28,479)	(6,028)
Management of liquid resources			
Movement in endowment assets		3	-
Financing	27	30,000	-
Increase / (decrease) in cash in the year		1,524	(6,028)
Reconciliation of net cash flow to movements in net funds / (debt)			
Increase / (decrease) in cash in the year		1,524	(6,028)
Change in debt		(30,000)	-
Net funds at 1 August		18,486	24,514
Net funds / (debt) at 31 July		(9,990)	18,486

Edinburgh Napier University
Notes to the 2009-10 Accounts

	2010 £000	2009 £000
1 Scottish Funding Council grants		
Recurrent teaching grant	48,679	47,850
Funding for increased STSS contributions	-	215
Research grant	2,636	2,213
Other grants	3,254	3,650
Released from deferred capital grants		
- Buildings	447	421
- Equipment	395	404
	<hr/>	<hr/>
	55,411	54,753
	<hr/> <hr/>	<hr/> <hr/>
2 Tuition fees and education contracts		
UK and EU fees	16,688	14,803
Non EU fees	12,665	10,872
Non credit bearing course fees	980	428
	<hr/>	<hr/>
	30,333	26,103
	<hr/> <hr/>	<hr/> <hr/>
3 Research grants and contracts		
Research councils and charities	717	740
Industry and commerce	577	553
Governmental	2,667	2,868
Other grants and contracts	2,406	1,863
	<hr/>	<hr/>
	6,367	6,024
	<hr/> <hr/>	<hr/> <hr/>
4 Other income		
Consultancy and expert services	1,173	1,386
Residences and catering	5,410	4,900
Other services rendered	4,552	4,158
Released from deferred capital grants	71	69
Other income	2,147	2,073
	<hr/>	<hr/>
	13,353	12,586
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2009-10 Accounts

	2009	2008
	£000	£000
5 Endowment and investment income		
Income from permanent endowments	12	13
Other interest receivable	186	840
Income from other investments	46	73
	<u>244</u>	<u>926</u>

6 Staff costs		
Salaries	52,376	52,674
Social security costs	4,117	4,122
Pension costs	7,079	6,935
	<u>63,572</u>	<u>63,731</u>

The above staff costs include amounts payable to the Vice-Chancellor of:

Salary	202	189
Benefits in kind	2	2
Pension contributions	30	26
	<u>234</u>	<u>217</u>

The number of other higher paid staff who received emoluments in the following ranges was:

	2010	2009
	Number	Number
£70,000 – £79,999	18	16
£80,000 – £89,999	5	6
£90,000 – £99,999	3	3
£100,000 - £109,999	1	2
£110,000 - £119,999	1	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	728	769
Academic services	232	233
Central administration	257	265
Property	27	27
Research	74	79
Residences and catering	46	52
	<u>1,364</u>	<u>1,425</u>

7 Pensions 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 £7,079,000 (2009 - £6,935,000)

Total pension cost for the year (note 6)

	2010	2009
	£000	£000
STSS – contributions paid	2,781	3,377
LGPS – charge to the income and expenditure account	4,298	3,558
	<hr/>	<hr/>
	7,079	6,935
	<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%

The employer contribution rate was 14.9% 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 Pensions 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 2010 by a qualified independent actuary.

	July 2010	July 2009	July 2008
	%	%	%
Rate of increase in salaries	4.9	5.2	5.3
Rate of increase in pensions	3.4	3.7	3.8
Discount rate	5.4	6.0	6.7
Inflation rate	3.4	3.7	3.8

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.

7 Pensions and similar obligations (contd)

	July 2010		July 2009		July 2008	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	7.3	60,537	7.3	52,659	7.8	53,315
Bonds	4.8	7,169	5.3	5,924	5.7	6,389
Property	5.3	7,965	5.3	5,924	5.7	8,235
Cash	4.4	3,983	4.3	1,316	4.8	2,188
		-----		-----		-----
Fair value of assets		79,654		65,823		70,127
Present value of scheme liabilities		106,093		91,287		77,786
		-----		-----		-----
Net pension deficit		(26,439)		(25,464)		(7,659)
		=====		=====		=====

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

	2010 £000	2009 £000
The University's estimated asset share	79,654	65,823
Present value of the University's scheme liabilities	(106,093)	(91,287)
	-----	-----
Deficit in the scheme – net pension liability	(26,439)	(25,464)
	=====	=====

Analysis of the amount charged to the Income and Expenditure Account

	2010	2009
Current service cost	3,792	2,856
Past service cost	315	631
Curtailments and settlements	191	71
	-----	-----
Total operating charge	4,298	3,558
	=====	=====

Edinburgh Napier University
Notes to the 2009-10 Accounts

	2010 £000	2009 £000
7 Pensions and similar obligations (contd)		
Analysis of the amount charged to Interest and other finance costs (note 10)		
Expected return on pension scheme assets	4,682	5,221
Interest on pension scheme liabilities	(5,590)	(5,300)
	<hr/>	<hr/>
Net charge	(908)	(79)
	<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	4,986	(12,471)
Changes in the assumptions underlying the present value of the scheme liabilities	(5,404)	(5,412)
	<hr/>	<hr/>
Actuarial loss recognised in the STRGL	(418)	(17,883)
	<hr/> <hr/>	<hr/> <hr/>
Analysis of movements in the present value of the scheme liabilities		
Balance at 1 August	91,287	77,786
Current service cost	3,792	2,856
Contributions	1,520	1,327
Past service costs	315	631
Benefits paid	(2,006)	(2,096)
Interest costs	5,590	5,300
Curtailment and settlements	191	71
Actuarial gain	5,404	5,412
	<hr/>	<hr/>
Balance at 31 July	106,093	91,287
	<hr/> <hr/>	<hr/> <hr/>
Analysis of movements in the market value of the scheme assets		
Balance at 1 August	65,823	70,127
Contributions	6,169	5,042
Benefits paid	(2,006)	(2,096)
Expected return on assets	4,682	5,221
Actuarial gain / (loss)	4,986	(12,471)
	<hr/>	<hr/>
Balance at 31 July	79,654	65,823
	<hr/> <hr/>	<hr/> <hr/>

7 Pensions and similar obligations (contd)

History of experience gains and losses	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets	4,986	(12,471)	(12,119)	3,493	4,247
% of scheme assets	6.3%	(18.9%)	(17.3%)	4.8%	6.9%
Experience gains and (losses) on scheme liabilities	-	4,728	(3)	(12)	(1,174)
% of the present value of the scheme liabilities	0.0%	5.2%	(0.0%)	(0.0%)	(1.5%)
Total amount recognised in statement of total recognised gains and losses	(418)	(17,883)	(5,867)	11,432	7
% of the present value of the scheme liabilities	(0.4%)	(19.6%)	(7.5%)	15.0%	0.0%

Edinburgh Napier University
Notes to the 2009-10 Accounts

	2010 £000	2009 £000
8 Other operating expenses		
Supplies and consumables	7,682	7,616
Residences and catering	4,852	4,533
Napier University Ventures Ltd	972	972
Property maintenance	1,994	1,427
Other expenses	4,654	4,876
Heat, light and power	1,418	2,010
Rent, rates and insurance	1,342	1,348
Early retirement	1,646	803
Library books and services	1,109	1,031
Staff development, conferences and travel	2,694	2,556
Postages and telephone	468	584
Students' association	411	411
Recruitment costs	90	323
Advertising	750	1,034
Transport	200	198
Auditors' remuneration	118	111
Restructuring costs	1,982	2,362
Provision for onerous leases	(280)	(450)

	32,102	31,745
--	--------	--------

Other operating expenses include:

External auditors – audit services	49	63
External auditors – other services	18	-
Internal auditors – audit services	69	48
Hire of buildings – operating leases	3,421	3,327
Hire of vehicles – operating leases	46	36

	3,603	3,474
--	-------	-------

9 Analysis of 2009-10 expenditure by activity

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest payable £000	Total £000
Academic departments	33,447	4,360	620	-	38,427
Academic services	9,335	5,796	909	-	16,040
Central administration	10,778	4,204	57	-	15,039
Property	998	4,617	1,715	735	8,065
Research grants and contracts	5,737	3,176	76	-	8,989
Residences and catering	1,290	4,852	13	-	6,155
Napier University Ventures Ltd	2,338	972	2	-	3,312
Other expenditure	(351)	4,125	-	908	4,682
	63,572	32,102	3,392	1,643	100,709
	63,572	32,102	3,392	1,643	100,709

Edinburgh Napier University
Notes to the 2009-10 Accounts

		2010 £000	2009 £000			
10 Interest and other finance costs						
On bank loans, overdrafts and other loans: - repayable in more than 5 years		735	157			
Net pension charge (note 7)		908	79			
		<u>1,643</u>	<u>236</u>			
11 Exceptional items						
Gain / (loss) on disposal of investments		(4)	40			
		<u>(4)</u>	<u>40</u>			
12 Residences and catering operations						
	Residences	Catering	Total	Residences	Catering	Total
	←	2010	→	←	2009	→
	£000	£000	£000	£000	£000	£000
Income	3,350	2,060	5,410	2,984	1,916	4,900
Cost of goods sold	-	701	701	-	708	708
	<u>3,350</u>	<u>1,359</u>	<u>4,709</u>	<u>2,984</u>	<u>1,208</u>	<u>4,192</u>
Gross profit	3,350	1,359	4,709	2,984	1,208	4,192
	<u>3,350</u>	<u>1,359</u>	<u>4,709</u>	<u>2,984</u>	<u>1,208</u>	<u>4,192</u>
Remuneration	249	1,041	1,290	256	1,118	1,374
Depreciation	-	13	13	-	13	13
Other costs	3,934	217	4,151	3,611	214	3,825
	<u>4,183</u>	<u>1,271</u>	<u>5,454</u>	<u>3,867</u>	<u>1,345</u>	<u>5,212</u>
Surplus / (deficit)	(833)	88	(745)	(883)	(137)	(1,020)
	<u>(833)</u>	<u>88</u>	<u>(745)</u>	<u>(883)</u>	<u>(137)</u>	<u>(1,020)</u>
Catering gross profit		66.0%			63.0%	

Edinburgh Napier University
Notes to the 2009-10 Accounts

13 Tangible Fixed Assets – Consolidated

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost				
At 1 August 2009	23,887	68,004	15,880	107,771
Additions	35,622	1,596	2,665	39,883
Disposals	-	-	(1,102)	(1,102)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2010	59,509	69,600	17,443	146,552
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2009	-	11,947	9,839	21,786
Charge for the year	-	1,506	1,886	3,392
Disposals	-	-	(1,102)	(1,102)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2010	-	13,453	10,623	24,076
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2010	59,509	56,147	6,820	122,476
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2009	23,887	56,057	6,041	85,985
	<hr/>	<hr/>	<hr/>	<hr/>
Tangible Fixed Assets – University				
Cost				
At 1 August 2009	23,887	71,275	15,863	111,025
Additions	35,622	1,596	2,665	39,883
Disposals	-	-	(1,102)	(1,102)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2010	59,509	72,871	17,426	149,806
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 August 2009	-	12,271	9,823	22,094
Charge for the year	-	1,571	1,886	3,457
Disposals	-	-	(1,102)	(1,102)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2010	-	13,842	10,607	24,449
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2010	59,509	59,029	6,819	125,357
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 July 2009	23,887	59,004	6,040	88,931
	<hr/>	<hr/>	<hr/>	<hr/>

Edinburgh Napier University
Notes to the 2009-10 Accounts

	Consolidated £000	University £000
14 Investments		
At 1 August 2009	1,618	1,580
Additions	-	-
Disposals	(3)	-
Appreciation of investments	120	118
	<u> </u>	<u> </u>
At 31 July 2010	1,735	1,698
	<u> </u>	<u> </u>
Represented by:		
Index-linked stocks	1,666	1,666
Equities – listed	13	-
Equities – unlisted	56	32
	<u> </u>	<u> </u>
	1,735	1,698
	<u> </u>	<u> </u>
15 Endowment Assets		
At 1 August 2009	207	189
Additions	7	7
Disposals	(4)	(4)
Appreciation of investments	21	19
Decrease in cash balances held	(3)	(3)
Decrease in investment creditors	5	5
	<u> </u>	<u> </u>
At 31 July 2010	233	213
	<u> </u>	<u> </u>
Represented by:		
Index-linked stocks	16	16
Equities – listed	162	142
Cash balances	54	54
Investment debtors	1	1
	<u> </u>	<u> </u>
	233	213
	<u> </u>	<u> </u>

Edinburgh Napier University
Notes to the 2009-10 Accounts

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
16 Stocks				
Stocks for resale	26	27	26	27
Other stocks	5	-	5	-
	<u>31</u>	<u>27</u>	<u>31</u>	<u>27</u>
17 Debtors				
Trade debtors	3,733	4,022	2,229	2,698
Other debtors	1,523	1,233	1,509	994
Prepayments and accrued income	1,610	1,108	1,469	1,063
Research	1,227	1,113	1,227	1,113
	<u>8,093</u>	<u>7,476</u>	<u>6,434</u>	<u>5,868</u>
18 Creditors - amounts falling due within one year				
Trade creditors	4,761	1,774	4,761	1,774
Taxation and social security	1,390	1,359	1,390	1,359
Other creditors	1,516	848	512	303
Accruals and deferred income	11,138	16,147	9,750	14,608
Research	2,687	2,814	2,687	2,814
Subsidiary undertakings	-	-	1,693	23
	<u>21,492</u>	<u>22,942</u>	<u>20,793</u>	<u>20,881</u>
19 Creditors - amounts falling due after more than one year				
Unsecured loans repayable by 2017	20,000	-	20,000	-
Unsecured loans repayable by 2039	10,000	-	10,000	-
	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>

Of the loans outstanding, £20m is fixed at a rate of 6.36%, and the remaining £10m is fixed at a rate of 5.55%

Edinburgh Napier University
Notes to the 2009-10 Accounts

	Consolidated		University	
	2010 £000	2009 £000	2010 £000	2009 £000
20 Provisions for liabilities				
Unfunded pension liability				
At 1 August	12,516	12,528	12,516	12,528
Income from investments	37	40	37	40
Early retirement pensions	(887)	(855)	(887)	(855)
Transfer from income and expenditure account	1,646	803	1,646	803
	_____	_____	_____	_____
At 31 July	13,312	12,516	13,312	12,516
	=====	=====	=====	=====
Construction contracts				
At 1 August	-	-	-	5,331
Utilised during the year	-	-	-	(5,331)
	_____	_____	_____	_____
At 31 July	-	-	-	-
	=====	=====	=====	=====
Onerous leases				
At 1 August	3,250	3,700	3,250	3,700
Transfer (to) / from income and expenditure account	(280)	(450)	(280)	(450)
	_____	_____	_____	_____
At 31 July	2,970	3,250	2,970	3,250
	=====	=====	=====	=====
Total provisions for liabilities	16,282	15,766	16,282	15,766
	=====	=====	=====	=====

A valuation of the unfunded pension liability was carried out at 31 July 2010, 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 was utilised in 2009.

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

Edinburgh Napier University
Notes to the 2009-10 Accounts

	SFC	Other	Total
	£000	£000	£000
21 Deferred capital grants – Consolidated and University			
At 1 August 2009			
Buildings	29,978	3,029	33,007
Equipment	2,236	8	2,244
	<u> </u>	<u> </u>	<u> </u>
	32,214	3,037	35,251
	<u> </u>	<u> </u>	<u> </u>
Received during the year			
Buildings	4,320	49	4,369
Equipment	564	-	564
	<u> </u>	<u> </u>	<u> </u>
	4,884	49	4,933
	<u> </u>	<u> </u>	<u> </u>
Released during the year			
Buildings	447	70	517
Equipment	395	1	396
	<u> </u>	<u> </u>	<u> </u>
	842	71	913
	<u> </u>	<u> </u>	<u> </u>
At 31 July 2010			
Buildings	33,851	3,008	36,859
Equipment	2,405	7	2,412
	<u> </u>	<u> </u>	<u> </u>
	36,256	3,015	39,271
	<u> </u>	<u> </u>	<u> </u>

Edinburgh Napier University
Notes to the 2009-10 Accounts

	Restricted Permanent £000	Restricted Expendable £000	Total £000
22 Endowments – Consolidated			
At 1 August 2009			
Capital value	119	5	124
Accumulated income	83	-	83
	-----	-----	-----
	202	5	207
Appreciation of endowment assets	21	-	21
Income for the year	12	-	12
Expenditure for the year	(6)	(1)	(7)
	-----	-----	-----
At 31 July 2010	229	4	233
	-----	-----	-----
Represented by:			
Capital value	140	4	144
Accumulated income	89	-	89
	-----	-----	-----
	229	4	233
	=====	=====	=====
Endowments – University			
At 1 August 2009			
Capital value	101	5	106
Accumulated income	83	-	83
	-----	-----	-----
	184	5	189
Appreciation of endowment assets	19	-	19
Income for the year	12	-	12
Expenditure for the year	(6)	(1)	(7)
	-----	-----	-----
At 31 July 2010	209	4	213
	-----	-----	-----
Represented by:			
Capital value	120	4	124
Accumulated income	89	-	89
	-----	-----	-----
	209	4	213
	=====	=====	=====

Edinburgh Napier University
Notes to the 2009-10 Accounts

	Consolidated		University	
	2010	2009	2010	2009
	£000	£000	£000	£000
23 Income and expenditure account				
At 1 August	13,449	29,765	14,456	31,829
Surplus retained for the year	4,990	1,567	4,386	510
Actuarial loss in respect of pension scheme	(418)	(17,883)	(418)	(17,883)
	-----	-----	-----	-----
At 31 July	18,021	13,449	18,424	14,456
	=====	=====	=====	=====
Represented by:				
Income and expenditure reserve	44,460	38,913	44,863	39,920
Pension reserve	(26,439)	(25,464)	(26,439)	(25,464)
	-----	-----	-----	-----
	18,021	13,449	18,424	14,456
	=====	=====	=====	=====
24 Revaluation reserve				
At 1 August	720	832	757	829
Appreciation / (diminution) of investments	120	(112)	118	(72)
	-----	-----	-----	-----
At 31 July	840	720	875	757
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2009-10 Accounts

25 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:

	2010	2009
	£000	£000
Profit and Loss Account		
Turnover	5,708	4,531
Consultancy expenses	(3,378)	(2,732)
	-----	-----
Gross Profit	2,330	1,799
Administrative expenses	62	(125)
Gift aid donation to Edinburgh Napier University	(1,662)	(1,551)
Interest receivable	5	6
	-----	-----
Profit for the year	735	129
	=====	=====
Balance Sheet		
Fixed assets	79	84
Current assets	3,414	2,817
Creditors - amounts falling due within one year	(1,467)	(1,610)
	-----	-----
Net assets	2,026	1,291
	=====	=====
Capital and reserves:		
Revaluation reserve	55	57
Profit and loss account	1,971	1,234
	-----	-----
Total funds	2,026	1,291
	=====	=====

Edinburgh Napier University
Notes to the 2009-10 Accounts

25 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	2010 £000	2009 £000
Donations	9	734	-	743	973
Investment income	9	-	-	9	8
	-----	-----	-----	-----	-----
Total incoming resources	18	734	-	752	981
Direct charitable expenditure	(20)	(498)	-	(518)	(629)
Administrative expenses	-	-	-	-	(1)
	-----	-----	-----	-----	-----
Net incoming / (outgoing) resources	(2)	236	-	234	351
Gain / (loss) on investment assets:					
- realised	-	(2)	-	(2)	-
- unrealised	1	-	2	3	(106)
	-----	-----	-----	-----	-----
Net movement in funds	(1)	234	2	235	245
Fund balances at 1 August	141	999	18	1,158	913
	-----	-----	-----	-----	-----
Fund balances at 31 July	140	1,233	20	1,393	1,158
	=====	=====	=====	=====	=====
Balance Sheet					
Investments				33	29
Current assets				1,384	1,130
Current liabilities				(24)	(1)
				-----	-----
Net assets				1,393	1,158
				=====	=====
Endowments				20	18
Restricted funds				1,233	999
Unrestricted funds				140	141
				-----	-----
Total funds				1,393	1,158
				=====	=====

Edinburgh Napier University
Notes to the 2009-10 Accounts

25 Subsidiary undertakings (contd)

As at 31 July 2010, 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.

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

	2010	2009
	£000	£000
Surplus after depreciation of tangible fixed assets at cost	4,990	1,567
Depreciation of tangible fixed assets	3,392	3,151
Deferred capital grants released to income	(913)	(894)
Investment income	(186)	(926)
Interest payable	735	157
Pension costs less contributions payable	557	(78)
(Gain) / loss on disposal of tangible fixed assets	4	(40)
Increase in stock	(4)	(3)
(Increase) / decrease in debtors	(617)	285
Increase / (decrease) in creditors	(1,743)	8,358
Increase / (decrease) in provisions	479	(502)
	-----	-----
Net cash inflow from operating activities	6,694	11,075
	=====	=====

	At 1 August	Cashflows	Other	At 31 July
	2009	£000	changes	2010
	£000	£000	£000	£000
27 Analysis of changes in net funds				
Cash at bank and in hand	18,486	1,524	-	20,010
Debts due after more than one year	-	(30,000)	-	(30,000)
	-----	-----	-----	-----
	18,486	(28,476)	-	(9,990)
	-----	-----	-----	-----

28 Capital commitments

At 31 July 2010 the University and its consolidated subsidiaries had commitments contracted for amounting to £2,868,390 (2009 - £41,037,937).

29 Contingent liabilities

At 31 July 2010 the University and its consolidated subsidiaries had no known contingent liabilities.

Edinburgh Napier University
Notes to the 2009-10 Accounts

30 Financial commitments

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

	2010	2009
	£000	£000
Land and Buildings:		
Expiring in less than one year	141	-
Expiring in one to two years	-	334
Expiring within two to five years inclusive	1,594	233
Expiring in over five years	1,787	2,983
Vehicles:		
Expiring in less than one year	11	-
Expiring in one to two years	12	29
	<u>3,545</u>	<u>3,579</u>

31 Discretionary and childcare funds

	Discretionary	Childcare	Discretionary	Discretionary
	£000	£000	& Childcare	& Childcare
			2010	2009
			£000	£000
At 1 August	100	113	213	123
SAAS grants received	511	166	677	644
Transfer between funds	(4)	4	-	-
Interest earned	2	1	3	8
	<u>609</u>	<u>284</u>	<u>893</u>	<u>775</u>
Disbursed to students	(434)	(61)	(495)	(503)
Repaid to SAAS	(50)	(102)	(152)	(59)
	<u>125</u>	<u>121</u>	<u>246</u>	<u>213</u>
At 31 July	125	121	246	213

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.

32 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.