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**Scottish Charity Number – SC018373**

## **Edinburgh Napier University**

### **General Information**

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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 BA (Hons) CertEd PhD CCMI FRSA FRSE
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 1 George Square Glasgow G2 1AL

## Edinburgh Napier University

### Court Membership

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The following persons served as members of Court during the year to 31 July 2011. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

<b>Court Member</b>	<b>Date of Appointment</b>	<b>Date of Retirement</b>	<b>Category</b>
Ms M Ali			Non-Executive
Prof G C Borthwick			Non-Executive (F)(R)
Dr J Boyle			Non-Executive (R)
Prof A Burns			Non-Executive (F)
Ms K Bylinska		31 July 2011	Student
Hon Lady Clark of Calton			Non-Executive
Mr M Connarty			Non-Executive (A)
Prof J Duffield			Vice-Principal
Mr W Gallagher			Non-Executive (A)(R)
Mr R Kemmer	21 March 2011		Staff
Mr G Kildare			Non-Executive
Prof R Mackenzie			Vice-Principal (F)
Mr R MacLennan	1 October 2010		Non-Executive (F)
Mr G McCarra			Staff
Mr B Naylor		31 July 2011	Non-Executive
Ms J Paslawska	1 October 2010	31 July 2011	Student
Dr J Rees		30 September 2011	Vice-Principal
Prof B Sloan		31 January 2011	Staff
Mrs A Smith		31 July 2011	Staff
Ms M Stephenson			Non-Executive (F)(R)
Dr P Stollard			Non-Executive (A)
Prof Dame J K Stringer			Principal & Vice-Chancellor (F)
Mr R Sweetman			Non-Executive (F)
Prof J Watson		17 June 2011	Non-Executive
Ms P Woodburn	1 October 2010		Non-Executive (A)

(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 2011, 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**

2010-11 was again a very successful year for the University, during which the new Sighthill Campus was opened. The University also achieved a substantial rise in UCAS applications; an improvement in our National Student Survey results; a total student population at an all-time high; growth in international undergraduates studying in Edinburgh and strong growth in students studying on our programmes delivered overseas. In total 28% of the University's students are from overseas, representing over 100 countries.

The University has continued to perform strongly on graduate employability. The latest Higher Education Statistics Agency Performance Indicators were published in July 2011 and show that 93.2% of our graduates from 2009-10 were in employment or further study within six months. Graduate employability remains a consistent strength.

Collaboration with Colleges makes a significant contribution to the University's success and will continue to be an important element of our strategy going forward. The University had a successful outcome from the Enhancement Led Institutional Review conducted by the Quality Assurance Agency and we will be working over the coming year to build on the findings and recommendations in the Review Report.

2010-11 was also a challenging year, as we undertook a programme of work to reduce our costs in the face of reduced public funding, inflationary pressures, and in anticipation of further reductions in public funding in 2011-12. A major achievement of the year was therefore meeting those challenges and keeping the University on a sustainable financial footing. We achieved this while keeping the requirement for compulsory redundancies to a minimum.

Although resources have been constrained we have continued to invest in areas of potential growth, notably our Institutes for Research and Innovation which are now becoming established. The Institutes' rationale is to spearhead growth in research and knowledge transfer income from both commercial and non-commercial sources and to lead the University's creation and dissemination of knowledge, notably in the areas of bio-fuel development, digital security, employment issues, energy efficiency in housing, film, forestry industry, health, and literature.

The University has also continued to progress a major programme of investment in its estate. Staff moved to the Sighthill Campus in November 2010, with 5,000 students first joining them for Trimester 2 in January 2011. The Campus officially opened at a gala launch in May 2011 and is now home to the Faculty of Health, Life & Social Sciences and to many of the University's Professional Services. During 2011 the University sold its Craighouse Campus which will be vacated during 2012-13.

## Edinburgh Napier University Operating and Financial Review

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The landmark £65m Sighthill Campus provides our students with state-of-the-art facilities, including a clinical skills suite, hospital wards and high dependency unit, environmental chamber and forensic laboratory. These industry equivalent facilities will complement our teaching and help prepare our students to step seamlessly into employment after graduation.

The University has continued to grow its reputation as an environmentally responsible institution. For the second consecutive year, we have been ranked first in Scotland in the People & Planet Green League – the only independent, nationwide assessment of universities' environmental performance. The Green League also ranked us 13<sup>th</sup> in the UK.

Development activity has had a successful year, which has helped to support some of the key funding priorities for the University including: Sighthill capital costs, local and international scholarships and community engagement. The University gratefully acknowledges the support of The National Lottery through the Big Lottery Fund for funding of £88,211 received for the 'Towards a Confident Futures' project. A further £67,022 is expected in financial year 2011-12.

### Results for the year

The University is pleased to report a surplus for the year of £4.4m.

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

	<b>2010-11</b>	<b>change</b>	<b>2009-10</b>	<b>change</b>	<b>2008-09</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>£m</b>
Income	106.2	0.5	105.7	5.3	100.4
Expenditure	105.6	4.9	100.7	1.8	98.9
Operating surplus	0.6	(88.0)	5.0	233.3	1.5
Gain on disposal and other adjustments	3.8	100.0	0.0	(100.0)	0.1
<b>Net surplus</b>	<b>4.4</b>	<b>(12.0)</b>	<b>5.0</b>	<b>212.5</b>	<b>1.6</b>

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 £0.5m to over £106.1m. Within the total, Tuition Fees grew by over £1.2m (4.1%), supported by an increase in Non EU fees of £0.6m (4.7%) 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 –

	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>
Home and EU	10,427	10,515	10,122
Non EU	3,972	3,721	2,645

The increase in Non EU student numbers continues to reflect the growth in overseas programmes delivered.

## **Edinburgh Napier University**

### **Operating and Financial Review**

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Research grants and contracts income was reduced this year, by £1.4m, reflecting the difficult economic conditions, and income from residences and catering was slightly reduced, by £0.2m to £5.2m.

The Accounts show a gain on disposal of fixed assets relating to the sale of Craighouse Campus.

Total operating expenditure increased by £4.9m, although within this staff costs reduced by £2.3m, reflecting earlier voluntary severance schemes, and also evident in the reduction in the average number of staff employed during the year from 1,364 to 1,262.

Cash flow for the year from operating activities was strong, generating £10m. Cash balances at 31 July 2011 were £43m.

Redevelopment of the Sighthill Campus is now complete, and the reduction in Tangible Fixed Assets reflects the sale of Craighouse Campus. In addition, the University invested a further £1.0m on minor works to other buildings and £2.0m on major items of faculty equipment, computer and information technology developments and facilities.

The University also undertook a review of its stock of student residential accommodation. As a result it was decided not to extend leases in respect of 5 student accommodation properties beyond their initial terms. A dilapidations appraisal was therefore commissioned by two professional firms of surveyors. This has resulted in a provision of £6.2m in the Accounts. This provision will be reviewed annually.

The Government's announcement that it will use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) to determine future increases in pensions paid by Local Government Pension Schemes, has resulted in an actuarial gain of £10.5m. This has reduced the pension liability to £15.7m, calculated under FRS 17 (as described in note 7). Net assets, excluding pensions, increased at 31 July to £85.4m. The University currently has bank loans from Barclays Bank amounting to £43m, which are repayable in two tranches, the first by 2017. The University also has provisions of £22m for unfunded pensions and onerous leases costs and dilapidations relating to student accommodation.

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 2011, there was an average of 40 days purchases (2010 - 41 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

### **Future developments and factors influencing performance**

In 2009 the University adopted a revised strategy to 2015, which continues to be implemented across the University. Plans for the years ahead include:

- The Merchiston co-location project, which will result in the Faculty of Engineering, Computing and Creative Industries all being located on the same campus;
- A new 725 bed student accommodation residence in the city centre. We anticipate that this will be available for occupation by the summer of 2013.

In addition the Executive is currently assessing priorities for investment to underpin and deliver its growth objectives in key strategic areas.

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:

- The pressure on resources available to Scottish Higher Education.
- Developments in Scottish Government policy on higher education funding and changes to the Scottish Funding Council's funding methodology.
- The geographic variability of the recovery in the global economy, exchange rate volatility and the potential impact of immigration policy on student recruitment.

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

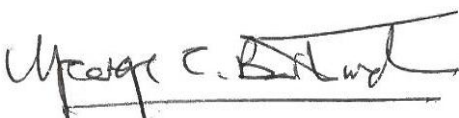
The University is taking a number of measures consistent with the strategy to reduce its costs and ensure that it is sustainable in the long term. The University continually reviews the efficiency of its internal processes as part of delivering its strategic objective of achieving the highest organisational standards.

The University is implementing 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 Hong Kong, India and Singapore.

The University defines its commitment to academic excellence in terms of, *inter alia*, responding to changes in student demand informed by good market intelligence. The continued relevance of our academic portfolio, combined with flexible approaches to learning, initiatives to enhance student support and improved retention all 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.



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

12 December 2011

## **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, first issued by the London Stock Exchange in 2006, and currently embodied as the UK Corporate Governance Code 2010. 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 2011. 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 2011 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 of 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 both the internal and 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.

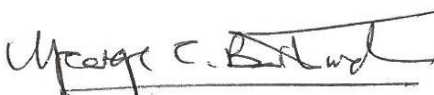
The Court and the Principal's Executive Group receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. A review 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 2010 meeting the Governing Body received the annual report from the Audit Committee covering the period to 30 November 2010. At its June 2011 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 2010.

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 2011 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

12 December 2011

## **Edinburgh Napier University**

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

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The University Court has unambiguous and collective responsibility for the oversight of the University's 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 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**

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

- clear definitions of the responsibilities of, and the authority delegated to, Senior Managers, Deans of Faculties and Directors of Professional 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 the 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

12 December 2011

# **Edinburgh Napier University**

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

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We have audited the financial statements of Edinburgh Napier University for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of the University Court and auditor**

As explained more fully in the Statement of the Responsibilities of Court set out on page 10 the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

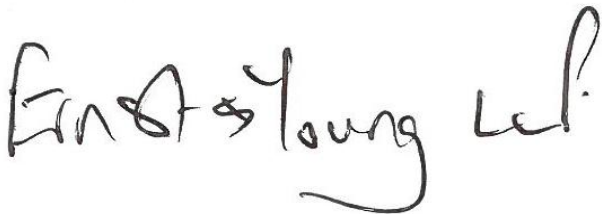
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the University's affairs as at 31 July 2011 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.

**Opinion on other matters prescribed by applicable regulations**

In our opinion:

- 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, the Financial Memorandum with the Scottish Funding Council.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Ernst & Young LLP  
Edinburgh

12 December 2011

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**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 (FRS2). 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. The cost of bursaries and scholarships are accounted for as expenditure, and included within other operating expenditure.

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 Transactions**

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 and buildings 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 2011**

		<b>2011 £000</b>	<b>2010 £000</b>
<b>Income</b>	<b>Notes</b>		
Scottish Funding Council grants	1	56,574	55,411
Tuition fees and education contracts	2	31,585	30,333
Research grants and contracts	3	4,916	6,367
Other income	4	12,850	13,353
Endowment and investment income	5	248	244
		-----	-----
<b>Total Income</b>		<b>106,173</b>	<b>105,708</b>
		-----	-----
<b>Expenditure</b>			
Staff costs	6	61,223	63,572
Other operating expenses	8	37,104	32,102
Depreciation	9	5,046	3,392
Interest and other finance costs	10	2,182	1,643
		-----	-----
<b>Total Expenditure</b>	9	<b>105,555</b>	<b>100,709</b>
		-----	-----
<b>Surplus after depreciation of fixed assets</b>		<b>618</b>	<b>4,999</b>
<b>Exceptional items: continuing operations</b>			
Gain / (loss) on disposal of fixed assets	11	3,860	(4)
		-----	-----
<b>Surplus on continuing operations after depreciation of fixed assets and disposal of assets</b>		<b>4,478</b>	<b>4,995</b>
Surplus for the year transferred to accumulated income in endowment funds		(110)	(5)
		-----	-----
<b>Surplus for the year retained within general reserves</b>		<b>4,368</b>	<b>4,990</b>
		=====	=====

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 2011**

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	<b>2011 £000</b>	<b>2010 £000</b>
Surplus on continuing operations after depreciation of fixed assets and disposal of assets	4,478	4,995
Appreciation of investments	172	120
Appreciation / (diminution) of endowment asset investments	(4)	21
Actuarial gain / (loss) in respect of pension scheme	10,518	(418)
	<hr/>	<hr/>
<b>Total recognised gains for the year</b>	<b>15,164</b>	<b>4,718</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Reconciliation</b>		
Opening reserves and endowments	19,094	14,376
Total recognised gains for the year	15,164	4,718
	<hr/>	<hr/>
<b>Closing reserves and endowments</b>	<b>34,258</b>	<b>19,094</b>
	<hr/> <hr/>	<hr/> <hr/>

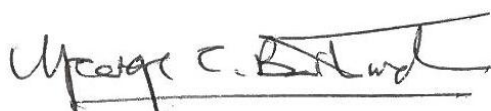
**Edinburgh Napier University**  
**Balance Sheets - At 31 July 2011**

	Notes	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
<b>Fixed assets</b>					
Tangible fixed assets	12	116,317	122,476	119,133	125,357
Investments	13	1,907	1,735	1,874	1,698
		—————	—————	—————	—————
		118,224	124,211	121,007	127,055
<b>Endowment assets</b>	14	339	233	225	213
<b>Current assets</b>					
Stock	15	49	31	49	31
Debtors	16	8,254	8,093	5,998	6,434
Cash at bank and in hand		42,982	20,010	42,204	18,564
		—————	—————	—————	—————
		51,285	28,134	48,251	25,029
<b>Less: creditors - amounts falling due within one year</b>	17	(19,485)	(21,492)	(19,143)	(20,793)
		—————	—————	—————	—————
<b>Net current assets</b>		31,800	6,642	29,108	4,236
		—————	—————	—————	—————
<b>Total assets less current liabilities</b>		150,363	131,086	150,340	131,504
<b>Less: creditors - amounts falling due after more than one year</b>	18	(43,000)	(30,000)	(43,000)	(30,000)
<b>Less: provisions for liabilities</b>	19	(21,961)	(16,282)	(21,961)	(16,282)
		—————	—————	—————	—————
<b>Net assets excluding pension liability</b>		85,402	84,804	85,379	85,222
<b>Pension liability</b>	7	(15,725)	(26,439)	(15,725)	(26,439)
		—————	—————	—————	—————
<b>Net assets including pension liability</b>		<b>69,677</b>	<b>58,365</b>	<b>69,654</b>	<b>58,783</b>
		=====	=====	=====	=====

**Edinburgh Napier University**  
**Balance Sheets - At 31 July 2011**

	Notes	Consolidated		University	
		2011 £000	2010 £000	2011 £000	2010 £000
<b>Deferred capital grants</b>	20	35,419	39,271	35,419	39,271
<b>Endowments</b>	21				
Permanent		334	229	220	209
Expendable		5	4	5	4
		339	233	225	213
<b>Reserves</b>					
Income and expenditure account excluding pension reserve		48,632	44,460	48,683	44,863
Pension reserve		(15,725)	(26,439)	(15,725)	(26,439)
Income and expenditure account including pension reserve	22	32,907	18,021	32,958	18,424
Revaluation reserve	23	1,012	840	1,052	875
		33,919	18,861	34,132	19,299
<b>Total funds</b>		<b>69,677</b>	<b>58,365</b>	<b>69,654</b>	<b>58,783</b>

The accounts on pages 14 to 41 were approved by the University Court on 12 December 2011 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 2011**

	Notes	2011 £000	2010 £000
<b>Net cash inflow from operating activities</b>	25	<b>9,999</b>	<b>6,694</b>
<b>Returns on investment and servicing of finance</b>			
Income from endowments		10	5
Other interest received		260	223
Interest paid		(2,115)	(581)
		-----	-----
<b>Net cash outflow from returns on investment and servicing of finance</b>		<b>(1,845)</b>	<b>(353)</b>
		-----	-----
<b>Capital expenditure</b>			
Payments to acquire fixed assets		(10,283)	(39,745)
Proceeds from sale of fixed assets		9,935	-
Payments to acquire endowment assets		(65)	(12)
Proceeds from sale of endowment assets		29	4
Deferred capital grants received		2,176	4,933
		-----	-----
<b>Net cash inflow / (outflow) from capital expenditure</b>		<b>1,792</b>	<b>(34,820)</b>
		-----	-----
<b>Cash inflow / (outflow) before management of liquid resources and financing</b>		<b>9,946</b>	<b>(28,479)</b>
		-----	-----
<b>Management of liquid resources</b>			
Movement in endowment assets		26	3
		-----	-----
<b>Financing</b>	26	<b>13,000</b>	<b>30,000</b>
		-----	-----
<b>Increase in cash in the year</b>		<b>22,972</b>	<b>1,524</b>
		=====	=====
<b>Reconciliation of net cash flow to movements in net debt</b>			
Increase in cash in the year		22,972	1,524
Change in debt		(13,000)	(30,000)
Net funds / (debt) at 1 August		(9,990)	18,486
		-----	-----
<b>Net debt at 31 July</b>		<b>(18)</b>	<b>(9,990)</b>
		=====	=====

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

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	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>1 Scottish Funding Council grants</b>		
Recurrent teaching grant	49,452	48,679
Research grant	2,647	2,636
Other grants	3,435	3,254
Released from deferred capital grants		
- Buildings	628	447
- Equipment	412	395
	<u>56,574</u>	<u>55,411</u>
<b>2 Tuition fees and education contracts</b>		
UK and EU fees	16,841	16,688
Non EU fees	13,254	12,665
Non credit bearing course fees	1,490	980
	<u>31,585</u>	<u>30,333</u>
<b>3 Research grants and contracts</b>		
Research councils and charities	685	717
Industry and commerce	1,176	577
Governmental	1,841	2,667
Other grants and contracts	1,214	2,406
	<u>4,916</u>	<u>6,367</u>
<b>4 Other income</b>		
Consultancy and expert services	1,541	1,173
Residences and catering	5,212	5,410
Other services rendered	4,590	4,552
Released from deferred capital grants	127	71
Other income	1,380	2,147
	<u>12,850</u>	<u>13,353</u>

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>5 Endowment and investment income</b>		
Income from permanent endowments	24	12
Other interest receivable	221	186
Income from other investments	-	46
Net pension credit (note 7)	3	-
	<u>248</u>	<u>244</u>
<b>6 Staff costs</b>		
Salaries	50,257	52,376
Social security costs	3,996	4,117
Pension costs	6,970	7,079
	<u>61,223</u>	<u>63,572</u>
The above staff costs include amounts payable to the Vice-Chancellor of:		
Salary	202	202
Benefits in kind	2	2
Pension contributions	30	30
	<u>234</u>	<u>234</u>
The number of other higher paid staff who received emoluments in the following ranges was:		
	<b>2011</b>	<b>2010</b>
	<b>Number</b>	<b>Number</b>
£70,000 – £79,999	22	18
£80,000 – £89,999	8	5
£90,000 – £99,999	2	3
£100,000 - £109,999	2	1
£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	691	728
Academic services	211	232
Central administration	235	257
Property	24	27
Research	57	74
Residences and catering	44	46
	<u>1,262</u>	<u>1,364</u>



**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

	2011 £000	2010 £000
<b>6 Staff costs (contd)</b>		
<b>Compensation for loss of office of a former senior post-holder</b>		
Compensation paid to the former post-holder	115	-
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>115</u>	<u>-</u>

**7 Pension schemes**

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 £6,970,000 (2010 - £7,079,000)

**Total pension cost for the year (note 6)**

	2011 £000	2010 £000
STSS – contributions paid	3,073	2,781
LGPS – charge to the income and expenditure account	3,897	4,298
	<u>6,970</u>	<u>7,079</u>

**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.

**7 Pension schemes (contd)**

**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.

**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 were 18.7% of pensionable pay for the year ended 31 March 2011, rising to 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 2011 by a qualified independent actuary.

	<b>July 2011</b>	<b>July 2010</b>	<b>July 2009</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Rate of increase in salaries	5.0	4.9	5.2
Rate of increase in pensions	2.7	3.4	3.7
Discount rate	5.3	5.4	6.0
Inflation rate	2.7	3.4	3.7

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 Pension schemes (contd)**

	July 2011		July 2010		July 2009	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	7.0	72,550	7.3	60,537	7.3	52,659
Bonds	4.6	8,265	4.8	7,169	5.3	5,924
Property	5.1	9,184	5.3	7,965	5.3	5,924
Cash	4.0	1,837	4.4	3,983	4.3	1,316
		-----		-----		-----
Fair value of assets		91,836		79,654		65,823
Present value of scheme liabilities		107,561		106,093		91,287
		-----		-----		-----
<b>Net pension deficit</b>		<b>(15,725)</b>		<b>(26,439)</b>		<b>(25,464)</b>
		=====		=====		=====

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**

	2011 £000	2010 £000
The University's estimated asset share	91,836	79,654
Present value of the University's scheme liabilities	(107,561)	(106,093)
	-----	-----
<b>Deficit in the scheme – net pension liability</b>	<b>(15,725)</b>	<b>(26,439)</b>
	=====	=====

**Analysis of the amount charged to the Income and Expenditure Account**

	2011	2010
Current service cost	3,692	3,792
Past service cost	-	315
Curtailments and settlements	205	191
	-----	-----
<b>Total operating charge</b>	<b>3,897</b>	<b>4,298</b>
	=====	=====

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

	2011 £000	2010 £000
<b>7 Pension schemes (contd)</b>		
<b>Analysis of the amount charged to Interest and other finance costs (note 10) and credited to Endowment and investment income (note 5)</b>		
Expected return on pension scheme assets	5,439	4,682
Interest on pension scheme liabilities	(5,436)	(5,590)
	<u>          </u>	<u>          </u>
<b>Net (charge) / credit</b>	<b>3</b>	<b>(908)</b>
	<u>          </u>	<u>          </u>
<b>Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)</b>		
Actual return less expected return on pension scheme assets	3,629	4,986
Changes in the assumptions underlying the present value of the scheme liabilities	6,889	(5,404)
	<u>          </u>	<u>          </u>
<b>Actuarial gain / (loss) recognised in the STRGL</b>	<b>10,518</b>	<b>(418)</b>
	<u>          </u>	<u>          </u>
<b>Analysis of movements in the present value of the scheme liabilities</b>		
Balance at 1 August	106,093	91,287
Current service cost	3,692	3,792
Contributions	1,449	1,520
Past service costs	-	315
Benefits paid	(2,425)	(2,006)
Interest costs	5,436	5,590
Curtailement and settlements	205	191
Actuarial (gain) / loss	(6,889)	5,404
	<u>          </u>	<u>          </u>
<b>Balance at 31 July</b>	<b>107,561</b>	<b>106,093</b>
	<u>          </u>	<u>          </u>
<b>Analysis of movements in the market value of the scheme assets</b>		
Balance at 1 August	79,654	65,823
Contributions	5,539	6,169
Benefits paid	(2,425)	(2,006)
Expected return on assets	5,439	4,682
Actuarial gain	3,629	4,986
	<u>          </u>	<u>          </u>
<b>Balance at 31 July</b>	<b>91,836</b>	<b>79,654</b>
	<u>          </u>	<u>          </u>

**7 Pension schemes (contd)**

In the 2010 budget, the UK government announced that it intended that the future increases in public sector pension schemes be linked to changes in the Consumer Price Index (CPI) rather than, as previously the Retail Price Index (RPI). The Lothian Pension Fund moved forward the adoption of the CPI as opposed to the RPI as the inflation measure for the Local Government Pension Scheme from April 2011. The University has considered the Lothian Pension Fund Scheme Rules and associated members' literature and has considered that, as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses (STRGL).

<b>History of experience gains and losses</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Difference between the expected and actual return on scheme assets	3,629	4,986	(12,471)	(12,119)	3,493
% of scheme assets	4.0%	6.3%	(18.9%)	(17.3%)	4.8%
Experience gains and (losses) on scheme liabilities					
% of the present value of the scheme liabilities	-	-	4,728	(3)	(12)
Total amount recognised in statement of total recognised gains and losses	0.0%	0.0%	5.2%	(0.0%)	(0.0%)
% of the present value of the scheme liabilities	10,518	(418)	(17,883)	(5,867)	11,432
	9.8%	(0.4%)	(19.6%)	(7.5%)	15.0%

**8 Other operating expenses**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Supplies and consumables	8,554	7,682
Residences and catering	4,515	4,852
Napier University Ventures Ltd	1,546	972
Property maintenance	2,881	1,994
Other expenses	3,457	4,654
Heat, light and power	1,196	1,418
Rent, rates and insurance	1,455	1,342
Early retirement	672	1,646
Library books and services	856	1,109
Staff development, conferences and travel	2,434	2,694
Postages and telephone	381	468
Students' association	370	411
Recruitment costs	51	90
Advertising	1,138	750
Transport	130	200
Auditors' remuneration	108	118
Restructuring costs	1,506	1,982
Provision for onerous leases (note 19)	(305)	(280)
Provision for dilapidations (note 19)	6,159	-
	<b>37,104</b>	<b>32,102</b>

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

				<b>2011</b>	<b>2010</b>
				<b>£000</b>	<b>£000</b>
<b>8</b>	<b>Other operating expenses (contd)</b>				
	<b>Other operating expenses include:</b>				
	External auditors – audit services			52	49
	External auditors – other services			32	18
	Internal auditors – audit services			56	69
	Hire of buildings – operating leases			3,355	3,421
	Hire of vehicles – operating leases			22	46
				-----	-----
				<b>3,517</b>	<b>3,603</b>
				=====	=====
<b>9</b>	<b>Analysis of 2010-11 expenditure by activity</b>				
		<b>Staff costs</b>	<b>Other</b>		
		<b>£000</b>	<b>operating</b>	<b>Depreciation</b>	<b>Interest</b>
			<b>expenses</b>	<b>£000</b>	<b>payable</b>
			<b>£000</b>		<b>£000</b>
				<b>Total</b>	
				<b>£000</b>	<b>£000</b>
	Academic departments	31,223	4,420	670	-
	Academic services	8,812	4,776	961	-
	Central administration	10,318	4,454	16	-
	Property	1,068	5,631	3,298	2,182
	Research grants and contracts	5,438	2,846	97	-
	Residences and catering	1,260	4,515	2	-
	Napier University Ventures Ltd	3,297	1,546	2	-
	Other expenditure	(193)	8,916	-	-
		-----	-----	-----	-----
		<b>61,223</b>	<b>37,104</b>	<b>5,046</b>	<b>2,182</b>
		=====	=====	=====	=====
				<b>2011</b>	<b>2010</b>
				<b>£000</b>	<b>£000</b>
<b>10</b>	<b>Interest and other finance costs</b>				
	On bank loans, overdrafts and other loans:				
	- repayable in more than 5 years			2,182	735
	Net pension charge (note 7)			-	908
				-----	-----
				<b>2,182</b>	<b>1,643</b>
				=====	=====
<b>11</b>	<b>Exceptional items</b>				
	Gain / (loss) on disposal of fixed assets			<b>3,860</b>	<b>(4)</b>
				-----	-----

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

**12 Tangible Fixed Assets – Consolidated**

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
<b>Cost</b>				
At 1 August 2010	59,509	69,600	17,443	146,552
Additions	(59,509)	65,338	4,046	9,875
Disposals	-	(15,293)	(826)	(16,119)
	-----	-----	-----	-----
At 31 July 2011	-	119,645	20,663	140,308
	=====	=====	=====	=====
<b>Depreciation</b>				
At 1 August 2010	-	13,453	10,623	24,076
Charge for the year	-	2,734	2,312	5,046
Disposals	-	(4,305)	(826)	(5,131)
	-----	-----	-----	-----
At 31 July 2011	-	11,882	12,109	23,991
	=====	=====	=====	=====
<b>Net book value at 31 July 2011</b>	<b>-</b>	<b>107,763</b>	<b>8,554</b>	<b>116,317</b>
	=====	=====	=====	=====
<b>Net book value at 31 July 2010</b>	<b>59,509</b>	<b>56,147</b>	<b>6,820</b>	<b>122,476</b>
	=====	=====	=====	=====
<b>Tangible Fixed Assets – University</b>				
<b>Cost</b>				
At 1 August 2010				
Additions	59,509	72,871	17,426	149,806
Disposals	(59,509)	65,338	4,046	9,875
	-	(15,293)	(826)	(16,119)
	-----	-----	-----	-----
At 31 July 2011	-	122,916	20,646	143,562
	=====	=====	=====	=====
<b>Depreciation</b>				
At 1 August 2010	-	13,842	10,607	24,449
Charge for the year	-	2,800	2,311	5,111
Disposals	-	(4,305)	(826)	(5,131)
	-----	-----	-----	-----
At 31 July 2011	-	12,337	12,092	24,429
	=====	=====	=====	=====
<b>Net book value at 31 July 2011</b>	<b>-</b>	<b>110,579</b>	<b>8,554</b>	<b>119,133</b>
	=====	=====	=====	=====
<b>Net book value at 31 July 2010</b>	<b>59,509</b>	<b>59,029</b>	<b>6,819</b>	<b>125,357</b>
	=====	=====	=====	=====

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

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	Consolidated £000	University £000
<b>13 Investments</b>		
At 1 August 2010	1,735	1,698
Appreciation of investments	172	176
	—————	—————
<b>At 31 July 2011</b>	<b>1,907</b>	<b>1,874</b>
	=====	=====
<b>Represented by:</b>		
Index-linked stocks	1,842	1,842
Equities – listed	9	-
Equities – unlisted	56	32
	—————	—————
	<b>1,907</b>	<b>1,874</b>
	=====	=====
<b>14 Endowment Assets</b>		
At 1 August 2010	233	213
Additions	165	66
Disposals	(29)	(29)
Appreciation / (diminution) of investments	(4)	1
Decrease in cash balances held	(26)	(26)
	—————	—————
<b>At 31 July 2011</b>	<b>339</b>	<b>225</b>
	=====	=====
<b>Represented by:</b>		
Equities – listed	210	196
Cash balances	128	28
Investment debtors	1	1
	—————	—————
	<b>339</b>	<b>225</b>
	=====	=====



**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>15 Stocks</b>				
Stocks for resale	49	26	49	26
Other stocks	-	5	-	5
	<u>49</u>	<u>31</u>	<u>49</u>	<u>31</u>
<b>16 Debtors</b>				
Trade debtors	3,538	3,733	1,578	2,229
Other debtors	1,948	1,523	1,830	1,509
Prepayments and accrued income	1,242	1,610	1,064	1,469
Research	1,526	1,227	1,526	1,227
	<u>8,254</u>	<u>8,093</u>	<u>5,998</u>	<u>6,434</u>
<b>17 Creditors - amounts falling due within one year</b>				
Trade creditors	2,125	4,761	2,125	4,761
Taxation and social security	1,307	1,390	1,307	1,390
Other creditors	500	1,516	177	512
Accruals and deferred income	11,426	11,138	10,193	9,750
Research	4,127	2,687	4,127	2,687
Subsidiary undertakings	-	-	1,214	1,693
	<u>19,485</u>	<u>21,492</u>	<u>19,143</u>	<u>20,793</u>
<b>18 Creditors - amounts falling due after more than one year</b>				
Unsecured loans repayable by 2017	33,000	20,000	33,000	20,000
Unsecured loans repayable by 2039	10,000	10,000	10,000	10,000
	<u>43,000</u>	<u>30,000</u>	<u>43,000</u>	<u>30,000</u>

Of the loans outstanding, £33m 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 2010-11 Accounts**

	Consolidated		University	
	2011 £000	2010 £000	2011 £000	2010 £000
<b>19 Provisions for liabilities</b>				
<b>Unfunded pension liability</b>				
At 1 August	13,312	12,516	13,312	12,516
Income from investments	39	37	39	37
Early retirement pensions	(886)	(887)	(886)	(887)
Transfer from income and expenditure account	672	1,646	672	1,646
	-----	-----	-----	-----
At 31 July	13,137	13,312	13,137	13,312
	=====	=====	=====	=====
<b>Onerous leases</b>				
At 1 August	2,970	3,250	2,970	3,250
Transfer to income and expenditure account	(305)	(280)	(305)	(280)
	-----	-----	-----	-----
At 31 July	2,665	2,970	2,665	2,970
	=====	=====	=====	=====
<b>Dilapidations</b>				
At 1 August	-	-	-	-
Transfer from income and expenditure account	6,159	-	6,159	-
	-----	-----	-----	-----
At 31 July	6,159	-	6,159	-
	=====	=====	=====	=====
<b>Total provisions for liabilities</b>	<b>21,961</b>	<b>16,282</b>	<b>21,961</b>	<b>16,282</b>
	=====	=====	=====	=====

A valuation of the unfunded pension liability was carried out at 31 July 2011, by Mercer Limited, an independent firm of actuaries.

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

The University has decided not to extend leases in respect of student accommodation properties beyond their existing terms. A provision has been established to recognise the dilapidations commitments. This provision has been valued as a result of dilapidation appraisals carried out by two professional firms of surveyors. The provision value will be subject to annual review.

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

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	<b>SFC £000</b>	<b>Other £000</b>	<b>Total £000</b>
<b>20 Deferred capital grants – Consolidated and University</b>			
<b>At 1 August 2010</b>			
Buildings	33,851	3,008	36,859
Equipment	2,405	7	2,412
	<hr/>	<hr/>	<hr/>
	<b>36,256</b>	<b>3,015</b>	<b>39,271</b>
	<hr/>	<hr/>	<hr/>
<b>Received during the year</b>			
Buildings	1,250	844	2,094
Equipment	82	-	82
	<hr/>	<hr/>	<hr/>
	<b>1,332</b>	<b>844</b>	<b>2,176</b>
	<hr/>	<hr/>	<hr/>
<b>Released during the year</b>			
Buildings	4,819	795	5,614
Equipment	412	2	414
	<hr/>	<hr/>	<hr/>
	<b>5,231</b>	<b>797</b>	<b>6,028</b>
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2011</b>			
Buildings	30,282	3,057	33,339
Equipment	2,075	5	2,080
	<hr/>	<hr/>	<hr/>
	<b>32,357</b>	<b>3,062</b>	<b>35,419</b>
	<hr/>	<hr/>	<hr/>

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

	Restricted Permanent £000	Restricted Expendable £000	Total £000
<b>21 Endowments – Consolidated</b>			
At 1 August 2010			
Capital value	172	4	176
Accumulated income	57	-	57
	-----	-----	-----
	229	4	233
New endowments	100	-	100
Appreciation / (diminution) of endowment assets	(4)	-	(4)
Income for the year	24	1	25
Expenditure for the year	(15)	-	(15)
	-----	-----	-----
<b>At 31 July 2011</b>	<b>334</b>	<b>5</b>	<b>339</b>
	=====	=====	=====
Represented by:			
Capital value	282	5	287
Accumulated income	52	-	52
	-----	-----	-----
	<b>334</b>	<b>5</b>	<b>339</b>
	=====	=====	=====
<b>Endowments – University</b>			
At 1 August 2010			
Capital value	152	4	156
Accumulated income	57	-	57
	-----	-----	-----
	209	4	213
Appreciation of endowment assets	1	-	1
Income for the year	24	1	25
Expenditure for the year	(14)	-	(14)
	-----	-----	-----
<b>At 31 July 2011</b>	<b>220</b>	<b>5</b>	<b>225</b>
	=====	=====	=====
Represented by:			
Capital value	168	5	173
Accumulated income	52	-	52
	-----	-----	-----
	<b>220</b>	<b>5</b>	<b>225</b>
	=====	=====	=====

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

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	<b>Consolidated</b>		<b>University</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>22</b>	<b>Income and expenditure account</b>			
At 1 August	18,021	13,449	18,424	14,456
Surplus retained for the year	4,368	4,990	4,016	4,386
Actuarial gain / (loss) in respect of pension scheme	10,518	(418)	10,518	(418)
	-----	-----	-----	-----
<b>At 31 July</b>	<b>32,907</b>	<b>18,021</b>	<b>32,958</b>	<b>18,424</b>
	=====	=====	=====	=====
Represented by:				
Income and expenditure reserve	48,632	44,460	48,683	44,863
Pension reserve	(15,725)	(26,439)	(15,725)	(26,439)
	-----	-----	-----	-----
	<b>32,907</b>	<b>18,021</b>	<b>32,958</b>	<b>18,424</b>
	=====	=====	=====	=====
<b>23</b>	<b>Revaluation reserve</b>			
At 1 August	840	720	875	757
Appreciation of investments	172	120	177	118
	-----	-----	-----	-----
<b>At 31 July</b>	<b>1,012</b>	<b>840</b>	<b>1,052</b>	<b>875</b>
	=====	=====	=====	=====

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

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**24 Subsidiary undertakings**

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

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Profit and Loss Account</b>		
<b>Turnover</b>	7,416	5,708
Consultancy expenses	(4,782)	(3,378)
	-----	-----
<b>Gross Profit</b>	2,634	2,330
Administrative expenses	(62)	62
Gift aid donation to Edinburgh Napier University	(2,388)	(1,662)
Interest receivable	-	5
	-----	-----
<b>Profit for the year</b>	<b>184</b>	<b>735</b>
	=====	=====
<b>Balance Sheet</b>		
Fixed assets	77	79
Current assets	3,450	3,414
Creditors - amounts falling due within one year	(1,318)	(1,467)
	-----	-----
<b>Net assets</b>	<b>2,209</b>	<b>2,026</b>
	=====	=====
Capital and reserves:		
Revaluation reserve	54	55
Profit and loss account	2,155	1,971
	-----	-----
<b>Total funds</b>	<b>2,209</b>	<b>2,026</b>
	=====	=====

**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

**24 Subsidiary undertakings (contd)**

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

<b>Statement of Financial Activities</b>	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>2011 £000</b>	<b>2010 £000</b>
Donations	27	577	100	704	743
Investment income	4	-	-	4	9
	-----	-----	-----	-----	-----
Total incoming resources	31	577	100	708	752
Direct charitable expenditure	(21)	(1,151)	-	(1,172)	(518)
	-----	-----	-----	-----	-----
Net incoming / (outgoing) resources	10	(574)	100	(464)	234
Gain / (loss) on investment assets:					
- realised	-	(1)	-	(1)	(2)
- unrealised	(4)	-	(6)	(10)	3
	-----	-----	-----	-----	-----
Net movement in funds	6	(575)	94	(475)	235
Fund balances at 1 August	140	1,233	20	1,393	1,158
	-----	-----	-----	-----	-----
<b>Fund balances at 31 July</b>	<b>146</b>	<b>658</b>	<b>114</b>	<b>918</b>	<b>1,393</b>
	=====	=====	=====	=====	=====
<b>Balance Sheet</b>					
Investments				123	33
Current assets				799	1,384
Current liabilities				(4)	(24)
				-----	-----
<b>Net assets</b>				<b>918</b>	<b>1,393</b>
				=====	=====
Endowments				114	20
Restricted funds				658	1,233
Unrestricted funds				146	140
				-----	-----
<b>Total funds</b>				<b>918</b>	<b>1,393</b>
				=====	=====

**24 Subsidiary undertakings (contd)**

As at 31 July 2011, 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.

<b>25 Reconciliation of surplus for the year retained within general reserves to net cash inflow from operating activities</b>	<b>2011 £000</b>	<b>2010 £000</b>
Surplus for the year retained within general reserves	4,368	4,990
Depreciation of tangible fixed assets	5,046	3,392
Deferred capital grants released to income	(1,115)	(913)
Investment income	(221)	(186)
Interest payable	2,182	735
Pension costs less contributions payable	(196)	557
(Gain) / loss on disposal of tangible fixed assets	(3,860)	4
Increase in stock	(18)	(4)
Increase in debtors	(161)	(617)
Decrease in creditors	(1,666)	(1,743)
Increase in provisions	5,640	479
	-----	-----
<b>Net cash inflow from operating activities</b>	<b>9,999</b>	<b>6,694</b>
	=====	=====

<b>26 Analysis of changes in net funds</b>	<b>At 1 August 2010 £000</b>	<b>Cashflows £000</b>	<b>Other changes £000</b>	<b>At 31 July 2011 £000</b>
Cash at bank and in hand	20,010	22,972	-	42,982
Debts due after more than one year	(30,000)	(13,000)	-	(43,000)
	-----	-----	-----	-----
	<b>(9,990)</b>	<b>9,972</b>	<b>-</b>	<b>(18)</b>
	=====	=====	=====	=====

**27 Capital commitments**

At 31 July 2011 the University and its consolidated subsidiaries had commitments contracted for amounting to £1,107,728 (2010 - £2,868,390).



**Edinburgh Napier University**  
**Notes to the 2010-11 Accounts**

**28 Contingent liabilities**

At 31 July 2011 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:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Land and Buildings:		
Expiring in less than one year	10	141
Expiring in one to two years	-	-
Expiring within two to five years inclusive	3,703	1,594
Expiring in over five years	200	1,787
Vehicles:		
Expiring in less than one year	-	11
Expiring in one to two years	17	12
	<u>3,930</u>	<u>3,545</u>

**30 Discretionary and childcare funds**

	<b>Discretionary</b>	<b>Childcare</b>	<b>Discretionary &amp; Childcare</b>	<b>Discretionary &amp; Childcare</b>
	<b>£000</b>	<b>£000</b>	<b>2011</b>	<b>2010</b>
			<b>£000</b>	<b>£000</b>
At 1 August	125	121	246	213
SAAS grants received	588	266	854	677
Interest earned	2	1	3	3
	<u>715</u>	<u>388</u>	<u>1,103</u>	<u>893</u>
Disbursed to students	(501)	(73)	(574)	(495)
Repaid to SAAS	(74)	(105)	(179)	(152)
	<u>140</u>	<u>210</u>	<u>350</u>	<u>246</u>
<b>At 31 July</b>	<b>140</b>	<b>210</b>	<b>350</b>	<b>246</b>

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.