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Edinburgh Napier University

General Information

Chancellor	Tim Waterstone MA
Chair of Court	The Very Revd Dr Graham Forbes CBE MA BD
Principal and Vice-Chancellor	Professor Andrea M Nolan OBE MVB MRCVS DVA PhD DipIECVA DipECVPT FRSE
Secretary	Dr Gerald C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
Acting Finance Director (to 8 January 2014)	Colin J MacDonald CA
Interim Finance Director (from 9 January to 30 June 2014)	Andrew G Jefferson BSc CA MBA
Director of Finance (from 1 July 2014)	Simon L Belfer MA (Cantab) ACA MSI (Dip)
External Auditors	Ernst & Young LLP 10 George Street Edinburgh EH2 2DZ
Internal Auditors	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Bankers	Royal Bank of Scotland plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
Actuaries	Mercer Limited G1 Building 5 George Square Glasgow G2 1AR

Edinburgh Napier University

Court Membership

The following persons served as members of Court during the year to 31 July 2014, and up to the date of approval of these Financial Statements. 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			Non-Executive
Mr N Ballantyne			Non-Executive
Ms J Boyle			Non-Executive (A)(R)
Rt Hon Lord Brodie	10 October 2013		Non-Executive
Mr M Connarty			Non-Executive (A)(N)
Prof J Duffield			Vice-Principal (F)
Dr V Ellis			Staff
The Very Revd Dr G Forbes			Non-Executive (F)(R)(N)
Mr W Gallagher			Non-Executive (A)(R)
Mr R Hare			Non-Executive (F)
Ms S Jiwa			Non-Executive
Mr R Kemmer			Staff (N)
Mr S Logie			Staff
Mr R MacLennan			Non-Executive (F)
Mr R Malcolm	1 August 2013	31 July 2014	Student
Prof A Nolan			Principal & Vice Chancellor (F)(N)
Mr B Rigby			Non-Executive (F)
Prof A Sambell			Vice-Principal
Ms A Scullion	1 October 2014		Non-Executive
Mr D Smith	1 August 2013		Student (N)
Mr R Strachan	1 August 2014		Student
Dr P Stollard			Non-Executive (F)
Mr R Sweetman			Non-Executive (F)
Ms P Woodburn			Non-Executive (A)(R)(N)
Mr N Woodcock	1 October 2014		Non-Executive (F)

(A) Member of Audit Committee (Audit & Risk Committee from 1 August 2014)

(F) Member of Finance & Commercialisation Committee (Finance and Property Committee from 1 August 2014)

(N) Member of Nominations Committee

(R) Member of Remuneration Committee

The last year has been an important one for the University and for me personally in my first full year as Principal and Vice-Chancellor. The year began with the opening of new purpose built student accommodation and preparing our submission to the 2014 Research Excellence Framework. We celebrated 50 years since the foundation of Napier Technical College, one of the institutions which form our academic heritage. We undertook a strategic review and developed a new strategy, rooted in our values, which sets clear and ambitious goals to guide us through to 2020.

Strategy 2020: Building Success was developed through deep engagement and consultation with staff, students and our other stakeholders. I passionately believe in the transformative potential of our new strategy and in the importance of generating engagement with all of our partners and friends and driving an enabling culture in the University.

Our results for the year demonstrate that Strategy 2020 builds on a solid platform of success. Our income increased by just under £5m and we delivered a surplus of over £4m. This sum includes an exceptional gain on disposal of property of £0.7m, and a release of provision for dilapidations of £0.7m. Our student population numbered over 18,000 with growth in our international presence through increased delivery and enrolment of students on transnational programmes and in recently developed online and distance learning programmes. We are building on strong long-standing international partnerships while engaging with new partners whose ambition aligns with that captured in our strategy.

Partnership has continued to be central to our approach at home. We have been building partnership between the University and the Napier Students' Association to align and focus our activities to enhance the student experience, and especially to promote student enterprise and volunteering which will help to deliver the Strategy 2020 objective of ensuring all students have access to high value work-related experience.

Partnership with Scotland's colleges has long been central to what we do and we have worked closely with those partners to deliver the Scottish Government's ambitions for students transitioning

from college to university and to support our new associate students who have started their studies in the colleges.

Among other notable achievements we became the administering institution for the new Construction Scotland Innovation Centre and we were able to play a key role in the establishment of a new centre for training, research and commercial opportunities for mountain biking in the Borders which is increasingly an important SME business sector for Scotland. These are examples of what successful partnership can deliver to grow research and innovation which links to Scottish government priority sectors.

We developed new recognition agreements with our trade unions and worked closely with them as we developed Strategy 2020 and on a range of other matters.

Our ongoing investment in delivering a better student experience was reflected in improved undergraduate student satisfaction measured by the National Student Survey – both overall and, importantly, across a range of questions and disciplines with some subjects scoring exceptionally well.

The quality and capability of our graduates, a longstanding strength of the University, was reflected in improved employability figures with over 95% of our full time undergraduates entering positive destinations – measured by the Higher Education Statistics Agency. We also continued to support student enterprise with 42 new start-up companies established by our students and graduates.

The University is a community with a clear sense of purpose and direction. We have had a busy and productive year which has helped us to sharpen our focus, prepare us for the challenges and uncertainties ahead and to drive the investment, growth and innovation which will deliver our strategy.

I appreciate the commitment of staff, students, our multiple stakeholders, partners and alumni to delivering the University's shared ambition.

Andrea Nolan
Principal and Vice-Chancellor

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 and Trustee Investment (Scotland) Act 2005 (No.SC018373). The University Court considers that the University meets the 'Charity Test' set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005. It will take such actions as are necessary to ensure continued full compliance with the legislation and retention of charitable status. A copy of these Financial Statements can be obtained from the principal address of the University, which is 219 Colinton Road, Edinburgh, EH14 1DJ.

Scope of the Financial Statements

The Financial Statements for the year ended 31 July 2014, 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.

Strategy 2020: Building Success

The University Court approved a new strategy for 2014-2020 in March 2014. *Strategy 2020: Building Success* outlines our vision of *an innovative and enterprising community, renowned internationally, with an unrivalled student learning experience*; our values – *professional, ambitious, innovative, inclusive*; and four key strategic objectives. It is a framework for action and for investment.

We have developed a phased approach to implementation: plans for 2014-15 identify actions and investment against some areas and groundwork for progress against other areas in future years. During 2014-15 we expect to make progress towards our 2020 targets for student satisfaction, income growth and staff engagement.

Our overall priority will be to create capacity for targeted investment against delivery of the strategy and future growth. We will review our policies and procedures prioritising those that are associated with our strategic platforms. We will review and develop robust career development pathways. We will also implement a new refreshed visual identity and will articulate our new strategy through our communications tools and campaigns.

Our strategic objectives are:

to grow our academic reputation we will –

- Deliver outstanding teaching across our portfolio;
- Grow areas of academic strength and potential;
- Grow research and integrate this with teaching;
- Build research and innovation in teaching and learning;
- Grow the postgraduate community.

to deliver an excellent, personalised student experience we will –

- Include students as partners in plans and decision-making;
- Have a programme-focused approach with community identity;
- Promote active learning approaches and assessment for learning;
- Accredite work-related and developmental experience;
- Invest in learning and social spaces;
- Deliver personalised support.

to build innovation, enterprise and citizenship we will –

- Deliver opportunities for students to engage with or start up business and social enterprises;
- Build knowledge exchange partnerships;
- Help graduate attributes for complex environments;
- Have a continuous improvement and enhancement approach in all that we do;
- Maximise the value of our assets.

to internationalise our work we will –

- Build strategic partnerships;
- Grow our international student community;
- Create an environment where students and staff develop an international outlook;
- Develop sustainable models of transnational education to expand international activity;
- Enhance our contribution to the city and region.

Student recruitment

2013-14 was a successful year for the University. The University filled its funded places with a diverse intake of students from a range of backgrounds. Although the number of non EU international students studying in Edinburgh decreased, there was a rise in the numbers studying for Edinburgh Napier degrees delivered overseas. There was a reduction in the intake of students from the rest of the UK and on-going market perturbation, due to changes in fee structures and consolidation policy across the UK, is expected.

Around 45% of our student body (by headcount) were from outside the UK; 34% were part-time and 68% were mature students. Over 5,000 students studied Edinburgh Napier programmes overseas at our partner institutions particularly in Hong Kong, India and Singapore. Among international students studying in Edinburgh the largest numbers came from Germany, China, Ireland, France and the United States.

The Student Experience and Learning Environment

The University made substantial progress in implementing a number of enhancements to the learning environment and the student experience during the year including the implementation of a re-aligned academic year. We have developed new guidelines for programme design.

We have worked with our college partners to support the new category of associate students, supported by additional funding from the Scottish Funding Council,

who have begun their higher education at college and will articulate into programmes at Edinburgh Napier. This adds to our already substantial commitment to supporting transition from college to university. We have worked with our Students' Association to improve the working of Staff Student Liaison Committees and the Student Representative system and we have introduced a new internal student satisfaction survey.

The high quality of our programmes was exemplified when our MSc in Advanced Security and Digital Forensics became the only Scottish programme to be certified by the UK intelligence agency GCHQ. The University was one of only four in the UK to receive this recognition.

2014 National Student Survey

The National Student Survey (NSS) is targeted at final year undergraduates. The results from the NSS 2014 showed the University with improved, or consistent, scores in the majority of questions. This improvement was the result of sustained work and commitment of the staff, focused on programme delivery and management and developments in assessment and feedback. We shall make special efforts in the few areas where the scores need to improve.

We scored 85% for the key question ("*Overall I am satisfied with the quality of the course*"), which is above our benchmark and compares with 84% in 2013 and 82% in 2012.

Across the University some subject areas performed exceptionally well. Accounting achieved the top overall student satisfaction score (98%) of any UK University offering this subject. Our Building courses were 2nd highest in the UK with 96%; English was 4th highest in the UK with 97%.

Computer Science and Drama were each 7th highest in the UK with 93% and 96% respectively; Law and Music are each 12th highest in the UK with 94% and 90% respectively; and Psychology was 13th highest in the UK with 94%.

The overall response rate for the 2014 survey was 77%, compared with 68% in 2013 and 63% in 2012. In the process of running the participation campaign with the Napier Student Association, we also raised over £7,000 for the Children's Hospice Association of Scotland.

Student volunteering and enterprise

VBase is a new volunteering framework that has been developed by Napier Student Association (NSA). It has been created to provide a means through which students can access and apply for volunteering opportunities while registering on a volunteer pathway to enhance their personal, professional and career development, along with general employability.



The University also established *Bright Red Triangle*: where students are selected to be developed as junior consultants to deliver cost-effective business services to local businesses. So far over 30 projects have been completed for external clients

Our commitment to student enterprise was also reflected in 42 new start-up companies established by our students and graduates during the year, taking advantage of our business incubation facilities and support.

Research and innovation

The University submitted over 100 staff to the 2014 Research Excellence Framework in nine Units of Assessment. The results will be published in December 2014.

A highlight of the year was the award of funding for the Construction Scotland Innovation Centre. Edinburgh Napier developed the bid for this £9.3m project together with industry and university partners and will carry out the administration of the Centre

Another example of successful collaboration was the launch of a new world-class centre of excellence and innovation in Scottish mountain biking at Glentress in the Borders – a partnership between the University, Scottish Enterprise and the Scottish Funding Council which will drive innovation and business growth in a sport which already generates £120m annually for the Scottish economy.

Other areas of high impact research include conservation of mangrove forests, the ethics of tobacco marketing in Indonesia and re-evaluation of the work of Robert Louis Stevenson among many others.

We increased the number of Knowledge Transfer Partnerships we are active in over the year in a range of sectors including surface coatings, online gaming analysis and timber engineering; and secured 94 new research grants.

As growing our academic reputation is key to *Strategy 2020* we have restructured research support in the University and the new structures should be fully in place in 2014-15.

International highlights

2013-14 saw further growth in our international income, particularly from programmes delivered overseas and the delivery of new online and distance learning programmes targeted at international students.

During the year we have had a significant focus on internationalisation of the curriculum and the development of partnerships and programmes delivered overseas. We have now launched programmes delivered through a partner in Sri Lanka for the first time.

Around 1,000 students received awards at our graduation ceremonies in Hong Kong this year and we saw the first graduations from our new Masters in Clinical Research delivered in Singapore.

During the year we worked towards establishing a new Directorate of International Operations to support *Strategy 2020* and the internationalisation strategy which will underpin it.

50th Birthday Celebrations

In 2014, Edinburgh Napier University celebrated 50 years of learning since the establishment of Napier College in 1964. Our commemorations have included a variety of events and projects in order to mark the unique character of our history. These have included a digital and social media campaign to promote the University featuring historical blogs competitions and photographs taken from our archive. Formal celebrations included our 2014 Alumni Day and 50th Anniversary Staff and Student Party, both held at Craiglockhart on 28th June.

On our anniversary date, Monday 8th September, we honoured the occasion with 'birthday parties' for staff and students on all three campuses.



Craiglockhart campus

The 50th Anniversary fund also supported individual Professional Services, Faculties and stakeholder groups in the co-ordination of their own 50th-related events and competitions.

These have to date included amongst others a composition competition, organised by the Music school, a violin recital, an International students' ceilidh taster session run by the Napier Students' Association; an Alumni event for Law graduates and a celebration for partners, sponsors and supporters in Hong Kong.

In support of the *Strategy 2020* vision to grow our academic reputation, the University has funded 27 full-time 50th Anniversary PhD Scholarships. Over 450 applications were received, of an exceptionally high standard. The appointees will begin their studies during autumn 2014.

Our Chancellor

After seven years as our Chancellor, Tim Waterstone will be stepping down from office in 2015. The Chancellor is the titular head of the University and he has performed his role with great enthusiasm and dedication, inspiring many with his stirring graduation speeches.



We have begun the search for our next Chancellor and all members of staff and students have been invited to nominate people for this role. Our Chancellor is expected to be someone of considerable standing, known in an international context, committed to our values and who will help Edinburgh Napier fulfil its vision.

Sustainability

The University continues to develop an Environmental Management System through the EcoCampus programme, and gained Silver EcoCampus status in June 2014. We gained a 1st Class Award and were ranked 1st in Scotland in the People & Planet Green League, the only independent UK assessment of Higher Education environmental performance. Following a revision of data, the University was placed joint 16th in the UK.



Results for the year

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

The results for each of the last three years were –

£m	2011-12	2012-13	2013-14
Income	104.0	107.9	112.7
Expenditure	98.1	102.3	109.0
Surplus before exceptional items	5.9	5.6	3.7
Gain / (Loss) on disposal and other adjustments	0.5	(0.3)	0.7
Net surplus	6.4	5.3	4.4

The continuing generation of retained surpluses demonstrates the University's commitment to ensuring its financial health and the sustainability of its activities, thereby creating the environment necessary to support and invest in its ongoing development through the goals articulated in *Strategy 2020*.

Total income increased by £4.8m to £112.7m, a rise of 4.4%, which includes a 2.2% increase in SFC funding during the year and a 6.7% increase in all other income.

Within the total, Tuition Fees and Education Contracts rose by £2.8m, or 8.6%. UK and EU fees rose by £0.8m and income from overseas students rose by £1.6m or 12%.

Overall student numbers expressed as full time equivalents for each of the last three years were –

	2011-12	2012-13	2013-14
Home and EU	10,301	10,217	9,965
Non EU	3,727	3,786	4,492
Total	14,028	14,003	14,457

Income from research grants and contracts reduced slightly to £4.5m.

Total operating expenditure rose by £6.7m, including an increase in staff costs of £2.9m which reflects the increase in the average number of staff employed during the year from 1,272 to 1,342. FRS17 adjustments also increased staff costs by over £1m.

Other operating expenditure increased by £4.3m (15%). This was in part due to a net charge for dilapidations of £0.3m compared to a credit last year of £1.2m. There were also increased costs for student accommodation of £0.9m which was matched by income.

Cash flow for the year from operating activities continued to be strong, generating £11.9m. Cash balances at 31 July 2014 were £45.3m, an increase of £2.4m, offset by bank loans of £35m.

Although there were no major building projects in the year, the University invested £6.2m on works on its estates and infrastructures. This included a windows replacement programme at the Merchiston Campus, major items of faculty equipment and information technology developments.

A valuation of pension schemes at 31 July 2014 has resulted in an actuarial loss of £14.9m which has increased the pension liability to £33.6m, calculated under FRS 17 (as described in note 18). Net assets, excluding pensions, increased at 31 July to £103.2m. The University also has provisions of £20.4m for unfunded pensions, onerous leases costs and dilapidations relating to student and other 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 2014, there was an average of 38 days purchases (2013 - 31 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

The members of the Court of Edinburgh Napier University who held office at the date of approval of this report and financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Estates

We have undertaken or planned the following key improvements to the University's estate in the last 12 months:

Sighthill Campus - additional social learning space has been created by relocating the PC lab in the Atrium to level 2. A new Postgraduate room will be established on the first floor.

Craiglockhart Campus - improvements have been made to the Chapel lighting and teaching rooms have been refurbished.

Merchiston Campus - the window replacement programme at Merchiston was completed ahead of schedule and additional social



space has been created at the Triangle Café. Teaching rooms here have also been refurbished and refreshed.

The new Bainfield Union Café and Bar was officially opened on 8th September. This is an exciting new development which will provide our students and staff with a modern environment in which to relax and socialise.

During the year we started developing a new Estates Strategy for 2015-2025 to support *Strategy 2020* and have undertaken a comprehensive consultation process with staff, students and other key stakeholders. Consultation with key stakeholders to date has identified broad agreement that Engineering and Computing are the academic areas most in need of new investment. The provision of social learning spaces has also featured prominently in the discussions.

The Estates Strategy for 2015-2025 will be presented to Court for approval in June 2015.



Bainfield Student Accommodation

Edinburgh Napier University Development Trust

Development activity continues to secure funds for University priorities. These include the provision of bursaries and scholarships, support for community sports, innovation and enterprise, estates improvements and academic excellence.

During the year the first round of funding was awarded from The Dame Joan Stringer International Student Fund.



Sighthill campus

Equality and diversity

The University is strongly committed to providing equal opportunities to all staff and as part of this commitment we will apply for Athena SWAN



Bronze status in November 2014 to encourage and recognise women in Science, Technology, Engineering, Maths and Medicine.

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,
The Very Revd Dr Graham Forbes, CBE,
Chair
15 December 2014**

Introduction

Edinburgh Napier University is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in the UK Corporate Governance Code, formerly the Combined Code, which was published in May 2010 by the Financial Reporting Council. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Statement of full UK Corporate Governance Code 2010 Compliance

In the opinion of the Court, the University complies with the provisions of the UK Corporate Governance Code 2010 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 2014. In October 2013, the Court also adopted the Scottish Code of Good Higher Education Governance published by the Committee of Scottish Chairs (CSC) in July 2013. The Court considers that the University complies with the main principles of this Code. Effectiveness Reviews are conducted by the Court on a quinquennial basis, most recently in 2013-14, to ensure compliance with the Scottish Code and to ensure appropriate ongoing enhancement of governance arrangements at the University. The report of the 2013-14 Court Effectiveness Review is published on the University's website.

University Court

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 (Finance & Property Committee from 1 August 2014), a Nominations Committee, a Remuneration Committee and an Audit Committee (Audit & Risk Committee from 1 August 2014).

The Finance & Commercialisation Committee, in its range of responsibilities recommends to the Court 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 Court.

The Nominations Committee considers nominations for vacancies in the Court 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 Court members as required. In the past year, a full induction to new members has been provided and members have been given the opportunity to attend governor development events run by the Leadership Foundation for Higher Education and other relevant externally organised development events. The University provides administrative and financial support to members to enable their attendance.

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 2014 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 Court.

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 the 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 University Leadership Team attend meetings of the Audit Committee as necessary, they are not members of the committee and once a year the committee meets both the internal and external auditors on their own for independent discussions.

Corporate Strategy

In respect of its strategic and development responsibilities, the Court receives recommendations and advice from members of the University Leadership Team. The Court holds an annual conference with the University Leadership Team and other senior managers to discuss strategic issues facing the University. It is the Court that approves the University Strategy and puts in place appropriate measures by which it can monitor progress.

University Court Statement on Internal Control

The University Court is responsible for the 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 University Leadership Team 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 Court since 1998.

The University Leadership Team and the Court Committees also receive regular reports from internal audit and health, safety and environmental monitoring functions which include recommendation for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Court regularly considers risk and control and receives reports thereon from the University Leadership Team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2013 meeting the Court received the annual report from the Audit Committee covering the period to 30 November 2013. At its June 2014 meeting, the Court considered the annual risk assessment for the year ahead by considering documentation from the University Leadership Team and internal audit, and taking account of events since 31 July 2013.

The Court 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 2014 and up to the date of approval of the annual report and financial statements. This process is reviewed regularly by the Court and accords with current good practice of governance in the higher education sector of the U.K.

Going Concern

The Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

On behalf of the University Court,



**The Very Revd Dr Graham Forbes, CBE,
Chair**



**Professor Andrea M Nolan, OBE,
Principal and Vice-Chancellor
15 December 2014**

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 financial statements 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 full Statement of Primary Responsibilities of the University Court is published on the University's website.

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 financial statements 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 financial statements 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.

The Court takes proper account of the interests of stakeholders, including students, staff, alumni, the wider community and funding bodies.

In causing the financial statements 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 financial statements;
- financial statements are prepared which comply with the Charities and Trustee Investment (Scotland) Act 2005;
- financial statements 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 financial statements.

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.

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 October 2012;
- 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 third party Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court. Internal Audit 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.



Merchiston campus



Merchiston campus

**On behalf of the University Court,
The Very Revd Dr Graham Forbes, CBE,
Chair
15 December 2014**

We have audited the Consolidated and University financial statements for the year ended 31 July 2014 which comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 30. 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 Charter and Statutes of the University; and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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 Responsibilities of the University Court set out on pages 14 and 15, the University Court is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Charter and Statutes of the University and also under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. 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 Principal's Report, Operating and Financial Review, Statement of Corporate Governance and Court Membership 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 2014 and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by applicable regulations

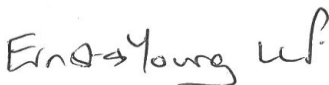
In our opinion:

- 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations (as amended) require us to report to you if, in our opinion:

- the information given in the Principal's Report and the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Ernst & Young LLP
Registered Auditor
Edinburgh
15 December 2014

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 financial statements 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 financial statements consolidate the financial statements of the University and 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.

9 Pension Schemes (contd)

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 pension payments made and changes in the annual actuarial valuation conducted by the University's actuaries.

10 Accounting for Charitable Donations

Charitable donations are recognised in the financial statements 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	2 years or project life
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 2014

		2014 £000	2013 £000
Income	Notes		
Scottish Funding Council grants	1	56,452	55,216
Tuition fees and education contracts	2	35,475	32,669
Research grants and contracts	3	4,513	4,718
Other income	4	15,409	14,727
Endowment and investment income	5	901	540
		-----	-----
Total Income		112,750	107,870
		-----	-----
Expenditure			
Staff costs	6	67,326	64,422
Other operating expenses	7	33,071	28,745
Depreciation	7	6,060	5,948
Interest and other finance costs	8	2,548	3,162
		-----	-----
Total Expenditure	7	109,005	102,277
		-----	-----
Surplus before exceptional items		3,745	5,593
Exceptional items: continuing operations			
Gain on disposal of fixed assets	9	690	-
		-----	-----
Surplus on continuing operations after depreciation of fixed assets and disposal of assets		4,435	5,593
Surplus for the year transferred (to) / from accumulated income in endowment funds		6	(266)
		-----	-----
Surplus for the year retained within general reserves		4,441	5,327
		=====	=====

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 2014**

	2014 £000	2013 £000
Surplus on continuing operations after depreciation of fixed assets and disposal of assets	4,435	5,593
Diminution of investments	(126)	(3)
Appreciation of endowment asset investments	10	23
Actuarial gain / (loss) in respect of pension scheme	(14,918)	10,403
	<hr/>	<hr/>
Total recognised gains / (losses) for the year	(10,599)	16,016
	<hr/>	<hr/>
Reconciliation		
Opening reserves and endowments	43,982	27,966
Total recognised gains / (losses) for the year	(10,599)	16,016
	<hr/>	<hr/>
Closing reserves and endowments	33,383	43,982
	<hr/>	<hr/>

Edinburgh Napier University
Balance Sheets - At 31 July 2014

	Notes	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Fixed assets					
Tangible fixed assets	10	124,527	124,427	127,115	127,097
Investments	11	1,592	1,830	1,564	1,804
		—————	—————	—————	—————
		126,119	126,257	128,679	128,901
Endowment assets	12	626	622	263	253
Current assets					
Stock	13	35	35	35	35
Debtors	14	6,710	5,871	4,142	3,463
Cash at bank and in hand		45,338	42,920	44,845	42,350
		—————	—————	—————	—————
		52,083	48,826	49,022	45,848
Less: creditors - amounts falling due within one year	15	(25,278)	(22,047)	(26,572)	(23,041)
		—————	—————	—————	—————
Net current assets		26,805	26,779	22,450	22,807
		—————	—————	—————	—————
Total assets less current liabilities		153,550	153,658	151,392	151,961
Less: creditors - amounts falling due after more than one year	16	(30,000)	(35,000)	(30,000)	(35,000)
Less: provisions for liabilities	17	(20,354)	(21,231)	(20,354)	(21,231)
		—————	—————	—————	—————
Net assets excluding pension liability		103,196	97,427	101,038	95,730
Pension liability	18	(33,588)	(18,319)	(33,588)	(18,319)
		—————	—————	—————	—————
Net assets including pension liability		69,608	79,108	67,450	77,411
		=====	=====	=====	=====


Edinburgh Napier University
Balance Sheets - At 31 July 2014 (continued)

	Notes	Consolidated		University	
		2014 £000	2013 £000	2014 £000	2013 £000
Deferred capital grants	19	36,225	35,126	36,225	35,126
Endowments					
Permanent	20	619	615	256	246
Expendable	20	7	7	7	7
		626	622	263	253
Reserves					
Income and expenditure account excluding pension reserve		65,446	60,654	63,612	59,286
Pension reserve	18	(33,588)	(18,319)	(33,588)	(18,319)
Income and expenditure account including pension reserve	21	31,858	42,335	30,024	40,967
Revaluation reserve	22	899	1,025	938	1,065
		32,757	43,360	30,962	42,032
Total funds		69,608	79,108	67,450	77,411

The financial statements on pages 18 to 43 were approved by the University Court on 15 December 2014 and were signed on its behalf by:



The Very Revd Dr Graham Forbes, CBE, Chair



Professor Andrea M Nolan, OBE, Principal and Vice-Chancellor

Edinburgh Napier University
Consolidated Cash Flow Statement - Year to 31 July 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	25	11,861	12,736
Returns on investment and servicing of finance			
Income from endowments		17	8
Other interest received		258	249
Interest paid		(2,574)	(3,189)
Net cash outflow from returns on investment and servicing of finance		(2,299)	(2,932)
Capital expenditure			
Payments to acquire fixed assets		(5,620)	(14,791)
Proceeds from sale of fixed assets		959	-
Payments to acquire endowment assets		(284)	(7)
Proceeds from sale of endowment assets		37	5
Deferred capital grants received		2,511	912
Net cash outflow from capital expenditure		(2,397)	(13,881)
Cash inflow / (outflow) before management of liquid resources and financing		7,165	(4,077)
Management of liquid resources			
Movement in endowment assets		253	(6)
Financing	26	(5,000)	(5,000)
Increase / (decrease) in cash in the year		2,418	(9,083)
Reconciliation of net cash flow to movements in net funds			
Increase / (decrease) in cash in the year		2,418	(9,083)
Change in debt		5,000	5,000
Net funds at 1 August		2,920	7,003
Net funds at 31 July	26	10,338	2,920

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	2014	2013
	£000	£000
1 Scottish Funding Council grants		
Recurrent teaching grant	49,035	48,367
Research grant	2,155	1,992
Other grants	4,135	3,702
Released from deferred capital grants		
- Buildings	762	743
- Equipment	365	412
	<hr/>	<hr/>
	56,452	55,216
	<hr/> <hr/>	<hr/> <hr/>
2 Tuition fees and education contracts		
Scotland and EU fees	15,298	16,157
Other UK fees	3,011	1,358
Non EU fees	14,964	13,358
Non-credit bearing course fees	2,202	1,796
	<hr/>	<hr/>
	35,475	32,669
	<hr/> <hr/>	<hr/> <hr/>
3 Research grants and contracts		
Research councils and charities	534	584
Industry and commerce	1,472	1,260
Governmental	1,569	1,859
Other grants and contracts	938	1,015
	<hr/>	<hr/>
	4,513	4,718
	<hr/> <hr/>	<hr/> <hr/>
4 Other income		
Consultancy and expert services	2,245	2,174
Residences and catering	6,860	5,954
Other services rendered	4,352	4,785
Released from deferred capital grants	239	72
Other income	1,713	1,742
	<hr/>	<hr/>
	15,409	14,727
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	2014	2013
	£000	£000
5		
Endowment and investment income		
Income from permanent endowments	17	12
Other interest receivable	222	210
Income from other investments	-	318
Net pension credit (note 18)	662	-
	<u>901</u>	<u>540</u>
6		
Staff costs		
Salaries	54,024	52,105
Social security costs	4,373	4,293
Pension costs	8,929	8,024
	<u>67,326</u>	<u>64,422</u>
The above staff costs include amounts payable to the:		
Current Vice-Chancellor (2013 from 1 July) of:		
Salary	190	16
Benefits in kind	-	-
Pension contributions	28	2
	<u>218</u>	<u>18</u>
Former Vice-Chancellor (2013 to 30 June) of:		
Salary	-	230
Benefits in kind	-	2
Pension contributions	-	-
	<u>0</u>	<u>232</u>
The number of other higher paid staff who received emoluments in the following ranges was:		
	2014	2013
	Number	Number
£70,000 – £79,999	24	14
£80,000 – £89,999	5	7
£90,000 – £99,999	3	2
£100,000 - £109,999	2	1
£110,000 - £119,999	1	2
£120,000 - £129,999	2	2

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

6	Staff costs (contd)	2014 Number	2013 Number
	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	744	697
	Academic services	222	200
	Central administration	251	247
	Property	24	25
	Research	57	61
	Residences and catering	44	42
		<u>1,342</u>	<u>1,272</u>

	2014 £000	2013 £000
Compensation for loss of office of former senior post-holders		
Compensation paid to the former post-holders	98	135
Estimated value of other benefits, including provisions for pension benefits	-	-
	<u>98</u>	<u>135</u>

7 Analysis of 2013-14 expenditure by activity

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest and other finance costs £000	2014 Total £000	2013 Total £000
Academic departments	33,166	5,287	693	-	39,146	35,705
Academic services	9,216	4,457	927	-	14,600	11,663
Central administration	11,246	7,495	11	-	18,752	17,295
Property	1,116	3,873	4,290	2,437	11,716	12,359
Research grants and contracts	5,351	2,923	107	-	8,381	11,502
Residences and catering	1,479	6,210	19	111	7,819	7,278
Napier University Ventures Ltd	4,739	2,331	13	-	7,083	6,118
Other expenditure	1,013	495	-	-	1,508	357
	<u>67,326</u>	<u>33,071</u>	<u>6,060</u>	<u>2,548</u>	<u>109,005</u>	<u>102,277</u>

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	2014	2013
	£000	£000
7 Analysis of 2013-14 expenditure by activity (contd)		
Other operating expenses include:		
External auditors – audit services	64	59
External auditors – other services	81	24
Internal auditors – audit services	62	78
Hire of buildings – operating leases	4,470	4,078
Hire of vehicles – operating leases	6	6
	<hr/>	<hr/>
	4,683	4,245
	<hr/> <hr/>	<hr/> <hr/>
8 Interest and other finance costs		
On bank loans, overdrafts and other loans:		
- repayable within one year	318	317
- repayable between one and two years	318	317
- repayable between two and five years	1,246	1,561
- repayable in more than five years	555	555
Unwinding of discount on dilapidations provision	111	126
Net pension charge (note 18)	-	286
	<hr/>	<hr/>
	2,548	3,162
	<hr/> <hr/>	<hr/> <hr/>
9 Exceptional items		
Gain on disposal of 12 Merchiston Place	690	-
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

10 Tangible Fixed Assets – Consolidated

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
Cost				
At 1 August 2013	13	134,506	21,237	155,756
Additions	(11)	2,990	3,226	6,205
Disposals	-	(75)	(1,711)	(1,786)
	-----	-----	-----	-----
At 31 July 2014	2	137,421	22,752	160,175
	=====	=====	=====	=====
Depreciation				
At 1 August 2013	-	18,254	13,075	31,329
Charge for the year	-	3,472	2,588	6,060
Disposals	-	(30)	(1,711)	(1,741)
	-----	-----	-----	-----
At 31 July 2014	-	21,696	13,952	35,648
	=====	=====	=====	=====
Net book value at 31 July 2014	2	115,725	8,800	124,527
	=====	=====	=====	=====
Net book value at 31 July 2013	13	116,252	8,162	124,427
	=====	=====	=====	=====
Tangible Fixed Assets – University				
Cost				
At 1 August 2013	13	137,777	21,213	159,003
Additions	(11)	2,990	3,198	6,177
Disposals	-	(75)	(1,711)	(1,786)
	-----	-----	-----	-----
At 31 July 2014	2	140,692	22,700	163,394
	=====	=====	=====	=====
Depreciation				
At 1 August 2013	-	18,841	13,065	31,906
Charge for the year	-	3,537	2,577	6,114
Disposals	-	(30)	(1,711)	(1,741)
	-----	-----	-----	-----
At 31 July 2014	-	22,348	13,931	36,279
	=====	=====	=====	=====
Net book value at 31 July 2014	2	118,344	8,769	127,115
	=====	=====	=====	=====
Net book value at 31 July 2013	13	118,936	8,148	127,097
	=====	=====	=====	=====

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	Consolidated £000	University £000
11 Investments		
At 1 August 2013	1,830	1,804
Additions	-	-
Disposals	(112)	(112)
Diminution of investments	(126)	(128)
	<hr/>	<hr/>
At 31 July 2014	1,592	1,564
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Index-linked stocks	1,532	1,532
Equities – listed	9	-
Equities – unlisted	51	32
	<hr/>	<hr/>
	1,592	1,564
	<hr/> <hr/>	<hr/> <hr/>
12 Endowment Assets		
At 1 August 2013	622	253
Additions	284	33
Disposals	(37)	(37)
Appreciation of investments	10	8
Increase / (decrease) in cash balances held	(253)	6
	<hr/>	<hr/>
At 31 July 2014	626	263
	<hr/> <hr/>	<hr/> <hr/>
Represented by:		
Equities – listed	485	218
Cash balances	140	44
Investment debtors	1	1
	<hr/>	<hr/>
	626	263
	<hr/> <hr/>	<hr/> <hr/>

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	Consolidated		University	
	2014	2013	2014	2013
	£000	£000	£000	£000
13 Stocks				
Stocks for resale	35	35	35	35
	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>
14 Debtors				
Trade debtors	3,073	2,472	970	702
Other debtors	912	918	719	780
Prepayments and accrued income	2,167	1,984	1,895	1,484
Research	558	497	558	497
	<u>6,710</u>	<u>5,871</u>	<u>4,142</u>	<u>3,463</u>
	<u>6,710</u>	<u>5,871</u>	<u>4,142</u>	<u>3,463</u>
15 Creditors – amounts falling due within one year				
Trade creditors	3,381	2,439	3,381	2,439
Taxation and social security	1,365	1,280	1,365	1,280
Other creditors	1,483	1,572	1,344	1,386
Accruals and deferred income	12,362	9,291	10,450	7,168
Loans	5,000	5,000	5,000	5,000
Research	1,687	2,465	1,687	2,465
Subsidiary undertakings	-	-	3,345	3,303
	<u>25,278</u>	<u>22,047</u>	<u>26,572</u>	<u>23,041</u>
	<u>25,278</u>	<u>22,047</u>	<u>26,572</u>	<u>23,041</u>
16 Creditors – amounts falling due after more than one year				
Unsecured loans repayable by 2017	20,000	25,000	20,000	25,000
Unsecured loans repayable by 2039	10,000	10,000	10,000	10,000
	<u>30,000</u>	<u>35,000</u>	<u>30,000</u>	<u>35,000</u>
	<u>30,000</u>	<u>35,000</u>	<u>30,000</u>	<u>35,000</u>

Of the loans outstanding, £25m is fixed at a rate of 6.36%, and the remaining £10m is fixed at a rate of 5.55%

17 Provisions for liabilities – Consolidated and University

	Unfunded pensions £000	Onerous leases £000	Dilapidations £000	Total £000
At 1 August	14,787	1,325	5,119	21,231
Income from investments	36	-	-	36
Early retirement pensions	(943)	-	-	(943)
Unwinding of discount	-	-	111	111
Transfer (to) / from income and expenditure account	217	(521)	223	(81)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July	14,097	804	5,453	20,354
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Unfunded pensions

A valuation of the unfunded pension liability was carried out at 31 July 2014, by Mercer Limited, an independent firm of actuaries.

Onerous leases

The onerous leases provision is in respect of student accommodation. The current provision will continue to reduce until 2016.

Dilapidations

The dilapidations provision is in respect of student accommodation and other leased properties where the University has taken a decision to vacate the property at the end of the current lease. It is expected that a provision will continue to be required until 2016.

18 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 £8,929,000 (2013 - £8,024,000)

Total pension cost for the year (note 6)

	2014 £000	2013 £000
STSS – contributions paid	3,482	3,237
LGPS – charge to the income and expenditure account	5,447	4,787
	<hr/>	<hr/>
	8,929	8,024
	<hr/> <hr/>	<hr/> <hr/>

18 Pension schemes (contd)

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.

The Local Government Pension Scheme is the principal scheme for non-academic staff of the University. It is a funded defined benefit scheme, with 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 2011 using the projected unit method. The following assumptions were made for actuarial valuation purposes:

Gilt-based discount rate	4.3%
Funding basis discount rate	5.8%
Pay increases	5.1%
Price inflation / pension increases	2.8%

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 2011, updated to 31 July 2014 by a qualified independent actuary.

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18 Pension schemes (contd)

	July 2014	July 2013	July 2012
	%	%	%
Rate of increase in salaries	5.0	5.1	4.5
Rate of increase in pensions	2.7	2.8	2.2
Discount rate	4.0	4.6	4.1
Inflation rate	2.7	2.8	2.2

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 financial statements. Any differences between expected and actual outcomes are reported through experience gains and losses.

	July 2014		July 2013		July 2012	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	6.4	100,512	6.4	92,845	5.5	73,396
Bonds	3.8	10,178	3.8	8,124	2.9	8,579
Property	4.6	10,178	4.6	9,285	3.7	10,485
Cash	3.4	6,362	3.4	5,803	2.8	2,860
		—————		—————		—————
Fair value of assets		127,230		116,057		95,320
Present value of scheme liabilities		160,818		134,376		123,182
		—————		—————		—————
Net pension deficit		(33,588)		(18,319)		(27,862)
		—————		—————		—————

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

	2014 £000	2013 £000
The University's estimated asset share	127,230	116,057
Present value of the University's scheme liabilities	(160,818)	(134,376)
	—————	—————
Deficit in the scheme – net pension liability	(33,588)	(18,319)
	—————	—————

18 Pension schemes (contd)		
	2014	2013
	£000	£000
Analysis of the amount charged to the Income and Expenditure Account		
Current service cost	5,437	4,738
Past service costs	10	49
	<hr/>	<hr/>
Total operating charge	5,447	4,787
	<hr/>	<hr/>
Analysis of the amount charged to Interest and other financial costs (note 8) and credited to Endowment and investment income (note 5)		
Expected return on pension scheme assets	6,933	4,827
Interest on pension scheme liabilities	(6,271)	(5,113)
	<hr/>	<hr/>
Net (charge) / credit	662	(286)
	<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	1,289	13,394
Changes in the assumptions underlying the present value of the scheme liabilities	(16,207)	(2,991)
	<hr/>	<hr/>
Actuarial gain / (loss) recognised in the STRGL	(14,918)	10,403
	<hr/>	<hr/>
Analysis of movements in the present value of the scheme liabilities		
Balance at 1 August	134,376	123,182
Current service cost	5,437	4,738
Contributions	1,585	1,518
Past service costs / gains	10	49
Benefits paid	(3,068)	(3,215)
Interest costs	6,271	5,113
Curtailment and settlements	-	-
Actuarial loss	16,207	2,991
	<hr/>	<hr/>
Balance at 31 July	160,818	134,376
	<hr/>	<hr/>

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

18 Pension schemes (contd)

	2014	2013
	£000	£000
Analysis of movements in the market value of the scheme assets		
Balance at 1 August	116,057	95,320
Contributions	6,019	5,731
Benefits paid	(3,068)	(3,215)
Expected return on assets	6,933	4,827
Actuarial gain	1,289	13,394
	<hr/>	<hr/>
Balance at 31 July	127,230	116,057
	<hr/> <hr/>	<hr/> <hr/>

History of experience gains and losses	2014	2013	2012	2011	2010
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets	1,289	13,394	(5,128)	3,629	4,986
% of scheme assets	1.0%	11.5%	(5.4%)	4.0%	6.3%
Experience gains on scheme liabilities	52	-	3,546	-	-
% of the present value of the scheme liabilities	0.0%	0.0%	2.9%	0.0%	0.0%
Total amount recognised in statement of total recognised gains and losses	(14,918)	10,403	(12,668)	10,518	(418)
% of the present value of the scheme liabilities	(9.3%)	7.7%	(10.3%)	9.8%	(0.4%)

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	SFC £000	Other £000	Total £000
19 Deferred capital grants – Consolidated and University			
At 1 August 2013			
Buildings	30,442	3,114	33,556
Equipment	1,566	4	1,570
	-----	-----	-----
	32,008	3,118	35,126
	=====	=====	=====
Received during the year			
Buildings	962	68	1,030
Equipment	-	1,481	1,481
	-----	-----	-----
	962	1,549	2,511
	=====	=====	=====
Released during the year			
Buildings	807	74	881
Equipment	365	166	531
	-----	-----	-----
	1,172	240	1,412
	=====	=====	=====
At 31 July 2014			
Buildings	30,597	3,108	33,705
Equipment	1,201	1,319	2,520
	-----	-----	-----
	31,798	4,427	36,225
	=====	=====	=====

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	Restricted Permanent £000	Restricted Expendable £000	Total £000
20 Endowments – Consolidated			
At 1 August 2013			
Capital value	557	7	564
Accumulated income	58	-	58
	-----	-----	-----
	615	7	622
Appreciation of endowment assets	10	-	10
Income for the year	17	1	18
Expenditure for the year	(23)	(1)	(24)
	-----	-----	-----
At 31 July 2014	619	7	626
	=====	=====	=====
Represented by:			
Capital value	556	7	563
Accumulated income	63	-	63
	-----	-----	-----
	619	7	626
	=====	=====	=====
Endowments – University			
At 1 August 2013			
Capital value	188	7	195
Accumulated income	58	-	58
	-----	-----	-----
	246	7	253
Appreciation of endowment assets	8	-	8
Income for the year	12	1	13
Expenditure for the year	(10)	(1)	(11)
	-----	-----	-----
At 31 July 2014	256	7	263
	=====	=====	=====
Represented by:			
Capital value	193	7	200
Accumulated income	63	-	63
	-----	-----	-----
	256	7	263
	=====	=====	=====

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

	Consolidated		University	
	2014 £000	2013 £000	2014 £000	2013 £000
21 Income and expenditure account				
At 1 August	42,335	26,605	40,967	25,931
Surplus retained for the year	4,441	5,327	3,975	4,633
Actuarial gain / (loss) in respect of pension scheme	(14,918)	10,403	(14,918)	10,403
	_____	_____	_____	_____
At 31 July	31,858	42,335	30,024	40,967
	=====	=====	=====	=====
Represented by:				
Income and expenditure reserve	65,446	60,654	63,612	59,286
Pension reserve	(33,588)	(18,319)	(33,588)	(18,319)
	_____	_____	_____	_____
	31,858	42,335	30,024	40,967
	=====	=====	=====	=====
22 Revaluation reserve				
At 1 August	1,025	1,029	1,065	1,071
Diminution of investments	(126)	(4)	(127)	(6)
	_____	_____	_____	_____
At 31 July	899	1,025	938	1,065
	=====	=====	=====	=====

23 Post Balance Sheet events

On 7th November 2014, the University accepted an offer from the owners of the former Craighouse campus site whereby in return for the University agreeing to forego its potential but uncertain future overage payment and release its security over the site, the University's unquantified potential for dilapidations was waived and the University received £1.25m by way of cash settlement. This agreement ends all interest of the University in the future of the former Craighouse campus.

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 consolidated in these Financial Statements.

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 and consolidated in these Financial Statements.

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Notes to the 2013-14 Financial Statements

	2014	2013
	£000	£000
25 Reconciliation of surplus on continuing operations after depreciation of fixed assets and disposal of assets to net cash inflow from operating activities		
Surplus on continuing operations after depreciation of fixed assets and disposals of assets	4,435	5,593
Depreciation of tangible fixed assets	6,060	5,948
Deferred capital grants released to income	(1,412)	(1,227)
Investment income	(239)	(477)
Interest payable	2,548	3,162
Pension costs less contributions payable	351	860
Gain on disposal of tangible fixed assets	(801)	-
Decrease in stock	-	12
(Increase) / decrease in debtors	(839)	725
Increase / (decrease) in creditors	2,671	(931)
Decrease in provisions	(913)	(929)
	<hr/>	<hr/>
Net cash inflow from operating activities	11,861	12,736
	<hr/> <hr/>	<hr/> <hr/>

	At 1 August		Other	At 31 July
	2013	Cashflows	changes	2014
	£000	£000	£000	£000
26 Analysis of changes in net funds				
Cash at bank and in hand	42,920	2,418	-	45,338
Debts due within one year	(5,000)	-	-	(5,000)
Debts due after more than one year	(35,000)	5,000	-	(30,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	2,920	7,418	-	10,338
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

27 Capital commitments

At 31 July 2014 the University and its consolidated subsidiaries had commitments contracted for amounting to £341,715 (2013 - £141,183).

Edinburgh Napier University
Notes to the 2013-14 Financial Statements

28 Financial commitments

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

	2014	2013
	£000	£000
Land and Buildings:		
Expiring in less than one year	200	-
Expiring in one to two years	944	384
Expiring within two to five years inclusive	1,375	2,492
Expiring in over five years	2,930	90
Vehicles:		
Expiring in less than one year	3	5
Expiring within two to five years inclusive	11	-
	<u>5,463</u>	<u>2,971</u>

29 Discretionary and Childcare funds

	Discretionary	Childcare	2014	2013
	£000	£000	Discretionary	Discretionary
			& Childcare	& Childcare
			£000	£000
At 1 August	-	-	-	174
SAAS grants received	579	282	861	836
Transfers	135	(135)	-	-
Interest earned	-	-	-	-
	<u>714</u>	<u>147</u>	<u>861</u>	<u>1,010</u>
Disbursed to students	(714)	(147)	(861)	(835)
Repaid to SAAS	-	-	-	(175)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July	-	-	-	-

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.

30 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.