



Annual Report &
Financial Statements

for the year to 31 July 2015

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Scottish Charity Number – SC018373

General Information

<i>Chancellor</i> (until 31 July 2015)	Tim Waterstone MA
<i>Chancellor</i> (from 1 August 2015)	David Eustace BA DArt
<i>Chair of Court</i>	The Very Revd Dr Graham Forbes CBE MA BD
<i>Principal & Vice-Chancellor</i>	Professor Andrea M Nolan OBE MVB MRCVS DVA PhD DipIECVA DipECVPT FRSE
<i>Secretary</i>	Dr Gerald C Webber BA (Hons) DPhil MBA MCMi AUA (Fellow)
<i>Director of Finance</i>	Simon L Belfer MA (Cantab) ACA MSI (Dip)
<i>External Auditors</i>	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
<i>Internal Auditors</i>	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
<i>Bankers</i>	Royal Bank of Scotland plc 206 Bruntsfield Place Edinburgh EH10 4DF
<i>Solicitors</i>	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY
<i>Actuaries</i>	Mercer Limited G1 Building 5 George Square Glasgow G2 1AR

Court Membership

The following persons served as members of Court during the year to 31 July 2015, 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
Mr A Boyce	1 August 2015		Staff
Ms J Boyle			Non-Executive
Rt Hon Lord Brodie			Non-Executive
Ms J Brown	1 October 2015		Non-Executive
Mr M Connarty			Non-Executive
Dr V Ellis			Staff
The Very Revd Dr G Forbes			Non-Executive
Mr W Gallagher			Non-Executive
Ms S Goddard	1 August 2015		Student
Ms D Guilfoyle	1 August 2015		Student
Mr R Hare			Non-Executive
Ms S Jiwa			Non-Executive
Mr R Kemmer			Staff
Mr S Logie		31 July 2015	Staff
Mr R Maclennan			Non-Executive
Prof A Nolan			Principal & Vice-Chancellor
Mr B Rigby		31 July 2015	Non-Executive
Prof A Sambell			Vice-Principal & Deputy V-C
Ms A Scullion	1 October 2014		Non-Executive
Mr D Smith		31 July 2015	Student
Dr P Stollard			Non-Executive
Mr R Strachan	1 August 2014	31 July 2015	Student
Mr R Sweetman		31 July 2015	Non-Executive
Ms P Woodburn			Non-Executive
Mr N Woodcock	1 October 2014		Non-Executive

The following persons who served as members of Court during the year to 31 July 2015, are shown below with their attendance records at relevant Committees.

Court Member	Court	Audit & Risk	Finance & Property	Nominations	Remuneration
Ms M Ali	75%				
Mr N Ballantyne	100%				
Ms J Boyle	75%	75%			50%
Rt Hon Lord Brodie	100%				
Mr M Connarty	75%	25%		50%	
Dr V Ellis	50%				
The Very Revd Dr G Forbes	100%			100%	100%
Mr W Gallagher	75%	75%			0%
Mr R Hare	100%		60%		
Ms S Jiwa	75%				
Mr R Kemmer	75%			50%	
Mr S Logie	100%				
Mr R Maclennan	25%		60%		
Prof A Nolan	100%	100%	80%	50%	100%
Mr B Rigby	100%		80%		
Prof A Sambell	100%		60%		
Ms A Scullion	100%				
Mr D Smith	75%			50%	
Dr P Stollard	100%		100%		
Mr R Strachan	75%				
Mr R Sweetman	75%		100%		
Ms P Woodburn	100%	50%		100%	100%
Mr N Woodcock	75%		75%		

Principal's Foreword

Higher Education is in an era of huge opportunity and challenge, and Edinburgh Napier University is well placed to take advantage of this context. The vision, values and objectives outlined in 'Strategy 2020: Building Success', embrace the world around us and have been our guiding framework during the last year as we seek to deliver our ambitions and build our reputation.



Moving forward, we will continue to grow our income and build on this momentum, supported by strong staff engagement and strategic investment in the areas we know will make a difference, such as international operations, our academic community and research.

Partnership underpins our work – partnership with our Edinburgh Napier Students' Association; with Scotland's Colleges; with other higher education institutions around the world; with the Scottish Funding Council through our Outcome Agreement; with businesses and employers small and large and many others. We recognise that through collaboration and partnership great things can happen.

We have been busy and productive delivering the first year of Strategy 2020, with many highlights appearing in the following pages. Our strategy has sharpened our focus and brought our leadership team, staff and plans together under a clear purpose and direction, underpinned by our values and a commitment to transforming our culture.

I appreciate the commitment of staff, students, our multiple stakeholders, partners and alumni to delivering the University's shared ambition and look forward to continuing an exciting and positive trajectory towards our vision for 2020.

Professor Andrea Nolan, OBE
Principal & Vice-Chancellor

There are challenges, including those arising from the public spending environment and cost pressures, faced by all universities. Competition in the sector is increasing across the UK and internationally with the removal of student number caps in England and the emergence and growth of new providers and models of delivery. Diverging policy environments create complexity in higher education, exemplified by the impact on international student mobility from differing immigration policies around the world. However, Higher Education is a dynamic and growing sector world-wide, which not only provides the opportunity for talented people to grow and develop, but also has the ability to help people find solutions to address the challenges we face as a global society. Edinburgh Napier University is a unique organisation with ambition and opportunity, and we have a vital role to play on the local, national and international stage.

Our corporate plan for 2014/15 included ambitious investment in academic areas, delivery of a flatter set of organisational structures and new academic career pathways. I am delighted to report that we have delivered well against all our objectives.



Operating and Financial Review

The University

The University Court was established under The Further and Higher Education (Scotland) Act 1992 for the purpose of governing Edinburgh Napier University. The University is an exempt charity for the purposes of the Charities and Trustee Investment (Scotland) Act 2005 (No.SCO18373). 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 2015, 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

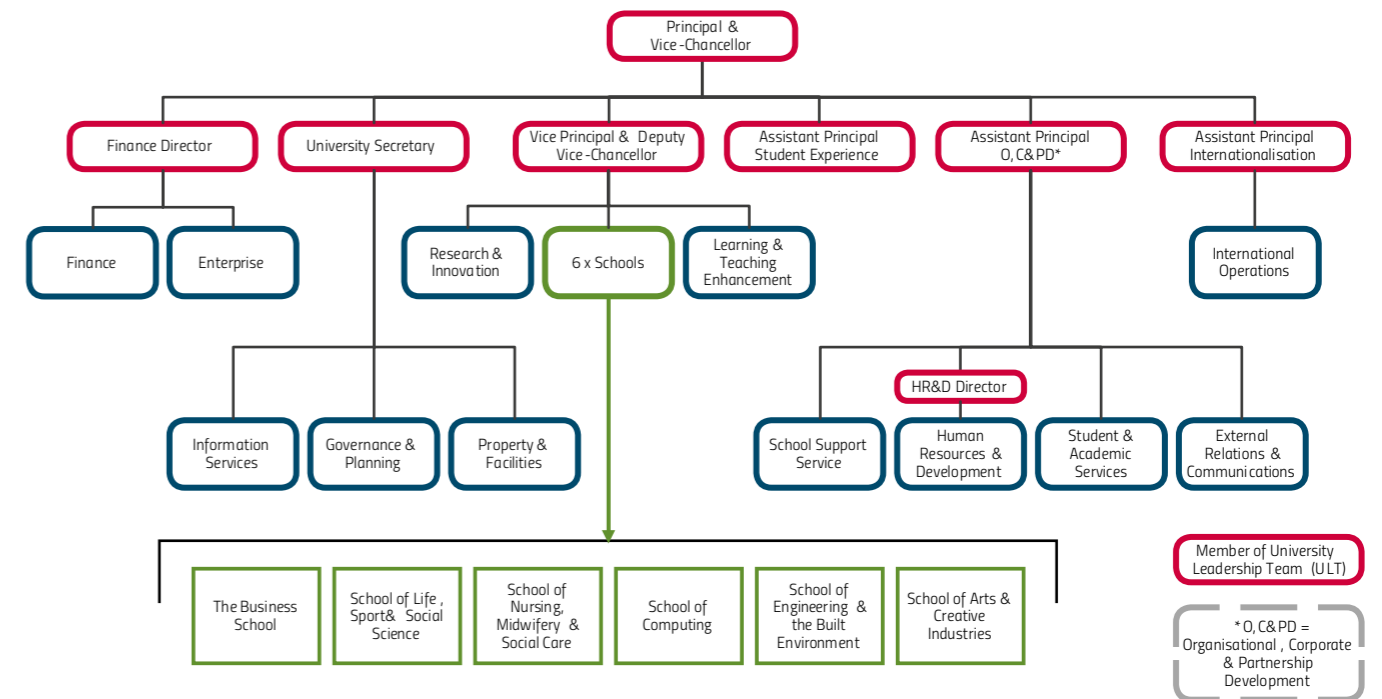
Strategy 2020 describes a journey that builds on our achievements. Our commitment to grow our academic reputation, deliver an excellent personalised student experience and to serve the appetite for knowledge and innovation in all corners of society underpins our ambition. It is a framework for action and for investment. In 2014/15, the first year of Strategy 2020 we have made good progress against each of our four strategic objectives.

KPI Title	Actual		Target		
	2013/14 baseline	2014/15	2015/16	2016/17	2017/18
GROW OUR ACADEMIC REPUTATION					
Income from Research Grants and Contracts (£000s)	4,513	4,654	5,235	5,994	6,864
Taught postgraduate numbers; total population	2,899	3,373	2,940	3,100	3,290
Research postgraduate numbers; total population	207	252	214	237	267
Student Satisfaction: NSS	85%	84%	87%	88%	89%
DELIVER AN EXCELLENT PERSONALISED STUDENT EXPERIENCE					
Graduate Employability	95%	95%	95%	95%	95%
BUILD INNOVATION, ENTERPRISE AND CITIZENSHIP					
Total revenue from CPD (£000s)	2,202	2,408	2,536	2,670	2,806
Reduction in Carbon emissions	>25%	>35%	>35%	>35%	>35%
INTERNATIONALISE OUR WORK					
International (Non-EU) numbers (FTE)	4,492	5,246	5,120	5,580	6,170
ENABLERS					
Overall Employee Engagement	73%		76%		79%
University Total Income	£113m	£119m	£123m	£131m	£136m
Financial Surplus	£4.4m	£4.6m	£2.1m	£3.4m	£4.4m



Growing our academic reputation

In order to support Strategy 2020 objectives, in October 2014 the University Leadership Team began consultation around the intention to devolve more responsibility to our academic schools in order to increase local ownership, speed of decision making and enable senior leadership capacity to be refocused on driving our key cross-institutional strategic objectives. In December, Academic Board agreed to the disestablishment of the three existing faculties, and with effect from 1 August 2015, the new six school academic structure was implemented as below.



In April, we were delighted to receive an excellent outcome from the Quality Assurance Agency following the Enhancement-led Institutional Review (ELIR) reflecting confidence in our arrangements for managing academic standards and the student experience with many areas of best practice identified and commended.

In December 2014, very good progress in research was recognised through the Research Excellence Framework (REF), with 53 per cent of our submitted work rated as either world leading (4*) or internationally excellent (3*), compared to 22 per cent in the 2008 Research Assessment Exercise. There are many positives to be taken from the results, and also some key learning points and areas where we will want to improve in the future.

Together the ELIR and REF outcomes endorse our Academic Strategy which has articulated the ambitions and areas for action in Research and Innovation. Following the decision to invest approximately £1m in new academic posts to support Strategy 2020, and the addition of 28 fully funded PhD studentships in September 2014, we have finalised recruitment to the second tranche of our fully funded University PhD studentships (22 in total). This investment takes us to 50 in two years, prioritising those research areas we wish to grow.

Delivering an excellent personalised student experience

We take pride in and value the high level of engagement we have with our students; together we reflect on how we can enhance the student experience.

Undergraduate students. In the 2015 National Student Survey, which reflected the views of our final year undergraduates during the 2014/15 academic year, the University scored 84% for student satisfaction. Across the University, some subject areas performed exceptionally well. Our Accounting and Building programmes ranked within the top 5 in the UK with overall satisfaction scores of 98 per cent and 96 per cent respectively, while Media Studies and Transport (94 per cent), Sociology (94 per cent), Transport, Tourism and Travel (92 per cent), and Business Studies (90 per cent) were all in the top 20 in the UK.

Postgraduate Students. The University's student satisfaction in the 2015 Postgraduate Taught Experience Survey rose from 77 per cent to 83 per cent while our Postgraduate Research Student satisfaction remained at 80 per cent.

Napier Students' Association (NSA). NSA runs 23 sports clubs and 23 societies and aims to enhance the student experience through participation in sports, societies and volunteering. Last year it became the first Scottish Higher Education Duke of Edinburgh Direct Licensing Centre. The NSA also facilitates the Independent Student Advice Service, which provides students with free, independent advice, information and support on welfare and education issues. After the year end, our students voted to change the name of the association to Edinburgh Napier Students Association (ENSA).

BT Sport Scottish Rugby Academy, Edinburgh. In June, the University signed a ten year agreement with the Scottish Rugby Union, launching the BT Sport Scottish Rugby Academy, Edinburgh at the University's Sighthill Campus. This new partnership will provide opportunities for students from sports science as well as marketing, film, photography and other disciplines to work with Scottish Rugby, and will enhance facilities for all our students.



During the year our student portal underwent a major revamp in response to student feedback. The newly designed and improved mobile friendly version, myNapier, makes it quicker and easier for our students to get information from anywhere in the world.

Building innovation, enterprise and citizenship

We offer a range of activities to help students and graduates to develop the skills, knowledge and experience that will enable them to thrive in their careers, whether that involves developing their own business, working for an organisation or having an impact on their community. We are committed to developing in our graduates the attributes and entrepreneurial spirit that employer's value.

We have brought our student enterprise activities together under one banner, Bright Red Triangle (BRT), which is also open to staff and graduates. Last year, the business incubators supported 35 new start-up businesses. We also provide students with opportunities to work on real industry projects, and over the last year, BRT has trained 60 junior consultants and delivered almost 40 projects mainly for SMEs in the local area.

Our staff have worked on 12 knowledge transfer partnerships (KTPs) in 2014/15 including work in cybersecurity, manufacturing, forestry, built environment and digital media. These KTPs were part of the 588 commercial projects undertaken by staff supporting research and innovation across sectors. Staff also designed and delivered tailored Continuous Professional Development to 550 customers in areas such as business leadership, sales, construction, the creative industries, and tourism and event management.

Get on Board was launched with the aim of placing Edinburgh Napier students on the boards of local charities, voluntary sector organisations or public bodies, where they can network with professionals and help make decisions which impact on the community. Its value also extends to commercial partners wishing to provide a real board experience for senior managers and

executives in the charity and voluntary sector. Twenty students took part in 2014/15, completing training in 'Governance in Leadership' (with the option to gain a professional qualification for the Association of Corporate Governance Practitioners) and have been encouraged to apply to sit on Boards in the third sector and charities. In 2015, Get on Board won a Herald Higher Education Award in the category – Enhancing Student Learning.

Internationalising our work

We are committed to building Edinburgh Napier's reputation as an internationalised University with a global outlook and reach. Over the past year we have launched a new Internationalisation Strategy and invested significantly in the International Operations team under a newly established Directorate.

We now have over 4,500 students studying our programmes delivered overseas, through our partnerships with institutions in Hong Kong, Singapore, China, Sri Lanka and India. After 20 years in Hong Kong, our impact continues to grow. As the largest UK Higher Education provider in Hong Kong, in association with our partners Hong Kong University School of Professional and Continuing Education (HKU SPACE) and City University School of Continuing and Professional Education (SCOPE), we graduated over 1,500 students with Edinburgh Napier awards in 2015.

Our online degree programmes have continued to attract students from many countries worldwide and we will continue to invest in the development and enhancement of this important platform, alongside the expansion of our programmes delivered overseas. Our partnership with Edinburgh International College has continued to strengthen with the addition of new pathway programmes in Civil Engineering, Accounting, Hospitality and Tourism. Identifying opportunities for our students to gain an international experience as part of their degree is a key priority for the University and over the past year we have received Scottish Government Saltire funding to support an innovative mobility project with Zhengzhou University of Light Industry (ZZULI) in China and promoted opportunities for our students to spend time at one of our European and international exchange partners.

Staff

A new Academic Appointments and Promotions Framework was developed as a key element in creating the context for academic success. The framework provides well-defined progression pathways for academic staff and is designed to attract, retain and develop academic staff who share the goals and ambition expressed in Strategy 2020. The new criteria were implemented in January 2015 for new starts and used as the basis for the promotions round in May 2015. A redeveloped professional recognition framework (ENRoute) was launched in May to enable staff to gain fellowship of the Higher Education Academy (HEA) which works in partnership with institutions to support and continuously improve teaching quality. At the core of its work is the UK Professional Standards Framework, which is a benchmark for standards throughout the stages of an individual's career. To date, through recognition or accreditation, over 63,000 individual educators have become Fellows of the HEA. A new version of our teaching fellows scheme, fully aligned with HEA, was also successfully launched, with membership increasing by 50%.

A Voluntary Severance Scheme was implemented between April and June in order to create opportunities to drive the strategy, reshape the organisation and generate savings where appropriate, enabled through staff choice. Overall, over 90 staff took up the opportunity at a cost of £3.2m. We are recruiting to fill some posts, particularly academic posts, and expect the initiative to pay back in cost terms alone in less than two years.

The University achieved the Equality Challenge Unit's Athena SWAN bronze award in April 2015. *Athena SWAN* is a national scheme which recognises a commitment to supporting and advancing women's careers in science, technology, engineering, maths and medicine (STEMM) in higher education and research. We will continue to work on maintaining this status in the future.

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.

The University also retained the HR Excellence in Research Award from the European Commission, recognising our commitment to researchers and their career development.

Our Chancellor

In July 2015, Tim Waterstone attended his last set of graduation ceremonies as Chancellor of the University. Tim was a wonderful Chancellor giving us eight years of dedicated service, inspiring many students as they graduated. I know that we will continue to have a close relationship with Tim in the years ahead and we wished him well at the final graduation ceremony, with nearly 2,000 people cheering him for his contribution.

From 1 August 2015, Dr David Eustace took up the role of Edinburgh Napier University Chancellor. David is not only an Honorary Graduate and internationally acclaimed photographer, but a graduate from our BA Photography course. We look forward to the enthusiasm, passion and energy that David will bring to the University.



Results for the year

The University is pleased to report a surplus for the year of £4.6m. The results for each of the last three years were:

£m	2012/13	2013/14	2014/15
Income	107.9	112.7	118.8
Expenditure	102.3	109.0	115.4
Surplus before exceptional items	5.6	3.7	3.4
Gain / (Loss) on disposal and other adjustments	(0.3)	0.7	1.2
Net surplus	5.3	4.4	4.6

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 £6.1m to £118.8m, a rise of 5.4 per cent, which includes a 2.0 per cent increase in SFC funding during the year and an 8.7 per cent increase in all other income. Within the total, tuition fees and education contracts rose by £3.3m, or 9.4 per cent. UK and EU fees rose by £0.6m and income from overseas students rose by £2.5m or 16.7 per cent.

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

	2012/13	2013/14	2014/15
Home and EU	10,217	9,965	10,135
Non EU	3,786	4,492	5,246
Total	14,003	14,457	15,381

Income from research grants and contracts increased by 3.1% to £4.7m.

Total operating expenditure rose by £6.4m, comprising an increase in staff costs of £4.1m or 6.1per cent; a voluntary severance scheme costing £3.2m; and savings of £0.9m in other operating costs, depreciation and interest and other finance costs.

The staff costs increase of 6.1 per cent includes a 3.3 per cent impact from FRS17 pension adjustments which were £1.2m higher than last year and a 1.6 per cent increase in the average number of staff employed during the year from 1,342 to 1,363.

Also during the year the University offered a voluntary severance scheme. The £3.2m cost of this is shown as exceptional restructuring costs.

Other operating expenditure reduced by £1.2m. This was in part due to a net credit for dilapidations of £1.6m compared to a charge in 2013/14 of £0.3m. There were also increased costs for student accommodation of £1.5m which was matched by income.

Cash flow for the year from operating activities continued to be strong, generating £11.6m. Cash balances at 31 July 2015 were £44m, a reduction of £1m. Bank loans stood at £30m at 31 July 2015, £5m lower than at 31 July 2014.

Although there were no major building projects in the year, the University invested £8.1m on works on its estates and infrastructures as described in the Estates section below.

A valuation of pension schemes at 31 July 2015 has resulted in an increased pension liability of £34m, calculated under FRS 17, as described in note 19. Net assets, excluding pensions, increased at 31 July 2015 to £105.0m. The University also has provisions of £17.4m 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 2015, there was an average of 46 days purchases (2014 – 38 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

The members of the University Court 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

During 2014/15 there were a number of projects undertaken to improve the physical condition and resilience of the campuses, to support the student experience.

At Merchiston the final phase of the window replacement project and new cladding on the Colinton Road side of the building have improved the look of the campus. Internal upgrades were also undertaken most notably the creation of a new Broadcast Suite, refurbishing some of the School of Computing Labs and the Jack Kilby Computer Centre, fire alarm and lift improvements and the reinstatement of the fire damaged workshops.

At Sighthill, the gym has been refurbished and design and tendering work has advanced on a gym extension which will be finished in Spring 2016. Further internal improvements include alterations within catering, the creation of a new NSA space and a laboratory upgrade.

Craiglockhart Campus has seen new modular buildings installed to provide accommodation for Edinburgh International College and an upgrade of the sports facilities.

The new 217 bed student accommodation on Slateford Road was completed in July 2015 and construction started on the new 234 bed Orwell Terrace accommodation which will be completed in summer 2016.

Student Hubs opened at both our Sighthill and Craiglockhart Campuses, providing students with easy access to support services and answers to general enquiries. Social spaces across all three campuses were upgraded throughout the year with the introduction of interactive work spaces, which students can use to both work in groups, with staff or individually.

As well as the individual projects required to enhance the campuses the vision on how the University estate will support Strategy 2020 has been shaped during 2014/15 and the new Estates Strategy will be in place for 2016.

Sustainability

The ongoing development of an Environmental Management System (EMS) at Edinburgh Napier was recognised with Gold EcoCampus status. Gold status is the penultimate award ahead of gaining ISO14001 status, the European standard, for the development of an EMS at Edinburgh Napier.

We once again received a 1st Class Award in the People and Planet Green League, ranked 1st in Scotland and 9th in the UK, an improvement of 7 places.



Transforming Tomorrow, Together

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. In April 2015, we publicly launched our £100m Investment Campaign Transforming Tomorrow, Together to secure funds in support of the ambitions in Strategy 2020 from commercial and research income as well as £15m to be raised philanthropically. The Campaign has achieved £6.1m of the £15m philanthropic goal to date.

Closing remarks

This report not only provides a summary of the University's results for the year, but highlights some of its achievements and demonstrates a great first year on the journey towards 2020. I look forward to continuing to support the University in its progress over the next five years and am confident it will achieve its ambitions.

The Very Revd Dr Graham Forbes, CBE, Chair
14 December 2015

Corporate Governance

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 2015. 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 & Property Committee, a Nominations Committee, a Remuneration Committee and an Audit & Risk Committee. The Finance & Property 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 & Risk 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 2015 are set out in note 7 to the financial statements.

The Audit & Risk Committee meets with the University's external and internal auditors in attendance. The Audit & Risk Committee advises the Court on the appointment of the internal and external auditors and the auditors' remuneration. In parallel with the Finance & Property 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 & Risk 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 & Risk 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 & Risk 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

recommendations for improvement. The Audit & Risk 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 & Risk Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2014 meeting the Court received the annual report from the Audit & Risk Committee covering the period to 30 November 2014. At its June 2015 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 2014.

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 2015 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.



The Very Revd Dr Graham Forbes, CBE, Chair



Professor Andrea M Nolan, OBE,
Principal and Vice-Chancellor
14 December 2015

Statement of Primary Responsibilities of the University Court

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 Schools 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 & Risk Committee and the Finance and Property Committee;
- a professional third party Internal Audit team whose annual programme is approved by the Audit & Risk 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.

On behalf of the University Court,



The Very Revd Dr Graham Forbes, CBE, Chair
14 December 2015



Independent Auditor's Report To The University Court Of Edinburgh Napier University

We have audited the group and University financial statements (the "financial statements") of Edinburgh Napier University for the year ended 31 July 2015 which comprise the Consolidated Income and Expenditure Account, the Consolidated and University Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Consolidated Total Recognised Gains and Losses, the Principal Accounting Policies and the related notes. 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 in accordance with section A(8) of Schedule 1 of the Napier University (Scotland) Order of Council 1993 and, in the University Court's role as charity trustees, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 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 of Edinburgh Napier University those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court of Edinburgh Napier University and auditor

As explained more fully in the Statement of Primary Responsibilities of the Court set out on page 20, the University Court of Edinburgh Napier University is responsible for the preparation of financial statements which give a true and fair view. We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee

Investment (Scotland) Act 2005 and report to you in accordance with the 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 University's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the University Court of Edinburgh Napier University; and the overall presentation of the financial information in the Annual Report & Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 affairs of the Group and University as at 31 July 2015 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the terms of our engagement

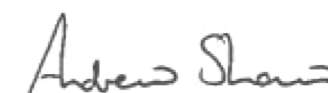
In our opinion, in all material respects:

- funds from whatever source administered by the University for specific purposes have been properly applied to those purposes and if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them; and
- funds provided by the Scottish Funding Council have been applied in accordance with the Financial Memorandum.

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 2006 (as amended) and the terms of our engagement require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- adequate and 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 the audit.



Andrew Shaw
For and on behalf of KPMG LLP, Statutory Auditor

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

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
16 December 2015

Consolidated Income & Expenditure Account – Year to 31 July 2015

		2015 £000	2014 £000
Income	Notes		
Scottish Funding Council grants	2	57,568	56,452
Tuition fees and education contracts	3	38,796	35,475
Research grants and contracts	4	4,654	4,513
Other income	5	16,315	15,409
Endowment and investment income	6	1,440	901
Total Income		118,773	112,750
Expenditure			
Staff costs	7	71,456	67,326
Exceptional restructuring costs	7	3,207	-
Other operating expenses	8	31,838	33,071
Depreciation	8	6,544	6,060
Interest and other finance costs	9	2,317	2,548
Total Expenditure		115,362	109,005
Surplus before exceptional items		3,411	3,745
Exceptional items: continuing operations	10	1,177	690
Surplus on continuing operations after depreciation of fixed assets and disposal of assets		4,588	4,435
Surplus for the year transferred (to) / from accumulated income in endowment funds		(20)	6
Surplus for the year retained within general reserves		4,568	4,441

The Income & Expenditure account is in respect of continuing activities
There is no difference between the surplus stated above and its historical cost equivalent.

Statement of Consolidated Total Recognised Gains and Losses – Year to 31 July 2015

	2015 £000	2014 £000
Surplus on continuing operations after depreciation of fixed assets and disposal of assets	4,588	4,435
Appreciation / (diminution) of investments	25	(126)
Appreciation / (diminution) of endowment asset investments	(8)	10
Actuarial gain / (loss) in respect of pension scheme	644	(14,918)
Total recognised gains / (losses) for the year	5,249	(10,599)
Reconciliation		
Opening reserves and endowments	33,383	43,982
Total recognised gains / (losses) for the year	5,249	(10,599)
Closing reserves and endowments	38,632	33,383

Balance Sheets At 31 July 2015

	Notes	Consolidated		University	
		2015 £000	2014 £000	2015 £000	2014 £000
Fixed assets					
Tangible fixed assets	11	122,514	124,527	125,050	127,115
Investments	12	1,617	1,592	1,589	1,564
		<u>124,131</u>	<u>126,119</u>	<u>126,639</u>	<u>128,679</u>
Endowment assets	13	638	626	273	263
Current assets					
Stock	14	42	35	42	35
Debtors	15	7,955	6,710	4,997	4,142
Cash at bank and in hand		44,335	45,338	42,739	44,845
		<u>52,332</u>	<u>52,083</u>	<u>47,778</u>	<u>49,022</u>
Less: creditors – amounts falling due within one year	16	<u>(29,680)</u>	<u>(25,278)</u>	<u>(31,353)</u>	<u>(26,572)</u>
Net current assets		<u>22,652</u>	<u>26,805</u>	<u>16,425</u>	<u>22,450</u>
Total assets less current liabilities		<u>147,421</u>	<u>153,550</u>	<u>143,337</u>	<u>151,392</u>
Less: creditors – amounts falling due after more than one year	17	<u>(25,000)</u>	<u>(30,000)</u>	<u>(25,000)</u>	<u>(30,000)</u>
Less: provisions for liabilities	18	<u>(17,437)</u>	<u>(20,354)</u>	<u>(17,437)</u>	<u>(20,354)</u>
Net assets excluding pension liability		<u>104,984</u>	<u>103,196</u>	<u>100,900</u>	<u>101,038</u>
Pension liability	19	<u>(33,968)</u>	<u>(33,588)</u>	<u>(33,968)</u>	<u>(33,588)</u>
Net assets including pension liability		<u><u>71,016</u></u>	<u><u>69,608</u></u>	<u><u>66,932</u></u>	<u><u>67,450</u></u>

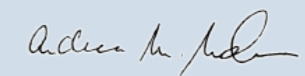
Balance Sheets At 31 July 2015 (cont)

	Notes	Consolidated		University	
		2015 £000	2014 £000	2015 £000	2014 £000
Deferred capital grants	20	<u>32,384</u>	<u>36,225</u>	<u>32,384</u>	<u>36,225</u>
Endowments					
Permanent	21	631	619	266	256
Expendable	21	7	7	7	7
		<u>638</u>	<u>626</u>	<u>273</u>	<u>263</u>
Reserves					
Income and expenditure account excluding pension reserve		71,038	65,446	67,280	63,612
Pension reserve	19	<u>(33,968)</u>	<u>(33,588)</u>	<u>(33,968)</u>	<u>(33,588)</u>
Income and expenditure account including pension reserve	22	37,070	31,858	33,312	30,024
Revaluation reserve	23	924	899	963	938
		<u>37,994</u>	<u>32,757</u>	<u>34,275</u>	<u>30,962</u>
Total funds		<u><u>71,016</u></u>	<u><u>69,608</u></u>	<u><u>66,932</u></u>	<u><u>67,450</u></u>

The financial statements on pages 24 to 49 were approved by the University Court on 26 October 2015 and were signed on its behalf by:



The Very Revd Dr Graham Forbes, CBE, Chair



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

Consolidated Cash Flow Statement – Year to 31 July 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	25	11,591	11,861
Returns on investment and servicing of finance			
Income from endowments		34	17
Other interest received		262	258
Interest paid		(2,343)	(2,574)
Net cash outflow from returns on investment and servicing of finance		(2,047)	(2,299)
Capital expenditure			
Payments to acquire fixed assets		(8,123)	(5,620)
Proceeds from sale of fixed assets		1,239	959
Payments to acquire endowment assets		(231)	(284)
Proceeds from sale of endowment assets		148	37
Deferred capital grants received		1,357	2,511
Net cash outflow from capital expenditure		(5,610)	(2,397)
Cash inflow before management of liquid resources and financing		3,934	7,165
Management of liquid resources			
Movement in endowment assets		63	253
Financing	26	(5,000)	(5,000)
Increase / (decrease) in cash in the year		(1,003)	2,418
Reconciliation of net cash flow to movements in net funds			
Increase / (decrease) in cash in the year		(1,003)	2,418
Change in debt		5,000	5,000
Net funds at 1 August		10,338	2,920
Net funds at 31 July	27	14,335	10,338

Notes to the 2014-15 Financial Statements

1 Principal Accounting Policies

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).

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.

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.

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.

Notes to the 2014-15 Financial Statements (cont)

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.

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.

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.

Liquid Resources

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

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.

Notes to the 2014-15 Financial Statements (cont)

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.

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.

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 asset.

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.

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.

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.

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000
2. Scottish Funding Council grants		
Recurrent teaching grant	49,761	49,035
Research grant	2,200	2,155
Other grants	4,594	4,135
Released from deferred capital grants		
- Buildings	668	762
- Equipment	345	365
	57,568	56,452
3. Tuition fees and education contracts		
Scotland and EU fees	15,460	15,298
Other UK fees	3,472	3,011
Non-EU fees	17,456	14,964
Non-credit bearing course fees	2,408	2,202
	38,796	35,475
4. Research grants and contracts		
Research councils and charities	480	534
Industry and commerce	1,548	1,472
Governmental	1,403	1,569
Other grants and contracts	1,223	938
	4,654	4,513
5. Other income		
Consultancy and expert services	1,891	2,245
Residences and catering	8,218	6,860
Other services rendered	3,377	4,352
Released from deferred capital grants	264	239
Other income	2,565	1,713
	16,315	15,409

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000
6. Endowment and investment income		
Income from permanent endowments	34	17
Other interest receivable	228	222
Net pension credit (note 19)	1,178	662
	1,440	901
7. Staff costs		
Salaries	56,397	54,024
Social security costs	4,573	4,373
Pension costs	10,486	8,929
	71,456	67,326
Exceptional restructuring costs	3,207	-
	74,663	67,326
<p>The University approved a Voluntary Severance Scheme which closed at the end of May 2015. A total of 89 applications were approved from both academic and non-academic members of staff. Most people whose applications were approved left the University by the end of August 2015.</p> <p>The severance pay was in accordance with the University's Remuneration Committee.</p> <p>The above staff costs include amounts payable to the Vice-Chancellor of:</p>		
Salary	194	190
Bonus	9	-
Benefits in kind	-	-
Pension contributions	29	28

Notes to the 2014-15 Financial Statements (cont)

	2015 Number	2014 Number
7. Staff costs (contd)		
The number of other higher paid staff who received emoluments, excluding national insurance and pension contributions, in the following ranges was:		
£70,000 – £79,999	23	24
£80,000 – £89,999	10	5
£90,000 – £99,999	2	3
£100,000 – £109,999	3	2
£110,000 – £119,999	2	1
£120,000 – £129,999	1	2
£130,000 – £139,999	1	-
The average number of persons, including senior post holders, employed by the University during the year, expressed as full-time equivalents, was:		
Academic departments	747	744
Academic services	225	222
Central administration	261	251
Other	130	125
	1,363	1,342
	£000	£000
Compensation for loss of office of former senior post-holders		
Compensation paid to two (2014: one) former senior post-holders	182	98
Estimated value of other benefits, including provisions for pension benefits	-	-
	182	98

Notes to the 2014-15 Financial Statements (cont)

	Staff costs £000	Other operating expenses £000	Depreciation £000	Interest and other finance costs £000	2015 Total £000	2014 Total £000
8. Analysis of 2014-15 expenditure by activity						
Academic departments	35,160	5,423	861	-	41,444	39,146
Academic services	9,286	5,247	1,353	-	15,886	14,600
Central administration	10,998	5,740	16	-	16,754	18,752
Property	1,275	3,744	3,941	2,119	11,079	11,716
Research grants and contracts	5,669	2,684	106	-	8,459	8,381
Residences and catering	1,736	7,151	251	198	9,336	7,819
Napier University Ventures Ltd	5,130	2,365	16	-	7,511	7,083
Other expenditure	5,409	(516)	-	-	4,893	1,508
	74,663	31,838	6,544	2,317	115,362	109,005
Other operating expenses include:						
External auditor – audit services					52	64
External auditor – other services					46	81
Internal auditor – audit services					67	62
Hire of buildings – operating leases					5,332	4,470
Hire of vehicles – operating leases					23	6
					5,520	4,683

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000
9. Interest and other finance costs		
On bank loans, overdrafts and other loans:		
-repayable within one year	318	318
-repayable between one and two years	1,246	318
-repayable between two and five years	-	1,246
-repayable in more than five years	555	555
Unwinding of discount on dilapidations provision	198	111
	2,317	2,548
10. Exceptional items		
Gain on disposal of 12 Merchiston Place	-	690
Overage receipt re former Craighouse Campus	1,229	-
Loss on disposal of redundant assets at Merchiston Campus	(52)	-
	1,177	690

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 a cash settlement. This agreement ended all interest of the University in the future of the former Craighouse campus.

A review of the Merchiston Campus resulted in identification of £3.973m of redundant assets which have been written off. A related release of £3.921m of Deferred Capital Grants resulted in a net loss of £52,000.

Notes to the 2014-15 Financial Statements (cont)

	Assets Under Construction £000	Land and Buildings £000	Vehicles and Equipment £000	Total £000
11. Tangible Fixed Assets – Consolidated				
Cost at 1 August 2014	2	137,421	22,752	160,175
Additions	(2)	3,024	5,485	8,507
Disposals	-	(6,120)	(2,104)	(8,224)
At 31 July 2015	-	134,325	26,133	160,458
Depreciation at 1 August 2014	-	21,696	13,952	35,648
Charge for the year	-	3,414	3,130	6,544
Disposals	-	(2,144)	(2,104)	(4,248)
At 31 July 2015	-	22,966	14,978	37,944
Net book value at 31 July 2015	-	111,359	11,155	122,514
Net book value at 31 July 2014	2	115,725	8,800	124,527
Tangible Fixed Assets – University				
Cost at 1 August 2014	2	140,692	22,700	163,394
Additions	(2)	3,024	5,485	8,507
Disposals	-	(6,120)	(2,104)	(8,224)
At 31 July 2015	-	137,596	26,081	163,677
Depreciation at 1 August 2014	-	22,348	13,931	36,279
Charge for the year	-	3,482	3,114	6,596
Disposals	-	(2,144)	(2,104)	(4,248)
At 31 July 2015	-	23,686	14,941	38,627
Net book value at 31 July 2015	-	113,910	11,140	125,050
Net book value at 31 July 2014	2	118,344	8,769	127,115

Notes to the 2014-15 Financial Statements (cont)

	Consolidated £000	University £000
12. Investments		
At 1 August 2014	1,592	1,564
Additions	7	-
Disposals	(7)	-
Appreciation of investments	25	25
At 31 July 2015	1,617	1,589
Represented by:		
Index-linked stocks	1,557	1,557
Equities – listed	10	-
Equities – unlisted	50	32
	1,617	1,589
13. Endowment Assets		
At 1 August 2014	626	263
Additions	229	66
Disposals	(148)	(61)
Diminution of investments	(8)	(2)
Increase / (decrease) in cash balances held	(63)	7
Increase in investment debtors	2	-
At 31 July 2015	638	273
Represented by:		
Equities – listed	558	221
Cash balances	77	51
Investment debtors	3	1
	638	273

Notes to the 2014-15 Financial Statements (cont)

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
14. Stocks				
Stocks for resale	<u>42</u>	<u>35</u>	<u>42</u>	<u>35</u>
15. Debtors				
Trade debtors	3,452	3,073	947	970
Other debtors	988	912	871	719
Prepayments and accrued income	2,991	2,167	2,655	1,895
Research	524	558	524	558
	<u>7,955</u>	<u>6,710</u>	<u>4,997</u>	<u>4,142</u>
16. Creditors – amounts falling due within one year				
Trade creditors	4,212	3,381	4,212	3,381
Taxation and social security	1,412	1,365	1,412	1,365
Other creditors	1,514	1,483	1,313	1,344
Accruals and deferred income	16,294	12,362	14,517	10,450
Loans	5,000	5,000	5,000	5,000
Research	1,248	1,687	1,248	1,687
Subsidiary undertakings	-	-	3,651	3,345
	<u>29,680</u>	<u>25,278</u>	<u>31,353</u>	<u>26,572</u>
17. Creditors – amounts falling due after more than one year				
Unsecured loans repayable by 2017	15,000	20,000	15,000	20,000
Unsecured loans repayable by 2039	10,000	10,000	10,000	10,000
	<u>25,000</u>	<u>30,000</u>	<u>25,000</u>	<u>30,000</u>

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

Notes to the 2014-15 Financial Statements (cont)

	Unfunded Pensions £000	Onerous Leases £000	Dilapidations £000	Total £000
18. Provisions for liabilities – Consolidated and University				
At 1 August 2014	14,097	804	5,453	20,354
Income from investments	34	-	-	34
Early retirement pensions	(948)	-	-	(948)
Unwinding of discount	-	-	198	198
Transfer (to) / from income and expenditure account	347	(175)	(2,373)	(2,201)
At 31 July 2015	13,530	629	3,278	17,437

Unfunded pensions

A valuation of the unfunded pension liability was carried out at 31 July 2015, 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.

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000
19. 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 £10,486,000 (2014 – £8,929,000)		
Total pension cost for the year (note 7)		
STSS – contributions paid	3,659	3,482
LGPS – charge to the Income and Expenditure Account	6,827	5,447
	10,486	8,929

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 UK Government's Public Service Pensions Act requires that a valuation of the STSS must be undertaken every four years to measure the costs of benefits being provided. 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 2012
Actuarial method	Projected Unit
Discount rate	5.06%
Pension increases	2.00%
Long term salary growth	4.75%
Actuarial value of assets	£19.6bn
Proportion of members' accrued benefits covered by the actuarial value of the assets	93.8%

The notional value of assets at the valuation date was £19.6bn. The past service liabilities of the scheme were valued at £20.9bn, resulting in a notional deficit of £1.3bn.

The employer contribution rate was 14.9% of salary throughout the financial year, and will rise to 17.2% from 1 September 2015.

Notes to the 2014-15 Financial Statements (cont)

19. Pension schemes (cont)

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 2014. The following assumptions were made for actuarial valuation purposes:

Discount rate	5.0%
Pay increases	5.0%
Price inflation / pension increases	2.7%

The market value of the assets at the valuation date was £4,379m. The past service liabilities of the scheme have been valued at £4,796m resulting in a deficit of £417m. This represents a funding level of 91.3%. On the basis of actuarial recommendations, employer contributions were 15.8% of pensionable pay plus a fixed sum of £705,200 for each of the three years ending 31 March 2015. From 1 April 2015 employer contributions were 18.7% of pensionable pay plus a fixed sum of £166,000.

The following information is based upon the full actuarial valuation of the fund at 31 March 2014, updated to 31 July 2015 by a qualified independent actuary.

	July 2015 %	July 2014 %	July 2013 %
Rate of increase in salaries	4.5	5.0	5.1
Rate of increase in pensions	2.6	2.7	2.8
Discount Rate	3.6	4.0	4.6
Inflation Rate	2.6	2.7	2.8

The following mortality rate assumptions have been used -

	2015		2014	
	Males	Females	Males	Females
Current pensioners	22.1 years	23.7 years	20.4 years	22.8 years
Future pensioners	24.2 years	26.3 years	22.6 years	25.4 years

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.

Notes to the 2014-15 Financial Statements (cont)

	July 2015		July 2014		July 2013	
	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000	Long-term rate of return %	Value £000
Equities	3.6	94,186	6.5	100,512	6.4	92,845
Bonds	3.6	25,687	3.3	10,178	3.8	8,124
Property	3.6	12,844	4.7	10,178	4.6	9,285
Cash	3.6	9,989	3.6	6,362	3.4	5,803
Fair value of assets		142,706		127,230		116,057
Present value of scheme liabilities		176,674		160,818		134,376
Net pension deficit		(33,968)		(33,588)		(18,319)

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

	2015 £000	2014 £000
Analysis of the amount shown in the Balance Sheet		
The University's estimated asset share	142,706	127,230
Present value of the University's scheme liabilities	(176,674)	(160,818)
Deficit in the scheme – net pension liability	(33,968)	(33,588)
Analysis of the amount charged to the Income and Expenditure Account		
Current service cost	6,767	5,437
Past service cost	-	10
Curtailed and settlements	60	-
	6,827	5,447
Analysis of the amount credited to Endowment and investment income (note 6)		
Expected return on pension scheme assets	7,694	6,933
Interest on pension scheme liabilities	(6,516)	(6,271)
Net credit	1,178	662

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000
19. Pension schemes (cont)		
Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	5,550	1,289
Changes in the assumptions underlying the present value of the scheme liabilities	(4,906)	(16,207)
Actuarial gain / (loss) recognised in the STRGL	644	(14,918)
Analysis of movements in the present value of the scheme liabilities		
Balance at 1 August	160,818	134,376
Current service cost	6,767	5,437
Contributions	1,639	1,585
Past service costs	-	10
Benefits paid	(4,032)	(3,068)
Interest costs	6,516	6,271
Curtailment and settlements	60	-
Actuarial loss	4,906	16,207
Balance at 31 July	176,674	160,818
Analysis of movements in the market value of the scheme assets		
Balance at 1 August	127,230	116,057
Contributions	6,264	6,019
Benefits paid	(4,032)	(3,068)
Expected return on assets	7,694	6,933
Actuarial gain	5,550	1,289
Balance at 31 July	142,706	127,230

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
History of experience gains and losses					
Difference between the expected and actual return on scheme assets	5,550	1,289	13,394	(5,128)	3,629
% of scheme assets	3.9%	1.0%	11.5%	(5.4%)	4.0%
Experience gains on scheme liabilities	854	52	-	3,546	-
% of the present value of the scheme liabilities	0.5%	0.0%	0.0%	2.9%	0.0%
Total amount recognised in statement of total recognised gains and losses	644	(14,918)	10,403	(12,668)	10,518
% of the present value of the scheme liabilities	0.4%	(9.3%)	7.7%	(10.3%)	9.8%
			SFC £000	Other £000	Total £000
20. Deferred capital grants – Consolidated and University					
At 1 August 2014					
Buildings			30,597	3,108	33,705
Equipment			1,201	1,319	2,520
			31,798	4,427	36,225
Received during the year					
Buildings			1,227	-	1,227
Equipment			-	130	130
			1,227	130	1,357
Released during the year					
Buildings			4,559	102	4,661
Equipment			345	192	537
			4,904	294	5,198
At 31 July 2015					
Buildings			27,265	3,006	30,271
Equipment			856	1,257	2,113
			28,121	4,263	32,384

Notes to the 2014-15 Financial Statements (cont)

	Restricted Permanent £000	Restricted Expendable £000	Total £000
21. Endowments – Consolidated			
At 1 August 2014			
Capital value	556	7	563
Accumulated income	63	-	63
	<u>619</u>	<u>7</u>	<u>626</u>
Diminution of endowment assets	(8)	-	(8)
Income for the year	34	1	35
Expenditure for the year	(14)	(1)	(15)
At 31 July 2015	<u>631</u>	<u>7</u>	<u>638</u>
Represented by:			
Capital value	563	7	570
Accumulated income	68	-	68
	<u>631</u>	<u>7</u>	<u>638</u>
Endowments – University			
At 1 August 2014			
Capital value	193	7	200
Accumulated income	63	-	63
	<u>256</u>	<u>7</u>	<u>263</u>
Diminution of endowment assets	(2)	-	(2)
Income for the year	22	1	23
Expenditure for the year	(10)	(1)	(11)
At 31 July 2015	<u>266</u>	<u>7</u>	<u>273</u>
Represented by:			
Capital value	198	7	205
Accumulated income	68	-	68
	<u>266</u>	<u>7</u>	<u>273</u>

Notes to the 2014-15 Financial Statements (cont)

	Consolidated		University	
	2015 £000	2014 £000	2015 £000	2014 £000
22. Income and expenditure account				
At 1 August	31,858	42,335	30,024	40,967
Surplus retained for the year	4,568	4,441	2,644	3,975
Actuarial gain / (loss) in respect of pension scheme	644	(14,918)	644	(14,918)
At 31 July	<u>37,070</u>	<u>31,858</u>	<u>33,312</u>	<u>30,024</u>
Represented by:				
Income and expenditure reserve	71,038	65,446	67,280	63,612
Pension reserve	(33,968)	(33,588)	(33,968)	(33,588)
	<u>37,070</u>	<u>31,858</u>	<u>33,312</u>	<u>30,024</u>
23. Revaluation reserve				
At 1 August	899	1,025	938	1,065
Appreciation / (diminution) of investments	25	(126)	25	(127)
At 31 July	<u>924</u>	<u>899</u>	<u>963</u>	<u>938</u>
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.				

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £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	4,588	4,435
Depreciation of tangible fixed assets	6,544	6,060
Deferred capital grants released to income	(1,277)	(1,412)
Investment income	(262)	(239)
Interest payable	2,317	2,548
Pension costs less contributions payable	1,024	351
Gain on disposal of tangible fixed assets	(1,177)	(801)
Decrease in stock	(7)	-
Increase in debtors	(1,245)	(839)
Increase in creditors	4,037	2,671
Decrease in provisions	(2,951)	(913)
Net cash inflow from operating activities	11,591	11,861

	At 1 August 2014 £000	Cashflows £000	Other changes £000	At 31 July 2015 £000
26. Analysis of changes in net funds				
Cash at bank and in hand	45,338	(1,003)	-	44,335
Debts due within one year	(5,000)	5,000	(5,000)	(5,000)
Debts due after more than one year	(30,000)	-	5,000	(25,000)
	10,338	3,997	-	14,335

27. Capital commitments

At 31 July 2015 the University and its consolidated subsidiaries had commitments contracted for amounting to £699,016 (2014 – £341,715).

Notes to the 2014-15 Financial Statements (cont)

	2015 £000	2014 £000
28. Financial commitments		
At 31 July the University had annual commitments under non-cancellable operating leases as follows:		
Land and Buildings:		
Expiring in less than one year	68	200
Expiring in one to two years	1,485	944
Expiring within two to five years inclusive	174	1,375
Expiring in over five years	3,900	2,930
Vehicles:		
Expiring in less than one year	-	3
Expiring within two to five years inclusive	20	11
	5,647	5,463

29. Discretionary and Childcare funds

	Discretionary 2015 £000	Childcare 2015 £000	Discretionary & Childcare 2015 £000	Discretionary & Childcare 2014 £000
At 1 August	-	-	-	-
SAAS grants received	568	289	857	861
Transfers	122	(122)	-	-
Interest earned	-	-	-	-
	690	167	857	861
Disbursed to students	(690)	(167)	(857)	(861)
Repaid to SAAS	-	-	-	-
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.



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