



Annual Report &
Financial Statements

for the year to 31 July 2016

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Scottish Charity Number – SC018373

General Information

<i>Chancellor</i>	David Eustace BA DArt
<i>Chair of Court</i>	The Very Revd Dr Graham Forbes CBE MA BD
<i>Principal and 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> (until 16 September 2016)	Simon L Belfer MA (Cantab) ACA MSI (Dip)
<i>Director of Finance</i> (from 17 October 2016)	Andy McGoff MA (Hons) CA
<i>External Auditor</i>	KPMG LLP Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
<i>Internal Auditor</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 2016, 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
Mr R Adams	01-Oct-16		Non-Executive
Ms M Ali			Non-Executive
Mr N Ballantyne			Non-Executive
Mr A Boyce	01-Aug-15	22-Jun-16	Staff
Ms J Boyle			Non-Executive
Rt Hon Lord Brodie			Non-Executive
Ms J Brown	01-Oct-15		Non-Executive
Mr M Connarty			Non-Executive
Dr V Ellis			Staff
The Very Revd Dr G Forbes			Non-Executive
Mr W Gallagher		31-Jul-16	Non-Executive
Ms S Goddard	01-Aug-15	31-Jul-16	Student
Mr C Guest	01-Oct-16		Non-Executive
Ms D Guilfoyle	01-Aug-15	31-Jul-16	Student
Mr R Hare			Non-Executive
Ms S Jiwa			Non-Executive
Mr R Kemmer		24-Jun-16	Staff
Mr R Maclennan		19-Oct-15	Non-Executive
Prof A McCleery	01-Aug-16		Staff
Prof A Nolan			Principal & Vice-Chancellor
Ms E Partyka	01-Oct-16		Non-Executive
Prof A Sambell			Vice-Principal & Deputy V-C
Ms A Scullion			Non-Executive
Dr P Stollard			Non-Executive
Mr R Subramani	01-Aug-16		Student
Ms B Wallace	01-Aug-16		Student
Mr S Walls	01-Oct-16		Staff
Ms P Woodburn			Non-Executive
Mr N Woodcock			Non-Executive

The following persons who served as members of Court during the year to 31 July 2016, are shown below with their attendance records at relevant Committees

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

Principal's Foreword

It has been an eventful year for Scottish universities with a landmark report from the Scottish Government's Commission on Widening Access, new governance legislation, a challenging public funding environment and the referendum vote in favour of the UK leaving the EU being just some of the developments which have changed our internal and external environments. The EU referendum has created particular uncertainties for the university sector, including the possibility of losing access to EU research funding and student mobility schemes and restrictions on the free movement of EU students and staff. Our international activities have also continued to be negatively affected by UK Government immigration policy. However, Universities are innovative in response to challenges and while there are some strong 'cross winds' blowing, we have continued to make good progress during the year.



and build institutional resilience. Some other achievements during the year are outlined on page 12 and 13.

Student satisfaction remained unchanged amongst undergraduates and improved among our postgraduate students and we will continue to focus work on the student experience. We saw a shortfall against our ambitious income targets, which was largely due to reduced international student intake. The international market will remain very competitive and may become more challenging, and we are developing our online provision and transnational education delivery through partnerships to diversify and drive our internationalisation agenda. Research income has reduced slightly, however investment in academic staff and associated support should yield growth in the years ahead, and we have grown our research active staff. We are on track to reduce our staff costs to 60% of our income and to grow our surplus to 5% of turnover by 2020.

I appreciate the continued commitment and support of staff, students, our many stakeholders, partners and alumni towards delivering the University's ambition and I look forward to more progress next year and beyond to secure our 2020 vision.

Professor Andrea Nolan, OBE
Principal & Vice-Chancellor

Our Corporate Plan for 2015/16 built on the significant investments made in 2014/15 and was designed to drive action around our strategic themes while meeting external cost challenges including increased national insurance costs.

We have had some notable successes. In February I had the privilege of accepting the Queen's Anniversary Prize at Buckingham Palace on behalf of the University for our work in Timber Engineering and Sustainable Construction. Our overall employee engagement rate reached 80% and the Guardian University Guide ranked us number one in the UK for value added. Meanwhile, the percentage of our academic staff with doctorates is steadily growing and is now above the UK average. Other awards have included the Herald Higher Education Partnership Award and Innovation of the Year at the Scottish Knowledge Exchange Awards (School of Computing). Internally we streamlined our academic structure to empower our schools



Strategic Report

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 have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, (SORP) and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets).

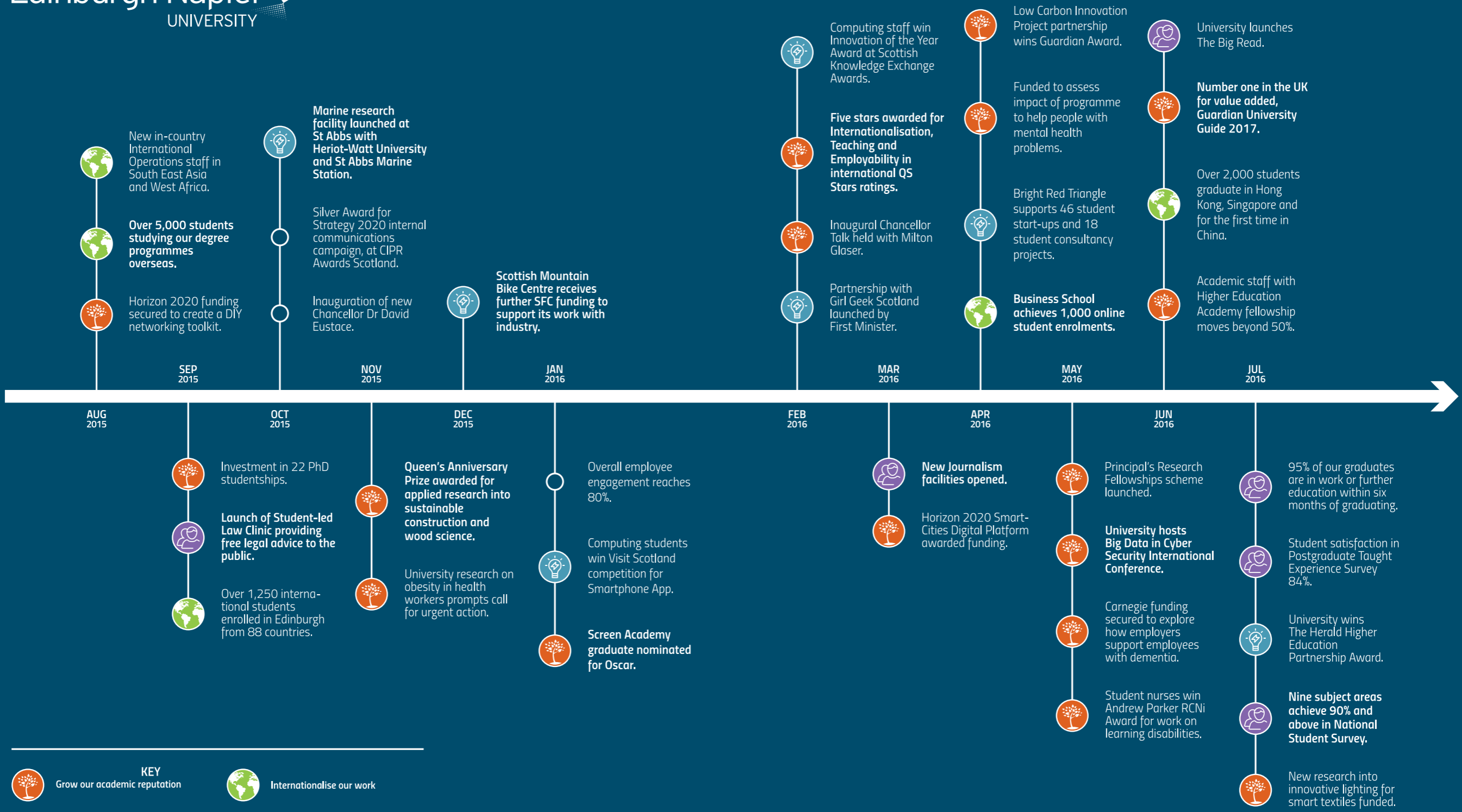


Key Performance Indicator	Actual 2015/16	Milestone 2015/16	Ambition 2019/20
GROW OUR ACADEMIC REPUTATION			
Total students	19,623	19,445	23,736
Academic staff active in externally funded research	22%	23%	40%
Research active staff	139	137	200
Income from Research Grants and Contracts	£4.1m	£4.7m	£9.1m
Taught postgraduate students	3,677	3,350	4,231
Research postgraduate students	309	194	300
Student Satisfaction	84%	87%	> 90%
DELIVER AN EXCELLENT PERSONALISED STUDENT EXPERIENCE			
Graduate Employability	95%	≥ 95%	≥ 95%
Entrants to Programmes with work-related experience element	78%	79%	100%
Student participation in co-curricular activities	3,659	n/a	5,000
BUILD INNOVATION, ENTERPRISE AND CITIZENSHIP			
Total revenue from CPD	£1.9m	£1.8m	£3.0m
Reduction in Carbon emissions	42%	35%	35%
INTERNATIONALISE OUR WORK			
International (Non-EU) students	5,098	5,200	7,670
Student outward mobility	373	n/a	800
ENABLERS			
Overall Employee Engagement	80%	76%	>80%
University Total Income	£117m	£123m	£141m
Operating surplus (before pension charges)	£2.7m	£2.1m	£7.0m

Strategy 2020

Strategy 2020: Building Success sets ambitious goals around our vision of 'an innovative and enterprising community, renowned internationally with an unrivalled student experience.' Our four strategic objectives, underpinned by enabling strategies and plans, provide focus and prioritisation to support delivery of our strategy. We have just completed the second year of our strategy and have continued to target our investment and effort on areas of strategic focus.

Edinburgh Napier UNIVERSITY



KEY

- Grow our academic reputation
- Internationalise our work
- Build innovation, enterprise and citizenship
- Deliver an excellent personalised student experience

Growing our academic reputation

Student satisfaction with learning and teaching was a key focus during 2015/16 and although we made progress in some key areas, our undergraduate student satisfaction remained at 84%. However nine of our subject areas achieved student satisfaction of 90% or above, and the University was ranked 9th in UK for access to general IT resources. Our taught postgraduate student satisfaction rose to 84% (up by 1%), we were awarded five stars for teaching in the international QS stars ratings and academic staff with Higher Education Academic (HEA) fellowship moved beyond 50.

Some examples of our recent research successes are included on pages 12 and 13, including the launch of a new Marine Research Facility at St Abbs in partnership with Heriot Watt University and St Abbs Marine Station. In seeking to support and grow our research we have made strategic investments including supporting 22 PhD studentships and implementing a new Research Information Management System, as well as holding the inaugural University Research Conference. A mini Research Excellence Framework (REF) exercise was conducted to assess our progress since the last exercise in 2013/14 which showed us to be on track to increase our REFable staff (per 2013/14 criteria).



Delivering an excellent personalised student experience

We value the high level of engagement we have with our students, and over the last year have focused on making changes to enhance the student experience. For example, we completed an extensive exercise to map the current breadth of work-related learning and mobility experiences and implemented the initial phase of HEAR (the Higher Education Achievement Record), in order to lay the foundations for increasing employability and opportunities for our students, which are recognised and recorded. The employability of our graduates remained at 95% and we were awarded five stars for employability in the international QS stars ratings.

New social spaces were developed across the campuses, and iPoints (information hubs) were implemented to enhance service delivery for students, visitors and staff. We invested in our teaching facilities, including establishing a state of the art journalism suite, and provided additional strategic investment to our students' association, which supported volunteering, student representation and elite sports. An extension to the Sighthill gym was completed as part of the Scottish Rugby Union (SRU) Academy partnership, which will serve SRU players, staff, students, the School of Applied Sciences and the local community.

We have continued to work in close partnership with our students' association, in line with the key themes in our Student Partnership Agreement. Last year also saw the association change its name to ENSA (Edinburgh Napier Students Association) and refresh its brand to strengthen its identity and help students navigate the full range of services it provides.

Building innovation, enterprise and citizenship

We have continued to offer a range of activities to help students and graduates 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. For example, during 2015/16 Bright Red Triangle (BRT) supported 46 business start-ups and completed 18 consultancy projects and over 1,100 people attended BRT events and programmes.

We also continue to build successful strategic partnerships across the UK. Local examples include the Scottish Mountain Bike Centre, which received further Scottish Funding Council (SFC) funding to support its work with industry recognised for impacting economic growth, and the First Minister launched a new partnership between Edinburgh Napier and Girl Geek Scotland at our Craiglockhart Campus, intended to encourage women into tech industries. The innovation of our students was recognised when they won a Visit Scotland competition with their new smartphone app and our law students demonstrated real citizenship through their launch of a law clinic providing free legal advice to the public.

Internationalising our work

We are committed to building Edinburgh Napier's reputation as an internationalised University with a global outlook and reach. In 2015/16 we appointed new in-country International Operations staff in South East Asia and West Africa and reached some new landmarks across the breadth of our International portfolio.



For instance, we now have over 5,000 students studying our programmes that are delivered overseas, through our partnerships with institutions in Hong Kong, Singapore, China, Sri Lanka and India.

We also have over 1,250 international students enrolled in Edinburgh from 88 countries.

In 2015/16 online enrolments in our Business School surpassed the 1,000 mark.

After 20 years in Hong Kong, our impact continues to grow and we remain the largest UK Higher Education provider in Hong Kong. In 2016 we graduated over 2,000 students with Edinburgh Napier awards from Hong Kong, Singapore and China.

Enablers

The University launched the Estate Strategy 2025 in December 2015 and purchased the Stones buildings in South Gyle as a key enabler to support its delivery. The strategy sets out plans for the next ten years including remodelling of Craiglockhart, investment in new facilities for the School of Engineering & the Built Environment, and the development of Merchiston as a hub for computing and creative industries.

Staff are key to the success of the University and our overall employee engagement rate reached 80% in the 2015 Employee Engagement Survey. The University continues to support Athena Swan and a new staff inclusion strategy is in development. During 2015/16 we launched a new set of Professional Service standards and developed a set of organisational principles to drive efficiency, build leadership capability and improve service quality. We also invested £1m in 20 new academic appointments and saw an improved success rate (47%) for applications in the 2016 Promotion and Award of Title round.

We have made significant improvements to the planning round, using this as a vehicle to streamline our academic portfolio and release academic time. A new University website was launched with 874,000 users from January - August 2016. A new Marketing, Communications and Engagement Strategy was also approved as a critical enabler to underpin the delivery of our strategic objectives.

Development activity continues to secure funds to support University priorities. The University's £100m Investment Campaign, Transforming Tomorrow, Together, launched in April 2015 has secured £82.3m; of which, £6.5m is from philanthropic sources. Fundraising activity is focused around five areas: scholarships & student support; research, including PhD studentships; enterprise and innovation; student experience and citizenship; and capital and estates.

Results for the year

The consolidated results for each of the last three years were:

£m	2013/14 (UK GAAP)	2014/15 (SORP 2015)	2015/16 (SORP 2015)
Income	112.7	117.6	117.2
Expenditure before pension charges	107.8	112.9	114.5
Operating surplus	4.9	4.7	2.7
Pension charges	(1.2)	(3.9)	(5.3)
Surplus / (deficit) after pension charges	3.7	0.8	(2.6)
Other gains / (losses)	0.7	(2.7)	-
Actuarial gain / (loss)	n/a	3.2	(5.0)
Net surplus / (deficit)	4.4	1.3	(7.6)

The results for 2015/16 show an operating surplus of £2.7m before pension charges. Pension charges and the actuarial loss in respect of pension schemes, costing a total of £10.3m, resulted in a deficit of £7.6m.

Total income reduced by £0.4m, a decrease of 0.4%. SFC funding was unchanged. Tuition fees and education contracts rose by £0.2m, or 0.6%. UK and EU fees rose by £1.1m but overseas fees and CPD income reduced by £0.9m. Income from research grants and contracts was £4.6m which included a Research Development Expenditure Credit of £0.5m. Other income increased by £0.7m and donations and endowments reduced by £1.3m, which included a reduction in income in the Edinburgh Napier Development Trust of £1m.

Total expenditure rose by £3.0m. This included an increase in staff costs of £3.5m or 4.9%, a reduction in restructuring costs of £2.3m, an increase of £1.6m in other operating expenses, an increase in depreciation of £0.7m and a reduction in interest and other finance costs of £0.5m.

Cash flow for the year from operating activities reduced from £11.7m in 2015 to £5.4m. Cash and cash equivalents at 31 July 2016 were £27.5m, a reduction of £16.9m. Bank loans stood at £25m at 31 July 2016, £5m lower than at 31 July 2015. A repayment of £15m is due to be made on 1 July 2017.

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

	2013/14	2014/15	2015/16
Home & EU	9,965	10,135	10,185
Non EU	4,492	5,246	5,098
Total	14,457	15,381	15,283

During the year the University invested over £16.2m in Land, Buildings, Vehicles and Equipment. This included £7.9m in The Stones which will be used to provide additional space to move staff into while facilities are redeveloped.

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 2016, there was an average of 33 days purchases (2015 - 46 days) outstanding in trade creditors. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

In view of the University's net current liabilities position of £3.0m at July 2016, the University is considering its options regarding refinancing to ensure its sustainability into the future. As a result of this commitment, The Court considers that the University has adequate resources to continue in operational existence for the foreseeable future.

Sustainability

The University Court monitors the sustainability of the University in a number of different ways.

The table of Key Performance Indicators (see page 11) is reviewed annually by both the University Leadership Team and the University Court to ensure that the trajectory for each KPI is still relevant given changes in the external and internal environments. The KPIs are published in the Corporate Plan.

In addition, the University Court considers quarterly monitoring reports which contain, inter alia, further financial KPIs.

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.

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 great progress on the journey towards 2020. I look forward to continuing to support the University over the next four years and am confident it will achieve its ambitions.

On behalf of the University Court,



The Very Revd Dr Graham Forbes, CBE, Chair
19 December 2016

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 Scottish Code of Higher Education Governance issued in July 2013 as directed by the Scottish Funding Council. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

Statement of full compliance

In the opinion of the Court, the University complies with the provisions of the 2013 Scottish Code of Good Higher Education Governance, and it has so complied throughout the year ended 31 July 2016.

Effectiveness Reviews are conducted by the Court on a quinquennial basis, most recently in 2013/14, to ensure compliance 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 Chair of Court ensures that Court fulfils its responsibilities as set out in the Statutory Instrument by means of its Statement of Primary Responsibilities, reserved powers and the scheme of delegated responsibility.

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 2016 are set out in note 8 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 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 2015 meeting the Court received the annual report from the Audit & Risk Committee covering the period to 30 November 2015. At its June 2016 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 2015.

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 2016 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
19 December 2016

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 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
19 December 2016



Craiglockhart campus
Sighthill campus

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

We have audited the financial statements of Edinburgh Napier University for the year ended 31 July 2016 which comprise the Consolidated and University Statement of Comprehensive Income and Expenditure, the Consolidated and University Statement of Changes in Reserves, Consolidated and University Balance Sheet, the Consolidated Statement of Cash Flows, 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the University Court, in accordance with paragraph B 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 pages 20 to 21 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 statements.

In addition, we read all the financial and non-financial information in the Annual Report and 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 Group's and the University's affairs as at 31 July 2016 and of the Group's and University's income and expenditure, gains and losses, changes in reserves and of the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and with the 2015 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 Group and the University for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation; 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 Strategic Report 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 the audit.



Andrew Shaw

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

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
20 December 2016

Consolidated Statement of Comprehensive Income and Expenditure – Year to 31 July 2016

	Notes	Year Ended 31 July 2016		Year Ended 31 July 2015	
		Consolidated	University	Consolidated	University
		£000	£000	£000	£000
Income					
Scottish Funding Council grants	2	57,575	57,575	57,520	57,525
Tuition fees and education contracts	3	39,043	29,260	38,796	29,207
Research grants and contracts	4	4,607	3,740	4,654	3,541
Other income	5	15,408	13,954	14,764	13,466
Investment income	6	259	237	248	235
Donations and endowments	7	258	4,615	1,616	3,711
Total income		117,150	109,381	117,598	107,685
Expenditure					
Staff costs	8	74,971	69,774	71,473	66,344
Restructuring costs		899	899	3,207	3,207
Other operating expenses		33,455	30,990	31,835	29,124
Depreciation	12	7,295	7,281	6,583	6,567
Interest and other finance costs	10	3,156	3,156	3,703	3,703
Total expenditure		119,776	112,100	116,801	108,945
Surplus / (deficit) before other gains and losses		(2,626)	(2,719)	797	(1,260)
Loss on disposal of fixed assets		(6)	(5)	(2,732)	(2,739)
Gain on investments		114	104	10	23
Deficit before tax		(2,518)	(2,620)	(1,925)	(3,976)
Taxation	11	(116)	(116)	-	-
Deficit for the year		(2,634)	(2,736)	(1,925)	(3,976)
Actuarial gain / (loss) in respect of pension schemes	20	(4,967)	(4,967)	3,208	3,208
Total comprehensive income for the year		(7,601)	(7,703)	1,283	(768)
Represented by:					
Endowment comprehensive income for the year		31	18	(9)	10
Restricted comprehensive income for the year		(30)	-	1,174	-
Unrestricted comprehensive income for the year		(7,602)	(7,721)	118	(778)
		(7,601)	(7,703)	1,283	(768)

Consolidated and University Statement of Changes in Reserves – Year to 31 July 2016

	Income and expenditure reserve			Revaluation	Total
	Endowment	Restricted	Unrestricted	Reserve	
	£000	£000	£000	£000	£000
Consolidated					
Balance at 1 August 2014	633	534	68,937	4,374	74,478
Surplus / (deficit) from the income and expenditure statement	(9)	1,174	(3,090)	-	(1,925)
Other comprehensive income	-	-	3,208	-	3,208
Transfer between revaluation and income and expenditure reserve	-	-	2	(2)	-
Total comprehensive income for the year	(9)	1,174	120	(2)	1,283
Balance at 1 August 2015	624	1,708	69,057	4,372	75,761
Surplus / (deficit) from the income and expenditure statement	31	(30)	(2,635)	-	(2,634)
Other comprehensive income	-	-	(4,967)	-	(4,967)
Transfer between revaluation and income and expenditure reserve	-	-	2	(2)	-
Total comprehensive income for the year	31	(30)	(7,600)	(2)	(7,601)
Balance at 31 July 2016	655	1,678	61,457	4,370	68,160
University					
Balance at 1 August 2014	263	-	65,011	4,325	69,599
Surplus / (deficit) from the income and expenditure statement	10	-	(3,986)	-	(3,976)
Other comprehensive income	-	-	3,208	-	3,208
Transfer between revaluation and income and expenditure reserve	-	-	-	-	-
Total comprehensive income for the year	10	-	(778)	-	(768)
Balance at 1 August 2015	273	-	64,233	4,325	68,831
Surplus / (deficit) from the income and expenditure statement	18	-	(2,754)	-	(2,736)
Other comprehensive income	-	-	(4,967)	-	(4,967)
Transfer between revaluation and income and expenditure reserve	-	-	-	-	-
Total comprehensive income for the year	18	-	(7,721)	-	(7,703)
Balance at 31 July 2016	291	-	56,512	4,325	61,128

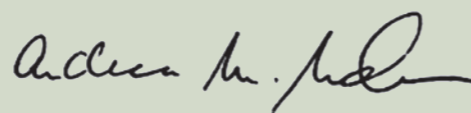
Consolidated and University Balance Sheet – Year to 31 July 2016

	Notes	As at 31 July 2016		As at 31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Non-current assets					
Fixed assets	12	138,097	138,078	129,858	129,793
Investments	13	1,976	1,601	2,175	1,810
		<u>140,073</u>	<u>139,679</u>	<u>132,033</u>	<u>131,603</u>
Current assets					
Stock	14	43	43	42	42
Assets held for sale	15	691	645	-	-
Trade and other receivables	16	9,240	5,409	8,141	4,998
Cash and cash equivalents	24	27,504	26,018	44,412	42,791
		<u>37,478</u>	<u>32,115</u>	<u>52,595</u>	<u>47,831</u>
Less: creditors falling due within one year	17	(40,435)	(41,710)	(32,461)	(34,197)
Net current assets / (liabilities)		<u>(2,957)</u>	<u>(9,595)</u>	<u>20,134</u>	<u>13,634</u>
Total assets less current liabilities		<u>137,116</u>	<u>130,084</u>	<u>152,167</u>	<u>145,237</u>
Less: creditors falling due after more than one year	18	(10,000)	(10,000)	(25,000)	(25,000)
Provisions					
Pensions provision	19	(56,868)	(56,868)	(47,499)	(47,499)
Other provisions	19	(2,088)	(2,088)	(3,907)	(3,907)
Total net assets		<u>68,160</u>	<u>61,128</u>	<u>75,761</u>	<u>68,831</u>
Restricted reserves					
Income and expenditure reserve – endowment reserve	21	655	291	624	273
Income and expenditure reserve – restricted reserve	22	1,678	-	1,708	-
Unrestricted reserves					
Income and expenditure reserve – unrestricted reserve		61,457	56,512	69,057	64,233
Revaluation reserve		4,370	4,325	4,372	4,325
Total reserves		<u>68,160</u>	<u>61,128</u>	<u>75,761</u>	<u>68,831</u>

The financial statements were approved by the University Court on 19 December 2016 and signed on its behalf by:



The Very Revd Dr Graham Forbes, CBE, Chair



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

Consolidated Statement of Cash Flows – Year to 31 July 2016

	31 July 2016 £000	31 July 2015 £000
Cash flow from operating activities		
Deficit for the year	(2,634)	(1,925)
Adjustment for non-cash items		
Depreciation	7,295	6,583
Gain on investments	(114)	(10)
Increase in stock	(1)	(7)
Increase in debtors	(1,099)	(1,410)
Increase / (decrease) in creditors	(1,229)	4,285
Increase in pensions provision	4,402	3,022
Decrease in other provisions	(1,819)	(2,350)
Adjustment for investing or financing activities		
Investment income	(259)	(248)
Interest payable	1,883	2,119
Endowment income	(2)	(5)
Loss on disposal of fixed assets	6	2,732
Capital grant income	(1,045)	(1,096)
Net cash inflow from operating activities	<u>5,384</u>	<u>11,690</u>
Cash flows from investing activities		
Proceeds from disposal of fixed assets	-	1,229
Proceeds from disposal of non-current asset investments	449	163
Capital grant receipts	1,045	1,096
Investment income	259	248
Payments made to acquire fixed assets	(17,000)	(8,116)
Payments made to acquire non-current asset investments	(142)	(236)
Net cash outflow from investing activities	<u>(15,389)</u>	<u>(5,616)</u>
Cash flows from financing activities		
Interest paid	(1,905)	(2,145)
Endowment cash received	2	5
Repayment of amounts borrowed	(5,000)	(5,000)
Net cash outflow from financing activities	<u>(6,903)</u>	<u>(7,140)</u>
Decrease in cash and cash equivalents in the year	<u>(16,908)</u>	<u>(1,066)</u>
Cash and cash equivalents at the beginning of the year	44,412	45,478
Cash and cash equivalents at the end of the year	27,504	44,412

Notes to the 2015-16 Financial Statements

1 Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice: Accounting for Further and Higher Education 2015, (SORP) and in accordance with applicable accounting standards. The University is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The financial statements are prepared in accordance with the historical cost convention (modified by the revaluation of fixed assets). The financial statements have been prepared on the basis that the University has adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31 July 2016. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include the income and expenditure of the Students' Union as the University does not exert control or dominant influence over policy decisions.

Recognition of income

Income from the sale of goods or services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Tuition fee income is stated gross and credited to the Consolidated Statement of Comprehensive Income and Expenditure when the University is entitled to the income. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Investment income is credited to the Consolidated Statement of Comprehensive Income and Expenditure on a receivable basis.

Funds which the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

a. Grant funding

Government revenue grants, including SFC recurrent grants and research grants from government sources are recognised in income over the periods in which the University recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year, as appropriate.

Grants, including research grants, from non-government sources are recognised in income when the University is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors and released to income as the conditions are met.

b. Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the University is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the University is entitled to the funds.

Notes to the 2015-16 Financial Statements (cont)

Investment income and appreciation of endowments are recorded in income in the year in which they arise as either restricted or unrestricted income according to the terms of any restriction applied to the individual endowment fund.

There are potentially four main types of donations and endowments identified within reserves:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective.
2. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University.
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University has the power to use the capital.
4. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

c. Capital grants

Capital grants are recognised in income when the University is entitled to the funds subject to any performance related conditions being met.

Accounting for retirement benefits

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.

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.

In the LGPS scheme the University's obligation is to provide the agreed benefits to current and former employees, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets set aside to fund the benefits will differ from expectations) are borne, in substance, by the University. The University will recognise a liability for its obligations under the defined benefit scheme net of scheme assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of scheme assets. The calculation is performed by a qualified actuary using the projected unit method. Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the University is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Employment benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the University. Any unused benefits are accrued and measured as the additional amount which the University expects to pay as a result of the unused entitlement.

Finance leases

Leases in which the University assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of a finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Notes to the 2015-16 Financial Statements (cont)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Service Concession Arrangements

Fixed assets held under service concession arrangements are recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are brought into use with a corresponding financial liability.

Payments under service concession arrangements are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the lifetime of the arrangement.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease. Any lease premiums or incentives are spread over the minimum lease term.

Foreign currency

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.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets which were revalued to fair value on the date of transition to the 2015 SORP are measured on the basis of deemed cost being the revalued amount at the date of that revaluation.

Where parts of a fixed asset have different useful lives they are accounted for as separate items of fixed assets.

a. Land and Buildings

Land is stated at deemed cost on the date of transition to the 2015 SORP. Land is not depreciated as it is considered to have an indefinite life.

Buildings are stated at cost less accumulated depreciation. Costs incurred in relation to buildings after their initial purchase or construction are capitalised to the extent that they increase the expected future benefits to the University.

Buildings are depreciated over their expected useful life of 50 years. Certain items of infrastructure, including wiring and heating installations are depreciated over their expected useful life of 25 years.

No depreciation is charged on assets in the course of construction.

Investment property is initially measured at cost. Subsequent valuations will be at fair value and carried out at least every three 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
Furniture	10 years
Residences furniture and fittings	8 years
Computer equipment	3 years
Research equipment	2 years or project life

Notes to the 2015-16 Financial Statements (cont)

Investments

Investments are held at fair value, with movements recognised in the Consolidated Statement of Comprehensive Income and Expenditure.

Stock

Stock is held at the lower of cost and net realisable value. No account is taken of stock held in academic or professional service departments.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Provisions

Provisions are recognised in the financial statements 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.

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. The University is recognised as a charity by HM Revenue & Customs and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator. It is therefore a charity within the meaning of Para 1 of schedule 6 to the Finance Act 2010 and 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 sections 478 to 488 of the Corporation Tax Act 2010 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.

The University's subsidiaries are liable to Corporation Tax in the same way as any other commercial organisation.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the University, are held as permanently restricted funds which the University must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the University is restricted in the use of these funds.

Transition to the 2015 SORP

The University is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the SORP has affected the reported financial position and financial performance of the consolidated results of the University is provided in note 29.

Application of first adoption grants certain exemptions from the SORP in the transition period. The following exemptions have been taken into these financial statements:

Revaluation as deemed cost has been used for fair value of freehold land as at 31 July 2014.

Notes to the 2015-16 Financial Statements (cont)

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
2. Scottish Funding Council grants				
Recurrent teaching grant	49,992	49,992	49,761	49,761
Research grant	2,176	2,176	2,200	2,200
Capital grants	958	958	966	966
Other grants	4,449	4,449	4,593	4,598
	57,575	57,575	57,520	57,525
3. Tuition fees and education contracts				
Scotland and EU fees	15,909	15,909	15,460	15,460
Other UK fees	4,138	4,138	3,472	3,472
Non-EU fees	17,058	9,213	17,456	10,275
Non-credit bearing course fees	1,938	-	2,408	-
	39,043	29,260	38,796	29,207
4. Research grants and contracts				
Research councils and charities	528	528	480	480
Industry and commerce	1,420	553	1,548	435
Government	1,044	1,044	1,403	1,403
Other	1,615	1,615	1,223	1,223
	4,607	3,740	4,654	3,541
5. Other income				
Residences, catering and conferences	9,082	9,082	8,398	8,398
Capital grants	87	87	130	130
Other income	6,239	4,785	6,236	4,938
	15,408	13,954	14,764	13,466
6. Investment income				
Investment income from endowments	10	10	10	10
Other investment income	249	227	238	225
	259	237	248	235

Notes to the 2015-16 Financial Statements (cont)

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
7. Donations and endowments				
New endowments	2	2	5	5
Restricted donations	224	-	1,576	-
Unrestricted donations	32	4,613	35	3,706
	258	4,615	1,616	3,711
8. Staff costs				
Salaries	57,970	53,525	56,414	51,975
Social security costs	5,025	4,697	4,573	4,234
Other pension costs	11,976	11,552	10,486	10,135
	74,971	69,774	71,473	66,344
Emoluments of the Vice-Chancellor:			2016	2015
			£000	£000
Salary			203	194
Bonus			15	9
Pension contributions			22	29
			240	232
			2016	2015
			number	number
The number of other higher paid staff who received emoluments, excluding national insurance and pension contributions, in the following ranges was:				
£100,000 - £109,999			1	3
£110,000 - £119,999			3	2
£120,000 - £129,999			1	1
£130,000 - £139,999			-	1
£150,000 - £159,999			1	-

Notes to the 2015-16 Financial Statements (cont)

	2016 Number	2015 Number
8. Staff costs (contd)		
The average number of staff by major category was:		
Academic departments	760	747
Academic services	209	225
Central administration	262	261
Other	142	130
	1,373	1,363
	£000	£000
Compensation for loss of office paid to former senior post-holders		
Compensation paid to three (2015: two) former senior post-holders	255	182
	1,133	1,100

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the University. Staff costs include compensation paid to key management personnel.

Key management personnel compensation

1,133 **1,100**

Notes to the 2015-16 Financial Statements (cont)

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated £000	University £000	Consolidated £000	University £000
9. Analysis of expenditure by activity				
Academic departments	43,931	43,931	41,444	41,444
Academic services	16,940	16,940	15,886	15,886
Central administration	18,670	18,670	16,754	16,754
Property	10,662	10,662	11,118	11,118
Research grants and contracts	7,994	7,994	8,459	8,459
Residences and catering	8,907	8,907	9,336	9,336
Napier University Ventures Ltd	7,381	-	7,511	-
Other expenditure	5,291	4,996	6,293	5,948
	119,776	112,100	116,801	108,945
Other operating expenses includes:				
External auditor – audit services	57	46	52	46
External auditor – other services	98	103	46	46
Internal auditor – audit services	70	70	67	67
Operating lease rentals - buildings	5,547	5,547	5,332	5,332
Operating lease rentals - vehicles	25	25	23	23
	5,797	5,791	5,520	5,514
10. Interest and other finance costs				
Loans interest	1,811	1,811	2,119	2,119
Unwinding of discount	72	72	198	198
Net charge on pension scheme	1,273	1,273	1,386	1,386
	3,156	3,156	3,703	3,703
11. Taxation				
Recognised in the statement of comprehensive income				
Current tax in respect of RDEC claim	116	116	-	-

Notes to the 2015-16 Financial Statements (cont)

	Assets under construction	Land and buildings	Vehicles and equipment	Total
	£000	£000	£000	£000
12. Fixed assets – Consolidated				
Cost or valuation				
At 1 August 2015	-	142,002	26,133	168,135
Additions	2,123	9,928	4,174	16,225
Transfer to assets held for sale	-	(842)	-	(842)
Disposals	-	-	(2,684)	(2,684)
At 31 July 2016	2,123	151,088	27,623	180,834
Depreciation				
At 1 August 2015	-	23,299	14,978	38,277
Charge for the year	-	3,500	3,795	7,295
Transfer to assets held for sale	-	(151)	-	(151)
Disposals	-	-	(2,684)	(2,684)
At 31 July 2016	-	26,648	16,089	42,737
Net book value at 31 July 2016	2,123	124,440	11,534	138,097
Net book value at 31 July 2015	-	118,703	11,155	129,858
Fixed assets – University				
Cost or valuation				
At 1 August 2015	-	141,921	26,081	168,002
Additions	2,123	9,928	4,160	16,211
Transfer to assets held for sale	-	(761)	-	(761)
Disposals	-	-	(2,684)	(2,684)
At 31 July 2016	2,123	151,088	27,557	180,768
Depreciation				
At 1 August 2015	-	23,268	14,941	38,209
Charge for the year	-	3,498	3,783	7,281
Transfer to assets held for sale	-	(116)	-	(116)
Disposals	-	-	(2,684)	(2,684)
At 31 July 2016	-	26,650	16,040	42,690
Net book value at 31 July 2016	2,123	124,438	11,517	138,078
Net book value at 31 July 2015	-	118,653	11,140	129,793

Included within land and buildings is an investment property of £0.9m, held at fair value.

Notes to the 2015-16 Financial Statements (cont)

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
13. Non-current investments				
At 1 August 2015	2,175	1,810	2,077	1,783
Additions	142	45	236	66
Disposals	(455)	(180)	(123)	(36)
Appreciation / (impairment) of investments	114	(74)	(15)	(3)
At 31 July 2016	1,976	1,601	2,175	1,810
14. Stock				
Stocks for resale	43	43	42	42
15. Asset held for sale				
Morningside Church	691	645	-	-
It is anticipated that the Morningside Church Campus will be sold during financial year 2016/17.				
16. Trade and other receivables				
Trade receivables	3,612	908	3,452	947
Prepayments and accrued income	3,532	2,764	3,293	2,655
Other receivables	1,648	1,289	872	872
Research grants receivable	448	448	524	524
	9,240	5,409	8,141	4,998
17. Creditors: amounts falling due within one year				
Trade payables	3,076	3,076	4,212	4,212
Taxation and social security	1,514	1,514	1,412	1,412
Other payables	1,579	1,441	1,451	1,313
Accruals and deferred income	17,678	15,618	19,138	17,361
Unsecured Loans	15,000	15,000	5,000	5,000
Research grants received on account	1,588	1,588	1,248	1,248
Amounts owed to subsidiary undertakings	-	3,473	-	3,651
	40,435	41,710	32,461	34,197

Notes to the 2015-16 Financial Statements (cont)

	Year ended 31 July 2016		Year ended 31 July 2015	
	Consolidated	University	Consolidated	University
	£000	£000	£000	£000
18. Creditors: amounts falling due after more than one year				
Unsecured loan repayable by 2017	-	-	15,000	15,000
Unsecured loan repayable by 2039	10,000	10,000	10,000	10,000
	<u>10,000</u>	<u>10,000</u>	<u>25,000</u>	<u>25,000</u>

Of the total loans outstanding, £15m is fixed at a rate of 6.36%, and the remaining £10m is fixed at a rate of 5.55%

	Unfunded	Defined benefit	Onerous	Dilapidations	Total
	pensions	obligations	leases		
Consolidated and University	£000	£000	£000	£000	£000
At 1 August 2015	13,531	33,968	629	3,278	51,406
Income from investments	34	-	-	-	34
Early retirement pensions	(948)	-	-	-	(948)
Unwinding of discount	-	-	-	72	72
Transfer (to) / from income and expenditure account	1,204	9,079	(629)	(1,262)	8,392
At 31 July 2016	<u>13,821</u>	<u>43,047</u>	<u>-</u>	<u>2,088</u>	<u>58,956</u>

Unfunded pensions

A valuation of the unfunded pension liability was carried out at 31 July 2016, by Mercer Limited, an independent firm of actuaries.

Defined Benefit Obligations

A valuation of the defined benefit obligations was carried out at 31 July 2016 by Hymans Robertson, an independent firm of actuaries. (See note 20)

Onerous leases

The onerous leases provision was in respect of student accommodation which is no longer leased by the University. The remaining balance at 1 August 2015 has been released to the income and expenditure account.

Dilapidations

The dilapidations provision is in respect of leased property where the University has taken a decision to vacate the property at the end of the current lease. It is expected that the remaining provision will remain until 2017.

Notes to the 2015-16 Financial Statements (cont)

20. 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 £11,976,000 (2015 - £10,486,000)

	2016	2015
Total pension costs for the year	£000	£000
STSS – contributions paid	4,160	3,659
LGPS – charge to the income and expenditure account	7,816	6,827
	<u>11,976</u>	<u>10,486</u>

The Scottish Teachers Superannuation Scheme is the principal scheme for University academic staff. It is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purposes of determining contribution rates.

The 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 until August 2015, and rose to 17.2% from September 2015.

Under the definitions set out in FRS102 and the 2015 SORP, 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 the SORP and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Notes to the 2015-16 Financial Statements (cont)

20. Pension schemes (contd)

The **Local Government Pension Scheme** is the principal scheme for non-academic staff of the University. It is a funded defined benefit scheme, with 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 2016 by a qualified independent actuary.

	July 2016	July 2015	July 2014
Rate of increase in salaries	4.4%	4.5%	5.0%
Rate of increase in pensions	1.9%	2.6%	2.7%
Discount rate	2.4%	3.6%	4.0%
Inflation rate	1.9%	2.6%	2.7%

The following mortality rate assumptions have been used:

	2016		2015	
	males	females	males	females
Current pensioners	22.1 years	23.7 years	22.1 years	23.7 years
Future pensioners	24.2 years	26.3 years	24.2 years	26.3 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 2015-16 Financial Statements (cont)

	July 2016 Fair Value £000	July 2015 Fair value £000	July 2014 Fair Value £000
20. Pension schemes (contd)			
Equities	120,203	94,186	100,512
Bonds	37,121	25,687	10,178
Property	14,142	12,844	10,178
Cash	5,303	9,989	6,362
Fair value of assets	176,769	142,706	127,230
Present value of scheme liabilities	219,816	176,674	160,818
Net pension deficit	(43,047)	(33,968)	(33,588)

The following amounts at 31 July were measured in accordance with the requirements of FRS 102:

	2016 £000	2015 £000
Analysis of the amount shown in the Balance Sheet		
The University's estimated assets share	176,769	142,706
Present value of the University's scheme liabilities	(219,816)	(176,674)
Deficit in the scheme	(43,047)	(33,968)

Analysis of the amount charged to staff costs within the Consolidated Statement of Comprehensive Income and Expenditure

Current service cost	7,816	6,767
Past service cost (including curtailments)	-	60
Net charge	7,816	6,827

Analysis of the amount charged to interest and other finance costs within the Consolidated Statement of Comprehensive Income and Expenditure

Interest income on plan assets	5,175	5,130
Interest cost on defined benefit obligation	(6,448)	(6,516)
Net charge	(1,273)	(1,386)

Notes to the 2015-16 Financial Statements (cont)

	2016 £000	2015 £000			
20. Pension schemes (contd)					
Analysis of movements in the present value of scheme liabilities					
Balance at 1 August	176,674	160,818			
Current service cost	7,816	6,767			
Contributions	1,654	1,639			
Past service cost (including curtailments)	-	60			
Benefits paid	(4,543)	(4,032)			
Interest costs	6,448	6,516			
Other experience	(1,527)	(854)			
Changes in financial assumptions	33,294	5,760			
Balance at 31 July	219,816	176,674			
Analysis of movements in the fair value of the scheme assets					
Balance at 1 August	142,706	127,230			
Contributions	6,631	6,264			
Benefits paid	(4,543)	(4,032)			
Expected return on assets	5,175	5,130			
Return on assets excluding amounts included in net interest	26,800	8,114			
	176,769	142,706			
Actuarial gain / (loss) charged to the Consolidated Statement of Comprehensive Income and Expenditure					
Return on scheme assets	26,800	8,114			
Changes in financial assumptions	(33,294)	(5,760)			
Other experience	1,527	854			
Net gain / (loss)	(4,967)	3,208			
History of experience gains and losses					
Difference between the expected and actual return on scheme assets	26,800	8,114	1,289	13,394	(5,128)
% of scheme assets	15.2%	5.7%	1.0%	10.5%	(5.4%)
Experience gains / (losses) on scheme liabilities	(31,767)	(4,906)	52	-	3,546
% of the present value of the scheme liabilities	(14.5%)	(2.8%)	0.0%	0.0%	2.9%

Notes to the 2015-16 Financial Statements (cont)

	Restricted Permanent £000	Restricted Expendable £000	2016 Total £000	2015 Total £000
21. Endowment reserve				
At 1 August				
Capital value	549	7	556	549
Accumulated income	68	-	68	63
	<u>617</u>	<u>7</u>	<u>624</u>	<u>612</u>
New endowments	2	-	2	5
Increase in market value of investments	28	-	28	1
Investment income	10	1	11	20
Expenditure for the year	(9)	(1)	(10)	(14)
At 31 July	648	7	655	624
Represented by:				
Capital value	577	7	584	556
Accumulated income	71	-	71	68
	<u>648</u>	<u>7</u>	<u>655</u>	<u>624</u>
22. Restricted reserve				
At 1 August				
			1,708	534
New donations			528	1,606
Investment income			13	11
Expenditure			(571)	(443)
Total restricted comprehensive income for the year			(30)	1,174
At 31 July			1,678	1,708
23. 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 accounts.				
Edinburgh Napier 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 accounts.				

Notes to the 2015-16 Financial Statements (cont)

	At 1 August 2015 £000	Cash flows £000	At 31 July 2016 £000
24. Cash and cash equivalents			
Consolidated cash and cash equivalents	<u>44,412</u>	<u>(16,908)</u>	<u>27,504</u>

25. Capital commitments

As at 31 July 2016 the University and its consolidated subsidiaries had commitments contracted for amounting to £518,971 (2015 - £699,016).

	Buildings £000	Vehicles £000	2016 £000	2015 £000
26. Lease obligations				
Future minimum lease payments due:				
Not later than 1 year	216	-	216	68
Later than 1 year and not later than 5 years	94	25	119	1,679
Later than 5 years	4,881	-	4,881	3,900
	<u>5,191</u>	<u>25</u>	<u>5,216</u>	<u>5,647</u>

27. Discretionary and childcare funds

	Discretionary 2016 £000	Childcare 2016 £000	Discretionary & Childcare 2016 £000	Discretionary & Childcare 2015 £000
Balance at 1 August	-	-	-	-
SAAS grants received	535	266	801	857
Transfer between funds	148	(148)	-	-
Interest earned	-	-	-	-
	<u>683</u>	<u>118</u>	<u>801</u>	<u>857</u>
Disbursed to students	(683)	(118)	(801)	(857)
Repaid to SAAS	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 Statement of Comprehensive Income and Expenditure.

28. Related party transactions

The University has taken advantage of the exemption available under FRS 8, 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.

Notes to the 2015-16 Financial Statements (cont)

29. Transition to FRS 102 and the 2015 SORP

As explained in the accounting policies, these are the University's first financial statements produced in accordance with FRS 102 and the SORP. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 July 2016, the comparative information presented in these financial statements for the year ended 31 July 2015, and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the University has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the University's financial position and financial performance is set out in the following tables.

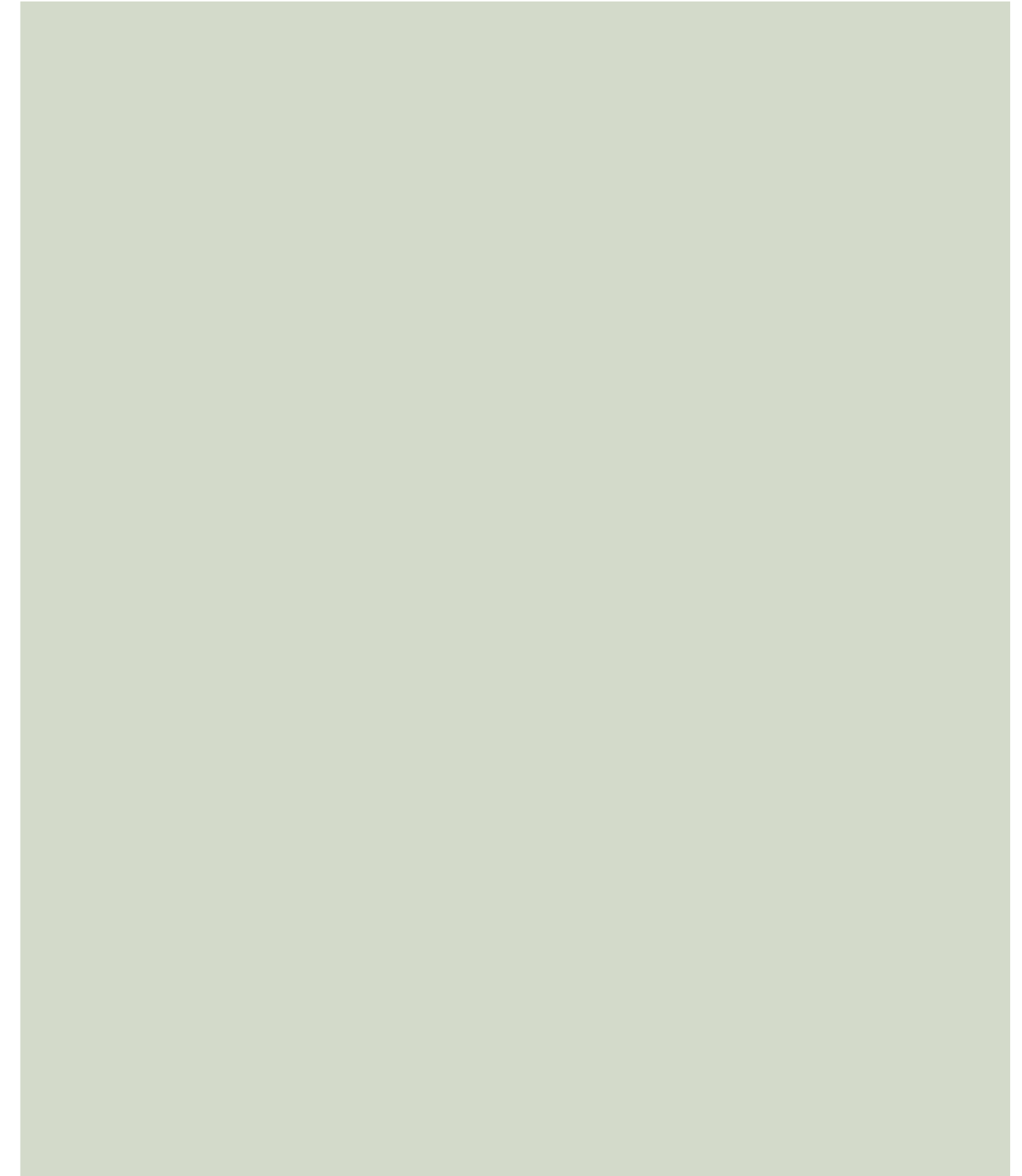
Financial position	Notes	1 August 2014		31 July 2015	
		Consolidated £000	University £000	Consolidated £000	University £000
Total reserves under 2007 SORP		69,608	67,450	71,016	66,932
Holiday pay accrual	1	(2,565)	(2,565)	(2,583)	(2,583)
Revaluation of land	2	7,383	4,714	7,344	4,743
Capital grants transferred to creditors	3	-	-	(261)	(261)
Recognition of donations income	4	52	-	245	-
Total effect of transition to FRS 102		<u>4,870</u>	<u>2,149</u>	<u>4,745</u>	<u>1,899</u>
Total reserves under 2015 SORP		<u>74,478</u>	<u>69,599</u>	<u>75,761</u>	<u>68,831</u>
Financial Performance					
Surplus for the year under 2007 SORP				4,588	2,657
Holiday pay accrual	1			(17)	(17)
Adjustment to depreciation re land valuation	2			(40)	28
Deferred capital grants income	3			(181)	(181)
Recognition of donations income	4			194	-
Loss on disposal of fixed assets	5			(3,921)	(3,921)
Gain on investments				16	22
Actuarial gain in respect of pension schemes				644	644
Total effect of transition to FRS 102				<u>(3,305)</u>	<u>(3,425)</u>
Total comprehensive income for the year under 2015 SORP				<u>1,283</u>	<u>(768)</u>

Notes to the 2015-16 Financial Statements *(cont)*

Notes to the Consolidated and University Transition Statements

1. In accordance with FRS 102 an accrual for the untaken staff leave at the balance sheet dates has been included.
2. On adoption of FRS 102 the University used the transitional provisions to measure land at fair value on the date of transition, and to use that fair value as the deemed cost.
3. A capital grant which was deferred under UK GAAP in the year ended July 2015 was transferred to Creditors and released to Income and Expenditure in the year ended July 2016.
4. On adoption of the income recognition requirements of FRS 102, Edinburgh Napier University Development Trust included additional income in the Income and Expenditure Account.
5. In the year ended July 2015, under UK GAAP, there was a write-off of redundant assets at Merchiston Campus. There was also a release of Deferred Capital Grants. Under FRS 102, and in accordance with the Accounting Policies on page 28 all Deferred Capital Grants were transferred to Unrestricted Reserves at July 2014. As a result there is a transitional loss of £3.921m.

Notes to the 2015-16 Financial Statements *(cont)*





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