

NAPIER UNIVERSITY  
ACCOUNTS FOR THE YEAR TO 31 JULY 2000

CONTENTS

	<b>Page</b>
General Information	2
Court Membership	3
Report by the Chairman of Court	4
Corporate Governance	6
Responsibilities of the University Court	8
Report of the Auditors	10
Statement of Principal Accounting Policies	12
Consolidated Income & Expenditure Account	15
Balance Sheets	16
Consolidated Cash Flow Statement	18
Statement of Consolidated Total Recognised Gains & Losses	18
Notes to the Accounts	19

Napier University  
General Information

Chancellor	Rt Hon Viscount Younger of Leckie KT KCVO TD DL FRSE
Chairman of Court	Sir Ronald Miller CBE DSc (Hon) BSc CA
Principal and Vice-Chancellor	Professor J Mavor DSc (Eng) FEng FRSE
Secretary	G C Webber BA DPhil MBA
Director of Finance	A Anderson CA
External Auditors	Ernst & Young Ten George Street Edinburgh EH2 2DZ
Internal Auditors	Deloitte & Touche 39 George Street Edinburgh EH2 2HZ
Bankers	Royal Bank of Scotland Plc 206 Bruntsfield Place Edinburgh EH10 4DF
Solicitors	Anderson Strathern WS 12 South Charlotte Street Edinburgh EH2 4AY
Actuaries	Hymans Robertson 13 Charlotte Square Edinburgh EH2 4DJ

# Napier University

## Court Membership

The following persons served as members of Court during the year to 31 July 2000. In the case of those who became or ceased to be members during the year, the appropriate dates are shown.

	Date of Appointment	Date of Retirement	Category	
Mr T N Aitchison			Non-Executive	
Mr K Aitken			Non-Executive	++
Mr C Beveridge	July 2000		Student	
Mr G C Borthwick	June 2000		Non-Executive	
Mrs A Brobbel			Non-Executive	++
Mr D Campbell			Staff	
Mr A Cubie (Vice-Chairman)			Non-Executive	++
(+++)				
Dr T M Crawford			Non-Executive	++
The Right Hon Lord Cullen			Non-Executive	
(+++)				
Mr A Fleming		March 2000	Non-Executive	
Mr H Grealish	July 1999	June 2000	Student	++
Miss M Greenwood			Non-Executive	++
Mrs M Jeffcoat			Non-Executive	+
Ms K Liddell	July 1999	March 2000	Student	
Mr D MacDonald			Non-Executive	
Ms C MacGregor	March 2000	June 2000	Student	
Mr P Mackay			Non-Executive	+
Mr T McKay			Staff	
Professor J Mavor			<i>Ex Officio</i>	++
Mr A G Melville	July 2000		Student	++
Sir Ronald Miller (Chairman)			Non-Executive	++
(+++)				
Lady Rifkind			Non-Executive	
Lord Sanderson of Bowden			Chancellor's Assessor	
Professor A Sibbald			Staff	
Professor M Thorne			<i>Ex Officio</i>	++
Mr D Wise			Graduates' Association	
Mrs S Watson		March 2000	Staff	
Mr M Walker			Non-Executive	+
Mr P Wilson			Non-Executive	+
Mr H Wollmann	March 2000		Staff	

+ Member of Audit Committee

++ Member of Finance and General Purposes Committee

(+++) Member of Remuneration Committee

# Napier University

## Report by the Chairman of Court

### **Scope of the Accounts**

The Accounts for the year ended 31 July 2000 comprising the results of the University and that of its subsidiaries follow the same format as that for the previous year. They are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and the accounting requirement of the Scottish Higher Education Funding Council.

### **Results of the Year**

The Consolidated Income & Expenditure Account is summarised on page 15 of the Accounts. The University's total income increased by £3.171m (5.3 per cent) compared with the previous year. Virtually all areas of income have increased. Expenditure too has increased but has been well controlled and is within the operating budgets that are reviewed regularly. Staff Costs have increased by £1.5m which represents an increase of 4 per cent over last year. Early retirement provision including exceptional restructuring costs have wholly contributed to the deficit of £1.688m. Without this charge the University would have produced a substantial surplus. However the restructuring costs that have been provided in this years accounts will place the University on a more secure financial footing as the ongoing payroll costs will have been substantially reduced.

### **Balance Sheet**

The Balance Sheet continues to strengthen with greater liquidity to meet foreseeable requirements now being attained. Expenditure on Fixed Assets was £2.442m which is an increase on the previous year. The University does not have any borrowings and is well placed to meet its future capital expansion programme. Debtors and Creditors have increased greatly. This is due in the main to sums due to and from Customs & Excise by two wholly owned subsidiaries.

### **Creditors Payment Policy**

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. As at 31 July 2000, the University had an average of 37 days purchases outstanding in trade creditors.

### **Future Developments**

The University has comprehensively reviewed its Estates Strategy which was endorsed by the Court on 2 October 2000. There will be exceptional capital expenditure of circa £45m over the next 5-10 years. This will result in the University taking on loans to fund this activity. There is now a strong balance sheet and the University is embarking on this expenditure in the full knowledge that it will improve its academic and commercial facilities without weakening its overall financial position.

The University systems have also been reviewed and over the next year new systems for student records, personnel and payroll are being implemented.

These improvements have been planned well in advance and have been costed as part of the overall management information systems strategic budget.

# Napier University

## Report by the Chairman of Court

### **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.

### **Reclassification**

The Statement of Recommended Practice for Further and Higher Education, effective from 1 August 1999, has caused several items within the Income & Expenditure Account and the Balance Sheets to be reclassified. Appropriate changes have been made to the Notes and to the comparative figures.

# Napier University

## Corporate Governance

Napier University was established by a Statutory Instrument entitled "The Napier University (Scotland) Order of Council 1993". The Order makes provision regarding the constitution, functions and powers of the University Court, and the arrangements to be adopted by it in discharging its functions.

The Order provides that the Court shall be the Governing Body of the University and shall administer it for the objects of providing education, carrying out research and promoting teaching, research and general scholarship.

The composition of the Court is prescribed by the Statutory Instrument and comprises non-executive members, *ex officio* members, academic and non-academic members of staff and representatives of the Students' Association and the Graduates' Association. The non-executive members of the Court must always remain in the majority. The Chancellor is the titular head of the University with power to confer degrees. The Principal and Vice-Chancellor is the Chief Executive Officer of the University with delegated authority to deal with the organisation and management of the University, and the appointment, promotion and discipline of staff. The Chairman and Vice Chairman of the Court are appointed from the non-executive Court members and accordingly the roles of Chancellor, Principal and Vice-Chancellor and Chairman of Court are separated and clearly established.

The Statutory Instrument sets out the functions and powers of the Court, and makes particular provision for financial and property matters, administration and academic affairs. The University Court is required to hold at least four meetings per annum, and provision is made in the University's Standing Orders for members of the Court disclosing any interests and the Court is also given power to remove members in certain specified circumstances. The Academic Board generally has the responsibility of dealing with the overall planning, co-ordination, development and supervision of the academic work of the University. Otherwise the Court is responsible for the strategic planning and policies of the University and has delegated many of its functions to the Academic Board and to a series of committees which are formally constituted with established terms of reference and are all chaired by non-executive members of the University Court. The Finance & General Purposes Committee generally manages all matters of finance and property of the University, recommends to the Court the annual budget, monitors the management accounts of the University throughout the year, and is responsible via the Principal for preparing the Annual Accounts of the income and expenditure of the University. The Finance & General Purposes Committee also functions as a Nominations Committee which makes recommendations to the Court for filling vacancies on the Court and consults widely about the filling of these vacancies. Under the Statutory Instrument, Court members are appointed for renewable four year terms, subject to a maximum of 12 years continuous service. Court members receive no remuneration for their service on the Court or Court Committees.

The Audit Committee consists entirely of non-executive members of the Court. The Audit Committee meets at least four times per annum at which the external auditors and internal auditors of the University are present when requested. The Committee receives regular reports from the internal auditors

on the University's systems of internal control and the procedures adopted by the University to secure value for money. They also receive and consider reports from the Scottish Higher Education Funding Council's Audit Branch and the National Audit Office. The Committee has the opportunity to meet for independent discussions with the external auditors and internal auditors in the absence of any senior executives of the University.

The Remuneration Committee comprises entirely non-executive members and deals with the annual remuneration of the Senior Management Team of the University.

The University's Court is responsible for the University's system of internal control and or reviewing its effectiveness. 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.

Napier University  
Corporate Governance

The University fully supports the Turnbull recommendations that a committee be established to identify, evaluate and manage the University's significant risks and steps are in train for the Court to review its Committee structure.

Napier University complies with the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks apart from the following three exceptions:

**The size of an institution's Governing Body should not normally exceed 25 members, subject to the institution's constitution.** The size of the Court of Napier University in its constitution is 26 members as defined in Statutory Instrument 1993/557 clause 3(2).

**The term of office of member of a Governing Body other than for members by virtue of their office should not be more than three years and members should not normally serve for a consecutive period of more than nine years.**

The constitution of Napier University provides for a term of office of four years with a maximum period of 12 years in office (clause 3(7)).

**Members, other than members who are members by virtue of their office, should not normally serve for more than one complete term beyond the State retirement age which is assumed to be 65 years of age.**

The constitution of Napier University provides that a member of Court who has attained 70 years of age shall not be eligible thereafter to take office for a first or subsequent term (clause 3(8)).

A Sub-Committee of Court was established in July 2000 to review the effectiveness of Court and the report of that Committee has not recommended any changes in these three areas above. However the Sub-Committee has made several other recommendations which have been accepted by Court.

# Napier University

## Responsibilities of the University Court

In accordance with the Statutory Instrument, the University Court is responsible for the administration and management of the affairs of the University including ensuring an effective system of internal control and is required to present audited Accounts for each financial year. The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the Accounts are prepared in accordance with the University's Statutory Instrument, the Statement of Recommended Practice for Further and Higher Education Institutions and other relevant standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University, the Court, through its designated Office Holder, is required to prepare Accounts for each financial year which give a true and fair view of the University and of the surplus or deficit and cash flows for that year.

In causing the Accounts to be prepared, the Court has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- Accounts are prepared on the going concern basis, unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the Accounts.

The Court has taken reasonable steps to:

- ensure that funds from the Scottish Higher Education Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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 level two budget holders and heads of department;
- 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;

## Napier University

### Responsibilities of the University Court

- monthly reviews of financial results involving variance reporting and periodic updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court;
- comprehensive Financial Procedures and Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance and General Purposes Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court and whose head provides the Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

# Napier University

## Report of the Auditors to the Court of Napier University

Year to 31 July 2000

### **Report of the Auditors to the Court of Napier University**

We have audited the Accounts on pages 15 to 32 which have been prepared under the historical cost convention as modified by the revaluation of certain assets and the accounting policies set out on pages 12 to 14.

### **Respective Responsibilities of the Court and Auditors**

The University Court is responsible for preparing the accounts. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Scottish Higher Education Funding Council and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Higher Education Funding Council.

We also report to you if, in our opinion, the Report by the Chairman of Court is not consistent with the Accounts, if the University has not kept proper accounting records, the accounting records do not agree with the accounts or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report by the Chairman of Court report and Corporate Governance statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Accounts.

### **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amount and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by Court in the preparation of the Accounts, and of whether the accounting policies are appropriate the circumstances of the University and its subsidiaries (the group), consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or other irregularity

or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

Napier University

Report of the Auditors to the Court of Napier University

Year to 31 July 2000

**Opinion**

In our opinion:

- the Accounts give a true and fair view of the state of affairs of the University and the Group at 31 July 2000 and of the Group's income and expenditure for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions;
- funds from the Scottish Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- income has been applied in accordance with the Charter and Statutes governing the University and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 Revisions) with the Scottish Higher Education Funding Council.

Ernst & Young  
Registered Auditors  
Edinburgh

4 December 2000

Napier University  
Statement of Principal Accounting Policies  
Year to 31 July 2000

**Basis of Preparation**

The Accounts have been prepared under the historical cost convention and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and applicable accounting standards. They conform to guidance published by the Scottish Higher Education Funding Council (SHEFC).

**Basis of Accounting**

The Accounts are prepared under the historical cost convention and modified by the revaluation of investments.

**Basis of Consolidation**

The Consolidated Accounts consolidate the Accounts of the University and all its subsidiary undertakings in accordance with the provisions of Financial Reporting Statement No 2. 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 SHEFC and Scottish Executive are recognised in the period in which they are receivable. Income from Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the Income & Expenditure Account in the period in which it is earned.

**Maintenance of Premises**

The University has a ten year rolling maintenance plan which is reviewed on an annual basis. The cost of long-term and routine corrective maintenance is charged to the Income & Expenditure Account as it is incurred.

**Foreign Currency Translations**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

**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 schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme.

# Napier University

## Statement of Principal Accounting Policies

Year to 31 July 2000

The STSS is a statutory, contributory, final salary scheme administered by The Scottish Public Pensions Agency, an executive agency of the Secretary of State for Scotland. This is an unfunded scheme, which operates under the Teachers' Superannuation (Scotland) Regulations.

The LGPS is also a contributory, final salary scheme administered by the City of Edinburgh Council. The scheme is a funded scheme operating under the Local Government Pension Scheme (Scotland) Regulations 1998.

The University's contributions to these schemes are charged to the Income and Expenditure Account so as to achieve the accounting objective of recognising the costs of providing pensions on a systematic and rational basis over the period during which the University benefits from the employees' services.

The University's contributions are determined from periodic valuations of the schemes carried out by qualified actuaries, for the STSS using the entry age method and, for the LGPS, every three years using the projected unit method.

The University is funding directly certain pension costs for employees who have taken early retirement. An actuarial valuation of the liability has been calculated for those employees. The valuation includes those employees who left prior to 1994, SHEFC's New Blood Initiative, the Administrative Premature Retirement Schemes, and those who left during the financial years up to and including 31 July 2000. The valuation has been carried out by the University's actuaries Hymans Robertson. A provision has been set aside to cover all these liabilities.

### **Tangible Fixed Assets**

#### **a. Land and Buildings**

The University's Land and Buildings are stated at cost. Buildings are depreciated over their expected useful life of 50 years and leasehold land over the life of the lease. Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

#### **b. Equipment**

Equipment, including computers and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is stated at cost and is depreciated over its useful economic life as follows:

Non-Computer Equipment	- 10 years
Computer Equipment	- 3 years
Research equipment project life	- Project life - 2 years generally
Furniture	- 10 years
Residences - Furniture and Fittings	- 8 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy. The related grants are treated as deferred capital grants and released to income over the expected useful economic life of the related equipment.

Napier University  
Statement of Principal Accounting Policies  
Year to 31 July 2000

**Leases**

Payments in respect of operating leases are charged in the Income & Expenditure Account. There are no assets held under finance leases.

**Investments**

Investments and Endowment Assets Investments are included in the Balance Sheet at valuation. Where investments are not listed on a recognised stock exchange they are carried at historical cost less any provision for impairment in their 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.

**Taxation**

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 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 which is charged to the Income & Expenditure Account.

**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.

Napier University  
 Consolidated Income & Expenditure Account  
 Year to 31 July 2000

	Notes	1999-00 £000s	1998-99 £000s
<b>Income</b>			
Funding Council Grants	1	31,380	29,785
Tuition Fees and Education Contracts	2	17,821	17,552
Research Grants and Contracts	3	2,868	2,899
Other Operating Income	4	10,539	9,238
Endowment and Investment Income	5	467	430
<b>Total Income</b>		<b>63,075</b>	<b>59,904</b>
<b>Expenditure</b>			
Staff Costs	6	38,481	36,979
Exceptional Restructuring Costs	8	3,865	949
Other Operating Expenditure	7	20,618	18,734
Depreciation	8	1,799	1,691
<b>Total Expenditure</b>	8	<b>64,763</b>	<b>58,353</b>
<b>Surplus/(Deficit)</b>		<b>(1,688)</b>	<b>1,551</b>

The Income & Expenditure account is in respect of continuing activities.

Areas shaded throughout these Accounts denote that the figures have been consolidated with those of the University's subsidiaries.

Napier University  
Consolidated Balance Sheet  
At 31 July 2000

	Notes	2000 £000s	1999 £000s
<b>Fixed Assets</b>			
Tangible Fixed Assets	10	38,911	38,274
Investments	11	1,696	1,655
		40,607	39,929
<b>Endowment Asset Investments</b>	12	208	204
<b>Current Assets</b>			
Stocks	13	34	39
Debtors	14	10,460	3,211
Cash at Bank and in Hand		9,132	7,881
		19,626	11,131
<b>Creditors due within one year</b>	15	17,152	9,502
<b>Net Current Assets</b>		<u>2,474</u>	<u>1,629</u>
<b>Total Assets less Current Liabilities</b>		43,289	41,762
<b>Provisions for Liabilities and Charges</b>	16	(10,495)	(6,386)
		32,794	35,376
<b>Total Net Assets</b>		<u><u>32,794</u></u>	<u><u>35,376</u></u>
Represented by:			
<b>Reserves</b>	17	26,669	27,608
	18	208	204
Deferred Capital Grants	19	5,917	7,564
Endowment Funds			
Reserves		32,794	35,376
<b>Total Funds</b>		<u><u>32,794</u></u>	<u><u>35,376</u></u>

The Accounts on pages 12 to 32 were approved by the University Court on 4 December 2000 and were signed on its behalf by: SIR R MILLER, Chairman; PROFESSOR J MAVOR, Accounting Officer; A ANDERSON, Director of Finance.

Napier University

Balance Sheet

At 31 July 2000

	Notes	2000 £000s	1999 £000s
<b>Fixed Assets</b>			
Tangible Fixed Assets	10	38,812	38,165
Investments	11	1,693	1,655
		40,505	39,820
<b>Endowment Asset Investments</b>	12	208	204
<b>Current Assets</b>			
Stocks	13	34	39
Debtors	14	3,450	2,978
Cash at Bank and in Hand		8,040	6,963
		<u>11,524</u>	<u>9,980</u>
<b>Creditors due within one year</b>	15	<u>8,858</u>	<u>8,162</u>
<b>Net Current Assets</b>		2,666	1,818
<b>Total Assets less Current Liabilities</b>		43,379	41,842
<b>Provisions for Liabilities and Charges</b>	16	(10,495)	(6,386)
		32,884	35,456
<b>Total Net Assets</b>		<u><u>32,884</u></u>	<u><u>35,456</u></u>
Represented by:			
<b>Reserves</b>	17	26,652	27,596
	18	208	204
Deferred Capital Grants	19	6,024	7,656
Endowment Funds			
Reserves		32,884	35,456
<b>Total Funds</b>		<u><u>32,884</u></u>	<u><u>35,456</u></u>

Napier University  
Consolidated Cash Flow Statement  
Year to 31 July 2000

	Notes	2000 £000s	1999 £000s
<b>Net cash inflow from operating activities</b>	21	3,144	3,719
<b>Returns on investment and servicing of finance</b>			
	11		11
Income from Endowments		464	426
Other Interest Received		-	-
Interest Paid		41	42
Investment Income Received			
		516	479
<b>Net cash inflow from returns on investment and servicing of finance</b>			
<b>Investing activities</b>			
Payments to Acquire Tangible Fixed Assets		(2,442)	(1,949)
Receipts from Sale of Tangible Fixed Assets		6	210
Payments to Acquire Investments		(3)	-
Receipts from Sale of Investments		16	-
Deferred Capital Grants Received		14	253
Endowments Received		-	1
<b>Net cash inflow from investing activities</b>		(2,409)	(1,485)
<b>Net cash inflow before financing</b>		1,251	2,713
<b>Net cash inflow from financing</b>		-	-
<b>Increase in cash</b>	22	1,251	2,713

Statement of Consolidated Total Recognised Gains and Losses

Operating Surplus/(Deficit)	(1,688)	1,551
Appreciation/(Depreciation) of Endowment	(4)	5
Asset Investments	41	144
Appreciation of Fixed Asset Investments	8	7
Endowment Income retained for year	-	1
New Endowments		
	(1,643)	1,708

Napier University

Notes to the 1999-00 Accounts

	1999-00 £000s	1998-99 £000s
<b>1. Scottish Higher Education Funding Council Grants</b>		
Recurrent Grant	29,305	28,328
Specific Grants	1,210	376
Released from Deferred Capital Grants	530	530
- Buildings	335	551
- Equipment		
	<u>31,380</u>	<u>29,785</u>
<b>2. Academic Fees</b>		
Home/EU	7,258	6,792
Overseas	1,672	1,545
Part-Time	2,110	2,007
Examination Fees	56	37
Education Contracts	6,725	7,171
	<u>17,821</u>	<u>17,552</u>
<b>3. Research Grants and Contracts</b>		
Grants (SHEFC)	1,156	854
Contracts	1,712	2,045
	<u>2,868</u>	<u>2,899</u>
<b>4. Other Operating Income</b>		
Consultancy and Fee Income	3,207	3,038
Residences and Catering	3,802	3,569
Other Services Rendered	2,463	1,712
Released from Deferred Capital Grants	88	85
Other Income	979	834
	<u>10,539</u>	<u>9,238</u>

# Napier University

## Notes to the 1999-00 Accounts

	1999-00 £000s	1998-99 £000s
<b>5. Endowment and Investment Income</b>		
Transferred from Specific Endowments	3	4
Other Interest Receivable	464	426
	467	430
<b>6. Staff Costs</b>		
Wages and Salaries	33,443	32,168
Social Security Costs	2,499	2,432
Pension Costs	2,539	2,379
	38,481	36,979
 Emoluments of the Principal and Vice-Chancellor	 134	 128

The emoluments of the Principal and Vice-Chancellor are shown on the same basis as for other higher paid staff. The Principal and Vice-Chancellor's emoluments are settled by the Remuneration Committee. These emoluments contain an element of performance related pay. The University's pension contributions to STSS are paid at the same rates as for other academic staff, and amounted to £6,278 (1998-99 - £6,041).

### Average Staff Numbers by Major Category:

	1999-00 Number	1998-99 Number
Academic	550	554
Administrative/Clerical*	634	543
Technical	159	161
Manual	118	185
Research	84	76
	1,545	1,519

### Remuneration of higher paid staff, excluding employer's pension contributions:

£50,000 - £59,999	11	6
£60,000 - £69,999	3	3
£70,000 - £79,999	-	-
£80,000 - £89,999	1	1
£90,000 - £99,999	-	1
£100,000 - £109,999	-	-
£110,000 - £119,999	-	1
£120,000 - £129,999	1	-
£130,000 - £139,999	-	-

# Napier University

## Notes to the 1999-00 Accounts

	1999-00 £000s	1998-99 £000s
<b>7. Other Operating Expenditure</b>		
Supplies and Maintenance	4,971	4,775
Residences and Catering	3,199	2,926
Napier University Ventures Limited	2,467	2,609
Property Maintenance	864	936
Other Expenses	1,464	1,227
Heat, Light and Power	795	908
Rent, Rates and Insurance	830	1,005
Early Retirement	1,610	797
Library Books and Services	629	599
Staff Development and Conferences	1,044	796
Hospitality	395	217
Postages and Telephone	547	544
Travel	409	248
Students' Association	300	278
Fees	51	95
Recruitment Costs	266	245
Advertising	521	304
Transport	189	161
Auditors' - External Audit	28	27
Fees - Internal Audit	34	33
- Other Services	6	4
	<u>20,618</u>	<u>18,734</u>

### 8. Analysis of 1999-00 Expenditure by Activity

	Staff Costs £000s	Other Operating Expenditure £000s	Depreciatio n £000s	Total £000s
Academic Departments	24,303	3,455	357	28,115
Academic Services	5,822	3,218	405	9,445
Central Administration	5,037	2,914	31	7,982
Property	823	2,544	844	4,211
Research Grants and Contracts	1,604 663	844	17	2,465
Residences and Catering	229	3,199	125	3,987
Consultancy Expenditure	-	2,473	20	2,722
Other Expenditure	-	1,971	-	1,971
Exceptional Restructuring Costs	3,865	-	-	3,865
	<u>42,346</u>	<u>20,618</u>	<u>1,799</u>	<u>64,763</u>

Napier University

Notes to the 1999-00 Accounts

9. Residences and Catering Operations

	Residences ← 1999-00	Catering 1999-00	Total →	Residences ← 1998-99	Catering 1998-99	Total →
	£000s	£000s	£000s	£000s	£000s	£000s
Income	2,516	1,286	3,802	2,372	1,197	3,569
Cost of Goods Sold	-	546	546	-	526	526
Gross Profit	2,516	740	3,256	2,372	671	3,043
Remuneration Costs	73	590		76	513	
Depreciation	124	1	663	124	1	589
Other Costs	2,505	148	125	2,305	155	125
	2,702	739	2,653	2,505	669	2,460
			3,441			3,174
Surplus/(Deficit)	<u>(186)</u>	<u>1</u>		<u>(133)</u>	<u>2</u>	
			<u>(185)</u>			<u>(131)</u>
Catering Gross Profit		57.5%			56.1%	

Napier University

Notes to the 1999-00 Accounts

10. <b>Tangible Fixed Assets - Consolidated</b>	Land and Buildings £000s	Equipment £000s	2000 £000s	1999 £000s
<b>Cost</b>				
At 1 August	39,597	6,027	45,624	43,794
Additions	1,334	1,108	2,442	1,949
Disposals	-	(797)	(797)	(119)
At 31 July	40,931	6,338	47,269	45,624
<b>Depreciation</b>				
At 1 August	3,211	4,139	7,350	5,698
Depreciation for the Year	820	979	1,799	1,691
Disposals	-	(791)	(791)	(39)
At 31 July	4,031	4,327	8,358	7,350
<b>Net Book Value at 31 July</b>	<u>36,900</u>	<u>2,011</u>	<u>38,911</u>	<u>38,274</u>
<b>Tangible Fixed Assets - University</b>				
<b>Cost</b>				
At 1 August	39,516	5,429	44,945	43,097
Additions	1,334	1,093	2,427	1,935
Disposals	-	(787)	(787)	(87)
At 31 July	40,850	5,735	46,585	44,945
<b>Depreciation</b>				
At 1 August	3,202	3,578	6,780	5,120
Depreciation for the Year	819	961	1,780	1,667
Disposals	-	(787)	(787)	(7)
At 31 July	4,021	3,752	7,773	6,780
<b>Net Book Value at 31 July</b>	<u>36,829</u>	<u>1,983</u>	<u>38,812</u>	<u>38,165</u>

Napier University

Notes to the 1999-00 Accounts

	Cost £000s	Valuation 2000 £000s	Valuation 1999 £000s
<b>11. Investments</b>			
CVCP Properties - 31,876 Ordinary Shares of £1 each	32	32	32
Scottish Knowledge - 16,877 Ordinary Shares of £1 each	17	17	20
£25,500 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2001	46	54	52
£9,700 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2003	18	20	20
£93,000 4 <sup>3/8</sup> % Index-Linked Treasury Stock 2004	107	121	123
£72,400 2% Index-Linked Treasury Stock 2006	133	169	170
£34,800 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2009	57	76	75
£49,700 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2011	84	115	113
£81,100 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2013	113	158	155
£103,300 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2016	154	224	219
£77,300 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2020	109	169	164
£137,200 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2024	164	265	253
£141,300 4 <sup>1/8</sup> % Index-Linked Treasury Stock 2030	166	273	259
* Unlisted Investments	36	3	-
	<u>1,236</u>	<u>1,696</u>	<u>1,655</u>
* Held by Napier University Ventures Limited			
For details of Subsidiary Undertakings see Note 20			
	Cost £	Valuation 2000 £	Valuation 1999 £
<b>12. Endowment Asset Investments</b>			
<b>Fixed Interest Stocks:</b>			
£25,000 8% Treasury Stock 2002/2006	24,091	25,887	26,472
£9,547 5 <sup>1/2</sup> % Treasury Stock 2008/2012	5,200	9,594	9,608
£5,520 2 <sup>1/2</sup> % Index-Linked Treasury Stock 2011	12,764	12,782	12,527
	42,055	48,263	48,607
<b>Equities:</b>			
1,500 British Telecommunications 25p Ordinary Shares	5,617	13,230	16,125
2,120 Scottish Power 50p Ordinary Shares	6,296	11,872	9,417
306 Hanson £2 Ordinary Shares	3,129	-	1,689
1,000 Land Securities £1 Ordinary Shares	5,823	7,740	8,295
1,000 Glaxo Wellcome 25p Ordinary Shares	6,255	19,220	15,920
1,000 P & O £1 Deferred Stock	6,057	5,390	9,990
2,800 BP Amoco US\$ 0.50 Ordinary Shares	5,848	16,352	16,898
12,500 Fleming Income & Capital Trust 25p Ordinary Shares	9,835	15,250	16,313
	48,860	89,054	94,647
Bank Balances		70,028	60,597
Investment Debtors		641	630
		<u>207,986</u>	<u>204,481</u>

Napier University

Notes to the 1999-00 Accounts

	Consolidated		University	
	2000 £000s	1999 £000s	2000 £000s	1999 £000s
<b>13. Stocks</b>				
Stocks for Resale	26	29	26	29
Other Stocks	8	10	8	10
	<u>34</u>	<u>39</u>	<u>34</u>	<u>39</u>
<b>14. Debtors</b>				
Trade Debtors	1,809	1,709	1,059	1,104
Other Debtors	7,261	562	261	559
Prepayments and Accrued Income	962	601	679	550
Research	428	339	428	339
Subsidiary Undertakings	-	-	1,023	426
	<u>10,460</u>	<u>3,211</u>	<u>3,450</u>	<u>2,978</u>
<b>15. Creditors due within one year</b>				
Trade Creditors	3,131	3,187	1,751	1,693
Taxation and Social Security	1,438	1,208	1,379	1,149
Other Creditors	7,238	433	65	233
Accruals and Deferred Income	4,144	4,141	4,008	4,021
Research	1,201	533	1,201	533
Subsidiary Undertakings	-	-	454	533
	<u>17,152</u>	<u>9,502</u>	<u>8,858</u>	<u>8,162</u>

# Napier University

## Notes to the 1999-00 Accounts

### 16. Provisions for Liabilities and Charges

#### Pensions

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'). Both schemes are of a defined benefit type.

During the year the total pension cost to the University was £2,379,000. The rate of employer's contributions was determined by the most recent valuation of the STSS for the five years to 31 March 1986 and of the LGPS for the three years to 31 March 1999. An actuarial review of the STSS is ongoing.

The last actuarial valuation of the STSS for the Scottish Public Pensions Agency by the Government Actuary (as at 31 March 1986), revealed total values of STSS fund assets (estimated future contributions plus proceeds from notional investments held at the valuation date) of £3,241,100,000 and of liabilities (pensions currently in payment and the estimated cost of future benefits) of £3,447,700,000. The current rate of employer contribution is 6.9 per cent of salary. The cost of pension increases is excluded from the valuation; consequently, neither teachers nor the University contribute to the cost of pension increases as these are met directly by the Exchequer.

The last actuarial valuation of the LGPS was based on assumptions of a 6.3 per cent return on investments, a 4.3 per cent rate of increase in salaries and a 2.8 per cent rate of increase in pensions. The valuation revealed a market value of assets of £1,609,932,000 and an actuarial valuation of £1,483,000,000. It also revealed liabilities of the fund of £1,571,000,000, indicating a net deficit in funding of £88,000,000. Employer contributions of 225 per cent, 250 per cent and 275 per cent of employees' contributions were recommended from 1 April 2000, 2001 and 2002 respectively.

During the year to 31 July 2000, the University obtained an independent actuarial valuation of the future costs associated with staff who had been granted early retirement. Because of the early retirement schemes, provisions have been set aside to cover the liabilities arising from these retirals as at 31 July 2000. The liabilities will again be revalued by independent actuaries in 2001 and the provision will be revised at that time.

	2000 £000s	1999 £000s
At 1 August	6,386	5,088
Income from Investments	41	42
Early Retirement Pensions	(484)	(307)
Transfer from Income & Expenditure Account	4,552	1,563
At 31 July	10,495	6,386

Napier University

Notes to the 1999-00 Accounts

	SHEFC £000s	Other £000s	Total £000s
<b>17. Deferred Capital Grants - Consolidated</b>			
<b>At 1 August 1999</b>			
Buildings	24,118	2,608	26,726
Equipment	870	12	882
	24,988	2,620	27,608
<b>Received during year</b>			
Buildings	-	-	-
Equipment	-	14	14
	-	14	14
<b>Released to Income &amp; Expenditure Account</b>			
Buildings	530	79	609
Equipment	335	9	344
	865	88	953
<b>At 31 July 2000</b>			
Buildings	23,588	2,529	26,117
Equipment	535	17	552
	24,123	2,546	26,669
	<u>24,123</u>	<u>2,546</u>	<u>26,669</u>

Napier University

Notes to the 1999-00 Accounts

	SHEFC £000s	Other £000s	Total £000s
17. <b>Cont'd</b>			
<b>Deferred Capital Grants - University</b>			
<b>At 1 August 1999</b>			
Buildings	24,118	2,608	26,726
Equipment	870	-	870
	<hr/>	<hr/>	<hr/>
	24,988	2,608	27,596
	<hr/>	<hr/>	<hr/>
<b>Received during year</b>			
Buildings	-	-	-
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Released to Income &amp; Expenditure Account</b>			
Buildings	530	79	609
Equipment	335	-	335
	<hr/>	<hr/>	<hr/>
	865	79	944
	<hr/>	<hr/>	<hr/>
<b>At 31 July 2000</b>			
Buildings	23,588	2,529	26,117
Equipment	535	-	535
	<hr/>	<hr/>	<hr/>
	24,123	2,529	26,652
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Napier University

Notes to the 1999-00 Accounts

	Consolidated and University		
	Specific £000s	General £000s	Total £000s
<b>18. Endowment Funds</b>			
At 1 August 1999	204	-	204
Additions	-	-	-
Appreciation of Endowment Asset Investments	(4)	-	(4)
Income for Year	11	-	11
Transferred to Income & Expenditure Account	(3)	-	(3)
At 31 July 2000	208	-	208

<b>Endowment Funds:</b>	2000 £	1999 £
Clark Bequest - Narrower Range	53,989	51,626
Clark Bequest - Wider Range	105,267	106,697
James Dick Memorial	1,221	1,159
Heriot-Watt College Prize	879	834
Heriot-Watt College Printing Prize	341	325
Heriot-Watt College Frank P Restall	465	443
Blyth & Blyth Service Co Fund	441	434
J B Scott Memorial	314	300
John Napier Memorial	325	308
David McMillan Memorial	206	196
R A Farmer Memorial	941	891
Karen Fretwell Memorial	5,951	5,640
Steven Spooner Memorial	678	642
Lloyd's of London Press Prize	319	302
Lothian College of Health Studies - Amenities Fund	1,071	1,014
Lothian College of Health Studies - Educational Development Fund	27,330	25,865
Lothian College of Health Studies - Marion MacDonald Trust Fund	8,248	7,805
	207,986	204,481

Napier University

Notes to the 1999-00 Accounts

19. Reserves

	Consolidated		University	
	2000 £000s	1999 £000s	2000 £000s	1999 £000s
<b>Consultancy Reserve</b>				
At 1 August	-	1,098	-	1,098
Transfer to Income & Expenditure Account	-	(1,098)	-	(1,098)
At 31 July	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income &amp; Expenditure Account</b>				
At 1 August	7,112	-	7,204	-
Surplus/(Deficit) for Year	(1,688)	-	(1,673)	-
Transfer from Consultancy Reserve	-	4,463	-	4,524
At 31 July	<u>5,424</u>	<u>1,551</u>	<u>5,531</u>	<u>1,582</u>
		1,098		1,098
<b>Revaluation Reserve</b>				
At 1 August	452	-	452	-
Appreciation of Investments	41	7,112	41	7,204
At 31 July	<u>493</u>	<u>7,112</u>	<u>493</u>	<u>7,204</u>
<b>Total Reserves</b>	<u>5,917</u>		<u>6,024</u>	
		308		308
		144		144
		452		452
		<u>7,564</u>		<u>7,656</u>

# Napier University

## Notes to the 1999-00 Accounts

### 20. **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.

The Company's Profit and Loss Account is detailed below:

	1999-00 £000s	1998-99 £000s
<b>Turnover</b>	4,111	4,074
Consultancy Expenses	2,683	2,895
<b>Gross Profit</b>	1,428	1,179
Administrative Expenses	39	262
<b>Operating Profit</b>	1,389	917
Interest Receivable	66	52
<b>Profit on ordinary activities before taxation</b>	1,455	969
Deed of Covenant to Napier University	1,470	1,000
	(15)	(31)
<b>Loss for year</b>	(15)	(31)

In addition to the above subsidiary, the University acquired 100% of the nominal value of the share capital of the two companies listed below at a cost of £2 each.

Name of Company	Holding	Nature of Business
NUNIV Construction Ltd	Ordinary	Property Construction
NUNIV Developments Ltd	Ordinary	Property Developments

Napier University

Notes to the 1999-00 Accounts

	1999-00 £000s	1998-99 £000s
<b>21. Reconciliation of Surplus/(Deficit) to Net Cash Flow from Operating Activities</b>		
Surplus/(Deficit)	(1,688)	1,551
Depreciation of Tangible Fixed Assets	1,799	1,691
Deferred Capital Grants Released to Income	(953)	(1,166)
Investment Income	(475)	(438)
Gain on Sale of Tangible Fixed Assets	-	(130)
Gain on Realisation of Investments	(13)	-
Decrease in Stocks	5	12
Increase in Debtors	(7,249)	(219)
Increase in Creditors	7,650	1,162
Increase in Provisions	4,068	1,256
<b>Net cash inflow from operating activities</b>	<u>3,144</u>	<u>3,719</u>
<b>22. Reconciliation of Net Cash Flow to Movements in Net Funds</b>		
Increase in Cash	1,251	2,713
Cash Inflow from Increase in Debt	-	-
Movement in Net Funds	1,251	2,713
Net Funds at 1 August	7,881	5,168
<b>Net Funds at 31 July</b>	<u>9,132</u>	<u>7,881</u>