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 90 March with Leuchie House, a respite care facility based in East Lothian. As well as benefiting both organisations, this partnership

work. We are well on our way towards fulfilling our vision of being recognised as a university of ideas and influence.

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Committed to de-mystifying higher education and widening access

The 2016/17 financial year has seen further positive developments

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 thinking, problem solving, confident and self-reliant graduates we prepare students for a career, not just their first job. Also this year,

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We continue to focus our work on our flagship areas of health

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impact and profile. One of them, our Institute for Global Health

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in countries with weak health systems. Other significant research

memory, and person-centred care.

The tenth anniversary of our relocation encourages us to reflect on

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We passed a significant milestone in this project this year with the

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Directors' and off cers' liability insurance

During the year the University maintained a Directors' and Off cers' liability insurance policy to provide cover against any civil liability attaching to Court Members or Off cers of the University in connection with their University activities.

Members' liability

The liability of each member of the University upon winding up of the Company is limited to 50p. Distributions to members are not permitted by the Articles of Association of the Company.

Employee involvement

The University recognises the benefits of keeping employees informed of its financial and academic performance. Information on matters of interest to employees is given through a staff newsletter, through staff briefing sessions and through regular communication from the Principal. The University operates a performance enhancement review scheme which is open to all staff.

Employment of disabled persons

The University's policy remains to afford equal opportunity to all, including disabled people whether registered or not, to apply for employment and, during employment, to receive the support and development they require to enable them to make a full contribution to the University.

Creditors' payment policy

Unless special terms are agreed, it is the University's policy to pay invoices 30 days from the date of the invoice (in accordance with the CBI prompt payment code). In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. At 31 July 2017, trade creditors represented 35 days of relevant expenditure (2016: 33 days). Interest paid under the Late Payment of Commercial Debts (Interest) Act 1998 was £nil (2015/16: £nil).

Going Concern

The University's activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, which also includes information on cash flows and borrowing facilities. Demand from students for the University's courses remains strong. Consequently, the University Court believes that the University is well placed to manage its business risks successfully despite the ongoing uncertain economic outlook. As noted above in the strategic report in the section on Management of principal risks and uncertainties, the Court has assessed a particular risk around ongoing discussions to agree a waiver of a bank loan covenant, and has taken the view that these discussions will result in an agreement being reached which will allow the University to continue its operations.

In accordance with the recommendations from the Higher Education Financial Sustainability Strategy Group (FSSG), the University Court undertakes a formal annual assessment of the University's financial sustainability. The University Court has also undertaken an assessment of going concern and liquidity risk, taking into account the principles and recommendations set out in the Sharman report into going concern and liquidity risks. As a result of this exercise, the University Court has a reasonable expectation that the University has adequate resources to enable it to continue in operational existence for the foreseeable future, and that it is appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

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Membership of University Court Committees during the year to 31 July 2017

Audit and Risk Committee

Name		
Miller McLean	Convener	4/4
Carolyn Bell	Appointed 8 February 2017	1/1

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To assist members in the performance of their duties, members of the University Court were offered, and attended, several training and development opportunities during 2016-17. These included external training sessions, discrete development and planning away days, as well as presentations on strategic themes relevant to the work of the University at each Court meeting. Training and development opportunities offered to Court members in 2016/17 included:

- Being an Effective Governor (Leadership Foundation for Higher Education, October 2016)
- Being an Effective Student Governor (Leadership Foundation for Higher Education, September 2016)
- Governor Development: Scotland (Leadership Foundation for Higher Education, February 2017)
- Court Away Days (8 and 9 February 2017)
- Overcoming Unconscious Bias Training (External Provider April 2017).
- Awareness of Prevent Training (WRAP Contest delivered April 2017).

New members also received a formal induction session supported by the Court Members' Handbook (published October 2014 and revised version published October 2016).

Under the Financial Memorandum with the Scottish Funding Council (SFC), the University Court is responsible for setting the strategic direction of the University, approval of overall institutional budgets and major developments and the receipt of regular reports from executive officers on the day to day operations of its business and its subsidiary companies. The University Court has five scheduled meetings per annum, and has delegated authority to a number of Committees, as set out below. Each of the Committees of the University Court is formally constituted with published terms of reference, and with membership comprised mainly of lay members of the University Court, one of whom is the Convener.

The Audit and Risk Committee meets at least three times annually to discuss audit, risk and control issues, with the University's external and internal auditors in attendance as appropriate. The Committee considers detailed internal audit reports and recommendations for interneg

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In accordance with the Companies Act and the University's Statutory Instrument, the University Court is responsible for the strategic development of the University, and also for ensuring that the affairs of the University are administered and managed appropriately, including ensuring an effective system of internal control, and that audited financial statements are presented for each financial year.

The University Court is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the University's Memorandum and Articles of Association. The Statement of Recommended

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The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(A) Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for

(D) Accounting for retirement benefits

Retirement benefits for employees of the University are provided by the Local Government Pension Scheme (LGPS) through the Lothian Pension Fund, the Scottish Teachers' Superannuation Scheme (STSS) and the Universities' Superannuation Scheme (USS). All three are defined benefit schemes.

Local Government Pension Fund

The Lothian Pension Fund is a funded multi-employer defined benefit scheme, with the assets held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The University recognises a liability for its share of obligations under the scheme net of its share of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that employees have earned in return for their service in current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The fund is valued every three years by professionally qualified independent actuaries 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 its share of the surplus, either through reduced contributions in the future or through refunds from the plan.

Scottish Teachers' Superannuation Scheme

The STSS is an unfunded multi-employer defined benefit scheme. Contributions are credited to the Exchequer, and the Exchequer effectively meets the costs of all benefits. The financing of the scheme is based on the standard methodology for unfunded public service pension schemes known as Superannuation Contributions Adjusted for Past Experience (SCAPE). Under SCAPE, an account is maintained ("the Account"), to which contributions from members and employers are credited and from which expenditure on benefits (including pension increases under the Pensions (Increase) Acts) is debited. The Account is also credited with interest at the long-term rate determined by HM Treasury from time to time, after taking advice from the Government Actuary. The University is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the University has accounted for its contributions as if it were a defined contribution scheme. The University has no obligation for other employers' obligations to the multi-employer scheme.

Universities' Superannuation Scheme

With effect from 1 October 2016, the USS changed from a defined benefit only pension scheme to a hybrid scheme, providing defined benefits (for all members), as well as defined contribution benefits. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. The University is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. As required by Section 28 of FRS 102 (Employee Benefits), the University therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. Since the University has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the University recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised in the income and expenditure account.

In a number of instances the University has agreed to provide enhanced pension benefits in respect of members of staff taking early retirement. These additional benefits are unfunded and are charged, as and when they arise, against a provision established when members retire to meet this liability. This provision relates to former members of staff who are members of the STSS and a small number of staff in receipt of ex-gratia of to P

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(F) Leases and hire purchase contracts

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Leasing agreements which transfer to the University substantially all the benefits and risks of ownership of an asset are

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(K) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

A contingent liability arises from a past event that imposes upon the University a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University. A contingent liability may also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or where the amount of the obligation can not be measured reliably.

A contingent asset arises where an event has taken place which entitles the University to a possible asset, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the University.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed by way of a note.

(L) Taxation

The University is an exempt Charity within the meaning of the Trustee Investment and Charities (Scotland) Act 2005, and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 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 and capital gains received within categories covered by 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 exclusively for charitable purposes.

The University receives no similar exemption in respect of Value Added Tax (VAT). Irrecoverable VAT arising from expenditure on non-trading activities is charged to the income and expenditure account. Any ir

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	Consolidated		University	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Residences, catering and conferences	4,844	4,609	4,620	4,335
Other services rendered	999	1,024	829	877
Sports centre income	235	236	235	236
Released from deferred capital grants (note 16)	-	72	-	72
Other income	2,699	652	2,880	

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	Consolidated		University	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Academic schools	12,732	12,373	12,732	12,373
Academic services	4,864	4,820	4,864	4,823

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Subsidiary Undertaking

Name of undertaking	incorporation and registration	Description of	Proportion of nominal	August 2016
QMU Enterprises	Scotland	Ordinary £1 shares	100	100
				<u>100</u>

QMU Enterprises Limited undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a separate limited company. These activities include vacation letting, conferences and rendering of services (other than research) for a variety of commercial and other organisations. The results of QMU Enterprises Limited have been

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	Consolidated and University	
	2017 £000	2016 £000
Secured loan	32,070	33,562
Deferred capital grants	9,323	9,791
	<u>41,393</u>	<u>43,353</u>
Analysis of secured loans:-		
Due between one and two years	1,492	1,492
Due between two and five years	4,475	4,475
Due in five years or more	26,103	27,595
	<u>32,070</u>	<u>33,562</u>
Total due after more than one year		
Due within one year (note 15)	1,492	1,492
	<u>33,562</u>	<u>35,054</u>
Total secured loans		

The secured long-term facility with Barclays Bank plc is £33.6 million, and has a final maturity date of 17 December 2024. The loan is secured over the campus site at Musselburgh. The University has entered into a fixed-rate arrangement in order to protect itself against any significant fluctuations in interest rates. The terms of this arrangement are commercially confidential.

Analysis of deferred capital grants

	Consolidated and University	
	2017 £000	2016 £000
Opening balance : buildings	9,791	10,319
Opening balance : equipment	-	-
	<u>9,791</u>	<u>10,319</u>
Receivable : buildings	-	-
Receivable : equipment	-	-
	<u>-</u>	<u>-</u>
Release : buildings	468	528
Release : equipment	-	-
	<u>468</u>	<u>528</u>
Closing balance : buildings	9,323	9,791
Closing balance : equipment	-	-
	<u>9,323</u>	<u>9,791</u>

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20. PENSIONS AND SIMILAR OBLIGATIONS (continued)

A) Local Government Pension Scheme (LGPS) (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The current mortality assumptions, which are consistent with those used for the latest formal funding valuation, include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:-

Balance at 1 August	(undergraduate and postgraduate)	-	-
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