



A HIGHER EDUCATION INSTITUTION

BELL COLLEGE OF TECHNOLOGY

Report of the Board of Governors and Financial Statements

for the year ended 31 July 2007

Charity Number SC021179

Almada Street
Hamilton Lanarkshire
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BELL COLLEGE OF TECHNOLOGY

Report of the Board of Governors and Financial Statements

for the year ended 31 July 2007

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REPORT OF THE BOARD OF GOVERNORS

On 1 August 2007 the Board of Bell College of Technology was wound up under Scottish Statutory Instrument No 171 The Bell College of Technology (Transfer and Closure) (Scotland) Order 2007 and the property rights, liabilities and obligations of the College were transferred to the governing body of the University of Paisley.

In the absence of the Board of Governors of Bell College of Technology the Court of the University of Paisley presents the Annual Report and Audited Financial Statements for the year ended 31 July 2007 in respect of Bell College of Technology (a Higher Education Institution).

MISSION

The College's mission statement approved by the Board was:

"To provide high quality education and training at Higher Education level by a variety of modes and in a range of disciplines to cater for the local, regional, national and international needs and in support of the economic development of Lanarkshire, South West Scotland and beyond."

FINANCIAL OBJECTIVES AND REVIEW OF OUT-TURN FOR THE YEAR

The College's financial objective was to ensure long-term financial viability and to develop new income streams to provide the financial resources to improve further and expand the education provided by the College.

The College's Consolidated Income and Expenditure Account for the financial year to 31 July 2007 shows a surplus of £512,000 (2005/06: £414,000). Had depreciation of £587,000 (2005/06: £398,000) been transferred from the revaluation reserve to the Income and Expenditure Account a surplus for the period on a historic cost basis of £1,099,000 would have resulted (2005/06: £812,000).

PHYSICAL DEVELOPMENTS

During the year the College commenced the building of the Centre for Engineering Excellence, which is due to open early 2008.

The College has continued to engage in capital work to comply with the Disability Discrimination Act and Health and Safety projects.

Essential repair and maintenance work has been undertaken through revenue funding.

FUTURE DEVELOPMENTS

Following approval from the Scottish Ministers under Scottish Instruments 2007 No 171 a merger between the College and the University of Paisley took place on 1 August 2007.

EMPLOYMENT OF DISABLED PERSONS

The College considered all applications for employment from disabled persons, bearing in mind the aptitudes of the individual concerned and the requirements of the post. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy was to provide training, career development and opportunities for promotion, which are, as far as possible, identical to those for other employees.

EQUAL OPPORTUNITIES AND RACE EQUALITY

The College was committed to being an equal opportunity employer and thus to treat all employees and applicants reasonably and fairly, irrespective of sex, age, marital status, religion, disability, ethnic origin, colour and sexual orientation. The College is also committed to the principles of preventing and eliminating racial discrimination with regard to employment, admissions, and in its teaching, learning and research activities.

STAFF INVOLVEMENT

The College considered good communication with its staff to be very important and to this end publishes a regular staff newsletter, which is available to all staff. Staff development was seen as a central issue for each Head of School and Section Head, who is responsible for the development of their staff. Within the framework of College Policy, and through the Staff Development and Career Review scheme, appropriate staff development activities are promoted and supported.

STUDENT INVOLVEMENT

The College students were represented on the Board of Governors, Academic Council, Health and Safety Committee and a number of academic committees. The College actively encourages students to make use of a range of services available within the College including Careers, Welfare Advice, Financial Planning and Learning Support.

PROMPT PAYMENT TO SUPPLIERS

The College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes and complaints are handled as quickly as possible. The level of creditors in terms of the proportion of the year-end creditors to the aggregate invoiced amounts during the year was 48 days (2006: 33 days).

CHARITABLE AND TAXATION STATUS

The College was registered as a charity with the Inland Revenue. The Board of Governors did not believe that the College is subject to corporation tax.

PROFESSIONAL ADVISERS

External Auditors	:	PricewaterhouseCoopers LLP
Internal Auditors	:	Deloitte & Touche LLP
Bankers	:	Bank of Scotland
Solicitors	:	MacRoberts

BOARD OF GOVERNORS MEMBERSHIP

The members of the Board of Governors, pursuant to sections 45 and 60 of the Further and Higher Education (Scotland) Act 1992 and the Scottish Statutory Instruments The Bell College of Technology (Scotland) Order of Council 2001, who served during the year ended 31 July 2007 were as follows:-

Membership

Core

(Non Executive)

Dr I. Bruce	(Chair) (2), (3) & (4)	Director of Science and Society, Scottish Executive
Dr J. Brain	(4)	Senior Consultant, Teaching Company Directorate
Ms E. Connolly	(3)	Chief Executive, Scottish Enterprise Lanarkshire
Mr T. Davison		Chief Executive, NHS Lanarkshire
Mr A. A.Haseeb	(1) & (2)	Senior Audit Manager, Audit Scotland
Mr I. McDonald	(4)	Partner, MC Business Associates
Mr J. McDougall		Retired, formerly Vice President Global Operations, Honeywell Sensing and Control
Mr J. Miller	(1) & (3)	Retired, formerly Head of Scottish Audit and Accounting Practice KPMG
Professor A. Nolan		Vice Principal (Learning & Teaching) Glasgow University
Professor C. J. Suckling	(1), (2), & (4)	Freeland Professor of Chemistry, University of Strathclyde
Mr G. Waddell		Business Director, Rolls-Royce Aero Repair and Overhaul

Co-opted

(Non Executive)

Mr D. Porch	(resigned 31 March 2007)	Director of Planning & Environment, North Lanarkshire Council
Mr K. Arthur	(1)	Executive Director, Education Resources, South Lanarkshire Council

Ex Officio

Professor A. MacLennan	(3)	Chief Executive and Principal
Ms R. Robertson		President, Students' Association, Bell College of Technology

Elected

Mr C. McIntosh		Academic Staff, Bell College of Technology
Mrs J. McLean	(resigned 31 December 2006)	Support Staff, Bell College of Technology
Mr T Brown	(appointed 1 January 2007)	Support Staff, Bell College of Technology
Dr M.C. Tedford		Academic Council, Bell College of Technology

Membership of Principal Committees of Board of Governors

- (1) Audit
- (2) Remuneration
- (3) Search and Nomination
- (4) Principal's Group

Under The Bell College of Technology (Transfer and Closure) (Scotland) Order 2007 the governing body of Bell College of Technology was wound up on 1 August 2007.

The College had transactions during the year, or worked in partnerships with the following publicly-funded or representative bodies in which members of the Board of Governors hold or held official positions. The value of which is given below.

Member	Organisation	Position	Transaction Value	Balance At 31 July 2007 Due from/(to)
Professor C. J. Suckling	University of Strathclyde	Freeland Professor of Chemistry	£192,785	£(10,770)
Mr K. Arthur	South Lanarkshire Council	Executive Director, Education Resources	£319,067	£16,668
Ms E. Connolly	Scottish Enterprise Lanarkshire	Chief Executive	£109,910	£2,077
Professor A Nolan	University of Glasgow	Vice Principal (Learning & Teaching)	£48,143	£0
Mr D. Porch	North Lanarkshire Council	Director of Planning & Environment	£13,934	£0
Mr G. Waddell	Rolls-Royce Aero Repair and Overhaul	Business Director	£11,679	£0
Mr J McDougall	Honeywell Sensing and Control	Retired Vice President	£1,969	£0
Dr J. Brain	Teaching Company Directorate	Senior Consultant	£39,126	£15,916
Mr T Davison	NHS Lanarkshire	Chief Executive	£249,774	£29,361
Mr J Miller	KPMG	Retired Head of Scottish Audit And Accounting Practice	£6,697	£0
R Robertson	Students' Association	President	£28,241	£(2,079)

RELATED PARTY TRANSACTIONS

The Board of Governors is a body incorporated under the Further and Higher Education (Scotland) Act 1992 sponsored by Scottish Executive Enterprise Transport and Lifelong Learning Department (SEETLLD) and the Scottish Funding Council (SFC).

SEETLLD and SFC are regarded as related parties. During the year Bell College of Technology had various material transactions with SEETLLD and SFC and with other entities for which SEETLLD and SFC is regarded as the sponsor Department viz. Student Awards Agency for Scotland, Scottish Enterprise and a number of other colleges and higher education institutions.

In addition, Bell College of Technology has had a number of material transactions with other Government Departments and other central government bodies. Most of these transactions have been with Scottish Executive Health Department.

Professor R T Beaty OBE,
Chairman of Court
4 December 2007

CORPORATE GOVERNANCE STATEMENT

The College was committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College had applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Governors, the College complied with all the provisions of the Combined Code in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2007.

The Board of Governors meets four times a year and has several Committees, including a Search and Nominations Committee, Remuneration Committee and Audit Committee. All of these Committees are formally constituted with terms of reference and with membership including Board of Governor members. In addition, the Board has held a meeting during the year at which the College Strategy has been considered.

The Search and Nomination Committee considers nominations for co-opted vacancies in the Board of Governors membership under the relevant statute. A majority of the lay members of the Board have been appointed by external bodies including, the SEETLLD. All existing members are eligible for re-appointment when they retire by rotation, subject to length of service and age limit.

The Remuneration Committee determines the remuneration of the Principal, Vice Principal and the College Secretary. Details of the remuneration of senior post-holders for the year ended 31 July 2007 are set out in note 6 to the financial statements.

The Audit Committee meets four times a year, with the College's internal and external auditors in attendance. The Audit Committee advises the institution on the appointment of the internal and external auditors and the auditors' remuneration.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input, and report their findings to management and the Audit Committee. Management is responsible for the implementation of agreed audit recommendations and internal auditors undertake periodic follow-up reviews to ensure that such recommendations have been implemented. The Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Scottish Funding Council as they affect the College's business and monitors adherence to the regulatory requirements.

Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and once a year the Committee meets the External Auditors for independent discussions, without the senior executives present.

In respect of its strategic and development responsibilities, the Board of Governors receives recommendations and advice from senior management.

The College's Board of Governors is ultimately responsible for the College's system of internal control and as accountable officer the Principal is responsible for 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.

CORPORATE GOVERNANCE STATEMENT (Contd)

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from the internal auditors, which include recommendations for improvement. The senior management team and Board of Governors also monitor health, safety and environmental monitoring functions, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control.

The Board of Governors' agenda includes regular reports from the senior management team and Committees on matters of risk and control with the emphasis on obtaining the relevant degree of assurance and not merely reporting by exception. At its September 2007 meeting, the Court of the University of Paisley carried out the annual assessment for the year ended 31 July 2007 by considering documentation from senior management team and internal audit, and taking account of events since 31 July 2007.

The Board assesses the effectiveness of the Board, its committees and its individual members. The last occasion on which this took place was during 2005/06.

The Board of Governors' is of a view that there was an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2007 and up to the date of approval of the annual report and accounts. This process is, regularly reviewed by the Board of Governors and accords with the Turnbull guidance, as applicable to the higher education sector.

The Board of Governors considers that the institution has adequate resources to continue in operational existence for the foreseeable future.

Professor R T Beaty OBE, Chairman of the Court

Professor Seamus McDaid, Principal & Vice Chancellor

STATEMENT OF THE BOARD OF GOVERNORS RESPONSIBILITIES

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Governors was responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Governors was responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements are prepared in accordance with Scottish Statutory Instrument 2001 No.234, the Further and Higher Education (Scotland) Act 1992, the Statement of Recommended Practice: *Accounting for Further and Higher Education* and other relevant accounting standards. In addition within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Governors, the Board, through the Principal as Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- the accounting policies adopted are appropriate to the College circumstances 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 on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Governors 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 Board of Governors had taken reasonable steps to:

- ensure that funds from the Scottish 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 College and prevent and detect fraud;
- secure the economical, efficient and effective management of the College's resources and expenditure; and,
- ensure sound corporate governance and the proper conduct of the College's operations.

The key elements of the College'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, heads of academic schools and administrative departments;
- 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 and quarterly reviews of financial results involving variance reporting and 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 Board of Governors.

STATEMENT OF THE BOARD OF GOVERNORS RESPONSIBILITIES (Contd)

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors and whose head provides the Board with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College'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.

INDEPENDENT AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF PAISLEY

We have audited the financial statements of Bell College of Technology for the year ended 31 July 2007 which comprise the Consolidated Income and Expenditure Account, the Statement of Historical Cost Surpluses and Deficits, the Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes ('the financial statements'). These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out in the Statement of Principal Accounting Policies.

Respective Responsibilities of the Board of Governors and Auditors

The Board of Governors responsibilities for preparing the financial statements in accordance with the Accounts Direction issued by the Scottish Funding Council, the Statement of Recommended Practice – Accounting for Further and Higher Education, applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Responsibilities of the Board of Governors.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Court in accordance with the financial memorandum with the Scottish Funding Council and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education. We also report to you whether in our opinion, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the College, have been properly applied in all material respects for the purposes for which they were received, and whether income has been applied in all material respects in accordance with the Further and Higher Education (Scotland) Act 2005 governing the College and where appropriate with the financial memorandum with the Scottish Funding Council. We also report to you if, in our opinion, the College has not kept proper accounting records, the accounting records do not agree with the financial statements, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Board of Governors, the Corporate Governance Statement and the Statement of the Board of Governors Responsibilities.

We also review the Statement of Internal Control (included as part of the Statement of the Board of Governors Responsibilities) and comment if the statement is inconsistent with our knowledge of the College and group. We are not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the College's or group's corporate governance procedures or their risk and control procedures. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's and group's circumstances, 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 financial statements 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 financial statements.

INDEPENDENT AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF PAISLEY (Contd)**Opinion**

In our opinion:

- i. the financial statements give a true and fair view of the state of affairs of the College and the group as at 31 July 2007, and of the surplus of income over expenditure and have been properly prepared in accordance with the Statement of Recommended Practice - Accounting for Further and Higher Education, and with United Kingdom Generally Accepted Accounting Practice;
- ii. in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the College have been applied only for the purposes for which they were received;
- iii. in all material respects, income has been applied in accordance with the Further and Higher Education (Scotland) Act 2005 and, where appropriate, with the Financial Memorandum dated January 2006 with the Scottish Funding Council.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Glasgow

December 2007

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Statement of Recommended Practice: *Accounting for Further and Higher Education* and in accordance with applicable UK Accounting Standards. They conform to guidance published by the Scottish Funding Council.

In accordance with Financial Reporting Standard 18: *Accounting Policies*, the Court considers the accounting policies to be relevant and appropriate for the College and applied consistently.

BASIS OF ACCOUNTING

The financial statements continue to be prepared under the historical cost convention modified by the revaluation of certain fixed assets and investments.

BASIS OF CONSOLIDATION

The consolidated financial statements include the College and its subsidiary undertakings, Bell Innovations Limited and Bell College Health Limited. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the student union have not been consolidated because the College does not control these activities.

RECOGNITION OF INCOME

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the period and any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Income from specific endowments and donations is included to the extent of the relevant expenditure incurred during the period, together with any related contributions towards overhead costs.

Recurrent grants from the Scottish Funding Council are recognised in the period in which they are receivable.

Non-recurrent grants from the Scottish Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Contd)

MAINTENANCE OF PREMISES

The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

PENSION SCHEMES

Retirement benefits for most employees of the College are provided by the Teachers' Superannuation Scheme (Scotland) (STSS) and the Strathclyde Pension Fund (SPF). These are defined benefit schemes which are externally funded and contracted out of the State Earnings Related Pension Scheme. The expected cost of providing staff pensions is recognised in the income and expenditure account, on a systematic basis over the expected average lives of members of the pension fund, in accordance with Financial Reporting Standard 17: *Retirement Benefits* and recognises retirement benefits as the benefits are earned and not when they are due to be paid. The contributions, are determined by qualified actuaries, on the basis of triennial valuations, using the projected unit method, for the SPF and on the basis of quinquennial valuations, using a prospective benefit method, for the STSS. The contribution charges are recognised in the accounting periods in which they arise.

TANGIBLE FIXED ASSETS

a. Land and Buildings

Land and buildings are stated in the balance sheet at valuation on the basis of depreciated replacement cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the institution of 35 years. Leasehold land and buildings are amortised over 35 years or, if shorter, the period of the lease.

Leasehold improvements are capitalised at cost and are written off over the period 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.

Finance costs, which are directly attributable to the construction of land and buildings are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost incurred to 31 July. They are not depreciated until they are brought into use.

In accordance with the requirement of Financial Reporting Standard 15: *Tangible Fixed Assets*, the College has a policy of revaluation of its land and buildings.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Contd)**b. Equipment**

Equipment costing less than £10,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life as follows:

Fixtures, fittings and equipment	5 years
Plant and machinery	10 years

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

LEASED ASSETS

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

INVESTMENTS

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value.

STOCKS

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

TAXATION

The College has been granted charitable status by the Inland Revenue and is registered under the Scottish Charity number SC 021179. As a registered charity the College benefits by being broadly exempt from corporation tax on income it receives from tuition fees, interest and rents.

The College is exempt from levying VAT on most of the services it provides to students. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased.

LIQUID RESOURCES

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

PROVISIONS

Provisions are recognised when the institution 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.

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2007**

	Notes	Year Ended 31 July 2007	Year Ended 31 July 2006
		£000	£000
INCOME			
Funding Council Grants	1	10,408	9,937
Tuition fees and education contracts	2	8,666	7,710
Other income	3	2,475	2,253
Endowment and Investment income	4	<u>199</u>	<u>24</u>
Total income		<u>21,748</u>	<u>19,924</u>
EXPENDITURE			
Staff costs	5	14,719	13,846
Other operating expenses	7	5,006	4,371
Depreciation	-	1,188	986
Interest payable and similar charges	8	<u>323</u>	<u>307</u>
Total expenditure		<u>21,236</u>	<u>19,510</u>
Surplus on continuing operations after depreciation of fixed assets at valuation and before and after tax		<u>512</u>	<u>414</u>

The income and expenditure account is in respect of activities which will continue within the merged institution.

**CONSOLIDATED STATEMENT OF HISTORICAL COST SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 JULY 2007**

	Notes	Year Ended 31 July 2007	Year Ended 31 July 2006
		£000	£000
Surplus on continuing operations before taxation		512	414
Difference between historical cost depreciation and the actual charge for the period calculated on the re-valued amount	17	<u>587</u>	<u>398</u>
Historical cost surplus for the period before and after taxation		<u>1,099</u>	<u>812</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JULY 2007**

	Notes	Year Ended 31 July 2007	Year Ended 31 July 2006
		£000	£000
Surplus on continuing operations after depreciation of assets at valuation and tax		512	414
Unrealised surplus on revaluation of assets	11	1,875	7,329
Decrease in restricted funds		(36)	(11)
Actuarial gain in respect of pension scheme	25	<u>2,073</u>	<u>754</u>
Total recognised gains relating to the period		4,424	8,486
Prior year adjustment		<u>-</u>	<u>(1,602)</u>
		<u>4,424</u>	<u>6,884</u>
Reconciliation			
Opening reserves and endowments		19,406	12,522
Total recognised gains and losses for the period		<u>4,424</u>	<u>6,884</u>
Closing reserves and endowments		<u>23,830</u>	<u>19,406</u>

BALANCE SHEETS AS AT 31 JULY

	Notes	Group 2007	College 2007	Group 2006	College 2006
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	11	31,672	31,672	30,007	29,725
Investments	12	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>31,672</u>	<u>31,672</u>	<u>30,007</u>	<u>29,725</u>
Current Assets					
Stock		10	10	6	6
Debtors	13	643	643	515	732
Cash at bank and in hand		<u>2,309</u>	<u>2,309</u>	<u>1,003</u>	<u>399</u>
		2,962	2,962	1,524	1,137
Creditors: amounts falling due within one year	14	<u>(6,953)</u>	<u>(6,953)</u>	<u>(2,487)</u>	<u>(2,251)</u>
Net current (liabilities)		<u>(3,991)</u>	<u>(3,991)</u>	<u>(963)</u>	<u>(1,114)</u>
Total assets less current liabilities		27,681	27,681	29,044	28,611
Creditors: amounts falling due after more than one year	15	-	-	(4,833)	(4,833)
Provisions for liabilities and charges	16	<u>(478)</u>	<u>(478)</u>	<u>-</u>	<u>-</u>
Net assets excluding pension liability		27,203	27,203	24,211	23,778
Pension liability	25	<u>(695)</u>	<u>(695)</u>	<u>(2,915)</u>	<u>(2,915)</u>
NET ASSETS INCLUDING PENSION LIABILITY		<u>26,508</u>	<u>26,508</u>	<u>21,296</u>	<u>20,863</u>
Deferred capital grants	17	<u>2,678</u>	<u>2,678</u>	<u>1,890</u>	<u>1,890</u>
Reserves					
Revaluation reserve	18	21,829	21,829	20,541	20,541
Restricted reserve	19	53	53	89	89
Income and expenditure account	19	<u>2,643</u>	<u>2,643</u>	<u>1,691</u>	<u>1,258</u>
		24,525	24,525	22,321	21,888
Pension reserve	19	<u>(695)</u>	<u>(695)</u>	<u>(2,915)</u>	<u>(2,915)</u>
Total reserves		<u>23,830</u>	<u>23,830</u>	<u>19,406</u>	<u>18,973</u>
TOTAL		<u>26,508</u>	<u>26,508</u>	<u>21,296</u>	<u>20,863</u>

The financial statements on pages 14 to 41 were approved by the governing body on 4 December 2007 and were signed on its behalf by:

Professor R.T. Beatty OBE, Chairman of Court

Professor S. McDaid, Accounting Officer

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2007**

	Notes	Year Ended 31 July 2007	Year Ended 31 July 2006
		£000	£000
Cash flow from operating activities	20	1,808	1,019
Returns on investments and servicing of finance	21	(198)	(298)
Capital expenditure and financial investment	22	(51)	(243)
Financing	23	<u>(220)</u>	<u>(239)</u>
Increase in cash in the period	24	<u>1,339</u>	<u>239</u>
 Reconciliation of net cash flow to movement in net debt			
Increase in cash for the period		1,339	239
Cash outflow in relation to financing		<u>253</u>	<u>206</u>
Movement in net debt in period		1,592	445
Net debt at 1 August		<u>(4,117)</u>	<u>(4,562)</u>
Net debt at 31 July		<u>(2,525)</u>	<u>(4,117)</u>

NOTES TO THE ACCOUNTS**1 Funding Council Grants**

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£000	£000
Recurrent grant SFC		
Teaching	9,166	8,569
Specific grants		
Knowledge Transfer	94	74
P/T Incentive Premium	295	300
Widening Access Premium	346	372
Disabled Students Premium	32	25
FE-HE Articulation	108	108
STSS Uplift	256	292
HR Modernisation	-	67
Other	1	13
Release of deferred capital grants		
Land and buildings (note 18)	41	41
Equipment (note 18)	<u>69</u>	<u>76</u>
TOTAL	<u>10,408</u>	<u>9,937</u>

2 Tuition fees and education contracts

	Year Ended 31 July 2007	Year ended 31 July 2006
	£000	£000
UK and EU Fees	2,376	2,223
Non EU Fees	77	137
Non-credit bearing course fees	<u>8</u>	<u>5</u>
Total fees paid by or on behalf of individual students	2,461	2,365
Education contracts	<u>6,205</u>	<u>5,345</u>
Total	<u>8,666</u>	<u>7,710</u>

NOTES TO THE ACCOUNTS (Contd)**3 Other income**

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Residences, catering and conferences	696	724
Other income-generating activities	1,750	1,497
Releases of deferred capital grants		
Land and buildings (note 18)	10	10
Equipment (Note 18)	<u>19</u>	<u>22</u>
Total	<u>2,475</u>	<u>2,253</u>

4 Endowment and investment income

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Other interest receivable	125	9
Net return on pension liability	<u>74</u>	<u>15</u>
	<u>199</u>	<u>24</u>

NOTES TO THE ACCOUNTS (Contd)**5 Staff Costs**

	Year Ended 31 July 2007 Number	Year Ended 31 July 2006 Number
The average weekly number of persons (including senior post-holders) employed by the College during the period, expressed as full-time equivalents, was:	<u>415</u>	<u>407</u>
This can be analysed as follows:		
Teaching departments	181	180
Teaching support services	37	35
Administration and central services	115	108
Premises	20	23
Other income generating activities	47	43
Catering and residences	<u>15</u>	<u>18</u>
	<u>415</u>	<u>407</u>
Analysed as:		
Staff on permanent contracts	346	371
Staff on temporary contracts	<u>69</u>	<u>36</u>
	<u>415</u>	<u>407</u>

Staff costs for the above persons:

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Wages and salaries	12,131	11,527
Social security costs	926	823
Other pension costs	<u>1,662</u>	<u>1,496</u>
Total	<u>14,719</u>	<u>13,846</u>
Teaching departments	8,628	8,263
Teaching support services	986	880
Administration and central services	3,371	3,197
Premises	400	339
Other income-generating activities	1,148	1,012
Catering and residences	<u>186</u>	<u>155</u>
Total	<u>14,719</u>	<u>13,846</u>
Analysed as:		
Staff on permanent contracts	13,232	12,740
Staff on temporary contracts	<u>1,487</u>	<u>1,106</u>
	<u>14,719</u>	<u>13,846</u>

NOTES TO THE ACCOUNTS (Contd)**5 Staff Costs (Contd)**

The number of staff, including senior post-holders and the principal, who received emoluments including pension contributions in the following ranges was:

Per annum	Year Ended 31 July 2007		Year Ended 31 July 2006	
	Number Senior post- Holders	Number Other Staff	Number Senior post- Holders	Number Other Staff
£70,001 to £80,000	1	-	1	-
£90,001 to £100,000	1	-	1	-

NOTES TO THE ACCOUNTS (Contd)**6 Senior Post-Holders' Emoluments**

	Year Ended 31 July 2007 Number	Year Ended 31 July 2006 Number
The number of senior post-holders including the principal was:	4	3
Senior post-holders' emoluments are made up as follows:		
	£	£
Salary payments in period	206,743	210,793
Benefits in kind	834	697
Pension contributions	<u>26,858</u>	<u>27,586</u>
Total emoluments	<u>234,435</u>	<u>239,076</u>

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year Ended 31 July 2007 £	Year Ended 31 July 2006 £
Salary payment in period	87,550	85,000
Pension Contributions	<u>11,236</u>	<u>10,625</u>
	<u>98,786</u>	<u>95,625</u>

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers Superannuation Scheme and the Strathclyde Pension Fund and are paid at the same rate as for other employees.

There was no compensation for loss of office paid to any former senior post-holder/higher paid employee.

The members of the Board of Governors other than the principal and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

No expenditure was incurred on overseas activities by the Principal.

NOTES TO THE ACCOUNTS (Contd)**7 Other Operating Expenses**

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£000	£000
Teaching departments	973	1,112
Teaching support services	389	316
Administration and central services	1,960	1,441
Premises costs	1,199	1,017
Other income generating activities	129	194
Catering and residence operations	<u>356</u>	<u>291</u>
Total	<u>5,006</u>	<u>4,371</u>

Other operating expenses include:

Auditors' remuneration	- external audit*	33	27
	- internal audit**	32	20
	- other services from either external or internal audit	25	13
Hire of other assets - operating leases	- land and buildings	137	108
	- equipment	62	98

* includes £33,390 in respect of the College (2005-06 £20,520)

** includes £32,035 in respect of the College (2005-06 £19,753)

NOTES TO THE ACCOUNTS (Contd)**8 Interest Payable and similar charges**

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, by instalments	323	3
Repayable wholly or partly in more than 5 years	<u>-</u>	<u>304</u>
Total	<u>323</u>	<u>307</u>

9 Taxation

The Board does not believe the College was liable for any corporation tax arising out of its activities during the period.

10 Surplus on Continuing Operations for the Period

The Surplus on continuing operations for the period is made up as follows:

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
College's surplus for the period	945	2,004
Surplus/(deficit) retained by subsidiary undertakings	<u>(433)</u>	<u>(1,590)</u>
Total	<u>512</u>	<u>414</u>

NOTES TO THE ACCOUNTS (Contd)**11 Tangible Fixed Assets (Group)**

	Land and Buildings Freehold	In course of Construction	Leasehold Improvements	Plant & Machinery	Fixtures Fittings & Equipment	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 August 2006	28,845	-	70	2,221	1,762	32,898
Additions	131	396	121	113	217	978
Revaluation	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094</u>
At 31 July 2007	<u>30,070</u>	<u>396</u>	<u>191</u>	<u>2,334</u>	<u>1,979</u>	<u>34,970</u>
Depreciation						
At 1 August 2006	-	-	14	1,503	1,374	2,891
Charge for year	781	-	45	174	188	1,188
Revaluation	<u>(781)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(781)</u>
At 31 July 2007	<u>-</u>	<u>-</u>	<u>59</u>	<u>1,677</u>	<u>1,562</u>	<u>3,298</u>
Net book value						
At 31 July 2007	<u>30,070</u>	<u>396</u>	<u>132</u>	<u>657</u>	<u>417</u>	<u>31,672</u>
Net book value						
At 31 July 2006	<u>28,845</u>	<u>-</u>	<u>56</u>	<u>718</u>	<u>388</u>	<u>30,007</u>
Inherited	17,317	-	-	-	-	17,317
Financed by capital grant	4,126	396	-	370	-	4,892
Other	<u>8,627</u>	<u>-</u>	<u>132</u>	<u>287</u>	<u>417</u>	<u>9,463</u>
	<u>30,070</u>	<u>396</u>	<u>132</u>	<u>657</u>	<u>417</u>	<u>31,672</u>

NOTES TO THE ACCOUNTS (Contd)**11 Tangible Fixed Assets (college only)**

	Land and Buildings Freehold £000	In course of Construction £000	Leasehold Improvements £000	Plant & Machinery £000	Fixtures Fittings & Equipment £000	Total £000
Cost or valuation						
At 1 August 2006	28,845	-	-	2,103	1,478	32,426
Additions	131	396	121	113	217	978
Transfers	-	-	70	118	284	472
Revaluation	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094</u>
At 31 July 2007	<u>30,070</u>	<u>396</u>	<u>191</u>	<u>2,334</u>	<u>1,979</u>	<u>34,970</u>
Depreciation						
At 1 August 2006	-	-	-	1,474	1,227	2,701
Charge for year	781	-	45	174	188	1,188
Transfers	-	-	14	29	147	190
Revaluation	<u>(781)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(781)</u>
At 31 July 2007	<u>-</u>	<u>-</u>	<u>59</u>	<u>1,677</u>	<u>1,562</u>	<u>3,298</u>
Net book value						
At 31 July 2007	<u>30,070</u>	<u>396</u>	<u>132</u>	<u>657</u>	<u>417</u>	<u>31,672</u>
Net book value						
At 31 July 2006	<u>28,845</u>	<u>-</u>	<u>56</u>	<u>718</u>	<u>388</u>	<u>30,007</u>
Inherited	17,317	-	-	-	-	17,317
Financed by capital grant	4,126	396	-	370	-	4,892
Other	<u>8,627</u>	<u>-</u>	<u>132</u>	<u>287</u>	<u>417</u>	<u>9,463</u>
	<u>30,070</u>	<u>396</u>	<u>132</u>	<u>657</u>	<u>417</u>	<u>31,672</u>

In accordance with the requirement of Financial Reporting Standard 15: Tangible Fixed Assets, the College has adopted a policy of revaluation of its land and buildings.

A valuation was carried out by James Barr, Chartered Surveyors at 31 July 2007 where land and buildings were revalued at £30,070,000. The basis of valuation of all land and buildings was Depreciated Replacement Cost. The basis is in accordance with the RICS Appraisal and Valuation Manual ("The Red Book"). The previous valuation was carried out by James Barr, Chartered Surveyors at 31 July 2006 where land and buildings were revalued at £28,845,000.

Land and buildings with a net book value of £17,317,000 have been financed by Exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Funding Council, to surrender the proceeds.

If inherited land and buildings had not been valued they would have been included at cost, aggregate depreciation and net book value of nil.

NOTES TO THE ACCOUNTS (Contd)**12 Investments**

	College 2007 £000	College 2006 £000
Cost at beginning and end of year	20	20
Less:- Provision at beginning and end of year	<u>(20)</u>	<u>(20)</u>
Total	<u>—</u>	<u>—</u>

The College owns 100% of the issued ordinary £1 shares of Bell Innovations Limited, a company incorporated in Great Britain and 100% of the issued ordinary £1 shares of Bell College Health Limited, a company incorporated in Great Britain. The principal business activity of Bell Innovations Limited is carrying out training of employees on behalf of employers. The principal business activity of Bell College Health Limited is carrying out health related training courses.

As a result of the review carried out last year both companies are no longer trading and in the longer term both will be made dormant.

NOTES TO THE ACCOUNTS (Contd)**13 Debtors**

	Group 2007 £000	College 2007 £000	Group 2006 £000	College 2006 £000
Amounts falling due within one year:				
Debtors	352	352	291	134
Amounts owed by Subsidiary undertakings	-	-	-	477
Other Debtors	91	91	17	17
Prepayments and accrued income	<u>200</u>	<u>200</u>	<u>207</u>	<u>104</u>
Total	<u>643</u>	<u>643</u>	<u>515</u>	<u>732</u>

14 Creditors: Amounts Falling Due Within One Year

	Group 2007 £000	College 2007 £000	Group 2006 £000	College 2006 £000
Bank loans and overdrafts (secured)	4,834	4,834	253	220
Hire purchase contracts	-	-	1	1
Trade creditors	657	657	392	328
Other creditors	421	421	827	828
Other taxation and social security	314	314	272	272
Accruals and deferred income	<u>727</u>	<u>727</u>	<u>742</u>	<u>602</u>
Total	<u>6,953</u>	<u>6,953</u>	<u>2,487</u>	<u>2,251</u>

15 Creditors: Amounts Falling Due after More Than One Year

	Group 2007 £000	College 2007 £000	Group 2006 £000	College 2006 £000
Bank loans (secured)	<u>-</u>	<u>-</u>	<u>4,833</u>	<u>4,833</u>

On 16 August 2007 the loan was repaid in full by the merged institution.

NOTES TO THE ACCOUNTS (Contd)

16 Provisions for Liabilities and Charges

	Early Retirement Costs £000	Group and College Other £000	Total £000
At 1 August	-	-	-
Transfers from other creditors	-	267	267
Additional provision required in year	<u>145</u>	<u>66</u>	<u>211</u>
As at 31 July	<u>145</u>	<u>333</u>	<u>478</u>

17 Deferred capital grants

	SOEID and SFC £000	Group and College Other Grants £000	Total £000
At 1 August 2006			
Land and buildings	1,210	271	1,481
Equipment	346	63	409
Cash received			
Land and buildings	927	-	927
Equipment	-	-	-
Released to income and expenditure account			
Land and buildings	(41)	(10)	(51)
Equipment	(69)	(19)	(88)
At 31 July 2007			
Land and buildings	2,096	261	2,373
Equipment	<u>277</u>	<u>44</u>	<u>305</u>
	<u>2,373</u>	<u>305</u>	<u>2,678</u>

NOTES TO THE ACCOUNTS (Contd)

18 Revaluation Reserve

	Group 2007 £000	College 2007 £000	Group 2006 £000	College 2006 £000
At 1 August	20,541	20,541	13,610	13,610
Transfers from revaluation reserve to general reserve in respect of depreciation on revalued assets	(587)	(587)	(398)	(398)
Revaluation of land and buildings	<u>1,875</u>	<u>1,875</u>	<u>7,329</u>	<u>7,329</u>
At 31 July	<u>21,829</u>	<u>21,829</u>	<u>20,541</u>	<u>20,541</u>

19 Reserves

	Group 2007 £000	College 2007 £000	Group 2006 £000	College 2006 £000
Restricted Reserve				
At 1 August	89	89	100	100
Net payments	<u>(36)</u>	<u>(36)</u>	<u>(11)</u>	<u>(11)</u>
At 31 July	<u>53</u>	<u>53</u>	<u>89</u>	<u>89</u>

Income and Expenditure Account

At 1 August	1,691	1,258	811	(3,728)
Surplus on continuing operations	512	945	414	2,004
Transfer (to)/from pension reserve	(147)	(147)	68	68
Transfer from revaluation reserve	<u>587</u>	<u>587</u>	<u>398</u>	<u>398</u>
At 31 July	<u>2,643</u>	<u>2,643</u>	<u>1,691</u>	<u>1,258</u>

Pension Reserve

At 1 August	(2,915)	(2,915)	(3,601)	(3,601)
Actuarial gain	2,073	2,073	754	754
Transfer (to)/from income and expenditure account	<u>147</u>	<u>147</u>	<u>(68)</u>	<u>(68)</u>
At 31 July	<u>(695)</u>	<u>(695)</u>	<u>(2,915)</u>	<u>(2,915)</u>

NOTES TO THE ACCOUNTS (Contd)**20 Reconciliation of Consolidated Operating Deficit to Net Cash Inflow from Operating Activities**

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Surplus on continuing operations after depreciation of assets at valuation	512	414
Pension costs less contributions payable	(73)	83
Depreciation	1,188	986
Deferred capital grants released to income (note 1 & 3)	(139)	(149)
Interest (note 8)	323	307
(Increase) in stocks	(4)	1
(Increase)/decrease/in debtors	(128)	(83)
Increase/(decrease) in creditors	(114)	(505)
Increase/(decrease) in provisions	478	-
Interest receivable (note 4)	(199)	(24)
Restricted and other funds net movement	<u>(36)</u>	<u>(11)</u>
Net cash inflow from operating activities	<u>1,808</u>	<u>1,019</u>

21 Returns on Investments and Servicing of Finance

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Other interest received	125	9
Interest paid	<u>(323)</u>	<u>(307)</u>
Net cash (outflow) from returns on investments and servicing of finance	<u>(198)</u>	<u>(298)</u>

22 Capital Expenditure and Financial Investment

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Purchase of tangible fixed assets	(978)	(651)
Deferred capital grants received	<u>927</u>	<u>408</u>
Net cash (outflow) from capital expenditure and financial investment	<u>(51)</u>	<u>(243)</u>

NOTES TO THE ACCOUNTS (Contd)**23 Financing**

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Debt due within a year:		
Repayment of loans	<u>(220)</u>	<u>(239)</u>

24 Analysis of Changes in Net Debt

	At 1 August 2006 £000	Cashflows £000	Other £000	At 31 July 2007 £000
Cash in hand, and at bank	1,003	1,306	-	2,309
Overdrafts	<u>(33)</u>	<u>33</u>	<u>-</u>	<u>-</u>
Net overdraft	970	1,339	-	2,309
Debt due within 1 year	(254)	253	(4,833)	(4,834)
Debt due after 1 year	<u>(4,833)</u>	<u>-</u>	<u>4,833</u>	<u>-</u>
Total	<u>(4,117)</u>	<u>1,592</u>	<u>-</u>	<u>(2,525)</u>

NOTES TO THE ACCOUNTS (Contd)**25 Pension and similar obligations**

The two principal pension schemes for the Institution's staff are Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). STSS provides benefits based on final pensionable salary for academic and related employees of some UK institutions and some other employers. SPF provides similar benefits for other staff of the institution. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

	SPF 31 March 2002 Projected Unit	STSS 31 March 2001 Prospective Benefits
Latest actuarial valuations		
Actuarial method		
Investment returns per annum	-	7.0%
Discount rate	6.2%	-
Salary scale increases per annum	4.1%	2.0%
Pension increases per annum	2.6%	3.5%
Rate of Inflation	2.6%	-
Market value of assets at date of last valuation	£6,039m	£10,769m

The total pension cost for the institution and its subsidiaries was:

	Year Ended 31 July 2007	Year Ended 31 July 2006
	£000	£000
Contributions to STSS	881	800
Contributions to SPF	<u>781</u>	<u>696</u>
Total pension cost (Note 5)	<u>1,662</u>	<u>1,496</u>

The contribution for STSS payable by the College for the whole period was 13.5% of pensionable salaries. For SPF the contribution rate for the whole period was 15.6% of pensionable salaries to March 2007 and 16.2% thereafter. The actuaries to STSS and SPF have confirmed that it is appropriate to take the pension costs in the College's financial statements to be equal to the actual contributions paid during the year. In particular, the SPF contribution rate recommended following the 1999 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

STSS

The STSS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The College will therefore account for its pension costs on a defined contribution basis as permitted by FRS 17.

SPF

The valuation was updated by the actuary on an FRS 17 basis as at 31 July 2007 and 31 July 2006.

The major assumptions used by the actuary in this valuation were:

	2007	2006
Rate of increase in salaries	4.8%	4.6%
Inflation assumption	3.3%	3.1%
Discount rate applied to scheme liabilities	5.8%	5.1%
Rate of increase in pension in payment and deferred pensions	3.3%	3.1%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the time scale covered, may not necessarily be borne out in practice.

NOTES TO THE ACCOUNTS (Contd)**25 Pension and similar obligations (Contd)**

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2007	Value at 2007 £000	Long term rate of return 2006	Value at 2006 £000
Equities	8.0%	7,186,000	7.7%	6,365,000
Bonds	5.2%	1,245,000	4.7%	1,064,400
Other- Property	6.0%	1,013,000	5.7%	894,000
Cash	5.1%	377,000	4.8%	439,100
		<u>9,821,000</u>		<u>8,762,500</u>

	£000	£000
Share of assets and liabilities		
Estimated employer assets	13,522	11,374
Present value of scheme liabilities	(12,721)	(12,666)
Present value of unfunded scheme liabilities	<u>(1,496)</u>	<u>(1,623)</u>
Net pension (liability)	<u>(695)</u>	<u>(2,915)</u>

Movement in deficit during the year

	2007 £000	2006 £000
(Deficit) in scheme at beginning of year	(2,915)	(3,601)
Current service costs	(760)	(647)
Contributions paid	562	477
Contributions in respect of unfunded benefits	87	87
Net return on assets	74	15
Past service credit	184	-
Actuarial gain	<u>2,073</u>	<u>754</u>
(Deficit) in scheme at end of year	<u>(695)</u>	<u>(2,915)</u>

Analysis of the amount charged to staff costs (Note 5)

	2007 £000	2006 £000
Current service cost	760	647
Past service credit	<u>(184)</u>	<u>-</u>
	<u>576</u>	<u>647</u>

Analysis of the amounts credited to other finance income (Note 4)/interest payable and similar charges (Note 8)

	2007 £000	2006 £000
Expected return on pension scheme assets	818	649
Interest on pension scheme liabilities	<u>(744)</u>	<u>(634)</u>
	<u>74</u>	<u>15</u>

NOTES TO THE ACCOUNTS (Contd)**25 Pension and similar obligations (Contd)**

Analysis of amount recognised in statement of total recognised gains and losses

	2007	2006
	£000	£000
Actual return less expected return on scheme assets	636	692
Experience gains and losses arising on scheme liabilities	63	593
Changes in assumptions underlying the present value of scheme liabilities	<u>1,374</u>	<u>(531)</u>
Actuarial gain recognised in statement of total recognised gains and losses	<u>2,073</u>	<u>754</u>

History of experience gains and losses

	2007	2006	2005	2004	2003
	£000	£000	£000	£000	£000
Difference between the expected and actual return on scheme assets:					
Amount	636	692	1,162	173	(69)
Percentage of scheme assets	4.7%	6.1%	12.5%	2.4%	(1.1%)
Experience losses arising on scheme liabilities:					
Amount	63	593	68	(191)	(401)
Percentage of present value of scheme liabilities	0.4%	4.2%	0.5%	(1.9%)	(4.4%)
Actuarial (losses)/gains recognised in Statement of Total Recognised Gains and Losses:					
Amount	2,073	754	(432)	(31)	(1,529)
Percentage of present value of scheme liabilities	14.6%	5.3%	(3.3%)	(0.3%)	(16.8%)

NOTES TO THE ACCOUNTS (Contd)**26 Financial Commitments**

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

	Group and College	
	2007	2006
	£000	£000
Land and buildings		
Expiring within one year	-	23
Expiring between one and two years	35	-
Expiring between two and five years	19	7
Expiring in over five years	<u>107</u>	<u>79</u>
	<u>161</u>	<u>109</u>
Equipment		
Expiring within one year	11	19
Expiring between one and two years	4	-
Expiring between two and five years	23	14
Expiring in over five years	<u>-</u>	<u>-</u>
	<u>38</u>	<u>33</u>

27 Contingent Liability

There are no material contingent liabilities.

28 Related Party Transactions

Due to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the board of governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

29 Capital Commitments

The College entered into a contract with ROK Building Ltd for the construction of the Centre of Engineering Excellence. The value of this contract is £1,723,336 excluding VAT (£2,024,920 including VAT). An amount of £157,700 excluding VAT (£185,298 including VAT) was payable to the contractor at 31 July 2007, leaving a commitment of £1,565,636 excluding VAT (£1,839,622 including VAT) outstanding at 31 July 2007.

30 Post Balance Sheet Events

On 1 August 2007 the College merged its activities with the University of Paisley. At that date all assets, liabilities and activities of the College transferred to the University of Paisley and the College was dissolved. All activities are continuing within the merged Institution. Assets valued at £34,634,000 and liabilities of £8,126,000 and an operating surplus of £512,000 were transferred.

NOTES TO THE ACCOUNTS (Contd)**31 Hardship Funds**

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Balance unspent at 1 August	-	13
Funding Council grants	207	154
Interest earned	3	1
Virements	4	(7)
Disbursed to Students	<u>(173)</u>	<u>(161)</u>
Balance unspent at 31 July	<u>41</u>	<u>-</u>
Represented by:		
Repayable to Funding Council as clawback	20	-
Retained by College for students	<u>21</u>	<u>-</u>
	<u>41</u>	<u>-</u>

Funding Council grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

32 Childcare (formerly Mature Student Beneficiary) Funds

	Year Ended 31 July 2007 £000	Year Ended 31 July 2006 £000
Balance unspent at 1 August	-	7
Funding Council grants	88	100
Interest earned	1	1
Virements	(4)	7
Disbursed to Students	(75)	(111)
Establishment Costs	<u>(3)</u>	<u>(4)</u>
Balance unspent at 31 July	<u>7</u>	<u>-</u>
Represented by:		
Repayable to Funding Council as clawback	-	-
Retained by College for students	<u>7</u>	<u>-</u>
	<u>7</u>	<u>-</u>

Funding Council grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.