

## UNIVERSITY OF PAISLEY

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

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## FINANCIAL HIGHLIGHTS

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	<b>2003</b>	<b>Restated 2002</b>
	<u>£'000</u>	<u>£'000</u>
<b>Summary Income and Expenditure Account</b>		
Funding Council Grants	27,719	28,321
Tuition Fees and Education Contracts	14,875	14,133
Research Grants and Contracts	1,583	1,434
Other Income	<u>6,943</u>	<u>5,862</u>
Total Income	51,120	49,750
Total Expenditure	<u>51,411</u>	<u>52,196</u>
	<u>(291)</u>	<u>(2,446)</u>
<b>Summary Balance Sheet</b>		
Fixed Assets	38,950	37,904
Net Current (Liabilities)	(3,490)	(2,679)
Long Term Creditors and Provisions	<u>(8,123)</u>	<u>(7,795)</u>
Net Assets	<u>27,337</u>	<u>27,430</u>
Represented by:		
Deferred Capital Grants	19,293	19,118
Reserves	<u>8,044</u>	<u>8,312</u>
	<u>27,337</u>	<u>27,430</u>
<b>Summary Cashflow</b>		
Net Cash Inflow from Operating Activities	2,143	437
Capital Expenditure and Financial Investment	(2,603)	(3,692)
(Decrease) in cash	(477)	(3,044)
<b>Other Key Statistics</b>		
<b>Student and Staff Numbers</b>	<b>2003</b>	<b>2002</b>
Student Numbers - full time equivalent	7,442	7,334
Staff Numbers – headcount basis	1,224	1,235

# REPORT OF THE COURT

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## **Scope of the Financial Statements**

The Financial Statements presented to the Court refer to the University only.

## **Results for the Year**

The University's results for the year ended 31 July 2003 are summarised in the Financial Highlights on page 1. The operating deficit of £0.3M is a substantial improvement on the previous year's position and is in line with projections made during the year. Total income has risen by £1.4M with significant increases in tuition fee income and other income. Total expenditure has decreased by £0.8M reflecting, in part the salary savings secured from exceptional staff restructuring costs incurred in 2002.

A major revision to the accounting policy for land and buildings from a valuation basis has been made, with the adoption of an historical cost basis. The net book value of land and buildings has therefore reduced, and the relevant portion of the Revaluation Reserve has also been reduced. Notwithstanding this change, there has continued to be an addition to fixed assets with the completion of the new Students Union building on the Paisley Campus. The July 2002 Balance Sheet also reflects a reclassification of an external loan and cash balance to reflect the right of offset of this facility. This treatment has also been adopted in 2003. As a result of this reclassification a net current liabilities position is shown at the year end but this will change when, under the existing agreement, this facility is converted to a loan.

## **Investment Funds Performance**

The University's portfolio of Listed Investments in stocks and shares has been managed by Gerrard Limited, and at the year-end had a market value of £920,000.

In reviewing the performance of Gerrard Limited, reference has been made to the return on UK Government Securities Index (negative 3.72%). The return on elements of the portfolio, (interest and early retrial) of negative 1.61% and negative 0.38% respectively were therefore viewed as satisfactory.

During the year an additional £50,000 was invested in the University Quarter Regeneration Company Limited. This is a Joint Venture Company set up between the University and Renfrewshire Council to regenerate various areas of vacant land.

## **Cash Flow**

The year-end balances show a net decrease in cash during the year of £0.5M (2002 £3M). During the year the University spent a net sum of £2.6M in acquiring tangible fixed assets and new investments.

## **Capital Expenditure**

The new Students Union building at Paisley was completed and handed over to the University during the year.

### **Treasury Management**

The University actively manages its cash flow. Available funds are deposited in a variety of Treasury accounts.

### **Creditor's 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, provided that all trading terms and conditions have been complied with. The University investigates where suppliers claim that payment is outwith their credit terms.

At 31<sup>st</sup> July 2003, the University had trade creditors outstanding of £1,145,000 which represents an average of 26 days purchases outstanding (2002 – 17 days).

### **Future Developments**

A new academic structure has now been implemented within the University and developments around the cluster structure are ongoing with increased emphasis on research and commercialisation activities. In June 2003, Court approved consideration of a merger with Bell College and further analysis and evaluation is currently ongoing.

Improved facilities for staff and students with disabilities to ensure compliance with legislative requirements and the planned relocation of staff and students within the School of Health, Nursing and Midwifery to the Paisley Campus will impact significantly on the physical reconfiguration of the University's Estate.

### **Staff and Students with Disabilities**

The University has a policy for promoting opportunities for students and staff with disabilities. For staff, this covers recruitment criteria, appraisal and training opportunities, support, awareness training for other staff, implementation and monitoring and a complaints procedure.

For students, the University endeavours to create an environment where students with special needs are not simply integrated but are welcomed, accepted, involved, supported, and viewed as equals by staff and students alike.

### **Employee Involvement**

The University places value on the involvement of its employees and on good communication with them. The University publishes an official newsletter that is made available to all staff and separate supplements are published when the need arises. Staff are encouraged to participate in formal and informal consultation at University, School and Departmental level.

### **Conclusion**

Within the Financial Strategic Plan, the University had anticipated a small financial deficit in 2002/2003 and is on course to secure an improvement in future years' performance. The University therefore remains in a position of financial stability and strives to increase its reserves to underpin the current financial strategy. This can only be achieved through the efforts of all University staff and the University Court wishes to thank them for their continued efforts.

Miss C Asher OBE  
Chairman of Court  
16 December 2003

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## CORPORATE GOVERNANCE

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The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has 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 accounts understand how the principles have been applied.

The University's Court is responsible for the University's system of internal controls and 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.

The Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the year ended 31 July 2003 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Court and accords with the internal control guidance for Directors on the Combined Code as amended by the British Universities Finance Directors Group.

The University Court comprises lay and academic persons appointed in terms of the University of Paisley (Scotland) Order in Council 1993. The majority of members are non-executive. The roles of Chairman and Vice Chairman of the Court are separated from the role of the University's Chief Executive, the Principal and Vice Chancellor. The matters specially reserved to the Court for decision are set out in the University of Paisley (Scotland) Order in Council 1993, by the detailed regulation of Court and under the Financial Memorandum with the Scottish Higher Education Funding Council. The Court holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments, Health and Safety, and the receipt of regular reports from Officers of the University on the day-to-day operations of its business.

The University Court is required to meet at least four times per year and has met five times in the year to 31 July 2003. Court has several committees, including a Policy and Resources Committee, covering finance, general policy, human resources and estates issues, a Student Affairs Committee, a Nominations Committee, a Remuneration Committee and an Audit Committee. All of these Committees have remits and memberships formally constituted by resolutions of Court. All Court Committees have lay members of Court as the majority memberships.

Under the University's Order in Council, Court has constituted a Senate to which it has delegated academic business. Senate carries out the functions of Court that relate to the overall planning, co-ordination, development and supervision of the academic work of the University. The Principal and Vice-Chancellor, who is also a member of Court, chairs Senate.

In respect of its strategic and development responsibilities the Court receives recommendations from the Policy and Resources Committee. The Policy and Resources Committee receives recommendations from other Committees including the Financial Monitoring Committee, the Commercialisation Board and, where appropriate, the Academic Development Committee.

The Policy and Resources Committee recommends to the Court the University's annual revenue and capital budgets. The Policy and Resources Committee monitors' performance in relation to approved budgets. The detailed work on this is undertaken by the Financial Monitoring Committee.

The Student Affairs Committee is a consultative committee with membership drawn from staff, student and lay members of Court. The Committee reports both to Court and to Senate on all matters relating to students.

The Nominations Committee considers nominations for vacancies in the Court membership in terms of the University of Paisley (Scotland) Order in Council 1993. In terms of the Order the majority of its members are lay members appointed by Court itself on the recommendation of its Nominations Committee for such periods as the Order in Council and the policies adopted by Court prescribe.

The Remuneration Committee determines the remuneration of the senior staff, including the Principal and Vice-Chancellor.

The Audit Committee meets at least three times per year, and in the year to 31 July 2003 met four times, with the University's external and internal auditors in attendance as appropriate. The Committee complies with the Code of Auditing Practice issued by SHEFC and considers detailed reports together with recommendations for the improvement of the University's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the Funding Council as they affect the University's business and monitors adherence to the regulatory requirements. Whilst senior officers attend meetings of the Audit Committee as necessary, they are not members of the Committee and if requested by either party the Committee meets the External Auditors and/or the Internal Auditors (who are external to the University) on their own for independent discussions.

The Financial Monitoring Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. The Senior Management Team and the Audit Committee also receive regular reports from the internal auditors, 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 control. The Court's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its December 2003 meeting, the Court carried out the annual assessment for the year ended 31st July 2003 by considering a report from the Audit Committee, a report from the University's Internal Auditors, the University's externally audited Statements of Account and any notification of any relevant events since 31 July 2003.

Court also has established a University Health and Safety Committee that meets four times a year and produces an annual report for approval by Court at one of its statutory meetings.

The Court assesses the effectiveness of Court, and of the University on a tri-annual basis and completed its last assessment at its December 2001 meeting.

The University Court having considered in February 1999 the Guide for Members of Governing Bodies of SHEFC Institutions and Good Practice Benchmarks affirmed its principles. Court adopted the Guide as an integral part of Court's Policies and Procedures as set out in the University Court Handbook. Court confirmed the University's conformity to the benchmarks within the parameters set by the University of Paisley (Scotland) Order in Council 1993.



## **Court Membership as at 31 July 2003**

### Chairman of Court

Miss C Asher

### Ex Officio

Principal and Vice-Chancellor

Professor J Macklin

Vice-Principal Professor S McDaid

President, Students' Association

Mr C Orr (retired June 2003)

Miss S McIver (appointed July 2003)

Depute President, Students' Association (Ayr)

Ms K McIntyre

### Co-opted

Councillor J Harkins

(retired October 2002)

Replaced by Provost J McDowell

(appointed January 2003)

Replaced by Provost R Burns

(appointed June 2003)

Mrs P Paterson

Dr J W McGinty

### Appointed by Court

Professor W J Barr

(retired January 2003)

Professor R Beaty

Ms E K Cameron

Mrs E Foulkes

Mr D Lawrence

Dr D R Mill

Mrs E McCann

Mr D MacDonald

## **Membership of Principal Committees of Court**

Chair of Remuneration Committee, Member of Policy & Resources Committee, Student Affairs Committee and Nominations Committee.

Member of Policy & Resources Committee, Student Affairs Committee, Commercialisation Board, Nominations Committee.

Member of Policy & Resources Committee, Student Affairs Committee, Nominations Committee, Commercialisation Board and Building Procurement Committee.

Member of Policy & Resources Committee, Student Affairs Committee.

Member of Student Affairs Committee.

Member of Audit Committee.

Chair of Student Affairs Committee,

Member of Policy & Resources Committee.

Vice Chair of Court, Chair of Commercialisation Board, Member of Policy & Resources Committee, Student Affairs Committee and Nominations Committee.

Member of Audit Committee.

Member of Student Affairs Committee.

Chair of Policy & Resources Committee.

Member of Student Affairs Committee, Building Procurement Committee, Remuneration Committee

Member of Policy & Resources Committee, Remuneration Committee.

Member of Buildings Procurement Committee.

Member of Policy & Resources Committee,

Ms L McMillan  
Mr A J Smith  
Dr W Speirs  
Mr J Wardrop  
Mr N Walker  
(appointed November 2002)  
Mr R Mr Blackburn  
(appointed February 2003)

Appointed by Senate

Professor C MacDonald

Dr T Clarke

Elected by Staff from Academic Staff

Dr P Mileham

Elected by Staff from Non-Academic Staff

Mrs S MacArthur

Remuneration Committee, Student Affairs  
Committee, Commercialisation Board.

Member of Audit Committee.

Chair of Audit Committee.

Member of Audit Committee.

Member of Audit Committee

Depute Chair of Student Affairs Committee  
Member of Policy & Resources Committee,  
Commercialisation Board.

Member of Policy & Resources Committee,  
Student Affairs Committee.

Member of Policy & Resources Committee.

Member of Student Affairs Committee.

## RESPONSIBILITIES OF THE UNIVERSITY'S COURT

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In accordance with the University of Paisley (Scotland) Order in Council 1993, the Court is responsible for the administration and management of the affairs of the University, including an effective system of internal control, and is required to present audited financial statements 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 financial statements are prepared in accordance with the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University, the Court, through its designated Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared the Court has ensured that:

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

The Court has taken reasonable steps to:

- ensure that funds from the 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 that 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, heads of academic 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 Court;
- comprehensive Financial Regulations, detailing financial controls and procedures;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Court and whose head provides 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.

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

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We have audited the Financial Statements for the year ended 31 July 2003 which comprise the Income and Expenditure Account, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and the related notes 1 to 30. These Financial Statements have been prepared on the basis of the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the University Court as a body. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University and the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

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

As described in the Statement of Responsibilities of the University Court, the Court is responsible for the preparation of the financial statements in accordance with the University's Charter, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other applicable United Kingdom law and accounting standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance the Statement of Recommended Practice: Accounting for 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 applied 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 of the Court is not consistent with the financial statements, if the University has not kept proper accounting records 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 of the Court and Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them.

## **Basis of Audit Opinion**

We conducted our audit in accordance with United Kingdom 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 amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Court in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the University'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.

## **Opinion**

In our opinion:

- i) the Financial Statements give a true and fair view of the state of affairs of the University as at 31 July 2003 and of the deficit for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- ii) income 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 for the purposes for which they were received; and
- iii) income has been applied in accordance with the Further and Higher Education (Scotland) Act 1992 governing the University and, where appropriate, with the Financial Memorandum dated 1 August 1996 (incorporating 1998 revisions) with the Scottish Higher Education Funding Council.

Registered Auditor  
George House  
50 George Square  
GLASGOW  
G2 1RR

Date: 16 December 2003

# UNIVERSITY OF PAISLEY

## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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The principal accounting policies of the University are as set out below.

The policies have remained unchanged from the previous year, with the exception of the change in accounting for Fixed Assets as described in Note 7, overleaf.

1. **Basis of preparation**

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting in Further and Higher Education Institutions and in accordance with applicable Accounting Standards. They conform to guidance published by the Funding Council.

2. **Basis of accounting**

The financial statements are prepared under the historical cost convention modified by the revaluation of certain Fixed Asset Investments.

3. **Recognition of Income**

Income from research 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 year 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.

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

Non-recurrent grants from Funding Councils 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.

4. **Maintenance of premises**

The University has a long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long term and routine corrective maintenance is charged to the income and expenditure account as incurred.

5. **Foreign currency translation**

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 contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

6. **Pension Schemes**

Retirement benefits for most employees of the University are provided by the Scottish Teachers Superannuation Scheme (STSS), the Strathclyde Pension Fund (SPF) and the Universities Superannuation Scheme (USS). These are defined benefit schemes, which are externally funded and contracted out of the State Earning Related Pension Scheme.

Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University in such a way that the pension cost is a substantially level percentage of present and future pensionable payroll. In principle, variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals. The funds are valued regularly by professionally qualified actuaries, the rates of contributions payable being determined on the advice of the actuaries.

## 7. **Tangible fixed assets**

### **Land and buildings**

Land and buildings are stated at cost less depreciation and, where appropriate, any provisions for estimated losses on disposal.

Land, which is held freehold, is not depreciated as it is considered to have an indefinite useful life. Buildings are depreciated over their expected useful lives of up to 50 years and leasehold land over the life of the lease. Alterations and additions to buildings, are depreciated over the expected useful life of the work carried out.

Finance costs which are directly attributed 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 may not be recoverable.

Buildings under construction are accounted for at cost, based on the value of architect's certificates and other direct costs incurred to 31 July. The buildings are not depreciated until they are brought into use.

Buildings which are acquired with the aid of specific grants are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful lives of the buildings.

### **Equipment**

Equipment, including microcomputers and software, costing less than £3,000 per individual item or group of related items is expensed in the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated in annual instalments over its expected useful life, which has been taken as 4 years for all equipment.

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



8. **Leased Assets**  
Where the University is a lessor of operating leases, the assets are included in 'Tangible Fixed Assets'. Rents receivable under operating leases are accounted for on the straight-line basis over the period of the leases and are included in Other Operating Income.
9. **Investments**  
Listed investments are included in the balance sheet at market value.  
  
Unlisted investments are included in the balance sheet at the lower of their original cost and net realisable value.
10. **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.
11. **Taxation Status**  
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 ICTA1988 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.
12. **Liquid resources**  
Liquid resources include sums on short-term deposits with recognised banks.
13. **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.

## INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 JULY 2003

		Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	Note	<u>£000</u>	<u>£000</u>
<b>INCOME</b>			
Funding Council Grants	1	27,719	28,321
Tuition Fees and Education Contracts	2	14,875	14,133
Research Grants and Contracts	3	1,583	1,434
Other Income	4	6,432	5,271
Investment Income	5	<u>511</u>	<u>591</u>
Total Income		<u>51,120</u>	<u>49,750</u>
<b>EXPENDITURE</b>			
Staff Costs	6	32,255	30,810
Exceptional Restructuring Costs	7	-	2,084
Other Operating Expenses	8	15,908	16,242
Depreciation	12	2,793	2,724
Interest Payable	9	<u>455</u>	<u>336</u>
Total Expenditure	10	<u>51,411</u>	<u>52,196</u>
(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost		(291)	(2,446)
Gain on Disposal of Fixed Assets		<u>-</u>	<u>-</u>
(Deficit) on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost, Disposal of Assets but Before Tax		(291)	(2,446)
Taxation	11	<u>-</u>	<u>-</u>
(Deficit) on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax		<u>(291)</u>	<u>(2,446)</u>

The income and expenditure of the University related wholly to continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 JULY 2003**

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
Note	<u>£000</u>	<u>£000</u>
(Deficit) on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax	(291)	(2,446)
Prior Year Adjustment	17	(518)
(Depreciation)/Appreciation of Investments	<u>23</u>	<u>(67)</u>
Total Recognised (Losses)/Gains relating to the period	<u><u>(268)</u></u>	<u><u>(3,031)</u></u>

**RECONCILIATION OF RESERVE BALANCE**

Opening reserves at 1 August 2002 as previously stated	35,130
Prior Year Adjustment	<u>(26,818)</u>
Opening Reserves at 1 August 2002 restated	8,312
Total Recognised (Losses)/Gains Relating to the Year	<u>(268)</u>
Closing Reserves at 31 July 2003	<u><u>8,044</u></u>

**BALANCE SHEET**  
FOR THE YEAR ENDED 31 JULY 2003

		<b>2003</b>	<b>Restated 2002</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>FIXED ASSETS</b>			
Tangible Assets	12	37,905	36,925
Investments	13	<u>1,045</u>	<u>979</u>
		<u>38,950</u>	<u>37,904</u>
<b>CURRENT ASSETS</b>			
Stock and Stores in Hand		41	48
Debtors	14	1,546	1,120
Cash at Bank and in Hand		<u>1,102</u>	<u>1,579</u>
		2,689	2,747
<b>CREDITORS:</b>			
Amounts Falling Due Within One Year	15	<u>(6,179)</u>	<u>(5,426)</u>
Net Current (Liabilities)		<u>(3,490)</u>	<u>(2,679)</u>
Net Assets Less Current Liabilities		35,460	35,225
<b>CREDITORS:</b>			
Amounts Falling Due After More Than One Year	16	(660)	(704)
Provisions for Liabilities and Charges	17	<u>(7,463)</u>	<u>(7,091)</u>
Net Assets		<u><u>27,337</u></u>	<u><u>27,430</u></u>

**BALANCE SHEET - CONTINUED**  
 FOR THE YEAR ENDED 31 JULY 2003

		<b>2003</b>	<b>Restated 2002</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
DEFERRED CAPITAL GRANTS	18	<u>19,293</u>	<u>19,118</u>
<b>Reserves</b>			
Revaluation Reserve	19	291	268
General Reserve	20	<u>7,753</u>	<u>8,044</u>
		<u>8,044</u>	<u>8,312</u>
<b>TOTAL</b>		<u><u>27,337</u></u>	<u><u>27,430</u></u>

The Financial Statements on pages 14 to 35 were approved by the Court on 16 December 2003 and were signed on its behalf by:

\_\_\_\_\_ Miss C Asher, Chairman of the Court

\_\_\_\_\_ Professor John Macklin, Accounting Officer

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2003

		<b>Year Ended 31 July 2003</b>	<b>Restated Year Ended 31 July 2002</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Cash Inflow from Operating Activities	21	2,143	437
Returns on Investments and Servicing of Finance	22	27	255
Capital Expenditure and Financial Investment	23	(2,603)	(3,692)
Financing	24	<u>(44)</u>	<u>(44)</u>
(Decrease) in Cash in the Year	25	<u><u>(477)</u></u>	<u><u>(3,044)</u></u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

		<b>Year Ended 31 July 2003</b>	<b>Year Ended 31 July 2002</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
(Decrease) in Cash in the Year		(477)	(3,044)
Change in Net Debt resulting from Cash Flows		<u>44</u>	<u>44</u>
Movement in Net Funds in Year		(433)	(3,000)
Net Funds at 1 August 2002	25	<u>831</u>	<u>3,831</u>
Net Funds at 31 July 2003	25	<u><u>398</u></u>	<u><u>831</u></u>

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2003

1. FUNDING COUNCIL GRANTS

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Recurrent Grant from SHEFC		
Teaching	24,547	24,473
Research	660	238
Specific Grants from SHEFC		
Research Development Grant	158	568
Overseas Research Students Award Scheme	-	10
Wider Access	1,134	1,495
West of Scotland Wider Access Fund	128	194
Disabled Premium	109	73
Wider Access Premium	351	333
Women in Science	-	36
Restructuring	127	579
Commercialisation	92	-
HE/FE Feasibility Study	<u>6</u>	<u>-</u>
	27,312	27,999
Deferred Capital Grants Released in Year		
Buildings	325	322
Equipment	<u>82</u>	<u>-</u>
	<u>27,719</u>	<u>28,321</u>

2. TUITION FEES AND EDUCATION CONTRACT

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Full Time Students	6,372	6,280
Full Time Students Charged Overseas Fees	1,191	875
Part Time Fees	1,528	1,143
Short Course Fees	<u>416</u>	<u>579</u>
Total Fees Paid by or on Behalf of Individual Students	9,507	8,877
Education Contracts	<u>5,368</u>	<u>5,256</u>
	<u>14,875</u>	<u>14,133</u>

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

3. **RESEARCH GRANTS AND CONTRACTS**

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Research Council	294	376
European Commission	316	426
Other Grants Contracts	399	133
Releases from Deferred Capital Grants	<u>574</u>	<u>499</u>
	<u>1,583</u>	<u>1,434</u>

4. **OTHER INCOME**

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Residences, Catering and Conferences	1,729	1,557
Other Services Rendered	1,581	1,773
Released from Deferred Capital Grants	57	56
Other Income	1,740	589
Rent Receivable in Respect of Operating Leasing from Library Trust	335	328
Library Trust Other Services	<u>990</u>	<u>968</u>
	<u>6,432</u>	<u>5,271</u>

5. **INVESTMENT INCOME**

	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Interest Receivable	<u>511</u>	<u>591</u>

6. **STAFF COSTS**

	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>Number</u>	<u>Number</u>
Average Staff Numbers by Major Category:		
Academic	413	449
Technical	77	92
Administrative	138	139
Other, Including Clerical and Manual	<u>596</u>	<u>555</u>
	<u>1,224</u>	<u>1,235</u>



**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 JULY 2003

**6. STAFF COSTS - continued**

Staff Costs for the Above Persons	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Wages and Salaries	27,958	26,697
Social Security Costs	2,014	1,916
Other Pension Costs (Note 26)	<u>2,283</u>	<u>2,197</u>
	<u>32,255</u>	<u>30,810</u>
 Emoluments of Vice Chancellor		
Professor Richard Shaw (Retired Sept 2001)	-	19
Professor John Macklin (Appointed Oct 2001)	<u>136</u>	<u>105</u>
	<u>136</u>	<u>124</u>

The emoluments of the Vice Chancellors exclude employer's pension contributions of £21,000 (2001/02 £19,000)

**Remuneration of other Higher Paid Staff Excluding Employers' NI and Pension Contributions**

	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>Number</u>	<u>Number</u>
£50,000 - £59,999	19	12
£60,000 - £69,999	1	0
£70,000 + £79,999	0	2
£80,000 + £89,000	<u>1</u>	<u>0</u>

The figures shown in the table above include fees earned in respect of work performed for external bodies.

Payments in respect of compensation for loss of office are provided in the Financial Statements in the year of termination of office. Amounts provided in respect of compensation for loss of office of Higher Paid Staff totalled £nil (2002 nil).

**7. EXCEPTIONAL RESTRUCTURING COSTS**

There are no exceptional restructuring costs for the current year. (2002 Voluntary Severance £1,068,000, additional pension provisions, £788,000 and SHEFC Strategic Change Initiative £228,000.)

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

8. OTHER OPERATING EXPENSES

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	£000	£000
Residences, Catering and Conferences	946	763
Consumables	2,510	2,599
Books and Periodicals	599	573
Fellowships, Scholarships and Prizes	392	359
Heat, Water, Light and Power	689	550
Repairs Small Capital Items and General Maintenance	1,126	1,235
Grants to Students' Union	428	280
Rents, Rates and Insurance	546	516
Auditors' Remuneration	47	21
Travel	444	294
Staff Development	360	334
Hospitality	173	200
Telephone and Postage	342	343
Safety	104	83
Publicity	211	488
Subscriptions and Publications	530	347
Professional Fees	735	688
Teaching - Non Payroll	544	265
Interview, Removal Costs	182	142
Student Visits, Field Weeks	78	91
Research Grant Expenses	500	692
SHEFC Specific Grant Expenses	1,398	2,101
Contract Staff - Non Payroll	80	183
Library Trust Payments	1,370	1,329
Enhancements and Pensions Provision Uplift	1,049	818
Other Expenses	525	948
	<u>15,908</u>	<u>16,242</u>

Other Operating Expenses Include:

Auditors' Remuneration: External Audit - Audit Services	47	21
External Audit - Non Audit Services	51	25
Internal Audit - Audit Services	35	32
Internal Audit - Non-Audit Services	0	0

9. INTEREST PAYABLE

	Year Ended 31 July 2003	Year Ended 31 July 2002
On Bank Loan repayable wholly or partly in more than 5 years.	<u>455</u>	<u>336</u>

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

10. ANALYSIS OF 2002/2003 EXPENDITURE BY ACTIVITY

	<b>Staff Costs £000</b>	<b>Other Operating Expenses £000</b>	<b>Depreciation £000</b>	<b>Interest Payable £000</b>	<b>Total £000</b>
Academic Departments	20,175	4,830	524	-	25,529
Academic Services	3,699	2,804	672	-	7,175
Research Grants and Contracts	509	500	574	-	1,583
Residences, Catering and Conferences	612	946	225	455	2,238
Premises	2,116	1,780	473	-	4,369
Administration	4,061	3,285	245	-	7,591
Other Services Rendered	1,000	686	80	-	1,766
Other Expenses	<u>83</u>	<u>1,077</u>	<u>-</u>	<u>-</u>	<u>1,160</u>
Total Expenditure	<u>32,255</u>	<u>15,908</u>	<u>2,793</u>	<u>455</u>	<u>51,411</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 18)	1,038
General Income	<u>1,755</u>
	<u>2,793</u>

11. TAXATION

	<b>Year Ended 31 July 2003</b>	<b>Year Ended 31 July 2002</b>
	<b>£000</b>	<b>£000</b>
UK Corporation Tax at 19%	<u>          -</u>	<u>          -</u>

No corporation taxation is payable due to the charitable status of the University.

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

12. TANGIBLE ASSETS

	<b>Residences Freehold Land and Buildings £000</b>	<b>Academic and Sportsgrounds Freehold Land and Buildings £000</b>	<b>Equipment £000</b>	<b>Total £000</b>
<b>At 1 August 2002 (Restated)</b>				
Cost	9,932	29,469	20,678	60,079
Additions at Cost	-	1,454	2,319	3,773
Disposals	-	-	-	-
<b>At 31 July 2003</b>				
Cost	<u>9,932</u>	<u>30,923</u>	<u>22,997</u>	<u>63,852</u>
<b>Depreciation</b>				
At 1 August 2002 (Restated)	1,382	3,928	17,844	23,154
Charge for Year	199	570	2,024	2,793
Disposals	-	-	-	-
As 31 July 2003	<u>1,581</u>	<u>4,498</u>	<u>19,868</u>	<u>25,947</u>
<b>Net Book Value</b>				
At 31 July 2003	<u>8,351</u>	<u>26,425</u>	<u>3,129</u>	<u>37,905</u>
At 1 August 2002 (Restated)	<u>8,550</u>	<u>25,541</u>	<u>2,834</u>	<u>36,925</u>

The figures above include assets held for use in operating leases as follows:

	<b>Year Ended 31 July 2003</b>	<b>Restated Year Ended 31 July 2002</b>
	<u>£000</u>	<u>£000</u>
Cost	9,131	5,738
Accumulated Depreciation	<u>(586)</u>	<u>(444)</u>
	<u>8,545</u>	<u>5,294</u>

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

12. **TANGIBLE ASSETS - continued**

In previous years the University included its Land and Buildings at Valuation. On reviewing the Accounting Policies to be applied, the University determined that it would be more appropriate to include Land and Buildings at cost. Prior year figures have therefore been restated on this basis. The effect of this restatement resulted in a more accurate calculation of the depreciation charge for 2002.

Buildings with a net book value of £20 million and cost of £23 million have been funded by Treasury sources. Should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum of the Scottish Higher Education Funding Council.

13. **INVESTMENTS**

		<b>Year Ended 31 July 2003</b>	<b>Year Ended 31 July 2002</b>
		<u>£000</u>	<u>£000</u>
Listed Investments		920	897
Other Unlisted Investments		<u>125</u>	<u>82</u>
		<u>1,045</u>	<u>979</u>
<b>Other Investments</b>			
	<b>Listed</b>	<b>Unlisted</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 August	897	82	979
Additions	-	50	50
Disposals	-	(7)	(7)
Appreciation/(Depreciation) on Revaluation	<u>23</u>	<u>-</u>	<u>23</u>
Balance at 31 July	<u>920</u>	<u>125</u>	<u>1,045</u>
Investments at Cost	<u>629</u>	<u>125</u>	<u>754</u>

14. **DEBTORS**

	<b>Year Ended 31 July 2003</b>	<b>Year Ended 31 July 2002</b>
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due Within One Year:</b>		
Trade Debtors	826	855
Other Debtors	39	49
Prepayments and Accrued Income	672	150
Amount due by University of Paisley Students' Association	<u>9</u>	<u>66</u>
	<u>1,546</u>	<u>1,120</u>

Included within prepayment and accrued income is an amount of £nil (2002 £nil) which is due after more than one year.

NOTES TO THE ACCOUNTS - Continued

15. **CREDITORS**

	<b>Year Ended 31 July 2003</b>	<b>Restated Year Ended 31 July 2002</b>
	<u>£000</u>	<u>£000</u>
<b>Amounts Falling Due Within One Year</b>		
Bank Loan	44	44
Trade Creditors	382	556
Other Creditors and Deposits	487	469
Social Security and Other Taxation Payable	821	607
Accruals and Deferred Income	<u>4,445</u>	<u>3,750</u>
	<u><u>6,179</u></u>	<u><u>5,426</u></u>

16. **CREDITORS**

	<b>Year Ended 31 July 2003</b>	<b>Restated Year Ended 31 July 2002</b>
	<u>£000</u>	<u>£000</u>
<b>Amounts Falling Due After More Than One Year:</b>		
Bank Loans Repayable After More Than One Year	<u>660</u>	<u>704</u>
 Bank Loans are Repayable as Follows:		
Within One Year	44	44
After One and Within Two Years	44	44
After Two and Within Five Years	132	132
After Five Years	<u>484</u>	<u>528</u>
	<u><u>704</u></u>	<u><u>748</u></u>

The University has one bank loan at the London Inter Bank Offered Rate plus 1.016% which is secured by standard security over the University buildings as situated at 3, 5, 7, 9 and 11 Christie Street, Paisley. This loan of £748,000 at 31 July 2003 is repayable in quarterly instalments of £11,000 to year 2019.

The University also has a facility of £5,900,000 with the Bank of Scotland which can be converted to a loan when required by the University.

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

17. PROVISIONS FOR LIABILITIES AND CHARGES

The university has an obligation in respect of former employees who had retired and for whom an enhanced pension has been provided. This liability is assessed by independent actuarial valuation and continues throughout the retirement period. The principal assumption is a real discount rate of 2.03% in excess of inflation (2002 2.75%).

Pensions	<b>£000</b>
At 1 August 2002	7,091
Utilised in Year	(677)
Transfer from Income and Expenditure Account	<u>1,049</u>
At 31 July 2003	<u>7,463</u>

18. DEFERRED CAPITAL GRANTS

	Funding Council	Other Grants and Benefactions	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 August 2003 (Reclassified)			
Buildings	15,651	2,803	18,454
Equipment	<u>-</u>	<u>664</u>	<u>664</u>
Total	<u>15,651</u>	<u>3,467</u>	<u>19,118</u>
Cash Received			
Buildings	464	-	464
Equipment	<u>328</u>	<u>421</u>	<u>749</u>
Total	<u>792</u>	<u>421</u>	<u>1,213</u>
Released to Income and Expenditure			
Buildings	(325)	(57)	(382)
Equipment	<u>(82)</u>	<u>(574)</u>	<u>(656)</u>
Total	<u>(407)</u>	<u>(631)</u>	<u>(1,038)</u>
At 31 July 2003			
Buildings	15,790	2,746	18,536
Equipment	<u>246</u>	<u>511</u>	<u>757</u>
Total	<u>16,036</u>	<u>3,257</u>	<u>19,293</u>

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

19. REVALUATIONS

	2003	Restated 2002
	<u>£000</u>	<u>£000</u>
Revaluations		
At 1 August	268	335
Appreciation/(Depreciation) of Investments in Year	<u>23</u>	<u>(67)</u>
At 31 July	<u>291</u>	<u>268</u>
 Net Revaluation Amount		
At 31 July	<u>291</u>	<u>268</u>
At 1 August	<u>268</u>	<u>335</u>

20. GENERAL RESERVE

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Income and Expenditure Account Reserve		
Balance at 1 August	8,044	10,490
(Deficit) after Depreciation of Assets at Cost and Tax	<u>(291)</u>	<u>(2,446)</u>
	<u>7,753</u>	<u>8,044</u>

21. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM  
OPERATING ACTIVITIES

	Year Ended 31 July 2003	Restated Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
(Deficit) Before Tax	(291)	(2,446)
Depreciation	2,793	2,724
Deferred Capital Grants Released to Income (note 18)	(1,038)	(877)
Interest Paid (note 9)	431	336
Interest Received (note 5)	(458)	(591)
Decrease/(increase) in Stocks	7	9
Decrease/(increase) in Debtors	(426)	629
(Decrease)/increase in Creditors	753	(595)
Increase/(decrease) in Provisions	<u>372</u>	<u>1,248</u>
Net Cash Inflow from Operating Activities	<u>2,143</u>	<u>437</u>



NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

22. RETURN OF INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Other Interest Received (note 5)	458	591
Interest Paid (Note 9)	<u>(431)</u>	<u>(336)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u><u>27</u></u>	<u><u>255</u></u>

23. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS

	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Purchase of Tangible Fixed Assets	(3,773)	(3,854)
Purchase of Investments	(50)	(75)
Receipts from Sales of Investments	7	-
Deferred Capital Grants Received	<u>1,213</u>	<u>237</u>
Net Cash (outflow) from Capital Expenditure and Financial Investment	<u><u>(2,603)</u></u>	<u><u>(3,692)</u></u>

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Year Ended 31 July 2003	Year Ended 31 July 2002
	<u>£000</u>	<u>£000</u>
Debt Due Beyond a Year:		
Repayments of Amounts Borrowed	<u>(44)</u>	<u>(44)</u>
Net Cash (Outflow) from Financing	<u><u>(44)</u></u>	<u><u>(44)</u></u>

25. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2002 (Restated)	Cash Flows	At 31 July 2003
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash at Bank and in Hand	1,579	(477)	1,102
Debt Due within One Year	(44)	-	(44)
Debt Due after One Year	<u>(704)</u>	<u>44</u>	<u>(660)</u>
Net Funds	<u><u>831</u></u>	<u><u>(433)</u></u>	<u><u>398</u></u>

NOTES TO THE ACCOUNTS - Continued

## 26. PENSION SCHEMES

The University participates in three multi-employer defined benefits schemes. It accounts for its pension schemes under Statement of Standard Accounting Practice 24: Accounting for Pension Costs (SSAP 24).

### Strathclyde Pension Fund

The Strathclyde Pension Fund provides benefits based on final pensionable salary for employees of local government and some other institutions.

The assets of the Fund are held in a separately administered fund and the latest actuarial valuation of the fund was at 31 March 2002. The assumptions which have the most significant effect of the results of the valuation are those relating to the returns on investments inflation, rates of mortality, early retirements, staff turnover, and the rates of increase in salaries and pensions. For the valuation of 31 March 2002, it was assumed that the investment returns in real terms would be 3.9% per annum on equities and 2.6% per annum on bonds, that salary scale increases would be 1.5% per annum in real terms and the pensions would increase by 0% per annum in real terms.

At the date of the 2002 actuarial valuation which was carried out using the Projected Unit Method the market value of the assets of the Fund was £6050m and the actuarial value of assets was sufficient to cover 108% of the benefits which has accrued to members after allowing for expected future increases in earnings.

The employer's contribution rate payable by the University was 13.2% of the members' salaries until 31 March 2003 and 13.8% until 31 March 2004. The employer's contribution rate payable by the University will be 14.4% for the year to March 2005 and 15% for the year to 31 March 2006. Pension costs in respect of the Fund for 2003 were £1,213,000 (2002: £1,200,000).

Financial Reporting Standard 17: Accounting for Retirements Benefits was introduced in November 2000 and will become effective for the University in the Year Ended 31 July 2005. The scheme is available to staff of more than one employer and it is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contributions scheme. When the University complies with FRS17 the cost recognised within the deficit for the year in the income and expenditure account will be equal to the contributions payable to the scheme for the year.

### Scottish Teachers Superannuation Scheme

The Scottish Teachers Superannuation Scheme (STSS) provides benefits based on final pensionable salary for Scottish Teachers. The fund is administered by the Scottish Public Pensions Agency.

The level of contribution paid by employing institutions was 7.15% of members' salaries until 31 March 2003 and 7.4% thereafter and the pension costs to the University in respect of STSS for 2002 were £1,044,000 (2002: £979,000). This is the full and total extent of the University's liability in respect of this scheme.

### Universities Superannuation Scheme

The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contacted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

## NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 JULY 2003

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### 26. PENSION SCHEMES - continued

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investment (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

At the valuation date the value of the assets of the scheme was £19,938 million and the value of the past service liabilities was £19,776 million leaving a surplus of assets of £162 million. The assets therefore were sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increase in earnings.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5m (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the institutions was £26,000 (2002: £18,000). The contribution rate payable by the institution was 14% of pensionable salaries.

### 27. POST BALANCE SHEET EVENTS

There are no Post Balance Sheet Events to Disclose.

### 28. CAPITAL COMMITMENTS

	<b>Year Ended 31 July 2003</b>	<b>Year Ended 31 July 2002</b>
	<b>£000</b>	<b>£000</b>
Commitments Contracted at 31 July 2003	<u>82</u>	<u>1,875</u>

### 29. RELATED PARTY TRANSACTIONS

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

NOTES TO THE ACCOUNTS - Continued  
FOR THE YEAR ENDED 31 JULY 2003

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30. **MATURE STUDENTS' BURSARY FUND (MSBF) AND HARDSHIP FUNDS (HF)**

	Year Ended 31 July 2003		Year Ended 31 July 2002	
	£000		£000	
	MSBF	HF	MSBF	HF
Funds Brought Forward from Previous Year-	22	72	-	49
Funds Received in Year	251	220	76	403
Expenditure	(124)	(347)	(41)	(393)
Funds Repayable to Funding Body	-	-	-	-
Virements	<u>(96)</u>	<u>96</u>	<u>(13)</u>	<u>13</u>
Funds Carried Forward as at 31 July 2003	<u>53</u>	<u>41</u>	<u>22</u>	<u>72</u>

Mature Students' Bursary Funds and Hardship Funds, are available solely for students and are provided by Students Award Agency Scotland. The University acts only as paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.