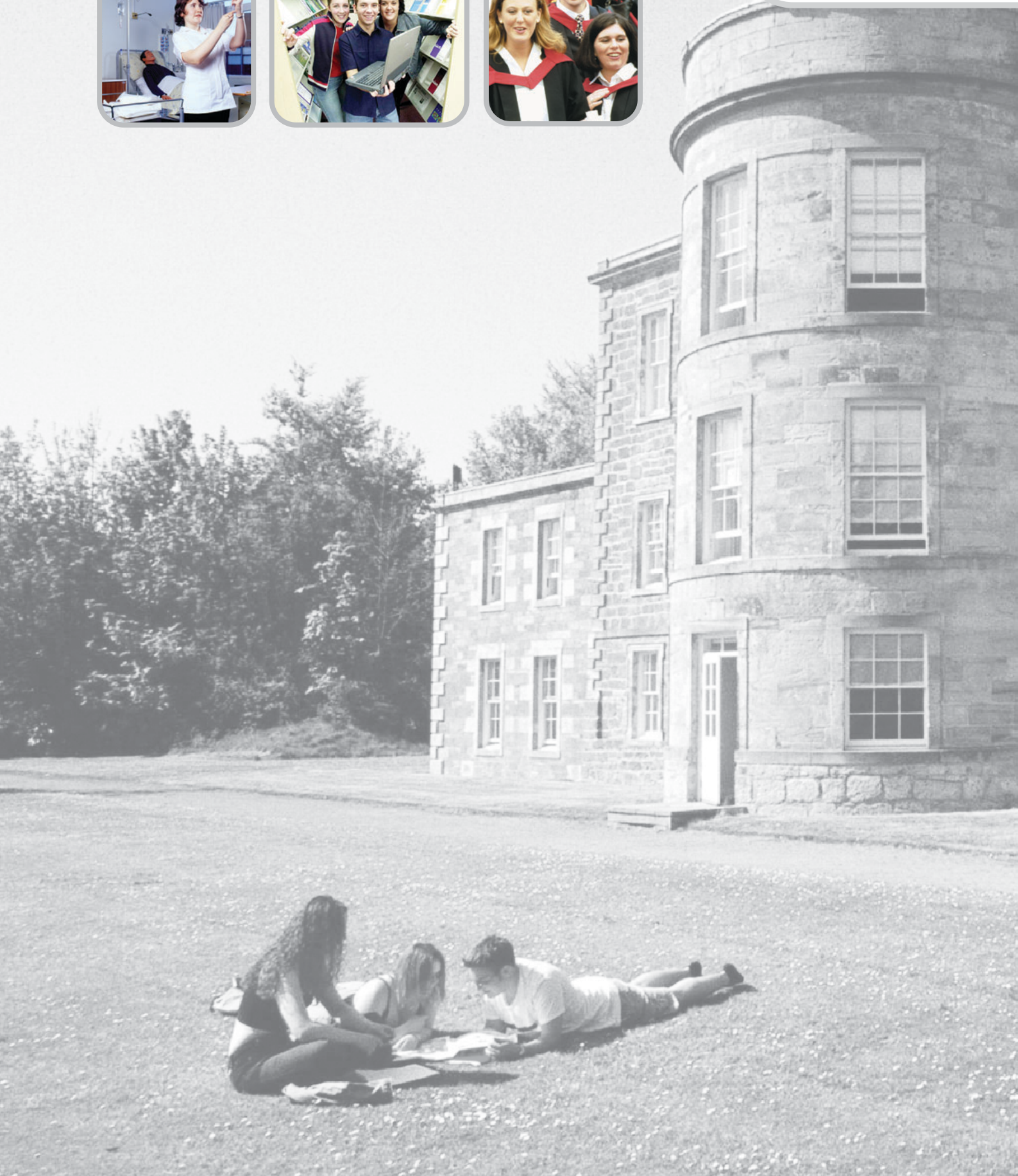


# Report and Financial Statements

For the year ended 31st July 2005





**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 JULY 2005**

**UNIVERSITY OF PAISLEY**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR**

**ENDED 31 JULY 2005**

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## FINANCIAL HIGHLIGHTS

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	2005	2004
	<u>£'000</u>	<u>£'000</u>
<b>Summary Income and Expenditure Account</b>		
Funding Council Grants	33,011	30,302
Tuition Fees and Education Contracts	17,191	16,339
Research Grants and Contracts	1,817	1,527
Other Income Including Gain on Disposal	<u>6,518</u>	<u>7,927</u>
Total Income	58,537	56,095
Total Expenditure	<u>57,832</u>	<u>55,077</u>
Surplus	<u>705</u>	<u>1,018</u>

<b>Summary Balance Sheet</b>		
Fixed Assets	42,535	39,275
Net Current Assets	4,066	3,324
Long Term Creditors and Provisions	<u>(16,070)</u>	<u>(14,765)</u>
Net Assets	<u>30,531</u>	<u>27,834</u>

Represented by:		
Deferred Capital Grants	20,704	18,802
Reserves	<u>9,827</u>	<u>9,032</u>
	<u>30,531</u>	<u>27,834</u>

<b>Summary Cashflow</b>		
Net Cash Inflow from Operating Activities	5,571	2,403
Capital Expenditure and Financial Investment	3,166	2,379
Increase in Cash	2,334	6,018

## Other Key Statistics

<b>Student and Staff Numbers</b>	2005	2004
Student Numbers - full time equivalent	7,899	7,970
Staff Numbers – headcount basis	1,169	1,181

# 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 2005 are summarised in the Financial Highlights on page 1. The operating surplus of £0.7M, although slightly lower than the previous year, is a satisfactory result, particularly given the difficulties encountered in respect of student recruitment in the first semester of 2004/2005. The generation of a surplus confirms the appropriateness of the budgetary actions taken in 2004/2005.

Total income has risen by 5%, with significant increases in funding council grants and externally generated research grant and contract income. This increase in income was largely matched by an increase in expenditure, the most significant elements being a 2% increase in gross salary costs (excluding exceptional staff costs of £0.8M) and a 7% increase in other operating expenses. The growth in interest payable of 16% was not fully compensated by the 4% increase in interest receivable and unlike 2003/2004, only a small gain on the disposal of assets was secured. The Balance Sheet has strengthened with a growth in net assets of £2.7M. The main movements relate to an increase in tangible assets of £3.2M, a growth in cash balances of £2.3M, an increase in provisions of £1.7M and an increase in short term creditors of £1.4M. The general reserve has increased to £9.5M at 31<sup>st</sup> July 2005.

## 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 £980,000.

In reviewing the performance of Gerrard Limited, reference has been made to the return on UK Government Securities and FTSE All Share Indices (12.5%). The returns on elements of the portfolio, (interest and early retiral) of 12.2% and 6.5%, respectively were therefore viewed as satisfactory.

## Cash Flow

With a significant increase in creditors and provisions in 2004/2005 compared to the previous year, the cash inflow from operating activities in 2004/2005 has increased from £2.4M to £5.6M. The purchase of tangible fixed assets increased by £2.8M and this was partly offset by a £2.4M increase in deferred capital grants received.

## Capital Expenditure

The relocation of staff from the School of Engineering and Science, to accommodate staff and students within the School of Nursing, Midwifery and Health onto the Paisley Campus, was successfully completed during 2004/2005. Investment in the new Students Information System continued in 2004/2005 and full implementation is planned for September 2006.

## 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 2005, the University had trade creditors outstanding of £958,000 which represents an average of 17 days purchases outstanding (2004 – 16 days).

## **Future Developments**

Court approved a revised Estates Strategy in April 2005, the main components being the need to continue with the reconfiguring and development of both the Paisley and Dumfries Campuses and the relocation and redevelopment of University Campus Ayr (UCA). The continual refining and development of this strategy, identifying the sources of funding to support the strategy and implementing the strategy through the development of appropriate action plans presents an ongoing challenge to the University. Although on hold through part of 2004/2005, consideration of a potential merger with Bell College will now be undertaken in line with the University's Strategic Plan.

## **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 2004/2005 and a significant improvement against this forecast was secured. The University 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.

Professor R T Beaty OBE  
Chairman of Court  
6 December 2005

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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 2005 and up to the date of approval of the annual report and Financial Statements. 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 (Scottish Funding Council with effect from 3<sup>rd</sup> October 2005). The Court holds to itself the responsibilities for the ongoing strategic direction of the University, approval of major developments, Health and Safety, and the monitoring of progress against Strategic Plan Targets.

The University Court is required to meet at least four times per year and has met four times in the year to 31 July 2005. 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 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 2005 met six 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 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 2005 meeting, the Court carried out the annual assessment for the year ended 31st July 2005 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 2005.

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 November 2004 meeting.

The University Court having considered in 2005 the Guide for Members of Higher Education Governing Bodies in the UK affirmed its principles and confirmed that the University's practices were consistent with the provision of the Governance Code of Practice. 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 2005**

### **Chairman of Court**

Miss C Asher

### **Ex Officio**

Principal and Vice-Chancellor

Professor J Macklin (retired February 05)

Acting Principal and Vice-Chancellor

Professor S McDaid (appointed November 04)

Acting Vice-Principal

Dr J Vincent (appointed February 05)

President, Students' Association

Ms J Little

### **Appointed by the Students' Association**

Depute President, Students' Association (Ayr)

Ms M Woodhouse

### **Co-opted**

Provost R Burns

Mrs P Paterson (retired October 2004)

Dr J W McGinty (retired February 2005)

### **Appointed**

Professor R Beaty

Mr R Blackburn

Mr D Lawrence (retired September 2004)

Mr B Clarke (appointed March 2005)

Lady Foulkes (appointed October 2004)

Dr D R Mill

Mrs E McCann

Mr D MacDonald

Ms L McMillan

Mr A J Smith

Dr W Spiers (retired December 2004)

Mr J Wardrop

Mr N Walker

Mr G Watson

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

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

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

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

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

Member of Policy & Resources Committee, and Student Affairs Committee.

Member of Student Affairs Committee.

Member of Student Affairs Committee.

Chair of Student Affairs Committee, Chair of Students' Union Advisory Board and Member of Policy and Resources Committee.

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

Chair of Audit Committee.

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

Member of Policy & Resources Committee and Buildings Procurement Committee.

Member of Student Affairs Committee.

Chair of Remuneration Committee and Member of Policy & Resources Committee.

Vice Chair of Policy and Resources Committee and Member of Buildings Procurement Committee.

Chair of Student Affairs Committee, Chair of Students' Association Advisory Committee, Member of Policy & Resources Committee, Remuneration Committee and Commercialisation Board.

Member of Audit Committee.

Chair of Policy & Resources Committee and Chair of Buildings Procurement Committee.

Member of Audit Committee.

Member of Audit Committee.

Member of Student Affairs Committee and Students' Association Advisory Committee.

**Appointed by Senate**

Professor P Bartos (retired January 2005)  
Mrs E Kennedy (appointed February 2005)

Professor A Godfrey

Member of Policy & Resources Committee.  
Member of Policy & Resources Committee and Student  
Affairs Committee.  
Member of Policy & Resources Committee and Student  
Affairs Committee.

**Elected by Staff from Academic Staff**

Dr P Milehan (retired April 2005)  
Professor A Ogbu (appointed June 2005)

Member of Policy & Resources Committee.  
Member of Policy & Resources Committee.

**Elected by Staff from Academic Support Staff**

Mrs S MacArthur (retired October 2004)  
Mr J Love (appointed January 2005)

Member of Student Affairs 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 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 2005 which comprise the Income and Expenditure Account, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, and the related notes 1 to 27. 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 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. 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 2005 and of the surplus for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- 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: 6 December 2005

# 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.

1. **Basis of preparation**

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 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 Earnings 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 2005

		Year Ended 31 July 2005	Year Ended 31 July 2004
	Note	£000	£000
<b>INCOME</b>			
Funding Council Grants	1	33,011	30,302
Tuition Fees and Education Contracts	2	17,191	16,339
Research Grants and Contracts	3	1,817	1,527
Other Income	4	5,992	7,049
Investment Income	5	<u>478</u>	<u>458</u>
Total Income		<u>58,489</u>	<u>55,675</u>
<b>EXPENDITURE</b>			
Staff Costs	6	35,499	34,097
Other Operating Expenses	7	18,872	17,712
Depreciation	10	3,063	2,926
Interest Payable	8	<u>398</u>	<u>342</u>
Total Expenditure	9	<u>57,832</u>	<u>55,077</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost		657	598
Gain on Disposal of Fixed Assets	10	<u>48</u>	<u>420</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost, Disposal of Assets and before and after Tax		<u>705</u>	<u>1,018</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 2005

		Year Ended 31 July 2005	Year Ended 31 July 2004
	Note	<u>£000</u>	<u>£000</u>
Surplus on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax		705	1,018
Unrealised (Depreciation)/Appreciation of Investments	17	<u>90</u>	<u>(30)</u>
Total Recognised Gains Relating to the period		<u>795</u>	<u>988</u>
<b>RECONCILIATION</b>			
Opening Reserves		9,032	8,044
Total Recognised Gains Relating to the Year		<u>795</u>	<u>988</u>
Closing Reserves		<u>9,827</u>	<u>9,032</u>

# BALANCE SHEET

FOR THE YEAR ENDED 31 July 2005

		Year Ended 31 July 2005	Year Ended 31 July 2004
	Note	£000	£000
<b>FIXED ASSETS</b>			
Tangible Assets	10	41,555	38,385
Investments	11	<u>980</u>	<u>890</u>
		<u>42,535</u>	<u>39,275</u>
<b>CURRENT ASSETS</b>			
Stock		29	40
Debtors	12	1,588	1,446
Cash at Bank and in Hand		<u>9,454</u>	<u>7,120</u>
		11,071	8,606
<b>CREDITORS:</b>			
Amounts Falling Due Within One Year	13	<u>(7,005)</u>	<u>(5,282)</u>
Net Current Assets		<u>4,066</u>	<u>3,324</u>
Net Assets Less Current Liabilities		46,601	42,599
<b>CREDITORS:</b>			
Amounts Falling Due After More Than One Year	14	(6,029)	(6,367)
Provisions for Liabilities and Charges	15	<u>(10,041)</u>	<u>(8,398)</u>
Net Assets		<u>30,531</u>	<u>27,834</u>

## BALANCE SHEET - CONTINUED

FOR THE YEAR ENDED 31 July 2005

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		Year Ended 31 July 2005	Year Ended 31 July 2004
	Note	£000	£000
DEFERRED CAPITAL GRANTS	16	<u>20,704</u>	<u>18,802</u>
Reserves			
Revaluation Reserve	17	351	261
General Reserve	18	<u>9,476</u>	<u>8,771</u>
		<u>9,827</u>	<u>9,032</u>
TOTAL		<u><u>30,531</u></u>	<u><u>27,834</u></u>

The Financial Statements on pages 14 to 33 were approved by the Court on 6 December 2005 and were signed on its behalf by:

\_\_\_\_\_  
Professor R T Beaty OBE, Chairman of the Court

\_\_\_\_\_  
Professor Seamus McDaid, Accounting Officer

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 July 2005

		Year Ended 31 July 2005	Year Ended 31 July 2004
	Note	£000	£000
Cash Inflow from Operating Activities	19	5,571	2,403
Returns on Investments and Servicing of Finance	20	114	138
Capital Expenditure and Financial Investment	21	(3,166)	(2,379)
Financing	22	<u>(185)</u>	<u>5,856</u>
Increase in Cash in the Year		<u>2,334</u>	<u>6,018</u>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

		Year Ended 31 July 2005	Year Ended 31 July 2004
	Note	£000	£000
Increase in Cash in the Year		2,334	6,018
Change in Net Debt resulting from Cash Flows		<u>185</u>	<u>(5,856)</u>
Movement in Net Funds in Year		2,519	162
Net Funds at 1 August 2004	23	<u>560</u>	<u>398</u>
Net Funds at 31 July 2005	23	<u>3,079</u>	<u>560</u>

# NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 July 2005

### 1. FUNDING COUNCIL GRANTS

	Year Ended 31 July 2005	Year Ended 31 July 2004
	£000	£000
Recurrent Grant from SHEFC		
Teaching	27,801	26,899
Research	951	893
Specific Grants from SHEFC		
Greater Opportunities for Access and Learning with Schools (GOALS) And West of Scotland Wider Access Regional Forum (WoSWARF)	3,179	1,607
Strategic Change	275	188
Science Research Infrastructure	201	93
Research Development	-	54
Other	12	12
Deferred Capital Grants Released in Year		
Buildings	510	474
Equipment	82	82
	<u>33,011</u>	<u>30,302</u>

### 2. TUITION FEES AND EDUCATION CONTRACT

	Year Ended 31 July 2005	Year Ended 31 July 2004
	£000	£000
Full Time Students – Home and EU	5,432	5,693
Full Time Students – Overseas	1,870	1,657
Part Time Fees	1,985	2,224
Short Course Fees	1,020	484
Total Fees Paid by or on Behalf of Individual Students	10,307	10,058
Education Contract	6,884	6,281
	<u>17,191</u>	<u>16,339</u>



**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

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**3. RESEARCH GRANTS AND CONTRACTS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Research Council	486	450
European Commission	267	280
Other Grants Contracts	704	397
Releases from Deferred Capital Grants	<u>360</u>	<u>400</u>
	<u>1,817</u>	<u>1,527</u>

**4. OTHER INCOME**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Residences, Catering and Conferences	1,877	1,799
Other Services Rendered	1,943	2,931
Released from Deferred Capital Grants	165	140
Other Income	602	774
Rent Receivable in Respect of Operating Leasing from Library Trust	367	357
Library Trust Other Services	<u>1,038</u>	<u>1,048</u>
	<u>5,992</u>	<u>7,049</u>

**5. INVESTMENT INCOME**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Interest Receivable	<u>478</u>	<u>458</u>

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**6. STAFF COSTS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<hr/>	<hr/>
<b>Average Staff Numbers by Major Category:</b>	<b>Number</b>	<b>Number</b>
Academic	421	415
Technical	73	76
Administrative	161	146
Other, Including Clerical and Manual	<u>514</u>	<u>544</u>
	<u>1,169</u>	<u>1,181</u>
<b>Staff Costs for the Above</b>	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<hr/>	<hr/>
	<b>£000</b>	<b>£000</b>
Wages and Salaries	29,034	28,676
Social Security Costs	2,324	2,274
Other Pension Costs (Note 24)	3,385	3,147
Exceptional Staff Costs	<u>756</u>	<u>-</u>
	<u>35,499</u>	<u>34,097</u>
<b>Emoluments of Vice Chancellor</b>	<u>75</u>	<u>145</u>

The emoluments of the Vice Chancellors exclude employer's pension contributions of £11,000 (2003/04 £23,000)

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

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<hr/>	<hr/>
	<b>Number</b>	<b>Number</b>
£50,000 - £59,999	29	23
£60,000 - £69,999	4	6
£70,000 - £79,999	1	0
£80,000 - £89,999	0	1
£90,000 - £99,999	1	0

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 £264,000 (2004 nil).

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**7. OTHER OPERATING EXPENSES**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Repairs and General Maintenance	1,055	1,077
Utilities and Insurance	1,607	1,620
Pension Provision Uplift	1,012	1,398
General Running Costs	3,630	4,103
Professional Fees	1,995	1,921
Books, Periodicals and Subscriptions	1,069	1,106
Residences, Catering and Conferences	1,000	1,068
Travel, Fellowships and Scholarships	972	724
Grant to Student Union	468	493
Fee Waivers and Discounts	495	434
Library Trust Payments	1,437	1,439
SHEFC Specific Grants	3,414	1,869
Research Grant Expenses	<u>718</u>	<u>460</u>
	<u>18,872</u>	<u>17,712</u>

**Other Operating Expenses Include:**

Auditors' Remuneration:	External Audit - Audit Services	30	30
	External Audit - Non Audit Services	2	95
	Internal Audit - Audit Services	19	37
	Internal Audit - Non-Audit Services	7	0

**8. INTEREST PAYABLE**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u></u>	<u></u>
On Bank Loan repayable wholly or partly in more than 5 years.	<u>398</u>	<u>342</u>

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

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**9. ANALYSIS OF 2004/2005 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	21,995	6,989	364	-	29,348
Academic Services	4,433	2,766	478	-	7,677
Research Grants and Contracts	715	718	360	-	1,793
Residences, Catering and Conferences	615	1,053	324	398	2,390
Premises	2,201	1,407	849	-	4,457
Administration	4,468	3,467	604	-	8,539
Other Services Rendered	951	1,435	84	-	2,470
Other Expenses	<u>121</u>	<u>1,037</u>	<u>-</u>	<u>-</u>	<u>1,158</u>
Total Expenditure	<u>35,499</u>	<u>18,872</u>	<u>3,063</u>	<u>398</u>	<u>57,832</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 16)	1,118
General Income	<u>1,945</u>
	<u>3,063</u>

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**10. TANGIBLE ASSETS**

	<b><u>Residences Freehold Land and Buildings</u> £000</b>	<b><u>Academic and Sportsgrounds Freehold Land and Buildings</u> £000</b>	<b><u>Equipment</u> £000</b>	<b><u>Total</u> £000</b>
<b>Cost</b>				
At 1 August 2004	10,209	32,176	24,859	67,244
Additions	223	4,700	1,313	6,236
Disposals	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>
At 31 July 2005	<u>10,429</u>	<u>36,876</u>	<u>26,172</u>	<u>73,477</u>
<b>Depreciation</b>				
At 1 August 2004	1,849	5,322	21,688	28,859
Charge for Year	324	969	1,770	3,063
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 July 2005	<u>2,173</u>	<u>6,291</u>	<u>23,458</u>	<u>31,922</u>
<b>Net Book Value</b>				
At 31 July 2005	<u>8,256</u>	<u>30,585</u>	<u>2,714</u>	<u>41,555</u>
At 1 August 2004	<u>8,360</u>	<u>26,854</u>	<u>3,171</u>	<u>38,385</u>

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

	<b><u>Year Ended 31 July 2005</u> £000</b>	<b><u>Year Ended 31 July 2004</u> £000</b>
Cost	9,254	9,254
Accumulated Depreciation	<u>(1,152)</u>	<u>(885)</u>
	<u>8,102</u>	<u>8,369</u>

One property was sold during the year, giving rise to a gain on disposal of £48,000.

Buildings with a net book value of £16 million and cost of £20 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.

One building with a net value of £151,635 and a cost of £172,322 has been identified as not being in use and being available for sale.

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

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**11. INVESTMENTS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Listed Investments	<u>980</u>	<u>890</u>
	<u>980</u>	<u>890</u>
Balance at 1 August 2004	890	
Appreciation on Revaluation	<u>90</u>	
Balance at 31 July 2005	<u>980</u>	
Investments at Cost	<u>629</u>	

**12. DEBTORS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
<b>Amounts Falling Due Within One Year:</b>		
Trade Debtors	825	718
Other Debtors	30	17
Prepayments and Accrued Income	<u>733</u>	<u>711</u>
	<u>1,588</u>	<u>1,446</u>

Included within prepayment and accrued income is an amount of £nil (2004 £nil) which is due after more than one year.

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**13. CREDITORS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
<b>Amounts Falling Due Within One Year</b>		
Bank Loan	346	193
Trade Creditors	385	285
Other Creditors and Deposits	68	57
Social Security and Other Taxation Payable	807	69
Accruals and Deferred Income	<u>5,399</u>	<u>4,678</u>
	<u>7,005</u>	<u>5,282</u>

**14. CREDITORS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</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>6,029</u>	<u>6,367</u>
<b>Bank Loans are Repayable as Follows:</b>		
Within One Year	346	193
After One and Within Two Years	339	339
After Two and Within Five Years	1,017	1,017
After Five Years	<u>4,673</u>	<u>5,011</u>
	<u>6,375</u>	<u>6,560</u>

The University has a bank loan of £623,000 at 31 July 2005 which is payable in quarterly instalments of £11,000 to year 2019. This loan is 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.

The University has a second bank loan of £5,752,000 at 31 July 2005 which is payable in quarterly instalments of £73,750 to year 2025. This loan is at a fixed rate of 5.64% for three years and is secured by a negative pledge prohibiting the University from selling or assigning its assets (except those sold in the ordinary course of business).



## NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2005

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### 15. 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 annually at the year-end by independent actuarial valuation (Hymans Robertson) and continues throughout the retirement period. The principal assumption is a real discount rate of 1.5% in excess of inflation (2004 2.03%). A liability in respect of employees who transferred to the University in 1996 under TUPE was identified in 2003/2004 and continues to be provided for.

At 31 July 2005, provision has been made for the element of SHEFC Grant for 2004/2005 that the University has to repay to SHEFC. This liability has arisen from a failure to meet the target for SHEFC fulfilling student numbers.

	<b>Total</b>
	<hr/>
<b>Pensions</b>	<b>£000</b>
At 1 August 2004	8,398
Utilised in Year	(467)
Transfer from Income and Expenditure Account for former employees	1,657
Transfer from Income and Expenditure Account for employees who transferred in 1996	<hr/> 87
At 31 July 2005	<hr/> <hr/> 9,675
<b>Other</b>	
<b>Clawback</b>	
Transfer from Income and Expenditure Account	<hr/> <hr/> 366

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**16. DEFERRED CAPITAL GRANTS**

	<b>Funding Council</b>	<b>Other Grants and Benefactions</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>At 1 August 2004</b>			
Buildings	12,053	6,020	18,073
Equipment	<u>164</u>	<u>565</u>	<u>729</u>
<b>Total</b>	<u>12,217</u>	<u>6,585</u>	<u>18,802</u>
<b>Cash Received</b>			
Buildings	721	1,900	2,621
Equipment	<u>-</u>	<u>401</u>	<u>401</u>
<b>Total</b>	<u>721</u>	<u>2,301</u>	<u>3,022</u>
<b>Released to Income and Expenditure</b>			
Buildings	510	165	675
Equipment	<u>82</u>	<u>363</u>	<u>445</u>
<b>Total</b>	<u>592</u>	<u>528</u>	<u>1,120</u>
<b>At 31 July 2004</b>			
Buildings	12,264	7,755	20,019
Equipment	<u>82</u>	<u>603</u>	<u>685</u>
<b>Total</b>	<u>12,346</u>	<u>8,358</u>	<u>20,704</u>

**17. REVALUATIONS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
<b>Revaluations</b>		
At 1 August 2004	261	291
(Depreciation)/Appreciation of Investments in Year	<u>90</u>	<u>(30)</u>
<b>At 31 July 2005</b>	<u>351</u>	<u>261</u>

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**18. GENERAL RESERVE**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<b>£000</b>	<b>£000</b>
Income and Expenditure Account Reserve		
Balance at 1 August 2004	8,771	7,753
Surplus after Depreciation of Assets at Cost and Tax	<u>705</u>	<u>1,018</u>
At 31 July 2005	<u><u>9,476</u></u>	<u><u>8,771</u></u>

**19. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FROM OPERATING ACTIVITIES**

		<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Surplus Before Tax		705	1,018
Depreciation	10	3,063	2,926
Deferred Capital Grants Released to Income	16	(1,120)	(1,147)
Profit on Disposal of Tangible Fixed Assets		(45)	(246)
Interest Paid		393	335
Interest Received		(507)	(473)
Decrease in Stocks		11	1
Decrease/(increase) in Debtors		(142)	100
(Decrease)/increase in Creditors		1,570	(1,046)
Increase in Provisions		<u>1,643</u>	<u>935</u>
Net Cash Inflow from Operating Activities		<u><u>5,571</u></u>	<u><u>2,403</u></u>

**20. RETURN OF INVESTMENTS AND SERVICING OF FINANCE**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<b>£000</b>	<b>£000</b>
Other Interest Received	507	473
Interest Paid	<u>(393)</u>	<u>(335)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u><u>114</u></u>	<u><u>138</u></u>

**NOTES TO THE ACCOUNTS - Continued**  
FOR THE YEAR ENDED 31 July 2005

**21. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Purchase of Tangible Fixed Assets	(6,236)	(3,477)
Sales of Tangible Fixed Assets	48	442
Purchase of Investments	-	-
Receipts from Sales of Investments	-	-
Deferred Capital Grants Received	<u>3,022</u>	<u>656</u>
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>(3,166)</u>	<u>(2,379)</u>

**22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<u>£000</u>	<u>£000</u>
Debt Due Beyond a Year:		
New Secured Loans Repayable by 2025	-	5,900
Repayments of Amounts Borrowed	<u>(185)</u>	<u>(44)</u>
Net Cash Inflow/(Outflow) from Financing	<u>(185)</u>	<u>5,856</u>

**23. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 1 August 2004</b>	<b>Cash Flows</b>	<b>At 31 July 2005</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash at Bank and in Hand	7,120	2,334	9,454
Debt Due within One Year	(193)	(153)	(346)
Debt Due after One Year	<u>(6,367)</u>	<u>338</u>	<u>(6,029)</u>
Net Funds	<u>560</u>	<u>2,519</u>	<u>3,079</u>

## NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2005

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### 24. 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. Under FRS 17, which becomes fully effective for the University in the year ended 31 July 2006, the defined benefits scheme continues to be accounted for as a multi employer scheme, as the University is unable to identify its 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 for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

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 at 31 March 2002, it was assumed that the overall anticipated long term return for equities would be 6.5% and 5.2% from gilts and bonds. It was further assumed salary scale increases would be 1.5% per annum in real terms and that 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 £6,040M and the actuarial value of assets was sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The employer's contribution rate payable by the University was 14.4% of the members' salaries until 31 March 2005 and 15% until 31 March 2006. The employer's contribution rate payable by the University will be to 31 March 2007. Determined by the results of the actuarial valuation as at 31 March 2005. Pension costs in respect of the Fund for the year ended 31 July 2005 were £1,526,000 (2004: £1,409,000).

#### 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 7.4% of members' salaries until 30 September 2003 and 12.5% thereafter and the pension costs to the University in respect of STSS for the year ended 31 July 2005 were £1,842,000 (2004: £1,706,000). 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 contracted 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 for the year in the income and expenditure account is equal to the contributions payable to the scheme for the year.

## NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2005

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### 24. 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 University for the year ended 31 July 2005 was £17,000 (2004: £32,000). The contribution rate payable by the institution was 14% of pensionable salaries.

### 25. CAPITAL COMMITMENTS

	<b>Year Ended 31 July 2005</b>	<b>Year Ended 31 July 2004</b>
	<b>£000</b>	<b>£000</b>
Commitments Contracted at 31 July 2005	<u>406</u>	<u>5,396</u>

### 26. 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 2005

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

	<b>Year Ended 31 July 2005</b>		<b>Year Ended 31 July 2004</b>	
	<b>£000</b>		<b>£000</b>	
	<b>MSBF</b>	<b>HF</b>	<b>MSBF</b>	<b>HF</b>
Funds Brought Forward from Previous Year	93	58	53	41
Funds Received in Year	516	195	412	192
Expenditure	(344)	(420)	(230)	(317)
Funds Repayable to Funding Body	(52)	(20)	-	-
Virements	<u>(201)</u>	<u>201</u>	<u>(142)</u>	<u>142</u>
Funds Carried Forward as at 31 July 2005	<u>12</u>	<u>14</u>	<u>93</u>	<u>58</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.



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