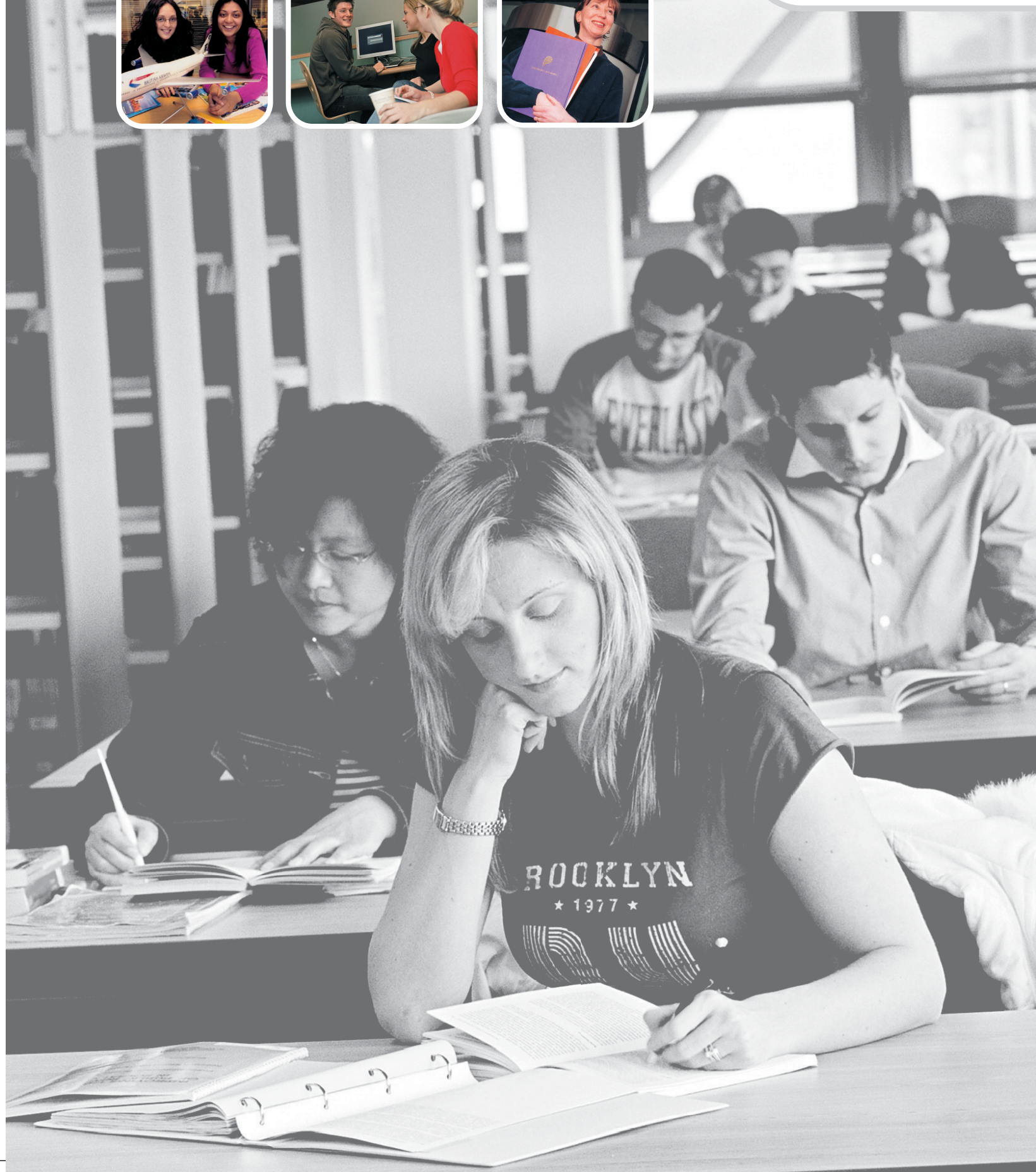


Report and Financial Statements

For the year ended 31st July 2006





UNIVERSITY OF PAISLEY
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 31 JULY 2006

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FINANCIAL HIGHLIGHTS

	2006	2005
	<u>£'000</u>	<u>£'000</u>
Summary Income and Expenditure Account		
Funding Council Grants	32,078	30,180
Tuition Fees and Education Contracts	17,654	17,191
Research Grants and Contracts	1,670	1,817
Other Income Including Gain on Disposal	<u>7,079</u>	<u>6,518</u>
Total Income	58,481	55,706
Total Expenditure	<u>56,012</u>	<u>55,001</u>
Surplus	<u>2,469</u>	<u>705</u>

Summary Balance Sheet		
Fixed Assets	40,693	42,535
Net Current Assets	7,373	4,066
Long Term Creditors and Provisions	<u>(15,013)</u>	<u>(16,070)</u>
Net Assets	<u>33,053</u>	<u>30,531</u>
Represented by:		
Deferred Capital Grants	20,736	20,704
Reserves	<u>12,317</u>	<u>9,827</u>
	<u>33,053</u>	<u>30,531</u>

Summary Cashflow		
Net Cash Inflow from Operating Activities	3,190	5,571
Capital Expenditure	(1,444)	(6,236)
Capital Grants and other movements	<u>1,273</u>	<u>2,999</u>
Increase in Cash	<u>3,019</u>	<u>2,334</u>

Other Key Statistics

Student and Staff Numbers	2006	2005
	<u> </u>	<u> </u>
Student Numbers - full time equivalent	8,086	7,899
Staff Numbers – headcount basis	1,200	1,169

REPORT OF THE COURT

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 2006 are summarised in the Financial Highlights on page 1. The operating surplus of £2.469m was £0.895m better than forecast, predominantly due to the non-requirement for the forecast increase in pension provision.

Total income rose by 5% to £58.481m, with the main increase being in funding council grants.

Staff costs of £34.960m were an increase of less than 1% when excluding the exceptional staff costs of £0.756m in 2004/05.

Operating expenses rose 8% to £17.331m mainly due to increased spend on repairs and maintenance and to increased utility costs.

Depreciation rose 8% to £3.310m principally due to accelerated depreciation on the Ayr campus as the remaining useful life has been reduced in line with the decision to rebuild.

The balance sheet has remained strong with a growth in net assets of £2.522m to £33.053m, with the main movement being an increase in cash balances of £3.019m.

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 £1.004m.

In reviewing the performance of Gerrard Limited, reference has been made to the return on UK Government Securities and FTSE All Share Indices (3.95%). The returns on elements of the portfolio (interest and early retiral) of 4.1% and 5.3% respectively were therefore viewed as satisfactory.

Cash Flow

The cash inflow from operating activities in 2006/2007 was £3.190m which is reflected in the increase in cash balances of £3.019m. The purchase of tangible fixed assets of £1.444m was offset by the £1.365m received in deferred capital grants.

Capital Expenditure

Capital expenditure in the year totalled £1.444m and the main areas of investment were in Disability Discrimination Act compliance and reconfiguration of existing space to improve usage.

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 31st July 2006, the University had trade creditors outstanding of £0.483m which represents an average of 10 days purchases outstanding (2005 – 17 days).

Future Developments

The Court approved the Estates Strategy in April 2005. The main components in this were the need to continue to reconfigure and develop the Paisley and Dumfries Campuses and relocate and redevelop the 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.

The proposed merger with Bell College will now be undertaken in line with the University's Strategic Plan.

The outline business case for the Ayr development and the full business case for the Bell merger have both now been submitted to the Scottish Funding Council for consideration, approval and funding.

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

The University achieved an Income and Expenditure surplus of £2.469m which was a significant improvement on the original budget and the forecast at mid year. This improvement was a result of the delivery of savings plans and cost control measures, the improvement in student numbers and hence funding and the non-requirement of the budgeted pension provision.

The University remains in a position of financial stability with a sound Balance Sheet and good cash flows and continues to strive to increase its reserves to underpin the current financial strategy. This can 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
5 December 2006

CORPORATE GOVERNANCE

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 2003 as far as it applies to universities. 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 2006 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 3rd 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 five times in the year to 31 July 2006. 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. With the exception of the Student Affairs Committee, 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 2006 met five times, with the University's external and internal auditors in attendance as appropriate. The Committee complies with the Code of Auditing Practice issued by SFC 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 2006 meeting, the Court carried out the annual assessment for the year ended 31st July 2006 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 2006.

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 2005 meeting.

The University Court having considered in 2006 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.

Professor R T Beaty OBE, Chairman of the Court

Professor Seamus McDaid, Principal & Vice Chancellor

Court Membership as at 31 July 2006

Chairman of Court

Professor R T Beaty OBE

Ex Officio

Principal and Vice-Chancellor

Professor S McDaid (appointed August 2005)

Depute Principal

Professor A Godfrey (appointed May 2006)

Acting Vice-Principal

Dr J Vincent (until May 2006)

President, Students' Association

Ms J Little (retired June 2006)

Mr N McBreen (appointed July 2006)

Appointed by the Students' Association

Depute President, Students' Association (Ayr)

Ms M Woodhouse (retired June 2006)

Ms K McAlonan (appointed July 2006)

Co-opted

Ms M Allan OBE (appointed September 2005)

Provost R Burns

Mr G Watson (resigned January 2006)

Appointed

Mr R Blackburn

Mr B Clarke

Lady Foulkes

Dr D R Mill (Resigned May 2006)

Mrs E McCann

Mr D Macdonald

Ms L McMillan

Mr A J Smith

Mr J Wardrop

Mr N Walker

Appointed by Senate

Mrs E Kennedy

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 and Nominations Committee

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

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

Member of Policy & Resources Committee, and Student Affairs Committee

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Member of Student Affairs Committee

Member of Policy and Resources Committee

Member of Student Affairs Committee

Member of Student Affairs Committee

Chair of Audit Committee

Member of Policy & Resources Committee

Member of Student Affairs Committee

Chair of Remuneration Committee and Member of Policy & Resources Committee

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

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

Member of Audit Committee

Vice Chair of Court, Chair of Policy & Resources Committee, Student Affairs Committee, Nominations Committee and Remuneration Committee

Member of Audit Committee

Member of Audit Committee

Member of Policy & Resources Committee and Student Affairs Committee

Elected by Staff from Academic Staff

Professor A Ogwu

Member of Policy & Resources Committee

Elected by Staff from Academic Support Staff

Mr J Love (resigned September 2005)

Mr I Maitland (appointed January 2006)

Member of Student Affairs Committee

RESPONSIBILITIES OF THE UNIVERSITY'S COURT

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 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 outcomes;
- 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

We have audited the financial statements for the year ended 31 July 2006 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out in the Statement of Principal Accounting Policies.

This report is made solely to the University Court of the University of Paisley, as a body, in accordance with the Financial Memorandum of the University. 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 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

The University Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and other applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Financial Memorandum.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

We also report to you if, in our opinion the information given in 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 are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Further & Higher Education Funding Council.

We read other information contained in the Report of the Court and Corporate Governance Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Further & 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 judgments made by the University 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:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University as at 31 July 2006, and of the surplus of income over expenditure and the cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish Further & Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Further & Higher Education Funding Council.

Registered Auditor
Ernst & Young LLP
GLASGOW

Date:

UNIVERSITY OF PAISLEY

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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. It is not possible to identify each participating institution's share of the underlying assets and liabilities of the schemes; therefore contributions are accounted for as if they were defined contribution schemes.

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 (SC 002520) 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 2006

		Year Ended 31 July 2006	Year Ended 31 July 2005 Restated
	Note	£000	£000
INCOME			
Funding Council Grants	1	32,078	30,180
Tuition Fees and Education Contracts	2	17,654	17,191
Research Grants and Contracts	3	1,670	1,817
Other Income	4	6,469	5,992
Investment Income	5	<u>610</u>	<u>478</u>
Total Income		<u>58,481</u>	<u>55,658</u>
EXPENDITURE			
Staff Costs	6	34,960	35,499
Other Operating Expenses	7	17,331	16,041
Depreciation	10	3,310	3,063
Interest Payable	8	<u>411</u>	<u>398</u>
Total Expenditure		<u>56,012</u>	<u>55,001</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost		2,469	657
Gain on Disposal of Fixed Assets		<u>-</u>	<u>48</u>
Surplus on Continuing Operations after Depreciation of Tangible Fixed Assets at Cost, Disposal of Assets and before and after Tax		<u>2,469</u>	<u>705</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 2006

		Year Ended 31 July 2006	Year Ended 31 July 2005
	Note	<u>£000</u>	<u>£000</u>
Surplus on Continuing Operations after Depreciation of Assets at Cost, Disposal of Assets and Tax		2,469	705
Unrealised Appreciation of Investments	17	<u>21</u>	<u>90</u>
Total Recognised Gains Relating to the period		<u>2,490</u>	<u>795</u>
RECONCILIATION			
Opening Reserves		9,827	9,032
Total Recognised Gains Relating to the Year		<u>2,490</u>	<u>795</u>
Closing Reserves		<u>12,317</u>	<u>9,827</u>

BALANCE SHEET

FOR THE YEAR ENDED 31 July 2006

		Year Ended 31 July 2006	Year Ended 31 July 2005
	Note	£000	£000
FIXED ASSETS			
Tangible Assets	10	39,689	41,555
Investments	11	<u>1,004</u>	<u>980</u>
		<u>40,693</u>	<u>42,535</u>
CURRENT ASSETS			
Stock		21	29
Debtors	12	1,876	1,588
Cash at Bank and in Hand		<u>12,473</u>	<u>9,454</u>
		14,370	11,071
CREDITORS:			
Amounts Falling Due Within One Year	13	<u>(6,997)</u>	<u>(7,005)</u>
Net Current Assets		<u>7,373</u>	<u>4,066</u>
Net Assets Less Current Liabilities		48,066	46,601
CREDITORS:			
Amounts Falling Due After More Than One Year	14	(5,690)	(6,029)
Provisions for Liabilities and Charges	15	<u>(9,323)</u>	<u>(10,041)</u>
Net Assets		<u>33,053</u>	<u>30,531</u>

BALANCE SHEET - CONTINUED

FOR THE YEAR ENDED 31 July 2006

		Year Ended 31 July 2006	Year Ended 31 July 2005
	Note	£000	£000
DEFERRED CAPITAL GRANTS	16	<u>20,736</u>	<u>20,704</u>
Reserves			
Revaluation Reserve	17	372	351
General Reserve	18	<u>11,945</u>	<u>9,476</u>
		<u>12,317</u>	<u>9,827</u>
TOTAL		<u><u>33,053</u></u>	<u><u>30,531</u></u>

The Financial Statements on pages 14 to 33 were approved by the Court on 5 December 2006 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 2006

		Year Ended 31 July 2006	Year Ended 31 July 2005
	Note	£000	£000
Cash Inflow from Operating Activities	19	3,190	5,571
Returns on Investments and Servicing of Finance	20	239	114
Capital Expenditure and Financial Investment	21	(79)	(3,166)
Financing	22	<u>(331)</u>	<u>(185)</u>
Increase in Cash in the Year		<u>3,019</u>	<u>2,334</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

		Year Ended 31 July 2006	Year Ended 31 July 2005
	Note	£000	£000
Increase in Cash in the Year		3,019	2,334
Change in Net Debt resulting from Cash Flows		<u>331</u>	<u>185</u>
Movement in Net Funds in Year		3,350	2,519
Net Funds at 1 August 2005	23	<u>3,079</u>	<u>560</u>
Net Funds at 31 July 2006	23	<u>6,429</u>	<u>3,079</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 July 2006

1. FUNDING COUNCIL GRANTS

	Year Ended 31 July 2006	Year Ended 31 July 2005 Restated
	£000	£000
Recurrent Grant from SFC		
Teaching	29,500	27,801
Research	900	951
Specific Grants from SFC		
Greater Opportunities for Access and Learning with Schools (GOALS) And West of Scotland Wider Access Regional Forum (WoSWARF)	547	348
Strategic Change	12	275
Science Research Infrastructure	25	201
Other	304	12
Deferred Capital Grants Released in Year		
Buildings	708	510
Equipment	82	82
	<u>32,078</u>	<u>30,180</u>

2. TUITION FEES AND EDUCATION CONTRACT

	Year Ended 31 July 2006	Year Ended 31 July 2005
	£000	£000
Full Time Students – Home and EU	5,554	5,432
Full Time Students – Overseas	2,348	1,870
Part Time Fees	2,069	1,985
Short Course Fees	577	1,020
Total Fees Paid by or on Behalf of Individual Students	10,548	10,307
Education Contract	7,106	6,884
	<u>17,654</u>	<u>17,191</u>

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

3. RESEARCH GRANTS AND CONTRACTS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Research Council	396	486
European Commission	235	267
Other Grants Contracts	701	704
Releases from Deferred Capital Grants	<u>338</u>	<u>360</u>
	<u>1,670</u>	<u>1,817</u>

4. OTHER INCOME

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Residences, Catering and Conferences	2,029	1,877
Other Services Rendered	1,785	1,943
Released from Deferred Capital Grants	205	165
Other Income	478	602
Rent Receivable in Respect of Operating Leasing from Library Trust	379	367
Library Trust Other Services	<u>1,593</u>	<u>1,038</u>
	<u>6,469</u>	<u>5,992</u>

5. INVESTMENT INCOME

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Interest Receivable	<u>610</u>	<u>478</u>

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

6. STAFF COSTS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>Number</u>	<u>Number</u>
Average Staff Numbers by Major Category:		
Academic	475	421
Technical	70	73
Administrative	153	161
Other, Including Clerical and Manual	<u>502</u>	<u>514</u>
	<u>1,200</u>	<u>1,169</u>
Staff Costs for the Above	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Wages and Salaries	29,149	29,034
Social Security Costs	2,307	2,324
Other Pension Costs (Note 24)	3,504	3,385
Exceptional Staff Costs	<u>-</u>	<u>756</u>
	<u>34,960</u>	<u>35,499</u>
Emoluments of Vice Chancellor	<u>143</u>	<u>75</u>

The emoluments of the Vice Chancellors exclude employer's pension contributions of £16,000 (2004/05 £11,000)

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

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>Number</u>	<u>Number</u>
£50,000 - £59,999	32	29
£60,000 - £69,999	3	4
£70,000 - £79,999	3	1
£80,000 - £89,999	-	0
£90,000 - £99,999	-	1

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 (2005 £264,000).

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

7. OTHER OPERATING EXPENSES

	Year Ended 31 July 2006	Year Ended 31 July 2005 Restated
	<u>£000</u>	<u>£000</u>
Repairs and General Maintenance	1,641	1,055
Utilities and Insurance	1,828	1,607
Pension Provision Uplift	34	1,012
General Running Costs	3,732	3,630
Professional Fees	2,218	1,995
Books, Periodicals and Subscriptions	1,451	1,069
Residences, Catering and Conferences	1,047	1,000
Travel, Fellowships and Scholarships	979	972
Grant to Student Union	468	468
Fee Waivers and Discounts	656	495
Library Trust Payments	2,107	1,437
SFC Specific Grants	436	583
Research Grant Expenses	<u>734</u>	<u>718</u>
	<u>17,331</u>	<u>16,041</u>

Other Operating Expenses Include:

Auditors' Remuneration:			
External Audit - Audit Services	30		30
External Audit - Non Audit Services	0		2
Internal Audit - Audit Services	18		19
Internal Audit - Non-Audit Services	0		7

8. INTEREST PAYABLE

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u></u>	<u></u>
On Bank Loan repayable wholly or partly in more than 5 years.	<u>411</u>	<u>398</u>

NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2006

9. ANALYSIS OF EXPENDITURE BY ACTIVITY

2005/06

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Interest Payable £000	Total £000
Academic Departments	21,295	4,058	254	-	25,607
Academic Services	4,578	3,591	403	-	8,572
Research Grants and Contracts	463	734	338	-	1,535
Residences, Catering and Conferences	608	1,047	324	-	1,979
Premises	2,216	2,191	1,331	-	5,738
Administration	4,522	4,352	590	-	9,464
Other Services Rendered	1,278	1,313	70	-	2,661
Other Expenses	-	45	-	411	456
Total Expenditure	<u>34,960</u>	<u>17,331</u>	<u>3,310</u>	<u>411</u>	<u>56,012</u>

The depreciation charge has been funded by:

Deferred Capital Grants Released (Note 16)	1,333
General Income	<u>1,977</u>
	<u>3,310</u>

2004/2005

	Staff Costs £000	Other Operating Expenses £000	Depreciation £000	Interest Payable £000	Total £000
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	1,118
General Income	<u>1,945</u>
	<u>3,063</u>

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

10. TANGIBLE ASSETS

	Residences Freehold Land and Buildings £000	Academic and Sports Grounds Freehold Land and Buildings £000	Equipment £000	Total £000
Cost				
At 1 August 2005	10,429	36,876	26,172	73,477
Additions	-	789	655	1,444
Disposals	-	-	-	-
At 31 July 2006	<u>10,429</u>	<u>37,665</u>	<u>26,827</u>	<u>74,921</u>
Depreciation				
At 1 August 2005	2,173	6,291	23,458	31,922
Charge for Year	324	1,478	1,508	3,310
Disposals	-	-	-	-
At 31 July 2006	<u>2,497</u>	<u>7,769</u>	<u>24,966</u>	<u>35,232</u>
Net Book Value				
At 31 July 2006	<u>7,932</u>	<u>29,896</u>	<u>1,861</u>	<u>39,689</u>
At 1 August 2005	<u>8,256</u>	<u>30,585</u>	<u>2,714</u>	<u>41,555</u>

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

	Year Ended 31 July 2006 £000	Year Ended 31 July 2005 £000
Cost	9,254	9,254
Accumulated Depreciation	<u>(1,418)</u>	<u>(1,152)</u>
	<u>7,836</u>	<u>8,102</u>

Buildings with a net book value of £15 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 Funding Council. One building with a net value of £148,188 and a cost of £172,322 has been identified as not being in use and being available for sale.

The estimated remaining useful lives of certain assets at Ayr were adjusted to reflect the decision to rebuild the main University buildings on a site adjacent to the existing facilities, at which point the land and current buildings will become available for sale.

NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2006

11. INVESTMENTS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Listed Investments	<u>1,004</u>	<u>980</u>
	<u>1,004</u>	<u>980</u>
Balance at 1 August 2005	980	890
Appreciation on Revaluation	<u>24</u>	<u>90</u>
Balance at 31 July 2006	<u>1,004</u>	<u>980</u>
Investments at Cost	<u>629</u>	<u>629</u>

12. DEBTORS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Amounts Falling Due Within One Year:		
Trade Debtors	747	825
Other Debtors	406	30
Prepayments and Accrued Income	<u>723</u>	<u>733</u>
	<u>1,876</u>	<u>1,588</u>

Included within prepayment and accrued income is an amount of £nil (2005 £nil) which is due after more than one year.

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

13. CREDITORS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Amounts Falling Due Within One Year		
Bank Loan	354	346
Trade Creditors	125	385
Other Creditors and Deposits	480	68
Social Security and Other Taxation Payable	877	807
Accruals and Deferred Income	<u>5,161</u>	<u>5,399</u>
	<u>6,997</u>	<u>7,005</u>

14. CREDITORS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Amounts Falling Due After More Than One Year:		
Bank Loans Repayable After More Than One Year	<u>5,690</u>	<u>6,029</u>
Bank Loans are Repayable as Follows:		
Within One Year	354	346
After One and Within Two Years	339	339
After Two and Within Five Years	1,017	1,017
After Five Years	<u>4,334</u>	<u>4,673</u>
	<u>6,044</u>	<u>6,375</u>

The University has a bank loan of £586,666 at 31 July 2006 which is payable in monthly instalments of £3,667 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 £5,457,500 at 31 July 2006 which is payable in quarterly instalments of £73,750 to year 2025. This loan is at a fixed rate of 6.6525% until 28 September 2007 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 2006

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.

In the prior year, the principal assumption was a real discount rate of 1.5% in excess of inflation. The basis for this assumption was the real yield available on a notional portfolio of index-linked stocks appropriate to the term of the liabilities. The University has reviewed the basis of calculation of this accounting estimate for the year ended 31 July 2006 and deem that it is more appropriate to use the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. This basis of calculation results in a real discount rate of 2%.

If the University had used the same basis for determining the real discount rate as in prior years, the surplus for the year ended 31 July 2006 would have been £1m lower.

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.

A provision has been made at 31 July 2006 for costs of ongoing litigation, based on estimates provided by the University's solicitors (Maclay, Murray and Spens).

	Total
Pensions	£000
At 1 August 2005	9,675
Utilised in Year	(529)
Transfer from Income and Expenditure Account for former employees	6
Transfer from Income and Expenditure Account for employees who transferred in 1996	28
At 31 July 2006	<u>9,180</u>
Other	
Clawback	
At 1 August 2005	366
Utilised in Year	<u>(366)</u>
At 31 July 2006	<u>0</u>
Ongoing Litigation	
Transfer from Income and Expenditure Account as at 31 July 2006	<u>143</u>

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

16. DEFERRED CAPITAL GRANTS

	Funding Council	Other Grants and Benefactions	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 August 2005			
Buildings	12,264	7,755	20,019
Equipment	<u>82</u>	<u>603</u>	<u>685</u>
Total	<u>12,346</u>	<u>8,358</u>	<u>20,704</u>
Cash Received			
Buildings	1,159	-	1,159
Equipment	<u>-</u>	<u>206</u>	<u>206</u>
Total	<u>1,159</u>	<u>206</u>	<u>1,365</u>
Released to Income and Expenditure			
Buildings	708	202	910
Equipment	<u>82</u>	<u>341</u>	<u>423</u>
Total	<u>790</u>	<u>543</u>	<u>1,333</u>
At 31 July 2006			
Buildings	12,715	7,553	20,268
Equipment	<u>-</u>	<u>468</u>	<u>468</u>
Total	<u>12,715</u>	<u>8,021</u>	<u>20,736</u>

17. REVALUATIONS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Revaluations		
At 1 August 2006	351	261
(Depreciation)/Appreciation of Investments in Year	<u>21</u>	<u>90</u>
At 31 July 2006	<u>372</u>	<u>351</u>

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

18. GENERAL RESERVE

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Income and Expenditure Account Reserve		
Balance at 1 August 2006	9,476	8,771
Surplus after Depreciation of Assets at Cost and Tax	<u>2,469</u>	<u>705</u>
At 31 July 2006	<u><u>11,945</u></u>	<u><u>9,476</u></u>

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

		Year Ended 31 July 2006	Year Ended 31 July 2005
	Note	<u>£000</u>	<u>£000</u>
Surplus Before Tax		2,469	705
Depreciation	10	3,310	3,063
Deferred Capital Grants Released to Income	16	(1,333)	(1,120)
Profit on Disposal of Tangible Fixed Assets		-	(45)
Interest Paid		415	393
Interest Received		(654)	(507)
Decrease in Stocks		8	11
Decrease/(increase) in Debtors		(288)	(142)
(Decrease)/increase in Creditors		(16)	1,570
(Decrease)/increase in Provisions		<u>(721)</u>	<u>1,643</u>
Net Cash Inflow from Operating Activities		<u><u>3,190</u></u>	<u><u>5,571</u></u>

20. RETURN OF INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Other Interest Received	654	507
Interest Paid	<u>(415)</u>	<u>(393)</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance	<u><u>239</u></u>	<u><u>114</u></u>

NOTES TO THE ACCOUNTS - Continued
FOR THE YEAR ENDED 31 July 2006

21. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Purchase of Tangible Fixed Assets	(1,444)	(6,236)
Sales of Tangible Fixed Assets	-	48
Deferred Capital Grants Received	<u>1,365</u>	<u>3,022</u>
Net Cash Outflow from Capital Expenditure and Financial Investment	<u>(79)</u>	<u>(3,166)</u>

22. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Year Ended 31 July 2006	Year Ended 31 July 2005
	<u>£000</u>	<u>£000</u>
Debt Due Beyond a Year:		
Repayments of Amounts Borrowed	<u>(331)</u>	<u>(185)</u>
Net Cash (Outflow) from Financing	<u>(331)</u>	<u>(185)</u>

23. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2005	Cash Flows	At 31 July 2006
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash at Bank and in Hand	9,454	3,019	12,473
Debt Due within One Year	(346)	(8)	(354)
Debt Due after One Year	<u>(6,029)</u>	<u>339</u>	<u>(5,690)</u>
Net Funds	<u>3,079</u>	<u>3,350</u>	<u>6,429</u>

NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2006

24. PENSION SCHEMES

The University participates in three multi-employer defined benefits schemes. It accounts for its pension schemes under Financial Reporting Standard 17: Retirement Benefits (FRS 17).

Strathclyde Pension Fund

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

The assets of the Fund are held in a separately administered fund and the latest actuarial valuation of the fund was at 31 March 2005. 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 2005, it was assumed that the overall anticipated long term return for equities would be 6.7%, 5.7% from property and 5% 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. The past service results for Councils employers include an allowance for the possible effect of future equal pay settlements. However, no adjustment has been made to the real growth salary assumptions to allow for this, for job evaluation or for "single status". The actual effect of these changes will be allocated to the individual Councils at the 2008 and future valuations once the financial impact is known.

At the date of the 2005 actuarial valuation, which was carried out using the projected unit method, the market value of the assets of the Fund was £6,990m and the actuarial value of assets was sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. A funding level of less than 100% indicates a deficit and the past service deficit identified at 31 March 2006 is £230m. Assuming that a funding level of 100% is to be targeted, an increased employer's contribution rate is required. This increase will be phased in over three years as noted below.

The employer's contribution rate payable by the University was 250% of the employee's rate until 31 March 2006 and 260% until 31 March 2007, but this rate will increase to 270% at April 2007 and 280% at April 2008. The Pension costs in respect of the Fund for the year ended 31 July 2006 were £1.641m (2005: £1.526m), £nil (2005: £nil) of which was outstanding at the balance sheet date.

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 12.5% of members' salaries throughout 2005/2006 but this rate will increase to 13.5% in April 2007. The pension costs to the University in respect of STSS for the year ended 31 July 2006 were £1.852m (2005: £1.842m). This is the full and total extent of the University's liability in respect of this scheme.

NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2006

24. PENSION SCHEMES - continued

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. The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. 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 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% 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 £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increase in earnings.

Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date and under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of salaries, but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment.

An additional factor which could impact the funding level of the scheme is that with effect from 16 March, 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the University for the year ended 31 July 2006 was £11,000 (2005: £17,000). This included £nil (2005: £nil) outstanding at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

NOTES TO THE ACCOUNTS - Continued

FOR THE YEAR ENDED 31 July 2006

25. CAPITAL COMMITMENTS

	Year Ended 31 July 2006	Year Ended 31 July 2005
	£000	£000
Commitments Contracted at 31 July 2006	540	406

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.

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

	Year Ended 31 July 2006		Year Ended 31 July 2005	
	£000		£000	
	MSBF	HF	MSBF	HF
Funds Brought Forward from Previous Year	12	14	93	58
Funds Received in Year	288	393	516	195
Expenditure	(53)	(643)	(344)	(420)
Funds Repayable to Funding Body	-	-	(52)	(20)
Virements	(222)	222	(201)	201
Funds Carried Forward as at 31 July 2006	25	(14)	12	14

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.

CAMPUS ADDRESSES

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