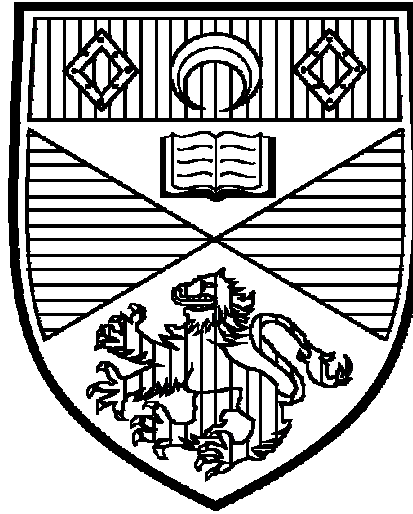


*Reports and Financial Statements
of the University Court
for the year to 31 July 2005*



University
of
St Andrews

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MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

The Rector, President
Sir Clement Freud

Senior Governor, Vice-President
Mr W. Berry

The Principal
Dr B.A. Lang

The Deputy Principal
Mr D.J. Corner

The Chancellor's Assessor
Emeritus Professor D. B. Thomas

The Rector's Assessor
Miss M. Vaggers

Fife Council, Convener
Mr J. Simpson

Assessors of the General Council
Mr E.D. Murray
Miss K.M. Patrick

Assessors of the Senatus Academicus
Professor J.P. Anderson
Professor H.N. Kennedy
Professor P. Winn
Dr C.R. Warren

Non Teaching Staff Member
Dr D.M. Cottam

Student Representatives
Mr S.P. Atkins, *President* (to 30 June 2005)
Mr B. Reilly, *Director of Representation*
Mr A. Yabroff, *President* (from 1 July 2005)

Co-opted Members

Mr D.A. Connell	Mrs C.A.M. Davis
Mr P.P. Cabrelli	Mr J.F. Matthews
Mr G.R.C. Scott	Ms J.W. Denholm
Mrs C. Potter	

Clerk of the Court
Mr I. M. Wright

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
ACADEMIC AUDIT COMMITTEE		
Professor P. Winn (Convener)	2005	Senate Assessor on Court
The Vice-Principal (Learning & Teaching)	-	<i>ex officio</i>
The Dean of Arts	-	<i>ex officio</i>
The Dean of Science	-	<i>ex officio</i>
Director of Representation, Students' Association	-	<i>ex officio</i>
Dr J.P. Anderson	2007	Senate Assessor on Court
Dr S. van Heyningen	2005	External Assessor
<i>Secretary : the Director of Academic Audit</i>		
AUDIT COMMITTEE		
Mr D.A. Connell (Convener)	2006	Non-executive member
Miss K.M. Patrick	2008	Non-executive member
Ms J.W. Denholm	2007	Non-executive member
Mr I.B. McIver	2008	Court nominee
Mr G.R.C. Scott	2008	Non-executive member
<i>Secretary : the Clerk to the Court</i>		
EQUAL OPPORTUNITIES COMMITTEE		
Mrs C.A.M. Davis (Convener)	2008	Non-executive member
The Deputy Principal	-	<i>ex officio</i>
The Convener, Staff Committee	-	<i>ex officio</i>
The Convener, Student Services Committee	-	<i>ex officio</i>
Dr D.M. Cottam	2005	Non-executive member
Dr E.F. Graham	2008	Senate nominee
Director of Representation, Students' Association	-	<i>ex officio</i>
<i>Secretary : the Director of Human Resources</i>		
INVESTMENT & COLLECTIONS COMMITTEE		
Mr J.F. Matthews (Convener)	2005	Non-executive member
The Principal	-	<i>ex officio</i>
The Quaestor & Factor	-	<i>ex officio</i>
Professor N.V. Richardson	2008	Senate nominee
Mr E.D. Murray	2006	Non-executive member
<i>Secretary : the Head of Financial Accounts</i>		
INFORMATION POLICY COMMITTEE		
The Deputy Principal (convener)	-	<i>ex officio</i>
Vacancy	-	Non-executive member
Dr D.M. Cottam	2005	Non-executive member
vacancy	-	Senate nominee
Director of Representation, Students' Association	2005	Students' Assoc. nominee
<i>Secretary : the Librarian</i>		

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
GOVERNANCE & NOMINATIONS COMMITTEE		
Sir Menzies Campbell (Convener)	2008	Court nominee
The Principal	-	<i>ex officio</i>
The Senior Governor	-	<i>ex officio</i>
Mrs C.A.M. Davis	2008	Non-executive member
Professor P. Winn	2005	Non-executive member
Mr D.A. Connell	2006	Non-executive member
Professor H.N. Kennedy	2007	Non-executive member
Mr J. Simpson	2007	Non-executive member

Secretary : the Clerk to the Court

HEALTH AND SAFETY COMMITTEE

Mr G.R.C. Scott (convener)	2008	Non-executive member
The Quaestor & Factor	-	<i>ex officio</i>
Director of Services, Students' Association	-	<i>ex officio</i>
Dr P.R. Cundill	2007	AUT nominee
Mrs M.B. Parker	2007	AMICUS nominee
Mrs A. Small	2007	UNISON nominee
Dr C.R. Warren	2005	Senate Assessor

Secretary : the Director of Environmental, Health and Safety Services

PLANNING AND RESOURCES COMMITTEE

Mr W. Berry (Convener)	2008	Non-executive member
The Principal	-	<i>ex officio</i>
[The Senior Governor	-	<i>ex officio</i>]
The Deputy Principal	-	<i>ex officio</i>
The Dean of Arts	-	<i>ex officio</i>
The Dean of Science	-	<i>ex officio</i>
Convener, Investment & Collections Committee	-	<i>ex officio</i>
Convener, Staff Committee	-	<i>ex officio</i>
Convener, Student Services Committee	-	<i>ex officio</i>
President, Students' Association	-	<i>ex officio</i>
Mr E.D. Murray	2006	Non-executive member
Professor N.V. Richardson	2006	Senate electee
Professor S.J. Broadie	2008	Senate electee

Secretary : the Quaestor & Factor

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
REMUNERATION COMMITTEE		
Mr W. Berry (Convener)	2004	Senior Governor
The Principal (1)	-	<i>ex officio</i>
Mr P.P. Cabrelli (2)	2004	Non-executive member
Mr E.D. Murray	2006	Non-executive member
Mr J. Simpson	2007	Non-executive member

Secretary : the Director of Human Resources

¹ Matters affecting the Principal's own contract are considered in the absence of the Principal

² This Non-executive member serves on both Remuneration and Staff Committees

STAFF COMMITTEE

Mr P.P. Cabrelli (Convener) (1)	2008	Non-executive member
The Principal	-	<i>ex officio</i>
The Deputy Principal	-	<i>ex officio</i>
The Master	-	<i>ex officio</i>
The Dean of Arts	-	<i>ex officio</i>
The Dean of Science	-	<i>ex officio</i>
Convener, Equal Opportunities Committee	-	<i>ex officio</i>
Miss K.M. Patrick	2008	Non-executive member
Mr S.R. Magee	2005	Court nominee (non-academic staff)
Professor V.J. Brown	2004	Senate nominee
Dr M. Harris	2004	Senate nominee

Secretary : the Director of Human Resources

¹ This Non-executive member serves on both Remuneration and Staff Committees

STUDENT SERVICES COMMITTEE

Mrs C. Potter (Convener)	2006	Non-executive member
Convener, Equal Opportunities Committee	-	<i>ex officio</i>
The Secretary to the Court	-	<i>ex officio</i>
Rev M. MacLean	2007	Court nominee
Professor K. Dholakia	2008	Senate nominee
Dr T.E. Jones	2008	Senate nominee
The Rector's Assessor	-	Students' Assoc. nominee
The President, Students' Association	-	Students' Assoc. nominee

Secretary : the Director of Student Support Services

REPORT OF THE UNIVERSITY COURT

Scope of the financial statements

The accounts for the year to 31 July 2005 have been prepared in accordance with the Statement of Recommended Practice; Accounting for Further and Higher Education and the Scottish Education Funding Council's Accounts Direction. As noted in paragraph 1 of the statement of principal accounting policies (Page 24), these accounts have been prepared on a historical cost basis as modified by the revaluation of listed and endowment asset investments.

Result for the year

In 2004/ 2005 the University witnessed a further year of financial growth with income growing by £7.787million (8.9%) on the previous year, with operational spending growing by £7.427million (8.6%). The surplus retained for general reserves of £5.377million, represents an improvement of £2.765million on 2003/2004.

The University continues to be a popular destination for very talented students from home and abroad with student numbers from all EU member states again exceeding funded numbers. As a result of the particular funding mechanisms in place from the Scottish Executive, the University again received no financial reward for teaching these additional talented students. The University's overseas (non EU) popularity remains strong especially in core markets such as the United States of America. The University has now ventured into the Indian sub continent and again demand appears to be healthy.

Within the retained surplus of £5.377million are included gains on property disposals of £3.210million. These disposals have formed part of a measured programme of disposal of properties for which the University's core services, Teaching and Research, have no long term need. The programme was implemented to assist in funding the University's ambitious capital investment programme and to assist in reshaping the Balance Sheet to improve liquidity.

As a result of the review in the University's accounting practice with regard to gifted heritable property assets, which were provided to be used at the discretion of the University Court. In line with recognised accounting practice these assets are now regarded as assets of the University. This change has been reflected in restated amounts for 2003/04 also. There is no change to the level of reported surplus.

During the year, income from research totalled £22.718million (£22.492million after movements on deferred grants). This level of activity represented an increase in throughput on the previous year of £2.777million and coupled with an increase in grant award levels in the year may indicate the start of trend of further growth in future years. The University continued to invest in research staff and infrastructure, funded in part by the first and second rounds of the Strategic Research Infrastructure Fund. This investment, coupled with direct University investment and further funds from Strategic Research Development Grants, should allow the University to continue to increase the volume of research activity and income in the coming years.

During the year the value of the Consolidated Balance Sheet increased by £16.561million, reflecting continuing substantial investment in infrastructure, funded through a joint stream of retained earnings and long-term borrowings. The growth in the overall asset value was supported by strong performance in global stock markets that assisted the growth in the value of University Endowment funds.

Achievement of Strategic Objectives

In recent years the University Court has reviewed the manner in which it manages and monitors the University's activity. Previous years' reviews brought the University in line with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good

REPORT OF THE UNIVERSITY COURT

Practice Benchmarks (SHEFC Circular 05/99 & HE/23/00). During the year, the University instigated an effectiveness review of the University Court and its Committee structure. This review is designed to ensure that the University's governance arrangements remain effective in a changing environment.

Admissions: The University continues to experience very strong demand for Home and EU undergraduate places and a further breach of Funding Council limits occurred. Uptake of University offers was again higher than previous experience and average asking rates are still rising in high demand disciplines and entry grades achieved are at an all time high. The combined pressure of sheer numbers and levels of uptake is likely to continue in the short to medium term. The University met its targets in relation to overseas students overall and demand is relatively robust although postgraduate numbers were lower than anticipated due to difficulties in securing visas experienced by students particularly from the Far East. Undergraduate Study Abroad numbers, particularly from the USA for second semester, which were constrained by the housing shortage in the second half of 2003-04, show signs of recovering. Access student numbers continue to rise but the need remains for further funding to be raised for entrant bursaries to attract students from backgrounds and areas from which there has been a historically low progression into Higher Education. The University continues to campaign to promote widened participation through various initiatives including Summer Schools.

Learning and Teaching: In 2004/2005 the University continued its engagement with the sector-wide Scottish quality enhancement themes for learning and teaching, began specific preparations for the forthcoming Enhancement-Led Institutional Review (ELIR) in 2006, and took significant steps towards improving the learning & teaching infrastructure in the University.

With regard to the enhancement themes, the previous year's focus upon assessment and responding to student needs was further consolidated. Fine tuning of the Honours classification system was introduced in response to concerns expressed by Schools and external examiners, and revised procedures for re-sit examinations were put in place that permit examiners to target re-assessment more closely to the weaknesses of individual students. Academic Fraud policies were also revised to address issues of plagiarism. Schools continued to be encouraged (using a Mapping of Results procedure promoted by the Deans) to look more closely at the distribution of grades to identify anomalies in marking. The University also implemented for the first time student satisfaction surveys for final-year students and for first-year students in order better to identify student needs across the University as a whole. This was combined with an evaluation of the student experience being undertaken by the Secretary to the University Court, using focus groups. The results of these surveys will be analysed in the coming session and will be the basis for further initiatives. In addition, a new Code of Practice was approved for dealing with Student Appeals, Complaints and Discipline.

The two new enhancement themes for 2004/2005 were employability and flexible delivery of learning & teaching. The appointment of a new Director of the Careers Advisory Service (CAS) provided a timely re-assessment of the University's effectiveness at preparing students for employment and led to a programme of improvements in the organisation and accessibility of the CAS. CAS staff also visited academic Schools to promote a pattern of earlier engagement of students with the Service, beginning in the second year. Importantly, for the first time, an Employability Strategy was formulated and approved for the University, focusing particularly on academic provisions to enhance employability. With regard to the theme of flexible delivery of learning, the continuing expansion of the use of WebCT and other platforms of e-learning (such as the new curriculum in Medicine) is to be followed up by an upgrade of WebCT in the coming year. A major expansion of distance learning beyond the current programmes is not currently viewed as part of the ethos of St Andrews, although modest expansion may be anticipated as a result of new collaborative ventures.

REPORT OF THE UNIVERSITY COURT

A major upgrade to the teaching infrastructure was planned and begun in 2004/2005. At the start of the session a refurbishment of the lecture theatre in School 3 was completed, in preparation for the new degree programmes in Film Studies requiring cinematic quality of projection and sound. During summer 2005, the refurbishment of Schools 1 and 2 have also been undertaken. In addition, special LTIF funding of approximately £800K from SHEFC has allowed the upgrade of several seminar rooms and small lecture rooms throughout the University, including new furnishings and fabric. To enhance flexible delivery of learning, all refurbishments have included a standard audio-visual package that includes a computer, data projection, CD and video facilities and wireless connectivity.

Three other initiatives of importance deserve attention. Firstly, during this session a University Committee on Ethics in Teaching and Research was established to oversee academic activities of students and staff that might have ethical implications. Secondly, a new scheme of peer observation of teaching was launched in the current session, with the result that all academic staff throughout the University now have an opportunity to learn from one another to improve teaching. Thirdly, a new programme of research skills development has been launched for postgraduates, which includes not only centrally-provided generic skills training but also a scheme of assessing individual student needs and logging progress towards meeting those needs. A postgraduate skills development co-ordinator has been employed to administer this University-wide programme.

Student Experience: During the year, a comprehensive survey of students' views of their experience in St Andrews was conducted and an action plan proposed to further enhance the student experience.

A wholly revised orientation programme for all students has brought significant improvements to their induction to the University. What was previously a 30 event weekend aimed at overseas entrants has been expanded, in partnership with the Students' Association, to a 200 event conference-style orientation week.

Arrangements for the assessment of disabled students have been revised, in order to minimise the possibility of abuse of the benefits available, to ensure that appropriate support is provided to those in need and to ensure the effective and sensitive management of information about students' special needs.

An Alternative Format Suite has been developed to co-ordinate the translation, largely by volunteers, of written teaching materials into accessible formats.

Research: St Andrews continues to be the most research intensive university in Scotland. The SHEFC Main Grant Letter of March 2005 announced a total of £13.646million in 2005-06 for the combined Main Quality Research Grant, Research Postgraduate Grant and Knowledge Transfer Grant. This amounts to over 42% of the SHEFC grant to the university, the highest proportion in Scotland. The overall increase in these three grant categories over 2004/05 is 4.2%.

Research grant income (i.e. money claimed from sponsors against expenditure on grants and contracts) for 2004/05 was £22.7million. This compares with £19.9million for 2003/04 representing a 14% year on year increase. Research income for the university has witnessed a very healthy increase from £12.4million in 1999/2000. In 2004/05, 53% of the income derived from Research Councils, up from 51% in 2003/04.

An increase of 18% in research awards announced in 2004/05 is an outstanding result for the university. The total for the year stands at £29.7million. (Note that this total *excludes* SUPA and EaStChem awards, see below). In this record year St Andrews' researchers submitted 583 new research applications and 253 awards were made.

REPORT OF THE UNIVERSITY COURT

The university was awarded £6.705million in round three of the Science Research Infrastructure Awards, SRIF3. (SRIF2 provided £5.6million). All eight projects submitted have been approved by SHEFC. Including a planned institutional contribution of just over 14%, the total spend will be £7.65million. As indicated by our increase in research grant awards, the research portfolio in the sciences has expanded enormously over the past decade and the programme will extend our existing capacity by bringing some of our aging buildings, laboratories and facilities up to the latest standards. In choosing the projects, account was taken of the Government's "10 year science and innovation investment framework" aiming to provide state-of-the-art facilities to carry out research for top scientists, particularly in multidisciplinary research areas such as environmental sciences, earth systems, marine sciences, biomedicine, biochemistry, biophysics, cognitive systems, photonics, energy, sustainability and coastal research. For SRIF3 we have adopted a policy of proposing laboratory upgrades and fit out that create high quality space in contiguous areas. SRIF3 investments will be made in Biomedical Sciences, Marine Sciences, Chemistry, Physics, Mathematics and Psychology. Included is a Library project to allow completion of an electronic catalogue of books and periodicals. SRIF2 projects are now complete or in their final stages.

The university was very successful in winning nine new Research Council Academic Fellowships in the first round of this scheme. Appointments made during the past year will significantly add to our research profile. Staff continue to be successful in competitive award schemes such as the Strategic Research Development Grants (SRDG). A £1.5million facility now being constructed at Edinburgh Zoo with SRDG funding is led by the University of St Andrews under the title "Living Links to Human Evolution".

The University continues to work collaboratively with other Universities in Scotland, the rest of the UK and around the world. The University is at the forefront of research pooling initiatives in Scotland for both Physics and Chemistry and is also engaged in discussions about possible research pooling initiatives, in Geography and Geosciences (SAGES), Economics, Marine Sciences and Life Sciences. SHEFC have made awards to the university for the Scottish Universities Physics Alliance (SUPA), EaStChem and a feasibility study for research pooling in the Marine Sciences area.

The University continues to promote the commercialisation of its research base and the transfer of knowledge through its Research and Enterprise Service. Through this service the University supports the development of research findings for commercial purposes, engaging with the private sector where possible. A new company, Lumicure, was formed to develop novel flexible light sources for providing photodynamic therapy treatment of skin cancer. This company raised £170K from the Enterprise network to develop a prototype and implement a business plan that will be used to attract further investment into the company. Other companies that secured additional investment to develop their products in 2004/05 include Photosynergy and Aquapharm Biotechnology. St Andrews Fuel Cells, a new company formed in February 2005, is in receipt of a Scottish Executive SMART award to develop its licensed fuel cell technology. The main event during 2004/05 was the flotation of IDMoS PLC on the Alternative Investment Market (AIM). IDMoS was one of only ten spin-out companies listed on AIM in 2004 and the successful float in November 2004 valued the company at ~£20million. The University held equity stake in the company is currently valued at 31 July 2005 at £1.230million. Interdisciplinary research has been encouraged, particularly through the support of cross-School Research Centres and Institutes, including the Centre for Research in Ecological and Environmental Modelling (initiated by a £1.3million Grant from SHEFC), the Centre for Advanced Materials, the Biomolecular Sciences Centre, the NERC Sea Mammal Research Unit and the AHRB Centre for the Philosophy of Logic, Language, Mathematics and Mind.

A new programme on generic skills for training for all research postgraduate students and contract research staff was rolled out in September 2004. An induction programme, a series of courses and log

REPORT OF THE UNIVERSITY COURT

books for all PhD students have been introduced and integrated into Schools activities in this area. A coordinator has been appointed for this programme during 2004/05.

Finally, the University has been successfully accredited for Full Economic Costing (fEC) and will be able to commence fEC applications to the Research Councils from the beginning of the September. Full Economic introduces a number of significant changes in how grant applications are made and will have a significant impact for funding and sustainability of our research capacity in the future. A working group comprising representatives from Finance, Research Grants Finance Office, Research and Enterprise Services, Business Improvements and Academic Schools have created the basis for the new scheme.

Information: The past year has seen further integration of the University's information units with Business Improvements becoming a part of Library and Information Services.

There have been several major infrastructure developments worthy of note. The programme to upgrade the data network backbone has been completed and the University's core network is now operating at 10Gbps. More fibre optic cable has been laid in University ducts and a project to provide higher speed and more resilient connections to buildings has commenced. The wireless network has been developed further and a Virtual Private Network (VPN) service established in order to provide users with secure access to the University over the Internet. There has also been reconfiguration and enhancement of our email service equipment as user requirements grow continually. A server has been established to support computing needs in Arts research and new software licence agreements have been taken out to support bibliographic databases and mind mapping. Resources have also been invested in direct IT training and in making available good quality IT training materials online. Towards the end of the year, arrangements to acquire a large centralised file storage facility were concluded. This will provide benefits to all users of the computing service since, in addition to making much more file storage space available, the data stored will be mirrored across two sites for added resilience.

In the past year, Business Improvements has started a major project to implement a 'web interface' to the student record system (SITS). This project is at the end of its first phase and has been used by academics to input directly electronic programme specification information into the SITS system. Future phases will develop on-line registration and on-line visiting day and prospectus requests and facilitate integration with the student finance module to allow students to get up-to-date information about their tuition and residence fees as well as to set up direct debits on-line. Other Business Improvement projects have included the development of web-based systems to produce risk assessments to comply with COSHH legislation, to allow full economic costing of research and to establish a database of research expertise which will be used to help the University manage its submission in relation to the forthcoming Research Assessment Exercise.

In the past year, the Library has taken its first steps in releasing and reconfiguring space by the deposit of some older science periodicals in an external store and has played its part in negotiation of the new Scottish book contract which will ensure good value for money for any resources allocated, in future, to the purchase of monographs. It has also supported the development of new teaching initiatives in the University so that it can, for instance, provide extensive viewing materials and stations for the new courses in Film Studies commencing in September 2005. In addition, it continues to work towards greater provision of self-service facilities to encourage flexible learning and extended its opening times to respond to demands for greater learning and study opportunities. The Library, has, furthermore, licensed new digital collections in line with its strategic aim of increasing the proportion of content delivered electronically to its user community and has continued to invest in the digitization of its own collections, expanding the proportion of the photographic collection now available electronically as well as digitizing a selection of out of print historical source materials.

REPORT OF THE UNIVERSITY COURT

Estates : During the year progress has been made in the development of a computer aided facilities management system with implementation planned to take place early in the financial year 2005/06. Estates will provide web access to representatives of Schools and Units to enable them to track progress of estates related activities with a particular emphasis on routine and planned maintenance. This system will interface directly with the recently implemented new finance system to provide improved information in relation to financial commitments.

In 2004/05 the completion of the alterations to the Gateway Building was achieved along with remaining blocks at David Russell and the Facilities Building, the new Computer Science Building and various SRIF 2 funded refurbishment projects. Works also commenced on the new Arts Faculty Building, Phase 1 of LTIF funded upgrading of teaching accommodation and the refurbishment of St Katherine's West.

2004/05 was also a significant year for the Support Services within Estates, all of whom played an important role in both June and July graduations. Ground Services provided additional floral displays for both sets of graduations and at that same time completed significant landscaping works at Computer Science and Swallowgate and Craigard.

In 2004/05, Estates recruited a replacement Environment and Energy Manager, and in addition an Energy Officer, to strengthen the existing environment management resource. Their focus has been the delivery of key Environment Strategy Commitments. The financial priority has been the management of steeply rising gas and electricity costs (72% for gas and 47% for electricity compared to the previous year) and also for water (224% due to wastewater charges being levied for the first time). Another major focus has been the reduction of carbon dioxide emitted from heating plant at the North Haugh as part of the EU Emissions Trading Scheme. The University has extended its recycling programme and is currently recycling 15% of its general controlled waste and has secured a freeze on waste to landfill charges for the next two years despite significant imminent increases in landfill tax.

Governance & Nominations: The University has now finalised and implemented a comprehensive approach to the performance appraisal of Court Members. The University Court instigated a review of its and its Committee structures' effectiveness during the year. It is anticipated that the findings of this review will be available during the coming year and appropriate changes will be implemented.

Human Resources: During the year, substantial advances have been made in ensuring that the requirements of the nationally agreed Framework Agreement will be met by August 2006. This has involved the recruitment and training of role analysts to undertake job evaluation and the selection of benchmark jobs for this process. Progress is now being made in gathering information from role holders so that role profiles can be produced. Along with this, all staff hours have been harmonised to 36.25 hours per week with effect from 1 August 2005 and a pilot Review and Development Scheme, involving 140 staff and managers, has been launched with full University roll-out expected from 1 August 2006. Several policies have been revised including those relating to Sickness Absence, our Equality Statement, Race Equality and Probation for Academic Staff. Work continues on the revision of other policies such as those involving Discipline & Grievance, Alcohol and Drugs and Stress. Training has also been provided for managers in relation to dealing with stress. The Staff Development Team has successfully run a variety of training courses including Assertiveness Skills sessions and networking events for secretarial/clerical staff. The team regularly refines such courses to meet individual and unit needs and continues to support the University's Management Development Initiative, to develop joint programmes and to facilitate School/Unit Away Days.

Finance: The University continued to develop the relationship of the Finance Department with the operational management of Schools and Units. The aim is to ensure that transparent financial

REPORT OF THE UNIVERSITY COURT

management information is available and provided in a seamless manner through the use of effective web based reporting tools which meet the needs of managers as well as the institution.

Continued progress has been made in the development and implementation of a comprehensive procurement strategy. This revised strategy, which along with more efficient procurement tools, is focussed on making good purchasing easy for all staff involved in the procurement cycle.

The University has also improved its treasury management arrangements in the year, allowing it to exploit the opportunities afforded by improved liquidity, by ensuring that debt balances are minimised and surplus cash invested in an effective and efficient manner.

Endowment Funds: The University's Endowment Fund grew strongly during the year in line with the general growth in global equity markets. The funds grew in the year by £5.356million. During the year the University also revisited its asset allocation strategy and it is anticipated that the changes which have been implemented will improve the long term funding objectives of the funds.

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to include and abide by specific payment terms. The average creditor payment period, calculated as a proportion of the year end creditors to aggregate amounts invoiced during the year, was 34.7 days (2003/04: 32.3 days).

Equal Opportunities Policy

The University has an Equal Opportunities Policy that applies to all staff and all students. The Policy's aims are that all individuals will be treated with respect and that they will not be subject to unfair discrimination in any aspect of university life. The University's aim is that all staff and students, whether existing or potential, will receive fair and equal treatment when applying to become, or working as, members of the University. The Equal Opportunities Policy aims to achieve an environment in which unfair discrimination is not tolerated, and in which everyone has the opportunity to develop to their full potential.

This policy includes specific provision for existing and potential employees with disabilities and those from under-represented ethnic and racial groups. The University actively seeks ways to ensure that such individuals are not disadvantaged in their career development by factors relating to their personal circumstances.

Conclusion

The University has had a successful year. It remains a popular destination for students of very high calibre from all over the world. Research activity is growing and research quality remains high. Earnings are once again being generated in more significant amounts which will assist the University fulfil its investment ambitious and move towards a truly sustainable financial future.

William Berry
Senior Governor
College Gate
St Andrews

9 December 2005

RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF ST ANDREWS

In accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Court of the University of St. Andrews is responsible for the administration and management of the affairs of the University 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 Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Statement of Recommended Practice: Accounting for further and higher education, and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Court of the University of St. Andrews, the University Court, through its designated office holder, 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 to ensure 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 responsibility 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 which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- ensure that there exists an effective platform for the control and monitoring of risk and that risk implications are considered at all areas within University management;
- 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:

RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF ST ANDREWS

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative departments;
- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial performance, including updates of forecast out turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Court, and promulgated in the Standing Financial Instructions;
- comprehensive Financial Regulations, detailing financial controls approved by the University Court on the recommendation of the Planning & Resources Committee;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Court and whose head provides the 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.

CORPORATE GOVERNANCE

The University is committed to exhibiting best practice in all aspects of corporate governance. In November 2004, the Committee of University Chairmen issued a Governance Code of Practice for Higher Education Institutions in the United Kingdom. However the Scottish Funding Council have yet to consider the implications of this revised code on the governance arrangements for Higher Education Institutions. For this reason, the new Code is not referred to within this summary of Corporate Governance arrangements.

The summary provided below describes the manner in which the University has applied the principles set out in the Combined Code (developed to establish standards of best practice in corporate governance amongst UK listed companies). This summary incorporates internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group and takes account of the amendment in the 2003 Combined Code that eliminated any age restriction on members of governing bodies. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the University Court, the University complies with most of the principles of the Combined Code (amended as outlined above), in so far as they apply to the higher education sector, and it has complied throughout the year ended 31 July 2005. There is divergence between University practice and the combined code in 2 areas, namely:

Chairmanship of meetings - Meetings of the University Court are chaired by the Rector, an elected representative of the students, his right to do so being governed by the Universities (Scotland) Act 1889, section. 5(5). Accordingly, the University cannot comply with best practice with regard to Chairmanship of Court.

Term of Office – Elected and appointed members normally have a term of office of four years but not exceeding four years and never less than two years. Ex officio members serve for the duration of their period of office. This compares to the Combined Code Principle of three year terms of office.

The University Court is the governing body of the University. Its authority derives from Acts of Parliament which, *inter alia*, vest in the Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. The Court thus has overall responsibility for the governance of the University, including all aspects of strategic planning and management of all resources, whether financial, human or physical.

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

Responsibility for the monitoring of risk lies with the Audit Committee on behalf of Court. The University has a Risk Management Group, led by the Deputy Principal and containing representatives from all University activities. This group is tasked with responsibility for leading the process of further embedding risk management rationale in all decision-making processes of the University. This group operates within a framework of control agreed by the Audit Committee which will ensure that the University continually monitors its exposure to risk, taking corrective action where necessary, with performance of this role measured and monitored by the Audit Committee.

The University Court met five times during 2004/2005, and has a number of committees with particular areas of responsibility. The decisions and recommendations of these committees are formally reported to Court. The committees, whose membership is disclosed on Pages 2 to 4, are:

CORPORATE GOVERNANCE

Academic Audit Committee	Audit Committee
Equal Opportunities Committee	Investment & Collections Committee
Information Policy Committee	Governance & Nominations Committee
Health & Safety Committee	Planning & Resources Committee
Staff Committee	Student Services Committee
Remuneration Committee	

All of these Committees are formally constituted with terms of reference, outlined in an annual publication "Standing Committees of the University: Membership and Remit" (<http://www.st-andrews.ac.uk/services/registry/committee.htm>).

In respect of its strategic planning and development responsibilities, the University Court receives recommendations and advice from the Planning and Resources Committee, chaired by the Senior Governor. During the year ended 31 July 2005, the committee's membership included, ex-officio, the three non-executive Court members who convened the Investment & Collections Committee, Staff Committee and Student Services Committee.

The Planning & Resources Committee reviews the annual budget and financial forecasts of the University, and the levels of residential and other fees charged to students; reviews regularly during the year actual income and expenditure as compared with budgeted levels; monitors the level and cost of the University's borrowings and the extent of other liabilities; and considers the content of the annual financial statements of the University (subject to appropriate input from the Audit Committee),

The Investment & Collections Committee receives the annual report on the University's Art Collections from the Curator of the Museum Collections and the Head of Special Collections; conducts regular reviews of the general investment policy of the University and within the context of that policy monitors the performance of (i) the University's investment advisers, (ii) the investment portfolio(s) under their management and (iii) University investments not under the management of the investment advisers; and reviews the University's investment assets, advising Court in respect of their management, purchase and sale.

The Governance & Nominations Committee advises Court on any matter pertaining to the execution of its governance functions, including the appointment and role of Court's Senior Governor; identifies and recommends persons for membership of the University Court; makes recommendations to Court with regard to (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees; and recommends to Court how it should be represented, as necessary, on external bodies and at particular meetings or events.

The Remuneration Committee receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salaries are not based on a recognised salary scale and in relation to all increases in remuneration which do not represent standard progression with regard to a recognised salary scale; receives and considers information from the Principal on all severance arrangements and approves the recommendations of the Principal on specific arrangements which involve University expenditure in excess of £50,000; determines, through its Court lay members, the remuneration of the Principal; and takes a general overview of all of the above, or any related, matters in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour.

The Audit Committee consists of lay members of Court supplemented by additional co-opted expert lay members to assist it in its role. The committee reviews the audit of the University's annual financial statements and comments thereon to the Planning & Resources Committee in advance of its consideration of their content; keeps under review (a) policies, procedures and regulations in respect of

CORPORATE GOVERNANCE

the University's assets, and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety; considers all matters relating to the internal and external audit, and Value for Money review, of the affairs of the University and of those companies controlled by the University Court; receives reports from the internal and external auditors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee; and the Committee has the opportunity to meet with the Internal or External Auditors in the absence of University staff. The Convener of the Audit Committee is accountable to the University Court for conducting the annual performance appraisal of the Senior Governor.

In keeping with the University's policy on the registration and declaration of interests, all persons routinely attending meetings of the University Court and Committees are required to take proper account of any conflict of interest which might arise from their University involvement on the one hand and their membership of, or connection with, other bodies outside the University on the other. The Clerk of the Court has established and maintains a formal Register of Interests. It is available for inspection in the Court Office by those obliged to supply information for inclusion in the Register, officers of the Scottish Higher Education Funding Council and the University's internal and external auditors. The Clerk may, after consultation with the Senior Governor, the Principal and the member(s) concerned, also make the Register, or a specific part of the Register, available to others.

As reported in previous years Reports and Financial Statements, the University has formally compared the practice of the University Court with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SHEFC Circulars HE/05/99 & HE/23/00).

In previous years the Court has effected changes which have achieved compliance with the Good Practice Benchmarks, with stated exceptions regarding term of office and age requirements. This position has remained unchanged during the year.

We have audited the Financial Statements for the year ended 31 July 2005 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Group and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 38. These Financial Statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the University Court of the University of St Andrews as a body, in accordance with its Financial Memorandum. 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 University 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 University Court and the 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 Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- i) the Financial Statements give a true and fair view of the state of affairs of the University and of the Group as at 31 July 2005, and of the surplus of the Group 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.

Ernst & Young LLP
Registered Auditor
Glasgow
9 December 2005

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2005

	Notes	Consolidated Year ended 31 July 2005 £000	Consolidated Year ended 31 July 2004 £000 restated
INCOME			
Funding council grants	2	32,273	31,024
Tuition fees and support grants	3	21,504	19,564
Research grants and contracts	4	22,492	20,416
Other income	5	18,051	15,552
Endowment and investment income	6	870	847
Total income		95,190	87,403
EXPENDITURE			
Staff costs	7 & 9	57,541	52,690
Other operating expenses	9	27,313	26,909
Depreciation	9	6,464	5,266
Interest payable	10	2,226	1,252
Total expenditure		93,544	86,117
Surplus before disposal of assets and taxation		1,646	1,286
Gain on disposal of assets		3,210	1,114
Surplus after disposal of assets but before taxation		4,856	2,400
Taxation		0	0
Surplus after disposal of assets and tax		4,856	2,400
Transfer from accumulated income within specific endowments		521	212
Surplus for the year retained within general reserves	11	5,377	2,612

All activities included in the above income and expenditure account are continuing.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2005

	Notes	Year ended 31 July 2005	Year ended 31 July 2004
		£000	restated £000
Surplus after disposal of assets and taxation		4,856	2,400
Appreciation of endowment asset investments	22	4,279	907
New endowments	22	1,598	142
Revaluation of listed investment	23	1,230	<u>0</u>
Total recognised gains relating to the year		11,963	<u>3,449</u>
Prior year adjustment	33	<u>(7,169)</u>	
Total gains and losses since last annual report		<u>4,794</u>	
 Reconciliation			
Opening reserves and endowments as previously stated		54,287	51,025
Prior year adjustment		<u>(7,169)</u>	<u>(7,356)</u>
Opening reserves and endowments as restated		47,118	43,669
Total recognised gains relating to the year		11,963	3,449
Closing reserves and endowments		<u>59,081</u>	<u>47,118</u>

BALANCE SHEETS
As at 31 July 2005

	Notes	Group 31 July 2005 £000	Group 31st July 2004 restated £000	University 31 July 2005 £000	University 31st July 2004 restated £000
Fixed assets					
Negative Goodwill	12	(938)	(1,196)	0	0
Tangible Assets	13	114,725	99,004	108,288	93,951
Investments	14	1,481	235	2,035	787
Total fixed assets		<u>115,268</u>	<u>98,043</u>	<u>110,323</u>	<u>94,738</u>
Endowment assets	15	<u>33,366</u>	<u>28,010</u>	<u>33,366</u>	<u>28,010</u>
Current assets					
Stock		446	425	446	425
Debtors	16	8,253	7,243	12,758	10,154
Short Term Deposits		100	0	100	0
Cash at bank and in hand		342	1,114	342	1,114
Total current assets		<u>9,141</u>	<u>8,782</u>	<u>13,646</u>	<u>11,693</u>
Creditors : amounts falling due within one year	17	<u>(22,627)</u>	<u>(24,603)</u>	<u>(24,227)</u>	<u>(26,280)</u>
Net current liabilities		<u>(13,486)</u>	<u>(15,821)</u>	<u>(10,581)</u>	<u>(14,587)</u>
Total assets less current liabilities		135,148	110,232	133,108	108,161
Creditors : amounts falling due after more than one year	18	(48,642)	(40,226)	(48,573)	(40,146)
Provision for liabilities and charges	20	(66)	(127)	(66)	(127)
NET ASSETS		<u>86,440</u>	<u>69,879</u>	<u>84,469</u>	<u>67,888</u>
Deferred capital grants	21	<u>27,359</u>	<u>22,761</u>	<u>26,887</u>	<u>22,267</u>
Endowment funds					
Specific	22	31,249	26,245	31,249	26,245
General	22	2,117	1,765	2,117	1,765
Total endowments		<u>33,366</u>	<u>28,010</u>	<u>33,366</u>	<u>28,010</u>
Reserves					
Revaluation reserve	23	1,230	0	1,230	0
General	23	24,485	19,108	22,986	17,611
		<u>25,715</u>	<u>19,108</u>	<u>24,216</u>	<u>17,611</u>
TOTAL FUNDS		<u>86,440</u>	<u>69,879</u>	<u>84,469</u>	<u>67,888</u>

Approved by the University Court of the University of St. Andrews on 9 December 2005, and signed on its behalf by:

Dr Brian A. Lang, Principal and Vice-Chancellor

William Berry, Senior Governor

Derek A. Watson, Quaestor and Factor

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2005

	Notes	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Cash flow from operating activities	24	4,539	6,969
Returns on investments and servicing of finance	25	(1,356)	(405)
Taxation		0	0
Capital expenditure and financial investment	26	(10,127)	(16,169)
Acquisition	27	0	(1,548)
Management of Liquid Resources	28	0	126
Financing	29	8,911	12,264
Increase in cash in period		<u>1,967</u>	<u>1,237</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		1,967	1,237
Cash inflow from new unsecured loan	29	(8,911)	(12,575)
Cash outflow repaying loan acquired on acquisition of subsidiary	29	0	311
Cash inflow from liquid resources	28	0	(126)
Change in net debt resulting from cash flows		<u>(6,944)</u>	<u>(11,153)</u>
Loan acquired with subsidiary		0	(311)
Movement in net debt in period	30	<u>(6,944)</u>	<u>(11,464)</u>
Net debt at 1 August 2004		(41,401)	(29,937)
Net debt at 31 July 2005	30	<u>(48,345)</u>	<u>(41,401)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2003 and in accordance with applicable accounting standards.

Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed and endowment asset investments.

Basis of consolidation

The consolidated financial statements include the University and all subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2005. The activities of the Students' Association have not been consolidated as the University does not control these activities.

Recognition of income

Income from the Scottish Higher Education Funding Council is recognised in the period for which it is received.

Income from tuition fees is recognised in the period for which it is received and includes all fees chargeable to students or their sponsors.

Income from research grants and contracts, and other services rendered is included in income to the extent of the completion of the contract or service concerned.

Income from endowments is recognised in the income and expenditure account on a receivable basis. Any difference between the income earned on a specific endowment and the expenditure applied to the specific purpose is transferred from the income and expenditure account to the specific endowment fund after the result of the year is struck.

Negative goodwill

On the acquisition of a subsidiary or associated undertaking, fair values are assigned to the net assets acquired. Where the fair value exceeds the purchase price, the difference is treated as negative goodwill and is released to the Income & Expenditure Account in the period in which the non-monetary assets acquired are recovered.

Land and buildings

Freehold land is not depreciated.

The University depreciates buildings over their useful lives as assessed by an independent expert valuer. In previous years freehold buildings were written off at the rate of between 1% and 25% per annum on cost. With effect from 1 August 2003, the University based the depreciation of its built assets on useful lives as assessed by an independent expert valuer. The University intends to have these useful lives reassessed independently every three to five years. Assets under construction are not depreciated until the month following the month in which they become available for operational use.

Leasehold property is written off over the remaining life of the lease.

Where properties are acquired or improved with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful lives of the buildings or services.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

Equipment

Equipment costing less than £10,000 is written off in the year of acquisition. Capitalised equipment and furnishings are stated at cost and depreciated on a straight line basis over their expected useful lives as follows:

Telecommunications Systems:	7 Years
General Furnishings and Equipment	7 Years
IT Equipment:	4 Years

Where equipment is acquired with the aid of a specific grant it is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment.

Cash Flows and Liquid Resources

Cash Flows comprise increases and decreases in cash. Cash includes cash in hand and at the bank, deposits repayable on demand and bank overdrafts.

Liquid Resources include term deposits held as part of the University's treasury management activities.

Pension costs

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (USS.) and the University of St. Andrews Superannuation and Life Assurance Scheme (S & LAS). The schemes are defined benefit schemes that are externally funded and contracted out of the State Earnings-Related Pension Scheme. The funds are valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuaries, based on the latest actuarial valuation of the schemes, and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Investments

Listed investments are stated at market value and heritable property investments held as endowment assets are stated at open market value. Investments, which are not listed are stated at cost less any provision for impairment of their value. Temporary deposits are included at the lower of cost or net realisable value.

Stocks

Stocks for resale and other stocks of material value are included at the lower of their cost or net realisable value.

University Collections

The University holds a number of valuable collections that are not included in the balance sheet. Advice was sought from the University Advisory Committee on Collections and Exhibitions and on 22 September 1993 approximate valuations were obtained for the main holdings of the University. These valuations are disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

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.

Taxation

The University of St. Andrews is a tax-exempt charity. This exemption is not extended to the trading activities of the Group but all trading profits of subsidiaries are transferred to the University by gift-aid. Except for its trading activities and certain consultancy and research activities, the University cannot recover the Value Added Tax suffered on its expenditure and this cost is included under the various related expenditure heads.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

2 FUNDING COUNCIL GRANTS	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
SHEFC recurrent grant	18,745	17,424
SHEFC research grant	11,685	11,469
Release of SRIF deferred capital grants	921	634
SHEFC specific grants	922	1,473
Total JISC grants	<u>0</u>	<u>24</u>
	<u>32,273</u>	<u>31,024</u>
 3 TUITION FEES AND EDUCATION CONTRACTS	 Year ended 31 July 2005 £000	 Year ended 31 July 2004 £000
UK higher education students	6,383	6,084
EU (excluding UK) higher education students	709	674
Non-EU higher education students	12,427	10,579
UK and EU Part-Time Students	180	201
Non EU Part-Time Students	69	106
Research training support grants	123	144
Short course fees	1,524	1,723
Other fees	<u>89</u>	<u>53</u>
	<u>21,504</u>	<u>19,564</u>
 4 RESEARCH GRANTS AND CONTRACTS	 Year ended 31 July 2005 £000	 Year ended 31 July 2004 £000
Research Councils	11,958	10,450
UK government bodies, local and health authorities	5,110	4,923
UK based charities	2,170	2,059
UK Industry, commerce and public corporations	647	452
EU Government bodies	1,728	942
Other overseas	1,032	1,038
Other sources	<u>73</u>	<u>77</u>
Total of direct cost and overhead recovered	<u>22,718</u>	<u>19,941</u>
Income deferred to match capitalised purchases (note 21)	(2,221)	(1,678)
Release of deferred capital grant for research grant (note 21)	<u>1,995</u>	<u>2,153</u>
Total research grants and contracts	<u>22,492</u>	<u>20,416</u>
 5 OTHER INCOME	 Year ended 31 July 2005 £000	 Year ended 31 July 2004 £000
Residences, catering and conferences	12,977	10,046
Other income generating activities	51	21
Released from deferred capital grants (note 21)	174	231
Release of negative goodwill	258	440
Other income	<u>4,591</u>	<u>4,814</u>
Total other operating income	<u>18,051</u>	<u>15,552</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

6 ENDOWMENT INCOME AND INTEREST RECEIVABLE	Year ended 31 July 2005	Year ended 31 July 2004 restated
	£000	£000
Income from general endowment asset investments (note 22)	111	115
Income from specific endowment asset investments (note 22)	622	709
Other interest receivable	<u>137</u>	<u>23</u>
Total endowment income and interest receivable	<u>870</u>	<u>847</u>

7 STAFF COSTS	Year ended 31 July 2005	Year ended 31 July 2004
	Number	Number
Average staff numbers by major category:		
Academic and other related	492	480
Administrative and clerical	511	516
Technical	143	139
Manual	567	503
Contract research	<u>268</u>	<u>234</u>
Total	<u>1,981</u>	<u>1,872</u>

Staff Costs:	Year ended 31 July 2005	Year ended 31 July 2004
	£000	£000
Wages and salaries	47,481	43,853
Social security costs	3,902	3,469
Other pension costs (note 31)	<u>6,158</u>	<u>5,368</u>
Total staff costs (note 9)	<u>57,541</u>	<u>52,690</u>

Remuneration of higher paid staff (excluding employer's Pension contributions)	Number	Number
£50,001 - £60,000	57	69
£60,001 - £70,000	40	34
£70,001 - £80,000	31	16
£80,001 - £90,000	3	3
£90,001 - £100,000	2	1
£100,001- £110,000	1	1
£120,001 - £130,000	1	0
£130,001- £140,000	0	1
£160,001- £170,000	0	0
£190,001- £200,000	1	1
£200,001- £210,000	<u>1</u>	<u>0</u>
Total	<u>137</u>	<u>126</u>

8 EMOLUMENTS OF PRINCIPAL	£000	£000
Salary	176	169
Benefits in kind	<u>21</u>	<u>21</u>
Total emoluments	<u>197</u>	<u>190</u>

The emoluments of the Principal exclude pension contributions to U.S.S, which are paid at the same rate as for other academic staff and amounted to £14,448 (2003/04: £14,000)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Depn	Other Operating Expenses	Interest Payable	Total
	£000	£000	£000	£000	£000
Year ended 31 July 2005					
Teaching departments	30,476	0	6,965	0	37,441
Teaching support services	2,914	0	1,974	0	4,888
Administration	5,377	805	2,958	764	9,904
Premises	2,953	2,063	2,755	0	7,771
Research Grants & Contracts	10,552	1,995	6,418	0	18,965
Residences, Catering & Conferences	3,520	1,601	3,863	1,462	10,446
Other Expenses	1,749	0	2,380	0	4,129
	57,541	6,464	27,313	2,226	93,544

	Staff Costs	Depn	Other Operating Expenses	Interest Payable	Total
	£000	£000	£000	£000	£000
Year ended 31 July 2004					
Teaching departments	28,026	0	6,950	0	34,976
Teaching support services	2,944	0	1,649	0	4,593
Administration	5,014	2,121	2,864	397	10,396
Premises	2,855	0	2,438	0	5,293
Research Grants & Contracts	9,193	2,153	5,553	0	16,899
Residences, Catering & Conferences	3,275	992	4,999	855	10,121
Other Expenses	1,383	0	2,456	0	3,839
	52,690	5,266	26,909	1,252	86,117

Other operating expenses include:

	2004/05 £000	2003/04 £000
Auditors' remuneration		
External audit – audit services	53	49
External audit - non audit services	7	4
Internal audit	44	53
Hire of plant and equipment	118	241

10 INTEREST PAYABLE

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Bank overdraft	9	25
Bank loan	2,217	1,227
Total Interest Payable (Note 9)	<u>2,226</u>	<u>1,252</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

11 SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES

The surplus for the year retained within general reserves is:

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
University's surplus retained for the year	4,330	2,532
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	1,044	80
	5,374	2,612
Subsidiary deficit	(222)	(267)
Consolidation adjustments		
Negative goodwill release	258	267
Depreciation on fair value uplift	(33)	0
	225	
Surplus retained by group	5,377	2,612

12 INTANGIBLE ASSETS

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Negative Goodwill		
As at 1 August 2004	(1,196)	(1,636)
Released to income and expenditure in the year	258	440
At 31 July 2005	(938)	(1,196)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

**13 TANGIBLE FIXED ASSETS
GROUP**

	Land & Buildings		Assets under Construct'n £000	Equipment & Furniture £000	Total £000
	Freehold £000	Leasehold £000			
Cost					
At 1 August 2004 as previously stated	86,421	73	15,795	28,561	130,850
Prior year adjustment (note 33)	<u>1,062</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,062</u>
At 1 August 2004 (restated)	87,483	73	15,795	28,561	131,912
Additions	1,358	0	17,053	3,932	22,343
Transfers	27,391	0	(30,960)	3,569	0
Disposals	<u>(171)</u>	<u>0</u>	<u>0</u>	<u>(215)</u>	<u>(386)</u>
At 31 July 2005	<u>116,061</u>	<u>73</u>	<u>1,888</u>	<u>35,847</u>	<u>153,869</u>
Depreciation					
At 1 August 2004	10,363	49	0	22,497	32,909
Charge for Period	2,726	2	0	3,736	6,464
Disposals	<u>(18)</u>	<u>0</u>	<u>0</u>	<u>(211)</u>	<u>(229)</u>
At 31 July 2005	<u>13,071</u>	<u>51</u>	<u>0</u>	<u>26,022</u>	<u>39,144</u>
Net Book Value					
At 31 July 2005	<u>102,990</u>	<u>22</u>	<u>1,888</u>	<u>9,825</u>	<u>114,725</u>
At 31 July 2004 (restated)	<u>77,120</u>	<u>24</u>	<u>15,795</u>	<u>6,064</u>	<u>99,003</u>
Financed by capital grant	21,308	0	49	6,002	27,359
Other	<u>81,682</u>	<u>22</u>	<u>1,839</u>	<u>3,823</u>	<u>87,366</u>
Net book value at 2005	<u>102,990</u>	<u>22</u>	<u>1,888</u>	<u>9,825</u>	<u>114,725</u>
UNIVERSITY only					
	Land & Buildings		Assets under constr'n £000	Equipment & Furniture £000	Total £000
	Freehold £000	Leasehold £000			
Cost					
At 1 August 2004 as previously stated	86,421	73	10,742	28,561	125,797
Prior year adjustment (note 33)	<u>1,062</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,062</u>
At 1 August 2004 (restated)	87,483	73	10,742	28,561	126,859
Additions	1,358	0	15,389	3,931	20,678
Transfers	21,128	0	(24,243)	3,115	0
Disposals	<u>(171)</u>	<u>0</u>	<u>0</u>	<u>(215)</u>	<u>(386)</u>
At 31 July 2005	<u>109,799</u>	<u>73</u>	<u>1,888</u>	<u>35,392</u>	<u>147,151</u>
Depreciation					
At 1 August 2003	10,363	49	0	22,497	32,909
Charge for Period	2,640	2	0	3,540	6,182
Disposals	<u>(18)</u>	<u>0</u>	<u>0</u>	<u>(210)</u>	<u>(228)</u>
At 31 July 2005	<u>12,985</u>	<u>51</u>	<u>0</u>	<u>25,827</u>	<u>38,863</u>
Net book value					
At 31 July 2005	<u>96,813</u>	<u>22</u>	<u>1,888</u>	<u>9,565</u>	<u>108,288</u>
At 31 July 2004 (restated)	<u>77,120</u>	<u>24</u>	<u>10,742</u>	<u>6,064</u>	<u>93,950</u>
Financed by capital grant	20,836	0	49	6,002	26,887
Other	<u>75,977</u>	<u>22</u>	<u>1,839</u>	<u>3,563</u>	<u>81,401</u>
Net book value at 2005	<u>96,813</u>	<u>22</u>	<u>1,888</u>	<u>9,565</u>	<u>108,288</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

14 INVESTMENTS

	As at 31 July 2005 £000	As at 31 July 2004 £000
Investments in subsidiary companies	554	552
Investments in non-subsidiary companies	1,481	235
	<u>2,035</u>	<u>787</u>

Subsidiary companies:

The University owns 100% of the following companies

<i>Company</i>	<i>Share capital</i>	<i>Country of incorporation</i>	<i>Activity</i>
St Andrews Management Institute	Limited by guarantee	Scotland	Dormant
St. Andrews University Holdings Ltd.	Limited by guarantee	Scotland	Dormant
St. Andrews University Services Ltd.	£2	Scotland	Vacation letting
St. Andrews Strategic Management Ltd.	£2	Scotland	Dormant
University of St. Andrews Property Services Ltd.	£2	Scotland	Property development
University of St Andrews Gateway Ltd	£2	Scotland	Property development

Non-subsidiary companies

£1.23million of the increase in investments relates to the revaluation of the University's investment in IDMoS plc. IDMoS was incorporated on 26 August 2004 and on 22 November 2004 placed shares on the AIM market.

15 ENDOWMENT ASSET INVESTMENTS

	As at 31 July 2005 £000	As at 31 July 2004 restated £000
Group & University		
Balance as at 1 August as previously stated	35,179	34,531
Prior year adjustment (note 33)	(7,169)	(7,356)
Balance as at 1 August as restated	28,010	27,175
Additions	20,790	7,993
Disposals	(20,366)	(7,683)
Appreciation	4,279	907
Debtor movement	1,080	(255)
Cash movement	(427)	(126)
Balance as at 31 July	<u>33,366</u>	<u>28,010</u>
Represented by:		
Fixed Interest Stocks	5,888	1,972
Equities	24,762	23,975
Land & Property	966	966
Debtors	1,709	629
Bank, Building Society & Other Deposits	41	468
Total Endowment Assets	<u>33,366</u>	<u>28,010</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

16 DEBTORS	Group As at 31 July 2005 £000	Group As at 31 July 2004 £000	University As at 31 July 2005 £000	University As at 31 July 2004 £000
Amounts falling due within one year:				
Trade debtors	2,251	1,507	2,251	1,507
European funding	382	296	382	296
Debts due from students	602	661	602	661
Amounts owed by group undertakings	0	0	4,505	2,864
Prepayments and accrued income	4,957	4,543	4,957	4,543
Other debtors	61	236	61	283
	<u>8,253</u>	<u>7,243</u>	<u>12,758</u>	<u>10,154</u>
17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Group As at 31 July 2005 £000	Group As at 31 July 2004 £000	University As at 31 July 2005 £000	University As at 31 July 2004 £000
Bank overdraft	315	3,379	382	3,457
Payments received in advance	10,442	9,235	10,442	9,235
Trade creditors	3,269	3,826	3,269	3,826
Other creditors & accruals	7,120	6,976	6,937	6,774
Amounts owed to group undertakings	0	0	1,717	1,801
Social security & other tax payable	1,481	1,187	1,480	1,187
Total	<u>22,627</u>	<u>24,603</u>	<u>24,227</u>	<u>26,280</u>
18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Group As at 31 July 2005	Group As at 31 July 2004	University As at 31 July 2005	University As at 31 July 2004
Unsecured loan	48,515	39,604	48,515	39,604
Other long term creditors	127	622	58	542
	<u>48,642</u>	<u>40,226</u>	<u>48,573</u>	<u>40,146</u>
19 BORROWINGS	Group As at 31 July 2005 £000	Group As at 31 July 2004 £000	University As at 31 July 2005 £000	University As at 31 July 2004 £000
Bank Loans and Overdrafts are repayable as follows:				
In one year or less	315	3,379	382	3,457
Between two and five years	5,753	1,661	5,753	1,661
In five years or more	42,762	37,943	42,762	37,943
Total repayable	<u>48,830</u>	<u>42,983</u>	<u>48,897</u>	<u>43,061</u>
20 PROVISIONS FOR LIABILITIES & CHARGES				As at 31 July 2005 £000
FSSU Unfunded Pension Benefits				
At 1 August 2004				127
Utilised in the period				(16)
Reduction in provision required				(45)
At 31 July 2005				<u>66</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

A valuation of the existing pension provision was carried out by Watson Wyatt, an independent firm of actuaries at 31 July 2005. Persons retiring under the F.S.S.U. scheme, or who have already retired under the scheme, are entitled as of right to additional benefits that may arise under the F.S.S.U. Supplementation Scheme. These additional benefits are unfunded and are paid, as and when they arise, direct to retired members by the University Court, are charged against a provision established when members retire to meet this liability.

21 DEFERRED CAPITAL GRANTS	SHEFC	Research	Other	Total
	£000	£000	£000	£000
As at 1st August 2004				
Buildings as previously stated	13,151	98	3,339	16,588
Prior year adjustment (note 33)	0	0	1,062	1,062
Buildings restated	13,151	98	4,401	17,650
Equipment	910	4,166	35	5,111
Total	14,061	4,264	4,436	22,761
Received				
Buildings	4,408	0	216	4,624
Equipment	871	2,221	0	3,092
Total	5,279	2,221	216	7,716
Disposals				
Buildings	(14)	0	(28)	(42)
Released to Income				
Buildings	(708)	(5)	(162)	(875)
Equipment	(199)	(1,990)	(12)	(2,201)
Total	(907)	(1,995)	(174)	(3,076)
At 31 July 2005				
Buildings	16,837	93	4,427	21,357
Equipment	1,582	4,397	23	6,002
Group Total	18,419	4,490	4,450	27,359
University of St Andrews Gateway Ltd	472	0	0	472
University Total	17,947	4,490	4,450	26,887

22 ENDOWMENT FUNDS

	Specific	General	2005	2004
	£000	£000	Total	restated
Group and University			£000	£000
At 1 August 2004 as previously stated	26,245	8,934	35,179	34,531
Prior year adjustment (note 33)	0	(7,169)	(7,169)	(7,356)
At 1 August 2004 as restated	26,245	1,765	28,010	27,175
Additions	1,598	0	1,598	141
Appreciation	3,927	352	4,279	907
Income for year	622	111	733	824
Expenditure for year	(1,143)	(111)	(1,254)	(1,038)
At 31 July 2005	31,249	2,117	33,366	28,010
Representing				
Chairs and lectureships	8,728	0	8,728	7,440
Other specific purposes	11,435	0	11,435	9,422
Scholarships and bursaries	10,282	0	10,282	8,661
Prize funds	804	0	804	723
Other funds	0	2,117	2,117	1,765
Total	31,249	2,117	33,366	28,010

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

23 MOVEMENT ON RESERVES	Group Year ended 31 July 2005 £000	Group Year ended 31 July 2004 £000	University Year ended 31 July 2005 £000	University Year ended 31 July 2004 £000
Revaluation reserve				
At 1 August 2004	0	0	0	0
Revaluation of investments in the year	1,230	0	1,230	0
At 31 July 2005	<u>1,230</u>	<u>0</u>	<u>1,230</u>	<u>0</u>
Income and expenditure account reserve				
At 1 August 2004	19,108	16,496	17,612	14,999
Surplus retained for the year	5,377	2,612	5,374	2,612
At 31 July 2005	<u>24,485</u>	<u>19,108</u>	<u>22,986</u>	<u>17,611</u>

**24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW
FROM OPERATING ACTIVITIES**

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Surplus before tax	4,856	2,400
Depreciation	6,464	5,266
Amortisation of negative goodwill	(258)	(440)
Deferred capital grants released to income	(3,090)	(3,018)
Deferred capital disposal	0	(157)
Investment income	(870)	(847)
Profit on sale of tangible fixed assets	(3,210)	(1,114)
Interest payable	2,226	1,252
(Decrease)increase in stocks	(21)	15
Increase in debtors	(1,010)	(1,359)
Increase(decrease) in creditors	(487)	4,975
Decrease in provisions	(61)	(4)
Net cash inflow from operating activities	<u>4,539</u>	<u>6,969</u>

25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year ended 31 July £000	Year ended 31 July 2004 £000
Income from Endowments	733	824
Other Interest Received	137	23
Interest Paid	(2,226)	(1,252)
	<u>(1,356)</u>	<u>(405)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

26 CAPITAL EXPENDITURE & FINANCIAL INVESTMENT	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Purchase of tangible fixed assets	(22,343)	(22,180)
Purchase of investments	(16)	0
Payments to acquire endowment assets	(20,790)	(8,472)
Sales of tangible fixed assets	3,342	1,881
Receipts from sales of endowment asset investments	20,366	8,119
Deferred capital grants received	7,716	4,341
Endowments Received	1,598	142
	<u>(10,127)</u>	<u>(16,169)</u>

27 ACQUISITIONS	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Purchase of subsidiary undertaking	0	(554)
Overdraft acquired with subsidiary	0	(994)
	<u>0</u>	<u>(1,548)</u>

28 MANAGEMENT OF LIQUID RESOURCES	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Movement on endowment assets	0	126
Net cash inflow from management of liquid resources	<u>0</u>	<u>126</u>

29 FINANCING	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
New unsecured loan	8,911	12,575
Repayment of loan acquired on acquisition of subsidiary	0	(311)
Net cash inflow from financing	<u>8,911</u>	<u>12,264</u>

30 ANALYSIS OF CHANGE IN NET DEBT	At 1 Aug 2004 £000	Cash Flows £000	31 July 2005 £000
Cash			
at Bank and in hand	1,114	(772)	342
Short term deposits	0	100	100
Endowment cash	468	(427)	41
Bank overdraft	<u>(3,379)</u>	<u>3,064</u>	<u>(315)</u>
	(1,797)	1,965	168
Debt due after One Year			
Unsecured loan	<u>(39,604)</u>	<u>(8,909)</u>	<u>(48,515)</u>
Total	<u>(41,401)</u>	<u>(6,944)</u>	<u>(48,345)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

31 PENSION ARRANGEMENTS

There are two main pension schemes for University staff as noted below. The University continued to account for these schemes in accordance with SSAP 24. The disclosures given in (a) are those required by that standard. Additional disclosures required by FRS 17 (Accounting for) Retirement Benefits are dealt with in (b) hereunder.

(a) SSAP 24

The Universities Superannuation Scheme (U.S.S.) is the main scheme covering university teachers and employees of comparable status to a university teacher. The scheme is a defined benefit scheme that is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The actuarial valuation method employed was the projected unit method.

The actuary to the Universities Superannuation Scheme has confirmed that it is appropriate to take the pensions cost in the institution's accounts to be equal to the actual contribution paid during the year. In particular, the contribution rate recommended following the 2002 valuation has regard to the surplus disclosed, the benefit improvements introduced subsequent to the valuation and the need to spread the surplus in a prudent manner over the future working lifetime of current scheme members.

St. Andrews University Superannuation & Life Assurance Scheme (S.&L.A.S.) provides benefits related to final pensionable salary for other members of staff of the University. The actuarial valuation method employed was the projected unit method.

The actuary to the Universities Superannuation Scheme has confirmed that it is appropriate to take the pensions cost in the institution's accounts to be equal to the actual contribution paid during the year.

The assumptions and other data which have the most significant effect on the result of the valuation and the contribution levels are:

	U.S.S.	S&LAS*
	31 March	31 July
	2002	2003
Date of latest published actuarial valuation		
Investment returns per annum – existing investments	5.0%	6.6%
Investment returns per annum – future investments	6.0%	6.6%
Salary scale increases per annum	3.7%	4.0%
Pension increases per annum	2.7%	2.5%
Market value of assets at date of last published valuation	£19,956M	£26.6M
Proportion of members' accrued benefits covered by actuarial value of the assets	101%	81%
The rates of contribution are as follows:	U.S.S.	S&LAS
From Court	14.00%	20.23%
From members	6.35%	7.77%

* The Pensions Act 1995 and subsequent regulations established a minimum funding requirement (MFR) against which the finances of the Scheme must be tested. An MFR valuation was conducted as at 31 July 2003. Following this revaluation and with effect from 1 February 2004, contributions of the Court were increased from 15.6% to 20.23% and of members from 6% to 7.77%. These increases are designed to return the fund to a balanced financial position within 10 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

31 PENSION ARRANGEMENTS (continued)

The total pension costs to the University and its subsidiaries was:	2004/05 £000	2003/04 £000
Contributions to U.S.S.	4,399	3,910
Contributions to S. & L.A.S.	1,759	1,458
Total pension costs (note 7)	6,158	5,368

(b) FRS 17

The Universities Superannuation Scheme (U.S.S.) is 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 participating institution's share of the underlying assets and liabilities of the scheme and contributions to the scheme are therefore accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

The funds are valued every three years by professionally qualified independent actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. In the intervening years the actuaries review the progress of the schemes. Pension costs are assessed in accordance with the advice of the actuary, based on the latest actuarial valuation of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making suitable allowances for future withdrawals.

The latest actuarial valuation of the scheme was at 31st March 2002. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on the investments (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 market 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 that had accrued to members after allowing for expected future increases 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 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 £79.5 million (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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 July 2005

31 PENSION ARRANGEMENTS (continued)

The total USS pension cost for the institution was £4.399million (2003/ 2004 - £3.910million). This includes £0.366million (2003/ 2004 - £0.321million) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14% of pensionable salaries. Employees' regular contributions were £1.985million (2003/ 2004 - £1.760million) and £0.160million (2003/ 2004 - £0.144million) in respect of additional voluntary contributions.

St. Andrews University Superannuation & Life Assurance Scheme (S.&L.A.S.)

The University is required to disclose the present value of the scheme assets and liabilities. A full actuarial valuation of the scheme was carried out at 31 July 2003 and updated to 31 July 2005 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

	Year ended 31 July 2005	Year ended 31 July 2004	Year ended 31 July 2003
Rate of increase in salaries *	4.20%	4.35%	3.75%
Rate of increase in pensions in payment	2.70%	2.85%	2.25%
Discount Rate	5.00%	5.75%	5.50%
Inflation assumption	2.70%	2.85%	2.25%

*An additional increase of 5% is anticipated from 1 August 2006 as a consequence of salary harmonisation.

The fair value of the assets of the scheme and the expected rate of return are:

	Long term rate of return expected at 31 July 2005	Value at 31 July 2005 £000	Long term rate of return expected at 31 July 2004	Value at 31 July 2004 £000	Long term rate of return expected at 31 July 2003	Value at 31 July 2003 £000
Equities	8.00%	29200	8.75%	23,500	8.00%	21,200
Bonds	4.40%	5500	5.00%	4,800	4.75%	4,500
Property	6.20%	300	6.88%	300	0	0
Others	3.70%	900	3.85%	300	4.75%	700
		<u>35,900</u>		<u>28,900</u>		<u>26,400</u>

The following amounts were measured in accordance with the requirements of FRS17:

	As at 31 July 2005 £000	As at 31 July 2004 £000
Total market value of scheme assets	35,900	28,900
Present value of scheme liabilities	<u>(52,000)</u>	<u>(42,700)</u>
Deficit in scheme - Net pension liability	<u>(16,100)</u>	<u>(13,800)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

31 PENSION ARRANGEMENTS (continued)

Under the FRS17 transitional arrangements that apply for the year ending 31 July 2004, the above amounts are not recognised in the financial statements. If they had been, the University's net assets and general reserve at 31 July would be as follows:

	As at 31 July 2005 £000	As at 31 July 2004 £000
Net assets:		
Net assets excluding pension liability	86,440	69,879
Pension liability	<u>(16,100)</u>	<u>(13,800)</u>
Net assets including pension liability	<u>70,340</u>	<u>56,079</u>
 Reserves:		
Income and expenditure reserve excluding pension reserve	24,485	19,108
Pension reserve	<u>(16,100)</u>	<u>(13,800)</u>
Income and expenditure reserve including pension reserve	<u>8,385</u>	<u>5,308</u>

Additionally, if the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the income and expenditure account and statement of recognised gains and losses for the year ended 31 July 2005:

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Analysis of amounts charged to income and expenditure account:		
Current service cost	1,689	1,384
Past service cost	<u>0</u>	<u>300</u>
Total operating charge	<u>1,689</u>	<u>1,684</u>

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Analysis of net finance (charge)/return on pension scheme:		
Expected return on pension scheme assets	2,373	1,975
Interest on pension liabilities	<u>(2,412)</u>	<u>(1,983)</u>
Net (charge)/return	<u>(39)</u>	<u>(8)</u>

	Year ended 31 July 2005 £000	Year ended 31 July 2004 £000
Analysis of amount recognised in statement of total recognised gains and losses:		
Actual return less expected return on pension scheme assets	3,708	(513)
Experience gains and losses arising on scheme liabilities	(1,033)	(32)
Changes in assumptions underlying the present value of scheme liabilities	<u>(5,000)</u>	<u>(3,100)</u>
Actuarial loss recognised in statement of recognised gains & losses	<u>(2,325)</u>	<u>(3,645)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

31 PENSION ARRANGEMENTS (continued)

The total movement in the University's share of the scheme's deficit during the year is made up as follows:

	Year ended	Year ended
	31 July 2005	31 July 2004
	£000	£000
Deficit on scheme at 1 August 2004	(13,800)	(10,000)
Movement in year:		
Current service cost	(1,689)	(1,384)
Contributions	1,753	1,537
Past service costs	0	(300)
Other finance charge	(39)	(8)
Actuarial loss	<u>(2,325)</u>	<u>(3,645)</u>
Deficit on scheme at 31 July 2005	<u>(16,100)</u>	<u>(13,800)</u>

The University has contributed to the scheme at the following rates of pensionable salary
1 August 2004 to 31 July 2005 20.23%

History of experience gains and losses:	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets				
Amount (£'000)	(3,708)	(513)	(903)	(6,595)
Percentage of scheme assets	10.3%	1.8%	3.4%	26.9%
Experience gains and losses on scheme liabilities				
Amount (£'000)	1,033	(32)	609	(20)
Percentage of the present value of the scheme liabilities	2.0%	0.1%	1.7%	0.1%
Total amount recognised in the statement of total recognised gains and losses				
Amount (£'000)	2,325	(3,645)	(594)	(8,215)
Percentage of the present value of the scheme liabilities	4.5%	8.5%	1.6%	24.2%

32 POST BALANCE SHEET EVENTS

During 2004/2005 the University entered into a contract for the disposal of Hamilton Hall, a student residence in St Andrews. The contractual terms were conditional on both parties satisfying themselves on satisfactory planning consents for their respective developments following the disposal. Both parties declared themselves satisfied with their respective planning consents on 12 August 2005. £1million has been recognised as capital receipts in 2004/ 2005 and when the transaction concludes with vacant possession being granted to the developer, a further £19million in capital receipts will have been generated for the University by the disposal.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

33 PRIOR YEAR ADJUSTMENTS

The University has reviewed its accounting practice with regard to gifted heritable property assets, which were provided to be used at the discretion of the University Court. In line with the Statement of Recommended Practice (SORP) issued with effect from 1 August 2003, the University has now accounted for these assets as heritable property assets of the University which are carried at cost, rather than market value. This change has been reflected in restated figures for the year ended 31 July 2004 and has resulted in proceeds of general endowment property sales of £0.725million reported as endowment income in 2003/2004 have now been reported as disposals of fixed assets. There has been no change in the reported surplus for the year. Overall assets and funds have reduced by £6.107million. Endowment assets and funds reduced by £7.169million, being the market value of the endowment assets, the £1.062million costs of which have been transferred to tangible fixed assets.

34 CAPITAL COMMITMENTS

	Year ended 31 July	
	2005	2004
	£000	£000
Commitments contracted for at 31 July	5,748	11,536

35 CONTINGENT LIABILITY

In 2003/04 the University entered into a risk sharing agreement with the former owners of Keiller (Gateway) Ltd on the acquisition of the Keiller (Gateway) Ltd. Under this agreement the University may have to pay up to £550,000, or receive a similarly calculated amount, dependent on the area of development granted planning consents on the properties which the University sold to the former owners of Keiller (Gateway) Ltd.

36 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 the 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.

37 STUDENT SUPPORT FUNDS

Hardship and Mature Students' Bursary Funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	As at 31 July 2005	As at 31 July 2005	As at 31 July 2005	As at 31 July 2004
	Hardship	Mature student bursary	Total	Total
	£000	£000	£000	£000
Balance b/fwd	(8)	(4)	(12)	0
Funds received in the year	160	48	208	228
Interest received in year	9	2	11	8
Expenditure	(173)	(62)	(235)	(248)
Virements	(4)	4	0	0
Balance c/fwd	(16)	(12)	(28)	(12)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2005

38 UNIVERSITY COLLECTIONS

The University Court holds a number of valuable collections that are not included in the balance sheet. The main collections which have been identified and their indicative values as at 22 September 1993 are as follows:

	£000
Art and Silver	4,236
Historical instruments	2,143
Muniments (historical photographs etc.)	210
Historical furniture and furnishings	330
Bell Pettigrew collection	651
Other departmental collections	165
Books including rare volumes and manuscripts	<u>67,550</u>
	<u>75,285</u>