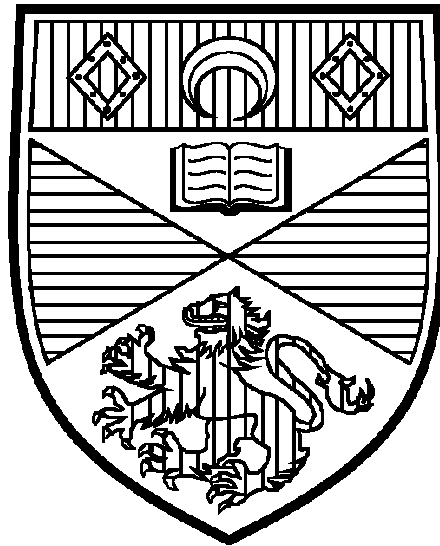


*Reports and Financial Statements
of the University Court
for the year to 31 July 2006*



University
of
St Andrews

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**MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES
AS AT 31 JULY 2006**

The Rector, President

Sir Clement Freud (until 31 October 2005)

Mr S R Pepper (from 1 November 2005)

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 (until 5 May 2006)

Mr W. Berry (from 6 May 2006)

The Rector's Assessor

Miss M. Vaggers (until 31 October 2005)

Mr B.A. Nicholson (from 1 November 2005)

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 R. W. Byrne

Dr C.R. Warren

Non Teaching Staff Member

Mr R. Dittrich

Student Representatives

Mr A. Yabroff, *President* (until 30 June 2006)

Mr T.G.L. d'Ardenne, *President* (from 1 July 2006)

Mr B. Reilly, *Director of Representation* (until 30 June 2006)

Miss L.K. Wilson, *Director of Representation* (from 1 July 2006)

Co-opted Members

Mr D.A. Connell

Mr P.P. Cabrelli

Mr G.R.C. Scott

Mrs C. Potter

Mrs C.A.M. Davis

Sir A. Bagnall

Ms J.W. Denholm

Clerk of the Court

Mr I. M. Wright

**MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES
AS AT 31 JULY 2006**

<i>Members</i>	<i>Until</i>	<i>Status</i>
ACADEMIC AUDIT COMMITTEE		
Mr D. Corner (Convener)	2006	Deputy Principal
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>
Prof. J.P. Anderson	2007	Senate Assessor on Court
Dr C.R. Warren	2009	Senate Assessor on Court
Prof. E. Moignard	2009	External Assessor
<i>Secretary: 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 W.J. Sutherland (from 17 February 2006)	2009	Court nominee
<i>Secretary: Clerk to the Court</i>		
 EQUAL OPPORTUNITIES COMMITTEE		
Mrs C.A.M. Davis (Convener)	2008	Non-executive member
The Director of Admissions	-	<i>ex officio</i>
The Secretary to the Court	-	<i>ex officio</i>
The Convener, Staff Committee	-	<i>ex officio</i>
The Convener, Student Services Committee	-	<i>ex officio</i>
Mr R. Dittrich	2009	Member of Court
Dr E.F. Graham	2008	Senate nominee
Director of Representation, Students' Association	2006	<i>ex officio</i>
<i>Secretary: Director of Human Resources</i>		
 INVESTMENT & COLLECTIONS COMMITTEE		
Mr E. D. Murray (Convener)	2006	Non-executive member
The Principal	-	<i>ex officio</i>
The Quaestor & Factor	-	<i>ex officio</i>
Professor N.V. Richardson	2008	Senate nominee
Miss K. M. Patrick	2008	Non-executive member
<i>Secretary: Assistant Director of Finance</i>		

**MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES
AS AT 31 JULY 2006**

<i>Members</i>	<i>Until</i>	<i>Status</i>
GOVERNANCE & NOMINATIONS COMMITTEE		
Sir Menzies Campbell (Convener)	2008	Non-executive member
The Principal	-	<i>ex officio</i>
The Senior Governor	-	<i>ex officio</i>
Mr D.A. Connell	2006	Non-executive member
Mrs C.A.M. Davis	2008	Non-executive member
Professor H.N. Kennedy	2007	Non-executive member
Mr J. Simpson	2007	Non-executive member
Dr C.R. Warren	2009	Non-executive member

Secretary: 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>
Sir A. Bagnall	2009	Lay member of Court
Dr P.R. Cundill	2007	AUT nominee
Mrs M.B. Parker	2007	AMICUS nominee
Mrs A. Small	2007	UNISON nominee
Dr C.R. Warren	2009	Senate Assessor

Secretary: Director of Environmental, Health and Safety Services

PLANNING AND RESOURCES COMMITTEE

Mr W. Berry (Convener)	2006	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 G.R.C. Scott	2008	Non-executive member
Sir A. Bagnall	2009	Non-executive member
Professor N.V. Richardson	2006	Senate electee
Professor S.J. Broadie	2008	Senate electee

Secretary: Quaestor & Factor

**MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES
AS AT 31 JULY 2006**

<i>Members</i>	<i>Until</i>	<i>Status</i>
REMUNERATION COMMITTEE		
Mr W. Berry (Convener)	-	Senior Governor
The Principal ¹	-	<i>ex officio</i>
Mr P.P. Cabrelli ²	2008	Non-executive member
Mr E.D. Murray	2006	Non-executive member
Mr J. Simpson	2007	Non-executive member

Secretary: 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>
Professor V.J. Brown	2008	Senate nominee
Miss K.M. Patrick	2008	Non-executive member
Mr S.R. Magee	2009	Court nominee (non-academic staff)
Dr M. Harris	2008	Senate nominee

Secretary: Director of Human Resources

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

**MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES
AS AT 31 JULY 2006**

**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>
Sir A. Bagnall	2009	Non-executive member
Professor K. Dholakia	2008	Senate nominee
Dr T.E. Jones	2008	Senate nominee
Rev M. Maclean	2007	Court nominee
The Director of Representation, Students' Association	-	Students' Assoc. nominee
The President, Students' Association	-	Students' Assoc. nominee
<i>Secretary: Director of Student Support</i>		

REPORT OF THE UNIVERSITY COURT

Scope of the financial statements

The accounts for the year to 31 July 2006 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Scottish Further and Higher Education Funding Council's Accounts Direction. As noted in paragraph 2 of the statement of principal accounting policies (Page 20), these accounts have been prepared on a historical cost basis as modified by the revaluation of listed and endowment asset investments.

Results for the year

Financially, 2005/2006 was a very successful year for the University, despite the many challenges that it faced. Turnover increased by 14.3% - £13.6million - to £108.8million. Operational spending increased by £12.9million to £106.4million, 13.8% up on the previous year. The operational surplus grew to £2.3million, an increase of £0.6million (38.8%) on the previous year. The overall picture was boosted significantly by the completion of the sale of the former student residence Hamilton Hall during the year for £20million. £19million of this was recognised within this year's statements; £1million having been received in 2004/2005. This helped to raise the total surplus for the year, retained within general reserves to £20.6million, representing an improvement on the previous year of £15.2million.

The level of tuition fee income rose again during the year as the University built upon its very high demand from students from around the world. This strong demand is an indication of the high value placed by students on the excellent quality of the teaching and living environment offered in St Andrews.

Income from research totalled £27.8million representing a growth in the year of £5.3million, 23.6% up on the previous year. Although part of this increase was advance 'fEC' funding from Research Councils UK, the continuing upward trend in research levels would indicate that the University's investment in leading research staff, along with investment in supporting infrastructure, is providing benefits.

The University has been required to account for its pension scheme arrangements under Financial Reporting Standard 17 (FRS 17 – Accounting for retirement benefits) for the first time. This has involved the recognition of a deficit of £17.9million in the balance sheet for the current year. The University has also restated the previous year's balance sheet to reflect the comparative position that reveals that the overall deficit has deteriorated by £1.8million over the past 12 months. This deterioration has been caused by the above-inflation rate of pay growth in the UK Higher Education Sector, combined with continuing national demographic changes resulting in longer life expectancy and continued poor dividend yields on bonds. The Fund Trustees are conducting a full actuarial valuation of the fund with effect from 31 July 2006, the results of which are expected in January 2007. Although there is expected to be an actuarial deficit, this is not expected to be as high as the deficit calculated within the strict limitations of FRS 17. An action plan, aimed at addressing the actual deficit within an appropriate timescale, will be developed.

During the year the value of the Consolidated Balance Sheet increased by £22.8million to £93.1million and the net current liabilities position was improved by £11.8million resulting in the University's strongest position for 10 years. This growth was due to an increase in the operating surplus, the appreciation of endowment assets through global stock market prosperity and the sale of Hamilton Hall. It was achieved on top of considerable investment in the Estate and without significantly increasing long-term borrowings. These positive movements were offset by the adverse movement on the FRS17 pension fund liability of £1.8million and an increase in long-term liabilities and provisions of £1million.

REPORT OF THE UNIVERSITY COURT

Achievements of the year

The University made excellent progress in a number of significant strategic areas during 2005/2006. The University was subjected to a formal external review of the quality of its learning and teaching. The ELIR (Enhancement Led Institutional Review) scrutinises the processes employed within the University that provide the rigour and quality assurance measures to support learning and teaching and ensures that the University remains focussed on enhancing its service delivery. The University was delighted to receive 'top marks' in this review. The Scottish Further and Higher Education Funding Council's grant for learning and teaching services during 2005/2006, was conditional on the University modernising its pay structures. Despite the SFC providing the University with less than 1/3rd of its total income, the condition of grant applied to the whole of the University's pay base. By the end of the year the University had completed an extensive role analysis of almost its entire staff and had reached agreement with its Trades Unions on the disparate terms and conditions of its varying staff groups. The University believes that the modernised pay structure that it has agreed with staff will bring long-term benefits, albeit at a significant financial cost in excess of funding levels in the short to medium term.

In the first half of 2006 the University had to deal with the consequences of industrial action by the Association of University Teachers (AUT). Although the AUT represent a minority of University staff, the targeting of examinations in June presented a significant threat to the prospects of the University's students. Throughout the action the University maintained open dialogue with the student body and their representatives in order to ensure that they were fully aware of the steps which the University was taking to mitigate the impact upon students. Resolution was reached on the dispute and after significant efforts by staff all students were able to sit their respective exams under normal conditions with marks being assessed and awarded on a normal basis with no compromise to the University's established processes of academic rigour.

The University again saw strong growth in its Research Grant activity. The growth in grant income in the year of £4million (18%) demonstrates the continuing benefits of the investment in research staff and infrastructure. During the year the University also stepped up the process of preparing for RAE2008 (Research Assessment Exercise 2008), an external peer review of the quality of research. Preparation for submission to this exercise involves the collation of a significant volume of information on research and related activity since the last RAE in 2001. The outcome of the review, which will not be known until 2008, will have a significant impact on the University's financial strength in the medium term from 2009/ 2010 onwards.

There has also been continued investment in the University estate. A major new building for the Faculty of Arts opened for the start of the 2006/2007 session, providing a base for our renowned School of International Relations; accommodation for a number of research activities and flexible learning and teaching facilities for use by the Faculty in general. Additionally, the University expanded its student residence capacity with additional facilities at the David Russell Apartments providing a 50% increase on the capacity lost by the sale of Hamilton Hall. During the year the University also continued its investment in Learning and Teaching and Research Infrastructure through the SFC's investment initiatives combined with the University's retained earnings.

2005/2006 was another positive year of all round growth for the University. It consolidated the level of its operational surplus at around 2.2% of turnover and was able to offset substantial capital investment from its own generated funds and without substantial borrowings. At the same time, it was able to improve significantly its liquidity with a reduction of its net current liabilities to their lowest level for 10 years.

The University remains committed to improving its surplus generation to a level that will be required for infrastructural investment. The University believes it must generate surplus levels of at least 5% of

REPORT OF THE UNIVERSITY COURT

turnover, and in spite of the predicted growth in pay costs in 2006/2007 and subsequent years, the University is confident that in the longer term surpluses will be achieved at satisfactory levels.

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 adhere to 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 35.7 days (2004/2005: 34.7 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 his or her 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.

Looking forward

The year to 31 July 2006 has been very successful for the University both operationally and financially. Continued growth in worldwide demand for student places and the outcome of the ELIR provide external validation of the University's success in promoting excellence in its teaching. This is further reinforced by the University's excellent performance in the National Student Survey that placed the University as the best of the mainstream Universities in the UK in meeting students' needs and aspirations. These vindications of teaching are mirrored in research by the continued growth in research grant activity, high level involvement in research pooling and growth in research fellowship awards. In an increasingly competitive environment the University continues to make confident progress, is growing financially stronger and will continue to invest in excellence so as to sustain its excellent performance.

William Berry
Senior Governor
College Gate
St Andrews
8 December 2006

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 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 Further and 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 Further and 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 staff;
- 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 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 Further and Higher Education 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 Governance 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). The 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 (“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 with such principles throughout the year ended 31 July 2006. There is divergence between University practice and the combined code in 2 areas, namely:

Chairmanship of meetings - Meetings of Court are chaired by the Rector, an elected representative of the students, his right to do so being derived from 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 of Court 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 with the Combined Code principle of three-year terms of office.

Court, which is the governing body of the University, derives its authority from Acts of Parliament which, *inter alia*, vest in Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. 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.

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 in all decision-making processes of the University. It operates within a framework of control agreed by the Audit Committee to 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.

CORPORATE GOVERNANCE

Court met five times during the year ended 31 July 2006, 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 5, are:

Academic Audit Committee	Audit Committee
Equal Opportunities Committee	Investment & Collections Committee
Governance & Nominations Committee	Health & Safety Committee
Planning & Resources Committee	Remuneration Committee
Staff Committee	Student Services 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 & Resources Committee, chaired by the Senior Governor. During the year 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 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 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 £75,000; determines, through its Court external non executive 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.

CORPORATE GOVERNANCE

The Audit Committee consists of non executive members of Court supplemented by additional co-opted expert external non executive 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 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 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 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 Court and its 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 Further and 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 Court with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SFC Circulars HE/05/99 & HE/23/00).

Having carried out a thorough review of its effectiveness during the year to 31 July 2006, Court has effected changes which have achieved fuller compliance with the Good Practice Benchmarks, with stated exceptions regarding term of office and chairmanship of meetings.

William Berry
Senior Governor
College Gate
St Andrews
8 December 2006

We have audited the Group and University financial statements for the year ended 31 July 2006 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 35. These financial statements have been prepared under 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 the Financial Memorandum of the University. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the University Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the University Court and auditors

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

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Further and Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the University Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and University's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

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

Ernst & Young LLP
Registered auditor
Glasgow

8 December 2006

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2006

	Notes	Consolidated Year ended 31 July 2006 £000	Consolidated Year ended 31 July 2005 Restated £000
INCOME			
Funding council grants	2	34,382	32,273
Tuition fees and education contracts	3	25,006	22,363
Research grants and contracts	4	27,798	22,492
Other income	5	19,786	17,192
Endowment income & interest receivable	6	1,790	870
Total income		108,762	95,190
EXPENDITURE			
Staff costs	7 & 9	65,310	57,477
Other operating expenses	9	31,840	27,313
Depreciation	9	7,383	6,464
Interest payable	9 & 10	1,909	2,265
Total expenditure		106,442	93,519
Surplus before disposal of assets and taxation		2,320	1,671
Gain on disposal of assets		18,591	3,210
Surplus after disposal of assets but before taxation		20,911	4,881
Taxation		0	0
Surplus after disposal of assets and tax		20,911	4,881
Transfer (to)/from accumulated income within specific endowments		(261)	521
Surplus for the year retained within general reserves	11	20,650	5,402

The income and expenditure account is in respect of continuing activities.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2006

	Notes	Year ended 31 July 2006	Year ended 31 July 2005
		£000	Restated £000
Surplus after disposal of assets and taxation		20,911	4,881
Appreciation of endowment asset investments	22	2,227	4,279
New endowments	22	410	1,598
Revaluation of listed investment	23	235	1,230
Actuarial loss	29	<u>(1,620)</u>	<u>(2,325)</u>
Total recognised gains relating to the year		22,163	9,663
Prior year adjustment	1	<u>(16,100)</u>	
Total gains and losses since last annual report		<u>6,063</u>	
 Reconciliation			
Opening reserves and endowments as previously stated		59,081	47,118
Prior year adjustment	1	<u>(16,100)</u>	<u>(13,800)</u>
Opening reserves and endowments as restated		42,981	33,318
Total recognised gains relating to the year		22,163	9,663
Closing reserves and endowments		<u>65,144</u>	<u>42,981</u>

BALANCE SHEETS
As at 31 July 2006

	Notes	Group 31 July 2006 £000	Group 31st July 2005 Restated £000	University 31 July 2006 £000	University 31st July 2005 Restated £000
Fixed assets					
Negative Goodwill	12	(75)	(938)	0	0
Tangible Assets	13	124,457	114,725	118,323	108,288
Investments	14	1,722	1,481	2,826	2,035
Total fixed assets		<u>126,104</u>	<u>115,268</u>	<u>121,149</u>	<u>110,323</u>
Endowment assets	15	<u>36,264</u>	<u>33,366</u>	<u>36,264</u>	<u>33,366</u>
Current assets					
Stock		406	446	406	446
Debtors	16	23,926	8,253	28,688	12,758
Short Term Deposits		2,035	100	2,035	100
Cash at Bank and In Hand		413	342	328	342
Total current assets		<u>26,780</u>	<u>9,141</u>	<u>31,457</u>	<u>13,646</u>
Creditors : amounts falling due within one year	17	<u>(28,488)</u>	<u>(22,627)</u>	<u>(30,182)</u>	<u>(24,227)</u>
Net current (liabilities) / assets		<u>(1,708)</u>	<u>(13,486)</u>	<u>1,275</u>	<u>(10,581)</u>
Total assets less current liabilities		160,660	135,148	158,688	133,108
Creditors: amounts falling due after more than one year	18	(49,066)	(48,642)	(48,997)	(48,573)
Provision for liabilities and charges	20	(594)	(66)	(594)	(66)
Net assets excluding pension liability		111,000	86,440	109,097	84,469
Pension liability		(17,900)	(16,100)	(17,900)	(16,100)
NET ASSETS		<u>93,100</u>	<u>70,340</u>	<u>91,197</u>	<u>68,369</u>
Deferred capital grants	21	<u>27,956</u>	<u>27,359</u>	<u>27,490</u>	<u>26,887</u>
Endowment funds					
Specific	22	33,992	31,249	33,992	31,249
General	22	2,272	2,117	2,272	2,117
Total endowments		<u>36,264</u>	<u>33,366</u>	<u>36,264</u>	<u>33,366</u>
Reserves:					
Revaluation reserve	23	1,465	1,230	1,465	1,230
General reserve excluding pension liability	23	45,315	24,485	43,878	22,986
Pension liability	23	(17,900)	(16,100)	(17,900)	(16,100)
Total Reserves		<u>28,880</u>	<u>9,615</u>	<u>27,443</u>	<u>8,116</u>
TOTAL FUNDS		<u>93,100</u>	<u>70,340</u>	<u>91,197</u>	<u>68,369</u>

Approved by the University Court of the University of St. Andrews on 8 December 2006 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 2006

	Notes	Year ended 31 July 2006	Year ended 31 July 2005
		£000	£000
Cash flow from operating activities	24	5,056	4,539
Returns on investments and servicing of finance	25	(229)	(1,356)
Capital expenditure and financial investment	26	(8,762)	(10,127)
Financing	27	4,785	8,911
Increase in cash in period		<u><u>850</u></u>	<u><u>1,967</u></u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		850	1,967
Cash inflow from new secured loans	27	(4,785)	(8,911)
Change in net debt resulting from cash flows	28	<u>(3,935)</u>	<u>(6,944)</u>
Net debt at 1 August 2005		(48,347)	(41,403)
Net debt at 31 July 2006	28	<u><u>(52,282)</u></u>	<u><u>(48,347)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

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 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 material subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2006. The activities of the Students' Association have not been consolidated as the University does not control these activities.

Change in accounting policy

The University has adopted the accounting requirements of FRS 17 "Retirement Benefits" in full in the current period. The adoption of FRS 17 has resulted in a change in accounting policy for pensions; defined benefit scheme assets and liabilities measured under FRS 17 now replace the SSAP 24 accounting. In the income & expenditure account two new items, expected return on assets and interest on pension scheme liabilities, are now included in the heading 'other finance costs' within interest payable or 'other finance income' within endowment and investment income. Actuarial gains and losses are reflected in the statement of total recognised gains and losses.

The impact of the prior year adjustment on the net assets at 1 August 2004 and 1 August 2005 is a reduction of £13,800,000 and £16,100,000 respectively, representing the inclusion of the FRS 17 liability. The impact on the results for the year ended 31 July 2005 is to increase the surplus before disposals and tax by £25,000, representing the difference between pension contributions paid and amounts recognised of £64,000 and net finance costs of (£39,000). The impact on the results for the current year is to decrease the surplus before disposals and tax by £180,000, being the difference between pension contributions paid and the amount recognised of (£290,000) and net finance income of £110,000.

Recognition of income

Income from the Scottish Further and 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

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.

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.

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

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 contracted out of the State Earnings-Related Pension Scheme.

The USS Scheme assets 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; therefore contributions are accounted for as if it were a defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

Pension costs (cont'd)

The S & LAS scheme assets are held in a separate trustee-administered fund and are measured using market value. The liabilities of the scheme are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. Any increase in the present values of the liability in the scheme expected to arise from employee service in the period is charged to the income and expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs, within interest payable or 'investment income' within endowment and investment income. Actuarial gains and losses are reflected in the statement of total recognised gains and losses.

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 35.

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 2006

2 FUNDING COUNCIL GRANTS	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
SFC HE recurrent teaching grant	18,215	17,596
SFC recurrent research grant	13,332	12,834
Release of deferred capital grants (note 21)	1,309	921
Other SFC grants	1,526	922
	<u>34,382</u>	<u>32,273</u>
3 TUITION FEES AND EDUCATION CONTRACTS	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
UK and EU fees	7,205	7,092
Non-EU fees	14,568	12,427
UK and EU Part-Time Students	178	180
Non EU Part-Time Students	37	69
Research training support grants	1,300	982
Short course fees	1,628	1,524
Other fees	90	89
	<u>25,006</u>	<u>22,363</u>
4 RESEARCH GRANTS AND CONTRACTS	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Research Councils	15,146	11,958
UK government bodies, local and health authorities	4,481	5,110
UK based charities	2,573	2,170
UK Industry, commerce and public corporations	930	647
EU Government bodies	2,552	1,728
EU other	39	0
Other overseas	1,019	1,032
Other sources	41	73
	<u>26,781</u>	<u>22,718</u>
Total of direct cost and overhead recovered	<u>26,781</u>	<u>22,718</u>
Income deferred to match capitalised purchases (note 21)	(894)	(2,221)
Release of deferred capital grant for research grant (note 21)	1,911	1,995
Total research grants and contracts	<u>27,798</u>	<u>22,492</u>
5 OTHER INCOME	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Residences, catering and conferences	13,877	12,977
Other income generating activities	75	51
Released from deferred capital grants (note 21)	282	174
Release of negative goodwill	313	258
Gifts & Donations	642	723
Academic Conferences	502	531
Consumables and services recharged to research partner	461	345
Other operating income	3,634	2,133
Total other income	<u>19,786</u>	<u>17,192</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

6 ENDOWMENT INCOME AND INTEREST RECEIVABLE	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Other finance income (note 29)	110	0
Income from general endowment asset investments (note 22)	56	111
Income from specific endowment asset investments (note 22)	1,497	622
Other interest receivable	127	137
Total endowment income and interest receivable	<u>1,790</u>	<u>870</u>
7 STAFF COSTS	Year ended 31 July 2006 Number	Year ended 31 July 2005 Number
Average staff numbers by major category:		
Academic / Teaching departments	442	421
Academic / Teaching services	89	84
Research grants and contracts	315	267
Administration and central services	696	648
Premises	212	196
Catering and residences	390	365
Total	<u>2,144</u>	<u>1,981</u>
Staff Costs:	Year ended 31 July 2006 £000	Year ended 31 July 2005 Restated £000
Wages and salaries	53,829	47,481
Social security costs	4,384	3,902
Other pension costs	7,097	6,094
Total staff costs (note 9)	<u>65,310</u>	<u>57,477</u>
Remuneration of higher paid staff (excluding employer's Pension contributions)	Number	Number
£50,001 - £60,000	43	57
£60,001 - £70,000	50	40
£70,001 - £80,000	31	31
£80,001 - £90,000	19	3
£90,001 - £100,000	3	2
£100,001- £110,000	2	1
£110,001 - £120,000	1	0
£120,001 - £130,000	2	1
£190,001- £200,000	2	1
£200,001- £210,000	0	1
Total	<u>153</u>	<u>137</u>
8 EMOLUMENTS OF PRINCIPAL	£000	£000
Salary	197	186
Benefits in kind	12	9
Total emoluments	<u>209</u>	<u>195</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

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 £16,016 (2004/05: £14,448)

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff Costs	Depn	Other Operating Expenses	Interest Payable	Total
	£000	£000	£000	£000	£000
Year ended 31 July 2006					
Teaching departments	34,265	0	7,549	0	41,814
Teaching support services	3,157	0	2,070	0	5,227
Administration	6,256	1,554	3,412	-10	11,212
Premises	3,321	2,057	4,202	0	9,580
Research Grants & Contracts	12,264	1,912	7,360	0	21,536
Residences, Catering & Conferences	3,910	1,860	4,883	1,919	12,572
Other Expenses	1,847	0	2,364	0	4,211
Pension operating charge	290	0	0	0	290
	65,310	7,383	31,840	1,909	106,442

	Staff Costs	Depn	Other Operating Expenses	Interest Payable	Total
	£000	£000	£000	£000	£000
			Restated	Restated	
Year ended 31 July 2005 (restated)					
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
Pension operating charge	-64	0	0	0	-64
Pension finance charge	0	0	0	39	39
	57,477	6,464	27,313	2,265	93,519

Other operating expenses include:

	2005/06	2004/05
	£000	£000
Auditors' remuneration		
External audit – audit services	60	53
External audit - non audit services	0	7
Internal audit	43	44
Hire of plant and equipment	84	118

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

10 INTEREST PAYABLE	Year ended 31 July 2006	Year ended 31 July 2005 Restated
	£000	£000
Bank overdraft	48	9
Pension finance cost	0	39
Bank loan	1,861	2,217
Total interest payable (Note 9)	<u>1,909</u>	<u>2,265</u>

11 SURPLUS FOR THE YEAR RETAINED WITHIN GENERAL RESERVES	Year ended 31 July 2006	Year ended 31 July 2005 Restated
	£000	£000
The surplus for the year retained within general reserves is:		
University's surplus retained for the year	20,586	4,356
Surplus generated by subsidiary undertakings and transferred to the University under gift aid	126	1,044
	<u>20,712</u>	<u>5,400</u>
Subsidiary deficit	(335)	(223)
Consolidation adjustments		
Negative goodwill release	313	258
Depreciation on fair value uplift	<u>(40)</u>	<u>(33)</u>
	273	225
Surplus retained by group	<u>20,650</u>	<u>5,402</u>

12 INTANGIBLE ASSETS	Year ended 31 July 2006	Year ended 31 July 2005
	£000	£000
Negative Goodwill		
As at 1 August 2005	(938)	(1,196)
Further consideration for prior year acquisition	550	0
Released to income and expenditure in the year	313	258
At 31 July 2006	<u>(75)</u>	<u>(938)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

**13 TANGIBLE FIXED ASSETS
GROUP**

Cost	Land & Buildings		Assets under Construct'n £000	Equipment & Furniture £000	Total £000
	Freehold £000	Leasehold £000			
At 1 August 2005	116,061	73	1,888	35,847	153,869
Additions	1,008	0	15,016	1,996	18,020
Transfers	2,260	0	(3,003)	743	0
Disposals	(1,108)	0	0	(109)	(1,217)
At 31 July 2006	118,221	73	13,901	38,477	170,672
Depreciation					
At 1 August 2005	13,071	51	0	26,022	39,144
Charge for Period	3,369	2	0	4,012	7,383
Disposals	(202)	0	0	(110)	(312)
At 31 July 2006	16,238	53	0	29,924	46,215
Net Book Value At 31 July 2006	101,983	20	13,901	8,553	124,457
At 31 July 2005	102,990	22	1,888	9,825	114,725
Financed by capital grant	21,075	0	862	6,019	27,956
Other	80,908	20	13,039	2,534	96,501
Net book value at 2006	101,983	20	13,901	8,553	124,457

UNIVERSITY only

Cost	Land & Buildings		Assets under constr'n £000	Equipment & Furniture £000	Total £000
	Freehold £000	Leasehold £000			
At 1 August 2005	109,799	73	1,888	35,391	147,151
Additions	1,008	0	14,981	1,996	17,985
Transfers	2,257	0	(2,968)	711	0
Disposals	(1,108)	0	0	(110)	(1,218)
At 31 July 2006	111,956	73	13,901	37,988	163,918
Depreciation					
At 1 August 2005	12,985	51	0	25,827	38,863
Charge for Period	3,147	2	0	3,895	7,044
Disposals	(202)	0	0	(110)	(312)
At 31 July 2006	15,930	53	0	29,612	45,595
Net book value At 31 July 2006	96,026	20	13,901	8,376	118,323
At 31 July 2005	96,814	22	1,888	9,564	108,288
Financed by capital grant	21,075	0	862	6,019	27,956
Other	74,951	20	13,039	2,357	90,367
Net book value at 2006	96,026	20	13,901	8,376	118,323

Included within fixed assets is an amount of £879,385 (2004/05 - £617,906) of capitalised finance costs. £261,478 of finance costs were capitalised during 2005/06. A monthly capitalisation rate was used which averaged at 4.75% for the year.

Buildings and equipment with a cost of £15,990,927 and a net book value of £13,826,926 have been financed in part or in whole by Treasury sources. Should these assets be sold the University may have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Further and Higher Education Funding Council.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

14 INVESTMENTS

	Non - Subsidiaries £000	Subsidiaries £000	Total £000
As at 1 Aug 2005	1,481	554	2,035
Additions	1	0	1
Revaluation	253	550	803
Disposal	(13)	0	(13)
At 31 July 2006	<u>1,722</u>	<u>1,104</u>	<u>2,826</u>

Subsidiary companies:

The University owns 100% of the following material subsidiaries

<i>Company</i>	<i>Share capital</i>	<i>Country of incorporation</i>	<i>Activity</i>
St. Andrews University Services Ltd.	£2	Scotland	Vacation letting Property
University of St. Andrews Property Services Ltd.	£2	Scotland	development Property
University of St Andrews Gateway Ltd	£2	Scotland	development

Non-subsidiary companies

£0.235 million of the increase in investments relates to the revaluation of the University's investment in IDMoS plc.

15 ENDOWMENT ASSET INVESTMENTS

	As at 31 July 2006 £000	As at 31 July 2005 £000
Group & University		
Balance as at 1 August	33,366	28,010
Additions	766	20,790
Disposals	(2)	(20,366)
Appreciation	2,227	4,279
Debtor movement	(62)	1,080
Cash movement	(31)	(427)
Balance as at 31 July	<u>36,264</u>	<u>33,366</u>
Represented by:		
Fixed Interest Stocks	6,027	5,888
Equities	27,621	24,762
Land & Property	966	966
Amounts included within short term deposits	1,464	1,709
Debtors	184	0
Bank, Building Society & Other Deposits	2	41
Total Endowment Assets	<u>36,264</u>	<u>33,366</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

16 DEBTORS	Group As at 31 July 2006 £000	Group As at 31 July 2005 £000	University As at 31 July 2006 £000	University As at 31 July 2005 £000
Amounts falling due within one year:				
Trade debtors	1,799	2,251	1,884	2,251
European funding	697	382	697	382
Debts due from students	592	602	592	602
Amounts owed by group undertakings	0	0	4,677	4,505
Prepayments and accrued income	6,709	4,957	6,709	4,957
Other debtors	14,129	61	14,129	61
	<u>23,926</u>	<u>8,253</u>	<u>28,688</u>	<u>12,758</u>

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 vacant possession of the property being granted by 31 July 2006. Vacant possession was granted by this date and the sale has been recognised in the current year. Additional time was allowed for payment and an amount of £14 million is included within Other Debtors. This amount was received in full on 31 August 2006.

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group As at 31 July 2006 £000	Group As at 31 July 2005 £000	University As at 31 July 2006 £000	University As at 31 July 2005 £000
Bank overdraft	1,440	315	1,422	382
Short term loan	4,500	0	4,500	0
Payments received in advance	10,946	10,442	10,946	10,442
Trade creditors	4,303	3,269	4,303	3,269
Other creditors & accruals	4,472	5,411	4,379	5,228
Amounts held on behalf of endowment funds	1,464	1,709	1,464	1,709
Amounts owed to group undertakings	0	0	1,806	1,717
Social security & other tax payable	1,363	1,481	1,362	1,480
Total	<u>28,488</u>	<u>22,627</u>	<u>30,182</u>	<u>24,227</u>

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group As at 31 July 2006 £000	Group As at 31 July 2005 £000	University As at 31 July 2006 £000	University As at 31 July 2005 £000
Unsecured loan	48,800	48,515	48,800	48,515
Other long term creditors	266	127	197	58
	<u>49,066</u>	<u>48,642</u>	<u>48,997</u>	<u>48,573</u>

19 BORROWINGS

	Group As at 31 July 2006 £000	Group As at 31 July 2005 £000	University As at 31 July 2006 £000	University As at 31 July 2005 £000
Bank Loans and Overdrafts are repayable as follows:				
In one year or less	5,940	315	5,922	382
Between one and two years	1,877	0	1,877	0
Between two and five years	7,508	5,753	7,508	5,753
In five years or more	39,415	42,762	39,415	42,762
Total repayable	<u>54,740</u>	<u>48,830</u>	<u>54,722</u>	<u>48,897</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

20 PROVISIONS FOR LIABILITIES & CHARGES

	As at 31 July 2006 £000
FSSU Unfunded Pension Benefits	
At 1 August 2005	66
Expenditure in the period	(10)
Increase in provision required	6
At 31 July 2006	62
Early Retirement & Restructuring Provision	
At 1 August 2005	0
Addition	532
At 31 July 2006	532
Total provisions at 31 July 2006	594

Watson Wyatt, an independent firm of actuaries, carried out a valuation of the existing pension provision at 31 July 2006. 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 and are charged against a provision established when members retire to meet this liability.

21 DEFERRED CAPITAL GRANTS	SHEFC £000	Research £000	Other £000	Total £000
As at 1st August 2005				
Buildings	16,837	93	4,427	21,357
Equipment	1,582	4,397	23	6,002
Reallocations	15	(108)	93	0
Total	18,434	4,382	4,543	27,359
Received				
Buildings	1,231	0	542	1,773
Equipment	1,497	894	14	2,405
Total	2,728	894	556	4,178
Disposals				
Buildings	(75)	0	(4)	(79)
Released to Income				
Buildings	(845)	0	(269)	(1,114)
Equipment	(464)	(1,911)	(13)	(2,388)
Total	(1,309)	(1,911)	(282)	(3,502)
At 31 July 2006				
Buildings	17,148	0	4,789	21,937
Equipment	2,630	3,365	24	6,019
Group Total	19,778	3,365	4,813	27,956
University of St Andrews Gateway Ltd				
Buildings	466	0	0	466
University Total	19,312	3,365	4,813	27,490

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

22 ENDOWMENT FUNDS

	Specific £000	General £000	2006 Total £000	2005 £000
Group and University				
At 1 August 2005	31,249	2,117	33,366	28,010
Additions	410	0	410	1,598
Appreciation	2,072	155	2,227	4,279
Income for year	1,497	56	1,553	733
Expenditure for year	(1,236)	(56)	(1,292)	(1,254)
At 31 July 2006	33,992	2,272	36,264	33,366
Representing				
Chairs and lectureships	9,347	0	9,347	8,728
Other specific purposes	12,222	0	12,222	11,435
Scholarships and bursaries	11,556	0	11,556	10,282
Prize funds	867	0	867	804
Other funds	0	2,272	2,272	2,117
Total	33,992	2,272	36,264	33,366

23 MOVEMENT ON RESERVES

	Group Year ended 31 July 2006 £000	Group Year ended 31 July 2005 Restated £000	University Year ended 31 July 2006 £000	University Year ended 31 July 2005 Restated £000
Revaluation reserve				
At 1 August 2005	1,230	0	1,230	0
Revaluation of investments in the year	235	1,230	235	1,230
At 31 July 2006	1,465	1,230	1,465	1,230
Income and expenditure account reserve				
At 1 August 2005 (as previously reported)	24,485	19,108	22,986	17,611
Prior year adjustment	(16,100)	(13,800)	(16,100)	(13,800)
At 1 August 2005 (restated)	8,385	5,308	6,886	3,811
Surplus retained for the year	20,650	5,402	20,712	5,400
Actuarial Loss	(1,620)	(2,325)	(1,620)	(2,325)
At 31 July 2006	27,415	8,385	25,978	6,886

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

24 RECONCILIATION OF CONSOLIDATED OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES	Year ended 31 July 2006	Year ended 31 July 2005 Restated
	£000	£000
Surplus before tax	20,911	4,881
Depreciation	7,383	6,464
Amortisation of negative goodwill	(313)	(258)
Deferred capital grants released to income	(3,502)	(3,090)
Investment income	(1,790)	(870)
Profit on sale of tangible fixed assets	(18,591)	(3,210)
Interest payable	1,909	2,265
Difference between pension contributions paid and amounts recognised in the Income and Expenditure account	290	(64)
Increase (decrease) in stocks	40	(21)
Increase in debtors	(1,673)	(1,010)
Increase in creditors	(136)	(487)
Increase (decrease) in provisions	528	(61)
Net cash inflow from operating activities	<u>5,056</u>	<u>4,539</u>
25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	Year ended 31 July 2006	Year ended 31 July 2005
	£000	£000
Income from endowments	1,553	733
Other interest received	127	137
Interest paid	(1,909)	(2,226)
	<u>(229)</u>	<u>(1,356)</u>
26 CAPITAL EXPENDITURE & FINANCIAL INVESTMENT	Year ended 31 July 2006	Year ended 31 July 2005
	£000	£000
Purchase of tangible fixed assets	(18,020)	(22,343)
Purchase of investments	0	(16)
Payments to acquire endowment assets	(766)	(20,790)
Sales of tangible fixed assets	5,434	3,342
Receipts from sales of endowment asset investments	2	20,366
Deferred capital grants received	4,178	7,716
Endowments Received	410	1,598
	<u>(8,762)</u>	<u>(10,127)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

27 FINANCING

	Year ended 31 July 2005 £000	Year ended 31 July 2006 £000
Short term loan	4,500	0
New unsecured loan	285	8,911
Net cash inflow from financing	<u>4,785</u>	<u>8,911</u>

28 ANALYSIS OF CHANGE IN NET DEBT

	At 1 Aug 2005 £000	Cash Flows £000	31 July 2006 £000
Cash			
at Bank and in hand	442	2,006	2,448
Endowment cash	41	(31)	10
Bank overdraft	(315)	(1,125)	(1,440)
	<u>168</u>	<u>850</u>	<u>1,018</u>
Debt due within one year			
Short term loan	0	(4,500)	(4,500)
Debt due after one year			
Unsecured loan	(48,515)	(285)	(48,800)
Total	<u>(48,347)</u>	<u>(3,935)</u>	<u>(52,282)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

29 PENSION ARRANGEMENTS

The University promotes membership of two separate pension schemes for its staff. These are outlined separately below.

Universities Superannuation Scheme (U.S.S.)

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 2005. 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 4.5% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, salary increases would be 3.9% per annum and pensions would increase by 2.9% 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 £21,739 million and the value of the past service liabilities was £28,308 million leaving a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits that had accrued to members after allowing for expected future increases in earnings.

It was agreed that the institution contribution rate be maintained at 14% of salaries and the employee contribution should remain at 6.35%.

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 2008 when the above rates will be reviewed

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

29 PENSION ARRANGEMENTS (continued)

The total USS pension cost for the institution was £4.977million (2004/2005 - £4.399 million). This includes £0.409million (2004/2005 - £0.366million) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14% of pensionable salaries. Employees' regular contributions were £2,264 million (2004/2005 - £1.985 million) and £0.206 million (2004/2005 - £0.160 million) 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 2006 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

	Year ended 31 July 2006	Year ended 31 July 2005	Year ended 31 July 2004
Rate of increase in salaries	3.90%	4.20%	4.35%
Rate of increase in benefits accruing prior to 6 April 2006	2.90%	2.70%	2.85%
Rate of increase in benefits accruing from 6 April 2006	2.50%	n/a	n/a
Discount Rate	5.10%	5.00%	5.75%
Inflation assumption	2.90%	2.70%	2.85%

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 2006	Value at 31 July 2006 £000	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
Equities	8.00%	32,650	8.00%	29,200	8.75%	23,500
Bonds	4.60%	5,350	4.40%	5,500	5.00%	4,800
Property	6.30%	0	6.20%	300	6.88%	300
Others	3.90%	1,100	3.70%	900	3.85%	300
		<u>39,100</u>		<u>35,900</u>		<u>28,900</u>

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

	As at 31 July 2006 £000	As at 31 July 2005 £000	As at 31 July 2004 £000
Total market value of scheme assets	39,100	35,900	28,900
Present value of scheme liabilities	(57,000)	(52,000)	(42,700)
Deficit in scheme - Net pension liability	<u>(17,900)</u>	<u>(16,100)</u>	<u>(13,800)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

29 PENSION ARRANGEMENTS (continued)

Analysis of amounts charged to income and expenditure account:	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Current service cost	2,110	1,689
Total operating charge	<u>2,110</u>	<u>1,689</u>

Analysis of net finance return / (charge) on pension scheme:	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Expected return on pension scheme assets	2,660	2,373
Interest on pension liabilities	(2,550)	(2,412)
Net return /(charge)	<u>110</u>	<u>(39)</u>

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

	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Actual return less expected return on pension scheme assets	(170)	3,708
Experienced gains and (losses) arising on scheme liabilities	(450)	(1,033)
Changes in assumptions underlying the present value of scheme liabilities	(1,000)	(5,000)
Actuarial loss recognised in statement of total recognised gains & losses	<u>(1,620)</u>	<u>(2,325)</u>

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

	Year ended 31 July 2006 £000	Year ended 31 July 2005 £000
Deficit on scheme at 1 August 2005	(16,100)	(13,800)
Movement in year:		
Current service cost	(2,110)	(1,689)
Contributions	1,820	1,753
Past service costs	0	0
Other finance income / (charge)	110	(39)
Actuarial loss	(1,620)	(2,325)
Deficit on scheme at 31 July 2005	<u>(17,900)</u>	<u>(16,100)</u>

The University has contributed to the scheme at the following rates of pensionable salary
1 August 2005 to 31 July 2006

20.23%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

29 PENSION ARRANGEMENTS (continued)

History of experience gains and losses:	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets				
Amount (£'000)	170	(3,708)	(513)	(903)
Percentage of scheme assets	0.43%	10.3%	1.8%	3.4%
Experience gains and losses on scheme liabilities				
Amount (£'000)	450	1,033	(32)	609
Percentage of the present value of the scheme liabilities	0.79%	2.0%	0.1%	1.7%
Total amount recognised in the statement of total recognised gains and losses				
Amount (£'000)	1,620	2,325	(3,645)	(594)
Percentage of the present value of the scheme liabilities	2.84%	4.5%	8.5%	1.6%

30 CAPITAL COMMITMENTS	Year ended 31 July	
	2006 £000	2005 £000
Commitments contracted for at 31 July	3,635	5,748

31 FINANCIAL COMMITMENTS: OPERATING LEASES	Year ended 31 July	
	2006 £000	2005 £000
Equipment: Expiring within two to five years inclusive	54	0

32 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.

33 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2006

34 HE BURSARIES AND OTHER STUDENT SUPPORT FUNDS

HE bursaries and other student support funds are available solely for students: the University acts only as paying agent. The grants and related disbursements are excluded from the Income and Expenditure Account.

	2005-06	2005-06	2005-06	2004-05
	HE Childcare £000	HE Hardship £000	Total £000	Total £000
Balance b/fwd	0	1	1	0
Allocation received in the year	31	243	274	208
Expenditure	(25)	(255)	(280)	(235)
Institution contribution to funds	1	7	8	28
Virements	(4)	4	0	0
Balance c/fwd	3	0	3	1
Retained by institution for students	3	0	3	1

35 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	67,550
	75,285