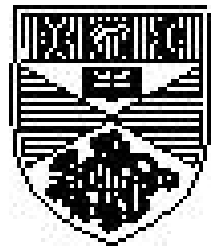


*Reports and
Financial Statements
of the University Court*

For the year to 31 July 2001

University of St Andrews



CONTENTS

| | Pages |
|--|---------|
| Membership of the University Court and Committees | 2 - 4 |
| Report of the Convener of the Finance Committee | 5 - 6 |
| Responsibilities of the Court of the University of St. Andrews | 7 - 8 |
| Corporate governance | 9 - 11 |
| Independent auditors' report..... | 12 - 13 |
| Financial Statements: | |
| Statement of principal accounting policies | 14 - 15 |
| Consolidated income and expenditure account | 16 |
| Balance sheets | 17 |
| Consolidated cash flow statement | 18 |
| Statement of consolidated total recognised gains and losses | 18 |
| Notes to the accounts..... | 19 - 30 |

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

The Rector, President

Mr. A. F. Neil

Senior Governor and Vice-President

Dr. J. D. O. Morris

The Principal

Dr. B. A. Lang (from 1 January 2001)

The Deputy Principal and Master of the United College of St. Salvator and St. Leonard

Professor C. A. Vincent

The Provost of St. Leonard's College

Professor P. F. Esler

The Chancellor's Assessor

Emeritus Professor D. B. Thomas

The Rector's Assessor

Mr. C. Davis

Fife Council

Mr. T. M. Dair, Convener

Mr. A. D. Arbuckle, Convener's Nominee

Assessors of the General Council

Mr. J. F. Matthews

Mr. D. S. Mundie

Mr. W. Berry

Mrs. C. A. M. Davis

Assessors of the Senatus Academicus

Dr. D. P. Cobham

Professor I. A. Johnston

Miss A. J. Kettle

Professor M. M. H. Malek

Professor R. A. Piper

Co-opted Members

Ms. D. Green (until 30 June 2002)

Mr. J. B. Mackie

Mrs. J. C. Ogilvy

Miss K. M. Patrick

Mr. A. M. MacIntyre

Mr. G. R. C. Scott

Clerk of the Court

Mr. I. M. Wright

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

| <i>Members</i> | <i>Until</i> | <i>Capacity</i> |
|---|--------------|-------------------------------|
| ACADEMIC AUDIT COMMITTEE | | |
| Professor R A Piper (Convener) | 2003 | Senate Assessor on Court |
| The Master | - | ex officio |
| The Dean of Arts | - | ex officio |
| The Dean of Science | - | ex officio |
| The Vice President (Rep) Students' Association | - | ex officio |
| Professor A Millar | 2003 | External Assessor |
| <i>Secretary : the Director, Academic Audit</i> | | |
| AUDIT COMMITTEE | | |
| Mr D S Mundie (Convener) | 2002 | Lay member of Court |
| Mr R S Murray | 2004 | Court nominee |
| Mrs J C Ogilvy | 2002 | Court nominee |
| Mr G R C Scott | 2001 | Court nominee |
| Professor D B Thomas | 2003 | Court nominee |
| <i>Secretary : the Clerk of Court</i> | | |
| EQUAL OPPORTUNITIES COMMITTEE | | |
| Mrs C A M Davis (Convener) | 2004 | Non-Exec member of Court |
| The Master | - | ex officio |
| The Convener, Equal Opportunities Forum | - | ex officio |
| The Convener, Staff Committee | - | ex officio |
| The Convener, Student Services Committee | - | ex officio |
| Mr J B Mackie | 2001 | Non-Exec member of Court |
| Dr S M Nutley | 2004 | Senate nominee |
| Mr M A W Booth | 2001 | Students' Association nominee |
| <i>Secretary : the Director of Personnel Services</i> | | |
| FINANCE COMMITTEE | | |
| Mr J F Matthews (Convener) | 2002 | Lay member of Court |
| The Principal | - | ex officio |
| Mr A D Arbuckle | 2004 | Non-Exec member of Court |
| Professor I A Johnston | 2001 | Non-Exec member of Court |
| Miss K M Patrick | 2003 | Non-Exec member of Court |
| Dr M M A La Manna | 2004 | Senate nominee |
| <i>Secretary : the Quaestor & Factor</i> | | |
| INFORMATION POLICY COMMITTEE | | |
| The Provost | - | ex officio |
| Professor M Johnston | 2001 | Non-Exec member of Court |
| Dr M P Vysny | 2004 | Senate nominee |
| Mr K S Head | 2001 | Students' Association nominee |
| <i>Secretary : the Librarian</i> | | |
| NOMINATIONS COMMITTEE | | |
| Dr J D O Morris (Convener) | 2002 | Senior Governor |
| The Principal | - | ex officio |
| The Rt. Hon. Menzies Campbell | 2004 | External Court nominee |
| Mrs C A M Davis | 2004 | Non-Exec member of Court |
| Professor I A Johnston | 2001 | Non-Exec member of Court |
| Miss A J Kettle | 2003 | Non-Exec member of Court |
| Mr J W MacDougall | 2004 | Non-Exec member of Court |
| Professor R A Piper | 2003 | Non-Exec member of Court |
| <i>Secretary : the Clerk of Court</i> | | |

MEMBERSHIP OF THE UNIVERSITY COURT AND COMMITTEES

| <i>Members</i> | <i>Until</i> | <i>Capacity</i> |
|---|--------------|----------------------------------|
| PLANNING AND RESOURCES COMMITTEE | | |
| The Principal (Convener) | - | ex officio |
| The Master | - | ex officio |
| The Provost | - | ex officio |
| The Dean of Arts | - | ex officio |
| The Dean of Science | - | ex officio |
| Convener, Finance Committee | - | ex officio |
| Convener, Information Policy Committee | - | ex officio |
| Convener, Staff Committee | - | ex officio |
| Convener, Student Services Committee | - | ex officio |
| Professor M H Dunn | 2002 | Senate electee |
| Dr C J Smith | 2004 | Senate electee |
| <i>Secretary : the Secretary & Registrar</i> | | |
| REMUNERATION COMMITTEE | | |
| Dr J D O Morris (Convener) | 2002 | Senior Governor |
| The Principal | - | ex officio |
| Mr A M MacIntyre | 2004 | Lay member of Court |
| Miss K M Patrick | 2003 | Lay member of Court |
| <i>Secretary : the Director of Personnel Services</i> | | |
| RISK MANAGEMENT COMMITTEE | | |
| Mr W Berry (Convener) | 2004 | Non-Exec member of Court |
| The Provost | - | ex officio |
| Dr P J Clark | 2001 | Non-Exec member of Court |
| Professor I A Johnston | 2001 | Non-Exec member of Court |
| Professor A J Torrance | 2004 | Senate nominee |
| Professor J D Woollins | 2004 | Senate nominee |
| <i>To be appointed by committee</i> | 2004 | External Court nominee |
| <i>Secretary : the Quaestor & Factor</i> | | |
| STAFF COMMITTEE | | |
| Mr A M MacIntyre (Convener) | 2004 | Lay member of Court |
| The Principal | - | ex officio |
| The Master | - | ex officio |
| The Dean of Divinity | - | ex officio |
| The Dean of Arts | - | ex officio |
| The Dean of Science | - | ex officio |
| Mr D S Mundie | 2002 | Lay member of Court |
| Miss K M Patrick | 2003 | Lay member of Court |
| Professor B Roberts | 2004 | Senate nominee |
| Dr G F San Román | 2004 | Senate nominee |
| Dr H R Allen | 2004 | Non-Academic Staff Court nominee |
| Mr J B Mackie | 2001 | Non-Academic Staff Court nominee |
| <i>Secretary : the Director of Personnel Services</i> | | |
| STUDENT SERVICES COMMITTEE | | |
| Miss K M Patrick (Convener) | 2003 | Non-Exec member of Court |
| The Master | - | ex officio |
| Mr A D Arbuckle | 2004 | Lay member of Court |
| Professor P J Boyle | 2004 | Senate nominee |
| Mrs J C Ogilvy | 2002 | Lay member of Court |
| Dr S C Whiten | 2004 | Senate nominee |
| Mr M A W Booth | 2001 | Students' Association nominee |
| Mr K S Head | 2001 | Students' Association nominee |
| <i>Secretary : the Hebdomadar</i> | | |

REPORT OF THE CONVENER OF THE FINANCE COMMITTEE

Scope of the financial statements

The accounts for the year to 31 July 2001 have been prepared in accordance with the Statement of Recommended Practice; Accounting for Further and Higher Education Institutions.

As noted in paragraph 1 of the statement of principal accounting policies (Page 14), these accounts have been prepared on a Historical Cost basis.

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 32 days (1999/00: 39 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 will not be subjected to unfair discrimination in any aspect of university life. The University's aim is that all staff and students, whether existing or potential, 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 instances of unfair discrimination are not tolerated, and in which everyone has the opportunity to develop to their full potential.

Result for the year

The accounts show a surplus for the year of £0.6 million. This is substantially less than was predicted in either the Strategic Plan or the Mid-year Update. The major contributor to this disappointing outcome was income from asset sales which was slower to be achieved and lower than planned.

Income, at £66.1 million, was 1% higher than originally forecast. Funding Council Grants were some 6% higher than budgeted, essentially because of larger than normal specific grants (Note 1 to accounts). Research Grants maintained healthy growth, with income £1.0 million (7.5%) higher than forecast. Other income was 18% below the expected level, reflecting a shortfall (7%) in income from residences, catering and conferences as well as the failure to achieve the anticipated income from asset sales.

Expenditure, at £65.5 million, was 3% above the planned level. Staff costs were controlled at budget levels and interest payable was very close to the expected level. Depreciation, at £3.3 million, was 20% above the predicted level due to higher than forecast purchases of equipment (paralleling the higher Research Grant income) whilst other operating expenses were £1.0 million (6%) over budget as a consequence of the greater research activity, expenditure incurred against the higher specific grants mentioned above and a number of cost increases such as utilities (14% higher than previous year).

The balance sheet reflects the poor performance of the stock market as displayed in the reduced value of endowment asset investments but is otherwise substantially unchanged from previous year. Stock market performance has also contributed to a deficit on the St. Andrews University Pension Scheme. This is highlighted in Note 26 where, in compliance with the new accounting standard for accounting for pensions (FRS17), information on the scheme asset and liability position at 31 July 2001 is included along with information on the actuarial assumptions built into establishing these valuations.

REPORT OF THE CONVENER OF THE FINANCE COMMITTEE

The cash flow statement shows an increase in net debt of 5.7% (to £25.7 million) compared with the previous year-end. Amongst a number of factors, the absence of the expected income from asset sales adversely affected the out-turn.

Conclusion

The accounts for the year display a situation that is broadly satisfactory given the difficult environment in which the University has to work.

Over the past two years much progress has been made in opening the planning process to a much wider range of inputs than hitherto. Improved systems are in place and functioning and budgetary controls are effective. Over the past year however, little progress was made in improving the inflow of funds from non-public sources and this must remain an important priority for the University. In this context the recent appointment of a new Director of Development is welcomed.

Since the University is considering the funding of the replacement of one of its student residences through substantial additional borrowing over the coming two years or so stringent budgetary controls will continue to be essential.

John Matthews
Convener of the Finance Committee
College Gate
St Andrews

14 December 2001

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 on Accounting for Higher Education Institutions 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;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic schools and administrative departments;
- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

RESPONSIBILITIES OF THE COURT OF THE UNIVERSITY OF ST ANDREWS

- regular reviews of financial performance, including updates of forecast outruns;
- 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 Financial Regulations and Procedures;
- comprehensive Financial Regulations, detailing financial controls approved by the University Court on the recommendation of the Finance 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. This summary describes the manner in which the University has applied the principles set out in Section 1 of the combined Code on Corporate Governance issued by the London Stock Exchange in June 1998. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The University 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.

The University Court is of the view that the introduction of a new committee structure from 1 August 2000, *inter alia*, established a process, principally through the Risk Management Committee and the Audit Committee, for the identification, evaluation and management of the University's significant risks.

The University Court met five times during 2000/2001, 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 3 and 4, are:

- Academic Audit Committee
- Audit Committee
- Equal Opportunities Committee
- Finance Committee
- Information Policy Committee
- Nominations Committee
- Planning and Resources Committee
- Remuneration Committee
- Risk Management 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/committe.htm>).

In respect of its strategic planning and development responsibilities, the University Court receives recommendations and advice from the **Planning and Resources Committee**. The committee's membership includes, ex-officio, the four non-executive Court members, who convene the Finance Committee, Information Policy Committee, Staff Committee and Student Services Committee

The Finance Committee reviews the annual budget and financial forecasts of the University, the Students' Association and the Athletic Union, and the levels of residential and other fees charged to students; reviews regularly during each 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; considers the content of the annual financial statements of the University (in the light of appropriate advice from the Audit Committee), the Students' Association and the Athletic Union and submits such statements to Court; 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

CORPORATE GOVERNANCE

investment advisers, (ii) the investment portfolio(s) under their management and (iii) any and all University investments not under the management of the investment advisers; and reviews the University's assets, advising Court in respect of their management, purchase and sale.

The 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 Finance 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 the University Court; receives reports from the internal and external auditors and pursues, as necessary with the relevant officers, issues arising from such reports; considers any other audit-related matters, including reports from the National Audit Office or other external agencies; keeps under review procedures for the appointment of internal and external auditors, implements such procedures and consequently makes recommendations to the University Court; considers any other Audit matter pertaining to the University. 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.

It is the role of the **Risk Management Committee**, in relation to Health and Safety, to audit, upon the basis of advice from the Health and Safety Committee, the annual reports from the University's Director of Environmental Health and Safety Services, the implementation of the Health and Safety Policy Statement of the University Court; to review, at least annually, upon the basis of advice from its Health and Safety Committee, the Health and Safety Policy Statement of the University Court in the light of the requirements and advice of the Safety Inspectorates and other appropriate external agencies; and to make recommendations as necessary in the light of (a) and (b) above. In relation to Insurance, the Committee reviews at least annually, the University's cover; recommends material changes to the nature of the University's insurance cover; and advises on the appointment of University Insurance brokers. Finally, it is also the committee's responsibility to review all other aspects of the University's approach to risk assessment and management, including the ethical and environmental implications of University activity, disaster recovery arrangements, in order to make an annual report to the University Court in relation to the committee's entire remit.

CORPORATE GOVERNANCE

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 Circular 05/99). With the following exceptions, the University complies with the requirements of the Good Practice Benchmarks:

- *All members, other than those who are members by virtue of their office, should be appointed for a given term, usually three years. They should not normally serve for a consecutive period of more than nine years*

It is the normal practice for elected and appointed members of the University Court to have a term of office not exceeding four years. They may serve for a second consecutive term of office but normally not for a total of more than eight years.

- *The governing body Standing Orders should include a formal mechanism for removal of members, including criteria, when this would be appropriate, and the associated procedures*

Whilst the handbook for Court members is explicit about the circumstances in which Court members would face removal, the Court has not yet formalised the mechanisms for doing so. The Nominations Committee will consider this at its next meeting.

- *Members should not normally serve for more than one complete term beyond the state retirement age, which for the purpose of this guidance is assumed to be 65*

Having considered the matter, the University Court determined that the attainment of a 70th birthday prior to appointment or re-appointment should be *prima facie* reason for disqualification/resignation/dismissal from Court.

- *The governing body should be represented on the board of directors of related companies by independent lay members of the governing body or by individuals nominated by the governing body; and*

During the year under review, the University's company structure included a holding company, St Andrews University Holdings, which oversaw the activities of the University's subsidiary companies and on whose board served a number of lay Court members. Following the elimination of this company from the University's company structure there will be a requirement to ensure that the Boards of the remaining active companies are populated with appropriate representatives.

- *A formal mechanism should be established through which all material issues about the company's activities, including financial performance and remuneration of directors, are formally reported to the governing body*

Following the revision of the terms of reference of the University's Committees the requirement for the financial reports of related companies to be conveyed to the University Court via the Finance Committee was inadvertently removed. The Finance Committee will shortly advise the Court on the re-instatement of appropriate arrangements.

- *The governing body should formally adopt and monitor a range of financial and non-financial performance measures related to the institution's strategic objectives. These should be published as appropriate to enable taxpayers and other 'stakeholders' to monitor the progress and achievements of the institution*

The University's recent fundamental revision of its Strategic Planning Process provides, through the formulation and monitoring of detailed operational plans, a means by which the University Court can assess the University's achievement of its Strategic Plan. The results of such a review, at the end of the first annual cycle, will be published and publicly available.

INDEPENDENT AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF ST ANDREWS

We have audited the Financial Statements for the year ended 31 July 2001 which comprise the Income and Expenditure Account, Statement of Consolidated Recognised Gains and Losses, Group and University Balance Sheets, Consolidated Cash Flow Statement, and the related notes 1 to 29. These Financial Statements have been prepared on the basis of the accounting policies set out in the Statement of Principal Accounting Policies.

Respective Responsibilities of the Court and Auditors

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

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been applied only 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 Convenor of the Finance Committee 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 Convenor of the Finance Committee and Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board and the Code of Audit Practice issued by the Scottish Higher Education Funding Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Court in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the 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.

**INDEPENDENT AUDITORS' REPORT TO THE COURT OF THE UNIVERSITY OF
ST ANDREWS**

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 2001, 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 Institutions;
- (ii) income from the Scottish Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received; and
- (iii) income has been applied in accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966 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 and Young LLP,
Registered Auditor,
Edinburgh**

14 December 2001

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. **Accounting convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of Endowment Asset Investments, and in accordance with the Statement of Recommended Practice: Accounting in Further and Higher Education Institutions ("SORP"), together with applicable accounting standards and in accordance with the following accounting policies.

2. **Basis of consolidation**

The consolidated income and expenditure account and balance sheet include the financial statements of the University and all subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2001. The activities of the Students' Association have not been consolidated as the University does not control these activities.

3. **Land and buildings**

In 1999/00, the University took the opportunity presented under FRS15 to move away from stating land and buildings at valuation, and has reverted to known Historic Cost as at 1 August 1993 and subsequent additions at cost. Land is held freehold and is not depreciated as it is considered to have indefinite useful life. Freehold buildings are written off at the rate of 1% to 25% per annum on cost. Leasehold property is written off over the remaining life of the lease.

Where buildings 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 life of the buildings.

4. **Equipment**

Equipment costing less than £10,000 is written off in the year of acquisition. In 1994/95, for the first time, and in line with the SORP, all other equipment and furnishings for general University use, and in use on research grant contracts were capitalised. Previously, only expenditure on a new telecommunications system and on furnishings for New Hall had been capitalised as equipment. Capitalised equipment and furnishings are stated at cost and depreciated over their expected useful lives, as follows:

| | |
|----------------------------|-----------------------|
| Telecommunications system: | 7 years straight line |
| New Hall furnishings: | 7 years straight line |
| Equipment & furniture: | 4 years straight line |

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.

5. **Recognition of income**

Income from Specific Endowments and Donations, Research Grants and Contracts, and Other Services Rendered is included in income to the extent of expenditure incurred during the year, together with any related contributions towards overhead costs.

6. **Pension costs**

The two principal pension schemes for the University's staff are the Universities Superannuation Scheme (U.S.S.) and the University of St. Andrews Superannuation and Life Assurance Scheme (S.&L.A.S.). 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

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

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.

7. **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.

8. **Investments**

Listed investments are included at market value and heritable property investments 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.

9. **Stocks**

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

10. **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 29.

11. **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.

12. **Taxation status**

The University of St. Andrews is a tax-exempt charity. This exemption is not extended to the trading activities of the University. 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.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2001

| | Note | 2000/01 | 1999/00 |
|--|-------|----------------|---------|
| | | £000 | £000 |
| INCOME | | | |
| Funding council grants | 1 | 25,526 | 24,240 |
| Tuition fees and education contracts | 2 | 12,593 | 11,711 |
| Research grants and contracts | 3 | 14,251 | 12,416 |
| Other operating income | 4 | 11,962 | 11,383 |
| Endowment income and interest receivable | 5 | 1,808 | 1,496 |
| | | <hr/> | <hr/> |
| Total income | | 66,140 | 61,246 |
| EXPENDITURE | | | |
| Staff costs | 6 & 7 | 41,457 | 40,430 |
| Depreciation | 7 & 9 | 3,325 | 3,170 |
| Other operating expenses | 7 | 19,017 | 18,175 |
| Interest payable | 7 & 8 | 1,740 | 1,729 |
| | | <hr/> | <hr/> |
| Total expenditure | | 65,539 | 63,504 |
| | | <hr/> | <hr/> |
| Surplus/(Deficit) | | 601 | (2,258) |

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

BALANCE SHEETS
As at 31 July 2001

| | Note | Consolidated | | University | |
|--|------|------------------------|-----------------|------------------------|-----------------|
| | | 2001 | 2000 | 2001 | 2000 |
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Tangible assets | 9 | 65,506 | 63,836 | 65,506 | 63,836 |
| Investments | 10 | <u>45</u> | 45 | <u>45</u> | 45 |
| | | <u>65,551</u> | <u>63,881</u> | <u>65,551</u> | <u>63,881</u> |
| ENDOWMENT ASSET INVESTMENTS | 11 | <u>35,705</u> | <u>39,549</u> | <u>35,705</u> | <u>39,549</u> |
| CURRENT ASSETS | | | | | |
| Stocks and stores in hand | | 470 | 503 | 470 | 503 |
| Debtors | 12 | 5,689 | 5,248 | 6,181 | 5,896 |
| Cash at bank and in hand | | <u>122</u> | 192 | <u>122</u> | 98 |
| | | <u>6,281</u> | <u>5,943</u> | <u>6,773</u> | <u>6,497</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 13 | <u>19,037</u> | <u>18,431</u> | <u>21,027</u> | <u>20,476</u> |
| NET CURRENT LIABILITIES | | <u>(12,756)</u> | <u>(12,488)</u> | <u>(14,254)</u> | <u>(13,979)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>88,500</u> | <u>90,942</u> | <u>87,002</u> | <u>89,451</u> |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 14 | 21,350 | 21,350 | 21,350 | 21,350 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 15 | <u>148</u> | <u>176</u> | <u>148</u> | <u>176</u> |
| TOTAL NET ASSETS | | <u>67,002</u> | <u>69,416</u> | <u>65,504</u> | <u>67,925</u> |
| Represented by: | | | | | |
| DEFERRED CAPITAL GRANTS | 16 | <u>15,241</u> | <u>14,412</u> | <u>15,241</u> | <u>14,412</u> |
| ENDOWMENT FUNDS | | | | | |
| Specific endowments | 17 | 28,659 | 31,389 | 28,659 | 31,389 |
| General endowments | 17 | <u>7,046</u> | 8,160 | <u>7,046</u> | 8,160 |
| | | <u>35,705</u> | <u>39,549</u> | <u>35,705</u> | <u>39,549</u> |
| RESERVES | | | | | |
| Income and expenditure account | 18 | <u>16,056</u> | 15,455 | <u>14,558</u> | 13,964 |
| TOTAL FUNDS | | <u>67,002</u> | <u>69,416</u> | <u>65,504</u> | <u>67,925</u> |

Approved by the University Court of the University of St. Andrews on 14 December 2001, and signed on its behalf by:

Dr. Brian A. Lang, Principal and Vice-Chancellor

John Matthews, Convener of the Finance Committee

Andrew Menzies, Quaestor and Factor

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2001

| | Note | 2000/01 £000 | 1999/00 £000 |
|---|------|------------------------|------------------------|
| Net cash inflow from operating activities | 21 | 632 | 2,028 |
| Returns on investment and servicing of finance | 22 | (491) | (798) |
| Capital expenditure and financial investment | 23 | <u>(1,527)</u> | <u>(4,391)</u> |
| Cash outflow before use of liquid resources and financing | | (1,386) | (3,161) |
| Management of liquid resources | | - | 24 |
| Financing | 24 | <u>(71)</u> | <u>5,955</u> |
| (Decrease) / increase in cash | 25 | <u>(1,457)</u> | <u>2,818</u> |
| Reconciliation of net cash flow to movement in net | | | |
| (Decrease)/ increase in cash in the period | | (1,457) | 2,818 |
| Cash (outflow) from decrease from liquid resources | | - | (24) |
| Cash outflow / (inflow) from financing | | <u>71</u> | <u>(5,955)</u> |
| Change in net debt resulting from cash flows | | <u>(1,386)</u> | <u>(3,161)</u> |
| Net debt at 1 August | | <u>(24,350)</u> | <u>(21,189)</u> |
| Net debt at 31 July | | <u>(25,736)</u> | <u>(24,350)</u> |

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2001

| | Note | 2000/01 £000 | 1999/00 £000 |
|---|------|-----------------------|---------------------|
| Surplus/(Deficit) after depreciation of assets and tax (Depreciation)/Appreciation of endowment asset investments | 18 | 601 | (2,258) |
| Endowment land sold | 17 | (3,382) | 2,081 |
| Endowments income movement for year | 17 | - | (154) |
| New endowments | 17 | (808) | (128) |
| | | <u>346</u> | <u>230</u> |
| TOTAL RECOGNISED LOSSES RELATING TO THE YEAR | | <u>(3,243)</u> | <u>(229)</u> |
| Reconciliation | | | |
| Opening reserves and endowments | | 55,004 | 55,233 |
| Total recognised losses for the year | | <u>(3,243)</u> | <u>(229)</u> |
| Closing reserves and endowments | | <u>51,761</u> | <u>55,004</u> |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

| 1 FUNDING COUNCIL GRANTS | 2000/01 | 1999/00 |
|--|----------------|---------|
| | £000 | £000 |
| SHEFC recurrent grant | 23,650 | 23,244 |
| SHEFC specific grants | 1,532 | 580 |
| Total JISC grants | 61 | 18 |
| Deferred capital grants released in year | | |
| Buildings (note 16) | 125 | 108 |
| Equipment (note 16) | 158 | 290 |
| Total funding council grants | 25,526 | 24,240 |

2 TUITION FEES AND EDUCATION CONTRACTS

| | | |
|--|---------------|--------|
| Full-time students | 5,981 | 5,531 |
| Full-time students charged overseas fees | 4,936 | 4,674 |
| Part-time fees | 318 | 180 |
| Research training support grants | 188 | 176 |
| Short course fees | 1,121 | 1,110 |
| Other fees | 49 | 40 |
| Total tuition fees and education contracts | 12,593 | 11,711 |

3 RESEARCH GRANTS AND CONTRACTS

| | Direct costs recovered | | Overheads | |
|--|------------------------|---------|----------------|---------|
| | 2000/01 | 1999/00 | 2000/01 | 1999/00 |
| | £000 | £000 | £000 | £000 |
| Research Councils | 6,892 | 4,477 | 1,509 | 1,107 |
| UK government bodies, local and health authorities | 3,094 | 2,031 | 443 | 421 |
| UK based charities | 1,122 | 1,802 | 8 | 12 |
| UK Industry, commerce and public corporations | 473 | 408 | 150 | 160 |
| EU Government bodies | 524 | 709 | 79 | 155 |
| EU other | 7 | - | 1 | - |
| Other overseas | 479 | 535 | 128 | 131 |
| Other Sources | 104 | 137 | 43 | 5 |
| | 12,695 | 10,099 | 2,361 | 1,991 |

| | 2000/01 | 1999/00 |
|--|----------------|---------|
| | £000 | £000 |
| Total of direct cost and overhead recovered | 15,056 | 12,090 |
| Income deferred to match capitalised equipment purchases (note 16) | (1,965) | (478) |
| Release of deferred capital grant for research grant equipment (note 16) | 1,160 | 804 |
| Total research grants and contracts | 14,251 | 12,416 |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

| 4 OTHER OPERATING INCOME | 2000/01 | 1999/00 |
|---|----------------|---------|
| | £000 | £000 |
| Residences, catering and conferences | 8,191 | 8,559 |
| Other services rendered | 82 | 102 |
| Released from deferred capital grants (note 16) | 83 | 81 |
| Other income | 3,606 | 2,641 |
| Total other operating income | 11,962 | 11,383 |

5 ENDOWMENT INCOME AND INTEREST RECEIVABLE

| | | |
|--|--------------|-------|
| Investment income from general endowment asset investments | 439 | 401 |
| Transferred from specific endowments (note 17) | 1,369 | 812 |
| Proceeds from sale of general endowment land | - | 283 |
| Total endowment income and interest receivable | 1,808 | 1,496 |

6 STAFF

Staff Costs:

| | | |
|---------------------------------|---------------|--------|
| Wages and salaries | 34,969 | 33,210 |
| Social security costs | 2,545 | 2,435 |
| Other pension costs (note 27) | 3,943 | 3,696 |
| Exceptional Restructuring Costs | - | 1,089 |
| Total staff costs (note 7) | 41,457 | 40,430 |

Emoluments of Principal :

| | |
|-----------|----|
| 79 | 51 |
|-----------|----|

The emoluments of the Principal, who commenced employment on 1 January 2001, exclude pension contributions to U.S.S. These are paid at the same rate as for other academic staff and during 2000/01 amounted to £7,700. The previous Principal retired in December 1999. During 1999/00, his pension contributions to U.S.S., which were also paid at the same rate as for other academic staff, amounted to £6,900.

| Average staff numbers by major category: | 2000/01 | 1999/00 |
|---|----------------|---------|
| | Number | Number |
| Academic and other related | 497 | 465 |
| Administrative and clerical | 450 | 429 |
| Technical | 133 | 135 |
| Manual | 413 | 451 |
| Contract research | 208 | 195 |
| Total | 1,701 | 1,675 |

Remuneration of higher paid staff (excluding employer's Pension contributions)

| | Number | Number |
|-------------------|---------------|--------|
| £50,001 - £60,000 | 42 | 32 |
| £60,001 - £70,000 | 15 | 11 |
| £70,001 - £80,000 | 5 | - |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

7 ANALYSIS OF EXPENDITURE BY ACTIVITY

| | Staff costs £000 | Dep'n £000 | Other operating expenses £000 | Interest payable £000 | Total £000 |
|--------------------------------------|---------------------|---------------|--|-----------------------------|---------------|
| 2000/01 | | | | | |
| Academic departments | 22,768 | 5 | 4,263 | - | 27,036 |
| Academic services | 2,089 | - | 1,512 | - | 3,601 |
| Administration | 3,522 | 1,625 | 2,078 | 937 | 8,162 |
| Premises | 2,212 | - | 2,566 | - | 4,778 |
| Research grants and contracts | 6,902 | 1,160 | 3,846 | - | 11,908 |
| Residences, catering and conferences | 2,969 | 535 | 3,137 | 803 | 7,444 |
| Other expenses | 995 | - | 1,615 | - | 2,610 |
| | 41,457 | 3,325 | 19,017 | 1,740 | 65,539 |
| 1999/00 | £000 | £000 | £000 | £000 | £000 |
| Academic departments | 21,265 | - | 4,397 | - | 25,662 |
| Academic services | 2,201 | - | 1,554 | - | 3,755 |
| Administration | 3,337 | 1,760 | 1,944 | 895 | 7,936 |
| Premises | 2,225 | - | 2,256 | - | 4,481 |
| Research grants and contracts | 6,428 | 770 | 3,220 | - | 10,418 |
| Residences, catering and conferences | 2,946 | 640 | 3,027 | 834 | 7,447 |
| Other expenses | 939 | - | 1,777 | - | 2,716 |
| Exceptional restructuring costs | 1,089 | - | - | - | 1,089 |
| | 40,430 | 3,170 | 18,175 | 1,729 | 63,504 |

Surplus/(Deficit) is stated after charging the following which are included in Other Operating Expenses:

| | 2000/01 £000 | 1999/00 £000 |
|--|-------------------------------|-----------------|
| Auditor's Remuneration - | | |
| External audit | 36 | 33 |
| External audit - other services | 2 | 2 |
| Internal audit | 41 | 29 |
| Hire of plant and equipment - operating leases | 42 | 92 |
| And after crediting: | | |
| Surplus on disposal of property | 1,494 | - |

8 INTEREST PAYABLE

On bank loans, overdrafts and other loans:

| | | |
|---|--------------|-------|
| Repayable within 5 years, not by instalments | 219 | 1,623 |
| Repayable wholly or partly in more than 5 years | 1,521 | 106 |
| Total interest payable (note 7) | 1,740 | 1,729 |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

9 TANGIBLE ASSETS

| Consolidated and University | Land & buildings freehold £000 | Land & buildings leasehold £000 | Equipment & furniture £000 | Total £000 |
|------------------------------------|---|--|-------------------------------------|----------------------|
| <u>Historic Cost</u> | | | | |
| At 1 August 2000 | 64,466 | 33 | 16,033 | 80,532 |
| Additions at cost | 2,160 | 41 | 3,023 | 5,224 |
| Disposals | 283 | - | - | 283 |
| At 31 July 2001 | <u>66,343</u> | <u>74</u> | <u>19,056</u> | <u>85,473</u> |
| <u>Depreciation</u> | | | | |
| At 1 August 2000 | 5,836 | 33 | 10,827 | 16,696 |
| Charge for year | 795 | 4 | 2,526 | 3,325 |
| On disposals | 54 | - | - | 54 |
| At 31 July 2001 | <u>6,577</u> | <u>37</u> | <u>13,353</u> | <u>19,967</u> |
| <u>Net book value</u> | | | | |
| At 31 July 2001 | <u>59,766</u> | <u>37</u> | <u>5,703</u> | <u>65,506</u> |
| At 1 August 2000 | <u>58,630</u> | - | 5,206 | 63,836 |
| Financed by Capital Grant | 12,766 | - | 2,475 | 15,241 |
| Other | 47,000 | 37 | 3,228 | 50,265 |
| Net Book Value at 31 July 2001 | <u>59,766</u> | <u>37</u> | <u>5,703</u> | <u>65,506</u> |

10 INVESTMENTS

| Consolidated and University | Unlisted investments £000 |
|--|---------------------------------|
| Cost | |
| At 1 August 2000 and 31 July 2001 | <u>45</u> |

Subsidiary companies:

At 31 July 2001, the University held a 100% interest in the following companies, and its shareholdings comprised:

| <i>Company</i> | <i>Share capital</i> | <i>Country of incorporation</i> | <i>Activity</i> |
|--|----------------------|-------------------------------------|----------------------|
| St. Andrews University Holdings Ltd. | Limited by guarantee | Scotland | Holding company |
| 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 |
| St. Andrews University Residences plc | £2,500,001 | England & Wales | Dormant |

Until 31 July 2001, St. Andrews University Holdings Ltd. acted as the holding company for the subsidiaries of the University of St. Andrews. The subsidiaries' principal activities were the provision of residential and catering services during vacation periods and the development and letting of property for academic and related purposes. St. Andrews Strategic Management Ltd. was dormant throughout the year. On 31 July 2001, St. Andrews University Holdings Ltd.'s investments in St. Andrews University Services Ltd. and St. Andrews Property Services Ltd. were transferred to the University. Thereafter, St. Andrews Holdings Ltd. became dormant.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

| 11 ENDOWMENT ASSET INVESTMENTS | 2001 | 2000 |
|---|-----------------|---------|
| Consolidated and University | £000 | £000 |
| Balance as at 1 August | 39,549 | 37,520 |
| Additions | 14,566 | 7,945 |
| Disposals | (13,906) | (7,798) |
| Appreciation | (3,382) | 2,141 |
| Cash movement | (1,122) | (259) |
| | <hr/> | <hr/> |
| Balance as at 31 July | 35,705 | 39,549 |
| Represented by: | | |
| Fixed interest stocks | 3,112 | 3,522 |
| Equities | 26,837 | 29,555 |
| Land and property | 4,267 | 3,861 |
| Debtors | 583 | 1,148 |
| Bank, building society and other deposits | 906 | 1,463 |
| | <hr/> | <hr/> |
| Total endowment asset investments | 35,705 | 39,549 |
| | <hr/> | <hr/> |
| Fixed interest and equities at cost | 24,310 | 22,776 |
| | <hr/> | <hr/> |
| Land and property at cost | 589 | 189 |
| | <hr/> | <hr/> |

| 12 DEBTORS | Consolidated | | University | |
|--------------------------------------|--------------|-------|--------------|-------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Debtors | 2,303 | 2,109 | 2,293 | 2,109 |
| Prepayments and accrued income | 3,386 | 3,139 | 3,301 | 3,026 |
| Amounts due from group undertakings | - | - | 587 | 761 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 5,689 | 5,248 | 6,181 | 5,896 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| 13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | Consolidated | | University | |
|--|---------------|--------|---------------|--------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Unsecured loans | - | 71 | - | 71 |
| Bank overdraft | 5,414 | 4,584 | 5,457 | 4,567 |
| Income received in advance | 7,400 | 5,436 | 7,400 | 5,436 |
| Amounts due to group undertakings | - | - | 1,953 | 2,068 |
| Creditors and accruals | 4,894 | 5,973 | 4,888 | 5,967 |
| Accrued costs of early retirement scheme | 453 | 1,344 | 453 | 1,344 |
| Social security and other taxation payable | 876 | 1,023 | 876 | 1,023 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 19,037 | 18,431 | 21,027 | 20,476 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

| | | |
|---|---------------|--------|
| 14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2001 | 2000 |
| Consolidated and University | £000 | £000 |
| Secured Bank Loan | 21,350 | 21,350 |
| Repayable as follows: | | |
| In more than one year: | | |
| Between one and two years | - | - |
| Between two and five years | 973 | 628 |
| In five years or more | 20,377 | 20,722 |
| | 21,350 | 21,350 |

Total repayable

The secured bank loan was drawn from The Royal Bank of Scotland on 3 July 2000. Repayment of the loan commences 39 months after the loan is drawn and is repayable by quarterly instalments over a period of twenty-seven years. The loan is secured on a portion of the freehold land and buildings of the University, and the interest rate is charged on a floating basis over LIBOR.

| | |
|--|------------------|
| 15 PROVISIONS FOR LIABILITIES AND CHARGES | FSSU unfunded |
| Consolidated and University | pension benefits |
| | £000 |
| As at 1 August 2000 | 176 |
| Increase during year | 8 |
| Utilised in year | (36) |
| As at 31 July 2001 | 148 |

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 (see note 26).

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

16 DEFERRED CAPITAL GRANTS

| Consolidated and University | SHEFC £000 | Research grants £000 | Other grants & benefactions £000 | Total £000 |
|--|---------------|----------------------------|--|---------------|
| As at 1 August 2000 | | | | |
| Buildings | 9,809 | - | 2,877 | 12,686 |
| Equipment | 191 | 1,535 | - | 1,726 |
| Total | 10,000 | 1,535 | 2,877 | 14,412 |
| Received | | | | |
| Buildings | 276 | - | - | 276 |
| Equipment | 32 | 1,965 | 82 | 2,079 |
| Total | 308 | 1,965 | 82 | 2,355 |
| Released to Income and Expenditure Account | | | | |
| Buildings (notes 1 and 4) | 125 | - | 71 | 196 |
| Equipment (notes 1 and 3) | 158 | 1,160 | 12 | 1,330 |
| Total | 283 | 1,160 | 83 | 1,526 |
| As at 31 July 2001 | | | | |
| Buildings | 9,960 | - | 2,806 | 12,766 |
| Equipment | 65 | 2,340 | 70 | 2,475 |
| Total | 10,025 | 2,340 | 2,876 | 15,241 |

17 ENDOWMENT FUNDS

| Consolidated and University | Specific endowments £000 | General endowments £000 | Total £000 |
|--|--------------------------------|-------------------------------|---------------|
| As at 1 August 2000 | 31,389 | 8,160 | 39,549 |
| Additions | 346 | - | 346 |
| Appreciation of endowment asset investments | (2,402) | (980) | (3,382) |
| Net Income for year | 695 | 305 | 1,000 |
| Transferred to income and expenditure (note 5) | (1,369) | (439) | (1,808) |
| As at 31 July 2001 | 28,659 | 7,046 | 35,705 |
| | Specific endowments £000 | General endowments £000 | Total £000 |
| Capital | | | |
| Chairs and lectureships | 8,624 | - | 8,624 |
| Other specific purposes | 6,481 | - | 6,481 |
| Scholarships and bursaries | 11,781 | - | 11,781 |
| Prize funds | 765 | - | 765 |
| Other funds | - | 7,046 | 7,046 |
| Revenue | | | |
| Other specific purposes | 216 | - | 216 |
| Scholarships and bursaries | 741 | - | 741 |
| Prize funds | 51 | - | 51 |
| | 28,659 | 7,046 | 35,705 |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

18 INCOME AND EXPENDITURE ACCOUNT

| | Consolidated | | University | |
|---|----------------------|-----------------|----------------------|-----------------|
| | 2000/01 £000 | 1999/00 £000 | 2000/01 £000 | 1999/00 £000 |
| At 1 August | 15,455 | 17,713 | 13,964 | 17,205 |
| Surplus/(Deficit) for the year after depreciation | <u>601</u> | <u>(2,258)</u> | <u>594</u> | <u>(3,241)</u> |
| As at 31 July | <u>16,056</u> | <u>15,455</u> | <u>14,558</u> | <u>13,964</u> |

19 CAPITAL COMMITMENTS

| Consolidated and University | 2001 £000 | 2000 £000 |
|---|----------------------|----------------------|
| In respect of contracts entered into for building work at 31 July | <u>603</u> | <u>329</u> |

20 CONTINGENT LIABILITIES

| Consolidated and University | 2001 £000 | 2000 £000 |
|---|----------------------|----------------------|
| Guarantee to Halifax plc in respect of staff housing advances | 369 | 480 |
| HM Customs and Excise bond in respect of laboratory spirits | <u>1</u> | <u>1</u> |
| As at 31 July | <u>370</u> | <u>481</u> |

**21 RECONCILIATION OF CONSOLIDATED OPERATING (DEFICIT)/
SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES**

| | | |
|--|--------------------|--------------|
| Surplus/(Deficit) before tax | 601 | (2,258) |
| Depreciation (note 9) | 3,325 | 3,170 |
| Deferred capital grants released to income (note 16) | (1,526) | (1,283) |
| Investment income | (1,808) | (1,213) |
| Surplus on sale of tangible fixed assets | (1,494) | - |
| Proceeds from sale of endowment assets | - | (283) |
| Interest payable (note 8) | 1,740 | 1,729 |
| Decrease in stocks | 33 | 33 |
| (Increase) in debtors | (565) | (552) |
| Increase in creditors | 354 | 2731 |
| Decrease in provisions | <u>(28)</u> | <u>(46)</u> |
| Net cash inflow from operating activities | <u>632</u> | <u>2,028</u> |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

| 22 RETURNS ON INVESTMENT AND SERVICING OF FINANCE | 2001 | 2000 |
|--|----------------|---------|
| | £000 | £000 |
| Income from endowments | 1,191 | 1,054 |
| Interest paid | (1,682) | (1,852) |
| | (491) | (798) |

23 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

| | | |
|--|-----------------|----------|
| Tangible assets acquired (note 9) | (5,224) | (5,435) |
| Endowment asset investments acquired | (14,566) | (7,935) |
| Total fixed and endowment assets acquired | (19,790) | (13,370) |
| Receipts from sales of tangible assets | 1,723 | 11 |
| Receipts from sales of endowment land assets | - | 283 |
| Receipts from sales of endowment asset investments | 13,839 | 7,673 |
| Deferred capital grants received (note 16) | 2,355 | 817 |
| Endowments received | 346 | 195 |
| | (1,527) | (4,391) |

24 FINANCING

| | | |
|--|-------------|----------|
| New secured long-term loan repayable between 2003 and 2030 | - | 21,350 |
| Repayment of long-term loan | - | (10,681) |
| Repayment of short-term loan | (71) | (4,714) |
| | (71) | 5,955 |

25 ANALYSIS OF CHANGES IN NET DEBT

| | At 1 August £000 | Cash flows £000 | Other non-cash Changes £000 | At 31 July £000 |
|---------------------------------|------------------------|-----------------------|--------------------------------------|-----------------------|
| Cash | | | | |
| Cash at bank and in hand | 192 | (70) | - | 122 |
| Endowment cash | 1,463 | (557) | - | 906 |
| Bank overdraft | (4,584) | (830) | - | (5,414) |
| | (2,929) | (1,457) | - | (4,386) |
| Debt due within one year | | | | |
| Unsecured loans | (71) | 71 | - | - |
| Debt due after one year | | | | |
| Secured Loan | (21,350) | - | - | (21,350) |
| TOTAL | (24,350) | (1,386) | - | (25,736) |

UNIVERSITY OF ST ANDREWS
Reports and Financial Statements 2000/01

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

26 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. FRS 17 (Accounting for) Retirement Benefits which was introduced in November 2000 and will become fully effective for the University in year ended 31 July 2003. In the intervening years, transitional arrangements apply and these are dealt with in (b) hereunder to the extent that they are not covered in (a).

(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 1999 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 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.&L.A.S. |
|--|---------------|----------------------|
| Date of latest published actuarial valuation | 31 Mar 1999 | 31 Jul 1999 |
| Investment returns per annum – past service | 4.5% | |
| Investment returns per annum – future service | 5.5% | 9.25% |
| Salary scale increases per annum – past service | 3.6% | |
| Salary scale increases per annum – future service | 3.5% | 4.5% |
| Pension increases per annum – past service | 2.6% | |
| Pension increases per annum – future service | 2.5% | 3.0% |
| Market value of assets at date of last published valuation | £18,870M | £28.9M |
| Proportion of members' accrued benefits covered by actuarial value of the assets | 108% | 101% |

The rates of contribution are as follows:

| | U.S.S. | S.&L.A.S. |
|--------------|---------------|----------------------|
| From Court | 14.00% | 11.0% |
| From members | 6.35% | 5.0% |

The total pension costs to the University and its subsidiaries was:

| | 2000/01 | 1999/00 |
|------------------------------|----------------|----------------|
| | £000 | £000 |
| Contributions to U.S.S. | 3,063 | 2,843 |
| Contributions to S.&L.A.S. | 880 | 853 |
| Total pension costs (note 6) | 3,943 | 3,696 |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

26 PENSION ARRANGEMENTS (continued)

(b) FRS 17

The Universities Superannuation Scheme (U.S.S.) is available to staff of more than one employer and it is not possible to identify each institution's share of the underlying assets and liabilities of the scheme. In these circumstances, FRS 17 provides for contributions to the scheme to be accounted for as if it were a defined contribution scheme. As such, the cost recognised within the University's Income and Expenditure account will be equal to the contribution payable to the scheme for the year

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. The valuation used for this disclosure is the most recent actuarial valuation at 31 July 1999 updated by Watson Wyatt to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 July 2001. Assets are stated at market value on that date providing an FRS 17 overview of the scheme as:

| | £ million |
|-------------------------------------|-----------|
| Market Value of scheme assets | 28.8 |
| Present Value of scheme liabilities | 30.0 |
| Deficit in Scheme | 1.2 |

The financial assumptions used in the above calculation, which was performed on the Projected Unit method, are:

| | |
|---------------------------|-------|
| Discount Rate | 5.75% |
| Inflation Rate - Pensions | 2.5% |
| Inflation Rate - Salaries | 4.0% |

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

| | £ million | Expected Rates of Return |
|----------|-----------|--------------------------|
| Equities | 23.2 | 7.5% |
| Bonds | 4.8 | 5.0% |
| Others | 0.8 | 5.0% |
| | 28.8 | 7.0% |

On the basis of these growth rates, the contribution rate from Court for 2001/02 has been agreed at 11.0%. Had the accounts been prepared on an FRS 17 basis, the balance sheet would have been affected as follows:

| | £ million |
|--|-----------|
| Net Assets: | |
| Net assets excluding pension asset | 67.0 |
| Pension liability | (1.2) |
| Net assets including pension liability | 65.8 |

Reserves:

| | |
|--|-------|
| Income and expenditure reserve excluding pension asset | 16.1 |
| Pension liability | (1.2) |
| Income and expenditure reserve | 14.9 |

NOTES TO THE ACCOUNTS
For the year ended 31 July 2001

27 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.

In addition, the University Court considers the University of St. Andrews Students' Association to be a related party due to the level of transactions between the two organisations. During 2000/01, the University paid a grant to the Students' Association of £139,000 (1999/00: £139,000). In addition, the Students' Association through its Travel Service, provided travel agency services to the University amounting to £555,000 (1999/00: £479,000). The amount owing to the Students' Association at 31 July 2001 was £22,000 (2000: £41,000) and the amount owing from the Students' Association was £ 53,000 (2000: £58,000).

28 ACCESS FUNDS

| | 2000/01 | 1999/00 |
|---|----------------|---------|
| | £000 | £000 |
| Access funds balance at 1 April | 76 | 28 |
| Scottish Higher Education Funding Council Grants for the financial year 1 April to 31 March | 281 | 274 |
| Interest added | 10 | 7 |
| Total available | 367 | 309 |
| Disbursed to students - 1 April to 31 March | (238) | (233) |
| Balance at 31 March | 129 | 76 |
| Disbursed to students - 31 March to 31 July | (38) | (22) |
| Balance at 31 July | 91 | 54 |

Funding Council Access Fund Grants 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.

29 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 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 |