



# **Statement of Accounts**

*for the year ended 31st July 2004*

Registered No 7335



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## REPORT OF THE GOVERNING BODY ON THE FINANCIAL STATEMENTS

The Governing Body presents its report and the audited financial statements for the year ended 31 July 2004. The results for the year show an historical cost operating deficit of £623,000. In addition, during the year, the institution undertook a voluntary severance and early retirement scheme; the exceptional costs of this scheme were £1,600,000, which resulted in an historical cost deficit for the year of £2,223,000

Included within operating expenses for 2003/04 is an amount of £647,000 in respect of additional estates remedial works, which have required to be carried out at the existing campuses to ensure compliance with health and safety and other legislative requirements, including compliance with disabilities discrimination legislation. The underlying operating position, excluding the effect of these additional costs, is thus a small surplus of £24,000. This was lower than budgeted as a result of tuition fee income being less than forecast due to predicted growth and fee mix of student numbers not being achieved. Underlying operating expenditure has increased by around 2.5% since 2002/03, with increases in staff costs due to national pay awards and increases in employers' superannuation contributions having been managed within the overall resource base.

### Results for the Year

The University College's consolidated income, expenditure and results for the year to 31 July 2004 are summarised as follows:-

|   | <b>2003/04<br/>£000</b> | <b>2002/03<br/>£000</b> |
|---|-------------------------|-------------------------|
| Income  | 24,176                  | 23,839                  |
| Expenditure on operating activities   | (25,178)                | (23,608)                |
| Operating (deficit)/surplus   | <u>(1,002)</u>          | <u>231</u>              |
| Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued amount | 379                     | 378                     |
| Historical cost (deficit)/surplus before exceptional restructuring costs  | <u>(623)</u>            | <u>609</u>              |
| Exceptional restructuring costs   | (1,600)                 | -                       |
| Historical cost (deficit)/surplus for the year  | <u>(2,223)</u>          | <u>609</u>              |

### Future Developments

The University College plans to continue to grow both in respect of its student numbers and the expansion of its research and commercialisation activities. However, the University College's future plans are affected significantly by the Government's policy of consolidation of undergraduate student numbers in Higher Education. Developments are therefore planned to take place in areas independent of Government funding, including growth in postgraduate, part-time and international students, and in the provision of research, knowledge transfer and consultancy activities. In addition, the University College will continue to develop the quality of the services it provides.

The University College undertook a full options appraisal of its estate in 1998, which concluded that, in pursuit of its strategic aims, the best value for money would be achieved through relocation to a new campus. Following a comprehensive search of possible sites, missives were entered into in November 2002 for the purchase of a 35 acre site at Craighall in East Lothian. Planning permission has now been received for the Craighall site, and the relocation of the current Corstorphine and Leith campuses to the site at Craighall is expected to take place during 2007.

Prior to the move to the new campus, the University College will require to incur further significant costs on ensuring that its existing estate continues to comply with legislative requirements. In order to achieve the maximum return on these costs given the planned campus relocation, the programme has been accelerated, and further significant additional costs will therefore be incurred over the next year (2004/05). These exceptional estates costs will mean that the University College will again be budgeting for an overall deficit position including exceptional estates costs in the next financial year.



## REPORT OF THE GOVERNING BODY ON THE FINANCIAL STATEMENTS (CONTINUED)

### Status

Queen Margaret University College is an autonomous Scottish university-sector institution of Higher Education, and is registered under the Companies Act 1985 as a company limited by guarantee.

### Principal Activities

The mission of the University College is to enhance the quality of life and serve communities through excellence and leadership in vocationally and professionally relevant education, research and consultancy, as a university which is outward looking and committed to innovation, participation and lifelong learning.

### Scope of the Financial Statements

The financial statements presented on pages 13 to 36 comprise the consolidated results of the University College and its three subsidiary companies, QMC Enterprises Ltd, QMC Properties Ltd and Bactokil Ltd. These statements have been prepared in accordance with the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education, and with the United Kingdom Companies Acts.

### Subsidiary Companies

The University College has three subsidiary companies, which are focussed on the following activities:- **QMC Enterprises Ltd** undertakes activities which, for legal or commercial reasons, are more appropriately channelled through a separate limited company. These activities include vacation letting, conferences and rendering services (as opposed to performing research) for a variety of commercial and other organisations.

**QMC Properties Ltd** deals with the acquisition, refurbishment and leasing of properties for use by the University College.

**Bactokil Ltd** was set up to undertake the commercial development of an antimicrobial agent.

All subsidiary companies transfer the whole of any taxable profits to the University College under Gift Aid arrangements.

### Social Inclusion

Queen Margaret University College embraces a commitment to offering higher education to a diverse student body. Student recruitment is enhanced through a number of widening participation initiatives as well as the good links with local Further Education Colleges.

### Graduates into Employment

Many of our educational programmes are vocationally oriented and those that are less professionally specific incorporate an emphasis upon transferable skills. Both these features contribute to QMUC demonstrating a successful graduate employment rate, whereby within six months of receiving their award, 96% of our students have either gained a post in their chosen profession or continued with further study. This figure places QMUC amongst the top universities in Scotland for graduate employment.

### Employment of Disabled Persons

The University College's policy remains to afford equal opportunity to all, including disabled people whether registered or not, to apply for employment and, during employment, to receive appropriate training.

### Creditors Payment Policy

Unless special terms are agreed, it is the University College's policy to pay invoices 30 days from the date of the invoice (in accordance with the CBI prompt payment code). In agreements negotiated with suppliers, the University College endeavours to include and abide by specific payment terms. At 31 July 2004, trade creditors represented 13 days of relevant expenditure (2003: 30 days).

### Employee Involvement

The University College recognises the benefits of keeping employees informed of its financial and academic performance. Information on matters of interest to employees is given through a staff newsletter, and through regular communication from the Principal. The University College operates career review and staff development schemes for both academic and support staff. In 2003/04, the University College allocated £215,000 (2002/03: £256,000) in support of staff and research students undertaking research projects, and a further £94,000 (2002/03: £109,000) to assist staff with further study and attendance at conferences and courses.



## REPORT OF THE GOVERNING BODY ON THE FINANCIAL STATEMENTS (continued)

### Preparations for European Monetary Union

The University College is monitoring developments regarding European monetary union. Costs incurred by the University College to date in this respect are immaterial.

### Directors' and Officers' Liability Insurance

During the year the University College maintained a Directors' and Officers' liability insurance policy, to provide cover against any civil liability attaching to Governors or Officers of the University College in connection with their University College activities.

### Members' Liability

The liability of each member of the University College upon winding up of the Company is limited to 50p. The number of members at 31 July 2004 was 128 (2003: 146). Distributions to members are not permitted by the Memorandum and Articles of Association of the Company.

### Pension Arrangements

The University College is involved in four pension schemes, as stated in note 30 of the attached financial statements, and the overall deficit or surplus position for each of these funds is as indicated.

For the Local Government Pension Scheme the deficit in relation to the University College's potential liability as calculated at July 2004 is significant. However it must be emphasised that this pension fund is a long term investment and the position as stated in the accounts reflects only a snapshot view by the actuary for the fund as at 31 July 2004. In addition the University College is only one of many contributors to this scheme which is controlled by the Lothian Pension Fund. It is the intention of the Lothian Pension Fund to raise contributions between now and 2006 to recover this deficit position. The position beyond 2006 will then be reviewed based on the revised valuation at that time.

For the Scottish Teachers Superannuation Scheme further information has been sought from the scheme in relation to an updated valuation report which has not yet been published. An interim report on the valuation as at 31 March 2001 has resulted in an increase in the employers' contribution rate from 7.4% to 12.5% with effect from 1 October 2003.

### Conclusion

In common with other universities, QMUC has to manage its activities whilst facing pressures on its funding as well as on its cost base. In particular, grant support from government through SHEFC, the University College's main source of income, has not kept pace with inflation and pay awards over the last ten years. Further cost pressures on wages and salaries are anticipated as the University College implements the higher education framework agreement. In addition, further significant expenditure requires to be undertaken on the existing estate to meet legislative requirements prior to the move to the new campus in 2007. Once this exceptional estates remedial programme is completed, the institution plans to return to an overall surplus position in 2005/06. These represent major challenges for all concerned with QMUC. The long term financial health of the institution will depend upon its ability (a) to grow and diversify its income base; (b) to control costs, and; (c) to improve net income generation from research and knowledge transfer activities. QMUC has in place strategies, structures and processes and the Governing Body is confident that these will enable the institution to meet the financial challenges identified and will allow the University College to achieve the objectives set out in its Strategic Plan.

### On behalf of the Governing Body

Professor Ian Percy, CBE  
Chairman

15 December 2004



### MEMBERSHIP OF THE GOVERNING BODY

|                               |       |   |
|-------------------------------|-------|---|
| Professor Sir John Ward, CBE  | N R   | Chairman to 31 July 2004                            |
| Professor Ian Percy, CBE      | N R   | Appointed 1 April 2004, Chairman from 1 August 2004 |
| Morag Alexander, OBE          | A     |   |
| Scott Allan                   | E     | Retired 31 December 2003                            |
| James Bain                    |       | Staff Governor                                      |
| Fiona Ballantyne              | E N R |   |
| Jeffrey Beckett               |       | Student Governor                                    |
| Professor Sally Brown, OBE    | E     |   |
| Dr Graham Buckley             | A     |   |
| Ian Buick                     | E     | Staff Governor, retired 30 September 2003           |
| Marcia Campbell               | F R   |   |
| Professor Anthony Cohen       | E F N | Principal and Vice-Patron                           |
| Dr Marie Donaghy              |       | Appointed by Academic Council                       |
| Dr Zoe Dunhill, MBE           |       | Appointed 22 March 2004                             |
| Dr Mark Gillham               |       | Staff Governor, appointed 16 February 2004          |
| Ronald Hanna                  | F     | Appointed 1 December 2003                           |
| Erica Hensens                 | E     | Student President, appointed 1 April 2004           |
| Vikram Lall                   | F R   |   |
| Councillor Elizabeth Maginnis |       | Retired 30 September 2003                           |
| Rosalyn Marshall              | E F   | Vice Principal (Strategic Corporate Services)       |
| Dr Harold Mills, CB           | A     | Retired 31 May 2004                                 |
| Councillor Norman Murray      |       | Appointed 1 July 2004                               |
| John Newall                   | E     |   |
| Lady Ann Paton                |       | Retired 31 March 2004                               |
| Tom Ward                      | N A   |   |
| Douglas Watters               | E     | Student President, retired 31 March 2004            |

A - Member of Audit Committee  
 E - Member of Estates Committee  
 F - Member of Finance Committee  
 N - Member of Nominations Committee  
 R - Member of Senior Management Remuneration Committee



## CORPORATE GOVERNANCE STATEMENT

### Summary of the University College's Structure of Corporate Governance

The University College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the University College 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, which incorporated internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

In the opinion of the Governors, the University College complies with the provisions of the relevant Combined Code on Corporate Governance, in so far as they apply to the Higher Education sector, and it has complied throughout the year ended 31 July 2004.

The University College's Governing Body is responsible for the University College's system of internal control, and for reviewing its effectiveness. This system relies on management informing the Governing Body of any potential internal control issues and proposing to the Governing Body any necessary remedial action. 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 mis-statement or loss.

The Governing Body is of a view that there is an ongoing process for identifying, evaluating and managing the institution's significant risks, which has been in place throughout the year ended 31 July 2004 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Governing Body, and accords with the Turnbull guidance, as applicable to the higher education sector. In the light of the significant risks associated with the campus relocation project, a formal risk management process has been developed whereby regular workshops are held involving senior management, and which are facilitated by an external risk management expert. As well as covering the relocation project, these sessions have a major focus on the broader strategic risks which face the University College, and have resulted in the production of an action plan to address each of the risks identified in the register. Although the University College has not formally approved a business continuity plan for the whole organisation, each of the key areas within the institution, including the Strategic Management Group, has in place local procedures detailing action to be taken in response to a potential or actual disaster. Risk management is a standing item on the agenda of the Senior Management Group and the Audit Committee, and regular reports are made to the Governing Body.

The Governing Body comprises lay and academic persons appointed under the University College's Statutory Instrument. The majority are non-executive and the roles of Chairman and Vice-Chairman of the Governing Body are separated from the role of the University College's Chief Executive, the Principal and Vice-Patron. Under the Statutory Instrument, the Governing Body delegates to the Principal the organisation, management and discipline of the University College. In discharging these functions, the Principal is subject to the general control and direction of, and is accountable to, the Governing Body but otherwise has all powers and duties of the Governing Body in relation to these functions. Under the Financial Memorandum with the Scottish Higher Education Funding Council (SHEFC), the Governing Body is responsible for the ongoing strategic direction of the University College, approval of overall institutional budgets and major developments and the receipt of regular reports from executive officers on the day to day operations of its business and its subsidiary companies. The Governing Body meets regularly, and has delegated authority to a number of Committees, including a Nominations Committee, a Senior Management Remuneration Committee, an Estates Committee, a Finance Committee and an Audit Committee. All of these Committees are formally constituted with terms of reference and comprise mainly lay members of the Governing Body, one of whom is the Chair.

The Nominations Committee considers nominations for vacancies in the Governing Body membership, and the re-appointment of existing members where appropriate.

The Senior Management Remuneration Committee determines the annual remuneration of senior staff.

The Estates Committee considers matters relating to the current estate and the campus relocation project, Re:Locate.



### **CORPORATE GOVERNANCE STATEMENT (Continued)**

The Finance Committee recommends to the Governing Body the University College's annual revenue and capital budgets and monitors performance in relation to the approved budgets. It reviews the University College's annual financial statements in respect of their financial content. The Committee also monitors the financial arrangements for the Re:Locate project.

The Audit Committee meets, at least three times annually, to discuss audit risk and issues, with the University College's external and internal auditors in attendance as appropriate. The Committee considers detailed internal audit reports and recommendations for the improvement of the University College's systems of internal control, together with management's responses and implementation plans. It also receives and considers reports from the Scottish Higher Education Funding Council as they affect the University College's business and monitors adherence with the regulatory requirements. It reviews the University College's annual financial statements from an audit perspective. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee meets annually with the external auditors for independent discussions with no executive officers present. The identification, assessment and management of risk is a standing item which is considered at each meeting of the Audit Committee. These matters are subsequently reported to the Governing Body.

The Strategic Management Group receives reports as appropriate regarding key performance and risk indicators, and possible control issues are brought to their attention. The senior management team and the Audit Committee also receive regular reports from the internal auditors which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal financial control. The Governing Body receives reports as appropriate on risk and control issues from senior management and the Audit Committee.

The Governing Body considers that the University College has adequate resources to enable it to continue in operational existence for the foreseeable future.



## RESPONSIBILITIES OF THE GOVERNING BODY

In accordance with the Companies Acts and the University College's Statutory Instrument, the Governing Body is responsible for ensuring that the affairs of the University College are administered and managed appropriately, including ensuring an effective system of internal control, and that audited financial statements are presented for each financial year.

The Governing Body is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the University College and enable it to ensure that the financial statements are prepared in accordance with the University College's Memorandum and Articles of Association, the Statement of Recommended Practice: Accounting for Further and Higher Education and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Higher Education Funding Council and the Governing Body, the Governing Body, 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 College and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body has ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University College will continue in operation. The Governing Body is satisfied that the University College 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 Governing Body has taken reasonable steps to:

- ensure that funds from the Scottish Higher Education Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions 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 College and prevent and detect fraud;
- secure the economical, efficient and effective management of the University College's resources and expenditure.



## RESPONSIBILITIES OF THE GOVERNING BODY (continued)

### System of Internal Financial Control

The key elements of the University College's system of internal financial control include the following:

- clear definitions of the responsibilities of, and the authority delegated to, Deans and heads of academic and support units;
- a comprehensive medium and short-term planning process, supplemented by detailed monthly income and expenditure forecasts, and annual capital budgets;
- monthly reviews of financial results involving variance reporting and updates of forecast out-turns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving significant capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels;
- comprehensive Financial Regulations, detailing financial controls and procedures;
- an independent professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Governing Body, has reviewed the effectiveness of the Group's system of internal financial control as part of a rolling programme. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE GOVERNING BODY OF QUEEN MARGARET UNIVERSITY COLLEGE, EDINBURGH**

We have audited the financial statements on pages 13 to 36 which have been prepared in accordance with the accounting policies set out on pages 13 and 14.

This report is made solely to the Governing Body, in accordance with the Memorandum and Articles of Association of the University College. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it in an auditor's 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 Governing Body, for our work, for this report, or the opinion we have formed.

**Respective responsibilities of the Governing Body and Auditors**

The Governing Body is responsible for preparing the financial statements. As described on page 9, this includes responsibility for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the requirements of the Scottish Higher Education Funding Council's Code of Audit Practice and by our profession's ethical guidance.

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 Governing Body's report is not consistent with the financial statements, if the University College has not kept proper accounting records, if the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We also are required to report to you our opinion as to whether:

- funds from whatever source administered by the University College for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with any other terms and conditions attached to them; and
- income has, in all material respects, been applied in accordance with relevant legislation and with the University College's Financial Memorandum, dated 1 August 1999, with the Scottish Higher Education Funding Council.

We read the other information contained in the financial statements and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

**Basis of audit opinions**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Scottish Higher Education Funding Council's Code of Audit Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the University College's Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University College'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 misstatements, whether caused by fraud or other irregularity or error. In forming our opinions we also evaluated the overall adequacy of the presentation of information in the financial statements.



**INDEPENDENT AUDITORS' REPORT (continued)**

**Opinions**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University College and the group as at 31 July 2004 and of its income and expenditure and 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 whatever source administered by the University College for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with any other terms and conditions attached to them; and
- income has, in all material respects, been applied in accordance with relevant legislation and with the University College's Financial Memorandum, dated 1 August 1999, with the Scottish Higher Education Funding Council.

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

15 December 2004

Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG



## STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

(A) **Basis of Accounting**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and land and buildings, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable Accounting Standards in the United Kingdom. Compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education requires a departure from the requirements of the United Kingdom Companies Act 1985 relating to the disclosure of endowment asset investments; an explanation of this departure is given in (E) below.

A summary of the more important group accounting policies, which have been applied consistently, is set out below.

(B) **Basis of Consolidation**

The consolidated financial statements consolidate the financial statements of the University College and its subsidiary undertakings for the financial year ended 31 July 2004.

They do not include those of the Queen Margaret University College Students' Association both on grounds of materiality and the fact that it is a separate company limited by guarantee in which the University College has no financial interest and no control or significant influence over policy decisions.

(C) **Fixed Assets**

Land and Buildings are stated at cost or valuation. The basis of valuation is depreciated replacement cost. In accordance with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets), the University College has elected not to adopt a policy of revaluation but to retain the book amounts which reflect previous valuations (subject to the requirement to test the assets for impairment in accordance with Financial Reporting Standard 11 (Impairment of Fixed Assets and Goodwill)). Buildings are depreciated over their expected useful lives of 50 years. No depreciation is charged on the assets in course of construction.

Equipment, including computer equipment and software, costing less than £10,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised and depreciated over four years, being its expected useful life.

(D) **Recognition of Income**

Income from research grants and contracts is included to the extent that a right has been obtained to receive consideration in respect of performance of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs.

Grants for recurrent expenditure are credited to income in the year in which they are received. Buildings and equipment acquired with the aid of specific grants are capitalised and depreciated as above. Related grants received are treated as deferred income and released to income over the expected useful life of the asset.

(E) **Investments**

Investments are included in the Balance Sheet at market value.

The Statement of Recommended Practice: Accounting for Further and Higher Education requires the presentation of endowment asset investments in the balance sheet as a separate heading between fixed and current assets. This departure from the requirements of the United Kingdom Companies Act 1985, for all investments to be classified as either fixed or current assets, is, in the opinion of the Governing Body, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards.



**STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)**

**(F) Stock**

Stocks of catering and cleaning supplies are stated at the lower of cost and net realisable value.

**(G) Cash Flows and Liquid Resources**

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University College's treasury management activities. They exclude any such assets held as endowment asset investments.

**(H) Taxation**

The University College has been granted charitable status by the Inland Revenue. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the income and expenditure account.

**(I) Pension Costs**

Retirement benefits to employees of the University College are provided by the Local Government Pension Scheme (LGPS) through the Lothian Pension Fund, the Scottish Teachers Superannuation Scheme (STSS) and the Universities Superannuation Scheme (USS). The LGPS and the USS are externally funded and the STSS is unfunded. Contributions to the schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the University College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. These contributions are determined by qualified actuaries.

The University College has adopted the transitional arrangements of Financial Reporting Standard 17 (Retirement Benefits).

In a number of instances the University College has agreed to provide enhanced pension benefits in respect of members of staff taking early retirement. These additional benefits are unfunded and are charged, as and when they arise, against a provision established when members retire to meet this liability.

**(J) Leasing**

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.



### CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

For the Year Ended 31 July 2004

|  | Note | 2003/04<br>£000 | 2002/03<br>£000 |
|--|------|-----------------|-----------------|
| <b>INCOME</b>  |      |                 |                 |
| SHEFC grants   | 1    | 12,730          | 12,413          |
| Tuition fees and education contracts   | 2    | 6,064           | 6,348           |
| Research grants and contracts  | 3    | 2,006           | 1,797           |
| Other operating income   | 4    | 2,678           | 2,914           |
| Endowment and investment income  | 5    | 698             | 367             |
| Total income   |      | <u>24,176</u>   | <u>23,839</u>   |
| <b>EXPENDITURE</b>   |      |                 |                 |
| Staff costs  | 6    | 16,396          | 15,536          |
| Exceptional restructuring costs  | 7    | 1,600           | -               |
| Depreciation   | 12   | 1,231           | 1,101           |
| Other operating expenses   | 8    | 7,497           | 6,902           |
| Interest payable   |      | 54              | 69              |
| Total expenditure  |      | <u>26,778</u>   | <u>23,608</u>   |
| (Deficit)/surplus after depreciation of fixed assets at valuation and before tax                   |      | (2,602)         | 231             |
| Taxation   | 10   | -               | -               |
| (Deficit)/surplus on continuing operations after depreciation of fixed assets at valuation and tax |      | <u>(2,602)</u>  | <u>231</u>      |

### NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

For the Year Ended 31 July 2004

|   | Note | 2003/04<br>£000 | 2002/03<br>£000 |
|---|------|-----------------|-----------------|
| (Deficit)/surplus on continuing operations before taxation  |      | (2,602)         | 231             |
| Difference between historical cost depreciation charge and the actual charge for the year calculated on the revalued amount | 22   | 379             | 378             |
| Historical cost (deficit)/surplus before and after taxation   |      | <u>(2,223)</u>  | <u>609</u>      |

The consolidated income and expenditure account relates wholly to continuing operations.



**STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES**

**For the Year Ended 31 July 2004**

|   | Note | 2003/04<br>£000 | 2002/03<br>£000 |
|---|------|-----------------|-----------------|
| (Deficit)/surplus after depreciation of assets at valuation and tax |      | (2,602)         | 231             |
| (Depreciation) of endowment asset investments                       | 21   | (5)             | (16)            |
| Net endowment income for year                                       |      | 102             | 47              |
| <b>TOTAL RECOGNISED (LOSSES)/GAINS RELATING TO THE YEAR</b>         |      | <u>(2,505)</u>  | <u>262</u>      |

Reconciliation

|  |               |
|--|---------------|
| Opening reserves and endowments                | 28,919        |
| Total recognised gains and losses for the year | (2,505)       |
| Closing reserves and endowments                | <u>26,414</u> |



## BALANCE SHEETS AS AT 31 JULY 2004

|  | Note | <u>Group</u>        |                     | <u>University<br/>College</u> |                     |
|--|------|---------------------|---------------------|-------------------------------|---------------------|
|  |      | <u>2004</u><br>£000 | <u>2003</u><br>£000 | <u>2004</u><br>£000           | <u>2003</u><br>£000 |
| <b>FIXED ASSETS</b>  |      |                     |                     |                               |                     |
| Tangible assets  | 12   | 38,529              | 37,374              | 32,106                        | 30,804              |
| Investments  | 13   | 549                 | 548                 | 549                           | 548                 |
|  |      | <u>39,078</u>       | <u>37,922</u>       | <u>32,655</u>                 | <u>31,352</u>       |
| <b>ENDOWMENT ASSET<br/>INVESTMENTS</b>                             | 14   | <u>1,239</u>        | <u>1,142</u>        | <u>1,239</u>                  | <u>1,142</u>        |
| <b>CURRENT ASSETS</b>  |      |                     |                     |                               |                     |
| Stocks   |      | 39                  | 38                  | 39                            | 38                  |
| Loan to subsidiary   | 15   | -                   | -                   | 2,800                         | 2,800               |
| Debtors  | 16   | 1,545               | 1,268               | 4,826                         | 4,576               |
| Cash at bank and in hand   |      | 2,010               | 4,431               | 1,538                         | 3,942               |
|  |      | <u>3,594</u>        | <u>5,737</u>        | <u>9,203</u>                  | <u>11,356</u>       |
| <b>CREDITORS: AMOUNTS FALLING<br/>DUE WITHIN ONE YEAR</b>          | 17   | <u>(5,321)</u>      | <u>(3,809)</u>      | <u>(5,189)</u>                | <u>(3,684)</u>      |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>                            |      | <u>(1,727)</u>      | <u>1,928</u>        | <u>4,014</u>                  | <u>7,672</u>        |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>                   |      | <u>38,590</u>       | <u>40,992</u>       | <u>37,908</u>                 | <u>40,166</u>       |
| <b>CREDITORS: AMOUNTS FALLING DUE<br/>AFTER MORE THAN ONE YEAR</b> | 18   | -                   | (1,244)             | -                             | (1,244)             |
| <b>PROVISIONS FOR LIABILITIES<br/>AND CHARGES</b>                  | 19   | <u>(4,363)</u>      | <u>(3,028)</u>      | <u>(4,363)</u>                | <u>(3,028)</u>      |
| <b>NET ASSETS</b>  |      | <u>34,227</u>       | <u>36,720</u>       | <u>33,545</u>                 | <u>35,894</u>       |



## BALANCE SHEETS AS AT 31 JULY 2004

|                                | Note | <u>Group</u>        |                     | <u>University<br/>College</u> |                     |
|--------------------------------|------|---------------------|---------------------|-------------------------------|---------------------|
|                                |      | <u>2004</u><br>£000 | <u>2003</u><br>£000 | <u>2004</u><br>£000           | <u>2003</u><br>£000 |
| Represented by:                |      |                     |                     |                               |                     |
| DEFERRED CAPITAL GRANTS        | 20   | 7,813               | 7,801               | 7,680                         | 7,665               |
| ENDOWMENTS                     | 21   | 1,239               | 1,142               | 1,239                         | 1,142               |
| RESERVES                       |      |                     |                     |                               |                     |
| Revaluation reserve            | 22   | 22,788              | 23,167              | 20,053                        | 20,401              |
| Income and expenditure account | 23   | 2,387               | 4,610               | 4,573                         | 6,686               |
| TOTAL RESERVES                 |      | 25,175              | 27,777              | 24,626                        | 27,087              |
| TOTAL ENDOWMENTS AND RESERVES  |      | 26,414              | 28,919              | 25,865                        | 28,229              |
| TOTAL                          |      | 34,227              | 36,720              | 33,545                        | 35,894              |

The financial statements on pages 13 to 36 were approved by the Governing Body on 15 December 2004 and signed on its behalf by:

Professor Ian Percy, CBE  
(Chairman)

Professor Anthony Cohen  
(Principal and Designated Officer)



**CONSOLIDATED CASH FLOW STATEMENT**

**For the Year Ended 31 July 2004**

|  | Note | 2003/04<br>£000 | 2002/03<br>£000 |
|--|------|-----------------|-----------------|
| Net cash inflow from operating activities                          | 25   | 399             | 1,621           |
| Returns on investments and servicing of finance                    | 26   | 123             | 179             |
| Taxation   |      | -               | -               |
| Capital expenditure and financial investment                       | 27   | (2,073)         | (609)           |
| Cash (outflow)/inflow before use of liquid resources and financing |      | <u>(1,551)</u>  | <u>1,191</u>    |
| Management of liquid resources                                     |      | -               | -               |
| Financing  | 28   | (1,333)         | (94)            |
| (Decrease)/increase in cash  | 29   | <u>(2,884)</u>  | <u>1,097</u>    |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

|   | 2003/04<br>£000 | 2002/03<br>£000 |
|---|-----------------|-----------------|
| (Decrease)/increase in cash in the period | (2,884)         | 1,097           |
| Repayment of debt                         | 1,333           | 94              |
| Change in net funds                       | <u>(1,551)</u>  | <u>1,191</u>    |
| Net funds at 1 August                     | 3,708           | 2,517           |
| Net funds at 31 July                      | <u>2,157</u>    | <u>3,708</u>    |



## NOTES TO THE ACCOUNTS

|  | 2003/04<br>£000 | 2002/03<br>£000 |
|--|-----------------|-----------------|
| <b>1. SCOTTISH HIGHER EDUCATION FUNDING COUNCIL GRANTS</b>             |                 |                 |
| Recurrent grant  |                 |                 |
| Teaching   | 10,975          | 10,559          |
| Research   | 778             | 705             |
| Specific grants  |                 |                 |
| Wider access   | 338             | 262             |
| New access partnership   | 12              | 17              |
| Additional funded places for allied health professions                 | 84              | 80              |
| Disabled students premium  | 14              | 21              |
| Disability legislation requirements                                    | -               | 205             |
| Knowledge transfer   | 38              | 86              |
| Research development   | 12              | 96              |
| Scottish Teachers' Superannuation Scheme compensation                  | 268             | -               |
| Strategic Research Investment Fund (excluding deferred capital grants) | -               | 37              |
| Science & technology teaching infrastructure grant                     | -               | 163             |
| Other grants   | 5               | -               |
| Deferred capital grants released                                       |                 |                 |
| Buildings  | 142             | 142             |
| Equipment  | 64              | 40              |
|  | <u>12,730</u>   | <u>12,413</u>   |
| <b>2. TUITION FEES AND EDUCATION CONTRACTS</b>                         |                 |                 |
| UK higher education students   | 3,792           | 3,653           |
| European Union (excluding UK) students                                 | 325             | 245             |
| Non-European Union students  | 1,913           | 2,442           |
| Other fees   | 34              | 8               |
|  | <u>6,064</u>    | <u>6,348</u>    |
| <b>3. RESEARCH GRANTS AND CONTRACTS</b>                                |                 |                 |
| Research council   | 101             | 131             |
| UK based charities   | 298             | 146             |
| UK government and health authorities                                   | 798             | 752             |
| UK private sector  | 233             | 247             |
| European Commission  | 119             | 91              |
| Other grants & contracts   | 457             | 430             |
|  | <u>2,006</u>    | <u>1,797</u>    |
| <b>4. OTHER OPERATING INCOME</b>                                       |                 |                 |
| Residences, catering and conferences                                   | 2,187           | 2,256           |
| University College shop  | 212             | 303             |
| Other services rendered  | -               | 9               |
| Released from deferred capital grants (note 20)                        | 72              | 73              |
| Other income   | 207             | 273             |
|  | <u>2,678</u>    | <u>2,914</u>    |



## NOTES TO THE ACCOUNTS

|   | 2003/04<br>£000   | 2002/03<br>£000   |
|---|-------------------|-------------------|
| <b>5. ENDOWMENT AND INVESTMENT INCOME</b>   |                   |                   |
| Income from investments   | 27                | 29                |
| Interest receivable   | 130               | 125               |
| Income from endowments  | 541               | 213               |
|   | <u>698</u>        | <u>367</u>        |
| <b>6. STAFF</b>   |                   |                   |
| Staff costs:  |                   |                   |
| Wages and salaries  | 13,371            | 13,078            |
| Social security costs   | 1,013             | 854               |
| Other pension costs   | 2,012             | 1,604             |
|   | <u>16,396</u>     | <u>15,536</u>     |
| Included within other pension costs is a charge of £466,000 (2002/03 - £358,000) for unfunded pensions (note 19 and 30).  |                   |                   |
| Average full time equivalent staff numbers by major category:   |                   |                   |
|   | FTE number        | FTE number        |
| Academic staff  | 207               | 207               |
| Other staff (including staff engaged on research grants & contracts)  | 311               | 283               |
|   | <u>518</u>        | <u>490</u>        |
| Note – the 2003/04 numbers include staff engaged on short-term temporary contracts, including students employed to assist with vacation letting activities. This category of staff was not included in the corresponding numbers for 2002/03. |                   |                   |
|   | £                 | £                 |
| Directors' emoluments (including pension contributions)   |                   |                   |
| Fees for services as Governors  | -                 | -                 |
| Emoluments (i.e. salaries as members of staff)  | 283,013           | 261,929           |
| Contributions paid to pension schemes   | 41,480            | 29,208            |
|   | <u>          </u> | <u>          </u> |
| Emoluments of highest paid Governor -   |                   |                   |
| Salary and benefits   | 113,850           | 66,326            |
| Pension contributions   | 15,939            | 10,557            |
|   | <u>          </u> | <u>          </u> |
| Total   | <u>129,789</u>    | <u>76,883</u>     |
| Emoluments of Principal -<br>Professor Joan K Stringer (to 31 December 2002)  |                   |                   |
| Salary and benefits   | -                 | 49,400            |
| Pension contributions   | -                 | 2,979             |
|   | <u>          </u> | <u>          </u> |
| Total   | <u>          </u> | <u>52,379</u>     |
| Emoluments of Principal -<br>Professor Anthony P Cohen (from 1 March 2003)  |                   |                   |
| Salary and benefits   | 113,850           | 46,009            |
| Pension contributions   | 15,939            | 6,441             |
|   | <u>          </u> | <u>          </u> |
| Total   | <u>129,789</u>    | <u>52,450</u>     |



## NOTES TO THE ACCOUNTS

### 6. STAFF (continued)

The number of staff, including senior postholders and the Principal, who received remuneration (including benefits and pension contributions) in the following ranges was:-

|                      | 2003/04<br>Number | 2002/03<br>Number |
|----------------------|-------------------|-------------------|
| £50,001 to £60,000   | 17                | 4                 |
| £60,001 to £70,000   | 7                 | 3                 |
| £70,001 to £80,000   | -                 | 2                 |
| £80,001 to £90,000   | 1                 | 1                 |
| £90,001 to £100,000  | 1                 | -                 |
| £120,001 to £130,000 | 1                 | -                 |

### 7. EXCEPTIONAL RESTRUCTURING COSTS

During the year to 31 July 2004, the University College operated a scheme whereby members of staff were offered the opportunity to apply for voluntary severance or early retirement. A total of 25 members of staff were granted enhanced early retirement under the scheme, and a further six members of staff were granted severance terms under the scheme. The total cost of this exceptional restructuring exercise was £1,600,000. This figure includes the cost of enhanced pensions (including additional strain costs) and lump sums, and also the cost of one-off severance payments.

|   | £000  | £000  |
|---|-------|-------|
| <b>8. OTHER OPERATING EXPENSES</b>  |       |       |
| Residences, catering and conferences operating expenses                         | 878   | 935   |
| Consumables and laboratory expenditure  | 604   | 555   |
| Books and periodicals   | 336   | 360   |
| Heat, light and water   | 396   | 437   |
| Repairs and general maintenance   | 1,210 | 733   |
| Campus relocation project (revenue costs)                                       | 137   | 35    |
| Grants to QMUC Students' Union  | 135   | 130   |
| Research student grants   | 187   | 204   |
| Rents and rates   | 79    | 98    |
| External auditors' remuneration (of which £14,000 refers to University College) | 24    | 23    |
| External auditors' remuneration in respect of non-audit services                | 6     | 5     |
| Internal auditors' remuneration   | 36    | 32    |
| University College shop   | 135   | 237   |
| Marketing   | 185   | 228   |
| Postage, stationery, reprographics, telephone                                   | 442   | 495   |
| Travel & subsistence and staff development                                      | 211   | 298   |
| Staff recruitment   | 96    | 132   |
| Insurance   | 180   | 129   |
| Research grants and contracts   | 640   | 457   |
| Endowment expenditure   | 541   | 213   |
| SHEFC special initiative grant expenditure                                      | 220   | 298   |
| Other expenses  | 819   | 868   |
|   | 7,497 | 6,902 |



## NOTES TO THE ACCOUNTS

## 9. ANALYSIS OF 2003/04 EXPENDITURE BY ACTIVITY

|   | Staff<br>Costs<br>£000 | Dep'n<br>£000 | Other<br>Operating<br>Expenses<br>£000 | Interest<br>Payable<br>£000 | Total<br>£000 |
|---|------------------------|---------------|--|-----------------------------|---------------|
| Academic departments                        | 9,165                  | 205           | 1,076                                  | -                           | 10,446        |
| Academic services                           | 1,228                  | 166           | 929                                    | -                           | 2,323         |
| Research grants & contracts                 | 1,201                  | -             | 640                                    | -                           | 1,841         |
| Residences, catering and<br>conferences     | 850                    | 24            | 901                                    | -                           | 1,775         |
| Premises                                    | 878                    | 696           | 2,034                                  | -                           | 3,608         |
| Administration & central services           | 2,477                  | 140           | 998                                    | -                           | 3,615         |
| Exceptional restructuring costs             | 1,600                  | -             | -                                      | -                           | 1,600         |
| Other expenses                              | 597                    | -             | 919                                    | 54                          | 1,570         |
| Total per income and expenditure<br>account | 17,996                 | 1,231         | 7,497                                  | 54                          | 26,778        |

The depreciation charge has been funded by:

|                                  | Notes | Dep'n<br>£000 |
|----------------------------------|-------|---------------|
| Deferred capital grants released | 20    | 278           |
| Revaluation reserve released     | 22    | 379           |
| General income                   |       | 574           |
|                                  |       | 1,231         |

## 10. TAXATION

|                            | 2003/04<br>£000 | 2002/03<br>£000 |
|----------------------------|-----------------|-----------------|
| UK Corporation Tax payable | -               | -               |
|                            | -               | -               |

## 11. SURPLUS/(DEFICIT) FOR THE YEAR

As permitted by section 230 of the Companies Act 1985, the income and expenditure account of the University College (the holding company) has not been shown separately in these financial statements. The University College's deficit for the year was £ 2,461,000 (2002/03: surplus £371,000).



## NOTES TO THE ACCOUNTS

## 12. TANGIBLE ASSETS

|  | <b>Group</b>                            |                     |                      |
|--|---|---------------------|----------------------|
|  | Freehold<br>Land &<br>Buildings<br>£000 | Equipment<br>£000   | Total<br>£000        |
| <b>Cost or valuation:</b>                          |   |                     |                      |
| At 1 August 2003                                   | 42,267                                  | 2,748               | 45,015               |
| Additions at cost                                  | 1,596                                   | 790                 | 2,386                |
| Disposals at cost or valuation                     | -                                       | -                   | -                    |
| At 31 July 2004                                    | <u>43,863</u>                           | <u>3,538</u>        | <u>47,401</u>        |
| <b>Depreciation:</b>                               |   |                     |                      |
| At 1 August 2003                                   | 5,685                                   | 1,956               | 7,641                |
| Provided during the year                           | 690                                     | 541                 | 1,231                |
| Written back on disposals                          | -                                       | -                   | -                    |
| At 31 July 2004                                    | <u>6,375</u>                            | <u>2,497</u>        | <u>8,872</u>         |
| <b>Net book amount at 31 July 2004</b>             | <b><u>37,488</u></b>                    | <b><u>1,041</u></b> | <b><u>38,529</u></b> |
| Net book amount at 1 August 2003                   | <u>36,582</u>                           | <u>792</u>          | <u>37,374</u>        |
| <b>Analysis of net book amount at 31 July 2004</b> |   |                     |                      |
| Financed by capital grant                          | 25,180                                  | 337                 | 25,517               |
| Other  | 12,308                                  | 704                 | 13,012               |
|  | <u>37,488</u>                           | <u>1,041</u>        | <u>38,529</u>        |



## NOTES TO THE ACCOUNTS

## 12. TANGIBLE ASSETS - continued

|  | University                              | College           |               |
|--|---|-------------------|---------------|
|  | Freehold<br>Land &<br>Buildings<br>£000 | Equipment<br>£000 | Total<br>£000 |
| <b>Cost or valuation:</b>                          |   |                   |               |
| At 1 August 2003                                   | 34,517                                  | 2,748             | 37,265        |
| Additions at cost                                  | 1,596                                   | 790               | 2,386         |
| Disposals at cost                                  | -                                       | -                 | -             |
| At 31 July 2004                                    | 36,113                                  | 3,538             | 39,651        |
| <b>Depreciation:</b>                               |   |                   |               |
| At 1 August 2003                                   | 4,505                                   | 1,956             | 6,461         |
| Provided during the year                           | 543                                     | 541               | 1,084         |
| Written back on disposals                          | -                                       | -                 | -             |
| At 31 July 2004                                    | 5,048                                   | 2,497             | 7,545         |
| <b>Net book amount at 31 July 2004</b>             | <b>31,065</b>                           | <b>1,041</b>      | <b>32,106</b> |
| Net book amount at 1 August 2003                   | 30,012                                  | 792               | 30,804        |
| <b>Analysis of net book amount at 31 July 2004</b> |   |                   |               |
| Financed by capital grant                          | 25,180                                  | 337               | 25,517        |
| Other  | 5,795                                   | 704               | 6,499         |
|  | 30,975                                  | 1,041             | 32,016        |

The historical cost of the group's land & buildings property was £17,240,000, and the historical cost depreciation charge would have been £276,000.

Land and buildings with a net book amount of £25,180,000 and cost of £7,090,000 have been funded from Treasury sources. Should these particular assets be sold, the University College will require to use the proceeds in accordance with the Financial Memorandum with the Scottish Higher Education Funding Council, and associated guidance notes on disposal of such assets and retention of the related proceeds.

The University College has a modest collection of works of art and other items of historical interest. No value is included within fixed assets in respect of this collection.



## NOTES TO THE ACCOUNTS

## 13. INVESTMENTS

## Subsidiary Undertakings

| Name of undertaking | Country of incorporation and registration | Description of shares held | Proportion of nominal value of issued shares held % | Cost at 1 August 2003 and 31 July 2004 £ |
|---------------------|---|----------------------------|---|--|
| QMC Enterprises Ltd | Scotland                                  | Ordinary £1 shares         | 100   | 100                                      |
| QMC Properties Ltd  | Scotland                                  | Ordinary £1 shares         | 100   | 2  |
| Bactokil Ltd        | Scotland                                  | Ordinary £1 shares         | 100   | <u>100</u>                               |
|                     |   |                            |   | 202                                      |

## Other Fixed Asset Investments

|                                    | 2004<br>£000 | 2003<br>£000 |
|------------------------------------|--------------|--------------|
| At cost:                           |              |              |
| Scottish Knowledge plc             | 1            | 2            |
| At market value:                   |              |              |
| Fixed and variable interest stocks | 246          | 257          |
| UK equities                        | 276          | 288          |
| Cash awaiting investment           | 26           | 1            |
|                                    | <u>549</u>   | <u>548</u>   |

Other fixed asset investments include £548,000 (2003: £546,000) which is held for the purpose of funding pensions payable to former staff members who have taken early retirement.

## 14. ENDOWMENT ASSET INVESTMENTS

|   | Group and University College |                 |
|---|------------------------------|-----------------|
|   | 2003/04<br>£000              | 2002/03<br>£000 |
| Balance at 1 August 2003                          | 1,142                        | 1,111           |
| Additions   | 601                          | 111             |
| Disposals   | (499)                        | (64)            |
| Net depreciation less appreciation                | (5)                          | (16)            |
| Balance at 31 July 2004                           | <u>1,239</u>                 | <u>1,142</u>    |
|   | 2004<br>£000                 | 2003<br>£000    |
| Fixed interest stocks (listed)                    | 72                           | 75              |
| Equities (listed)                                 | 214                          | 205             |
| Property  | 78                           | 80              |
| Debtors   | 728                          | 172             |
| Bank balances                                     | 147                          | 610             |
| Total endowment asset investments at market value | <u>1,239</u>                 | <u>1,142</u>    |
| Fixed interest stocks and equities at cost        | <u>300</u>                   | <u>291</u>      |
| Land and property at cost                         | 86                           | 86              |



## NOTES TO THE ACCOUNTS

## 15. LOAN TO SUBSIDIARY

The loan represents a loan to QMC Properties Limited, which bears interest at 1% above the base rate of the Royal Bank of Scotland plc, and has no fixed terms for repayment.

| 16. DEBTORS                          | Group        |              | University College |              |
|--------------------------------------|--------------|--------------|--------------------|--------------|
|                                      | 2004<br>£000 | 2003<br>£000 | 2004<br>£000       | 2003<br>£000 |
| Amounts falling due within one year: |              |              |                    |              |
| Debtors                              | 847          | 783          | 722                | 630          |
| Prepayments and accrued income       | 698          | 485          | 670                | 475          |
| Amounts owed by subsidiaries         | -            | -            | 3,434              | 3,471        |
|                                      | <u>1,545</u> | <u>1,268</u> | <u>4,826</u>       | <u>4,576</u> |

| 17. CREDITORS: AMOUNTS FALLING<br>DUE WITHIN ONE YEAR | Group        |              | University College |              |
|---|--------------|--------------|--------------------|--------------|
|   | 2004<br>£000 | 2003<br>£000 | 2004<br>£000       | 2003<br>£000 |
| Bank loan   | -            | 89           | -                  | 89           |
| Trade creditors                                       | 233          | 541          | 211                | 541          |
| Social security and other taxation payable            | 379          | 357          | 341                | 330          |
| Accruals and deferred income                          | 4,709        | 2,822        | 4,637              | 2,724        |
|   | <u>5,321</u> | <u>3,809</u> | <u>5,189</u>       | <u>3,684</u> |

## 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

## Group and University College

|   | 2004<br>£000 | 2003<br>£000 |
|---|--------------|--------------|
| Bank loan                               | -            | 1,244        |
|   | <u>-</u>     | <u>1,244</u> |
| The Bank Loan is repayable as follows:- | £000         | £000         |
| Not wholly repayable within 5 years:    |              |              |
| In one year or less                     | -            | 89           |
| Between one and two years               | -            | 94           |
| Between two and five years              | -            | 315          |
| In five years or more                   | -            | 835          |
| Total repayable                         | -            | 1,333        |
| Less due in one year or less            | -            | (89)         |
|   | <u>-</u>     | <u>1,244</u> |

The loan, from The Royal Bank of Scotland plc, was repaid in full during the year.



## NOTES TO THE ACCOUNTS

## 19. PROVISIONS FOR LIABILITIES AND CHARGES

|  | <b>Group and University College</b><br>Unfunded<br>Pensions<br>£000 |
|--|---|
| At 1 August 2003                           | 3,028   |
| Utilised in year                           | (215)   |
| Transfer from income & expenditure account | 1,550   |
| At 31 July 2004                            | <u>4,363</u>  |

## 20. DEFERRED CAPITAL GRANTS

In respect of fixed assets funded by SHEFC, Lothian & Edinburgh Enterprise Ltd (LEEL) and The Scottish Arts Council (SAC)

|   | <b>Group</b>  |              |              |               |               |
|---|---------------|--------------|--------------|---------------|---------------|
|   | SHEFC<br>£000 | LEEL<br>£000 | SAC<br>£000  | Other<br>£000 | TOTAL<br>£000 |
| At 1 August 2003                            | 5,995         | 357          | 1,380        | 69            | 7,801         |
| Receivable during year:                     |               |              |              |               |               |
| Equipment                                   | 290           | -            | -            | -             | 290           |
| Total                                       | 290           | -            | -            | -             | 290           |
| Released to income and expenditure account: |               |              |              |               |               |
| Land  | 32            | -            | -            | -             | 32            |
| Buildings                                   | 110           | 8            | 30           | -             | 148           |
| Equipment                                   | 64            | -            | -            | 34            | 98            |
| Total                                       | 206           | 8            | 30           | 34            | 278           |
| At 31 July 2004                             |               |              |              |               |               |
| Land  | 1,345         | -            | -            | -             | 1,345         |
| Buildings                                   | 4,398         | 349          | 1,350        | -             | 6,097         |
| Equipment                                   | 336           | -            | -            | 35            | 371           |
| Total                                       | <u>6,079</u>  | <u>349</u>   | <u>1,350</u> | <u>35</u>     | <u>7,813</u>  |



## NOTES TO THE ACCOUNTS

## 20. DEFERRED CAPITAL GRANTS continued

|   | University College |              |             |               | TOTAL<br>£000 |
|---|--------------------|--------------|-------------|---------------|---------------|
|   | SHEFC<br>£000      | LEEL<br>£000 | SAC<br>£000 | Other<br>£000 |               |
| At 1 August 2003                            | 5,995              | 221          | 1,380       | 69            | 7,665         |
| Receivable during year:                     |                    |              |             |               |               |
| Equipment                                   | 290                | -            | -           | -             | 290           |
| Total                                       | 290                | -            | -           | -             | 290           |
| Released to income and expenditure account: |                    |              |             |               |               |
| Land  | 32                 | -            | -           | -             | 32            |
| Buildings                                   | 110                | 5            | 30          | -             | 145           |
| Equipment                                   | 64                 | -            | -           | 34            | 98            |
| Total                                       | 206                | 5            | 30          | 34            | 275           |
| At 31 July 2004                             |                    |              |             |               |               |
| Land  | 1,345              | -            | -           | -             | 1,345         |
| Buildings                                   | 4,398              | 216          | 1,350       | -             | 5,964         |
| Equipment                                   | 336                | -            | -           | 35            | 371           |
| Total                                       | 6,079              | 216          | 1,350       | 35            | 7,680         |

## 21. ENDOWMENTS

|   | Group and University College |                 |               |
|---|------------------------------|-----------------|---------------|
|   | Specific<br>£000             | General<br>£000 | Total<br>£000 |
| At 1 August 2003                            | 762                          | 380             | 1,142         |
| Depreciation of endowment asset investments | -                            | (5)             | (5)           |
| Income for year                             | 594                          | 49              | 643           |
| Expenditure for year                        | (527)                        | (14)            | (541)         |
| At 31 July 2004                             | 829                          | 410             | 1,239         |
| Representing                                |                              |                 |               |
| Prize funds                                 | 108                          | -               | 108           |
| Other funds                                 | 721                          | 410             | 1,131         |
|   | 829                          | 410             | 1,239         |



## NOTES TO THE ACCOUNTS

| <b>22. REVALUATION RESERVE</b>  | <b>Group</b>                          | <b>University<br/>College</b> |
|---|---------------------------------------|-------------------------------|
|   | £000                                  | £000                          |
| Revaluations  |                                       |                               |
| At 1 August 2003 and 31 July 2004   | 26,589                                | 23,575                        |
| Contribution to depreciation  |                                       |                               |
| At 1 August 2003  | 3,422                                 | 3,174                         |
| Released in year (note 23)  | 379                                   | 348                           |
| At 31 July 2004   | 3,801                                 | 3,522                         |
| Net revaluation amount  |                                       |                               |
| <b>At 31 July 2004</b>  | <b>22,788</b>                         | <b>20,053</b>                 |
| At 1 August 2003  | 23,167                                | 20,401                        |
| <br>  |                                       |                               |
| <b>23. INCOME AND EXPENDITURE ACCOUNT</b>   | <b>Group</b>                          | <b>University<br/>College</b> |
|   | £000                                  | £000                          |
| At 1 August 2003  | 4,610                                 | 6,686                         |
| Surplus/(deficit) for year  | (2,602)                               | (2,461)                       |
| Transferred from revaluation reserve (note 22)  | 379                                   | 348                           |
| At 31 July 2004   | 2,387                                 | 4,573                         |
| <br>  |                                       |                               |
|   | <b>Group &amp; University College</b> |                               |
| <b>24. LEASE OBLIGATIONS</b>  | 2004                                  | 2003                          |
|   | £000                                  | £000                          |
| The University College leases certain buildings and equipment under operating leases. |                                       |                               |
| Operating lease commitments on leases expiring:                                       |                                       |                               |
| Within one year   | -                                     | -                             |
| Between two and five years  | 351                                   | 463                           |



**NOTES TO THE ACCOUNTS**

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

|  | 2003/04<br>£000 | 2002/03<br>£000 |
|--|-----------------|-----------------|
| (Deficit)/surplus before tax                         | (2,602)         | 231             |
| Depreciation (note 12)                               | 1,231           | 1,101           |
| Deferred capital grants released to income (note 20) | (278)           | (255)           |
| Investment income and interest receivable            | (157)           | (154)           |
| Loss on disposal of tangible fixed assets            | -               | 13              |
| Loss on sale of investments                          | 4               | -               |
| Reversal of unrealised loss on investments           | (6)             | -               |
| Gain on sale of endowment assets                     | -               | (7)             |
| Interest payable                                     | 54              | 69              |
| (Increase)/decrease in stocks                        | (1)             | 14              |
| (Increase)/decrease in operating debtors             | (302)           | 640             |
| Increase/(decrease)in operating creditors            | 1,121           | (254)           |
| Increase in provisions                               | 1,335           | 223             |
|  | <hr/>           | <hr/>           |
| Net cash inflow from operating activities            | 399             | 1,621           |
|  | <hr/>           | <hr/>           |

**26. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

|                            | 2003/04<br>£000 | 2002/03<br>£000 |
|----------------------------|-----------------|-----------------|
| Net income from endowments | 20              | 94              |
| Investment income received | 27              | 29              |
| Other interest received    | 130             | 125             |
| Interest paid              | (54)            | (69)            |
|                            | <hr/>           | <hr/>           |
|                            | 123             | 179             |
|                            | <hr/>           | <hr/>           |

**27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

|  | 2003/04<br>£000 | 2002/03<br>£000 |
|--|-----------------|-----------------|
| Tangible assets acquired (other than leased equipment) | 2,386           | 888             |
| Investments acquired                                   | 59              | 92              |
| Endowment asset investments acquired                   | 35              | 27              |
|  | <hr/>           | <hr/>           |
| Total fixed and endowment asset investments acquired   | 2,480           | 1,007           |
|  | <hr/>           | <hr/>           |
| Receipts from disposal of tangible fixed assets        | -               | (142)           |
| Receipts from sales of investments                     | (85)            | (85)            |
| Receipts from sales of endowment assets                | (32)            | (24)            |
| Deferred capital grants received                       | (290)           | (147)           |
|  | <hr/>           | <hr/>           |
|  | 2,073           | 609             |
|  | <hr/>           | <hr/>           |



## NOTES TO THE ACCOUNTS

28. ANALYSIS OF CHANGES IN CONSOLIDATED FINANCING  
DURING THE YEAR

|                           | (Total Mortgages<br>& Loans)<br>£000 |
|---------------------------|--------------------------------------|
| Balance at 31 July 2003   | 1,333                                |
| Capital repayments        | (1,333)                              |
| Net amount repaid in year | (1,333)                              |
| Balance at 31 July 2004   | -                                    |

## 29. ANALYSIS OF CHANGES IN NET FUNDS

|                          | At<br>1 August<br>2003<br>£000 | Cash<br>Flows<br>£000 | At<br>31 July<br>2004<br>£000 |
|--------------------------|--------------------------------|-----------------------|-------------------------------|
| Cash at bank and in hand |                                |                       |                               |
| Endowment assets         | 610                            | (463)                 | 147                           |
| Other                    | 4,431                          | (2,421)               | 2,010                         |
|                          | <u>5,041</u>                   | <u>(2,884)</u>        | <u>2,157</u>                  |
| Debt due within one year | (89)                           | 89                    | -                             |
| Debt due after one year  | (1,244)                        | 1,244                 | -                             |
|                          | <u>3,708</u>                   | <u>(1,551)</u>        | <u>2,157</u>                  |

## 30. PENSIONS AND SIMILAR OBLIGATIONS

The University College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS) which are of multi-employer defined benefit type. The assets of the LGPS scheme are held in a separate trustee-administered fund. The STSS scheme is unfunded and its benefits are paid by Her Majesty's Government and financed by the contributions paid by serving teachers and employers. Two senior members of staff belong to the Universities' Superannuation Scheme (USS). The total pension cost in relation to these schemes, which was equal to the contributions paid, was £1,546,000 (2002/03: £1,162,000).



## NOTES TO THE ACCOUNTS

## 30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

## A ) Local Government Pension Scheme (LGPS)

Under the transitional arrangements of Financial Reporting Standard 17 (FRS17), the University College is required to disclose further information on its share of the assets and liabilities of the LGPS on a FRS17 market value basis at the end of the accounting year. Under current market conditions, the University College's share of the net liabilities of the scheme could extend to £3,933,000 (2003: £4,228,000). The assumptions used by the actuary in updating the most recent valuations for the scheme for FRS17 purposes were as follows:-

| Assumptions at          | 31 July 2004 | 31 July 2003 | 31 July 2002 |
|-------------------------|--------------|--------------|--------------|
| Discount rate           | 5.8%         | 5.5%         | 6.0%         |
| Salary increase rate    | 4.4%         | 4.1%         | 3.9%         |
| Pension increase rate   | 2.9%         | 2.6%         | 2.4%         |
| Rate of price inflation | 2.9%         | 2.6%         | 2.4%         |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over a long period and are thus inherently uncertain, were:-

|              | Long term<br>rate of<br>return at 31<br>July 2004 | Value at<br>31 July<br>2004<br>£000 | Long term<br>rate of<br>return at 31<br>July 2003 | Value at<br>31 July<br>2003<br>£000 | Long term<br>rate of<br>return at 31<br>July 2002 | Value at<br>31 July<br>2002<br>£000 |
|--------------|---|-------------------------------------|---|-------------------------------------|---|-------------------------------------|
| Equities     | 7.9%  | 9,451                               | 8.0%  | 9,174                               | 8.0%  | 7,378                               |
| Bonds        | 5.4%  | 957                                 | 5.0%  | 823                                 | 5.5%  | 804                                 |
| Property     | 6.7%  | 1,196                               | 6.0%  | 1,081                               | 6.0%  | 852                                 |
| Cash         | 4.5%  | 1,663                               | 3.5%  | 374                                 | 3.5%  | 128                                 |
| <b>Total</b> | <b>7.2%</b>                                       | <b>13,267</b>                       | <b>7.4%</b>                                       | <b>11,452</b>                       | <b>7.5%</b>                                       | <b>9,162</b>                        |

|   | Value at<br>31 July 2004<br>£000 | Value at<br>31 July 2003<br>£000 | Value at<br>31 July 2002<br>£000 |
|---|----------------------------------|----------------------------------|----------------------------------|
| Estimated employer assets (A)           | 13,267                           | 11,452                           | 9,162                            |
| Present value of scheme liabilities     | 16,709                           | 15,220                           | 11,163                           |
| Present value of unfunded liabilities   | 492                              | 460                              | 432                              |
| Total value of employer liabilities (B) | 17,201                           | 15,680                           | 11,595                           |
| <b>Net pension liability (A) – (B)</b>  | <b>(3,933)</b>                   | <b>(4,228)</b>                   | <b>(2,433)</b>                   |

The amount of this net pension liability would have a consequential effect on reserves.

| Movement in net surplus during the year       | Year ended<br>31 July 2004<br>£000 | Year ended<br>31 July 2003<br>£000 |
|---|------------------------------------|------------------------------------|
| (Deficit) at beginning of year                | (4,228)                            | (2,433)                            |
| Current service cost                          | (709)                              | (481)                              |
| Employer contributions                        | 748                                | 725                                |
| Contributions in respect of unfunded benefits | 34                                 | -                                  |
| Past service costs                            | (60)                               | (44)                               |
| Net return on assets                          | (11)                               | 32                                 |
| Actuarial gains/(losses)                      | 293                                | (2,027)                            |
| <b>(Deficit) at end of year</b>               | <b>(3,933)</b>                     | <b>(4,228)</b>                     |



## NOTES TO THE ACCOUNTS

## 30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

**A ) Local Government Pension Scheme (LGPS) (continued)**

In order to address the scheme deficit, employer contribution rates have been increased in recent years, with further increases planned up to 2006. No indication has been received from the scheme trustees that any capital sum contribution will be sought from employers to reduce the amount of the deficit and the University College has requested and awaits further information on the future plans to bring the scheme back to a balanced position.

In accordance with advice from the UK funding councils the transitional arrangements of FRS17 have been followed for the 2003/04 statutory accounts. For information, if FRS17 had been fully adopted in these financial statements the pension costs effect would have been as follows:-

Analysis of other pension costs charged in arriving at operating profit:-

|                               | Year ended<br>31 July 2004<br>£000 | Year ended<br>31 July 2003<br>£000 |
|-------------------------------|------------------------------------|------------------------------------|
| Current service cost          | 709                                | 481                                |
| Past service costs            | 60                                 | 44                                 |
| <b>Total operating charge</b> | <b>769</b>                         | <b>525</b>                         |

Analysis of amounts included in other finance income/costs:-

|  |           |             |
|--|-----------|-------------|
| Expected return on employer assets     | (870)     | (715)       |
| Interest on pension scheme liabilities | 881       | 683         |
| <b>Net return</b>                      | <b>11</b> | <b>(32)</b> |

**Net income and expenditure account charge**

**780**                      **493**

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):-

|   | Year ended<br>31 July 2004<br>£000 | Year ended<br>31 July 2003<br>£000 |
|---|------------------------------------|------------------------------------|
| Actual return less expected return on pension scheme assets                             | 313                                | 349                                |
| Experience gains and losses arising on the scheme liabilities                           | 3                                  | (372)                              |
| Changes in financial assumptions underlying the present value of the scheme liabilities | (23)                               | (2,004)                            |
| <b>Actuarial gain/(loss) recognised in STRGL</b>  | <b>293</b>                         | <b>(2,027)</b>                     |

History of experience gains and losses:-

|   | Year ended<br>31 July<br>2004<br>£000 | Year ended<br>31 July<br>2003<br>£000 | Year ended<br>31 July<br>2002<br>£000 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Difference between the expected and actual return on assets | 313                                   | 349                                   | (2,418)                               |
| Value of assets   | 13,267                                | 11,452                                | 9,162                                 |
| <b>Percentage of assets</b>                                 | <b>2.4%</b>                           | <b>3.0%</b>                           | <b>(26.4%)</b>                        |
| Experience gains/(losses) on liabilities                    | 3                                     | (372)                                 | 169                                   |
| Present value of liabilities                                | 17,201                                | 15,680                                | 11,595                                |
| <b>Percentage of the present value of liabilities</b>       | <b>0%</b>                             | <b>(2.4%)</b>                         | <b>1.5%</b>                           |
| Actuarial gains/(losses) recognised in the STRGL            | 293                                   | (2,027)                               | (471)                                 |
| Present value of liabilities                                | 17,201                                | 15,680                                | 11,595                                |
| <b>Percentage of the present value of liabilities</b>       | <b>1.7%</b>                           | <b>(12.9%)</b>                        | <b>(4.1%)</b>                         |



## NOTES TO THE ACCOUNTS

### 30. PENSIONS AND SIMILAR OBLIGATIONS (continued)

#### B ) Scottish Teachers' Superannuation Scheme (STSS)

The last actuarial valuation of the scheme for which information is available was at 31 March 1996. A further valuation of the scheme was carried out as 31 March 2001, and although an interim report has been issued, the final report from the actuary has not yet been published. The assumptions that have had the most significant effect on the valuations at both 31 March 1996 and at 31 March 2001, and other relevant data, are as follows:

|  |         |
|--|---------|
| Rate of return on investments in excess of rate of increases in salaries | 2.0%    |
| Rate of return on investments in excess of rate of increases in pensions | 3.5%    |
| Market value of the assets at 31 March 1996                              | £2,673m |

At the 1996 actuarial valuation date, which was carried out using the "prospective benefit" method, the STSS showed a deficiency of £142 million, which requires a supplementary provision by employers of 0.5% per annum for a period of 40 years. This is being effected through an adjustment to employers' contribution rates. The employers' contribution rates payable by the University College were 7.4% until 30 September 2003, and 12.5% from 1 October 2003. The 2001 valuation has been carried out using an approach known as "superannuation contributions adjusted for past experience", or SCAPE. Under SCAPE, with effect from 1 April 2001, the notional investments will earn a real rate of return (in excess of price increases) specified by the Government Actuary. In addition, the Teachers' Superannuation (Scotland) Amendment Regulations 2003 state that, for the purposes of the actuarial review as at 31 March 2001, the balance in the account at that date shall be such that the value of the scheme assets equals the value of the scheme liabilities.

The STSS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University College will therefore account for its contributions on a defined contribution basis, as permitted by FRS17.

#### C) Universities' Superannuation Scheme (USS)

Two senior members of staff of the University College participate in the USS. The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation in relation to future service liabilities are as follows:

|                            |      |
|----------------------------|------|
| Valuation rate of interest | 6.0% |
| Rate of salary increase    | 3.7% |
| Rate of pensions increase  | 2.7% |

At the valuation date, the market value of the assets of the scheme was £19,938 million and the value of past service liabilities was £19,776 million, leaving a surplus of assets of £162 million. The assets were therefore sufficient to cover 101% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The USS is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The University College will therefore account for its contributions on a defined contribution basis, as permitted by FRS17.

#### D ) Other pension liabilities

The University College has a liability for pension enhancements payable to former members of staff who have taken early retirement in prior years. An actuarial valuation of the amount of this liability was carried out by Hymans Robertson, Actuaries at 31 July 2004, on the basis of valuation prescribed by FRS17. The total provision in respect of this liability is £4,312,000 (2003 £2,964,000). Of the increase of £1,348,000, an amount of £1,085,000 relates to additional enhanced pensions granted to members of staff who retired during the year under the voluntary severance and early retirement scheme.



## NOTES TO THE ACCOUNTS

### 31. RELATED PARTY TRANSACTIONS

Due to the nature of the University College's operations and the composition of the Governing Body (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 Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest are conducted at arm's length, and in accordance with the University College's financial regulations and normal procurement procedures.

### 32. CAPITAL COMMITMENTS

The University College has entered into conditional missives for the purchase of a site at Craighall in East Lothian. The University College proposes to develop a new campus on this site, and to transfer the existing operations carried out at its Corstorphine and Leith sites to this new campus in 2007. The total cost of the development, including the construction of student residences, is expected to be around £100 million; this will be funded by a combination of the proceeds of the sale of existing sites, fundraising and additional borrowings, as well as involvement in a partnership arrangement to deliver the student accommodation element of the development. The business case for the new campus development has been reviewed by the Scottish Higher Education Funding Council (SHEFC), which has given its approval in principle to proceed with the project. SHEFC has been kept informed of developments with this project. The University College will require the formal approval of the SHEFC Council before it commits to the disposal of its existing land and buildings, and also for the financing arrangements for the new campus, in accordance with SHEFC procedures.

### 33. HARDSHIP FUNDS AND MATURE STUDENTS' BURSARY FUNDS

|  | 2003/04<br>£000 | 2002/03<br>£000 |
|--|-----------------|-----------------|
| <b>HARDSHIP FUNDS</b>                                    |                 |                 |
| Balance at 1 August                                      | 25              | 5               |
| Amounts received from Student Awards Agency for Scotland | 88              | 86              |
| Interest earned  | 1               | 1               |
| Amount vired in from Mature Students' Bursary Fund       | 28              | -               |
|  | 142             | 92              |
| Disbursed to students                                    | (142)           | (67)            |
| Balance unspent at 31 July                               | -               | 25              |
| <br><b>MATURE STUDENTS' BURSARY FUNDS</b>                |                 |                 |
| Balance at 1 August                                      | 31              | 5               |
| Amounts received from Student Awards Agency for Scotland | 138             | 75              |
| Interest earned  | 1               | -               |
|  | 170             | 80              |
| Disbursed to students                                    | (35)            | (46)            |
| Amount vired out to Hardship Fund                        | (28)            | -               |
| Administration costs                                     | (3)             | (3)             |
| Balance unspent at 31 July                               | 104             | 31              |

Amounts received from the Student Awards Agency for Scotland are available solely for students; the University College acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure accounts.