

**Scottish Charity Number
SC024589**

**CRICHTON FOUNDATION
FINANCIAL STATEMENTS
for the year ended 31 March 2006**

CRICHTON FOUNDATION

CONTENTS

	Page
Legal and Administrative Information	1-5
Trustees' Report	6-10
Statement of Trustees' Responsibilities	11
Independent Auditors Report	12
Statement of Financial Activities	13
Balance Sheet	14-15
Notes to the Financial Statements	16-30

CRICHTON FOUNDATION

TRUSTEES

Dr Barbara Kelly, CBE, DL, LLD, Convenor
Professor Paul Ignatieff, Depute Convenor
Cathy Bell
Councillor Michael Dickie
Colin Endacott OBE, Honorary Treasurer
William Farrell (resigned May 2005)
Councillor John Forteach
Robert Fraser
Hilary Grieve OBE, Honorary Secretary
Peter Harrison (resigned January 2006)
Simon Ingall FCA
Arthur Jardine
Mike Keggans
William Kirkpatrick OBE
Sir David Landale KCVO, DL, LLD
Professor Seamus McDaid
John Moorhouse
Fraser Sanderson
Ian Wilson
Evelyn Hastings OBE (appointed July 2005)
Councillor Neil McKay (appointed September 2005)
Brian Powlesland (appointed August 2005)

Foundation Staff

Tom Hydes, Foundation Secretary
Lynn White, Events Manager and Administrator
Lili Graham, Administrative Assistant
Gillian Godfrey, Administrative Assistant (appointed May 2005)

AUDITORS

Manson & Partners
Chartered Accountants and Registered Auditor,
51 Rae Street, Dumfries

CRICHTON FOUNDATION

INVESTMENT ADVISERS

Bell Lawrie
43 Buccleuch Street, Dumfries

BANKERS

Clydesdale Bank Plc.,
84 / 86 High Street, Dumfries.

The Royal Bank of Scotland
68 Whitesands, Dumfries.

SOLICITORS

Grieve, Grierson, Moodie and Walker
14 Castle Street, Dumfries.

McGrigors,
Pacific House,
70 Wellington Street, Glasgow.

PRINCIPAL OFFICE

Browne House, Crichton University Campus, Dumfries

CRICHTON FOUNDATION

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Foundation was originally established by trust deed on 27 March 1996 as The Crichton Endowment Trust and was granted charitable status for the purpose of Section 505, Income and Corporations Taxes Act 1988. It is entitled to describe itself as a Scottish Charity, having Scottish Charity Number SC024589.

The name of the Trust was changed to the Crichton Foundation in 2001 by a Supplemental Deed of Trust.

Organisation Structure

The Trustees of the Foundation met four times during the year to agree strategies and policies and to monitor activities and finance.

At an Annual General Meeting on 30 September 2005 Office Bearers and Committee members were appointed, reappointed or confirmed.

Dr Barbara Kelly continued as Convenor of the Foundation.

The day to day business of the Foundation is supervised by the Executive Committee.

The induction process for newly appointed Trustees comprises of a discussion between new Trustee and Convenor on the roles and responsibilities of becoming a Trustee.

The representative Trustee then receives an induction pack which includes a welcome letter from the Foundation Secretary covering details of the date, time and venue of the next Board meeting. Enclosures include a leaflet on the work of the Foundation, a copy of the previous and latest annual report, a copy of the latest accounts, a list of Trustees and a conflict of interest form.

The Board keeps the skill requirements of Trustees under review and when recruiting new Trustees it carefully considers the skills of applicants to ensure they complement or add value to the skills of current Trustees.

The Board is in the process of appointing an Audit Committee. The 2006 Financial Statements were reviewed by an audit sub committee of the Executive Committee chaired by Simon Ingall.

The Committee's remit is to provide an independent oversight of financial reporting and internal controls.

It is responsible for monitoring and reviewing the annual Financial Statements and the Risk Management Policy.

CRICHTON FOUNDATION

METHOD OF APPOINTMENT OF TRUSTEES

Trustees are nominated to the Crichton Foundation by stakeholders and their appointment approved by the Board of Trustees. Nominations come from:-

Dumfries and Galloway Council- 3 Trustees
University of Glasgow (Employees)- 2 Trustees
University of Paisley- 1 Trustee
Dumfries and Galloway College (Employees)- 1 Trustee
Bell College - 1 Trustee
Scottish Enterprise Dumfries and Galloway- 1 Trustee
Dumfries and Galloway Chamber of Trade- 1 Trustee
The Crichton Trust- 2 Trustees
Dumfries and Galloway Council (Independents)- 2 Trustees
The Academic Institutions- 2 Trustees
Co-opted- Up to 8 Trustees

As at 31 March 2006 there were 4 vacancies,
- 2 nominees from The Crichton Trust
- 2 Co-opted

Trustees nominated by Stakeholders are not time bound. Co-opted Trustees on the other hand serve an initial three years with the opportunity of continuing for a further three years.

The Crichton Foundation's principal office is at Browne House, Crichton University Campus, Dumfries, DG1 4ZZ.

Telephone Number 01387 702047 Fax Number 01387 702052

Email: l.white@crichtonfoundation.com

Website: www.crichtonfoundation.org

The Crichton Foundation elected officers are:-

Dr Barbara Kelly CBE, DL, LLD, Convenor, Chair of Library Fundraising Group, Chair of Fundraising Committee and Chair of Celebrating Gardens Committee

- Convenor – appointed 20 September 2002. Chair of Library Fundraising Group – appointed 1 May 2004. Chair of Fundraising Committee – appointed 1 April 2003. Chair of Celebrating Gardens Committee – 3 September 2004.

Professor Ignatieff, Depute Convenor and Chair of Executive Committee

– Depute Convenor - re-appointed 20 September 2002. Chair of Executive Committee – appointed 15 September 2000.

Hilary Grieve OBE, Honorary Secretary

- Re-appointed 20 September 2002.

Colin Endacott OBE, Honorary Treasurer

- Appointed 19 September 2003.

Ian Wilson, Chair of Awards and Grants Committee

- Appointed May 2004

CRICHTON FOUNDATION

COMMITTEE MEMBERSHIP 2005/2006

Executive

Professor Paul Ignatieff (Chair), Colin Endacott, Hilary Grieve, Mike Keggans (*resigned from committee May 2005*), Dr Barbara Kelly and Simon Ingall.

Fundraising

Dr Barbara Kelly (Chair), Hilary Grieve, Elizabeth Griggs, Jane Harrison (*resigned from committee February 2006*), Professor Paul Ignatieff, Vicky Jardine-Paterson, Sir David Landale and William Kirkpatrick.

Awards and Grants

Ian Wilson (Chair), Margaret Dobie, William Farrell, Hilary Grieve, Professor Paul Ignatieff, Mairi Telford-Jammeh, Arthur Jardine, Dr Barbara Kelly and Fraser Sanderson.

Event Committees

Ball

Jane Harrison (Chair), Elizabeth Griggs, Dr Barbara Kelly, Jeannie Wilson, Marion Aitken, Valerie McElroy, Andrew Little, Maureen McKerrow, Judy Syme, Diana Wilson, Sue Barbour, Tina Walker, Dot Kirkpatrick and Fiona Kerr.

Women of Dumfries and Galloway Lunch

Vicky Jardine-Paterson (Chair), Dr Barbara Kelly, Emma Biggar, Jane Harrison, Lady Landale, Jean Tulloch, Elisabeth Findlay and Noel Whamond.

Celebrating Gardens

Dr Barbara Kelly (Chair), Richard Baines, Mimi Craig, Alison Graham, Janet Hannay, Katharine Ignatieff, Trevor Jones, Sir David Landale, Jane Murray-Flutter, Allen Paterson and Angus Robertson.

Library Fundraising Group

Dr Barbara Kelly (Chair), Sir David Landale, Professor Russel Griggs, Professor Paul Ignatieff, Simon Ingall, John Moorhouse, Colin Endacott, Peter Harrison, William Kirkpatrick, Gordon Mann, Professor Rex Taylor, Kate Denholm, Christopher Craig, Tom Hydes and Professor Ted Cowan.

CRICHTON FOUNDATION

TRUSTEES' REPORT

The Trustees submit their report and accounts for the year ended 31 March 2006.

The objects of the Crichton Foundation

The principal objectives of the Crichton Foundation are as follows:-

1. To develop a network of corporate, charitable and individual supporters;
2. To generate and apply funds for the development of the academic programme of the educational institutions on the Crichton University Campus;
3. To apply funds to assist widening access to higher education from the local community;
4. To improve the academic and related facilities on site;
5. To provide funds to conserve, protect, manage and develop the historical and architectural heritage of the Crichton Site and its grounds;

In addition the Foundation runs a series of awareness raising events to keep the public abreast of developments on the Campus.

The Foundation holds funds endowed to it by Dumfries and Galloway Council. These take the form of investments managed by Bell Lawrie, a division of Brewin Dolphin Securities who are members of the London Stock Exchange and regulated by The Financial Services Authority. The investment income generated from this fund is utilised in the furtherance of the Foundation's principal objectives.

GRANT MAKING POLICY

All grant applications being considered for funding must clearly demonstrate they fit one or more of the five key objectives of the Foundation which are detailed above.

Grant applications fall within three main headings:

- Financial support for students
- Capital funding contributions towards regeneration projects
- Revenue support for specific projects

All grant applications are dealt with by the Awards and Grants Committee which meets four times per annum.

CRICHTON FOUNDATION

Achievements and Performance

Key Areas of Activity

1. Raising Income and Awarding Grants

A total of £160,250 was received in donations and £67,828 was generated by fundraising during 2005/2006 bringing the total raised since the Foundation's inception in 2000 to £812,219. This included income from private donors, businesses and Trusts and from the many fund raising events organised by the Foundation. Exceptionally there was a generous donation from the Dumfries and Galloway Children's Home Trust. The 2005/2006 total also includes the income from the Balls' for years 2004 and 2005. After costs have been deducted the net sum of £180,523 was available for the work of the Foundation.

The Crichton Ball, Elizabeth Crichton Founder's Day Lunch and Lecture and the Women of Dumfries and Galloway Lunch are now firmly established as major events in the Campus calendar.

Target for raising income

2005/2006	Target	Actual
	£135,000	£127,216

2. Significant Achievements

There were three significant achievements in 2005/2006 as follows:

- Donation and pledges reaching the £1 million pounds milestone in new library fund raising.
- The refurbishment of Easterbrook Hall. The Foundation provided a contribution of £50,000 towards the conservation elements of this prestigious project.
- The Crichton University Scholarship Agreement (CUSA) continues to play an important part in financially supporting local school leavers who chose to study on the Campus rather than leaving the area. 20 new bursaries were awarded in 2005/2006 bringing the total number paid in the year to 57.

3. Awareness Raising Activities

During the year, the Foundation has organised a number of awareness raising events. An Open Meeting was held in December. The meeting, to which Friends of the Crichton and other interested parties were invited, reported on the work of the Foundation. Other events included the highly successful Spring and Autumn series of the Crichton Conversations and the Elizabeth Crichton Founder's Day Lunch and Lecture in May. The Crichton Conversations in 2005 attracted 915 people. This was an increase of 44 from 2004/2005 and will be a benchmark for future years.

CRICHTON FOUNDATION

Breakdown of Income Received

	Actual Income 2004/2005	Actual Income 2005/2006	% Difference
Income raised from events:	£64,646.15	£67,828.05	4.9
Income raised from Friends Scheme	£10,055.00	£10,795.81	7.4
Income raised for Awards and Bursaries			
General Education Fund	£79,506.38	£69,372.02	(12.7)
Hardship Fund	£5,000.00	£7,500.00	50.0
Carson Bursaries	£9,102.00	£7,692.30	(15.5)

It has been a successful year in terms of the number and variety of bursaries and grants awarded to both students and local organisations which were broadly similar in number to last year.

General Education

10 grants awarded in 2004/2005 and 6 grants awarded in 2005/2006

Carson Bursaries

6 bursaries awarded in 2004/2005 and 11 bursaries awarded in 2005/2006

Mature Students Hardship Fund

18 bursaries awarded in 2004/2005 and 19 bursaries awarded in 2005/2006

- Forward Strategy

No significant change is envisaged in the Foundation's Strategy of increasing fund-raising activity and fostering links with the wider community. However, the Foundation will continue to play an active role in the development of the Crichton Campus Stakeholders Strategy and the Action Plan for the campus.

- Volunteer Recognition

The Foundation is grateful for the support of the Friends of the Crichton and for the sterling efforts of the many volunteers who support the fund-raising events.

- Management Costs

The Foundation's activities are divided between fund-raising and awareness-raising. The total spent on administration for 2005/06 was **£62,829** (2004/05 £73,288 as restated).

Financial Activities

The results for the year are set out in the statement of financial activities on page 14. The surplus for the year amounted to **£287,164** (2005 - £148,346 as restated). This improvement was largely due to the increase in the market value of the equities held in the Foundation's portfolio.

The investment income is used to cover administration costs. All monies raised through the Foundation's activities are applied in furtherance of its aims.

CRICHTON FOUNDATION

TRUSTEES' REPORT

The Fund-raising Committee, chaired by Dr Barbara Kelly met regularly and has power to set up sub committees for specific events. All events must have a budget approved by the Executive Committee. The Committee may co-opt non Foundation members.

The Awards and Grants Committee, chaired by Ian Wilson met four times during the year on dates which reflect the academic calendar. The funds available for distribution are determined by the Executive Committee and any recommendations of grants or awards over £5,000 must be referred to the Executive Committee for approval.

The Library Fund-raising Committee, chaired by Dr Barbara Kelly met regularly. The Committee, with the support of the Foundation's Stakeholders, has raised £1,011,000 in pledges and donations for a new campus library. Funds for this project are held in a separate account. Trustees have approved the charging of a management fee for the project.

Related Parties

The Foundation has a close relationship with the many Stakeholders on the Crichton Site. It has arranged meetings of Stakeholders to monitor progress and has chaired a Working Group to develop a Stakeholder Joint Strategy which was launched in May 2003. Monitoring of this Strategy continues at six monthly intervals.

Stakeholders include: Dumfries and Galloway Council, The University of Glasgow, The University of Paisley, The Bell College of Nursing, The Barony College, The Dumfries and Galloway College, The Funding Council, The Scottish Agricultural College, The Crichton Trust, The Crichton Development Company, The Open University, Scottish Enterprise Dumfries and Galloway, The Scottish Parliament, and The Crichton University Campus Advisory Board.

Reserves Policy

The Foundation's financial reserves comprise the funds invested in equities, securities, gilts and cash held and managed on their behalf by Bell Lawrie. No major change is envisaged to the Foundation's present investment policy of maintaining a balanced portfolio of equities and gilts to achieve a realistic return of revenue and capital growth.

Risk Management Review

The Foundation is reviewing its procedures to assess major risks to which it is exposed and is satisfied that by continuous monitoring of all aspects of its activities and by assessing opinion and recommendations from advisers any such risks will be promptly identified and addressed.

Trustees

The Trustees for the purpose of charity law, who served during the year and up to the date of this report are set out on the Legal Administrative Information pages.

There are no restrictions imposed by the governing document other than those normally imposed within the framework of trust law.

Given the prevailing investment conditions the Trustees are satisfied with the investment strategies throughout the year.

The Trustees receive no remuneration for their services but they may claim incidental expenses.

CRICHTON FOUNDATION

TRUSTEES' REPORT

Auditors

At the Board meeting on 22nd November 2005 it was decided to put out to tender Audit work from April 2006.

Following the tendering process Manson & Partners, Chartered Accountants were reappointed as Auditors for a three year period starting 1st April 2006.

This report was approved by the Trustees on 29 September 2006 and signed on its behalf by

Dr Barbara Kelly CBE, DL, LLD (Trustee)

CRICHTON FOUNDATION

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Charity law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charity and of the income and expenditure of the charity for that year. In preparing those financial statements the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the trust will continue in business.

The Trustees are required to act within the framework of trust law. They are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 1992 and the Statement of Recommended Practice 2005 "Accounting and Reporting by Charities". They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board of Trustees

Dr Barbara Kelly (Trustee)
29 September 2006

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE CRICHTON FOUNDATION

We have audited the financial statements of The Crichton Foundation for the year ended 31 March 2006 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial statements have been prepared under the historical cost convention, modified to include investments at market value and the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with the Charities Accounts (Scotland) Regulations 1992. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As described in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Accounts (Scotland) Regulations 1992. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Foundation has not kept proper accounting records, if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Foundation's affairs as at 31 March 2006 and of its results for the year then ended and have been properly prepared in accordance with the Charities Accounts (Scotland) Regulations 1992.

**Manson & Partners,
Chartered Accountants and Registered Auditor.
29 September 2006**

CRICHTON FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF RECOGNISED GAINS AND LOSSES)

for the year ended 31 March 2006

	Notes	Restricted Funds £	Endowment Funds £	Total Funds 2006 £	Total Funds 2005 £ as restated
Incoming resources from generated funds:					
Voluntary income:					
Donations	2	160,250	-	160,250	151,129
Activities for generating funds:					
Fundraising	3	67,828	-	67,828	64,646
Investment income	4	76,703	-	76,703	83,243
Total incoming resources		<u>304,781</u>	<u>-</u>	<u>304,781</u>	<u>299,018</u>
Resources expended					
	5				
Costs of generating funds:					
- Costs of generating voluntary income		66,086	-	66,086	59,535
- Investment management costs		1,128	-	1,128	1,668
Charitable activities		129,614	-	129,614	185,620
Governance costs		3,025	-	3,025	5,594
		<u>(199,853)</u>	<u>-</u>	<u>(199,853)</u>	<u>(252,417)</u>
Net incoming resources before revaluations and investment asset disposals	14	104,928	-	104,928	46,601
Gains and losses on investment assets		-	161,236	161,236	101,745
Net actuarial gains/losses on defined benefit pension schemes	18	21,000	-	21,000	-
Net movement in funds		<u>125,928</u>	<u>161,236</u>	<u>287,164</u>	<u>148,346</u>
Total funds at 1 April 2005		675,473	1,186,424	1,861,897	1,711,816
Prior period adjustment	19	(32,209)	-	(32,209)	(30,474)
Total funds at 31 March 2006	14	<u>769,192</u>	<u>1,347,660</u>	<u>2,116,852</u>	<u>1,829,688</u>

The notes on pages 16 to 30 form part of these financial statements.

CRICHTON FOUNDATION

BALANCE SHEET

as at 31 March 2006

	Notes	Restricted Funds £	Endowment Funds £	Total £	2005 £ as restated
Fixed Assets					
Tangible assets	8	32,384	-	32,384	35,175
Investments	9	443,566	881,410	1,324,976	839,845
		<u>475,950</u>	<u>881,410</u>	<u>1,357,360</u>	<u>875,020</u>
Current Assets					
Debtors	10	12,872	-	12,872	7,633
Short term deposits	11	352,192	466,250	818,442	1,046,538
Cash in hand		141	-	141	136
		<u>365,205</u>	<u>466,250</u>	<u>831,455</u>	<u>1,054,307</u>
CREDITORS: amounts falling due within one year	12	(67,013)	-	(67,013)	(74,351)
Net Current Assets		<u>298,192</u>	<u>466,250</u>	<u>764,442</u>	<u>979,956</u>
Total assets less current liabilities		774,142	1,347,660	2,121,802	1,854,976
CREDITORS: amounts falling due after more than one year	13	(15,950)	-	(15,950)	(13,288)
Net Assets excluding pension asset		<u>758,192</u>	<u>1,347,660</u>	<u>2,105,852</u>	<u>1,841,688</u>
Defined benefit pension scheme asset/(liabilities)	18	11,000	-	11,000	(12,000)
Net Assets including pension asset		<u>769,192</u>	<u>1,347,660</u>	<u>2,116,852</u>	<u>1,829,688</u>
Restricted Funds	14	758,192	-	758,192	655,264
Endowment funds	14	-	1,347,660	1,347,660	1,186,424
Pension reserve	14	11,000	-	11,000	(12,000)
Total Funds		<u>769,192</u>	<u>1,347,660</u>	<u>2,116,852</u>	<u>1,829,688</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The notes on pages 16 to 30 form part of these financial statements.

CRICHTON FOUNDATION

BALANCE SHEET continued....

as at 31 March 2006

The financial statements were approved by the Board of Trustees on 29 September 2006 and signed on its behalf by

Dr. Barbara Kelly (Trustee)
Chairperson

The notes on pages 16 to 30 form part of these financial statements.

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention, modified to include investments at market value, and in accordance with applicable accounting standards and the Statement of Recommended Practice 2005, "Accounting and Reporting by Charities".

1.2. Fund Accounting

The Endowment Fund represents the capital appreciation remaining after the repayment of the initial capital sum of £8m back to Dumfries and Galloway Council. Any purchases or sales of investments together with gains and losses arising are movements on the Endowment Fund.

Restricted Funds represent accumulated surplus from investment income after running costs, plus donations which have been received for the purposes set out in note 14. The application of these donations is restricted to the specific purposes laid down by the donors.

1.3. Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or residual value, less estimated residual value of each asset evenly over its expected useful life, as follows:

Tenants improvements	-	Straight line over 14 years
Office furniture	-	20% straight line
Computer Equipment	-	25% straight line

1.4. Finance Lease Commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

1.5. Donations, Legacies and Similar Incoming Resources

Donations receivable and similar incoming resources are included in the income in the year in which they are receivable, except as follows:

- when donors specify that donations and similar incoming resources given to the charity must be used in future accounting periods, the income is deferred until those periods;
- when donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

Incoming resources are not recognised until the charity has assurance that the income will be received. The charity must be satisfied over their entitlement, be certain that the income will be received and that the monetary value can be measured with sufficient reliability.

Gifts in Kind

Gifts in kind are converted into cash and are used for the furtherance of the Foundations objectives, and are included within "Activities to generate Funds" when the gift in kind is sold. The basis of valuation is what is actually received for the gift in kind. At the year end there were no undistributed assets.

1.6. Investment Income

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

1.7. Resources Expended

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. The Foundation is not registered for Value Added Tax and accordingly expenditure is shown gross of irrecoverable Value Added Tax.

Costs of generating funds comprise those costs directly attributable to fund raising from all the possible sources of incoming resources, and investment management costs.

Charitable activities costs comprise costs in raising the profile of the Foundation, costs of grants payable and an apportionment of support costs. Grants payable are charged in the year when the offer is conveyed to the recipient. Where there are no conditions or the conditions attached to the grant are outwith the charities control the full grant payable is provided for. Grants offered subject to conditions which are within the charities control but have not been met in the year, are noted as a commitment, but not accrued as expenditure.

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs may include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs.

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

1.8. Investments

In line with the Statement of Recommended Practice 2005 "Accounting and Reporting by Charities", investments are stated at market value at the year end, the unrealised gains being transferred to reserves or the unrealised loss being charged against reserves.

1.9. Pension Commitments

Eligible employees of the Crichton Foundation have been admitted to the Dumfries & Galloway Council Pension Scheme. The Pension Scheme is a funded defined benefit scheme with employee contributions fixed by statute. There are no material changes in the pension arrangements which are anticipated to affect future costs.

2. Donations

	Restricted Endowment Fund	Endowment Fund	Total 2006	Total 2005
	£	£	£	£
Educational Donations (General)	22,407	-	22,407	12,419
Friends of Crichton Foundation	10,796	-	10,796	10,055
Hardship fund	7,500	-	7,500	5,000
Carson Bursary fund	7,692	-	7,692	9,102
CUSA fund	10,692	-	10,692	13,512
CUSSAG fund	300	-	300	5,400
	<u>59,387</u>	<u>-</u>	<u>59,387</u>	<u>55,488</u>
Library fund	100,863	-	100,863	95,641
	<u>160,250</u>	<u>-</u>	<u>160,250</u>	<u>151,129</u>

3. Fundraising

	Restricted Endowment Fund	Endowment Fund	Total 2006	Total 2005
	£	£	£	£
Fund raising	45,440	-	45,440	43,202
Profile raising	22,388	-	22,388	21,444
	<u>67,828</u>	<u>-</u>	<u>67,828</u>	<u>64,646</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

4. Investment Income

	Restricted Endowment Fund	Fund	Total 2006	Total 2005
	£	£	£	£
Dividend income	40,073	-	40,073	69,287
Interest on short term deposits	29,300	-	29,300	10,219
Bank interest	7,330	-	7,330	3,737
	<u>76,703</u>	<u>-</u>	<u>76,703</u>	<u>83,243</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

5. Resources expended

	Cost of					
	Generating Funds	Profile Raising	Awards and Grants	Governance Costs	Total 2006	Total 2005
	£	£	£	£	£	£
						as restated
Costs directly allocated to activities						
Charitable donations Note 6	-	-	85,316	-	85,316	133,328
New library expenses	15,908	-	-	-	15,908	5,113
General fundraising expenses	18,761	-	-	-	18,761	17,843
Profile raising event expenses	-	12,886	-	-	12,886	15,713
Audit fees	-	-	-	3,025	3,025	5,594
Stockbroker fees	1,128	-	-	-	1,128	1,668
Trustees Expenses	-	-	-	-	-	(130)
Total costs directly allocated to activities	35,797	12,886	85,316	3,025	137,024	179,129
Support costs allocated to activities						
Salaries and national insurance	17,040	10,224	6,816	-	34,080	36,952
Pension service costs	755	453	302	-	1,510	8,057
Net return on pension assets	305	183	121	-	609	-
Staff training	44	26	17	-	87	305
Rent, rates and insurance	1,749	1,049	700	-	3,498	7,939
Stationery and postage	1,299	779	519	-	2,597	2,587
Publicity and advertising	1,172	703	469	-	2,344	1,328
Telephone	587	352	235	-	1,174	1,095
I.T. expenses	866	520	346	-	1,732	1,858
Travelling and subsistence	128	77	51	-	256	195
Legal and professional fees	1,992	1,195	797	-	3,984	4,489
Foundation secretary's fees	1,808	1,085	723	-	3,616	-
Bank charges	378	227	151	-	756	929
General expenses	568	340	228	-	1,136	1,042
Depreciation - tenants improvements	1,429	857	571	-	2,857	2,857
Depreciation - office furniture	526	315	210	-	1,051	1,219
Depreciation - computers	771	463	308	-	1,542	2,436
Total support costs allocated to activities	31,417	18,848	12,564	-	62,829	73,288
Total outgoing resources	67,214	31,734	97,880	3,025	199,853	252,417

Support costs have been apportioned based on the management time devoted to that activity.

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

6. Grants

Purpose	No of Grants Awarded	2006 £	2005 £ as restated
Individual Grants			
- Carson Bursaries	11	4,700	5,000
- CUSA	20	13,700	3,256
- Hardship	19	7,300	4,350
- General	6	3,316	3,059
Institutional Grants			
University of Glasgow - Writing Centre Library Project	-	-	6,500
Solway House Project	-	-	50,000
Summer School	1	6,000	20,000
University of Glasgow - CUSA salary	-	-	10,812
Crichton Museum Project	-	-	2,901
Student Representative Council	1	300	12,000
Easterbrook Hall Restoration	1	50,000	15,450
		<u>85,316</u>	<u>133,328</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

7. Staff Costs

	2006	2005
	£	£
Staff costs during the year amounted to:		
Wages and salaries	32,316	34,981
Social security costs	1,764	1,971
	<u>34,080</u>	<u>36,952</u>
Pension costs	4,119	4,057
	<u>38,199</u>	<u>41,009</u>

Number of employees

The average monthly numbers of employees (including the Trustees) during the year were:

	2006	2005
	Number	Number
Trustees	22	22
Fundraising	1	1
Administration and support	1	2
	<u>24</u>	<u>25</u>

No employee received emoluments of more than £60,000. The Trustees receive no remuneration for their services. However the Trustees can claim travel and subsistence expenses. The following amounts were paid during the year:

£
NIL

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

8. Tangible Fixed Assets

	Tenants improvements	Computer Equipment	Office Furniture	Total
	£	£	£	£
Cost				
At 1 April 2005	40,000	13,827	6,119	59,946
Additions	-	2,659	-	2,659
At 31 March 2006	<u>40,000</u>	<u>16,486</u>	<u>6,119</u>	<u>62,605</u>
Depreciation				
At 1 April 2005	8,571	12,077	4,123	24,771
Charge for the year	2,857	1,542	1,051	5,450
At 31 March 2006	<u>11,428</u>	<u>13,619</u>	<u>5,174</u>	<u>30,221</u>
Net book values				
At 31 March 2006	<u>28,572</u>	<u>2,867</u>	<u>945</u>	<u>32,384</u>
At 31 March 2005	<u>31,429</u>	<u>1,750</u>	<u>1,996</u>	<u>35,175</u>

Included in fixed assets above are the following amounts relating to assets acquired under hire purchase contracts:

	Office Furniture £
Cost at 31 March 2006	<u>2,938</u>
Depreciation at 31 March 2006	<u>2,350</u>
Depreciation charged in the year	<u>588</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

9. Fixed Asset Investments - UK Equities and Fixed Interest

	Market Value	Book Cost
	£	£
Cost		
At 1 April 2005	839,845	816,316
Additions	506,143	506,143
Disposals	(163,677)	(163,677)
Revaluations	142,665	-
At 31 March 2006	<u>1,324,976</u>	<u>1,158,782</u>
Net book values		
At 31 March 2006	<u>1,324,976</u>	<u>1,158,782</u>
At 31 March 2005	<u>839,845</u>	<u>816,316</u>

10. Debtors

Amounts due within one year:

	2006	2005
	£	£
Accrued interest receivable	5,752	5,360
Accrued dividends receivable	4,608	2,055
Accrued gift aid reclaimable	1,860	-
Prepayments and other accrued income	812	218
	<u>12,872</u>	<u>7,633</u>

11. Short Term Deposits

	2006	2005
	£	£
Held by stockbrokers	466,250	802,345
Friends accounts	12,110	4,399
Cashflow account	26,651	44,744
Educational fund account	129,119	98,535
Heritage and Environment Fund account	2,839	2,808
Ian Grant Award account	3,108	3,079
Library account	178,365	90,628
	<u>818,442</u>	<u>1,046,538</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

12. Creditors

Amounts falling due within one year:

	2006	2005
	£	£
		as restated
Net obligations under finance leases and hire purchase contracts	588	588
Awards and donations committed but unpaid	60,800	54,808
Creditors	1,712	1,242
Accruals	3,913	17,713
	<u>67,013</u>	<u>74,351</u>

13. Creditors

Amounts falling due after more than one year:

	2006	2005
	£	£
Net obligations under finance leases and hire purchase contracts	-	588
Awards and donations committed but unpaid	15,950	12,700
	<u>15,950</u>	<u>13,288</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

14. Funds

	At 1 April 2005 £ as restated	Incoming Resources £	Outgoing Resources £	Gains/(losses) on Investments:		At 31 March 2006 £
				Realised £	Unrealised £	
<u>Endowment Funds</u>	1,186,424	-	-	18,570	142,666	1,347,660
<u>Restricted Funds</u>						
- General	476,240	69,372	(68,983)	-	-	476,629
- Friends of Crichton Foundation	1,890	10,902	-	-	-	12,792
- Library Fund	90,746	104,771	(15,908)			179,609
- Education Fund	86,388	119,736	(116,962)	-	-	89,162
Restricted Funds excluding Pension Reserve	655,264	304,781	(201,853)	-	-	758,192
- Pension Reserve	(12,000)	-	2,000	21,000		11,000
Total Restricted Funds	643,264	304,781	(199,853)	21,000	-	769,192

The Endowment Fund was established by the Third Supplementary Deed of Trust dated 12 June 2001. The funds and assets of the Endowment Fund, together with the income generated from them, may be applied towards any of the purposes of the Trust, at the discretion of the trustees, with the consent of Dumfries & Galloway Council although this is yet to be enshrined in the Trust Deed.

The Restricted Funds are split into a General Fund, Education Fund and Library Fund. Friends of Crichton Foundation are also known as a Restricted Fund. The General Fund and Friends of Crichton Foundation represents free funds of the Foundation, which may be used towards any of the purposes of the Foundation as the Trustees in their absolute discretion shall determine. The Education Fund consists of various funds derived from projects undertaken by the Foundation for the purposes as set out in the objects of the Foundation. These include the Andy Goldsworthy Archive, Writing Centre, Hardship, Carson Bursaries, CUSA and a General Education Fund. Included in the General Education Fund are funds received, totalling £5,400, from the Ian Grant Memorial Fund.

The Library Fund represents donations received which may only be used for the cost of the new library building. At 31 March 2006, £1,011,00 was pledged or donated. No pledges have been recognized in the financial statements as there is an element of uncertainty as to whether this income will be received.

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

15. Financial commitments

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as follows:

	Other 2006 £
Expiry date:	
Within one year	338
	<hr/> <hr/>

16. Trust Deed

The trust deed consists of three parts, the Endowed Part, the General Part and the Education Part.

17. Related Party Transactions

Under the direction of Financial Reporting Standard No. 8, the charity is required to disclose all material transactions undertaken with parties related to the charity. Transactions are deemed to be material when their disclosure might reasonably be expected to influence decisions made by the users of financial statements.

During the year ended 31 March 2003, £40,000 was paid to provide office space for the Foundation in Browne House and this amount is included in Tenants Improvements. The lease expires on 25 June 2016, and a "peppercorn" rent of £1 is payable per annum.

There were no other material related party transactions at the year end date.

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

18. Pension Costs

Two employees are members of the Dumfries and Galloway Council Pension Scheme, which is a multi-employer defined benefit scheme in the United Kingdom. The scheme is funded and contracted out of the State Earnings Related Pension Scheme. The latest formal valuation of the Fund for the purpose of setting employer's actual contributions was at 31 March 2006, which was carried out by a professionally qualified actuary using the projected unit credit method, with the next formal valuation due as at 31 March 2008.

The amounts included in note 7 represent the amounts paid by the Foundation for the year.

The Crichton Foundation, as employer contributed 16.5% of the gross salary to the Scheme in the year to 31 March 2006. These contributions have increased to 17.4% for the year to 31 March 2007.

The financial assumptions used by the actuary were as follows:

	2006	2005	2004
	% p.a	% p.a	% p.a
Price increases	3.1	2.9	2.9
Salary increases	4.6	4.4	4.4
Pension increases	3.1	2.9	2.9
Discount rate	4.9	5.4	5.5

The assets in the whole of the Dumfries and Galloway Pension Fund were;

Long Term Return (% per annum)

	2006	2005	2004
Equities	7.4	7.7	7.7
Bonds	4.6	4.8	5.1
Property	5.5	5.7	6.5
Cash	4.6	4.8	4.0

Fund Value at 31 March (£000)

	2006	2005	2004
Equities	265,237	218,719	191,943
Bonds	104,446	83,296	73,775
Property	21,911	18,645	16,866
Cash	12,443	6,571	6,192

Expected Annual Return (£000)

	2006	2005	2004
Equities	19,628	16,841	14,780
Bonds	4,805	3,998	3,763
Property	1,205	1,063	1,096
Cash	572	315	248

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

18. Pension Costs continued...

Analysis of the amount charged to the Statement of Financial Activities

	2006	2005
	£	£
Current service cost	<u>1,510</u>	<u>8,057</u>

Analysis of the amount credited to the Statement of Financial Activities

	2006	2005
Expected return on pension scheme assets	2,000	2,000
Interest on pension scheme liabilities	<u>(2,609)</u>	<u>(1,000)</u>
Net return	<u>(609)</u>	<u>-</u>

Analysis of amount recognised in Statement of Financial Activities

	2006	2005
	£	£
Actual return less expected return on pension scheme assets	5,000	1,000
Experience gains and losses arising on the scheme liabilities	23,000	-
Changes in assumption underlying the present value of the scheme liabilities	<u>(7,000)</u>	<u>(1,000)</u>
Actuarial gain recognised in the Statement of Financial Activities	<u>21,000</u>	<u>-</u>

Movement in surplus during the year

	2006	2005
	£	£
Surplus/(Deficit) at beginning of the year	(12,000)	(8,000)
Movement in year:		
Current service cost	(1,510)	(8,057)
Employer contributions	4,119	4,057
Net return on assets	(609)	-
Actuarial gain	<u>21,000</u>	<u>-</u>
Surplus/(Deficit) in scheme at end of year	<u>11,000</u>	<u>(12,000)</u>

CRICHTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

18. Pension Costs continued...

History of experience gains and losses

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
- amount	5,000	1,000	3,000	(5,000)
- value of assets	43,000	38,000	29,000	16,000
- percentage of assets	11.9%	3.5%	9.1%	(31.3%)
Experience gains and losses on scheme liabilities:				
- amount	23,000	-	1,000	(3,000)
- total present value of liabilities	32,000	50,000	37,000	24,000
- percentage of the present value of scheme liabilities	71.9%	-	2.7%	(12.5%)
Total amount recognized in the Statement of Financial Activities				
- amount	21,000	-	1,000	(9,000)
- total present value of liabilities	32,000	50,000	37,000	24,000
- percentage of the present value of scheme liabilities	65.6%	-	2.7%	(37.5%)

19. Prior period adjustment

A prior period adjustment has arisen due to full implementation of FRS 17 in 2006 resulting in the pension scheme asset or liability being provided for in the balance sheet of the financial statements. This has decreased the total funds brought forward by £12,000 in 2006 (£8,000 in 2005).

A further prior period adjustment has arisen due to the change in the accounting policy for awards and grants. All commitments are now provided for, as the conditions to be met are outwith the charity's control. This has decreased the total funds brought forward by £20,209 in 2006 (£22,474 in 2005).