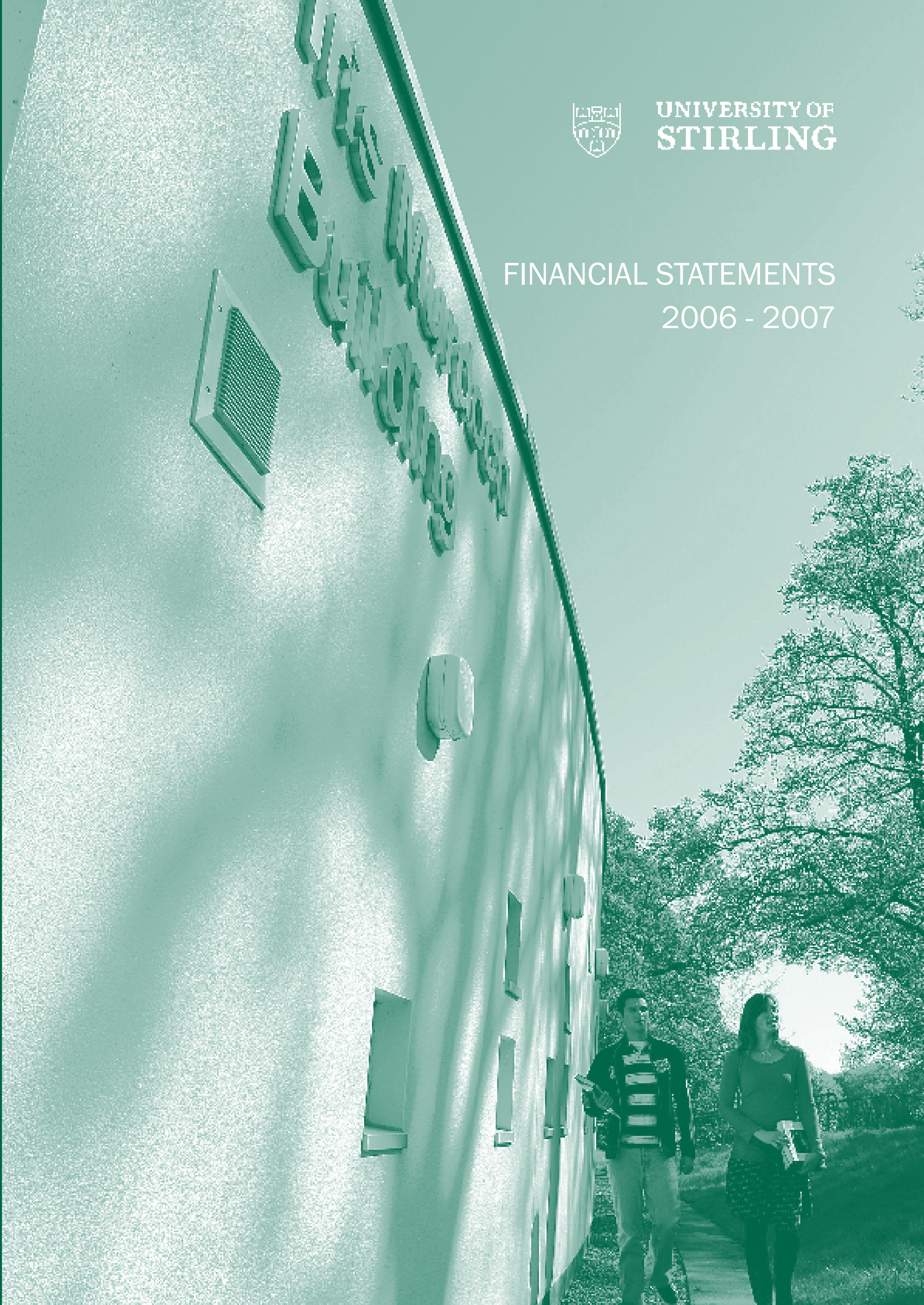

UNIVERSITY OF
STIRLING

FINANCIAL STATEMENTS
2006 - 2007

Cover photograph: Iris Murdoch Building, University of Stirling

Financial Statements
for the year to 31st July 2007

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The University of Stirling is recognised as a Scottish Charity with number SCO11159

Report on the Financial Statements

SCOPE OF THE FINANCIAL STATEMENTS

The Financial Statements presented to the Court have been prepared in accordance with the recommendations of the Statement of Recommended Practice (SORP), Accounting for Further and Higher Education issued in August 2003 and the Accounts Direction issued by the Scottish Funding Council in June 2007.

RESULTS FOR THE YEAR

The summarised consolidated income, expenditure and surplus for the year ended 31 July 2007, together with comparative figures for 2005/06 are shown as follows:

	2007 £'000	2006 £'000
Income	88,698	83,360
Expenditure	(87,993)	(81,155)
Share of operating losses in joint venture	(139)	(213)
Surplus	566	1,992
Transfer from accumulated income within specific endowments	119	25
Surplus for the year retained within general reserves	685	2,017

REPORT OF THE CHAIRMAN OF THE FINANCE AND INFRASTRUCTURE COMMITTEE

Despite a difficult forecast period I am pleased to report that the University has once again returned a surplus for the year. The overall surplus generated is £0.685 million representing 0.8% of turnover, thereby increasing university reserves to just over £31 million. It is also worth noting that this favourable result has been achieved against increased staffing costs as a result of recent pay awards and the implementation of the framework agreement in addition to increased contributions to Pension schemes and high utility costs at a time when we also need to invest in our infrastructure.

Operating Results

Gross Income increased from £83.4 million to £88.7 million, an increase of 6.4% compared to the previous year. The major increases were achieved in tuition fees notably in international students, where fee income increased from £4.2m to £5.8m, an increase of 38%. This reflects the University strategy to diversify its income streams, to become less reliant on the traditional undergraduate model, to develop the unregulated areas and reflects the success of the Internationalisation Strategy. In addition income from UK home fees increased in line with the changes in the level of tuition fees for first year students from £1,200 to £1,700.

Expenditure has increased from £81.2 million to £88.0 million, an increase of 8.4% compared with an increase of 5.4% in the previous year. Increased expenditure reflects additional staff costs, mainly as a result of pay awards and incremental progression. Most notable is the increase in interest payable of 15.0%; the increased cost includes the penalties for withdrawing from existing arrangements and replacing them following a review of the loan funding arrangements and the more active approach to treasury management. Whilst costs increased in year, as a result of re-financing, this will generate significant ongoing savings in interest payable with an initial payback within one year. The University currently has no loan finance and future requirements will be met from a revolving credit facility which has been put in place.

Research

Although research grants and contract income dropped, the overhead contribution has stabilised at the previous year's level. The level of new applications and awards continues to give some cause for concern in terms of future income generation. However the implementation of the Research & Knowledge Transfer strategy that was introduced in June 2006 is progressing well and is expected to lead to an increase in the volume of research activity and income in future.

Balance Sheet and Cash Flow Statement

The balance sheet of the University continues to strengthen and its net worth rose by 26.6% to £55.356 million. The re-financing of the loan portfolio has had a considerable impact on the balance sheet notably in investments, cash in hand and creditors of more than one year. As a result of utilising cash and investments to pay back our loans, net current assets show a negative figure of £8.5 million; however this is offset by the reduction in creditors falling due after more than one year to almost zero. Capital works of £10.017 million have been financed from reserves and external grants, no new loans were taken in the year, although the revolving credit facility has been put in place to meet future borrowing requirements.

Capital Projects

The University's current Capital Development Plan covers the 10 year period from 2003/04 to 2012/13. Work is currently being undertaken to extend the Plan to cover the period to 2016/17 as part of the University's overall Estate Strategy.

During the past year the ongoing investment in key areas of the estate has continued including the refurbishment of teaching rooms and computer labs, the implementation of a major programme of space moves, and the improvement of the research and building services infrastructure. Capital allocations from the Scottish Funding Council under the SRIF3 and LTIF schemes have made a significant contribution to these projects. In addition, investment in the residential estate has continued with the refurbishment of the west wing of Andrew Stewart Hall to create 104 study bedrooms with en-suite or private shower facilities. Work on the main element of the recladding of Cottrell Building commenced in February 2007 and has progressed well. It is currently anticipated that the contract to install the new thermally-efficient cladding panels and double glazing will be completed in May 2008, some three months ahead of schedule.

Work on the refurbishment of the entrance area of the Stirling Management Centre was completed in February 2007 and was the first phase of a major expansion of the centre's accommodation. The second phase commenced in July 2007 and will see extensions to the centre's seminar, bedroom and dining facilities.

Pensions

The University participates in three defined benefit pension schemes which are contracted out. The Universities Superannuation Scheme (USS), the University of Stirling Pension Scheme (USPS) and the University of Stirling Pension Scheme for Contract Staff (USPSCS). USS as a multi-employer scheme has no FRS17 impact on these accounts. The FRS17 deficit on the USPS and USPSCS schemes has reduced from £11 million to £3.6 million and the University is currently considering its response to the Trustees' request for increased contributions following the actuarial valuation as at 1 August 2006.

The impact on 2006/07 is to recognise a gain of £7.8 million in the Statement of Total Realised Gains and Losses reducing the accumulated deficit to £3.6 million which offsets against the General Reserve balance of £30.6 million. This change is due to the improvement in market value of assets at the valuation date and a reduction from £44.8 million to £41.5 million of the schemes' liabilities.

The Year Ahead

Looking forward there is great uncertainty in how the Higher Education Sector will be funded with a number of reviews happening simultaneously. The Scottish Funding Council review of teaching funding is likely to have far-reaching consequences for the sector and must, if it is to be beneficial, recognise properly the full economic cost of teaching. In addition whilst the 2008 Research Assessment Exercise is proceeding as planned there remains uncertainty around how the funding will subsequently be allocated or how the new framework based on metrics might be applied in Scotland. The University is actively engaged in these reviews and will continue to monitor any developments and respond appropriately.

Internally it is clear that the University continues to face a period of increasing cost pressures. The cost of employing the best staff is moving quickly upwards. The pension schemes to which we contribute have increasing liabilities which will continue to require higher contributions. Work is currently being undertaken with Estates and Campus Services to determine the affordability of the new Estates Strategy which identifies capital funding requirements to 2017.

In order to meet the challenges posed there is a continuing need to become even more creative in seeking additional and diversified income and attracting voluntary giving, so as to generate sufficient recurrent resources and surpluses to maintain financial stability and provide for development and growth. Despite these challenges, the University has continued to generate annual surpluses and next year has predicted a level of surplus and investment consistent with the targets established by Court in the Financial Strategy. This has been achieved by implementing the planned reduction in expenditure by 8% by 2008/2009 and increases in unregulated income.

Demonstrably, the University is in a strong position to meet the challenges it faces and to continue to deliver what is expected by its stakeholders. This would not have been, nor continue to be possible, without the on-going commitment of University staff and I would like to record my thanks and appreciation for their continuing dedication.

I would like to end by thanking Alan Simpson, whom I have succeeded as Chairman of Finance & Infrastructure Committee. His leadership of the committee has been influential in bringing about the current strong financial position. He has now taken up position as Chairman of Court and I will endeavour to carry forward his legacy.

Paul Grice
Chairman, Finance & Infrastructure Committee

Corporate Governance

The University is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the University has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange and revised in 2003. Its purpose is to help the reader of the financial statements understand how the principles have been applied.

The Court is responsible for the University's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Court is of the view that there is an ongoing process for identifying, evaluating and managing the University's significant risks that has been in place for the period up to the date of approval of the financial statements. This process has been reviewed and approved by Court. It accords with the internal control guidance for directors in the Combined Code as amended by the British Universities Finance Directors Group.

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

The Workings of the University Court and its Committees

Court

In accordance with the University's Charter, the Court is the Governing Body of the University with overall responsibility for the management of the University's resources, the ongoing strategic direction of the University, approval of major developments and the receipt of regular reports from Executive Officers on the day to day operation of its business. On matters relating to academic work of the University, Court will normally only act on the recommendation of the Academic Council. The membership of the Court, some of whom are ex officio, comprises lay members, who are in the majority, the balance being made up of staff and student members as prescribed by Statute. The Chair of Court is a lay member and is supported by lay Chairs of the Finance & Infrastructure Committee and the Audit Committee. The University's Chief Executive is the Principal & Vice-Chancellor.

The Court Appointments Committee seeks and considers recommendations for potential lay members of Court. The Court meets four times per year, with an additional residential conference in the Spring; it is supported by a Committee structure, which includes a Strategy & Resources Committee as well as the Committees indicated above.

In line with good practice, Court undertook a review of its own effectiveness in 2005/06, which also considered the extent of Court's compliance with the *CUC Guide for Members of Higher Education Governing Bodies in the United Kingdom (November 2004)*. The outcomes of this review have been implemented during 2006/07. Court plans a 'light touch' review of effectiveness in late 2007/2008, with the full review taking place in 2010/2011.

2006/2007 was the first session in which the University operated its revised Charter & Statutes following amendments to take account of organisational development and recommendations from the Review of Court Effectiveness. The changes have proven to be successful and have enhanced a number of aspects of the University's governance framework, for example through making more appropriate provision for chairing meetings of Court in the absence of the Chairman.

Principal Committees

In respect of its strategic and development responsibilities, the Court receives recommendations from the Strategy & Resources Committee.

The Finance & Infrastructure Committee meets on a regular cycle to consider issues relating to the University's finances, estates, information services and reports matters for information and approval as appropriate to the Strategy & Resources Committee and Court. The Finance & Infrastructure Committee also recommends to Court the University's annual recurrent budget and capital expenditure plans. The monitoring of performance in relation to approved budgets is undertaken by the Principal's Executive Group on a monthly basis throughout the year, with periodic formal reporting to the Finance & Infrastructure Committee.

The Remuneration Committee undertakes a review of professorial and senior administrative staff salaries including that of the Principal.

The Audit Committee is responsible for assisting and advising Court on the discharge of its responsibilities in ensuring that appropriate controls are in place to safeguard all funds received by the University, and in reviewing and monitoring accounting policies and practice. It oversees the remit and findings of both the internal and external auditors, and meets with them when required to review their reports. It also reviews the Financial Statements of the University prior to their submission to Court. While senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee, and the Committee may meet with the Internal and External Auditors on their own for independent discussions.

The operations of the University are not without risk and therefore the University has an established risk management process which advises senior management and which is taken into consideration in the development of the annual Strategic Plan and Strategic Plan Action Plan. For the year ending 31 July 2007, the Principal's Executive Group and Service Directors' Group met jointly to undertake the role of Strategic Risk Management Committee. They received reports from the risk owners of each of the strategic risks; Policy, Planning & Governance, the Risk Management Group (for insured risks) and the Safety, Health & Environment Committee. These were used to inform the Court of risks which had been identified and of control measures which had been established to mitigate or reduce the impact of these risks. The Strategic Risk Register has continued to be further developed during the year to include explicit mention of risk descriptions, mitigating actions to reduce the likelihood and impact of risks materialising, and risk indicators, or early warning signs that a risk may be about to materialise. These areas have been developed, in collaboration with the Risk Manager, by the individual risk owners for strategic risk, who are responsible for interim monitoring of their assigned risks.

The University Risk Manager has responsibility for co-ordinating the University's approach to risk management, including: updating and maintaining the Strategic Risk Register; analysing risk issues in the University planning process; provision of training in risk awareness, identification and management; ensuring that risk issues are considered throughout the planning process and co-ordinating the institutional business continuity planning process. Risk identification, assessment and the consideration of control measures are an integral part of the University planning process, and will continue to be further developed and integrated into plans in all areas of the University. Business continuity plans are already well developed in a number of areas of the University, including a newly-developed plan for dealing with an outbreak of pandemic influenza, and work is currently underway to produce robust departmental and institution-wide plans, which will in turn contribute to the further refinement of the strategic risk register.

The University has a Safety Policy and operates a safety management template across all activities. The template enables senior management to receive reports setting out non-financial key performance and risk indicators and to consider central issues highlighted by the operation of the system. The template is embedded in departmental and service-area management and is backed up by compulsory attendance at training sessions for all staff.

The Court receives an annual report from the Audit Committee supported by documentation from senior management and the relevant committees in order that it can complete its annual assessment for the year ending 31 July. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

Accounting Responsibilities of the University Court

In accordance with the University's Charter, the Court is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University, and enable it to ensure that the financial statements are prepared in accordance with the University's Charter, the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education, Accounts Directions from the Scottish Funding Council for Further & Higher Education (SFC) and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the Court of the University, the Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the University Court has ensured that:

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

- ensure that funds from the SFC are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with the Funding Council, and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic departments and service directorates;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the University Court;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee, Finance & Infrastructure Committee and the Court;
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the University Court and whose head provides the University Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the system of internal control, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Independent Auditors' Report
to the Members of the University Court of the University of Stirling

We have audited the group and parent University financial statements of the University of Stirling for the year ended 31 July 2007 which comprise the group Income and Expenditure Account, the group and parent University Balance Sheets, the group Cash Flow Statement, the group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the University Court, in accordance with the Charter and Statutes of the University. Our audit work has been undertaken so that we might state to the University Court those matters we are required to state to 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 University Court, for our work, for this report, or the opinion we have formed.

Respective responsibilities of the University Court and Auditors

The University Court's responsibilities for preparing the Report on the financial statements and the group and parent University financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003), applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003). We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University have been properly applied only for the purposes for which they were received and whether, in all material respects, income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Scottish Funding Council. We also report to you whether in our opinion the Report on the financial statements is not consistent with the financial statements, if the University has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Report on the financial statements and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and parent University as at 31 July 2007 and of the group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2003);
- in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the University during the year ended 31 July 2007 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2007 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Scottish Funding Council.

KPMG LLP — *17 December 2007*
Chartered Accountants
Registered Auditor
20 Castle Terrace
Edinburgh
EH1 2EG

Statement of Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2003) and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance published by the Scottish Funding Council.

Consolidated financial statements incorporating SURE Ltd and Machrihanish Marine Farms Ltd have been prepared. SUIP Ltd has not been consolidated into the University's financial statements due to the low level of control and influence which can be exercised by the University. It has been treated as an investment asset.

The financial statements do not include the Students' Association of the University of Stirling on the grounds that this is a members' association not directly controlled by the University.

Basis of Accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of Investments.

Recognition of Income

Income from Specific and General Endowments and Donations, Research Grants, Contracts and Other Services Rendered is included to the extent of the relative expenditure incurred during the year, together with any related contributions towards overhead costs. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Funding Council are recognised in the period to which they relate.

Non-recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with the depreciation over the life of the assets.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at end of year rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

Pension Schemes

The University has fully adopted accounting standard FRS17 "Retirement Benefits" in the preparation of these financial statements. The impact of this standard has been reflected throughout. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the University's defined benefit scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method (for USPS) and attained age method (for USPCS) are recognised in the University's balance sheet as a pension scheme asset or liability as appropriate. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the University are charged to the Statement of Total Recognised Gains and Losses in accordance with FRS 17' Retirement Benefits'.

The two principal pension schemes of the University are The Universities Superannuation Scheme covering academic and related staff and the University of Stirling Pension Scheme covering other staff. In addition, the University has set up a scheme for the non academic staff transferred from the former Colleges of Nursing under a contract from the Scottish Executive. This Scheme was initiated on 1st September 1996. The operating principles of the schemes are as follows:

Universities Superannuation Scheme

The Universities Superannuation Scheme is a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The liabilities are valued every three years by a professionally qualified independent Actuary using the Projected Unit Method, the rates of contribution payable being determined by the Trustees on the advice of the Actuary. In the intervening years, the Actuary reviews the progress of the Scheme. Pension costs are assessed in accordance with the advice of the Actuary, based on the latest actuarial valuation of the Scheme, and are accounted for on the basis of charging the cost of providing pensions over the period during which the Institution benefits from the employee's services.

The University of Stirling Pension Scheme

The University of Stirling Pension Scheme is a defined benefit scheme which is contracted out of the State Earnings-Related Pension Scheme. The assets of the Scheme are held separately from those of the University. The Trustees have invested the Funds in a Managed Fund with Newton Investment Fund Managers Ltd and Legal & General Investment Management. The administration and actuarial services are provided by Aon Consulting. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method.

The University of Stirling Pension Scheme for Contract Staff

The University of Stirling Pension Scheme for Contract Staff is a defined benefit scheme which is contracted out of the State Earnings-Related Pension Scheme. The assets of the Scheme are held separately from those of the University. The Trustees have invested the Funds with Friends Provident Corporate Pensions Ltd. The administration and actuarial services are also provided by Friends Provident with Aon Consulting providing independent advice. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the University. The Contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method.

Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. A small number of staff remain in other pension schemes.

Tangible Fixed Assets

Land and Buildings

The land on which the campus is situated has been gifted and is therefore not shown at cost or valuation. Other land and buildings are stated at cost. Buildings, including leasehold, are depreciated taking into account age, depreciation to date, and useful life or duration of lease.

Capitalised buildings are depreciated over their useful economic life according to their constituent parts as follows:

Long-term e.g. foundations & structure (30%-40% of cost) 80 years

Medium-term e.g. services (35%-45% of cost) 10 to 40 years

Short-term e.g. internal fittings (20%-25% of cost) 5 to 10 years

These rates have been implemented for all assets with effect from 1 August 2000.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Refurbishment improvements costing less than £25,000 per individual item or group of related items is written off to the income and expenditure account in the year of construction. All other refurbishment improvements are capitalised and depreciated over 15 years which is the expected interval between such refurbishments.

A review for impairment of all assets categorised as freehold and leasehold land and buildings, in the year end financial statements, is carried out annually.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought into use.

Equipment

Equipment costing less than £25,000 per individual item or group of related items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Capitalised equipment is depreciated over its useful economic life as follows.

Telephone equipment	- duration of lease
Other general equipment	- 3 years
Equipment acquired for specific research projects	- life of project (generally 3 years)

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure account over the expected useful economic life of the related equipment.

Software

Costs associated with the implementation of corporate information systems are capitalised and depreciated over the expected useful life of the systems.

Leased Assets

Fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

Lease rental payments are charged to income and expenditure account in full as they do not currently reflect capital repayments. The difference between the cost of the lease and rental payments is also charged to revenue reflecting the increased liability which will continue to increase until 2005. Thereafter the rentals will reflect both interest and capital repayment.

Investments

Fixed asset investments that are listed are included in the balance sheet at market value.

Endowment asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Listed investments that form part of endowment assets are included in the balance sheet at market value.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value and comprise bank deposits.

Stocks

Stocks are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Fish Farm stocks are computed on a going concern basis using values agreed for insurance purposes, suitably discounted to arrive at a cost equivalent.

Maintenance of Premises

The University's long term maintenance arrangements are based on the Condition Survey, which forms the basis of the ongoing maintenance of the estate. The cost of routine and long term maintenance is charged as incurred to the income and expenditure account.

Taxation

The University is recognised by HM Revenue & Customs as a charity. Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The University receives no similar exemption in respect of Value Added Tax.

Liquid Resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities. They exclude any assets held as endowment asset investments.

Provision

Provisions are recognised when the Institution has a present legal or constructive obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Consolidated Income and Expenditure Account

for the year ended 31st July 2007

	Note	**2007 £'000**	2006 £'000
INCOME			
Funding Council Grants	1	**39,642**	31,536
Tuition Fees and Education Contracts	2	**17,558**	20,134
Research Grants and Contracts	3	**8,912**	9,456
Other Income	4	**21,600**	21,395
Endowment and Investment Income	5	**1,160**	1,142
Total Income - group and share of joint venture		**88,872**	83,663
Less: share of joint venture's turnover	18	**(174)**	(303)
Total Group Income		**88,698**	83,360
EXPENDITURE			
Staff Costs	6	**54,286**	49,870
Other Operating Expenses	7	**26,802**	25,225
Depreciation	10	**5,083**	4,475
Interest Payable	8	**1,822**	1,585
Total Expenditure	9	**87,993**	81,155
Surplus on continuing operations after Depreciation of Fixed Assets and before Tax		**705**	2,205
Share of operating losses in joint venture	18	**(139)**	(213)
Surplus on continuing operations after Depreciation of Fixed Assets and losses in joint venture but before Tax		**566**	1,992
Taxation		**0**	0
Surplus on continuing operations after Depreciation of Fixed Assets and after Tax		**566**	1,992
Transfer from accumulated income within specific endowments		**119**	25
Surplus for the year retained within General Reserves		**685**	2,017

It is considered there will be no corporation tax liability for the year.
The income and expenditure account is in respect of continuing activities.
There is no difference between these figures and historical cost figures.

Balance Sheet

as at 31st July 2007

	Note	Group 2007 £'000	Group 2006 £'000	University 2007 £'000	University 2006 £'000
Fixed Assets					
Tangible Assets	10	**67,611**	62,677	**67,611**	62,677
Investments	11	**293**	266	**293**	266
		67,904	62,943	**67,904**	62,943
Endowment Assets	12	**1,467**	1,462	**1,467**	1,462
Current Assets					
Stocks		**504**	499	**504**	499
Debtors	13	**8,527**	8,750	**8,554**	8,831
Investments		**0**	3,074	**0**	3,074
Cash at Bank and in Hand		**1,376**	12,805	**1,278**	12,615
		10,407	25,128	**10,336**	25,019
Creditors: Amounts falling due within one year	14	**(18,941)**	(16,444)	**(18,883)**	(16,348)
Net Current Assets/(Liabilities)		**(8,534)**	8,684	**(8,547)**	8,671
Total Assets less Current Liabilities		**60,837**	73,089	**60,824**	73,076
Creditors: Amounts falling due after more than one year	15	**(20)**	(16,894)	**(20)**	(16,894)
Provisions for Liabilities and Charges	17&18	**(1,884)**	(1,401)	**(1,354)**	(1,010)
Net Assets excluding Pensions Liability		**58,933**	54,794	**59,450**	55,172
Net Pensions Liability		**(3,577)**	(11,083)	**(3,577)**	(11,083)
Net Assets including Pensions Liability		**55,356**	43,711	**55,873**	44,089

	Note	Group 2007 £'000	Group 2006 £'000	University 2007 £'000	University 2006 £'000
Deferred Capital Grants	19	**26,890**	23,743	**26,890**	23,743
Endowments					
Specific	20	**663**	691	**663**	691
General	20	**804**	771	**804**	771
		1,467	1,462	**1,467**	1,462
Reserve					
General Reserve	21	**30,576**	29,589	**31,093**	29,967
Pension Reserve	21	**(3,577)**	(11,083)	**(3,577)**	(11,083)
Total Reserves		**26,999**	18,506	**27,516**	18,884
Total		**55,356**	43,711	**55,873**	44,089

The financial statements on pages 1 to 28 were approved by the University Court on 17th December 2007 and signed on its behalf by:

C. M. Hallett
Principal and Vice-Chancellor

P. Grice
Chair, Finance & Infrastructure Committee

J. S. Gordon
Director of Finance

Consolidated Cash Flow Statement

for the year ended 31st July 2007

	Note	**2007** **£'000**	2006 £'000
Cash flow from Operating Activities	22	**9,622**	8,640
Returns on Investment and Servicing of Finance	23	**(850)**	(688)
Taxation		**0**	0
Capital Expenditure and Financial Investment	24	**(4,933)**	(4,345)
Management of Liquid Resources	26	**3,074**	800
Financing	25	**(18,361)**	(763)
Increase / (Decrease) in Cash in the year		**(11,448)**	3,644

Reconciliation of Net Cash Flow to Movement in Net Funds/(Debts)

	Note	**2007** **£'000**	2006 £'000
Increase / (Decrease) in Cash in the year		**(11,448)**	3,644
Cash outflow/ (inflow) from Liquid Resources	26	**(3,074)**	(800)
Cash inflow from new loan	26	**0**	0
Cash outflow in respect of loan and lease finance repayments	25	**18,361**	763
Change in Net Funds/(Debts) resulting from cash flows		**3,839**	3,607
Finance Lease non-cash transaction	26	**0**	20
Movement in Net Funds/(Debts) in Period		**3,839**	3,627
Net Funds/(Debts) at 1st August	26	**(1,228)**	(4,855)
Net Funds/(Debts) at 31st July	26	**2,611**	(1,228)

Statement of Total Recognised Gains & Losses

for the year ended 31st July 2007

	Note	2007 £'000	2006 £'000
Surplus on continuing operations after Depreciation of Fixed Assets and after Tax		**566**	1,992
Appreciation of Endowment Asset Investments	12	**24**	13
Endowment Income retained/(disbursed) for year	20	**33**	59
New endowments	20	**67**	28
Actuarial gain/loss in respect of pension scheme	27	**7,808**	(2,644)
Total gains and losses recognised in the year		**8,498**	(552)

Reconciliation

		2007 £'000	2006 £'000
Opening reserves and endowments		**19,968**	20,520
Total recognised gains and losses for the year		**8,498**	(552)
Closing reserves and endowments		**28,466**	19,968

Notes to the Accounts

Note		2007 £'000	2006 £'000
1.	**Scottish Funding Council Grants**		
	Recurrent Grant for Teaching	**27,300**	20,511
	Recurrent Grant for Research	**8,267**	8,336
	Recurrent Grant for Other Purposes	**1,737**	754
	Recurrent Grant for Special Initiatives	**1,085**	784
	Deferred Capital Grants Released in Year		
	Buildings (note 19)	**704**	641
	Equipment (note 19)	**549**	509
		39,642	31,536
2.	**Tuition Fees and Education Contracts**		
	Full Time UK Domiciled Student charged Home Fees	**8,006**	6,393
	Full Time Non-UK Domiciled Student charged Home Fees	**538**	598
	Full Time Students charged Overseas Fees	**5,790**	4,212
	Part Time Fees	**1,612**	2,014
	Short and Full Cost Course Fees and Education Contracts	**1,226**	6,745
	Research Training Support Grants	**386**	172
		17,558	20,134
3.	**Research Grants and Contracts**		
	Research Councils	**3,169**	2,953
	UK Charities	**1,038**	1,212
	Government Departments	**3,574**	3,773
	UK Industry and Commerce	**188**	251
	European Commission	**614**	623
	Other Overseas	**259**	179
	Other	**70**	465
		8,912	9,456

Notes to the Accounts - continued

		2007	2006
		£'000	£'000
Note			
4.	**Other Income**		
	Consultancy and Short Courses	**2,805**	2,476
	Catering	**730**	879
	Residences	**7,864**	7,959
	Stirling Management Centre	**2,569**	2,926
	MacRobert Arts Centre	**1,559**	1,425
	Aquaculture External Facilities	**1,131**	987
	Sports Development Services	**1,480**	1,434
	Other Income	**2,665**	2,392
	Released from Deferred Capital Grants		
	Buildings (note 19)	**574**	549
	Equipment (note 19)	**49**	65
	University's share of turnover of joint venture	**174**	303
		21,600	21,395

		2007	2006
		£'000	£'000
5.	**Endowment and Investment Income**		
	Income from Specific Endowments (note 20)	**25**	53
	Income from General Endowment Asset Investments (note 20)	**16**	21
	Income from Short Term Deposits	**42**	196
	Other Interest Receivable	**856**	575
	Net Return on Pension Assets	**221**	297
		1,160	1,142

Notes to the Accounts - continued

Note		2007	2006
6.	**Staff Costs**		
	Average Staff Numbers by Major Category	**F.T.E.s**	F.T.E.s
	Academic Departments	**570**	575
	Academic Services	**122**	135
	Administration and Central Services	**225**	208
	Premises	**156**	161
	Research Grants and Contracts	**154**	167
	Catering and Residences	**145**	146
	Miscellaneous	**130**	125
		1,502	1,517
	Staff Costs	**£'000**	£'000
	Wages and Salaries	**45,308**	41,508
	Social Security Costs	**3,539**	3,278
	Other Pension Costs	**5,439**	5,084
		54,286	49,870
	Academic Departments	**26,264**	25,351
	Academic Services	**3,885**	3,977
	Administration and Central Services	**6,090**	5,168
	Premises	**2,915**	2,703
	Research Grants and Contracts	**5,006**	4,902
	Catering and Residences	**3,949**	3,411
	Miscellaneous	**6,177**	4,358
		54,286	49,870
	Number of staff who received emoluments in the following ranges (including the Principal and Vice-Chancellor)	**Number**	Number
	£70,000 - £79,999	**16**	5
	£80,000 - £89,999	**7**	1
	£90,000 - £99,999	**1**	0
	£100,000 - £109,999	**0**	1
	£120,000 - £129,999	**1**	0
	£160,000 - £169,999	**0**	1
	£170,000 - £179,999	**1**	0
	Emoluments of the Principal and Vice-Chancellor	**£'000**	£'000
	Salary	**176**	163
	Benefits in kind	**1**	2
		177	165
	Pension Contributions	**25**	22

Emoluments of the Principal and Vice-Chancellor are shown on the same basis as for other higher paid staff with the addition of non-monetary benefits as agreed with the Inland Revenue in 1997. Pension contributions are in respect of employer's contributions to USS.

Notes to the Accounts - continued

Note		2007 £'000	2006 £'000
7.	**Other Operating Expenses**		
	Academic Departments	**5,513**	5,636
	Academic Services	**1,761**	1,543
	Administration and Central Services	**3,691**	3,192
	Premises	**3,269**	3,995
	Research Grants and Contracts	**2,295**	2,966
	Consultancy and Short Courses	**1,317**	737
	Catering	**338**	383
	Residences	**2,851**	2,440
	Stirling Management Centre	**1,453**	1,810
	MacRobert Arts Centre	**758**	736
	Aquaculture External Facilities	**501**	403
	Sports Development Services	**230**	259
	Miscellaneous	**2,712**	480
	Early Retirement & Severance	**113**	645
		26,802	25,225
	Other operating expenses include:		
	Auditors' remuneration		
	- external audit	**36**	45
	- internal audit	**51**	43
	- other services from either external or internal audit	**0**	0
		87	88
8.	**Interest Payable**		
	Bank loans not wholly repayable within five years	**1,101**	940
	Finance leases	**721**	645
		1,822	1,585

Notes to the Accounts - continued

Note

9. Analysis of 2006-2007 Expenditure by Activity

	Staff Costs £'000	Depreciation £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
Academic Departments	26,264	560	5,513	0	32,337
Academic Services	3,885	411	1,761	0	6,057
Administration and Central Services	6,090	480	3,691	0	10,261
Premises	2,915	2,737	3,269	35	8,956
Research Grants and Contracts	5,006	0	2,295	0	7,301
Consultancy and Short Courses	1,528	0	1,317	0	2,845
Catering	720	0	338	0	1,058
Residences	3,230	703	2,851	1,341	8,125
Stirling Management Centre	346	149	1,453	87	2,035
MacRobert Arts Centre	962	0	758	0	1,720
Aquaculture External Facilities	516	40	501	0	1,057
Sports Development Services	1,127	3	230	42	1,402
Miscellaneous	1,691	0	2,712	317	4,720
Early Retirement & Severance	6	0	113	0	119
Total per Income and Expenditure Account	54,286	5,083	26,802	1,822	87,993

The depreciation charge has been funded by:

Deferred Capital Grants Released	1,876	(note 19)
General Income	3,207	
	5,083	

Notes to the Accounts - continued

Note

10. Tangible Fixed Assets (Group)

	Land, Buildings & Assoc. Equip. Freehold £'000	Leasehold £'000	Equipment £'000	Leased Equipment £'000	Assets Under Construction £'000	Total £'000
At 1st August 2006 Cost	73,782	4,343	7,514	129	3,860	89,628
Additions at Cost	2,074	0	1,421	0	6,522	10,017
Disposals at Cost	0	0	(782)	0	0	(782)
Transfers	6,934	(4,242)	289	0	(2,981)	0
Revaluation in Year	0	0	0	0	0	0
At 31st July 2007 Cost	82,790	101	8,442	129	7,401	98,863
Depreciation						
At 1st August 2006	22,400	21	4,401	129	0	26,951
Charge for Year	3,258	4	1,821	0	0	5,083
Eliminated by Disposals	0	0	(782)	0	0	(782)
At 31st July 2007	25,658	25	5,440	129	0	31,252
Net Book Value						
At 31st July 2007	**57,132**	**76**	**3,002**	**0**	**7,401**	**67,611**
At 1st August 2006	52,657	3,047	3,113	0	3,860	62,677

Notes to the Accounts - continued

Note
10. Tangible Fixed Assets (University Only)

	Land, Buildings & Assoc. Equip. Freehold £'000	Land, Buildings & Assoc. Equip. Leasehold £'000	Equipment £'000	Leased Equipment £'000	Assets Under Construction £'000	Total £'000
At 1st August 2006 Cost	73,782	4,343	7,514	129	3,860	89,628
Additions at Cost	2,074	0	1,421	0	6,522	10,017
Disposals at Cost	0	0	(782)	0	0	(782)
Transfers	6,934	(4,242)	289	0	(2,981)	0
Revaluation in Year	0	0	0	0	0	0
At 31st July 2007 Cost	82,790	101	8,442	129	7,401	98,863
Depreciation						
At 1st August 2006	22,400	21	4,401	129	0	26,951
Charge for Year	3,258	4	1,821	0	0	5,083
Eliminated by Disposals	0	0	(782)	0	0	(782)
At 31st July 2007	25,658	25	5,440	129	0	31,252
Net Book Value						
At 31st July 2007	**57,132**	**76**	**3,002**	**0**	**7,401**	**67,611**
At 1st August 2006	52,657	3,047	3,113	0	3,860	62,677

Buildings with a net book value of £4,103,000 and cost £8,767,000 have been funded from Treasury Sources. In the event of these particular buildings being sold, the University would either have to surrender proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

The transfers of leasehold land and buildings in the year has resulted from the repayment of the finance lease over Alexander Court.

Notes to the Accounts - continued

Note		2007 £'000	2006 £'000
11.	**Investments**		
	Listed Investments		
	Balance as at 1st August	**266**	232
	Additions	**71**	58
	Disposals	**(65)**	(53)
	Appreciation on Disposals/Revaluation of Investments	**21**	29
	Balance as at 31st July	**293**	266
	Fixed interest stocks and equities at Historical Cost	**389**	389
12.	**Endowment Assets**		
	Balance as at 1st August	**1,462**	1,387
	Additions	**10**	77
	Disposals	**(29)**	(15)
	Appreciation on Disposals/Revaluation of Investments (note 20)	**24**	13
	Balance as at 31st July	**1,467**	1,462
	Represented by:		
	Fixed interest stocks (listed)	**15**	15
	Equities (listed)	**137**	113
	Equities (unlisted)	**25**	25
	Land and property	**0**	0
	Cash balances (note 26)	**1,290**	1,309
	Total	**1,467**	1,462
	Fixed interest stocks and equities at Historical Cost	**118**	118

Notes to the Accounts - continued

	Group		University	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Note				
13. Debtors				
Amount falling due within one year:				
Debtors	**5,733**	6,940	**5,760**	7,021
Prepayments and accrued income	**2,554**	1,322	**2,554**	1,322
Debtors falling due after more than one year	**240**	488	**240**	488
	8,527	8,750	**8,554**	8,831
14. Creditors: Amounts falling due within one Year				
Bank loans	**35**	822	**35**	822
Obligations under finance leases	**0**	700	**0**	700
Creditors	**7,403**	7,184	**7,345**	7,088
Accruals and deferred income	**10,156**	6,536	**10,156**	6,536
Social security and other taxation payable	**1,347**	1,202	**1,347**	1,202
	18,941	16,444	**18,883**	16,348
15. Creditors: Amounts falling due after more than one Year				
Bank loans	**20**	12,152	**20**	12,152
Obligations under finance leases	**0**	4,742	**0**	4,742
	20	16,894	**20**	16,894

The University has a 20 year, £20 million revolving credit facility in place with Barclays and Lloyds, available to drawn down as and when required.

Notes to the Accounts - continued

Note

16. Borrowings

a. Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group		University	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
In one year or less	**35**	815	**35**	815
Between one and two years	**5**	829	**5**	829
Between two and five years	**15**	2,355	**15**	2,355
In five years or more	**0**	8,975	**0**	8,975
Total	**55**	12,974	**55**	12,974

b. Finance leases

The net finance leases obligations to which the institution is committed are:

	Group		University	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
In one year or less	**0**	700	**0**	700
Between one and five years	**0**	3,163	**0**	3,163
Over five years	**0**	6,953	**0**	6,953
	0	10,816	**0**	10,816
Less: Charges allocated to future rental periods	**0**	(5,374)	**0**	(5,374)
Total	**0**	5,442	**0**	5,442

17. Provisions for Liabilities and Charges

	Group and University			
	Restructuring	**EC Projects**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1st August 2006	391	295	324	1,010
Expenditure in the year	(391)	(133)	0	(524)
Transferred from I & E account	0	0	868	868
At 31st July 2007	**0**	**162**	**1,192**	**1,354**

Restructuring provision related to the Voluntary Severance scheme, now complete. The provision for EC projects relates to re-imbursement due on European Commission funded projects following audits undertaken at the request of the European Commission. Other provision relates to MHO pensions and the Framework Agreement.

Notes to the Accounts - continued

Note

18. Joint Ventures

Machrihanish Marine Farm Ltd is a joint venture between the University and Lakeland Smolt Ltd. A 49% share of the company's gross assets and liabilities are included in the University's consolidated balance sheet and 49% of its net income is reported in the University's consolidated income & expenditure account. The company's principal activity is the commercial rearing of cod. The company's year end date is 31st December to match that of Lakeland Smolt Ltd.

The University's share of the company turnover, assets and liabilities is as follows:

	2007	2006
	£'000	£'000
Turnover	**174**	303
Interest Payable	**17**	13
Share of gross assets	**629**	666
Share of gross liabilities	**(1,159)**	(1,057)
	(530)	(391)

The original investment in the joint venture (£245k) has been written off in a previous income and expenditure statement. The overall position of the joint venture shows negative liabilities and hence the University's share of the gross assets and liabilities above is included in the figure for provisions for liabilities and charges.

Notes to the Accounts - continued

Note

19. Deferred Capital Grants

	Group and University		
	Funding Council £'000	**Other Grants and Gifts £'000**	**Total £'000**
At 1st August 2006			
Buildings	10,942	12,182	23,124
Equipment	605	14	619
Total	11,547	12,196	23,743
Cash received			
Buildings	3,702	825	4,527
Equipment	371	125	496
Total	4,073	950	5,023
Released to income and expenditure account			
Buildings (notes 1 and 4)	(704)	(574)	(1,278)
Equipment (notes 1 and 4)	(549)	(49)	(598)
Total (note 9)	(1,253)	(623)	(1,876)
At 31st July 2007			
Buildings	13,940	12,433	26,373
Equipment	427	90	517
Total	**14,367**	**12,523**	**26,890**

20. Endowments

	Group and University		
	Specific £'000	**General £'000**	**Total £'000**
At 1st August 2006	691	771	1,462
Additions	67	0	67
Appreciation of endowment asset investments	24	0	24
Income for year	25	49	74
Transferred to income and expenditure account	(144)	(16)	(160)
At 31st July 2007	**663**	**804**	**1,467**
Representing			
Scholarship funds	150	0	150
Prize funds	160	0	160
Chairs and lectureships funds	121	0	121
Other funds	232	804	1,036
Total	**663**	**804**	**1,467**

Notes to the Accounts - continued

Note

21. General Reserve

	Group		University	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Income and Expenditure Account				
Balance as at 1st August	**18,506**	19,133	**18,884**	19,285
Historical Cost Surplus after				
Depreciation of Assets and Tax	**685**	2,017	**824**	2,243
Actuarial gain/(loss) on pension scheme liability	**7,808**	(2,644)	**7,808**	(2,644)
At 31st July 2007	**26,999**	18,506	**27,516**	18,884
Represented by:				
Income and Expenditure Account				
Balance as at 1st August	**29,589**	27,477	**29,967**	27,629
Historical Cost Surplus after				
Depreciation of Assets and Tax	**685**	2,017	**824**	2,243
Transfer from Pension Reserve	**302**	95	**302**	95
	30,576	29,589	**31,093**	29,967
Pension Reserve				
Deficit in schemes at beginning of year	**(11,083)**	(8,344)	**(11,083)**	(8,344)
Movement in year:				
Current Service Cost	**(2,010)**	(1,700)	**(2,010)**	(1,700)
Contributions	**1,487**	1,308	**1,487**	1,308
Net Return on Assets	**221**	297	**221**	297
Actuarial Gain/(Loss)	**7,808**	(2,644)	**7,808**	(2,644)
Deficit in Scheme at end of year	**(3,577)**	(11,083)	**(3,577)**	(11,083)
Reconciliation				
Income and Expenditure Account	**30,576**	29,589	**31,093**	29,967
Pension Reserve	**(3,577)**	(11,083)	**(3,577)**	(11,083)
	26,999	18,506	**27,516**	18,884

Notes to the Accounts - continued

	2007	2006
	£'000	£'000
Note		
22. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
Surplus on continuing operations after depreciation of assets and before tax	**566**	1,992
Pension Costs less contributions payable (note 27)	**523**	392
Depreciation (note 10)	**5,083**	4,475
Revaluation of Investments (note 11)	**(21)**	(29)
Deferred Capital Grants Released to Income (note 19)	**(1,876)**	(1,764)
Profit on disposal of tangible fixed assets	**0**	0
Loss/(Profit) on disposal of investments	**0**	0
Share of operating losses in joint venture	**139**	213
Consolidation of subsidiary	**0**	0
Investment income and net endowment receivable	**(1,160)**	(1,042)
Interest payable (note 8)	**1,822**	1,585
(Increase) in stocks	**(5)**	(12)
Decrease in debtors/prepayments	**223**	292
Increase in creditors/accruals	**3,984**	2,403
Increase/(Decrease) in provisions	**344**	136
Roundings	**0**	(1)
Net cash inflow from operating activities	**9,622**	8,640
23. Returns on Investment and Servicing of Finance		
Income from endowments (note 20)	**74**	133
Income from short term investments (note 5)	**42**	196
Other interest received (note 5)	**856**	575
Interest paid	**(1,822)**	(1,592)
Net cash outflow from returns on investments and servicing of finance	**(850)**	(688)
24. Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets (other than leased equipment)	**(10,017)**	(6,367)
Purchase of investments (note 11)	**(71)**	(58)
Sale of investments (note 11)	**65**	53
Payments to acquire endowment assets	**(35)**	(20)
Sale of Tangible Fixed Assets	**0**	0
Receipt from sale of endowment assets	**35**	20
Deferred capital grants received (note 19)	**5,023**	1,999
Endowments received (note 20)	**67**	28
Net cash outflow in respect of capital expenditure and financial investment	**(4,933)**	(4,345)

Notes to the Accounts - continued

Note

25. Analysis of Changes in Financing during the Year

	Total £'000	Finance Leases £'000	Loans £'000
Balances at 1st August 2005	19,199	5,462	13,737
New leases/loans	0	0	0
Capital Repayments	(763)	0	(763)
Net Amount Repaid in Year	(763)	0	(763)
Non-cash transaction	(20)	(20)	0
Balances at 31st July 2006	18,416	5,442	12,974
New leases/loans	0	0	0
Capital Repayments	(18,361)	(5,442)	(12,919)
Net Amount Acquired/(Repaid) in Year	(18,361)	(5,442)	(12,919)
Non-cash transaction	0	0	0
Balances at 31st July 2007	**55**	**0**	**55**

26. Analysis of Changes in Net Funds

	At 1st August 2006 £'000	Cash Flows £'000	Non-cash Changes £'000	At 31st July 2007 £'000
Cash in hand, and at bank	12,805	(11,429)	0	1,376
Endowment asset investments (note 12)	1,309	(19)	0	1,290
	14,114	(11,448)	0	2,666
Short term deposits	3,074	(3,074)	0	0
Debt due within one year	(842)	780	27	(35)
Debt due after one year	(12,132)	12,139	(27)	(20)
Finance leases	(5,442)	5,442	0	0
Total	**(1,228)**	**3,839**	**0**	**2,611**

Major non-cash transactions
The terms of the financial lease are such that in the early years the interest implicit in the lease exceeds the payments actually made. There is therefore a capital shortfall in the payments made and this is reflected in the non-cash changes.

Notes to the Accounts - continued

Note

27. Pension Schemes

Composition of Schemes
The University participates in three defined benefit contracted out pension schemes, the Universities Superannuation Scheme (USS), the University of Stirling Pension Scheme (USPS) and the University of Stirling Pension Scheme for Contract Staff (USPSCS). USS provides benefits based on final pensionable salary for academic and related employees at UK Universities.

USPS and USPSCS provide similar benefits for other staff of the University. An actuarial valuation of USPSCS was carried out as at 1st September 2005 by a qualified independent actuary. A full actuarial valuation of USPS was carried out at 1 August 2003 and updated to 31 July 2006 by a qualified independent actuary. The major assumptions used by the actuary, for the USPS and USPSCS schemes were:

	At 31/07/07	At 31/07/06	At 31/07/05
Rate of increase in salaries	4.0%	4.1%	3.8%
Rate of increase in pensions in payment	2.8%	2.9%	2.5%
Rate of increase of deferred pensions	3.0%	3.1%	2.8%
Discount rate	5.7%	5.1%	5.0%
Inflation assumption	3.0%	3.1%	2.8%

The assets in the USPS and USPSCS schemes and the expected rates of return were:

	Long-term rate of return expected at 31/07/07	Long-term rate of return expected at 31/07/06	Long-term rate of return expected at 31/07/05
Equities	8.0%	8.0%	8.0%
Bonds	5.4%	4.5%	4.5%
Other	4.5%	4.5%	4.5%

	Value at 31/07/07 £m	Value at 31/07/06 £m	Value at 31/07/05 £m
Equities	31.8	28.5	24.6
Bonds	2.9	3.0	2.2
Other	3.2	2.3	2.5
Total market value of assets	37.9	33.8	29.3
Present value of scheme liabilities	(41.5)	(44.8)	(37.6)
Deficit in schemes	(3.6)	(11.0)	(8.3)

Notes to the Accounts - continued

Movement in Deficit Through the Year	**31/07/07**	**31/07/06**
	£'000	**£'000**
Deficit in Scheme at beginning of year	(11,083)	(8,344)
Current Service Cost	(2,010)	(1,700)
Contributions	1,487	1,308
Other finance income	221	297
Actuarial Gain/(Loss)	7,808	(2,644)
Deficit in Scheme at end of year	(3,577)	(11,083)

	31/07/07	**31/07/06**
	£m	**£m**
Net assets excluding pension liability	59.4	55.2
Pension liability	(3.6)	(11.0)
Net assets including pension liability	55.8	44.2
General reserve excluding pension liability (note 21)	31.1	30.0
Pension reserve deficit	(3.6)	(11.0)
General reserve	27.5	19.0

Analysis of Amount Charged to Operating Profit	**31/07/07**	**31/07/06**
	£'000	**£'000**
Current service cost	2,010	1,700
Total operating charge	2,010	1,700

Analysis of amounts credited to Other Investment Income

Expected return on pension scheme assets	2,539	2,208
Interest cost	(2,318)	(1,911)
Net return	221	297

Analysis of amounts recognised in STRGL

Actual return less expected return on pension scheme assets	974	1,524
Experience gains and losses arising on the scheme liabilities	1,026	(64)
Changes in financial assumptions underlying the scheme liabilities	5,808	(4,104)
Actuarial Gain/(Loss) recognised in STRGL	7,808	(2,644)

Notes to the Accounts - continued

History of Experience Gains and Losses

	31/07/07	**31/07/06**	**31/07/05**	**31/07/04**
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	974	1,524	3,837	185
Percentage of scheme assets	2.6%	4.5%	13.1%	0.8%
Experience gain/(loss) arising on the scheme liabilities:				
Amount (£'000)	1,026	(64)	0	299
Percentage of scheme liabilities	2.5%	0.1%	0.0%	0.9%
Total amount of actuarial gain/(loss)				
Amount (£'000)	7,808	(2,644)	433	531
Percentage of scheme assets	18.8%	5.9%	1.1%	1.7%

Universities Superannuation Scheme (USS)
The institution participates in the Universities Superannuation Scheme, a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited. The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the management committee. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The institution is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) the rates of increase in salary and pensions and the assumed rates of mortality. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an additional allowance for increases in salaries due to age and promotion and a further amount of £800m of liabilities to reflect recent experience) and pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 2.9% per annum.

Standard mortality tables were used as follows:

Pre-retirement mortality	PA92 rated down 3 years
Post-retirement mortality	PA92 (c=2020) for all retired and non-retired members

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Males	19.8 years
Females	22.8 years

Notes to the Accounts - continued

At the valuation date, the value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million indicating a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at that date; under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 74% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 90%.

Since 31 March 2005 the financial security of the scheme has improved and the actuary has estimated that the funding level has increased from 77% at 31 March 2005 to 91% at 31 March 2007. This improvement in the scheme's financial security is due primarily to the investment return on the scheme's assets since 31 March 2005 being higher than allowed for in the funding assumptions. On the FRS17 basis, the actuary estimated that the funding level at 31 March 2007 was above 109% and on a buy-out basis was approximately 84%.

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the institution contribution rate at 14% of pensionable salaries.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	***Change in assumption***	***Impact on scheme liabilities***
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.7 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.5 billion
Rate of mortality	More prudent assumption (Mortality used at last actuarial valuation, rated down by a further year)	Increase by £0.8 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investments classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding to take investment risk relative to the liabilities, the trustee receives advice from its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

Notes to the Accounts - continued

The next formal triennial actuarial valuation is due as at 31 March 2008. The contribution rate will be reviewed as part of each valuation.

The total pension cost for the university was £5,439k (2006: £5,084k). This includes £522k (2006: £430k) outstanding contributions at the balance sheet date. The contribution rate payable by the institution was 14% of pensionable salaries.

	31/07/07	31/07/06
	£'000	£'000
The total pension costs for the University were:		
Contribution to USS	**4,041**	3,848
Contributions to USPS Schemes	**1,398**	1,236
Total Pension Costs (note 6)	**5,439**	5,084

The University has considered it prudent to make provision in 2006/07 for additional contributions to both USPS and USPSCS. Following acceptance of the 2005 actuarial valuation for USPSCS agreement has been reached with the trustees on the rate of contribution with a target recovery period of 8 years. The USPS 2006 actuarial valuation has been finalised and the University is considering a proposal from the Trustees regarding the contribution rate payable from 1st January 2008.

Notes to the Accounts - continued

Note

28. Capital Commitments

	Group and University	
	2007	2006
	£'000	£'000
Commitments contracted at 31st July	**7,601**	1,196
Authorised but not contracted at 31st July	**0**	0
	7,601	1,196

29. Financial Commitments

Operating lease commitments for the 2007 financial year, on leases expiring:

	Group and University	
	2007	2006
	£'000	£'000
Within one year	**0**	0
Between one and five years	**0**	0
Over five years		
Union Street residential property lease	**510**	490
Lyon Crescent residential property lease	**358**	348
Campus district heating	**148**	269
	1,016	1,107

30. Access Funds

	2007	2006
	£'000	£'000
Balance at 1st August	**13**	12
Funding Council grants	**439**	434
Interest earned	**11**	5
	463	451
Disbursed to students	**(417)**	(438)
Balance Unspent as at 31st July	**46**	13

The grants and related disbursements are available solely to students, with the University acting as paying agent. These funds are therefore excluded from the Income and Expenditure Account. The University accounts to the Scottish Executive on the use of these funds to 31st March.

31. Contingent Liability

The University is a member of UMA(SR) Limited, a company formed to provide a mutual association for terrorism risks. Under the terms of its membership, each member acts as insurer and insured. If the association as a whole suffers a shortfall in any underwriting year, the members are liable for their pro rata share (University of Stirling 0.2%); spread using a member's loan facility over seven years. No liability has yet risen under this guarantee.

The University has guaranteed; 49% of a £100k bank overdraft facility arranged with Nordia Bank ASA, 49% of a £250k bank overdraft facility with HBOS plc and 100% of a £175k bank overdraft facility arranged with HBOS plc in relation to Machrihanish Marine Farms Limited (MMF Ltd). The University has provided for £628k of outstanding invoices and loans to MMF Ltd.

The University through a shareholding agreement with Stirling Council has in effect guaranteed 50% of a loan with RBS plc to Stirling University Innovation Park Limited (SUIP Ltd). The purpose of the loan was to purchase two properties. The outstanding balance of the loan is circa £1M.

Notes to the Accounts - continued

Note
32. Related Party Transactions

Provost Colin M O'Brien is the Director of Scottish Enterprise Forth Valley and a Director of Stirling Enterprise Park. Mr Christopher M S Harding-Dempster is the President and Mr Robert Nicholas H Hudd is Vice President (Services) as well as Treasurer of Stirling University Student Association. The aggregate amounts of transactions between the University and related parties in the year and amounts outstanding at the year-end are:

	Income £'000	Expenditure £'000	Creditor £'000	Debtor £'000
Stirling University Innovation Park Ltd.				
Accounting services, Security, Maintenance	40			2
Salary funding and Recharges		100	0	
Stirling University Student Association				
Insurance, Rent Payable, Recharges	387			56
Scottish Enterprise Forth Valley				
Rent Payable, Facilities	8			13
	435	100	0	71

33. University Companies

The University owns 100% of the issued share capital of ordinary shares of SURE Limited. The principal activity of the company is to develop and promote research innovation and commercialisation on behalf of the University.

The University owns 49% of the issued share capital of ordinary shares of Machrihanish Marine Farms Limited, a company registered in Scotland and operating in the UK. The principal activity of the company is the farming of cod.

The University owns 50% of the issued share capital of Stirling University Innovation Park Limited. The principal activity of the company is the development, promotion and management of Stirling University Innovation Park. In view of the lack of controlling interest, the company's results have not been consolidated into the University's Financial Statements.

Surplus/(Deficit) for the year

As permitted by section 230 of the Companies Act 1985, the income and expenditure account of the University (the holding company) has not been shown separately in these financial statements. The University's historical cost surplus for the year was £1,376k.

34. Works of Art

The University displays a number of valuable works of art, not included in the Balance Sheet. The approximate value of the collection for insurance purposes is £4.5m.

Composition of Committees concerned directly with Finance

in the year ended 31st July 2007

Membership of Audit Committee
Mr G M Simmers (Chair) *
Mrs K M A Dalyell *
Mr R G Burnett *
Mr S W Foster *

Membership of Finance & Infrastructure Committee (FIC)
Mr A G Simpson (Chair) *
Mr P Grice *
Mr G D C Burns *
Professor C M Hallett
Dr D Littlejohn *
Professor S E Marshall
Professor W M McInnes
Professor R H Richards
Professor N H Keeble
Mr R Hudd
Dr Douglas Robertson
Professor D Bell

Membership of Strategy & Resources Committee
Professor C M Hallett (Chair)
Mr K J Clarke
Professor J Field
Professor N H Keeble
Dr D Littlejohn *
Professor S E Marshall
Mrs A S McAlindin *
Professor R McKean
Mr A G Simpson *
Professor G Jarvie
Professor A McAuley
Professor I Simpson
Dr R Edwards
Mr C Dempster

* Lay member

The Court

Ex-Officio Members

Professor Christine Margaret Hallett
MA, PhD, FRSE, Principal and Vice-Chancellor

Professor Neil Howard Keeble
BA, DPhil, DLitt, FRSE, FRHistS, FEA, FRSA, Senior Deputy Principal

Councillor Colin Michael O'Brien
BA, Provost of Stirling

Mr Christopher Mark Steven Harding-Dempster
President of SUSA

Mr Robert Nicholas Harold Hudd
Vice-President and Treasurer of SUSA

Appointed Members

Dr Kathleen Mary Agnes Dalyell
OBE, DL, MA, appointed by Chancellor

Professor Robert Ball
MA, MSc, PhD, appointed by the Academic Council

Professor Grant Jarvie
BEd, MA, PhD, appointed by Academic Council

Professor Thomas Anthony Starrs
MSc, RCT, RGN, RNMH, RNT, appointed by Academic Council

Professor Sara Carter
BA, PhD, FRSA, appointed by Academic Council

Ms Nicola Ann Ring
BSc, MSc, DipHV, RGN, RSCN, appointed by Academic Council

Dr Rory O'Connor
BSc, PhD, AFBPsS, appointed by Academic Council

Mr Graeme Maxwell Simmers
CBE, CA, DL, appointed by Conference and Chair of Audit Committee

Mr Harry Adam
BA, appointed by Alumni Association

Dr Doris Littlejohn
CBE, JP, BL, DUniv, appointed by Court – Chairman of Court

Mr Alan Gordon Simpson
MA, appointed by Court – Chair of Finance and Infrastructure Committee

Mr Geoffrey Douglas Charles Burns
BA, MSc, appointed by Court

Professor Ian Douglas Aitken
OBE, BVMS, PhD, DVM&S(hc), appointed by Court

Ms Antonia Schreuder McAlindin
BA, LLM, LLB, appointed by Court

Ms May Sweeney
MA, appointed by Court

Mr Stephen William Foster
CA, appointed by Court

Mr Paul Edward Grice
BSc, appointed by Court

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