

# Financial Statements

for the year to 31<sup>st</sup> July 2005

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# Report on the Financial Statements

## Scope of the Financial Statements

I am pleased to be able to submit the Financial Statements for the year end 31 July 2005. These 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 Higher Education Funding Council.

## Results for the Year

The summarised income, expenditure and surplus for the year ended 31 July 2005, together with the comparative figures for 2003/04 are shown as follows:

	2005 £'000	2004 £'000
Income	77,756	72,361
Expenditure	76,356	70,534
Surplus	1,400	1,827

# Report of the Chairman of the Finance and Estates Policy Committee

## Review of the Year

The surplus of £1,400k (2004 £1,827k) represents a very satisfactory outcome and reflects the improved levels of income achieved and sound budgetary control over expenditure. Within the 7.5% increase in income it is encouraging to note the increase in the resources generated for research and thus a return to the upward trajectory towards one of the University's key strategic objectives. A significant contributory factor to this turnaround is the incorporation of the Institute for Social Marketing following its transfer from the University of Strathclyde. Funding Council grants have increased by 6.9% including a very welcome uplift in the funds for research.

The income generated from tuition fees continues to grow largely supported by the increase in overseas tuition fees particularly from postgraduate students. This is another of the University's key strategic objectives. The University has made the generation of income a priority and an increase in the number of overseas students attending this University is a major element in this.

In previous years I have mentioned the contribution which the non academic activities make to the financial success of the University. 2004/05 saw the end of the Open University Summer School at Stirling. This has resulted from a change in the way the Open University manages and delivers their programmes and has brought to an end an association which has lasted for 35 years.

The existence of the Summer School had provided a solid foundation for the activities of Commercial Operations although it had been in decline for a number of recent years. The loss of this business will create a significant challenge for the team but I am confident, based on the success so far, that they will meet this. Two successful examples of their endeavour were the business which stemmed from the use by the Police during the recent G8 Conference in July followed by the World Youth Congress in August. The net contribution from these two events individually has been sufficient to replace that from the Open University.

The MacRobert, which is coming to the end of its second year following the major redevelopment, is hitting new records in respect of box office and other income generation. Nonetheless, there remains a significant challenge for the core funders, including the University, to put it on a stable financial footing.

As noted above the University has continued to exercise tight budgetary control in those areas where it can. The biggest challenge facing the University and the Higher Education sector in general is the shortfall between the underlying uplift in the funding council grants and the average increase in staff costs. This has occurred over a sustained period and whilst the University has managed to contain its expenditure within the resources it generates, it is an increasingly difficult challenge which is only overcome by very prudent management of the staffing budget. Resources in the non staff area also remain tight and this makes it significantly more difficult to accommodate increases in costs such as those that have been recently experienced e.g. utility prices.

## Capital Development

The capital expenditure undertaken during the year related to the continuation of the SRIF Projects, the completion of the Fraser of Allander Refurbishment, the continuing investment in new systems and a start to the much needed refurbishment and upgrade of teaching rooms. During the year the University agreed a new capital development programme together with a funding strategy for the next five years. This will enable it to tackle some of the more urgent items within what can be afforded using internally generated funds, loan finance and capital grants from the Funding Council.

## Balance Sheet

The balance sheet of the University continues to strengthen and its net worth rose by 5.6% to £52,414m. This is largely as a result of increases in fixed assets but net current assets have also increased together with a reduction in longer term liabilities. Strengthening the Balance Sheet will continue to be a priority within the overall financial strategy.

## Statement on Review of Court Effectiveness

During 2005/2006, the University Court will be undertaking its five-yearly review of Court effectiveness, building on the outcomes of the review it undertook in 2000. In addition to considering the overall effectiveness of Court as the University's governing body, the review will assess the extent of Court's compliance with the *CUC Guide for Members of Higher Education Governing Bodies in the UK*. The outcomes of the review will be reported as appropriate in the financial statements for 2005/2006.

## Disability Statement

The University is an equal opportunity employer and is committed to giving full and fair consideration to people with disabilities who apply for a vacancy. This policy extends to providing

equal opportunities for disabled employees in training, career development and promotion. It is also the University's intention, so far as reasonably practical, to safeguard the employment of any member of staff who becomes disabled or whose disability increases during employment. Where necessary this may involve the restructuring of the roles or the retraining of staff concerned. The Occupational Health Adviser and Nurse will monitor the wellbeing of disabled employees and ensure that their occupations are not detrimental to their condition.

The University aims to provide systematic and efficient services to students with disabilities, and so enable them to make informed decisions about their lives in Higher Education and their future careers. It endeavours to ensure that its provision and structures take into account, as far as possible, the full range of needs of students on a wide range of circumstances including those with physical and mobility difficulties, sensory impairments, specific learning difficulties including dyslexia, medical conditions and mental health difficulties

### **Payment Policy**

It is the University's policy to adhere to the terms of trade established with the suppliers in advance when making payments. The University supports the Better Payment Practice Code.

### **The Year Ahead**

The financial climate in which the University operates remains challenging. As noted above the underlying increase in Funding Council Grants does not keep pace with pay inflation and this will continue to represent a significant challenge for the sector. On top of this the University is in the process of implementing significant changes to its salary structure through the Framework Agreement and through the Harmonisation of Working Hours. I am pleased to say that this latter project has been completed and has resulted in only a modest uplift in long term pay costs. The success has been achieved alongside renegotiation of contract terms including shift patterns and manning levels. The University is now making good progress with negotiations on the Framework Agreement implementation and, all being well, it is expected to be completed with effect from 1 August 2006.

The University has set ambitious targets for income generation in the current year and it remains to be seen whether these will be met. I am confident that the efforts of the staff allied to the reputation for the work that they carry out and that of the University will play a significant part in so doing. Nonetheless the University will have to remain watchful and be alert to the need for remedial action should circumstances prove otherwise.

As ever the success of the past year and those in the future will not have been possible without the continued dedication and hard work of the University staff. I know that the Court would wish me to thank them for their continuing contribution to the past growth and future development of the University despite the continuing pressure on resources and the increased expectations from local, regional and national governments.

A Simpson  
Chairman, Finance & Estates Policy 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 in June 1998. 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 amended by Court. It accords with the internal control guidance for directors on 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 the Statute. The Chairman of Court is a lay member and is supported by lay Chairs of the Finance & Estates Policy Committee and the Audit Committee. The University's Chief Executive is the Principal and Vice Chancellor.

The Court Appointments Committee seeks and considers recommendations for potential lay members of Court. The Court meets four times per year and is supported by a Committee sub-structure, which includes a Policy, Planning & Resources Committee as well as the Committees indicated above.

### Principal Committees

In respect of its strategic and development responsibilities the Court receives recommendations from the Policy, Planning & Resources Committee which also recommends to Court the University's annual recurrent budget and capital expenditure plans. The monitoring of performance in relation to the approved budgets is undertaken by the Budget Review Group.

The Finance & Estates Policy Committee meets on a regular cycle to consider all matters of financial and estates concern and reports matters for formal approval to the Policy, Planning & Resources Committee and Court. 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. Whilst 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 Strategic Plan and the Action Plan. The Principal's Advisory & Strategy Group undertakes the role of Strategic Risk Management Committee. It receives reports from Strategic Planning & Governance, the Risk Management Group (for insured risks) and the Safety, Health & Environment Committee. These are used to inform the University Court of risks which have been identified and of control measures which have been established to mitigate or reduce the impact of these risks. In addition the senior management team has compiled a Strategic Risk Register which is reviewed annually, with interim monitoring of key risks, where each risk is assigned a 'risk owner' from within senior management, responsible for monitoring and reporting on that risk. 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; and ensuring that risk issues are considered throughout the planning process. Risk identification, assessment and the consideration of control measures are an integral part of the University planning process. The University intends further to revise and develop its Strategic Risk Register following the 2005/2006 planning cycle and the completion of the current Organisational Development process. The Principal's Advisory & Strategy Group will consider all related issues and the Risk Manager will report annually on their findings to the Audit Committee.

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 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 31st 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 SHEFC and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Higher Education Funding Council and the 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 Scottish Higher Education Funding Council are used only for the purposes for which they have been given, and in accordance with the Financial Memorandum with the Funding Council, and any other conditions which the Funding Council may from time to time prescribe;

- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- 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 & Estates Policy 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 financial statements on pages 1 to 25 which have been prepared in accordance with the accounting policies set out on pages 1 to 2.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education. We also report to you if, in our opinion, the Report of the Chairman of the Finance and Estates Policy Committee is not consistent with the financial statements, if the University has not kept proper accounting records, if the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

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

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

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

## *Basis of audit opinions*

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

## **Opinions**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the University as at 31 July 2005 and of its surplus of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from whatever source administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with any other terms and conditions attached to them; and
- income has, in all material respects, been applied in accordance with relevant legislation and with the University's *Financial Memorandum*, dated 1 August 1999, with the Scottish Higher Education Funding Council.

KPMG LLP  
Chartered Accountants  
Registered Auditor  
20 Castle Terrace  
Edinburgh  
EH1 2EG

19 December 2005

# 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 guidance published by the Funding Council.

Consolidated financial statements incorporating the university's subsidiary companies, SURE Ltd and SUIP Ltd, have not been prepared because the results and assets and liabilities of the companies are not considered to be material.

The financial statements do not cover 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 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 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 the Inland Revenue 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.

# Income and Expenditure Account

for the year ended 31<sup>st</sup> July 2005

	Note	2005 £'000	2004 £'000
<b>INCOME</b>			
Funding Council Grants	1	30,545	28,571
Tuition Fees and Education Contracts	2	19,662	19,018
Research Grants and Contracts	3	7,629	6,501
Other Income	4	19,059	17,670
Endowment and Investment Income	5	861	601
<b>Total Income</b>		<b>77,756</b>	<b>72,361</b>
<b>EXPENDITURE</b>			
Staff Costs	6	47,545	43,895
Other Operating Expenses	7	23,303	21,744
Depreciation	10	3,884	3,269
Interest Payable	8	1,624	1,626
<b>Total Expenditure</b>	9	<b>76,356</b>	<b>70,534</b>
<b>Surplus on continuing operations after Depreciation of Fixed Assets and before Tax</b>		<b>1,400</b>	1,827
Taxation		0	0
<b>Surplus on continuing operations after Depreciation of Fixed Assets and after Tax</b>	20	<b>1,400</b>	1,827

It is considered there will be no corporation tax liability for the year.  
The income and expenditure account is in respect of continuing activities.

# Balance Sheet

as at 31<sup>st</sup> July 2005

	Note	2005 £'000	2004 £'000
<b>Fixed Assets</b>			
Tangible Assets	10	60,884	59,531
Investments	11	232	183
		<u>61,116</u>	<u>59,714</u>
<b>Endowment Assets</b>	12	<u>1,387</u>	<u>1,303</u>
<b>Current Assets</b>			
Stocks		487	464
Debtors	13	8,983	8,088
Investments		3,874	3,500
Cash at Bank and in Hand		9,047	8,323
		<u>22,391</u>	<u>20,375</u>
<b>Creditors: Amounts falling due within one year</b>	14	<u>(13,190)</u>	<u>(12,058)</u>
<b>Net Current Assets</b>		<u>9,201</u>	<u>8,317</u>
<b>Total Assets, less Current Liabilities</b>		<u>71,704</u>	69,334
<b>Creditors: Amounts falling due after more than one year</b>	15	<u>(18,416)</u>	(19,172)
<b>Provisions for Liabilities and Charges</b>	17	<u>(874)</u>	(539)
<b>Net Assets</b>		<u>52,414</u>	<u>49,623</u>
<b>Deferred Capital Grants</b>	18	<u>23,508</u>	<u>22,201</u>
<b>Endowments</b>			
Specific	19	675	608
General	19	712	695
		<u>1,387</u>	<u>1,303</u>
<b>Reserve</b>			
General Reserve	20	27,519	26,119
<b>Total</b>		<u>52,414</u>	<u>49,623</u>

The financial statements on pages 1 to 25 were approved by the University Court on 19<sup>th</sup> December 2005 and signed on its behalf by:

C. M. Hallett  
Principal and Vice-Chancellor

A. Simpson  
Chairman, Finance & Estates Policy Committee

J. S. Gordon  
Director of Finance

# Cash Flow Statement

for the year ended 31<sup>st</sup> July 2005

	Note	2005 £'000	2004 £'000
<b>Cash flow from Operating Activities</b>	22	<b>5,052</b>	3,879
Returns on Investment and Servicing of Finance	23	<b>(719)</b>	(963)
Taxation		<b>0</b>	0
Capital Expenditure and Financial Investment	24	<b>(2,427)</b>	(5,471)
Management of Liquid Resources	26	<b>(374)</b>	0
Financing	25	<b>(739)</b>	(482)
<b>Increase / (Decrease) in Cash in the year</b>		<b>793</b>	<b>(3,037)</b>

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

	Note	2005 £'000	2004 £'000
Increase / (Decrease) in Cash in the year		<b>793</b>	(3,037)
Cash outflow / (inflow) from Liquid Resources	26	<b>374</b>	0
Cash inflow from new loan	26	<b>0</b>	0
Cash outflow in respect of loan and lease finance repayments	25	<b>739</b>	482
Change in Net Funds/(Debts) resulting from cash flows		<b>1,906</b>	(2,555)
Finance Lease non-cash transaction	26	<b>(12)</b>	(40)
<b>Movement in Net Funds/(Debts) in Period</b>		<b>1,894</b>	(2,595)
Net Funds/(Debts) at 1st August	26	<b>(6,925)</b>	(4,330)
<b>Net Funds/(Debts) at 31st July</b>	26	<b>(5,031)</b>	<b>(6,925)</b>

# Statement of Total Recognised Gains & Losses

for the year ended 31<sup>st</sup> July 2005

	Note	2005 £'000	2004 £'000
<b>Surplus on continuing operations after Depreciation of Fixed Assets and after Tax</b>		<b>1,400</b>	1,827
Appreciation of Endowment Asset Investments	12	<b>15</b>	3
Endowment Income retained/(disbursed) for year	19	<b>32</b>	22
New endowments	19	<b>37</b>	40
<b>Total gains and losses recognised since last financial statements</b>		<b><u>1,484</u></b>	<u>1,892</u>
<b>Reconciliation</b>			
Opening reserves and endowments		<b>27,422</b>	25,530
Total recognised gains and losses for the year		<b>1,484</b>	1,892
<b>Closing reserves and endowments</b>		<b><u>28,906</u></b>	<u>27,422</u>

## Notes to the Accounts

Note	2005 £'000	2004 £'000
<b>1. Scottish Higher Education Funding Council Grants</b>		
Recurrent Grant for Teaching	20,037	19,334
Recurrent Grant for Research	8,003	7,165
Recurrent Grant for Other Purposes	728	660
Recurrent Grant for Special Initiatives	894	764
Deferred Capital Grants Released in Year		
Buildings (note 18)	422	403
Equipment (note 18)	461	245
	<u>30,545</u>	<u>28,571</u>
<b>2. Tuition Fees and Education Contracts</b>		
Full Time UK Domiciled Student charged Home Fees	6,013	5,968
Full Time Non-UK Domiciled Student charged Home Fees	741	614
Full Time Students charged Overseas Fees	4,106	3,630
Part Time Fees	2,197	2,071
Short and Full Cost Course Fees and Education Contracts	6,481	6,508
Research Training Support Grants	124	227
	<u>19,662</u>	<u>19,018</u>
<b>3. Research Grants and Contracts</b>		
Research Councils	1,688	1,010
UK Charities	1,229	1,023
Government Departments	3,482	2,684
UK Industry and Commerce	292	195
European Commission	819	1,465
Other Overseas	119	123
Other	0	1
	<u>7,629</u>	<u>6,501</u>

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>4. Other Income</b>		
Consultancy and Short Courses	<b>2,987</b>	2,163
Catering	<b>730</b>	775
Residences	<b>7,521</b>	6,638
Stirling Management Centre	<b>2,849</b>	2,653
MacRobert Arts Centre	<b>1,404</b>	1,193
Aquaculture External Facilities	<b>830</b>	857
Sports Development Services	<b>1,189</b>	0
Other Income	<b>959</b>	2,795
Released from Deferred Capital Grants		
Buildings (note 18)	<b>528</b>	534
Equipment (note 18)	<b>62</b>	62
	<b>19,059</b>	17,670
<b>5. Endowment and Investment Income</b>		
Income from Specific Endowments (note 19)	<b>29</b>	9
Income from General Endowment Asset Investments (note 19)	<b>26</b>	9
Income from Short Term Deposits	<b>196</b>	141
Other Interest Receivable	<b>610</b>	442
	<b>861</b>	601

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>6. Staff</b>		
<b>Staff Costs</b>		
Wages and Salaries	39,563	36,624
Social Security Costs	3,185	2,935
Other Pension Costs	4,797	4,336
	<u>47,545</u>	<u>43,895</u>
 Emoluments of the Principal and Vice-Chancellor		
Salary	149	132
Benefits in kind	2	1
	<u>151</u>	<u>133</u>
Pension Contributions	<u>21</u>	<u>18</u>

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.

**Average Staff Numbers by Major Category**

	F.T.E.s	F.T.E.s
Academic	421	417
Administrative	218	198
Research	135	114
Technical, including Computer Operators	86	83
Clerical & Other, including Manual Grades	754	690
	<u>1,614</u>	<u>1,502</u>

**Number of staff who received emoluments in the following ranges**

(including the Principal and Vice Chanellor)

£70,000 - £79,999	4	3
£80,000 - £89,999	0	1
£90,000 - £99,999	0	0
£100,000 - £109,999	1	0
£130,000 - £139,999	0	1
£150,000 - £159,999	1	0

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>7. Other Operating Expenses</b>		
Academic Departments	6,016	5,561
Academic Services	915	958
Library Books, Periodicals, Binding and Other Costs	1,151	922
Administration and Central Services	1,516	1,342
General Educational Expenditures	1,055	773
Communal Facilities	183	488
Students Association Grant	293	292
Repairs, Maintenance and General Operating Costs	2,031	2,019
Heat, Light, Water and Power	894	889
Research Grants & Contracts	2,004	1,844
Consultancy and Short Courses	726	518
Catering	368	110
Residences	2,419	2,511
Stirling Management Centre	1,821	1,729
MacRobert Arts Centre	723	664
Aquaculture External Facilities	393	352
Sports Development Services	49	0
Miscellaneous	119	714
Early Retirement & Severance	627	58
	<u>23,303</u>	<u>21,744</u>
Other operating expenses include:		
Auditors' remuneration		
- external audit	45	35
- internal audit	37	37
- other services from either external or internal audit	0	0
	<u>82</u>	<u>72</u>
<b>8. Interest Payable</b>		
Bank loans not wholly repayable within five years	977	981
Finance leases	647	645
	<u>1,624</u>	<u>1,626</u>

## Notes to the Accounts - continued

## Note

## 9. Analysis of 2004-2005 Expenditure by Activity

	Staff Costs £'000	Depreciation £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
Academic Departments	24,688	374	6,016		31,078
Academic Services	3,789	181	2,066		6,036
Administration	4,326	203	1,516		6,045
General Educational Expenditures	277		1,055		1,332
Communal Facilities	317		476		793
Premises	2,660	2,285	2,925	140	8,010
Research Grants and Contracts	4,488		2,004		6,492
Consultancy and Short Courses	1,153		726		1,879
Catering	653		368		1,021
Residences	2,505	701	2,419	1,072	6,697
Stirling Management Centre	279	111	1,821	109	2,320
MacRobert Arts Centre	843		723		1,566
Aquaculture External Facilities	471	29	393		893
Sports Development Services	947		49	57	1,053
Miscellaneous	149		119	246	514
Early Retirement & Severance			627		627
<b>Total per Income and Expenditure Account</b>	<b>47,545</b>	<b>3,884</b>	<b>23,303</b>	<b>1,624</b>	<b>76,356</b>

The depreciation charge has been funded by:

Deferred Capital Grants Released	1,473	(note 18)
General Income	2,411	
	<u>3,884</u>	

## Notes to the Accounts - continued

## Note

## 10. Tangible Fixed Assets

	Land, Buildings & Assoc. Equip.		Equipment £'000	Leased Equipment £'000	Assets Under Construction £'000	Total £'000
	Freehold £'000	Leasehold £'000				
At 1st August 2004						
Cost	68,041	4,343	2,718	129	3,197	78,428
Additions at Cost	951	0	1,439	0	2,847	5,237
Disposals at Cost	0	0	0	0	0	0
Transfers	1,647	0	701	0	(2,348)	0
Revaluation in Year	0	0	0	0	0	0
At 31st July 2005						
Cost	<u>70,639</u>	<u>4,343</u>	<u>4,858</u>	<u>129</u>	<u>3,696</u>	<u>83,665</u>
<b>Depreciation</b>						
At 1st August 2004	15,328	1,026	2,414	129	0	18,897
Charge for Year	2,991	135	758	0	0	3,884
Eliminated by Disposals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At 31st July 2005	<u>18,319</u>	<u>1,161</u>	<u>3,172</u>	<u>129</u>	<u>0</u>	<u>22,781</u>
<b>Net Book Value</b>						
<b>At 31st July 2005</b>	<u><b>52,320</b></u>	<u><b>3,182</b></u>	<u><b>1,686</b></u>	<u><b>0</b></u>	<u><b>3,696</b></u>	<u><b>60,884</b></u>
At 1st August 2004	<u>52,713</u>	<u>3,317</u>	<u>304</u>	<u>0</u>	<u>3,197</u>	<u>59,531</u>

Buildings with a net book value of £9,642,000 and cost £14,402,000 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 Higher Education Funding Council.

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>11. Investments</b>		
Listed Investments		
Balance as at 1st August	183	168
Additions	94	37
Disposals	(88)	(31)
Appreciation on Disposals/Revaluation of Investments	43	9
	<u>232</u>	<u>183</u>
Balance as at 31st July	<u>232</u>	<u>183</u>
Fixed interest stocks and equities at Historical Cost	<u>389</u>	<u>389</u>
<b>12. Endowment Assets</b>		
Balance as at 1st August	1,303	1,238
Additions	101	74
Disposals	(32)	(12)
Appreciation on Disposals/Revaluation of Investments (note 19)	15	3
	<u>1,387</u>	<u>1,303</u>
Balance as at 31st July	<u>1,387</u>	<u>1,303</u>
Represented by:		
Fixed interest stocks (listed)	15	15
Equities (listed)	103	88
Equities (unlisted)	22	22
Land and property	0	0
Cash balances (note 26)	1,247	1,178
	<u>1,387</u>	<u>1,303</u>
Total	<u>1,387</u>	<u>1,303</u>
Fixed interest stocks and equities at Historical Cost	<u>118</u>	<u>118</u>

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>13. Debtors</b>		
Amount falling due within one year:		
Debtors	7,334	5,677
Prepayments and accrued income	1,121	1,843
Debtors falling due after more than one year	528	568
	<u>8,983</u>	<u>8,088</u>
<b>14. Creditors: Amounts falling due within one Year</b>		
Bank loans	783	754
Creditors	5,441	4,081
Accruals and deferred income	5,713	6,098
Social security and other taxation payable	1,253	1,125
	<u>13,190</u>	<u>12,058</u>
<b>15. Creditors: Amounts falling due after more than one Year</b>		
Bank loans	12,954	13,722
Obligations under finance leases	5,462	5,450
	<u>18,416</u>	<u>19,172</u>

Loans and obligations in notes 14 and 15 are secured.

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>16. Borrowings</b>		
<b>a. Bank loans and overdrafts</b>		
Bank loans and overdrafts are repayable as follows:		
In one year or less	783	754
Between one and two years	802	768
Between two and five years	2,511	2,450
In five years or more	9,641	10,504
Total	<u>13,737</u>	<u>14,476</u>

Bank loans bearing interest based on LIBOR are repayable by instalments falling due between 1 August 2005 and 31 July 2019.

**b. Finance leases**

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

In one year or less	666	634
Between one and five years	3,012	2,869
Over five years	7,803	8,612
	<u>11,481</u>	<u>12,115</u>
Less: Charges allocated to future rental periods	<u>(6,019)</u>	<u>(6,665)</u>
Total	<u>5,462</u>	<u>5,450</u>

**17. Provisions for Liabilities and Charges**

	Restructuring £'000	EC Projects £'000	Other £'000	Total £'000
<b>At 1st August 2004</b>	231	0	308	539
Expenditure in the year	(177)	0	0	(177)
Transferred from I & E account	150	316	46	512
<b>At 31st July 2005</b>	<u>204</u>	<u>316</u>	<u>354</u>	<u>874</u>

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.

## Notes to the Accounts - continued

## Note

## 18. Deferred Capital Grants

	<b>Funding Council £'000</b>	<b>Other Grants &amp; Gifts £'000</b>	<b>Total £'000</b>
<b>At 1st August 2004</b>			
Buildings	9,381	12,516	21,897
Equipment	180	124	304
<b>Total</b>	<u>9,561</u>	<u>12,640</u>	<u>22,201</u>
Cash received			
Buildings	1,514	216	1,730
Equipment	1,050	0	1,050
<b>Total</b>	<u>2,564</u>	<u>216</u>	<u>2,780</u>
Released to income and expenditure account			
Buildings (notes 1 and 4)	(422)	(528)	(950)
Equipment (notes 1 and 4)	(461)	(62)	(523)
<b>Total (note 9)</b>	<u>(883)</u>	<u>(590)</u>	<u>(1,473)</u>
<b>At 31st July 2005</b>			
Buildings	10,473	12,204	22,677
Equipment	769	62	831
<b>Total</b>	<u>11,242</u>	<u>12,266</u>	<u>23,508</u>

## 19. Endowments

	<b>Specific £'000</b>	<b>General £'000</b>	<b>Total £'000</b>
<b>At 1st August 2004</b>			
Additions	608	695	1,303
Appreciation of endowment asset investments	37	0	37
Income for year	15	0	15
Transferred to income and expenditure account (note 5)	44	43	87
<b>At 31st July 2005</b>	<u>(29)</u>	<u>(26)</u>	<u>(55)</u>
	<b>675</b>	<b>712</b>	<b>1,387</b>
<b>Representing</b>			
Scholarship funds	135	0	135
Prize funds	127	0	127
Chairs and lectureships funds	265	0	265
Other funds	148	712	860
<b>Total</b>	<u>675</u>	<u>712</u>	<u>1,387</u>

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>20. General Reserve</b>		
Income and Expenditure Account		
Balance as at 1st August	<b>26,119</b>	24,292
Historical Cost Surplus after Depreciation of Assets and Tax	<b>1,400</b>	1,827
<b>At 31st July 2005</b>	<b><u>27,519</u></b>	<b><u>26,119</u></b>
<b>Represented by:</b>		
General Account Surplus	<b>1,925</b>	1,353
Designated Reserves to fund:		
Land and Buildings	<b>20,239</b>	20,074
Other	<b>5,355</b>	4,692
	<b><u>27,519</u></b>	<b><u>26,119</u></b>

The potential effect of the pension reserve is detailed at note 27.

**21. Security Offset Arrangements**

The University has committed £800,000 of its working capital as part security for the lease facility from British Linen Shipping Ltd. This would diminish if the market value of the buildings increased.

The University has further committed £3,074,000 of its working capital as part security for the loan facility with Yorkshire Bank plc in respect of certain residences.

The University has entered into an offset arrangement with Yorkshire Bank plc where up to the lower of a) 30% of the outstanding balance on the loan referred to above and b) the difference between the amount of the loan and the depreciated replacement cost of the properties given as security will be deposited as part security for the loans advanced.

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>22. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities</b>		
Surplus on continuing operations after depreciation of assets and before tax	1,400	1,827
Depreciation (note 10)	3,884	3,269
Revaluation of Investments (note 11)	(43)	(9)
Deferred Capital Grants Released to Income (note 18)	(1,473)	(1,244)
Profit on disposal of tangible fixed assets	0	0
Loss/(Profit) on disposal of investments	0	0
Investment income (note 5)	(861)	(601)
Interest payable (note 8)	1,624	1,626
(Increase) in stocks	(23)	2
(Increase) in debtors/prepayments	(895)	(1,943)
Increase in creditors/accruals	1,103	1,334
Increase/(Decrease) in provisions	335	(384)
Roundings	1	2
<b>Net cash inflow from operating activities</b>	<u>5,052</u>	<u>3,879</u>
<b>23. Returns on Investment and Servicing of Finance</b>		
Income from endowments (note 19)	87	40
Income from short term investments (note 5)	196	141
Other interest received (note 5)	610	442
Interest paid	(1,612)	(1,586)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(719)</u>	<u>(963)</u>
<b>24. Capital Expenditure and Financial Investment</b>		
Purchase of tangible fixed assets (Other than leased equipment)	(5,237)	(7,080)
Purchase of investments (note 11)	(94)	(37)
Sale of investments (note 11)	88	31
Payments to acquire endowment assets	(48)	(18)
Sale of Tangible Fixed Assets	0	0
Receipt from sale of endowment assets	47	19
Deferred capital grants received (note 18)	2,780	1,574
Endowments received (note 19)	37	40
<b>Net cash outflow in respect of capital expenditure and financial investment</b>	<u>(2,427)</u>	<u>(5,471)</u>

## Notes to the Accounts - continued

## Note

## 25. Analysis of Changes in Financing during the Year

	<b>Total</b>	<b>Finance</b>	
	£'000	Leases	Loans
		£'000	£'000
Balances at 1st August 2003	20,368	5,410	14,958
New leases/loans	0	0	0
Capital Repayments	(482)	0	(482)
Net Amount Repaid in Year	<u>(482)</u>	<u>0</u>	<u>(482)</u>
Non-cash transaction	40	40	0
Balances at 31st July 2004	19,926	5,450	14,476
New leases/loans	0	0	0
Capital Repayments	(739)	0	(739)
Net Amount Acquired/(Repaid) in Year	<u>(739)</u>	<u>0</u>	<u>(739)</u>
Non-cash transaction	12	12	0
<b>Balances at 31st July 2005</b>	<b><u>19,199</u></b>	<b><u>5,462</u></b>	<b><u>13,737</u></b>

## 26. Analysis of Changes in Net Funds

	<b>At</b>			<b>At</b>
	<b>1st August</b>	<b>Cash</b>	<b>Non-cash</b>	<b>31st July</b>
	<b>2004</b>	<b>flows</b>	<b>Changes</b>	<b>2005</b>
	£'000	£'000	£'000	£'000
Cash in hand, and at bank	8,323	724	0	9,047
Endowment asset investments (note 12)	<u>1,178</u>	<u>69</u>	<u>0</u>	<u>1,247</u>
	9,501	793	0	10,294
Short term deposits	3,500	374	0	3,874
Debt due within one year	(746)	739	(783)	(790)
Debt due after one year	(13,730)	0	783	(12,947)
Finance leases	(5,450)	0	(12)	(5,462)
<b>Total</b>	<b><u>(6,925)</u></b>	<b><u>1,906</u></b>	<b><u>(12)</u></b>	<b><u>(5,031)</u></b>

*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**

The University has followed the transitional arrangements of Financial Reporting Standard (FRS) 17 "Retirement benefits" in these financial statements.

*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 of all 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 2002 and updated to 31 July 2005 by a qualified independent actuary. A full actuarial valuation of USPS was carried out at 1 August 2003 and updated to 31 July 2005 by a qualified independent actuary. The major assumptions used by the actuary, for the USPS and USPSCS schemes were:

	<b>At 31/07/05</b>	<b>At 31/07/04</b>	<b>At 31/07/03</b>
Rate of increase in salaries	3.8%	4.0%	3.8%
Rate of increase in pensions in payment	2.5%	2.8%	2.5%
Rate of increase of deferred pensions	2.8%	3.0%	2.8%
Discount rate	5.0%	5.8%	5.5%
Inflation assumption	2.8%	3.0%	2.8%

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

	<b>Long-term rate of return expected at 31/07/05</b>	<b>Long-term rate of return expected at 31/07/04</b>	<b>Long-term rate of return expected at 31/07/03</b>
Equities	8.0%	8.5%	9.3%
Bonds	4.5%	5.3%	5.0%
Other	4.5%	5.3%	5.0%

	<b>Value at 31/07/05</b>	<b>Value at 31/07/04</b>	<b>Value at 31/07/03</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	24.6	19.4	17.1
Bonds	2.2	2.4	2.9
Other	2.5	1.5	1.0
<b>Total market value of assets</b>	<u>29.3</u>	<u>23.3</u>	<u>21.0</u>
<b>Present value of scheme liabilities</b>	<u>(37.6)</u>	<u>(31.8)</u>	<u>(30.0)</u>
<b>Deficit in schemes</b>	<u><u>(8.3)</u></u>	<u><u>(8.5)</u></u>	<u><u>(9.0)</u></u>

## Notes to the Accounts - continued

<b>Movement in Deficit Through the Year</b>	<b>31/07/05</b>	<b>31/07/04</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in Scheme at beginning of year	(8,507)	(9,008)
Current Service Cost	(1,409)	(1,114)
Contributions (estimated)	1,119	949
Other finance income	20	135
Actuarial Gain/(Loss)	433	531
Deficit in Scheme at end of year	<u>(8,344)</u>	<u>(8,507)</u>

If the above amounts, (i.e. the net pension liability) had been recognised in the financial statements, the University's net assets and profit and loss reserve at 31 July 2005 would be as follows:

	<b>31/07/05</b>	<b>31/07/04</b>
	<b>£m</b>	<b>£m</b>
Net assets excluding pension liability	52.4	49.6
Pension liability	(8.3)	(8.5)
<b>Net assets including pension liability</b>	<u>44.1</u>	<u>41.1</u>
General reserve excluding pension liability (note 20)	27.5	26.1
Pension reserve deficit	(8.3)	(8.5)
<b>General reserve</b>	<u>19.2</u>	<u>17.6</u>

If FRS 17 had been fully adopted the pension costs for the scheme would be:

	<b>31/07/05</b>	<b>31/07/04</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of amounts chargeable to income and expenditure account		
Current service cost	1,409	1,114
Total operating charge	<u>1,409</u>	<u>1,114</u>
Analysis of amounts credited to Other Investment Income		
Expected return on employer assets	1,867	1,797
Interest on pension scheme liabilities	(1,847)	(1,662)
Net return	<u>20</u>	<u>135</u>
Analysis of amounts recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	3,837	185
Experience gains and losses arising on the scheme liabilities	0	299
Changes in financial assumptions underlying the scheme liabilities	(3,404)	47
Actuarial Gain/(Loss) recognised in STRGL	<u>433</u>	<u>531</u>

## Notes to the Accounts - continued

*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 trustee-administered fund. It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/deficit for the year in the income and expenditure account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2002. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 5.0% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.0% per annum, including an additional investment return assumption of 1% per annum, salary increases would be 3.7% per annum and pensions would increase by 2.7% per annum. The valuation was carried out using the projected unit method.

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

The institution contribution rate required for future service benefits alone at the date of the valuation was 14.25% of salaries but it was agreed that the institution contribution rate will be maintained at 14% of salaries. To fund this reduction of 0.25% for the period of 12 years from the date of the valuation (the average outstanding working lifetime of the current members of the scheme) required the use of £82.5 million of the surplus. This left a past service surplus of £79.5m (including the Supplementary Section) to be carried forward.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. The next formal actuarial valuation is due as at 31 March 2005 when the above rates will be reviewed.

The total pension cost for the institution was £3,764k (2004: £3,365k). The contribution rate payable by the institution was 14% of pensionable salaries.

	<b>31/07/05</b>	<b>31/07/04</b>
	<b>£'000</b>	<b>£'000</b>
The total pension costs for the University were:		
Contribution to USS	<b>3,764</b>	3,365
Contributions to USPS Schemes	<b>1,033</b>	971
Total Pension Costs (note 6)	<b><u>4,797</u></b>	<u>4,336</u>

## Notes to the Accounts - continued

Note	2005 £'000	2004 £'000
<b>28. Capital Commitments</b>		
Commitments contracted at 31st July	0	1,100
Authorised but not contracted at 31st July	0	0
	<u>0</u>	<u>1,100</u>
	<u>0</u>	<u>1,100</u>
<b>29. Financial Commitments</b>		
Operating lease commitments for the 2005 financial year, on leases expiring:		
Within one year	0	0
Between one and five years	0	0
Over five years		
Union Street residential property lease	478	441
Lyon Crescent residential property lease	332	317
Campus district heating	279	280
	<u>1,089</u>	<u>1,038</u>
	<u>1,089</u>	<u>1,038</u>
<b>30. Access Funds</b>		
Balance at 1st August	41	31
Funding Council grants	366	351
Interest earned	6	5
	<u>413</u>	<u>387</u>
Disbursed to students	(401)	(346)
Balance Unspent as at 31st July	<u>12</u>	<u>41</u>
	<u>12</u>	<u>41</u>

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.

**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 arisen under this guarantee.

The University has guaranteed 49% of a £100k bank overdraft facility arranged with Nordia Bank ASA in relation to Machrihanish Marine Farms Limited.

## Notes to the Accounts - continued

## Note

**32. Related Party Transactions**

The Chairman of the Court, Dr. Doris Littlejohn, is the Vice Chair of Forth Valley NHS Board and non-executive Director of Law at Work (Holdings) Ltd. Mr Graeme M Simmers is a member of Forth Valley NHS Board. Provost Colin M O'Brien is the Director of Scottish Enterprise Forth Valley. Mr Alastair J F Wilson is the President and Mr Christopher J Wooff is Vice President (Services) as well as Treasurer of Stirling University Student Association. Mrs Mary Sweeney is the Head Teacher for McLaren High School (Childrens Services Stirling Council) and is a Seconded Development Officer of Learning & Teaching Scotland. Mr John S Gordon, Director of Finance, was Chairman of U.M. Association (Special Risks) Ltd. until 1 May 2005 and continues as a Director. 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
<b>Stirling University Research &amp; Enterprise Ltd.</b>				
Salary Funding, Consultancy Funding etc.	580			0
Salaries and Recharges		572	7	
<b>Stirling University Innovation Park Ltd.</b>				
Accounting services, Security, Maintenance	69			8
Salary funding and Recharges		16	0	
<b>Machrihanish Marine Farms Ltd.</b>				
Recharges, Analysis, Loan Interest	1			239
Supplies		10	0	
<b>Stirling University Student Association</b>				
Insurance, Rent Payable	518			332
<b>Stirling Council</b>				
Course Fees, Facilities, Grant	257			0
Services		481	0	
<b>Stirling Council Childrens Services</b>				
Facilities	22			0
<b>Scottish Enterprise Forth Valley</b>				
Rent Payable, Facilities	84			5
<b>Forth Valley NHS Board</b>				
Research Grant, Media Services	8			0
Teaching costs and fees		80	0	
<b>Forth Valley NHS Primary Health Care Trust</b>				
Course fees, Research Grant, Rent Payable	59			5
<b>Forth Valley Acute Hospitals NHS Trust</b>				
Course fees, Facilities	36			0
<b>Law at Work (Holdings) Ltd.</b>				
HR Services		4	0	
<b>Learning &amp; Teaching Scotland</b>				
Course fees, Facilities	290			33
<b>UM Association (Special Risks) Ltd.</b>				
Director's fees (abated against contribution)	9			0
Promise to Loan fee	4			0
Contribution		7	0	
	1,937	1,170	7	622
	1,937	1,170	7	622

## Notes to the Accounts - continued

### Note

#### 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. In view of the insignificant amounts involved, the company's results have not been consolidated into the University's Financial Statements.

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. In view of the insignificant amounts involved, the company's results have not been consolidated into the University's Financial Statements.

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.

Had the University consolidated the results of these companies, the impact would have reduced the surplus by £0.047m.

#### 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 £2.7m.

## Composition of Committees concerned directly with Finance

in the year ended 31<sup>st</sup> July 2005

### **Membership of Audit Committee**

Mr J M Haldane (Chair) \*  
Mrs K M A Dalyell \*  
Mr R G Burnett \*  
Mr G M Simmers \*

### **Membership of Finance & Estates Policy Committee**

Mr A G Simpson (Chair) \*  
Mr S N Brailsford \*  
Mr G D C Burns \*  
Professor C M Hallett  
Dr D Littlejohn \*  
Professor S Marshall  
Professor W M McInnes  
Professor R H Richards  
Mr C Wooff

### **Membership of Policy, Planning & Resources Committee**

Professor C M Hallett (Chair)  
Professor R Ball  
Mr K J Clarke  
Professor J Field  
Professor N H Keeble  
Dr D Littlejohn \*  
Professor S E Marshall  
Mrs A S McAlindin \*  
Dr R McKean  
Mr A G Simpson \*  
Professor C Sommerville  
Professor D W G Timms  
Mr A Wilson

\* Lay member