



UNIVERSITY OF  
**STIRLING**

FINANCIAL STATEMENTS  
2007 - 2008



# Court

(For the year to 31 July 2008)

## 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 Margaret Brisley to 27 March 2008**

BA, Provost of Stirling

### **Councillor Fergus Wood from 27 March 2008**

TD, Provost of Stirling

### **Mr David Fletcher**

BSc, President of SUSA

### **Mr William Hugh James Mackenzie**

Vice-President and Treasurer of SUSA

## Appointed Members

### **Mr Harry Adam**

BA, appointed by Alumni Association

### **Professor Ian Douglas Aitken**

OBE, BVMS, PhD, DVM&S(hc), appointed by Court

### **Professor Robert Ball**

MA, MSc, PhD, appointed by Academic Council

### **Mr Geoffrey Douglas Charles Burns**

BA, MSc, appointed by Court

### **Dr Kathleen Mary Agnes Dalyell**

OBE, DL, MA, appointed by Chancellor

### **Professor Ruth Evans**

BA, MA, PhD, FEA - appointed by Academic Council

### **Mr Paul Edward Grice**

BSc, appointed by Court - Chair of Finance and Infrastructure Committee

### **Ms Antonia Schreuder McAlindin**

BA, LLM, LLB, appointed by Court

### **Mr Richard Gerard Murray**

BA, CA, appointed by Court

### **Professor Rory Ciaran O'Connor**

BSc, PhD, AFBPsS, appointed by Academic Council

### **Mr Gordon McLaren Pumphrey**

BSc, appointed by Court

### **Ms Nicola Ann Ring**

BSc, MSc, DipHV, RGN, RSCN, appointed by Academic Council

### **Dr Carron Elizabeth Shankland**

BSc, PhD - appointed by Academic Council

### **Mr Graeme Maxwell Simmers**

CBE, CA, DL, appointed by Conference and Chair of Audit Committee

### **Mr Alan Gordon Simpson**

MA, appointed by Court - Chairman of Court

### **Professor Thomas Anthony Starrs**

MSc, RCT, RGN, RNMH, RNT, appointed by Academic Council

### **Ms May Sweeney**

MA, appointed by Court

# Financial Statements

for the year ended 31<sup>st</sup> July 2008

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# 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 June 2007 and the Accounts Direction issued by the Scottish Funding Council in June 2008.

## OPERATING AND FINANCIAL REVIEW

### Introduction

The Operating and Financial Review (OFR) provides an overview of the University, its objectives and targets, its performance over the year, its financial position and its future plans. The Review consists of the following sections:

1. Statutory Background
2. Mission and Vision Statements
3. Context, Operational Environment and Review
4. Financial Review
5. Future Developments
6. Staff Involvement
7. Commitment to Quality
8. Openness and Freedom of Information
9. Diversity and Equal Opportunity
10. Charitable and Taxation Status
11. Prompt Payment to Suppliers
12. Treasury Management
13. Professional Advisors

More detailed information on the University's future operational, strategic and financial plans can be found in the Strategic Plan Overview for 2008 to 2012, available from the University web site.

### 1. Statutory Background

The University of Stirling was incorporated by Royal Charter in 1967. It is registered at Companies House under number RC 000669. Certain parts of the Charter, and the Statutes appended thereto, have been amended by the Privy Council, the last of which amendments were made in 2006/2007.

The Court of the University is, subject to the provisions of the Charter and Statutes, the executive governing body of the University and is responsible for the administration and management of the revenue and the property of the University. The University's corporate governance arrangements are described on pages vii to ix and the members of the University Court during the year ended 31 July 2008 are listed at the end of the financial statements.

### 2. Mission and Vision Statements

The University of Stirling is committed to the pursuit of world-class research and scholarship in order to inspire, challenge and support motivated individuals who want to shape their world.

In support of this, we:

- conduct world-class research that makes a positive contribution to society, the economy, the environment and culture
- promote and enhance student learning through innovative teaching programmes with a clear focus on real-world needs
- benefit wider society through broad-based access to educational opportunity
- provide an attractive, supportive and caring environment for students and staff
- ensure that the wider community and partner organisations can benefit from our expertise, services and facilities

The University has a clear and ambitious vision to be at the forefront of research and learning in order to shape the world at a local, national and international level. We will be:

- a leading research university in the fields of health & wellbeing, the environment, culture, society & the arts, and enterprise & the economy
- a provider of excellent learning and social experiences for students
- Scotland's University for Sporting Excellence

Building on the strategic direction set in 2006 we will continue:

- to become more international
- to diversify our income streams, become less reliant on the traditional undergraduate model and grow in unregulated areas
- to review and change work processes across the institution in order to focus on our key goals
- to become quicker, more flexible and responsive through a process of Organisational Development

### 3. Context, Operational Environment and Review

The University of Stirling was the first genuinely new University in Scotland for over 400 years. Founded by Royal Charter in 1967, we retain our pioneering spirit and a passion for excellence in all we do. The University is located just two miles from the centre of Stirling, which received city status in 2002. Set in the shadow of the Ochil Hills, the magnificent 310-acre campus encompasses a loch, a golf course and the 18th-century Airthrey Castle. It is undoubtedly one of the most attractive campuses in Europe. The University has two other campuses in Stornoway and Inverness, centres of excellence in the teaching of nursing and midwifery.

We are proud of our commitment to students, our record of enhancing the quality of their learning experience and their involvement in our quality processes. We will continue to maximise the student experience for all students, including those from overseas. Stirling was delighted to be ranked first for 'a good place to be' by the 2007 summer wave of the International Student Barometer survey, and to be shortlisted for international

student support and contribution to the local community by the Times Higher Education Awards, 2007.

Our Internationalisation Strategy aims to enhance performance in student recruitment, research collaboration and staff recruitment, from an international perspective. Following a 40% growth in international student numbers in 2006/2007, we maintained recruitment levels in 2007/2008 but remain conscious of ongoing competition and the need to diversify our international student population by subject and country. Further progress continues to be made in developing new programmes to appeal to international students and in enhancing the quality of their experience at Stirling. We will continue to grow our business through new collaborations in subject areas where we have niche expertise, building on recently developed partnerships in China, Singapore and Oman to diversify into India and Vietnam.

In September 2007 we launched an *International Study Centre (ISC)* with a commercial partner. Over a four-year period, this will provide an additional 250 overseas undergraduates, growing our overall international student population by 8%. The Centre provides tailored academic and support programmes to help international students adapt to degree study. Through our partner's global reach, it will lead to a greater cultural diversity among the student population and thereby reduce our dependency on certain markets and subject areas. This year we will launch an International Summer School to appeal in particular to the North American market.

Our Students' Association (SUSA) makes a vibrant contribution to the University through its representative, welfare, clubs & societies, recreational and other roles; and we have been fortunate to attract high quality student representatives into sabbatical positions over many years. However, during the year it became evident that our Association was, like other student unions in the UK, challenged by the changing social patterns in student behaviour which adversely affected its trading activities. A change in the support package has been put in place this financial year and the University will work with SUSA to bring forward plans to maximise its ongoing contribution to the effective governance of the University and its social, cultural and recreational life.

In 2006 we launched a new Research & Knowledge Transfer Strategy, designed to deliver our strategic priority of strengthening our research base and remaining a research led institution. Arising from the Strategy, we will seek to lead research at a national and international level in a number of fields. An implementation plan for the Strategy has been developed, with key actions identified and, given likely changes in the funding environment, we will continue to make rapid progress.

Following an announcement by the First Minister of Scotland, Stirling has been designated Scotland's University for Sporting Excellence, reflecting its long-standing strategic focus on sport, the quality of its facilities, its strong academic profile in research and teaching in the subject and its holistic approach to the development and support of elite student athletes. We look forward to working with the Scottish Government, the Funding Council and key partners in further and higher education to enhance provision for elite student athletes in the run-up to London 2012, Glasgow 2014 and beyond. In this way, and through using both designation and the additional funding made available to lever additional investment into Scotland,

Stirling will continue to grow its reputation for excellence in sport.

This year we launched process reviews designed to maximise efficiency and effectiveness and minimise bureaucracy. Current reviews of our research processes, academic portfolio and academic delivery system will be followed in 2008/2009 with exercises to streamline processes for staffing appointments and academic programme development.

In line with our continuing commitment to good governance, in 2007/2008 we reviewed our performance indicators in line with sector-wide good practice. Our review of the University's Charter and Statutes is progressing with revisions planned to come into force on 1 August 2009.

This year we also reviewed our network of strategic partnerships to ensure we were best placed to meet future challenges, and will continue to actively seek collaborations where we see strategic benefit in doing so. We have continued to develop an ongoing partnership with the Scottish Police College, reaffirmed our commitment to building on our existing activities in the Highlands & Islands and reviewed our relationships with further education colleges. In the latter regard, the University has reinvigorated its articulation arrangements in partnership with its local college (Forth Valley) and will seek, over the planning period, to expand those arrangements to a broader range of Scotland's colleges, embedding responsibility for so doing in our External Relations function.

Considerable progress continues to be made in modernising our human resources policies and procedures to ensure they are consistent with legislation and good practice. In particular, we are committed to diversity and equal opportunities and continue to implement our Action Plan in relation to race, disability and gender equality. Our Human Resources Strategy will be reviewed in the near future, with emphasis placed on organisational development, enhanced HR service provision and the improved use of HR resource planning and management information.

Risk management is now better integrated into all areas of planning, with a continuity plan for pandemic influenza finalised and more generic continuity plans being developed.

#### 4. Financial Review

The summarised consolidated income, expenditure and surplus for the year ended 31 July 2008, together with comparative figures for 2006/2007 are shown as follows:

	2008	Restated 2007
	£'000	£'000
Income	92,806	88,718
Expenditure	(89,978)	(87,928)
Share of operating losses in joint venture	<u>(222)</u>	<u>(139)</u>
Surplus	2,606	651
Transfer from accumulated income within endowment funds	13	34
Surplus for the year retained within general reserves	<u><u>2,619</u></u>	<u><u>685</u></u>

The University has generated a surplus of £2.6 million. This is another excellent result and is due to the determination of the staff who continue to work with never ending dedication in pursuit of the strategic priorities of the University which is evidenced through the increases in income noted below. In addition, the planned savings target programme, a reduction of 8% of expenditure by 2008/2009, which commenced in 2005/2006, has now been achieved by most departments. There are a small number of departments who are on track to achieve this in 2008/2009.

It is also pleasing to note that we have been able to generate significant ongoing savings arising from our approach to loan funding and treasury management, not least through the introduction of a revolving credit facility.

##### Income

Total income has increased by £4.1 million (4.6%). The most significant movements were: an increase in Scottish Funding Council Grants of £1.9 million (4.7%) which includes the University share (£420K) of the additional non-recurrent £10 million announced for the sector in February 2008; a further increase of £1.6 million (9.0%) in Tuition Fees from home and overseas students reflecting the University's strategic goals of increasing unregulated income and the success of the Internationalisation Strategy; an increase in income from consultancies and short courses of 24% to £3.5 million.

##### Expenditure

Overall total expenditure has increased by £2.0 million. This is somewhat masked by the savings made on interest paid in year of £1.8 million as a result of the refinancing of the loan portfolio in 2006/2007. Staff costs have only increased by 0.6% reflecting the net impact of the pay awards and the provisions made in 2006/2007 to offset the increase in pension costs, the final costs of the framework agreement being written back and the FRS17 Release. Without these adjustments, staff costs would have been increased by a further £2 million (3.7%). Depreciation has increased by £968K which reflects the ongoing investment in the development of our estate and IT infrastructure. If the interest savings, FRS17 adjustments and staff provision releases had

not occurred expenditure would have increased by £4.7 million (5.3%).

#### Balance Sheet and the Cash Flow Statement

The University Balance Sheet remains strong, with total group fixed assets in excess of £74 million, an increase of £7m since 2007. Capital works of £13.3 million have been financed from reserves and external grants. Whilst there has been limited requirement to utilise the revolving credit facility arranged in 2007/2008, there was a £1 million drawdown as at 31 July 2008 which was repaid during September 2008.

#### Capital Projects

During the year £13.3 million was invested in projects listed on the University's Capital Plan. In addition to various refurbishments, there were two main areas of expenditure, the first being the extension of the Stirling Management Centre where seminar, bedroom and delegate support facilities were enhanced and the completion of the Cottrell Fascia Panels. The latter project has markedly improved the overall performance of the building. In March 2008, Court approved a new Estate Strategy which provides a long term plan for developing and maintaining our estate to both support and contribute to the University's strategic priorities and ensure fitness of purpose and legislative compliance. The main challenge will be funding the plan with implementation subject to an ongoing assessment of affordability.

#### Research

Whilst research income and expenditure has reduced there is evidence to suggest that the new Research and Knowledge Transfer Strategy launched in 2006 is making an impact, as applications for research grants and contracts for 2007/2008 are at a five year high, with an increase of 64% in monetary terms on 2006/2007. We believe that we have reached the bottom of the downward trend and will continue to make sustained progress with the implementation of the strategy. Delivery plans and targets for all areas designed to ensure a strong upward trajectory for 2008/2009 will be closely monitored so as to ensure substantial progress towards our overall target by 2010/2011. The University awaits the outcome of the 2008 Research Assessment Exercise (RAE), which will have a significant impact on funding for research and its reputation.

#### Pensions

The cost of providing final salary based pensions remains a challenge. The 2006 actuarial valuation resulted in a demand from the trustees of the support staff scheme for uplift from 13.8% to 24.9% employer contribution rate together with an agreement on a 10 year recovery plan. No change occurred in USS (for academic and related staff) but the actuarial valuation as at 31 March 2008 is expected to give rise to an increase in the employer contribution.

#### 5. Future Developments

The sector continues to face rising costs as a result of national salary awards, increased pension contributions and high utility prices. Stirling will continue to supplement modest increases in grants and fees by becoming ever more creative in attracting additional income. We plan to generate sufficient recurrent resources and surpluses to maintain financial stability and to supplement this with fundraising to support future investment in development and growth. In parallel with investing in new academic initiatives, we will subject our cost base to ongoing review in order to enhance efficiency and effectiveness

consistent with the Efficient Government Initiative. Such activities will ensure that we have the appropriate staffing profile and non-staff cost base to deliver against our strategic priorities now and in the future.

We will review our academic portfolio and degree framework on an ongoing basis so that we retain a vibrant and accessible range of programmes that is attractive to potential students, enhances their employability and is aligned with our research strengths. We will also ensure that our practice in teaching, learning and assessment promotes efficient delivery, while ensuring we provide the best possible experience to our students, through the sharing of best practice internally and by comparison with appropriate external benchmarks.

We remain committed to a balanced range of subject provision, but will retract from areas of relative weakness to invest in strengths and new disciplines. Many new initiatives in teaching and research may be interdisciplinary in nature and require the development of new ways of working and resourcing activities. We will use the SFC review of teaching funding to press for greater flexibility to allocate funded places in line with strategic objectives, and take advantage of opportunities for further growth.

In 2008/2009 we will comprehensively review our Learning & Teaching Quality Enhancement Strategy (which was developed in 2006 under our former faculty structure) taking the opportunity to involve fully departmental Directors of Learning & Teaching in reflecting on it and developing our vision for the next three years.

Our reputation for high quality teaching and learning is coupled with an enviable record on widening access, social inclusion, student retention and graduate employment. We will be at the forefront of policy initiatives relating to the higher education participation rate in Scotland, and maximise any opportunities for growth. Access to higher education is important, but it is equally vital that those students are successful. We will continue to enhance our reputation in this area by minimising the impact of drop-out factors and welcome the greater emphasis on student retention and learner support associated with SFC's Widening Access Retention Premium.

We will establish a new Centre for Academic Practice & Learning (CAPL) in 2008/2009, which will be responsible for achieving our objectives for the development of probationary staff and teaching assistants, as well as the continuing professional development of all academic staff, including researchers. It will promote the enhancement of learning, teaching and academic practice within a research-led environment, and support student learning development, including the needs of international students.

The University remains committed to an ongoing process of organisational development designed to ensure that it has the structures, processes and management competencies necessary to achieve its strategic objectives. We will launch the Stirling Management School, bringing together the former Departments of Accounting & Finance, Economics, Management and Marketing from September 2008. It is possible that further departmental mergers may emerge over the course of the planning period. In University Services, the incoming Director of Information Services will lead a review of the structure of the Service and the development of a new Information Strategy designed to enhance our approach to management information

and ensure we benefit fully from our 'best of breed' core computer systems.

Stirling will look to broaden its intellectual footprint in the Highlands and Islands through a range of activities designed to complement its existing provision. These activities will grow out of our campuses in Inverness and Stornoway, and will involve the expansion of provision for continuing professional development and research collaboration. In 2008/2009, the Inverness and Stornoway campuses will host a *Stirling Lecture Series* exploring a number of interdisciplinary themes related to health.

The University officially launched its participation in the Carbon Trust's Carbon Management Programme in June 2008. Over the summer, a core team of individuals drawn from all areas of the University has been concentrating on establishing the carbon baseline (footprint) and identifying areas of opportunity for reducing carbon emissions. Significant efforts will be put into communicating the University's participation in the programme to staff and students and encouraging the suggestion of ideas for carbon reduction and a carbon-aware culture.

We have historically continued to generate annual surpluses and to make provision for levels of investment in pursuit of the targets established by Court in our 2006 Financial Strategy. These include the ongoing provision of a Strategic Development Fund to support projects that align with our general strategic priorities and a separate fund specifically to support Research and Knowledge Transfer initiatives. Nevertheless, given the challenges faced by the sector, it will be necessary to review the Strategy early in the planning period to ensure it remains aligned with our overall objectives and our commitment to long term sustainability.

Over the next three years our flagship project will be a £13.9m transformation of our Library to provide a modern, innovative and stimulating hub for learning that will serve and inspire the whole University and our wider community. The new Library will provide a modern environment that helps students realise their potential and supports our staff in their ground-breaking and internationally recognised research.

2007/2008 saw the University celebrate 40 years of innovation and development during which time it has met and overcome significant challenges and achieved many successes. The current economic climate is considered by many to be worse than any experienced in the last 25 years but the Court and senior management of the University have the determination and skill to continue to develop the University to ensure a sustainable future where students and staff can pursue their academic goals.

## 6. Staff Involvement

The University places considerable value on the involvement of its employees and on good communication with them. Staff are informed through regular meetings, the extensive University intranet, open fora, staff newsletters and other means. Staff are encouraged to participate in formal and informal consultation at University and Departmental level, through membership of formal Committees and informal working groups. The University has an Human Resources Development Centre that is responsible for providing technical and general training to all levels of staff and to help build leadership capacity.

## 7. Commitment to Quality

The University's strategy for learning and teaching quality assurance and enhancement is designed to ensure the continuing development of the University as an effective and inclusive learning community in which all students and staff are both learners and active participants. The University of Stirling seeks to excel in teaching, research and community engagement. It combines pursuit of scholarship and research at an international level with high quality teaching and promotion of wider access and knowledge transfer.

The University's approach to quality is rooted in the conviction that the quality and standards of the University's educational provision are best assured by members of professional academic staff on the basis of peer group scrutiny and expert opinion at programme, Department and Academic Council level. In discharging its responsibility to assure standards and to enhance quality it therefore devolves substantial responsibility and accompanying resources to Departments. At each level of the University, executive functions are generally carried out by designated officers, whilst academic decisions are the responsibility of formally constituted committees. Policy development, review of performance and dissemination of good practice is undertaken by the University's Committees and specialist Working Groups and Panels.

## 8. Openness and Freedom of Information

The University of Stirling is a diverse organisation which creates, receives and uses recorded information in a wide variety of formats. The increased emphasis on good governance and accountability brought about by the Freedom of Information Act and other compliance legislation requires that the University manages its information effectively. The University recognises the value of effective records management, and a University Records Management Policy has been approved by the University Court. The Policy establishes a requirement for effective records management and outlines the responsibilities for staff working with recorded information in any format across the organisation.

## 9. Diversity and Equal Opportunity

The University of Stirling aims to integrate diversity and equal opportunity into all its activities from key decisions on its mission and strategic objectives through to day-to-day operations. It does not tolerate discrimination on the grounds of gender, race, disability, age, religion and belief, sexual orientation or other irrelevant distinction and is committed to working with diversity in a wholly positive way to promote understanding, equality and inclusiveness. All staff and students (whether existing or potential) and visitors to our campuses should receive fair and equal treatment whatever their relationship with the University. We therefore have policies in place to ensure this in relation to:

- research
- recruitment and admissions
- learning and teaching
- the management of human and other resources
- commercial operations
- communications

The impact of these policies is monitored and assessed and the outcomes from these analyses published regularly. The University actively seeks the views and opinions of members of its community and liaises with external bodies, representative groups and users on the effectiveness and development of

these policies. All individuals and organisations with which the University has a contractual arrangement are expected to accept the principle of equal opportunity and not to be party to situations which could lead to unfair discrimination.

## 10. Charitable and Taxation Status

As a charity registered in Scotland, the University is registered with the Office of the Scottish Charity Regulator under number SC 011159.

## 11. Prompt Payment to Suppliers

It is the University's policy to abide by terms of payment agreed with suppliers. Unless special terms apply, payment is made within 30 days of receipt of a valid invoice or after acceptance of the goods or services, whichever is the later.

The level of creditors in terms of the proportion of the year-end creditors to the aggregated invoiced amounts as at 31 July 2008 was 30 days.

## 12. Treasury Management

The financing and liquidity of the University and its exposure to financial risk are managed through the central treasury function of the Finance Office. The University's Treasury Management Policy sets out the policies, practices and objectives of the institution's treasury management activities, as agreed by Court, and covers the University of Stirling and all its controlled subsidiary undertakings. The University adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice.

## 13. Professional Advisors

External Auditors / Tax Advisors	KPMG LLP 20 Castle Terrace Edinburgh EH1 2EG
Internal Auditors	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH
Bankers	Bank of Scotland Corporate Service Centre 150 Fountainbridge Edinburgh EH3 9PE
Solicitors	Anderson Strathern LLP 1 Rutland Court Edinburgh EH3 8EY

P. Grice  
Chair, 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 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 the academic work of the University, Court will normally only act on the recommendation or with the concurrence 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 formally four times per year, with an additional residential strategy conference in the Spring; it is supported by a Committee structure, which includes a Strategy & Resources Committee, which is a joint Committee of the Court and the Academic Council, as well as the Committees indicated above. During the coming year (2008/2009) the University will undertake a review of its committee structure to ensure that it remains effective and is fit for future purpose.

In line with good practice, Court undertook a review of its own effectiveness in 2005/2006, which also considered the extent of Court's compliance with the *CUC Guide for Members of Higher Education Governing Bodies in the United Kingdom*. The outcomes of this review have been implemented in the period since its completion, with the next review due to take place in 2010/2011.

The University made minor modifications to its Charter & Statutes from 2006/2007 to take account of organisational development and recommendations arising from the Review of Court Effectiveness. However, it is currently taking forward a more comprehensive review of Charter & Statutes to ensure that they are fit for purpose for the next 20 years and to provide a legacy for the future good governance and management of the University. The review will aim to provide the University with greater freedom to act quickly, flexibly and responsively and to take the actions and decisions necessary to ensure future success through *inter alia* moving areas where there is no public interest out of Charter & Statutes and into Ordinances, thereby enabling revisions and reforms that might be identified in the future to be undertaken by the University itself through its own consultation and decision-making processes rather than via the Privy Council. It is envisaged that the resulting changes to Charter & Statutes will come into force from 1 August 2009.

### Principal Committees

In respect of its strategic and development responsibilities, and especially in respect of the integration of financial and estates planning with academic planning, the Court receives recommendations from the Strategy & Resources Committee.

The Finance & Infrastructure Committee considers issues relating to the University's finances, estates, information services and staffing and reports matters for information and formal 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 through its consideration of management accounts, with periodic formal reporting to the Finance & Infrastructure Committee.

The Remuneration Committee undertakes a review of professorial and senior University Services 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 its 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 2008, 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 University 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 is regularly maintained and updated to ensure that it features explicit risk descriptions, details of 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 are developed, in collaboration with the Risk Manager, by the individual risk owners for each strategic risk, who are also responsible for interim monitoring of their assigned risks.

The 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 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 developed in a number of areas of the University, including a plan for dealing with an outbreak of pandemic influenza. Work continues 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 & Statutes, 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 economic, 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 directors of service;
- 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 outsourced 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 consolidated and parent University financial statements of the University of Stirling for the year ended 31 July 2008 which comprise the consolidated Income and Expenditure Account, the consolidated and parent University Balance Sheets, the consolidated Cash Flow Statement, the consolidated 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 Operating and Financial Review and the consolidated and parent University financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007), 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 (2007). 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 Operating and Financial Review 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 Operating and Financial Review 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 consolidated and parent University as at 31 July 2008 and of the consolidated 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 (2007);
- 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 2008 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2008 has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum with the Scottish Funding Council.

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

*22 December 2008*

# Statement of Principal Accounting Policies and Estimation Techniques

## Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. They conform to the Accounts Direction and other guidance published by the Scottish Funding Council.

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

While the University balance sheet shows net current liabilities, the University has in place a revolving credit facility as explained in Note 15 which allows the University to borrow sufficient funds to meet its current liabilities as they fall due.

## Basis of Consolidation

The consolidated financial statements include the University and all its subsidiaries for the financial year to 31st July 2008. The results of the subsidiaries acquired or disposed of during the period are included in the consolidated income and expenditure account from the date of acquisition or up to the date of disposal. Intra-group transactions are eliminated on consolidation.

The consolidated financial statements do not include those of the Students' Association because the University does not control those activities.

## Income Recognition

Funding council block grants are accounted for in the period to which they relate.

Fee income is stated gross and credited to the income and expenditure account over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount or prompt payment, income receivable is shown net of discount. Bursaries and scholarships are accounted for gross as expenditure and not deducted from income.

Recurrent income from grants, contracts and other services rendered are accounted for on an accruals basis and included to the extent of the completion of the contract or service concerned; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the University are recognised in the statement of total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Non-recurrent grants received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants. Such grants are credited to deferred capital grants and an annual transfer made to the income and expenditure account over the useful economic life of the asset, at the same rate as

the depreciation charge on the asset for which the grant was awarded. Income from the sale of goods or services is credited to the income and expenditure account when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments. Any realised gains or losses from dealing in the related assets are retained within the endowment in the balance sheet.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and reported in the statement of total recognised gains and losses.

## Agency Arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure of the University where the University is exposed to minimal risk or enjoys minimal economic benefit related to the transaction.

## Leases and Hire Purchase Contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

## Taxation

The University is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the University is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the ICTA 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. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

## 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 1st 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.

## 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.

## 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.

## Heritage Assets

Works of art and other valuable artefacts (heritage assets) and valued at over £25,000 have been capitalised and recognised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable.

Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

## Investments

Listed investments held as fixed assets or endowment assets are shown at market value. Investments in subsidiary undertakings are shown at the lower of cost or net realisable value, and investments in associates are shown in the consolidated balance sheet at attributable share of net assets.

Current asset investments, which may include listed investments, are shown at the lower of cost and net realisable value.

Interests in land and buildings held for their investment potential are included in the balance sheet at their market value without charging depreciation.

## 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.

## Cash Flows and Liquid Resources

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

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

## 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.

## Joint Venture Entities and Associates

The University's share of income and expenditure in joint venture entities is recognised in the University's income and expenditure account in accordance with FRS 9. Similarly the University's share of assets and liabilities in associate entities is recognised in the University's balance sheet in accordance with FRS 9.

The gross equity method is used when consolidating joint venture entities and associate entities are consolidated using the equity method entities in accordance with FRS 9.

## Intra-Group Transactions

Gains or losses on any intra-group transactions are eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation are also eliminated.

Balances between the University and its associates and joint ventures are not eliminated; unsettled normal trading transactions are included as current assets or liabilities. Any gains or losses are included in the carrying amount of assets of either entity, the part relating to the University's share is eliminated.

## Accounting for Charitable Donations

### *Unrestricted donations*

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

### *Endowment Funds*

Where charitable donations are to be retained for the benefit of the University as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the University
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the University can convert the donated sum into income
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

### *Total return on investment for permanent endowments*

Total return is the whole of the investment return received by the University on the permanent endowment funds regardless of how it has arisen.

The total return, less any part of the return which has previously been applied for the purposes of the University, remains in the unapplied total return fund. This fund remains part of the permanent endowment until such time as a transfer is made to the income and expenditure account.

## *Donations for fixed assets*

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

## *Gifts in Kind, including Donated Tangible Fixed Assets*

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

## Accounting for Retirement Benefits

The University has fully adopted accounting standard FRS 17 "Retirement Benefits" in the preparation of these financial statements. The impact of this standard has been reflected throughout.

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.

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised when the University 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.

Contingent liabilities are disclosed by the way of a note, when the definition of a provision is not met and includes three scenarios: possible rather than a present obligation; a possible rather than a probable outflow of economic benefits; an inability to measure the economic outflow.

Contingent assets are disclosed by way of a note, where there is a possible, rather than present, asset arising from a past event.

# Consolidated Income and Expenditure Account

for the year ended 31<sup>st</sup> July 2008

	Note	2008 £'000	Restated 2007 £'000
<b>INCOME</b>			
Funding Council Grants	1	41,522	39,642
Tuition Fees and Education Contracts	2	19,140	17,558
Research Grants and Contracts	3	7,754	8,912
Other Income	4	23,602	21,600
Endowment and Investment Income	5	904	1,180
<b>Total Income - group and share of joint venture</b>		<b>92,922</b>	<b>88,892</b>
Less: share of joint venture's turnover	18	(116)	(174)
<b>Total Group Income</b>		<b>92,806</b>	<b>88,718</b>
<b>EXPENDITURE</b>			
Staff Costs	6	54,590	54,286
Other Operating Expenses	7	29,299	26,737
Depreciation	10	6,051	5,083
Interest Payable	8	38	1,822
<b>Total Expenditure</b>	9	<b>89,978</b>	<b>87,928</b>
<b>Surplus on continuing operations after Depreciation of Fixed Assets and before Tax</b>		<b>2,828</b>	790
Share of operating losses in joint venture	18	(222)	(139)
<b>Surplus on continuing operations after Depreciation of Fixed Assets and losses in joint venture but before Tax</b>		<b>2,606</b>	651
Taxation		<b>0</b>	0
<b>Surplus on continuing operations after Depreciation of Fixed Assets and after Tax</b>		<b>2,606</b>	651
Transfer from accumulated income within endowment funds		13	34
<b>Surplus for the year retained within General Reserves</b>		<b>2,619</b>	<b>685</b>

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 31<sup>st</sup> July 2008

	Note	Group		University	
		Restated		Restated	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	10	<b>74,613</b>	67,611	<b>74,613</b>	67,611
Investments	11	<b>317</b>	293	<b>317</b>	293
		<b>74,930</b>	67,904	<b>74,930</b>	67,904
<b>Endowment Assets</b>	12	<b>1,316</b>	1,269	<b>1,316</b>	1,269
<b>Current Assets</b>					
Stocks		<b>535</b>	504	<b>535</b>	504
Debtors	13	<b>7,449</b>	8,527	<b>7,525</b>	8,554
Investments		<b>0</b>	0	<b>0</b>	0
Cash at Bank and in Hand		<b>841</b>	1,574	<b>750</b>	1,476
		<b>8,825</b>	10,605	<b>8,810</b>	10,534
<b>Creditors: Amounts falling due within one year</b>	14	<b>(18,436)</b>	(18,941)	<b>(18,434)</b>	(18,883)
<b>Net Current Liabilities</b>		<b>(9,611)</b>	(8,336)	<b>(9,624)</b>	(8,349)
<b>Total Assets less Current Liabilities</b>		<b>66,635</b>	60,837	<b>66,622</b>	60,824
<b>Creditors: Amounts falling due after more than one year</b>	15	<b>(15)</b>	(20)	<b>(15)</b>	(20)
<b>Provisions for Liabilities and Charges</b>	17	<b>(2,050)</b>	(1,354)	<b>(2,802)</b>	(1,354)
<b>Investments in Joint Venture</b>	18	<b>(752)</b>	(530)	<b>0</b>	0
<b>Net Assets excluding Pensions Liability</b>		<b>63,818</b>	58,933	<b>63,805</b>	59,450
<b>Net Pensions Liability</b>		<b>(8,189)</b>	(3,577)	<b>(8,189)</b>	(3,577)
<b>Net Assets including Pensions Liability</b>		<b>55,629</b>	55,356	<b>55,616</b>	55,873
		Group		University	
		Restated		Restated	
		2008	2007	2008	2007
	Note	£'000	£'000	£'000	£'000
<b>Deferred Capital Grants</b>	19	<b>30,368</b>	27,088	<b>30,368</b>	27,088
<b>Endowments</b>					
Permanent	20	<b>211</b>	223	<b>211</b>	223
Expendable	20	<b>1,105</b>	1,046	<b>1,105</b>	1,046
		<b>1,316</b>	1,269	<b>1,316</b>	1,269
<b>Reserve</b>					
General Reserve	21	<b>32,134</b>	30,576	<b>32,121</b>	31,093
Pension Reserve	21	<b>(8,189)</b>	(3,577)	<b>(8,189)</b>	(3,577)
Total Reserves		<b>23,945</b>	26,999	<b>23,932</b>	27,516
<b>Total</b>		<b>55,629</b>	55,356	<b>55,616</b>	55,873

The financial statements on pages 1 to 31 were approved by the University Court on 22nd December 2008 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 31<sup>st</sup> July 2008

		Restated	
		2008	2007
	Note	£'000	£'000
<b>Cash flow from Operating Activities</b>	23	<b>5,318</b>	9,687
Returns on Investment and Servicing of Finance	24	<b>358</b>	(863)
Taxation		<b>0</b>	0
Capital Expenditure and Financial Investment	25	<b>(7,307)</b>	(4,984)
Management of Liquid Resources	27	<b>0</b>	3,074
Financing	26	<b>965</b>	(18,361)
<b>Increase / (Decrease) in Cash in the year</b>		<b><u>(666)</u></b>	<b><u>(11,447)</u></b>

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

		Restated	
		2008	2007
	Note	£'000	£'000
Increase / (Decrease) in Cash in the year		<b>(666)</b>	(11,447)
Cash outflow / (inflow) from Liquid Resources	27	<b>0</b>	(3,074)
Cash outflow / (inflow) from new loan	26	<b>(1,000)</b>	0
Cash outflow in respect of loan and lease finance repayments	26	<b>35</b>	18,361
Change in Net Funds / (Debts) resulting from cash flows		<b><u>(1,631)</u></b>	3,840
Finance Lease non-cash transaction	27	<b>0</b>	0
<b>Movement in Net Funds/(Debts) in Period</b>		<b><u>(1,631)</u></b>	3,840
Net Funds/(Debts) at 1st August	27	<b>2,612</b>	(1,228)
<b>Net Funds/(Debts) at 31st July</b>	27	<b><u>981</u></b>	<b><u>2,612</u></b>

# Statement of Total Recognised Gains & Losses

for the year ended 31<sup>st</sup> July 2008

		2008	Restated 2007
	Note	£'000	£'000
<b>Surplus on continuing operations after Depreciation of Fixed Assets and after Tax</b>		<b>2,606</b>	651
Appreciation of Endowment Asset Investments	20	<b>(22)</b>	11
New endowments	20	<b>82</b>	27
Actuarial gain/loss in respect of pension scheme	28	<b>(5,673)</b>	7,808
<b>Total gains and losses recognised in the year</b>		<b><u>(3,007)</u></b>	<u>8,497</u>
<b>Reconciliation</b>			
Opening reserves and endowments		<b>28,268</b>	19,771
Total recognised gains and losses for the year		<b>(3,007)</b>	8,497
<b>Closing reserves and endowments</b>		<b><u>25,261</u></b>	<u>28,268</u>

# Notes to the Accounts

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Note</b>		
<b>1. Scottish Funding Council Grants</b>		
Recurrent Grant for Teaching	<b>28,637</b>	27,300
Recurrent Grant for Research	<b>8,654</b>	8,267
Recurrent Grant for Other Purposes	<b>2,003</b>	1,737
Recurrent Grant for Special Initiatives	<b>952</b>	1,085
Deferred Capital Grants Released in Year		
Buildings (note 19)	<b>432</b>	704
Equipment (note 19)	<b>844</b>	549
	<b>41,522</b>	39,642
<b>2. Tuition Fees and Education Contracts</b>		
UK and EU Fees	<b>10,480</b>	9,594
Non-EU Fees	<b>6,992</b>	6,458
Non-credit Bearing Course Fees	<b>960</b>	1,120
Research Training Support Grants	<b>708</b>	386
	<b>19,140</b>	17,558
<b>3. Research Grants and Contracts</b>		
Research Councils	<b>3,080</b>	3,169
UK Charities	<b>1,003</b>	1,038
Government Departments	<b>2,608</b>	3,574
UK Industry and Commerce	<b>285</b>	188
European Commission	<b>445</b>	614
Other Overseas	<b>233</b>	259
Other	<b>100</b>	70
	<b>7,754</b>	8,912

## Notes to the Accounts - continued

Note	2008 £'000	2007 £'000
<b>4. Other Income</b>		
Consultancy and Short Courses	3,466	2,805
Catering	808	730
Residences	8,144	7,864
Stirling Management Centre	2,311	2,569
MacRobert Arts Centre	1,669	1,559
Aquaculture External Facilities	955	1,131
Sports Development Services	1,631	1,480
Other Income	3,310	2,665
Released from Deferred Capital Grants		
Buildings (note 19)	1,137	574
Equipment (note 19)	55	49
University's share of turnover of joint venture (note 18)	116	174
	<u>23,602</u>	<u>21,600</u>
		Restated
	2008	2007
	£'000	£'000
<b>5. Endowment and Investment Income</b>		
Income from Expendable Endowments (note 20)	47	44
Income from Permanent Endowments (note 20)	12	17
Income from Short Term Deposits	0	42
Other Interest Receivable	337	856
Net Return on Pension Assets	508	221
	<u>904</u>	<u>1,180</u>

## Notes to the Accounts - continued

Note	2008	2007
<b>6. Staff Costs</b>		
<b>Average Staff Numbers by Major Category</b>	<b>F.T.E.s</b>	<b>F.T.E.s</b>
Academic Departments	590	570
Academic Services	127	130
Administration and Central Services	182	181
Premises	152	156
Research Grants and Contracts	142	154
Catering and Residences	142	145
Miscellaneous	143	166
	<u>1,478</u>	<u>1,502</u>
<b>Staff Costs</b>	<b>£'000</b>	<b>£'000</b>
Wages and Salaries	45,490	44,785
Social Security Costs	3,552	3,539
Other Pension Costs	5,548	5,962
	<u>54,590</u>	<u>54,286</u>
Academic Departments	28,289	26,264
Academic Services	4,351	3,885
Administration and Central Services	6,846	6,090
Premises	3,205	2,915
Research Grants and Contracts	4,477	5,006
Catering and Residences	4,183	3,949
Miscellaneous	3,239	6,177
	<u>54,590</u>	<u>54,286</u>
<b>Number of staff who received emoluments in the following ranges</b> (including the Principal and Vice-Chancellor)	<b>Number</b>	<b>Number</b>
£70,000 - £79,999	18	16
£80,000 - £89,999	8	7
£90,000 - £99,999	3	1
£120,000 - £129,999	1	1
£170,000 - £179,999	0	1
£190,000 - £199,999	1	0
<b>Emoluments of the Principal and Vice-Chancellor</b>	<b>£'000</b>	<b>£'000</b>
Salary	190	176
Benefits in kind	2	1
	<u>192</u>	<u>177</u>
Pension Contributions	<u>27</u>	<u>25</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.

## Notes to the Accounts - continued

Note	2008 £'000	Restated 2007 £'000
<b>7. Other Operating Expenses</b>		
Academic Departments	6,319	5,513
Academic Services	2,045	1,761
Administration and Central Services	4,378	3,626
Premises	3,321	3,269
Research Grants and Contracts	1,922	2,295
Consultancy and Short Courses	1,449	1,317
Catering	447	338
Residences	3,377	2,851
Stirling Management Centre	1,768	1,453
MacRobert Arts Centre	849	758
Aquaculture External Facilities	349	501
Sports Development Services	438	230
Miscellaneous	1,833	2,712
Early Retirement & Severance	804	113
	<u>29,299</u>	<u>26,737</u>
Other operating expenses include:		
Auditors' remuneration		
External Auditors		
- for the audit of the financial statements	36	36
- other services	41	41
Internal Auditors	56	51
	<u>133</u>	<u>128</u>
<b>8. Interest Payable</b>		
Bank loans not wholly repayable within five years	38	1,101
Finance leases	0	721
	<u>38</u>	<u>1,822</u>

## Notes to the Accounts - continued

### Note

#### 9. Analysis of 2007-2008 Expenditure by Activity

	Staff Costs £'000	Depreciation £'000	Other Operating Expenses £'000	Interest Payable £'000	Total £'000
Academic Departments	28,289	685	6,319	0	35,293
Academic Services	4,351	714	2,045	0	7,110
Administration and Central Services	6,846	489	4,378	0	11,713
Premises	3,205	2,832	3,321	0	9,358
Research Grants and Contracts	4,477	0	1,922	0	6,399
Consultancy and Short Courses	1,752	0	1,449	0	3,201
Catering	782	0	447	0	1,229
Residences	3,401	875	3,377	0	7,653
Stirling Management Centre	371	392	1,768	0	2,531
MacRobert Arts Centre	969	10	849	0	1,828
Aquaculture External Facilities	593	51	349	0	993
Sports Development Services	1,265	3	438	0	1,706
Miscellaneous	(1,717)	0	1,833	38	154
Early Retirement & Severance	6	0	804	0	810
<b>Total per Income and Expenditure Account</b>	<b>54,590</b>	<b>6,051</b>	<b>29,299</b>	<b>38</b>	<b>89,978</b>

The depreciation charge has been funded by:

Deferred Capital Grants Released	2,468	(note 19)
General Income	3,583	
	<u>6,051</u>	

Miscellaneous Staff Costs include the utilisation of the 2006/07 provision made against Framework costs (£750,000), the release of the 2006/07 accrual against increased Pension costs (£800,000) and the FRS 17 release (£553,000).

## Notes to the Accounts - continued

### Note

#### 10. Tangible Fixed Assets (Group and University)

	Land, Buildings & Assoc. Equip.		Equipment £'000	Leased Equipment £'000	Assets Under Construction £'000	Total £'000
	Freehold £'000	Leasehold £'000				
At 1st August 2007 Cost	82,790	101	8,442	129	7,401	98,863
Additions at Cost	9,504	0	1,904	0	1,885	13,293
Disposals at Cost	(408)	0	(163)	0	0	(571)
Transfers	6,035	0	800	0	(6,835)	0
Revaluation in Year	0	0	0	0	0	0
At 31st July 2008 Cost	<u>97,921</u>	<u>101</u>	<u>10,983</u>	<u>129</u>	<u>2,451</u>	<u>111,585</u>
<b>Depreciation</b>						
At 1st August 2007	25,658	25	5,440	129	0	31,252
Charge for Year	3,605	2	2,444	0	0	6,051
Eliminated by Disposals	(168)	0	(163)	0	0	(331)
Transfers	(27)	27	0	0	0	0
At 31st July 2008	<u>29,068</u>	<u>54</u>	<u>7,721</u>	<u>129</u>	<u>0</u>	<u>36,972</u>
<b>Net Book Value At 31st July 2008</b>	<b><u>68,853</u></b>	<b><u>47</u></b>	<b><u>3,262</u></b>	<b><u>0</u></b>	<b><u>2,451</u></b>	<b><u>74,613</u></b>
At 1st August 2007	<u>57,132</u>	<u>76</u>	<u>3,002</u>	<u>0</u>	<u>7,401</u>	<u>67,611</u>

Buildings with a net book value of £3,753,000 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.

Software with a net book value of £889,000 is included within Equipment.

The University has three collections of heritage assets. The collections are accounted for as follows:

#### Historic land

The University considers that due to the incomparable nature of the relevant land, conventional valuation approaches lack sufficient reliability and that, even if valuations could be obtained, the costs would be onerous compared with the additional benefits derived by the users of the accounts. The University does not recognise this asset on its Balance Sheet.

#### Library collections

The University does not consider that reliable cost or valuation information can be obtained for the vast majority of items held in the library collections. This is due to the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The University does not therefore recognise these assets on its Balance Sheet, other than recent acquisitions which are reported at cost when purchased, or at the Special Collections Librarian's best estimate of market value where the object is donated either in the current year or in the future.

#### Artefacts

As with the Library Collections, the University does not consider that reliable cost or valuation information can be obtained for the artefacts held. The University does not therefore recognise these assets on its Balance Sheet, other than recent acquisitions which are reported at cost when purchased.

## Notes to the Accounts - continued

Note	Group and University	
	2008	2007
	£'000	£'000
<b>11. Investments</b>		
Listed Investments		
Balance as at 1st August	<b>293</b>	266
Additions	<b>218</b>	71
Disposals	<b>(140)</b>	(65)
Appreciation on Disposals/Revaluation of Investments	<b>(54)</b>	21
Balance as at 31st July	<b>317</b>	293
	<b>389</b>	389
Fixed interest stocks and equities at Historical Cost	<b>389</b>	389
<b>12. Endowment Assets</b>		
		Restated
Balance as at 1st August	<b>1,269</b>	1,265
New endowments invested	<b>82</b>	27
(Decrease) / increase in market value of investments	<b>(22)</b>	11
Increase / (decrease) in cash balances held for endowment funds	<b>(13)</b>	(34)
Balance as at 31st July	<b>1,316</b>	1,269
Represented by:		
Fixed interest stocks (listed)	<b>15</b>	15
Equities (listed)	<b>116</b>	136
Equities (unlisted)	<b>25</b>	25
Land and property	<b>0</b>	0
Cash balances (note 27)	<b>1,160</b>	1,093
Total	<b>1,316</b>	1,269
Fixed interest stocks and equities at Historical Cost	<b>118</b>	118

## Notes to the Accounts - continued

Note	Group		University	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>13. Debtors</b>				
Amount falling due within one year:				
Debtors	<b>5,553</b>	5,773	<b>5,629</b>	5,800
Prepayments and accrued income	<b>1,896</b>	2,554	<b>1,896</b>	2,554
Debtors falling due after more than one year	<b>0</b>	200	<b>0</b>	200
	<b>7,449</b>	8,527	<b>7,525</b>	8,554
<b>14. Creditors: Amounts falling due within one Year</b>				
Bank loans	<b>1,005</b>	35	<b>1,005</b>	35
Obligations under finance leases	<b>0</b>	0	<b>0</b>	0
Creditors	<b>7,773</b>	7,403	<b>7,771</b>	7,345
Accruals and deferred income	<b>8,469</b>	10,156	<b>8,469</b>	10,156
Social security and other taxation payable	<b>1,189</b>	1,347	<b>1,189</b>	1,347
	<b>18,436</b>	18,941	<b>18,434</b>	18,883
<b>15. Creditors: Amounts falling due after more than one Year</b>				
Bank loans	<b>15</b>	20	<b>15</b>	20
Obligations under finance leases	<b>0</b>	0	<b>0</b>	0
	<b>15</b>	20	<b>15</b>	20

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. Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	Group and University	
	2008	2007
	£'000	£'000
In one year or less	1,005	35
Between one and two years	5	5
Between two and five years	10	15
In five years or more	0	0
Total	<u>1,020</u>	<u>55</u>

#### 17. Provisions for Liabilities and Charges

	Group				
	Staff Restructure £'000	EC Projects £'000	MMF Ltd £'000	Other £'000	Total £'000
<b>At 1st August 2007</b>	0	162	0	1,192	1,354
Utilised in the year	0	(59)	0	(762)	(821)
Released in the year	0	(103)	0	(33)	(136)
Transferred from I & E account	896	155	482	120	1,653
<b>At 31st July 2008</b>	<u>896</u>	<u>155</u>	<u>482</u>	<u>517</u>	<u>2,050</u>

  

	University				
	Staff Restructure £'000	EC Projects £'000	MMF Ltd £'000	Other £'000	Total £'000
<b>At 1st August 2007</b>	0	162	0	1,192	1,354
Utilised in the year	0	(59)	0	(762)	(821)
Released in the year	0	(103)	0	(33)	(136)
Transferred from I & E account	896	155	1,234	120	2,405
<b>At 31st July 2008</b>	<u>896</u>	<u>155</u>	<u>1,234</u>	<u>517</u>	<u>2,802</u>

The provision for Staff Restructure reflects the confirmed uptake at the date of the approval of these financial statements. The provision for EC projects relates to re-imburement due on European Commission funded projects following assessment of the projects by the Commission. Provision for MMF Ltd reflects the position as per Note 18 and includes the bank guarantees of £482k. Other provision relates to the 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:

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Turnover	<b>116</b>	174
Interest Payable	<b>22</b>	17
Share of gross assets	<b>467</b>	629
Share of gross liabilities	<b>(1,219)</b>	(1,159)
	<b>(752)</b>	(530)

The original investment in the joint venture (£245k) has been written off in a previous income and expenditure statement. The company ceased to trade on 27th June, 2008.

## Notes to the Accounts - continued

## Note

## 19. Deferred Capital Grants

	Group and University		
	Funding Council £'000	Other Grants and Gifts £'000	Total £'000
<b>At 1st August 2007</b>			
Buildings (Restated)	13,940	12,631	26,571
Equipment	427	90	517
<b>Total</b>	<b>14,367</b>	<b>12,721</b>	<b>27,088</b>
Cash received			
Buildings	3,285	865	4,150
Equipment	1,554	44	1,598
<b>Total</b>	<b>4,839</b>	<b>909</b>	<b>5,748</b>
Released to income and expenditure account			
Buildings (notes 1 and 4)	(432)	(1,137)	(1,569)
Equipment (notes 1 and 4)	(844)	(55)	(899)
<b>Total (note 9)</b>	<b>(1,276)</b>	<b>(1,192)</b>	<b>(2,468)</b>
<b>At 31st July 2008</b>			
Buildings	16,793	12,359	29,152
Equipment	1,137	79	1,216
<b>Total</b>	<b>17,930</b>	<b>12,438</b>	<b>30,368</b>

## 20. Endowments

	Group and University			Restated 2007 Total £'000
	Restricted Permanent £'000	Restricted Expendable £'000	2008 Total £'000	
<b>Balance as at 1st August</b>				
Capital	163	667	830	874
Accumulated income	60	379	439	391
	<b>223</b>	<b>1,046</b>	<b>1,269</b>	1,265
New Endowments	0	82	82	27
Investment Income	12	47	59	61
Expenditure	(2)	(70)	(72)	(95)
	10	(23)	(13)	(34)
(Decrease) / Increase in market value of investments	(22)	0	(22)	11
<b>Balance as at 31st July</b>	<b>211</b>	<b>1,105</b>	<b>1,316</b>	<b>1,269</b>
<b>Representing</b>				
Capital	141	699	840	830
Accumulated income	70	406	476	439
<b>Total</b>	<b>211</b>	<b>1,105</b>	<b>1,316</b>	<b>1,269</b>

## Notes to the Accounts - continued

## Note

## 21. General Reserve

	Group		University	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Income and Expenditure Account				
Balance as at 1st August	<b>26,999</b>	18,506	<b>27,516</b>	18,884
Historical Cost Surplus after				
Depreciation of Assets and Tax	<b>2,619</b>	685	<b>2,089</b>	824
Actuarial gain/(loss) on pension scheme liability	<b>(5,673)</b>	7,808	<b>(5,673)</b>	7,808
<b>At 31st July 2008</b>	<b><u>23,945</u></b>	<u>26,999</u>	<b><u>23,932</u></b>	<u>27,516</u>
<b>Represented by:</b>				
Income and Expenditure Account				
Balance as at 1st August	<b>30,576</b>	29,589	<b>31,093</b>	29,967
Historical Cost Surplus after				
Depreciation of Assets and Tax	<b>2,619</b>	685	<b>2,089</b>	824
Transfer from Pension Reserve	<b>(1,061)</b>	302	<b>(1,061)</b>	302
	<b><u>32,134</u></b>	<u>30,576</u>	<b><u>32,121</u></b>	<u>31,093</u>
Pension Reserve				
Deficit in schemes at beginning of year	<b>(3,577)</b>	(11,083)	<b>(3,577)</b>	(11,083)
Movement in year:				
Current Service Cost	<b>(1,777)</b>	(2,010)	<b>(1,777)</b>	(2,010)
Contributions	<b>2,330</b>	1,487	<b>2,330</b>	1,487
Net Return on Assets	<b>508</b>	221	<b>508</b>	221
Actuarial Gain/(Loss)	<b>(5,673)</b>	7,808	<b>(5,673)</b>	7,808
Deficit in Scheme at end of year	<b>(8,189)</b>	(3,577)	<b>(8,189)</b>	(3,577)
<b>Reconciliation</b>				
Income and Expenditure Account	<b>32,134</b>	30,576	<b>32,121</b>	31,093
Pension Reserve	<b>(8,189)</b>	(3,577)	<b>(8,189)</b>	(3,577)
	<b><u>23,945</u></b>	<u>26,999</u>	<b><u>23,932</u></b>	<u>27,516</u>

## Notes to the Accounts - continued

### Note

#### 22. Prior Year Adjustment

The implementation of the new SORP has resulted in a change in accounting policy for endowments. This has resulted in a restatement of prior year comparatives as shown below. There was no change to the net assets as at 31 July 2007 or the result for the financial year to 31 July 2007.

	Note	Reported in 2006 / 07 £'000	Adjustment £'000	Restated £'000
Endowment and Investment Income	5	1,160	20	<b>1,180</b>
Other Operating Expenses	7	26,802	(65)	<b>26,737</b>
Transfer from accumulated income within endowment funds	I&E	119	(85)	<b>34</b>
Cash at Bank and in Hand - Group	Balance Sheet	1,376	198	<b>1,574</b>
Cash at Bank and in Hand - University	Balance Sheet	1,278	198	<b>1,476</b>
Endowment Assets	12	1,467	(198)	<b>1,269</b>
Deferred Capital Grants	19	26,890	198	<b>27,088</b>

	2008 £'000	Restated 2007 £'000
<b>23. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities</b>		
Surplus on continuing operations after depreciation of assets and before tax	<b>2,606</b>	651
Pension Costs less contributions payable (note 28)	<b>(553)</b>	523
Depreciation (note 10)	<b>6,051</b>	5,083
Revaluation of Investments (note 11)	<b>54</b>	(21)
Deferred Capital Grants Released to Income (note 19)	<b>(2,468)</b>	(1,876)
Loss on disposal of tangible fixed assets	<b>4</b>	0
Loss / (Profit) on disposal of investments	<b>0</b>	0
Share of operating losses in joint venture	<b>222</b>	139
Consolidation of subsidiary	<b>0</b>	0
Investment income and net endowment receivable	<b>(904)</b>	(1,180)
Interest payable (note 8)	<b>38</b>	1,822
(Increase) in stocks	<b>(31)</b>	(5)
Decrease in debtors/prepayments	<b>1,078</b>	223
Increase / (Decrease) in creditors / accruals	<b>(1,475)</b>	3,984
Increase / (Decrease) in provisions	<b>696</b>	344
<b>Net cash inflow from operating activities</b>	<b><u>5,318</u></b>	<b><u>9,687</u></b>

#### 24. Returns on Investment and Servicing of Finance

Income from endowments (note 20)	<b>59</b>	61
Income from short term investments (note 5)	<b>0</b>	42
Other interest received (note 5)	<b>337</b>	856
Interest paid	<b>(38)</b>	(1,822)
<b>Net cash inflow / (outflow) from returns on investments and servicing of finance</b>	<b><u>358</u></b>	<b><u>(863)</u></b>

## Notes to the Accounts - continued

### Note

#### 25. Capital Expenditure and Financial Investment

	<b>2008</b>	Restated 2007
	<b>£'000</b>	£'000
Purchase of tangible fixed assets (other than leased equipment)	<b>(13,453)</b>	(10,017)
Purchase of investments (note 11)	<b>(218)</b>	(71)
Sale of investments (note 11)	<b>140</b>	65
Payments to acquire endowment assets	<b>(77)</b>	(35)
Sale of Tangible Fixed Assets	<b>394</b>	0
Receipt from sale of endowment assets	<b>77</b>	35
Deferred capital grants received (note 19)	<b>5,748</b>	5,023
Endowments received (note 20)	<b>82</b>	27
Revaluation of Endowment Assets (note 20)	<b>0</b>	(11)
<b>Net cash outflow in respect of capital expenditure and financial investment</b>	<b><u>(7,307)</u></b>	<b><u>(4,984)</u></b>

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

	<b>Total</b>	<b>Finance</b>	<b>Loans</b>
	<b>£'000</b>	<b>Leases</b>	<b>£'000</b>
		<b>£'000</b>	<b>£'000</b>
Balances at 1st August 2006	18,416	5,442	12,974
New leases/loans	0	0	0
Capital Repayments	(18,361)	(5,442)	(12,919)
Net Amount Repaid in Year	<u>(18,361)</u>	<u>(5,442)</u>	<u>(12,919)</u>
Non-cash transaction	0	0	0
Balances at 31st July 2007	55	0	55
New leases/loans	1,000	0	1,000
Capital Repayments	(35)	0	(35)
Net Amount Acquired/(Repaid) in Year	<u>965</u>	<u>(0)</u>	<u>965</u>
Non-cash transaction	0	0	0
<b>Balances at 31st July 2008</b>	<b><u>1,020</u></b>	<b><u>0</u></b>	<b><u>1,020</u></b>

## Notes to the Accounts - continued

### Note

#### 27. Analysis of Changes in Net Funds

	Restated at 1st August 2007 £'000	Cash Flows £'000	Non- cash Changes £'000	At 31st July 2008 £'000
Cash in hand, and at bank	1,574	(733)	0	841
Endowment asset investments (note 12)	<u>1,093</u>	<u>67</u>	<u>0</u>	<u>1,160</u>
	2,667	(666)	0	2,001
Short term deposits	0	0	0	0
Debt due within one year	(35)	(970)	0	(1,005)
Debt due after one year	(20)	5	0	(15)
Finance leases	0	0	0	0
<b>Total</b>	<u><u>2,612</u></u>	<u><u>(1,631)</u></u>	<u><u>0</u></u>	<u><u>981</u></u>

## Notes to the Accounts - continued

### Note

#### 28. 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).

The total pension costs for the University were:

	<b>31/07/08</b>	31/07/07
	<b>£'000</b>	£'000
USS: contributions paid	<b>4,001</b>	4,041
USPS/USPSC:		
Contributions paid	<b>2,100</b>	1,398
FRS 17 charge	<b>(553)</b>	523
Charge to the Income and Expenditure Account (staff costs)	<b>1,547</b>	1,921
Total Pension Costs (Note 6)	<b><u>5,548</u></b>	<u>5,962</u>

Contributions amounting to £598K (2007: £522K) were payable to the schemes and are included in creditors.

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.

##### *University of Stirling Pension Scheme (USPS) and the University of Stirling Pension Scheme for Contract Staff (USPSCS)*

A full actuarial valuation of USPS was carried out as at 1 August 2006 and updated to 31 July 2008 by a qualified independent actuary. An actuarial valuation of USPSCS was carried out as at 1st September 2005 by a qualified independent actuary. The employer contribution rate for USPS was increased from 13.2% to 24.9% on 1 January 2008. The employer contribution rate for USPSCS remains the same at 29.1%.

The principal assumptions, used by the actuary, for the USPS and USPSCS schemes were:

	<b>At 31/07/08</b>	<b>At 31/07/07</b>	<b>At 31/07/06</b>
Rate of increase in salaries	<b>4.7%</b>	4.0%	4.1%
Rate of increase for pensions in payment	<b>3.5%</b>	2.8%	2.9%
Discount rate for scheme liabilities	<b>6.5%</b>	5.7%	5.1%
Rate of increase of deferred pensions	<b>3.7%</b>	3.0%	3.1%
Inflation assumption	<b>3.7%</b>	3.0%	3.1%

## Notes to the Accounts - continued

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	<b>At 31/07/08</b>	<b>At 31/07/07</b>
<i>Retiring today/current pensioners</i>		
Males	19.78	18.99
Females	22.81	21.94
<i>Retiring in 20 years/future pensioners</i>		
Males	21.04	18.99
Females	24.01	21.94

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

	<b>Long-term rate of return expected at 31/07/08</b>	<b>Long-term rate of return expected at 31/07/07</b>	<b>Long-term rate of return expected at 31/07/06</b>
Equities	8.4%	8.0%	8.0%
Bonds	6.6%	5.4%	4.5%
Other	4.9%	4.5%	4.5%
	<b>Value at 31/07/08 £m</b>	<b>Value at 31/07/07 £m</b>	<b>Value at 31/07/06 £m</b>
Equities	27.8	31.8	28.5
Bonds	5.0	2.9	3.0
Other	5.3	3.2	2.3
<b>Total market value of assets</b>	<u>38.1</u>	<u>37.9</u>	<u>33.8</u>
<b>Present value of scheme liabilities</b>	<u>(46.3)</u>	<u>(41.5)</u>	<u>(44.8)</u>
<b>Deficit in schemes</b>	<u><u>(8.2)</u></u>	<u><u>(3.6)</u></u>	<u><u>(11.0)</u></u>

## Notes to the Accounts - continued

	<b>31/07/08</b>	<b>31/07/07</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of Amount Charged to Operating Profit</b>		
Current service cost	1,777	2,010
<b>Total operating charge</b>	<u>1,777</u>	<u>2,010</u>
<b>Analysis of amounts credited to Other Investment Income</b>		
Expected return on pension schemes' assets	2,897	2,539
Interest cost	(2,389)	(2,318)
<b>Net return</b>	<u>508</u>	<u>221</u>
<b>Analysis of amounts recognised in STRGL</b>		
Actual return less expected return on pension schemes' assets	(4,072)	974
Experience gains and losses arising on the schemes' liabilities	(556)	1,026
Changes in financial assumptions underlying the schemes' liabilities	(1,045)	5,808
<b>Actuarial Gain/(Loss) recognised in STRGL</b>	<u>(5,673)</u>	<u>7,808</u>
<b>Movement in Deficit Through the Year</b>		
Deficit in Schemes at beginning of year	(3,577)	(11,083)
Current Service Cost	(1,777)	(2,010)
Contributions	2,330	1,487
Other Finance Income	508	221
Actuarial Gain/(Loss)	(5,673)	7,808
<b>Deficit in Schemes at end of year</b>	<u>(8,189)</u>	<u>(3,577)</u>
<b>Movement in present value of schemes' liabilities</b>		
Liability at beginning of year	41,541	44,846
Service Cost	1,777	2,010
Employee Contributions	580	518
Interest Cost	2,389	2,318
Actuarial Losses/(Gains)	1,601	(6,835)
Benefits Paid	(1,597)	(1,316)
<b>Liability at end of year</b>	<u>46,291</u>	<u>41,541</u>
<b>Movement in market value of schemes' assets</b>		
Asset at beginning of year	37,964	33,763
Expected Return	2,897	2,539
Actuarial Gains/(Losses)	(4,072)	974
Contributions by Employer	2,330	1,487
Contributions by Members	580	518
Benefits Paid	(1,597)	(1,317)
<b>Asset at end of year</b>	<u>38,102</u>	<u>37,964</u>

## Notes to the Accounts - continued

### History of Experience Gains and Losses

	31/07/08	31/07/07	31/07/06	31/07/05
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	(4,072)	974	1,524	3,837
Percentage of schemes' assets	10.7%	2.6%	4.5%	13.1%
Experience gain/(loss) arising on the scheme liabilities:				
Amount (£'000)	(556)	1,026	(64)	0
Percentage of schemes' liabilities	1.2%	2.5%	0.1%	0.0%
Total amount of actuarial gain/(loss)				
Amount (£'000)	(5,673)	7,808	(2,644)	433
Percentage of schemes' liabilities	12.3%	18.8%	5.9%	1.1%

#### Universities Superannuation Scheme (USS)

The institution participates in the Universities Superannuation Scheme (USS), 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 board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, 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 funding level of the scheme has undergone considerable volatility. The actuary has estimated that the funding level had increased to 91% at 31 March 2007 but that at 31 March 2008 it had fallen back to 77%. This fluctuation in the scheme's funding level is due to a combination of the volatility of the investment returns on the scheme's assets in the period since 31 March 2005 compared to the returns allowed for in the funding assumptions and also the changing gilt yields, which are used to place a value on the scheme's liabilities. These estimated funding levels are based on the funding levels at 31 March 2005, adjusted to reflect the fund's actual investment performance and changes in gilt yields (i.e. the valuation rate of interest). On the FRS17 basis, using an AA bond discount rate of 6% based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%. An estimate of the funding level measured on a buy-out basis was approximately 78%.

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:

<b>Assumption</b>	<b>Change in assumption</b>	<b>Impact on scheme liabilities</b>
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.

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

## Notes to the Accounts - continued

### Note

#### 29. Capital Commitments

	Group and University	
	2008	2007
	£'000	£'000
Commitments contracted at 31st July	1,759	7,601
Authorised but not contracted at 31st July	0	0
	<u>1,759</u>	<u>7,601</u>

#### 30. Financial Commitments

Operating lease commitments for the 2008 financial year, on leases expiring:

	Group and University	
	2008	2007
	£'000	£'000
Within one year	0	0
Between one and five years	0	0
Over five years		
Union Street residential property lease	532	510
Lyon Crescent residential property lease	376	358
Campus district heating	0	148
	<u>908</u>	<u>1,016</u>

#### 31. Access Funds

	2008	2007
	£'000	£'000
Balance at 1st August	46	13
Funding Council grants	467	439
Interest earned	9	11
	<u>522</u>	<u>463</u>
Disbursed to students	(480)	(417)
Balance Unspent as at 31st July	<u>42</u>	<u>46</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 to 31st March.

## Notes to the Accounts - continued

### Note

#### 32. 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 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.

#### 33. Related Party Transactions

Mr Tom Spencer is the President and Mr Mark Cullen is Vice President (Services) as well as Treasurer of Stirling University Student Association (appointed 1st June 2008). Mr David Fletcher was the President and Mr William Hugh James Mackenzie was Vice President (Services) as well as Treasurer of Stirling University Student Association until 31st May 2008. 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 Innovation Park Ltd.</b>				
Accounting services, Security, Maintenance	28			8
Salary funding and Recharges		50	0	
<b>Stirling University Student Association</b>				
Utilities, Repairs & Maint, Loan repay & interest	120			38
Grant , Catering Recharges		325	0	
	<u>148</u>	<u>375</u>	<u>0</u>	<u>46</u>

## Notes to the Accounts - continued

### Note

#### 34. University Companies

##### Subsidiaries

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.

##### Joint Ventures

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 accounting period for the company is 1st January to 31st December, in line with the accounting period of the other party. The principal activity of the company is the farming of cod.

##### Investment Assets

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 £2,089k.

#### 35. 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 31<sup>st</sup> July 2008

### **Membership of Audit Committee**

Mr G M Simmers (Chair) \*  
Mr R G Burnett \*  
Dr K M A Dalyell \*  
Mr R G Murray \* (appointed on 4th April 2008)

### **Membership of Finance & Infrastructure Committee (FIC)**

Mr P Grice (Chair) \*  
Mr G D C Burns \*  
Mr G Pomphrey \*  
Mr A G Simpson \*  
Professor C M Hallett  
Professor N H Keeble  
Professor S Burt  
Mr W Mackenzie  
Professor A Goodacre  
Mr S Morrow  
Dr D Robertson  
Professor D Bell  
Professor W McInnes  
Professor R Richards

### **Membership of Strategy & Resources Committee (SRC)**

Professor C M Hallett (Chair)  
Mr K J Clarke  
Professor N H Keeble  
Professor S Burt  
Professor I Simpson  
Professor G Jarvie  
Professor A McAuley  
Professor P Lee  
Professor R Edwards  
Professor R Evans  
Mr A G Simpson \*  
Mr P Grice \*  
Mrs A S McAlindin \*  
Mr D Fletcher

\* Lay member

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**UNIVERSITY OF  
STIRLING**