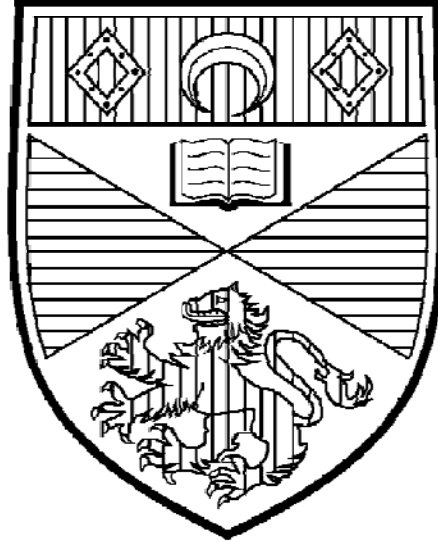


*Reports and Financial Statements
of the University Court
for the year to 31 July 2008*



University
of
St Andrews

The University of St Andrews is a charity registered in Scotland: No. SC013532

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MEMBERSHIP OF COURT AND COMMITTEES

The Rector, President

Mr S. R. Pepper (until 31 October 2008)

Senior Governor, Vice-President

Professor E. Brown

The Principal

Dr B.A. Lang

Deputy Principal & Master

Professor K. M. Brown

The Chancellor's Assessor

Mr W. Berry

The Rector's Assessor

Mr O.J. Markeson

Fife Council, Provost of Fife

Cllr. P. Grant

Assessors of the General Council

Professor E. Brown

Miss K.M. Patrick

Assessors of the Senatus Academicus

Professor R.W. Byrne (until 1 February 2008)

Professor R. Crawford

Professor A. MacKenzie (from 22 February 2008)

Dr C.R. Warren

Dr C.E. Whitehead

Non Teaching Staff Member

Mr R. Dittrich

Student Representatives

Mr T.G.L. d'Ardenne, *President* (until 30 June 2008)

Mr A. Keenan, *President* (from 1 July 2008)

Mr S.J. Savage, *Director of Representation* (until 30 June 2008)

Mr J. Shield, *Director of Representation* (from 1 July 2008)

Non Executive Members

Sir A. Bagnall

Mrs A.K. Blair (from 1 August 2008)

Dr N.M. Bryson

Mr P.P. Cabrelli

Mrs C.A.M. Davis (until 31 July 2008)

Mr A.J. Harden

Mr M. Jones (from 1 August 2008)

Rev Dr M. MacLean

Mrs C. Potter

Mr G.R.C. Scott (until 31 July 2008)

Clerk of the Court

Mrs L. E. Fraser

MEMBERSHIP OF COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
ACADEMIC AUDIT COMMITTEE		
Dr C.R. Warren (Convener)	2009	Senate Assessor on Court
The Vice-Principal (Learning & Teaching)	-	<i>ex officio</i>
The Dean of Arts	-	<i>ex officio</i>
The Dean of Science	-	<i>ex officio</i>
Director of Representation, Students' Association	-	<i>ex officio</i>
Professor R.W. Byrne (until 1 February 2008)	-	Senate Assessor on Court
Professor A. MacKenzie (from 22 February 2008)	2009	Senate Assessor on Court
Dr N.C. McGill (until 31 August 2008)	-	Director of Learning & Teaching Quality, School of Physics & Astronomy
Professor E. Moignard	2009	External Assessor
<i>Secretary: Director of Teaching Quality</i>		
AUDIT COMMITTEE		
Dr N. M. Bryson (Convener)	2010	Non-executive member
Rev Dr M. MacLean	2010	Non-executive member
Mr I.B. McIver (until 31 July 2008)	-	Court nominee
Miss K.M. Patrick	2012	Non-executive member
Dr M. Popple (from 1 August 2008)	2012	Court nominee
Mr W.J. Sutherland	2009	Court nominee
<i>Secretary: Academic Registrar & Clerk</i>		
DEVELOPMENT COMMITTEE		
The Senior Governor (Convener)	-	<i>ex officio</i>
The Principal	-	<i>ex officio</i>
Deputy Principal and Master	-	<i>ex officio</i>
Quaestor & Factor	-	<i>ex officio</i>
Vice-Principal (External Relations)	-	<i>ex officio</i>
Dean of Arts	-	<i>ex officio</i>
Dean of Medicine	-	<i>ex officio</i>
Dean of Science	-	<i>ex officio</i>
President of the Students' Association	-	<i>ex officio</i>
Sir A. Bagnall	-	Non-executive member
Mr J.F. Matthews OBE	-	Non-executive member
<i>Secretary: Director of Alumni & Development Operations</i>		

MEMBERSHIP OF COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
EQUAL OPPORTUNITIES COMMITTEE		
Mrs C.A.M. Davis (Convener) (until 31 July 2008)	2008	Non-executive member
The Director of Admissions	-	<i>ex officio</i>
The Director of Student Services	-	<i>ex officio</i>
The Convener, Staff Committee	-	<i>ex officio</i>
The Convener, Student Committee	-	<i>ex officio</i>
Mr R. Dittrich	2009	Member of Court
Dr E.F. Graham	2008	Senate nominee
Director of Representation	-	Students' Association Nominee
<i>Secretary: Director of Human Resources</i>		

GOVERNANCE AND NOMINATIONS COMMITTEE

Sir Brian Ivory (Convener)	2011	External convener
The Senior Governor	-	<i>ex-officio</i>
The Principal	-	<i>ex officio</i>
President of the Students' Association	-	<i>ex officio</i>
Mr P.P. Cabrelli	2012	Non-executive member
Mrs C. Davis (until 31 July 2008)	2008	Non-executive member
Rev Dr M. MacLean	2010	Non-executive member
Professor R. Crawford	2011	Member of Court
Dr C. Whitehead	2011	Member of Court
Dr C.R. Warren (until 31 July 2008)	-	Member of Court
<i>Secretary: Academic Registrar & Clerk</i>		

HEALTH AND SAFETY COMMITTEE

Mr G.R.C. Scott (Convener) (until 31 July 2008)	-	Non-executive member
Sir A. Bagnall (Convener) (from 1 August 2008)	2009	Non-executive member
The Secretary & Registrar (from 1 Aug 2007) (until 10 November 2007)	-	<i>ex-officio</i>
Vice Principal Governance & Planning (from 11 November 2007)	-	<i>ex-officio</i>
Director of Services, Students' Association	-	<i>ex-officio</i>
Councillor P. Grant (from 1 August 2008)	-	Non-executive member
Dr J. Ball	2009	AUT nominee
Mrs M.B. Parker	2008	AMICUS nominee
Mrs A. Small	2008	UNISON nominee
Professor R. Crawford	2011	Member of Court
Dr C. Whitehead (from 1 August 2008)	2011	Member of Court
Dr C.R. Warren (until 31 July 2008)	-	Member of Court
<i>Secretary: the Director of Environmental, Health & Safety Services</i>		

MEMBERSHIP OF COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
INVESTMENT AND COLLECTIONS COMMITTEE		
Professor E. Brown (Convener until 31 July 2008)	2010	Senior Governor
Mr A. Harden (Convener from 1 August 2008)	2011	Non-executive member
The Principal	-	<i>ex officio</i>
The Quaestor & Factor	-	<i>ex officio</i>
The President, Students' Association	-	<i>ex officio</i>
Mr W. Berry	-	Chancellor's Assessor
Professor N.V. Richardson	2008	Senate nominee
Mrs C. Davis (until 31 July 2008)	2008	Non-executive member
Dr N. Bryson (from 1 August 2008)	2010	Non-executive member
Miss K. M. Patrick	2012	Non-executive member
<i>Secretary: Assistant Director of Finance</i>		

PLANNING AND RESOURCES COMMITTEE

The Senior Governor (Convener)	-	<i>ex officio</i>
The Principal	-	<i>ex officio</i>
The Deputy Principal	-	<i>ex officio</i>
The Dean of Arts	-	<i>ex officio</i>
The Dean of Science	-	<i>ex officio</i>
Convener, Investment & Collections Committee	-	<i>ex officio</i>
Convener, Staff Committee	-	<i>ex officio</i>
Convener, Student Committee	-	<i>ex officio</i>
President, Students' Association	-	<i>ex officio</i>
Mr G.R.C. Scott (until 31 July 2008)	-	Non-executive member
Mr A Harden (from 1 August 2008)	2011	Non-executive member
Sir A. Bagnall	2009	Non-executive member
Professor D.M Paterson	2010	Senate electee
Professor S.J. Broadie	2012	Senate electee
<i>Secretary: Academic Registrar & Clerk</i>		

REMUNERATION COMMITTEE

Senior Governor (Convener)	2010	Senior Governor
The Principal ¹	-	<i>ex officio</i>
The Convener of the Staff Committee	-	<i>ex officio</i>
Sir A. Bagnall	2009	Non-executive member
Miss K.M. Patrick	2012	Non-executive member
Mr M. Jones (from 1 August 2008)	2012	Non-executive member

Secretary: Director of Human Resources

¹ Matters affecting the Principal's own contract are considered in the absence of the Principal

MEMBERSHIP OF COURT AND COMMITTEES

<i>Members</i>	<i>Until</i>	<i>Status</i>
STAFF COMMITTEE		
Mr P.P. Cabrelli (Convener)	2012	Non-executive member
The Principal	-	<i>ex officio</i>
The Deputy Principal & Master	-	<i>ex officio</i>
The Secretary & Registrar (until 10 November 2007)	-	<i>ex officio</i>
Vice Principal Governance & Planning (from 11 November 2008)	-	<i>ex officio</i>
The Dean of Arts	-	<i>ex officio</i>
The Dean of Science	-	<i>ex officio</i>
Convener, Equal Opportunities Committee/Monitoring Group	-	<i>ex officio</i>
Professor V.J. Brown	2008	Senate nominee
Miss K.M. Patrick	2012	Non-executive member
Mr S.R. Magee	2009	Court nominee (non-academic staff)
Dr M. Harris	2008	Senate nominee
<i>Secretary: Director of Human Resources</i>		
 STUDENT COMMITTEE		
Mrs C. Potter (Convener)	2010	Non-executive member
Convener, Equal Opportunities Committee/Monitoring Group	-	<i>ex officio</i>
The Director of Student Experience	-	<i>ex officio</i>
Rector's Assessor	-	<i>ex-officio</i>
Sir A. Bagnall (until 31 July 2008)	-	Non-executive member
Dr N Bryson (until 31 July 2008)	-	Non-executive member
Mr M. Jones (from 1 August 2008)	2012	Non-Executive member
Professor R. Byrne (until 1 February 2008)	-	Non-executive member
Professor A. McKenzie (from 22 February 2008)	2009	Non-executive member
Dr Claire Whitehead (from 1 August 2008)	2009	Non-executive member
Professor K. Dholakia	2008	Senate nominee
Dr T.E. Jones	2008	Senate nominee
Rev Dr M. Maclean	2010	Non-executive member
Mr E.D. Wilson	2010	Court nominee
The Director of Representation, Students' Association	-	Students' Assoc. nominee
The President, Students' Association	-	Students' Assoc. nominee
<i>Secretary: Director of Student Support Services</i>		

REPORT OF THE UNIVERSITY COURT

Preparation of the financial statements

The financial statements for the year to 31 July 2008 have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007) and the Scottish Funding Council's (SFC) Accounts Direction. As noted in the statement of principal accounting policies on page 20, the financial statements have been prepared on a historical cost basis as modified by the revaluation of listed and endowment asset investments.

Results for the year

There was further strong growth in turnover, up £11.5million (10%) to £129.1million, reflecting a continuation of recent trends with continuing strength in demand for teaching places and expansion of research grant activity. Ongoing pressures on pay costs arising from the modernisation of pay structures and industrial action in 2006 combined with cost pressures on pensions and utilities continued to constrain the University's ability to generate a surplus at a level that Court believes is necessary to sustain future growth. The surplus on continuing operations was £559,000 (2006/2007 - £647,000 deficit). The total surplus was £1.1million (2006/2007 - £451,000).

Grants received from SFC increased by £2.7million (8%) with the largest area of growth being in grants in support of research although much of this increase was offset by increased investment in targeted areas. It is expected that through this investment, the University along with partner Universities in Scotland will continue to increase the capability of the Scottish HE Sector to compete strongly with larger Universities in the UK and throughout the rest of the world.

Tuition fee income increased in the year by around £2.8million (10%) reflecting continuing strong demand for the high quality education provided by St Andrews in an increasingly competitive global market, particularly for full degree seeking undergraduates, but also for research postgraduates. Around one third of the students entering the University were ordinarily domiciled outwith the UK, reflecting the University's success as a recognised global brand that is successfully representing Scotland on the world stage. In the domestic markets, demand also remains strong despite the raising of academic entrance standards. The University remains active and committed in its pursuit of widened participation especially in our local communities

Income from research grants increased by £3.4million (12%), reflecting a significant improvement on the previous year. During the year, the University won £38million of research grants which will be received over the next three years as the work is carried out. This level of awards is the highest level of success that the University has enjoyed. The University continues to raise the level of indirect cost recovery on these grants which is enabling it to better recover more of the ongoing costs of maintaining the infrastructure required to support world leading research. This emphasis supports the University's view that its significant investment with a focus on world class researchers and supporting infrastructure, continues to bring benefits and will assist the University in sustaining its level of performance in future.

Other income increased by £1.8million (9%) most of which was attributable to the better use of residential capacity. However this was largely offset by additional costs.

In the year to 31 July 2007, the University reported a deficit of £9.3million on its local defined benefit pension scheme. In the current year, the deficit increased by £10.1million to £19.4million reflecting the impact of more up to date mortality assumptions and higher inflationary pressure on liabilities without comparable returns from the Scheme's investment assets. The Trustees of the scheme have agreed a 20-year recovery plan for the pension scheme that has been accepted by the Pensions Regulator.

REPORT OF THE UNIVERSITY COURT

During the year consolidated balance sheet funds reduced by £8.6million to £102.2million. Fixed assets grew by £12million as the University commenced significant investment in its Estate Strategy. Net Current Assets grew by £36.5million but this movement was offset by an increase in long term liabilities of £43.5million as the University recast its long term borrowings to provide medium and long term certainty of interest costs to fund the ongoing investment in infrastructure. Alongside these movements, the value of the University's Endowment Funds fell by £3.7million after spending commitments, reflecting a difficult year in global equity markets, and the deficit in the local final salary pension scheme worsened by £10.1million.

Achievements of the year

The University achieved unprecedented levels of success in published league tables which are an increasingly accepted external measure of Universities' overall success. It maintained a position of 5th in the UK and the top University in Scotland. The University views this success as an important measure of its efforts to continue to punch above its weight, in a highly competitive market and despite the additional funding sources available to Universities elsewhere in the UK.

In learning and teaching, the University continued to progress arrangements for Personal Development of students alongside improved advising arrangements. The University also made significant strides in increasing student awareness of employability issues at an earlier stage of their academic studies. The University believes that this will assist students in their personal development during their degree course in order to further enhance their immediate employability prospects on graduating. The University continues to be a highly attractive seat of learning for extremely able students, with applications from the European Union (EU) of over 10 students for every available place - even in core science subjects, where the University's ability to offer places is limited by the willingness of SFC to fund them.

In research, the University completed its preparations for the Research Assessment Exercise (RAE) with collation and submission of research publications for over 95% of the academic staff. The outcome will be announced in December 2008 with the related funding award announced in March 2009. The University has substantially increased the number of its academic staff in recent years. The submission rate of over 95% highlights the research focus of this expansion. The University is confident that the Scottish Government recognises the importance of research excellence to the sustainability and reputation to the Scottish Higher Education sector, and that the related funding settlement in March 2009 will reward those who lead the sector in this area that is so important to the economic wellbeing of Scotland.

The University strongly supports SFC's strategy of research collaboration and the research pooling successes in Chemistry, Physics, Computer Science, Economics, Geosciences, Neuroscience and Life Sciences. In addition to these important Scottish collaborations, the University continues to enhance and develop partnership agreements with leading universities in Europe and the United States, ensuring that it remains at the heart of research excellence on the world stage.

During the year, the University reviewed its approach to transferring its knowledge into the wider community through public policy advice and commercialisation of its research alongside general & cultural engagement. This resulted in a reorganisation of support units to better release and focus its Knowledge Transfer and cultural engagement activities.

Construction of a new Medical School, incorporating inter-disciplinary research facilities commenced in July 2008. An essential component in the funding of this facility will be philanthropic and grant funding. During the year, the University received cash donations and firm pledges of support towards its initiatives of over £16million, which when added to capital grant funding from SFC means that the

REPORT OF THE UNIVERSITY COURT

University is well on track towards meeting the costs of this £45million development which is expected to be operational for the start of the 2010/ 2011 academic year.

People

The University's success is based upon the contribution and hard work of all of its staff – the talent of its academic staff and the ability and professionalism of its support staff working throughout its Schools and Units. During the year the University has continued to review, challenge and improve working arrangements, policies and procedures for staff to ensure that they are retained and developed to support and enhance the prospects of the University in the future.

The University thanks those retiring from Court namely, the Rector, Simon Pepper along with non executive members Christine Davis and Graeme Scott. These individuals have served the University Court on a voluntary basis for a number of years and the University has greatly benefitted from their respective contributions over the years.

Looking forward

During the year the University concluded a comprehensive review of its Strategic Plan and published a plan covering the next 10 years, with Key Performance Indicators and targets covering all aspects of its service.

The University has come through two years in which its operating surplus was constrained, primarily by pay growth which exceeded funding growth. During this period the University stuck firmly to its principles and core beliefs of seeking academic excellence. The University moves into 2008/2009 with confidence in its RAE submission, with unprecedented levels of demand for places from prospective students and record levels of research grant activity. These are the core areas which will underpin the University's continued success.

In looking forward with optimism, the University is critically aware of significant cost pressures which will present themselves in pay, utility and commodity costs, driven by global demand pressures and pension costs exacerbated by an adjusting global equity market. The University is confident, that its planning environment based solidly within academic schools and combined with clear strategic thinking will deliver sustainable earnings which are essential for funding the investment in infrastructure that is critical for continued academic success.

In addition to the new Medical School, the University is continuing to develop plans for a substantially enhanced library service, further investment to foster a cluster of interdisciplinary sciences on the North Haugh and a range of other facilities which will enhance the St Andrews learning experience and provide academics with a platform on which to conduct world leading research. This is expected to bring significant benefits both nationally and internationally.

These are major projects and the University recognises that in addition to raising substantial external funds, it is essential that it is able to achieve annual operating surpluses that are predictable and provide the necessary confidence for investment decision-making. The University will continue to engage urgently and actively with the Scottish Government and its agency SFC to achieve this.

Ewan Brown
Senior Governor
College Gate
St Andrews
17 October 2008

RESPONSIBILITIES OF COURT

In accordance with the Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, 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.

Court is responsible for ensuring that there are 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 Universities (Scotland) Act 1889 as amended by the Universities (Scotland) Act 1966, the Statement of Recommended Practice: Accounting for further and higher education (2007), and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed with SFC 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, Court has to ensure 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. Court is satisfied that it 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.

Court has responsibility to:

- ensure that funds from SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with SFC and any other conditions which SFC 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;
- ensure that there exists an effective platform for the control and monitoring of risk and that risk implications are considered at all areas within University management;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

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

- clear definitions of the responsibilities of, and the authority delegated to staff;

RESPONSIBILITIES OF COURT

- a comprehensive planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial performance, including updates of forecast out turns;
- 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 Court and promulgated in the Standing Financial Instructions;
- comprehensive Financial Regulations, detailing financial controls approved by Court on the recommendation of the Planning & Resources Committee;
- an Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by Court providing Court with a report on internal audit activity within the University and an opinion on the adequacy and effectiveness of the University's system of internal control, including internal financial control;
- an Audit Committee whose terms of reference are laid along with all Court Committees and which are summarised on page 12.

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

CORPORATE GOVERNANCE

The University is committed to best practice in all aspects of corporate governance. The summary provided below describes the manner in which the University has applied the principles set out in the Combined Code on Corporate Governance (developed to establish standards of best practice in corporate governance amongst UK listed companies). Its purpose is to help the reader of the financial statements understand how the principles have been applied. The summary incorporates internal control guidance for directors on the Combined Code as amended by the British Universities Finance Directors Group and takes account of the amendments in the 2006 Combined Code. A benchmarking exercise carried out by SFC (SFC/42/2008) found that sector guides used by the University covered the vast majority of the key themes set out in *The good governance standard for public services*.

In the opinion of Court, the University complies with most of the principles of the Combined Code (amended as outlined above), in so far as they apply to the higher education sector, and it has complied with such principles throughout the year ended 31 July 2008. There is divergence between University practice and the combined code in the following two areas:

Chairmanship of Court - Meetings of Court are presided over by the Rector, an elected representative of the students, in terms of the Universities (Scotland) Act 1889, section 5(5). Accordingly, the University cannot comply with best practice with regard to Chairmanship of Court. The University has however, with the full consent of the Rector, instituted an arrangement for the election of one of the non-executive members of Court to act as 'Senior Governor'. The Senior Governor leads Court on all items of business associated with policy and resources and is responsible for the appraisal and review of Court members and the Vice-Chancellor. The Senior Governor is elected by Court and thus has the support of the governing body as a whole in fulfilling these roles as well as engaging directly with SFC and the Scottish Government as appropriate.

Term of Office – Elected and appointed members of Court normally have a term of office not exceeding four years. This compares with the Combined Code principle of three-year terms of office.

Court, which is the governing body of the University, derives its authority from Acts of Parliament which, *inter alia*, vest in Court the administration of all property and revenues of the University and give it the power to review the decisions of the Senate. Court thus has overall responsibility for the governance of the University, including all aspects of strategic planning and management of all resources, whether financial, human or physical.

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.

Responsibility for the monitoring of risk lies with the Audit Committee on behalf of Court. The University has a Risk Management Group, led by a member of the Principal's Office and containing representatives from all University activities. This Group is tasked with responsibility for embedding risk management in all decision-making processes of the University. It operates within a framework of control agreed by the Audit Committee to ensure that the University continually monitors its exposure to risk, taking corrective action where necessary, with performance of this role measured and monitored by the Audit Committee.

CORPORATE GOVERNANCE

Court met six times during the year ended 31 July 2008. It has a number of committees with particular areas of responsibility. The decisions and recommendations of these committees are formally reported to Court. The committees, whose membership is disclosed on Pages 2 to 5, are:

Academic Audit	Audit
Development Committee	Equal Opportunities
Investment & Collections	Governance & Nominations
Health & Safety	Planning & Resources (PARC)
Remuneration	Staff
Student Committee (formerly the Student Services Committee)	

All of these Committees are formally constituted with formal terms of reference, outlined in an annual publication "Standing Committees of the University: Membership and Remit" (<http://www.st-andrews.ac.uk/about/UniversityCourt/>).

In respect of its strategic planning and development responsibilities, Court receives recommendations and advice from PARC, chaired by the Senior Governor. During the year the Committee's membership included, ex-officio, the three non-executive Court members who convened the Investment & Collections Committee, Staff Committee and Student Committee.

The Academic Audit Committee oversees the implementation, management and monitoring of the University's quality enhancement strategy; advises Senate on changes to the University's academic audit procedures; liaises with University Officers and Committees on matters relating to academic audit.

The Audit Committee consists of non executive members of Court supplemented by additional co-opted expert external non executive members to assist it in its role. The Committee reviews the audit of the University's annual financial statements and keeps under review (a) policies, procedures and regulations in respect of the University's assets, and (b) financial controls, accounting procedures, the application of accounting standards, and routine arrangements for the investigation of questions of financial irregularity or impropriety; considers all matters relating to the internal and external audit, and Value for Money review, of the affairs of the University and of those companies controlled by Court; receives reports from the internal and external auditors. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee; and the Committee has the opportunity to meet with the internal or external Auditors in the absence of University staff. The Convener of the Audit Committee is accountable to Court for conducting the annual performance appraisal of the Senior Governor.

The Development Committee oversees the activities of and monitors the performance of the University's engagement with its alumni community. In addition, it ensures that fundraising priorities are aligned with the University's Strategic Plan and provides support and guidance for fundraising activities.

The Equal Opportunities Committee considers and reports on matters concerning the development of and progress in the implementation of the University's equality statement and associated policies; considers the implication of changes in legislation with regard to equal opportunities within the University and notifies the Principal's Office and conveners of other committees of any issues. The Committee is also required to audit the implementation of the Equality Statement and associated policies on an annual basis and make an annual report to Court and Senate on the state of equal opportunities in the University. From 1 August 2008 the Committee was replaced by an Equalities

CORPORATE GOVERNANCE

Monitoring Group that has been tasked with ensuring that all equal opportunities activities are effectively embedded within University committees.

The Investment & Collections Committee receives the annual report on the University's Collections from the Curator of the Museum Collections and the Keeper of Special Collections; conducts regular reviews of the general investment policy of the University and within the context of that policy monitors the performance of (i) the University's investment advisers, (ii) the investment portfolio(s) under their management and (iii) University investments not under the management of the investment advisers; and reviews the University's investment assets, advising Court in respect of their management, purchase and sale.

The Governance & Nominations Committee advises Court on any matter pertaining to the execution of its governance functions, including the appointment and role of Court's Senior Governor; identifies and recommends persons for membership of Court; makes recommendations to Court with regard to (a) the overall structure of University committees and (b) the remit and Court-nominated membership of such committees; and recommends to Court how it should be represented, as necessary, on external bodies and at particular meetings or events.

The Health & Safety Committee advises Court on all matters concerning Health and Safety including, the University's legal obligations. The Committee receives annual reports from the University's Director of Environmental, Health and Safety Services, concerning the management of all areas of Health and Safety at work including Occupational Health, radiation hazards, biological and chemical hazards and fire safety. In addition, the Committee considers where necessary, reports from Inspectors of Enforcing Authorities under health and safety legislation, reports from the University's Insurance brokers and reports from the Trade Union Safety representatives. The Committee advises the Audit Committee annually of the level of risk pertaining to Health and Safety, agrees programmes for Health and Safety audits and ensures that recommended action is taken efficiently and effectively. The Committee also makes recommendations to Court on actions considered necessary to promote the health and safety of employees, students and others within the University.

PARC reviews the annual budget and financial forecasts of the University, and the levels of residential and other fees charged to students; reviews regularly during the year actual income and expenditure as compared with budgeted levels; monitors the level and cost of the University's borrowings and the extent of other liabilities, and reviews and makes recommendations on individual financial decisions which due to their size or nature are reserved for Court.

The Remuneration Committee receives, considers and approves the recommendations of the Principal in relation to the remuneration of all staff whose salary progression does not represent standard progression with regard to a recognised salary scale; receives and considers information from the Principal on all severance arrangements and approves the recommendations of the Principal on specific arrangements which involve University expenditure in excess of £75,000; determines, through its non executive members, the remuneration of the Principal; and takes a general overview of all of the above, or any related, matters in order to ensure the exercise of appropriate financial control and of reasonable employer behaviour.

The Staff Committee receives, reviews, approves and monitors the University's strategic objectives in respect of its staff; considers, encourages and reviews the effectiveness of staff policy initiatives; reviews the effectiveness and performance of the Human Resources activities and monitors compliance and risk management with respect to employment law and practice.

CORPORATE GOVERNANCE

The Student Committee (formerly known as the Student Services Committee) considers and reports on matters affecting non-academic student services of any kind. The Committee receives reports from the Director of Residential and Business Services on the work of the Student Accommodation Services, the Director of Student Services, the Residential Accommodation Forum and the Support Forum and it advises Court as necessary. The Committee is responsible for preparing an annual report on the University's student profile, reporting any points of significance to Court.

In keeping with the University's policy on the registration and declaration of interests, all persons routinely attending meetings of Court and its Committees are required to take proper account of any conflict of interest which might arise from their University involvement on the one hand and their membership of, or connection with, other bodies outside the University on the other. The Clerk of the Court has established and maintains a formal register of interests. It is available for inspection in the Court Office by those obliged to supply information for inclusion in the register, officers of SFC and the University's internal and external auditors. The Clerk may, after consultation with the Senior Governor, the Principal and the member(s) concerned, also make the register, or a specific part of the register, available to others.

As reported in previous years' Reports and Financial Statements, the University has formally compared the practice of Court with the requirements of the Guide for Members of Governing Bodies of Scottish Higher Education Institutions and Good Practice Benchmarks (SFC Circulars HE/05/99 & HE/23/00).

Having carried out a thorough review of its effectiveness during the year to 31 July 2008, Court has effected changes which have achieved fuller compliance with the Good Practice Benchmarks, with stated exceptions regarding term of office and chairmanship of meetings.

Payment of creditors

It is the University's policy to obtain the best terms for all business and thus there is no single policy as to the terms used. In agreements negotiated with suppliers, the University endeavours to adhere to specific payment terms. The average creditor payment period, calculated as a proportion of the year-end creditors to aggregate amounts invoiced during the year, was 40.3 days (2006/2007: 39.2 days).

Equal Opportunities Policy

The University has an Equal Opportunities Policy that applies to all staff and all students. The Policy's aims are that all individuals will be treated with respect and that they will not be subject to unfair discrimination in any aspect of university life. The University's aim is that all staff and students, whether existing or potential, will receive fair and equal treatment when applying to become, or working as, members of the University. The Equal Opportunities Policy aims to achieve an environment in which unfair discrimination is not tolerated, and in which everyone has the opportunity to develop to his or her full potential.

This policy includes specific provision for existing and potential employees with disabilities and those from under-represented ethnic and racial groups. The University actively seeks ways to ensure that such individuals are not disadvantaged in their career development by factors relating to their personal circumstances.

Ron Piper
Vice Principal (Governance & Planning)
College Gate
St Andrews
17 October 2008

CORPORATE SUSTAINABILITY REPORT

The University is committed to addressing the issue of sustainability in its operations, teaching, research, investment management and community outreach & engagement. The following information is a summary of the University's performance. A more detailed report will be posted on the University's website later in the year.

The University's aim is to integrate sustainability aspects within day to day operations and this is reflected in its Strategic Plan. The policy of engaging staff, students and external stakeholders in its sustainable development agenda has helped the University become recognised as a leading exponent in this area. The University was awarded a 'Highly Commended' award in the Environmental Association for Universities and Colleges 'Green Gown' Awards for its Sustainable Investment Policy. In the influential survey "People and Planet Green League", the University was placed first in Scotland and 12th overall in the UK.

During 2007/08 our sustainability objectives and targets were:

Objectives

- To prevent pollution and ensure compliance with relevant environment legislation
- To make prudent use of natural resources
- To develop and implement best practice utilities management for controlling costs and consumption
- To minimise the production of waste and ensure that the maximum amount is reused and recycled
- To develop solutions that reduce travel and transport impacts
- To change the behaviour of students and staff by achieving effective internal communication of environment and sustainability issues
- To teach and research at an international level on sustainability issues

There were no infringements of environmental legislation during the year and no enforcement notices were issued.

While consumption of energy has increased by 6% compared to the previous year, utilities cost is expected to rise by 63% in the year ahead. In response the University has joined the Carbon Trust's SALIX fund, where savings from energy investment are put back into the fund to support further work. As at 31 July 2008, the University has committed £500,000 in projects with an annual saving of 880 tonnes of carbon and an expected lifetime saving of 7,150 tonnes of CO₂. It is anticipated that by 2012, the SALIX Fund investment will have helped to reduce the forecast rise in consumption to around the current levels.

The University has also begun preliminary consultation with the local community in the Boarhills and Kingsbarns area of Fife where the University owns farmland. The site has considerable potential for wind farm development and it is hoped that some form of community development can be achieved.

Other Activities

- The amount of municipal waste recycled has reached a high of 59%. This is a considerable achievement given that the University-wide recycling programme only started in 2004. For construction waste, each new build and major refurbishment project also adopts a minimum recycling rate of 75% of site arisings.
- A baseline ecological survey of the University grounds was undertaken during the period. This work not only helps to fulfil the requirements of the Nature Conservation (Scotland) Act 2004 but it provides a useful bank of knowledge for future developments and for staff and student awareness. A Biodiversity Action Plan is now being developed.
- The first graduates (23 students) from the University's inter-disciplinary undergraduate degree programme in sustainable development graduated in June 2008. This degree continues to be strongly supported with the first year modules attracting approximately 180 students.
- 2008 saw the 10 year anniversary of the St Andrews Prize for the Environment award scheme. The current year winner was Ian Thorpe with his programme to install over 1,000 'Elephant Toilets' in southern Malawi which will benefit over 20,000 people.

Sustainable Investment

During the year the University implemented a Sustainable and Socially Responsible Investment Policy. This saw the University liquidate its Endowment Fund investments in unconstrained UK and Global Investments and place the bulk of its investments with Aviva Investment Managers through a segregated global equity mandate. The main aim of this mandate is to deliver strong investment performance whilst incorporating an understanding of social, environmental and corporate governance issues. Aviva will seek investments which;

- promote social responsible behaviour and sustainability,
- address issues on human rights, business ethics, good employment practice, the environment, community investment, armaments, essential resources and animal testing,
- encourage good behaviour and discourage poor behaviour through the screening of investments.

As part of this policy, the University will establish a forum for engagement with its staff, students and alumni with Aviva Investment Managers, to provide an opportunity for ongoing debate in the consideration of these issues and encouragement of sustainable behaviours.

Student Charity Work

The University's students continued their long tradition of charitable fundraising and volunteering, raising a total of £162,244 for charities such as Amnesty International, Macmillan Cancer Support, Habitat for Humanity, and many others. Fundraising was organised by both the Students' Association and independent student groups through an extensive and innovative range of methods and events such as fashion shows, races to Europe, Mr St Andrews, sponsored runs, inter-Hall of Residence competitions, and more. The final total represents a record-breaking amount of over £20 per student, a figure that places the University considerably ahead of its peers. The Students' Association aims to raise even more next year, boosted by the donation of a Jack Vettriano painting, which was recently auctioned at Sotheby's for £32,000, double its original estimate.

CORPORATE SUSTAINABILITY REPORT

Student voluntary activity progressed significantly in this academic year, with the Students' Association's Student Voluntary Service attracting a large number of new and returning volunteers. Activities reach beyond the town to cover Fife, with help offered to groups assisting people with special needs, disadvantaged families, and the elderly. The Association participates in the Millennium Volunteers scheme, which allows the students to receive official accreditation for their work, recognising their efforts and the skills they have developed.

**Derek Watson
Quaestor & Factor
College Gate
St Andrews
17 October 2008**

We have audited the Consolidated and University financial statements for the year ended 31 July 2008 which comprise the Consolidated Income and Expenditure Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and University Balance Sheets, Consolidated Cash Flow Statement and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the University Court of the University of St Andrews ("Court"), as a body, in accordance with the Financial Memorandum of the University. Our audit work has been undertaken so that we might state to Court those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Court as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Court and Auditors

Court is responsible for preparing the financial statements in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education (2007) and other applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Financial Memorandum.

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.

We also report to you if, in our opinion the information given in the Report of the University Court 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 are also required to report to you whether, in our opinion, funds, from whatever source, administered by the University for specific purposes have, in all material respects, been properly applied to those purposes and managed in accordance with the terms and conditions attached to them and whether income has, in all material respects, been applied in accordance with the relevant legislation and with the Financial Memorandum with the Scottish Further and Higher Education Funding Council.

We read other information contained in the Report of the University Court, Responsibilities of the Court, Corporate Governance Statement and Corporate Sustainability Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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 Further and 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 Court in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the University and of the Group as at 31 July 2008, and of the surplus of the Group's income over expenditure and the Group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education;
- funds from the Scottish Further and Higher Education Funding Council, grants and income for specific purposes and from other restricted funds administered by the University have, in all material respects, been applied only for the purposes for which they were received; and
- income has, in all material respects, been applied in accordance with the Further and Higher Education (Scotland) Act 1992 and, where appropriate, with the Financial Memorandum dated 1 January 2006 with the Scottish Further and Higher Education Funding Council.

Ernst & Young LLP
Registered auditor
Glasgow

17 October 2008

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

Statement of Principal Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of listed and endowment asset investments.

Basis of consolidation

The consolidated financial statements include the University and all material subsidiary undertakings as listed in the notes to the accounts for the financial year to 31 July 2008. Intra-group transactions are eliminated on consolidation. The activities of the Students' Association have not been consolidated as the University does not control these activities.

Change in accounting policy

The University has adopted the accounting requirements of the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 in full in the current period. The adoption of the revised SORP has resulted in a change in accounting policy for charitable donations. Charitable donations where 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 have been re-classified as 'restricted expendable endowments'. Previously this type of income was ring-fenced, released in line with spend and reported within 'other income'. Unspent income was carried forward within the University's creditors due in less than one year.

The impact of the prior year adjustment on the net assets at 1 August 2006 and 1 August 2007 is a reduction of £603,000 and £613,000 respectively, representing the unspent element of restricted donations re-classified as endowment funds. There was no impact on the results for the current or prior financial year.

Recognition of income

Income from SFC is recognised in the period for which it is received.

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 for prompt payment, income receivable is shown net of the 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

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.

Agency arrangements

Funds the University receives and disburses as paying agent on behalf of a funding body are excluded from the income and expenditure account 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.

Finance leases, which substantially transfer all the benefits and risks of ownership of an asset to the University, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied in order to reduce outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Taxation

The University of St. Andrews 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 Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

This exemption is not extended to the trading activities of the Group but all trading profits of subsidiaries are transferred to the University by gift-aid.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

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.

Goodwill

Goodwill arises on consolidation and is based on the difference between the fair value of the consideration given for the undertaking acquired and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its estimated economic life. Where goodwill and intangible assets are regarded as having limited useful economic lives, they are amortised over those lives up to a maximum of 20 years. Impairment tests are carried out at the end of the first year and thereafter subject to normal periodic reviews for indications of impairment. Where there is impairment in the carrying value of goodwill, the loss is incurred in the results for the period. Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Negative goodwill is separately disclosed on the face of the balance sheet in fixed assets and is released to the income and expenditure account.

Land and buildings

Land and buildings are stated at historic cost.

Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the University from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned. The cost of buildings includes related interest.

Depreciation

Freehold land is not depreciated.

Freehold buildings are depreciated over their expected useful economic life to the University of between 40 and 50 years. A depreciable asset's anticipated useful economic life is reviewed periodically by an independent expert valuer and the accumulated and future depreciation adjusted in accordance with FRS 15.

Leasehold land and buildings are amortised over the life of the lease.

Assets under construction are not depreciated until the month following the month in which they become available for operational use.

Donated Assets

Where it is not possible to obtain a reliable cost or valuation or where the cost of obtaining a valuation is greater than the benefit to the users of the financial statements for inherited or donated assets these assets are not capitalised and are not included on the Balance Sheet.

Acquisition with the aid of specific grants

Where buildings are acquired with the aid of specific grants, the grants are capitalised and depreciated. The related grants are credited to a deferred capital grant account and 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

Repairs and maintenance

Maintenance expenditure is recognised in the income and expenditure account in the period it is incurred. The University has a planned maintenance programme, which is reviewed on an annual basis.

Equipment

Equipment costing less than £10,000 is written off in full in the year of acquisition. Capitalised equipment and furnishings are stated at cost and depreciated on a straight line basis over their expected useful lives as follows:

Telecommunications Systems:	7 Years
General Furnishings and Equipment	7 Years
IT Equipment:	4 Years

Where equipment is acquired with the aid of a specific grant, the grant is capitalised and depreciated as above. The related grant is treated as a deferred capital grant and released to income over the expected useful life of the equipment.

Investments

Listed investments are stated at market value and heritable property investments held as endowment assets are stated at open market value. Unlisted investments are stated at cost less any provision for impairment of their value.

Stocks

Stocks for resale and other stocks of material value are included at the lower of their cost or net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

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 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 date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

Financial Instruments

The University uses interest rate swaps to reduce exposure to interest rate movements. Such swaps are not made for speculative purposes and relate to actual assets or liabilities or to probable commitments, changing the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts. In instances where the derivative financial instrument ceases to be a hedge for an actual asset or liability, then it is marked to market and any resulting profit or loss recognised at that time.

A financial asset and a financial liability are offset only when there is a legally enforceable right to set off the recognised amounts and an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously

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** – where 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** – where 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** – where the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective

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

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.

Retirement benefits

The two principal pension schemes for the University’s staff are the Universities Superannuation Scheme (USS) and the University of St. Andrews Superannuation and Life Assurance Scheme (S & LAS). The schemes are defined benefit schemes that are contracted out of the State Earnings-Related Pension Scheme.

The USS Scheme assets are held in a separate trustee-administered fund. It is not possible to identify each participating University’s share of the underlying assets and liabilities of the scheme; therefore contributions are accounted for as if it were a defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

The S & LAS scheme assets are held in a separate trustee-administered fund and are measured using market value. The liabilities of the scheme are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. Any increase in the present values of the liability in the scheme expected to arise from employee service in the period is charged to the income and expenditure account. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance costs, within interest payable or 'investment income' within endowment and investment income. Actuarial gains and losses are reflected in the statement of total recognised gains and losses.

The University continues to make a small and diminishing number of supplementation payments to retired members of the FSSU pension scheme. The liabilities of this scheme can be estimated under FRS17 and have been included in the financial statements.

Provisions

Provisions are recognised in the financial statements when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is discounted to present value where the time value of money is material. The discount rate used reflects current market assessments of the time value of money and reflects any risks specific to the liability.

Contingent liabilities are disclosed by 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.

University Collections and Heritage Assets

The University holds significant collections comprising art and silver; historical instruments; books and other artefacts which, in 1993 with advice from the University Advisory Committee on Collections and Exhibitions were indicatively valued at £75.3million. It is not considered practicable to obtain current valuations for the collections of artefacts owing to the diverse nature of the assets and the lack of comparable market values. The university does not therefore recognise these assets on its balance sheet.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 July 2008

	Notes	Consolidated Year ended 31 July 2008 £000	Consolidated Year ended 31 July 2007 (Restated) £000
INCOME			
Funding council grants	1	40,866	37,700
Tuition fees and education contracts	2	31,462	28,699
Research grants and contracts	3	31,197	27,830
Other income	4	23,199	21,360
Endowment & investment income	5	2,399	2,058
Total income		129,123	117,647
EXPENDITURE			
Staff costs	6	78,608	73,331
Other operating expenses		38,365	34,824
Depreciation	10	8,624	8,058
Interest and other finance costs	7	2,906	2,525
Total expenditure	8	128,503	118,738
Surplus / (deficit) after depreciation of tangible assets and before tax		620	(1,091)
Taxation		0	0
Surplus / (deficit) after depreciation of tangible assets and taxation		620	(1,091)
(Loss) / profit on disposal of fixed assets		(61)	444
Surplus / (deficit) on continuing operations after depreciation of assets, disposal of assets and taxation		559	(647)
Surplus for the year transferred to accumulated income in endowment funds	20	564	1,098
Surplus for the year retained within general reserves	21	1,123	451

The income and expenditure account is in respect of continuing operations.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 July 2008

	Notes	Year ended 31 July 2008	Year ended 31 July 2007 (Restated)
		£000	£000
Surplus on continuing operations after depreciation of assets, disposal of assets and tax		559	(647)
Appreciation of endowment assets	20	(4,062)	2,439
New Endowments	20	910	281
Revaluation of fixed asset investment	21	(465)	(1,000)
Actuarial (loss)/gain in respect of pension schemes	34	(11,090)	8,610
Total recognised (losses) / gains relating to the year		(14,148)	9,683
 Reconciliation			
Opening reserves and endowments as previously reported		74,817	65,144
Prior Year Adjustment (expendable endowments)		613	603
Opening reserves and endowments as restated		75,430	65,747
Total recognised (losses) / gains relating to the year		(14,148)	9,683
Closing reserves and endowments		61,282	75,430

BALANCE SHEETS
As at 31 July 2008

	Notes	Year ended 31 July 2008		Year ended 31 July 2007	
		Consolidated	University	Consolidated (Restated)	University (Restated)
		£000	£000	£000	£000
Fixed assets					
Intangible Assets	9	0	0	34	0
Tangible Assets	10	145,472	140,019	133,035	127,231
Investments	11	357	1,651	757	1,861
		<u>145,829</u>	<u>141,670</u>	<u>133,826</u>	<u>129,092</u>
Endowment assets	12	<u>34,774</u>	<u>34,774</u>	<u>38,490</u>	<u>38,490</u>
Current assets					
Stock	13	462	444	398	375
Debtors	14	13,537	18,021	10,353	15,268
Investments	15	25,240	25,240	0	0
Cash at bank and in hand		22,880	22,414	8,997	8,715
		<u>62,119</u>	<u>66,119</u>	<u>19,748</u>	<u>24,358</u>
Less: Creditors : amounts falling due within one year	16	<u>(30,363)</u>	<u>(31,662)</u>	<u>(24,507)</u>	<u>(26,150)</u>
Net current assets / (liabilities)		<u>31,756</u>	<u>34,457</u>	<u>(4,759)</u>	<u>(1,792)</u>
Total assets less current liabilities		212,359	210,901	167,557	165,790
Less: Creditors: amounts falling due after more than one year	17	(90,666)	(90,571)	(47,161)	(47,066)
Less: Provision for liabilities	18	(165)	(165)	(389)	(389)
Net assets excluding pension liability		<u>121,528</u>	<u>120,165</u>	<u>120,007</u>	<u>118,335</u>
Net pension liability	34	<u>(19,370)</u>	<u>(19,370)</u>	<u>(9,280)</u>	<u>(9,280)</u>
Total net assets including pension liability		<u>102,158</u>	<u>100,795</u>	<u>110,727</u>	<u>109,055</u>
Deferred capital grants	19	<u>40,876</u>	<u>40,461</u>	<u>35,297</u>	<u>34,856</u>
Endowment					
Expendable	20	406	406	613	613
Permanent	20	34,368	34,368	37,877	37,877
		<u>34,774</u>	<u>34,774</u>	<u>38,490</u>	<u>38,490</u>
Reserves					
Income and expenditure account excluding pension reserve	21	45,878	44,930	45,755	44,524
Pension reserve	34	<u>(19,370)</u>	<u>(19,370)</u>	<u>(9,280)</u>	<u>(9,280)</u>
Income and expenditure account including pension reserve		26,508	25,560	36,475	35,244
Revaluation reserve	21	0	0	465	465
		<u>26,508</u>	<u>25,560</u>	<u>36,940</u>	<u>35,709</u>
TOTAL FUNDS		<u>102,158</u>	<u>100,795</u>	<u>110,727</u>	<u>109,055</u>

Approved by the University Court of the University of St. Andrews on 17 October 2008 and signed on its behalf by:

Dr Brian A. Lang, Principal and Vice-Chancellor

Ewan Brown, Senior Governor

Derek A. Watson, Quaestor and Factor

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 July 2008

	Notes	Year ended 31 July 2008	Year ended 31 July 2007 (Restated)
		£000	£000
Cash flow from operating activities	22	4,367	17,868
Returns on investments and servicing of finance	23	(877)	(537)
Capital expenditure and financial investment	24	(4,989)	(4,598)
Acquisition	25	0	(68)
Management of Liquid Resources	26	(25,240)	0
Financing	27	41,782	(4,696)
Increase in cash in period		15,043	7,969
Reconciliation of net cash flow to movement in net debt			
Increase in cash in period	28	15,043	7,969
Cash inflow from new secured loans	27	(90,000)	(274)
Cash outflow repaying old loan	27	48,218	4,970
Change in short term deposits	26	25,240	
Change in net debt	28	(1,499)	12,665
Preference shares in subsidiary undertaking		0	(95)
Net debt at 1 August		(39,712)	(52,282)
Net debt at 31 July	28	(41,211)	(39,712)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

1 FUNDING COUNCIL GRANTS	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
SFC HE recurrent teaching grant	19,039	18,656
SFC recurrent research grant	16,178	15,302
Other SFC grants	3,635	2,154
Deferred capital grants released in the year:		
Buildings	19 1,135	894
Equipment	19 879	694
	<u>40,866</u>	<u>37,700</u>
 2 TUITION FEES AND EDUCATION CONTRACTS	 Year ended 31 July 2008 £000	 Year ended 31 July 2007 £000
Full time Home and EU students	9,267	8,230
Full time International students	17,838	17,087
Part-Time Home and EU students	155	130
Part-Time International students	38	16
Research training support grants	1,569	1,409
Short course fees	2,503	1,734
Other fees	92	93
	<u>31,462</u>	<u>28,699</u>
 3 RESEARCH GRANTS AND CONTRACTS	 Year ended 31 July 2008 £000	 Year ended 31 July 2007 £000
Research Councils	16,838	14,602
UK government bodies, local and health authorities	7,435	5,632
UK based charities	2,871	3,306
UK Industry, commerce and public corporations	1,490	1,036
EU Government bodies	2,360	2,128
EU other	290	77
Other overseas	1,211	1,259
Other sources	33	83
Total of direct cost and overhead recovered	<u>32,528</u>	<u>28,123</u>
Income deferred to match capitalised purchases	19 (2,938)	(2,009)
Release of deferred capital grant for research grant	19 1,607	1,716
	<u>31,197</u>	<u>27,830</u>
 4 OTHER INCOME	 Year ended 31 July 2008 £000	 Year ended 31 July 2007 £000
Residences, catering and conferences	16,454	15,327
Consultancy, knowledge transfer and cultural engagement	215	72
Released from deferred capital grants	19 351	354
Release of negative goodwill	0	75
Gifts & Donations	435	0
Academic Conferences	822	522
Distance Learning Course	813	0
Consumables and services recharged to research partner	488	628
Trading subsidiary companies	993	475
Other operating income	2,628	3,907
	<u>23,199</u>	<u>21,360</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

5 ENDOWMENT AND INVESTMENT INCOME	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Income from permanent endowments	20 1,090	1,199
Income from short-term investments	939	789
Net return on pension scheme	33 370	70
	<u>2,399</u>	<u>2,058</u>

6 STAFF COSTS	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Staff Costs:		
Salaries	64,951	60,622
Social security costs	5,349	5,027
Other pension costs	3 8,308	7,682
Total	<u>78,608</u>	<u>73,331</u>

Emoluments of principal	£000	£000
Salary	214	199
Benefits in kind	12	11
Pension contributions to USS	<u>26</u>	<u>15</u>

Remuneration of higher paid staff, excluding employer's pension contributions	Number	Number
£70,001 - £80,000	38	32
£80,001 - £90,000	26	25
£90,001 - £100,000	15	11
£100,001 - £110,000	5	2
£110,001 - £120,000	2	1
£120,001 - £130,000	2	2
£180,001 - £190,000	0	1
£190,001 - £200,000	0	1
£200,001 - £210,000	1	0
£210,001 - £220,000	1	0
	<u>90</u>	<u>75</u>

Compensation for loss of office payable to senior post-holders	£000	£000
Compensation payable	86	0

The compensation paid was in accordance with the University's remuneration policy

Average staff numbers by major category:	Number	Number
Academic	486	480
Academic / Teaching Services	76	84
Research	323	312
Administration – Schools and Units	668	662
Premises	147	147
Catering & Residencies	330	310
	<u>2,030</u>	<u>1,995</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

7 INTEREST AND OTHER FINANCE COSTS	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Bank overdraft	0	21
Interest paid to endowments	94	43
Loans repayable wholly or partly in more than five years	2,812	2,461
	<u>2,906</u>	<u>2,525</u>

8 ANALYSIS OF TOTAL EXPENDITURE BY ACTIVITY	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Academic Schools	52,123	47,436
Academic Support Services	6,994	6,049
Central Services	14,389	12,386
Premises	12,989	11,118
Research grants and contracts	23,908	22,627
Residences, catering and conferences	13,287	13,290
Other expenses	4,813	5,832
	<u>128,503</u>	<u>118,738</u>

Other operating expenses include:

External auditors remuneration in respect of audit services	53	46
External auditors remuneration in respect of non-audit services	26	4
Internal audit	53	52
Hire of plant and equipment	42	60

9 INTANGIBLE ASSETS	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Goodwill				
Opening Balance	34	0	0	0
Additions in the year	0	0	163	0
Amortisation charge for the year	(34)	0	(129)	0
Closing Balance	<u>0</u>	<u>0</u>	<u>34</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

10 TANGIBLE FIXED ASSETS

Consolidated

	Land & Buildings		Assets under	Equipment	Total
	Freehold	Leasehold	Construction	& Furniture	
Cost	£'000	£'000	£'000	£'000	£000
At 1 August 2007	136,258	73	6,300	44,355	186,986
Additions	1,101	0	16,064	3,946	21,111
Transfers	12,900	0	(13,465)	565	0
Disposals	(99)	0	0	(26)	(125)
At 31 July 2008	<u>150,160</u>	<u>73</u>	<u>8,899</u>	<u>48,840</u>	<u>207,972</u>
Depreciation					
At 1 August 2007	19,885	55	0	34,011	53,951
Charge for Period	4,608	2	0	4,014	8,624
Disposals	(65)	0	0	(10)	(75)
At 31 July 2008	<u>24,428</u>	<u>57</u>	<u>0</u>	<u>38,015</u>	<u>62,500</u>
Net Book Value					
At 31 July 2008	<u>125,732</u>	<u>16</u>	<u>8,899</u>	<u>10,825</u>	<u>145,472</u>
At 31 July 2007	<u>116,373</u>	<u>18</u>	<u>6,300</u>	<u>10,344</u>	<u>133,035</u>
Financed by capital grant	29,929	0	3,881	7,066	40,876
Other	95,803	16	5,018	3,759	104,596
Net book value at 2008	<u>125,732</u>	<u>16</u>	<u>8,899</u>	<u>10,825</u>	<u>145,472</u>

University

	Land & Buildings		Assets under	Equipment	Total
	Freehold	Leasehold	Construction	& Furniture	
Cost	£'000	£'000	£'000	£'000	£000
At 1 August 2007	129,974	73	6,300	43,867	180,214
Additions	1,101	0	16,064	3,946	21,111
Transfers	12,900	0	(13,465)	565	0
Disposals	(99)	0	0	(26)	(125)
At 31 July 2008	<u>143,876</u>	<u>73</u>	<u>8,899</u>	<u>48,352</u>	<u>201,200</u>
Depreciation					
At 1 August 2007	19,356	55	0	33,572	52,983
Charge for Period	4,285	2	0	3,986	8,273
Disposals	(65)	0	0	(10)	(75)
At 31 July 2008	<u>23,576</u>	<u>57</u>	<u>0</u>	<u>37,548</u>	<u>61,181</u>
Net Book Value					
At 31 July 2008	<u>120,300</u>	<u>16</u>	<u>8,899</u>	<u>10,804</u>	<u>140,019</u>
At 31 July 2007	<u>110,618</u>	<u>18</u>	<u>6,300</u>	<u>10,295</u>	<u>127,231</u>
Financed by capital grant	29,515	0	3,881	7,066	40,462
Other	90,785	16	5,018	3,738	99,557
Net book value at 2008	<u>120,300</u>	<u>16</u>	<u>8,899</u>	<u>10,804</u>	<u>140,019</u>

Included within fixed assets is an amount of £1,033,121 (2006/07 - £959,448) of capitalised finance costs. £73,673 of finance costs were capitalised during 2007/08. A monthly capitalisation rate was used which averaged at 5.5% for the year. Buildings and equipment with a cost of £35,639,444 and a net book value of £30,620,062 have been financed in part or in whole by Treasury sources. Should these assets be sold the University may have to surrender the relevant proceeds to the Treasury or use them in accordance with the Financial Memorandum with the SFC.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

11 FIXED ASSETS INVESTMENTS	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Subsidiary companies	0	1,294	0	1,104
Non-subsidiary investments in spinouts	125	125	525	525
Other fixed asset investments	232	232	232	232
	<u>357</u>	<u>1,651</u>	<u>757</u>	<u>1,861</u>

12 ENDOWMENT ASSET INVESTMENTS

Consolidated and University	As at 31 July 2008	As at 31 July 2007
	£000	£000
Balance as at 1 August	38,490	36,264
Additions	23,750	1,110
Disposals	(29,500)	(1,453)
(Depreciation) / Appreciation	(4,062)	2,439
Debtor movement	4,946	132
Cash movement	1,150	(2)
Balance as at 31 July	<u>34,774</u>	<u>38,490</u>
Represented by:		
Fixed Interest Stocks	0	6,788
Equities	25,673	28,792
Land & Property	1,225	1,130
Amounts included within short term deposits	6,683	1,488
Debtors	43	292
Bank, Building Society & Other Deposits	1,150	0
Total Endowment Assets	<u>34,774</u>	<u>38,490</u>

13 STOCKS

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Stocks of finished goods	462	444	398	375

14 DEBTORS

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Amounts falling due within one				
Trade debtors	1,589	1,456	2,478	2,384
Debts due from students	439	439	562	562
Research debt	9,095	9,095	5,900	5,900
Prepayments and accrued income	2,388	2,388	1,369	1,369
Other debtors	26	26	44	44
Amounts due from subsidiary	0	4,617	0	5,009
	<u>13,537</u>	<u>18,021</u>	<u>10,353</u>	<u>15,268</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

15 INVESTMENTS

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Deposits maturing in one year or less	25,240	25,240	0	0
	25,240	25,240	0	0

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Bank overdraft	0	0	18	0
Unsecured loans	0	0	1,877	1,877
Payments received in advance	5,400	5,400	7,502	7,502
Research grants received on account	7,372	7,372	3,955	3,955
Trade creditors	4,001	3,969	4,728	4,710
Social security and other taxation	1,699	1,675	1,675	1,620
Amounts owed to group undertakings	0	1,580	0	1,976
Accruals and deferred income	11,891	11,666	4,752	4,510
	30,363	31,662	24,507	26,150

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated £000	University £000	Consolidated £000	University £000
Unsecured loan	90,386	90,386	46,727	46,727
Cumulative convertible pref shares	95	0	95	0
Other long term creditors	185	185	339	339
	90,666	90,571	47,161	47,066

Analysis of secured and unsecured

Due within one year or on demand	0	0	1,877	1,877
Due between one and two years	0	0	1,877	1,877
Due between two and five years	386	386	7,781	7,781
Due in five years or more	90,000	90,000	37,069	37,069
	90,386	90,386	48,604	48,604
Due within one year or on demand	0	0	(1,877)	(1,877)
Due after more than one year	90,386	90,386	46,727	46,727
Unsecured loans repayable by 2036	0	0	48,604	48,604
Unsecured loans repayable by 2013	386	386	0	0
Unsecured loans repayable by 2026	30,000	30,000	0	0
Unsecured loans repayable by 2048	60,000	60,000	0	0
	90,386	90,386	48,604	48,604

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

18 PROVISIONS FOR LIABILITIES

Consolidated and University	FSSU Unfunded Pension £000	Early Retirement & Restructuring Provision £000	Total £000
At 1 August 2007	56	333	389
Utilised in year	(9)	(333)	(342)
Transfer from income and expenditure account	6	112	118
At 31 July 2008	<u>53</u>	<u>112</u>	<u>165</u>

Watson Wyatt, an independent firm of actuaries, carried out a valuation of the existing pension provision at 31 July 2008. Persons retiring under the F.S.S.U. scheme, or who have already retired under the scheme, are entitled as of right to additional benefits that may arise under the F.S.S.U. Supplementation Scheme. These additional benefits are unfunded and are paid, as and when they arise, direct to retired members by Court and are charged against a provision established when members retire to meet this liability.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

19 DEFERRED CAPITAL GRANTS	SFC	Research	Other	Total
Consolidated	£000	Grants	Grants	£000
As 1 August 2007		£000	£000	
Buildings	23,387	0	5,344	28,731
Equipment	2,483	3,658	425	6,566
Total	25,870	3,658	5,769	35,297
Cash receivable				
Buildings	3,685	0	2,852	6,537
Equipment	52	2,938	96	3,086
Total	3,737	2,938	2,948	9,623
Disposals				
Buildings	0	0	(2)	(2)
Equipment	0	0	(70)	(70)
Total	0	0	(72)	(72)
Released to income and expenditure account				
Buildings (notes 1, 3 and 4)	(1,135)	0	(321)	(1,456)
Equipment (notes 1, 3 and 4)	(879)	(1,607)	(30)	(2,516)
Total	(2,014)	(1,607)	(351)	(3,972)
At 31 July 2008				
Buildings	25,937	0	7,873	33,810
Equipment	1,656	4,989	421	7,066
Total	27,593	4,989	8,294	40,876
University	SFC	Research	Other	Total
		Grants	Grants	£000
As 1 August 2007				
Buildings	22,946	0	5,344	28,290
Equipment	2,483	3,658	425	6,566
Total	25,429	3,658	5,769	34,856
Cash receivable				
Buildings	3,685	0	2,852	6,537
Equipment	52	2,938	96	3,086
Total	3,737	2,938	2,948	9,623
Disposals				
Buildings	0	0	(2)	(2)
Equipment	0	0	(70)	(70)
Total	0	0	(72)	(72)
Released to income and expenditure account				
Buildings (notes 1, 3 and 4)	(1,109)	0	(321)	(1,430)
Equipment (notes 1, 3 and 4)	(879)	(1,607)	(30)	(2,516)
Total	(1,988)	(1,607)	(351)	(3,946)
At 31 July 2008				
Buildings	25,522	0	7,873	33,395
Equipment	1,656	4,989	421	7,066
Total	27,178	4,989	8,294	40,461

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

20 ENDOWMENTS
Consolidated and

	Unrestrict Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Restricted Expendabl £'000	2008 Total £'000	2007 Total £'000
Balances at 1 August						
Capital	2,400	34,649	37,049	613	37,662	35,626
Accumulated income	<u>0</u>	<u>828</u>	<u>828</u>	<u>0</u>	<u>828</u>	<u>1,242</u>
	2,400	35,477	37,877	613	38,490	36,868
Additions / Disposals	0	435	435	475	910	281
Investment income	41	1,049	1,090	0	1,090	1,199
Expenditure	(41)	(931)	(972)	(682)	(1,654)	(2,297)
	0	118	118	(682)	(564)	(1,098)
(Decrease)/increase in market	<u>(308)</u>	<u>(3,754)</u>	<u>(4,062)</u>	<u>0</u>	<u>(4,062)</u>	<u>2,439</u>
At 31 July	<u>2,092</u>	<u>32,276</u>	<u>34,368</u>	<u>406</u>	<u>34,774</u>	<u>38,490</u>
Represented by:						
Capital	2,092	31,330	33,422	406	33,828	37,662
Accumulated Income	<u>0</u>	<u>946</u>	<u>946</u>	<u>0</u>	<u>946</u>	<u>828</u>
	<u>2,092</u>	<u>32,276</u>	<u>34,368</u>	<u>406</u>	<u>34,774</u>	<u>38,490</u>

In previous years endowments were analysed as general endowments and specific endowments. The revised headings above reflect the requirements of the revised SORP and the University's accounting policies.

21 MOVEMENT ON RESERVES

	Consolidated £000	University £000
Income and expenditure account		
At 1 August	45,755	44,524
Surplus retained for the year	1,123	1,406
Deduct pension surplus	<u>(1,000)</u>	<u>(1,000)</u>
At 31 July	<u>45,878</u>	<u>44,930</u>
Pension Reserve		
At 1 August	(9,280)	(9,280)
Actuarial (loss)/gain	(11,090)	(11,090)
Surplus retained within reserves	<u>1,000</u>	<u>1,000</u>
At 31 July	<u>(19,370)</u>	<u>(19,370)</u>
Revaluation Reserve		
At 1 August	465	465
Revaluation in the year	<u>(465)</u>	<u>(465)</u>
At 31 July	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

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

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000 (Restated)
Surplus / (loss) after depreciation of assets, disposal of assets and taxation	559	(647)
Depreciation	8,624	8,058
Amortisation of negative goodwill	0	(75)
Amortisation of goodwill	34	129
Deferred capital grants released to income	(3,971)	(3,658)
Investment income	(2,399)	(2,058)
Loss / (profit) on sale of tangible fixed assets	61	(444)
Interest payable	2,906	2,525
(Increase) / decrease in stocks	(64)	8
(Increase) / decrease in debtors	(3,184)	13,573
Increase in creditors	2,655	602
Decrease in provisions	(224)	(205)
Pension costs less contributions payable	(630)	60
Net cash inflow from operating activities	4,367	17,868

23 RETURNS ON INVESTMENTS AND SERVICING OF

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Income from endowments	1,090	1,199
Other interest received	939	789
Interest paid	(2,906)	(2,525)
	(877)	(537)

24 CAPITAL EXPENDITURE & FINANCIAL INVESTMENT

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Payments made to acquire tangible fixed assets	(21,112)	(17,233)
Proceeds from sale of tangible fixed assets	(14)	1,354
Payments made to acquire fixed asset investments	(102)	(35)
Receipts from sales of fixed asset investments	36	0
Payments to acquire endowment assets	(23,750)	(1,110)
Receipts from sales of endowment asset investments	29,500	1,110
Deferred capital grants received	9,543	10,650
Endowments disposed	0	(343)
Endowments received	910	1,009
	(4,989)	(4,598)

25 ACQUISITION

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Liabilities acquired with subsidiary undertaking	0	68

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

26 MANAGEMENT OF LIQUID RESOURCES	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
New deposits	25,240	0
	<u>25,240</u>	<u>0</u>

27 FINANCING	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
New unsecured loan	90,000	274
Repayments of amounts borrowed	(48,218)	(4,970)
	<u>41,782</u>	<u>(4,696)</u>

28 ANALYSIS OF CHANGE IN NET DEBT	At 1 Aug 2007 £000	Cash Flows £000	At 31 July 2008 £000
Cash			
At Bank and in hand	8,997	13,883	22,880
Endowment cash	8	1,142	1,150
Bank overdraft	(18)	18	0
	<u>8,987</u>	<u>15,043</u>	<u>24,030</u>
Short term investments	0	25,240	25,240
Debt due within one year	(1,877)	1,877	0
Debt due after one year	(46,727)	(43,659)	(90,386)
Preference Shares	(95)	0	(95)
	<u>(39,712)</u>	<u>(1,499)</u>	<u>41,211</u>

29 CAPITAL AND OTHER COMMITMENTS

Consolidated and University

Provision has not been made for the following capital commitments at 31st July 2008

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Commitments contracted for	42,851	42,851	6,345	6,345
Authorised but not contracted for	4,468	4,468	0	0
	<u>47,319</u>	<u>47,319</u>	<u>6,345</u>	<u>6,345</u>

30 LEASE OBLIGATIONS

Consolidated and University

	Year ended 31 July 2008		Year ended 31 July 2007	
	Consolidated	University	Consolidated	University
	£'000	£'000	£'000	£'000
Annual rentals under operating leases are as follows:				
Leases expiring less than five years				
Equipment	32	32	46	46
	<u>32</u>	<u>32</u>	<u>46</u>	<u>46</u>

31 POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

**32 Amounts disbursed as agent:
Consolidated and University**

	Year ended 31 July 2008		Year ended 31 July 2007	
	£'000	£'000	£'000	£'000
Hardship funds				
Income				
Excess of income over expenditure at 1 August 2007	0		0	
Funding Council grants	322		295	
Transfers from childcare fund	18		12	
Interest earned	8	348	7	314
	<u> </u>		<u> </u>	
Expenditure				
Disbursed to students	(338)		(314)	
Fund running cost	0	(338)	0	(314)
	<u> </u>		<u> </u>	
Excess of income over expenditure at 31 July 2008		<u> 10</u>		<u> 0</u>
		<u> 10</u>		<u> 0</u>
Childcare funds	£'000	£'000	£'000	£'000
Income				
Excess of income over expenditure at 1 August 2007	3		3	
Funding Council grants	30		30	
Interest earned	1	34	1	34
	<u> </u>		<u> </u>	
Expenditure				
Transfers to Hardship Fund	(18)		(12)	
Disbursed to students	(11)		(17)	
Fund running cost	(2)	(31)	(2)	(31)
	<u> </u>		<u> </u>	
Excess of income over expenditure at 31 July 2008		<u> 3</u>		<u> 3</u>
		<u> 3</u>		<u> 3</u>

HE bursaries and other student support funds are available solely to assist students: the University acts only as paying agent.
The grants and related disbursements are excluded from the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

33 DISCLOSURE OF RELATED PARTY TRANSACTIONS

Due to the nature of the University's activities and the composition of Court (being drawn from local public and private sector organisations) transactions may take place with organisations in which a member of Court may have an interest. All transactions involving organisations in which a member of Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures. The Principal of the University, Dr Brian Lang, was on the board of Scottish Enterprise, Fife until 31 March 2008. In this period the University recognised income of £220,841 (2006/07; £434,461). £205,088 related to Commercialisation and Business Development, £13,753 was in payment of rent and a further £2,000 related to a conference. Dr Lang is also chair of the Heritage Lottery Fund in Scotland from which the University has been awarded a grants of £443,000 towards the creation of the Museum of the University of St Andrews (MUSA) which will open to the public in the autumn of 2008.

34 PENSION ARRANGEMENTS

The University contributes to two pension schemes for its staff.

Universities Superannuation Scheme (U.S.S.)

The Universities Superannuation Scheme (USS) is a UK-wide defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The appointment of directors to the board of the trustee is determined by the 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. It is not possible to identify each participating University's share of the underlying assets and liabilities of the scheme and contributions to the scheme therefore, as required by FRS17 "Retirement Benefits" it is accounted for as if it were a defined contribution scheme. The cost recognised within the income and expenditure account is equal to the contributions payable to the scheme for the year.

The USS is valued every three years by a qualified actuary, 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 University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals.

The latest actuarial valuation of the scheme was as at 31 March 2005. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on the investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 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, 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. The valuation was carried out using the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

34 PENSION ARRANGEMENTS (continued)

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

At 31 March 2005, the market value of the assets of the scheme was £21,740 million and the value of the past service liabilities was £28,308 million leaving a deficit of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits that 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 the 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 of interest). On the FRS17 basis using a 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 University contribution rate required for future service benefits alone at the date of valuation was 14.3% of pensionable salaries but the trustee company, on the advice of the actuary, decided to maintain the University contribution rate at 14% of pensionable salaries.

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

34 PENSION ARRANGEMENTS (continued)

The Trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment 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 Trustees recognise 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 employees 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 Trustees receive advice from its investment consultant and the scheme actuary, and considers the view of employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The Trustees believe that this, together with the ongoing flow of new entrants in 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 directly through 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 to be published in 2009 and will be effective as at 31 March 2008.

The total USS pension cost for the University was £6.083 million (2006/2007 - £5.637 million). This includes £0.445 million (2006/2007 - £0.409million) of outstanding contributions at the balance sheet date. The contribution rate payable by the University was 14% of pensionable salaries. Employees' regular contributions were £2.776million (2006/2007 - £2.565 million) and £0.382 million (2006/2007 - £0.313 million) in respect of additional voluntary contributions.

St. Andrews University Superannuation & Life Assurance Scheme

The University is required to disclose the present value of the scheme assets and liabilities. A full actuarial valuation of the scheme was carried out at 31 July 2006 and updated to 31 July 2008 by a qualified independent actuary. The major assumptions used by the actuary, on the Projected Unit method, were:

	Year ended 31 July 2008	Year ended 31 July 2007	Year ended 31 July 2006
Rate of increase in salaries	4.90%	4.10%	3.90%
Rate of increase in benefits accruing prior to 6 April 2006	3.90%	3.10%	2.90%
Rate of increase in benefits accruing from 6 April 2006	2.50%	2.50%	2.50%
Discount Rate	6.50%	5.80%	5.10%
Inflation assumption	3.90%	3.10%	2.90%

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

	As at 31 July 2008	As at 31 July 2007
Retiring today:		
Males	20.5	19.3
Females	22.8	22.2
Retiring in 20 years:		
Males	22.4	20.3
Females	24.7	23.4

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

34 PENSION ARRANGEMENTS (continued)

The fair value of the assets of the scheme and the expected rate of return are:

	Long term rate of return expected at 31 July 2008	Value at 31 July 2008 £000	Long term rate of return expected at 31 July 2007	Value at 31 July 2007 £000	Long term rate of return expected at 31 July 2006	Value at 31 July 2006 £000
Equities	8.80%	29,560	8.00%	38,830	8.00%	32,650
Bonds	-	-	5.10%	5,930	4.60%	5,350
Alternatives*	8.80%	14,170	-	0	-	0
Cash	4.90%	100	4.10%	160	3.90%	1,100
		<u>43,830</u>		<u>44,920</u>		<u>39,100</u>

* Alternative investments are within a diversified fund that includes equities

The following amounts were measured in accordance with the requirements of FRS17:

	As at 31 July 2008 £000	As at 31 July 2007 £000
Total market value of scheme assets	43,830	44,920
Present value of scheme liabilities	<u>(63,200)</u>	<u>(54,200)</u>
Deficit in scheme - Net pension liability	<u>(19,370)</u>	<u>(9,280)</u>

Amounts charged to income and expenditure account:

	Year ending 31 July 2008 £000	Year ending 31 July 2007 £000
Current service cost	1,770	2,070
Past service cost	<u>80</u>	<u>0</u>
Total operating charge	<u>1,850</u>	<u>2,070</u>

Net finance return / (charge) on pension scheme

	Year ending 31 July 2008 £000	Year ending 31 July 2007 £000
Expected return on pension scheme assets	3,460	2,930
Interest on pension scheme liabilities	<u>(3,090)</u>	<u>(2,860)</u>
Net credit to financing cost	<u>370</u>	<u>70</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

34 PENSION ARRANGEMENTS (continued)

Amounts recognised in the statement of total recognised gains and losses	As at 31 July 2008 £000	As at 31 July 2007 £000
(Loss) / gain on scheme assets	(5,250)	1,800
Experience losses arising on scheme liabilities	(2,440)	(790)
Changes in assumptions underlying the present value of scheme liabilities	<u>(3,400)</u>	<u>7,600</u>
Actuarial (loss) / gain recognised in statement of total recognised gains & losses	<u>(11,090)</u>	<u>8,610</u>

The total movement in the scheme's deficit during the year is made up as follows:

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
Deficit on scheme at 1 August	(9,280)	(17,900)
<i>Movement in year:</i>		
Current service cost	(1,770)	(2,070)
Contributions	2,480	2,010
Past service costs	(80)	0
Other finance income	370	70
Actuarial (loss) / gain	<u>(11,090)</u>	<u>8,610</u>
Deficit on scheme at 31 July	<u>(19,370)</u>	<u>(9,280)</u>

	Year ended 31 July 2008 £000	Year ended 31 July 2007 £000
The University has contributed to the scheme at the following rates of pensionable salary	<u>20.23%</u>	<u>20.23%</u>

History of experience gains and losses	2008	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets					
Amount (£'000)	5,250	(1,080)	170	(3,710)	(510)
Percentage of scheme assets	12.0%	4.0%	0.4%	10.3%	2.0%
Experience gains and losses on scheme liabilities					
Amount (£'000)	2,440	790	450	1,030	30
Percentage of the present value of the scheme liabilities	3.9%	1.5%	0.8%	2.0%	0.0%
Total amount recognised in the statement of total recognised gains and losses					
Amount (£'000)	11,090	(8,610)	1,620	2,330	(3,650)
Percentage of the present value of the scheme liabilities	17.5%	15.9%	2.8%	4.5%	9.0%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2008

35 Subsidiary companies:

The University owns 100% of the following operating subsidiaries

<i>Company</i>	<i>Share capital</i>	<i>Country of incorporation</i>	<i>Activity</i>
St. Andrews University Services Ltd.	£2	Scotland	Vacation letting Property
University of St. Andrews Property Services Ltd.	£2	Scotland	development Property
University of St Andrews Gateway Ltd	£2	Scotland	development
Photosynergy Ltd	£200	Scotland	Laser Lighting
SMRU Ltd.	£200	Scotland	Marine Science

36 Heritage Assets

The University holds extensive collections of assets primarily for the purposes of transferring knowledge and promoting culture which are not disclosed on its Balance Sheet, as outlined in its Accounting Policies. The overall collection, which is managed as a number of smaller distinct collections, is fully registered with the Museums, Libraries and Archives Council. Three of the distinct collections have been formally recognised by the Scottish Government as being 'collections of national significance for Scotland'.

The collections include Art and Silver, historical instruments, muniments (historical photographs etc), furniture and furnishings, books (rare volumes and manuscripts) along with a wide range of historical artefacts.

The University does not charge for admission to view its collections which it displays to the general public via its website, the Museum of the University of St Andrews (MUSA), the Bell Pettigrew Museum, the Gateway Galleries, the Library and throughout the University estate.