



UNIVERSITY
of
ABERTAY DUNDEE

**Annual Report and
Financial Statements**
for the year ended 31 July 2012

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Operating and Financial Review

Scope of the Financial Statements

The Financial Statements presented on pages 14 to 37 comprise the financial results of the University of Abertay Dundee and the subsidiary company, Add Knowledge Ltd, for the year to 31 July 2012.

Results for the Year

The results for the year to 31 July 2012 are summarised as follows:

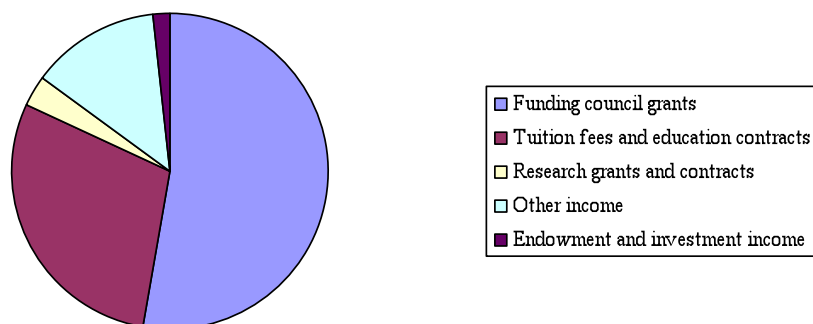
	2012	2011
	£000	£000
Income	34,164	37,054
Expenditure	32,249	33,754
	1,915	3,300
Surplus for the year before exceptional items	1,915	3,300
Loss on disposal of assets	(63)	(5)
Transfer from accumulated income within endowments	13	50
	1,865	3,345
Surplus for the year retained within general reserves		

The principal activity of the subsidiary company, Add Knowledge Limited is software development, and incorporated within these financial statements.

The income and expenditure can be broken down as follows:

	2012	2012	2011	2011
	£000	%	£000	%
Income				
Funding council grants	18,021	53%	20,676	56%
Tuition fees and education contracts	9,984	29%	10,087	27%
Research grants and contracts	1,017	3%	894	2%
Other income	4,557	13%	4,661	13%
Endowment and investment income	585	2%	736	2%
Total income	34,164	100%	37,054	100%

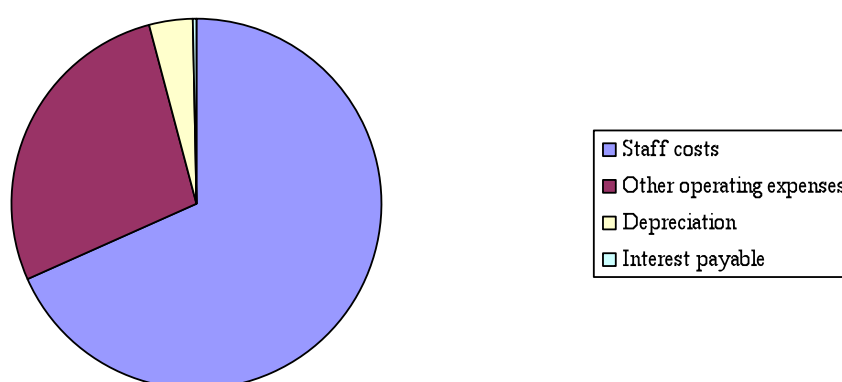
Income Split 2012



Operating and Financial Review (*continued*)

	2012 £000	2012 %	2011 £000	2011 %
Expenditure				
Staff costs	22,041	68%	22,578	67%
Other operating expenses	8,870	28%	9,513	28%
Depreciation	1,238	4%	1,554	5%
Interest payable	100	0%	109	0%
Total expenditure	32,249	100%	33,754	100%

Expenditure Split 2012



The total income reduced this year due to the impact of grant funding being cut by 8%, other changes were not of the same magnitude. The University is pleased to report an increase in Research Grants and Contracts, as although it is not a material increase of £123,000, it is significant as it ends the recent trend of this income stream declining each year at the University.

The expenditure profile remains similar year on year, with a reduction overall of £1,505,000. Staff costs have reduced by £537,000, which is mainly due to the higher one-off expenditure during 2010-11. The average full time staff equivalent numbers have increased by one from the previous year, from 545 to 546. Other operating expenses are £643,000 less than the previous year, with the largest reduction in expenditure being professional fees.

The University has been working towards having a minimum surplus of 3% of turnover during the previous Strategic Planning period to 2011. The University has achieved a surplus of 5.5% of turnover this year. This resulted from early precautionary measures taken in view of the likelihood of reduced funding.

The Strategic Plan for 2011-2015 highlights the University's objectives, as a vibrant and independent institution, and to continue to make a significant contribution to the achievement of the Scottish Government's agenda for post 16 further and higher education (op cit, pages 14-15).

Balance Sheet

The University has a strong Balance Sheet considering the size of the institution. The University has Net Assets of £38,285,000 (2011 - £36,995,000) and Income and Expenditure reserves of £17,342,000 (2011 - £15,370,000).

Operating and Financial Review (*continued*)

Capital

After an extensive programme of capital works in previous years, this was the first year there were only modest increases to Fixed Assets (£255,000), however minor capital works and refurbishment which was not capitalised also amounted to £656,000. As a result of restricted capital funding, the University has decided to focus on maintaining the estate to as high a standard as possible with the resources available. Last year the sale of 9 West Bell Street was progressing, however during this year the sale did not materialise and the property continues to be part of the University Estate.

Treasury and Investments

The net cash inflow from Operating Activities was £1,855,000 during the year. This strengthens the University's cash position (excluding term deposits) from £6,008,000 at 31 July 2011 to £8,223,000 at 31 July 2012.

The market value of listed investments held by the University has increased during the year to £7,833,267 at 31 July 2012 from £7,304,752. These are managed by independent fund managers whose performance is monitored by the Finance, People and General Purposes Committee.

Creditor Payment Policy

The University aims to pay all invoices from creditors within 30 days of the date of the invoice, in line with the CBI prompt payment policy. During 2011/12 the University paid 94.2% of invoices within 30 days, with no penalty interest incurred (2011 - 82.3%).

Pensions

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme and the Tayside Superannuation Fund. These are both defined benefit schemes. The University has decided to again take the exemption permitted under FRS 17 "Retirement Benefits" to disclose the pension schemes as if they are defined contribution schemes and plans to continue taking this exemption for as long as the schemes are set up in a manner which allows this treatment. However the University recognises the volatility it would bring to the Financial Statements if this exemption were ever to change.

Employment of People with Disabilities

During 2012 the University reviewed its policies on Equality and Diversity. As a fundamental part of the Equality & Diversity Policy, the University wishes to encourage the employment of individuals with disabilities. The University seeks to optimise opportunities for those with disabilities and to influence those behaviours that affect employment decisions. It is, therefore, the policy of the University to develop and maintain measures to encourage the recruitment, development and retention of disabled individuals. In particular, the University will:

- Regularly review and, where appropriate, adapt access and safety facilities throughout the University for disabled students.
- On request, make suitable arrangements to allow disabled individuals to attend an interview.
- Give sympathetic consideration to individuals with mobility disabilities in the provision of car parking space.
- Make every effort to retain or retrain employees who become disabled or whose disability becomes progressively worse. This can involve making alterations to working hours or responsibility, providing specialist equipment or re-deployment to alternative work.
- Incorporate disability awareness into the University's programme of Equality & Diversity awareness particularly targeting staff involved in the recruitment and selection process and those in student facing roles.
- Ensure, so far as reasonably practicable, that the working environment does not deter disabled individuals from taking up an appointment.
- Review and develop recruitment procedures to encourage applications from people with disabilities. Applications for employment will only be considered on the basis of suitability for the post concerned.

Operating and Financial Review *(continued)*

Charity Registration

The University of Abertay Dundee is a charity registered in Scotland, Charity Number SC016040, registered address Kydd Building, Bell Street, Dundee, DD1 1HG.



Angus Macmillan Douglas OBE
Convenor
Finance, People & General Purposes Committee

References

University of Abertay Dundee Strategic Plan 2011 - 2015 available at:
<http://www.abertay.ac.uk/about/theuni/corporate/>

Corporate governance statement

The University Court is the governing body of the University. The composition, functions and powers of the Court are set out in the University of Abertay Dundee (Scotland) Order of Council 1994, which incorporates parts of the Dundee College of Technology Scheme 1975. Under the Order, the objects of the University are to provide education, undertake and carry out research, make suitable and adequate provision for such activities, and conduct the affairs of the University in ways that promote its objects. The University is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the University has fully complied with the principles (in so far as they apply to the higher education sector) set out in the UK Corporate Governance Code issued in June 2010, in the Turnbull Guidance on Internal Control (2005) and in the Committee of University Chairs (CUC) Guide for Members of Higher Education Governing Bodies in the UK (March 2009).

As the Governing Body of the University, Court is responsible for the University's system of internal control, which includes internal audit; delegation of responsibilities within a regulatory framework, and reviewing its effectiveness. The system is designed to fulfil the University's responsibilities related to accountability, transparency and value for money inherent in good corporate governance practice. It emphasises the effective management of risk, using well thought-out and controlled risk-taking, leading to improved delivery of the University's objects, proper regard for organisational development, and ensuring the institution's long-term sustainability. However, any such system can only provide reasonable and not absolute assurance against material misstatement or loss.

Court undertakes a continuous review of the process used by the University to identify, measure and manage its key risks. These risks comprise both business and financial risk and derive from operating in the environment of the higher education sector. The main depository for the identification, measurement and management of risk is the University's Risk Management Framework. This process is reviewed by the Audit Committee of Court, and accords with the internal control guidance for directors on the UK Corporate Governance Code.

Court comprises lay core members, co-opted members, *ex officio* members and staff members. Lay core members have 'experience of industrial, commercial or employment matters or the practice of any profession' and remain an absolute majority, whilst the co-opted membership includes at least one person having experience in each of 'local government' and 'the provision of education'. Court has a total possible membership of 25 with 13 forming the lay core, a maximum of 6 being co-opted, 3 being *ex officio* (Principal, Vice-Principal, President of the Students' Association) and 3 representing academic and non-academic staff.

Court, under its Order, is required to meet at least three times per year. Court met seven times in the year to 31 July 2012 and the aggregate attendance rate was 72%. The table overleaf shows all members of Court and their attendance at meetings of Court and its committees.

During the year to 31 July 2012, Court held three special meetings. In two cases, these special meetings related to the search for and recruitment of a permanent Principal & Vice-Chancellor for the University. Another special meeting was held to allow Court to consider and respond to an invitation from the Scottish Funding Council for the University to consider merging with another higher education institution.

Corporate governance statement *(continued)*

Court members' attendance at Court and Committees (to 31 July 2012)

	Court Committees					
	Court	Audit Committee	Finance, People & General Purposes Committee	Governance Committee	Chairman's/ Nominations Committee	Remuneration Committee
	7~ in year	4 in year	4 in year	3 in year	5 in year	5 in year
Dr T Abraham +	2					
Mr J Burt + (from 16.12.11)	6 (of 6)		2 (of 2)			
Mr K Cargill + (deceased 2.07.12)	5			2 (of 2)	3 (of 4)	2 (of 3)
Mr D Dorward +	5		2	3		
Mr E Frizzell +	5		2		4	5
Mr M Grossi +	2					
Mr N Hawkins +	6			1 (of 1)	4	5
Mr C Macdonald +	5					
Mr A MacMillan Douglas +	3		4		2	4
Mrs A Markham +	5	3				
Mrs L Martin + (to 16.03.12)	2 (of 5)			0 (of 1)		
Mr D McLaren +	5	4				5
Mr W Mohieddeen	7		4	3		
Mr J Nicholson	6					
Professor S Olivier	6		3		4	
Dr J Rees + (from 27.01.12)	2 (of 4)		1 (of 2)			
Mr J Reid + (from 27.01.12)	2 (of 4)					
Dr A Samuel	6					
Mrs S Scott +	6			1 (of 1)		
Mr I Simpson	7			3		
Professor N Terry	6		4	3	5	
Professor E Wilson +	6	4				
Mr I R Wilson + (to 31.12.11)	2 (of 3)	1 (of 2)	1 (of 2)			
Aggregate attendance level: (to 31 July 2011)	72% (77%)	86% (80%)	77% (69.5%)	94% (83%)	76% (75%)	91% (83%)

~ Comprising 4 scheduled meetings and 3 special meetings.
+ Non-executive/lay member

The Principal is the chief executive of the University with delegated powers to discharge the functions of Court relating to the management of the University and to discipline therein. During the year to 31 July 2012, the post-holder was Professor N Terry as Principal & Vice-Chancellor (Acting) from 4 March 2011. Professor N Seaton took up the post of Principal & Vice-Chancellor from 20 August 2012.

Court has formally constituted a number of Committees, all of which have clearly defined remits and the majority of which have a lay core member as Chair. The major Committees are: Audit Committee; Chairman's Committee; Finance, People & General Purposes Committee (which has three sub-committees: Estates & Campus Services, Health and Safety, and Equality and Diversity); Governance Committee; and the Remuneration Committee. Court delegates to Senate its functions relating to the overall planning, co-ordination, development and supervision of the academic work of the University. Senate has formally constituted a number of committees, all of which have clearly defined remits.

The Audit Committee advises Court on all audit-related matters and assists Court in ensuring the discharge of its responsibilities for proper financial management. It is also responsible for the effectiveness of the internal control and management systems, for the efficiency and effectiveness of the University's financial activities for monitoring mechanisms designed to ensure value for money across all of the University activities and for monitoring compliance with the University's risk management framework. The University does not have an internal audit function, but contracts the services of an external provider, which provides access to a wider set of specialist expertise as well as benchmark data to help inform Court.

Corporate governance statement *(continued)*

The internal auditors conducted six reviews during the year ended 31 July 2012 including a review of the implementation of recommendations arising from the previous year's reviews. The Audit Committee also oversaw work by the University to review its strategic level risks and to undertake a tender exercise for internal audit and external audit services from 2012/13. The Committee also undertook a self-assessment of its effectiveness and efficiency.

The Audit Committee met four times and the aggregate attendance was 86%. The membership of the Audit Committee - including one external, independent co-opted member with relevant expertise (Mr I McDonald) - for the year to 31 July 2012 was:

Mr D McLaren (Chair)
Mrs A F Markham OBE
Mr I McDonald

Professor E Wilson
Mr I R Wilson CBE (until 31 December 2011)

The Chairman's Committee acts in the name of Court in cases of urgency, subject to any decision being reported to the next meeting of Court. It also acts as a Nominations Committee, considering recommendations for the appointment of lay and co-opted members to Court, which are then referred to Court. The Nominations Committee reviews nominees derived from the 2006 advertisement for lay members of Court and from invitations for nominees from members of Court and all staff of the University. Given the breadth of opportunity afforded by seeking nominations for these two key groups, the University did not feel that it was necessary to employ an external search agency with regard to the appointment of lay members of Court. The Chairman's Committee/Nominations Committee held five meetings in the session and the aggregate attendance was 76 %.

The members of the Chairman's Committee for the year to 31 July 2012 were:

Mr N Hawkins (Chair)
Mr K Cargill (resigned from Committee 18 April 2012)
Mr E Frizzell CB (Vice-Chair)

Mr A MacMillan Douglas OBE
Professor S Olivier
Professor N Terry

The Finance, People & General Purposes Committee oversees and supervises the receipt, expenditure and control of all revenues. It advises Court on all strategic, financial, and people matters and on other matters affecting Court's interests which are not referred to any other Committee. The Committee also supervises and reviews the financial administration of the University.

The members of the Finance, People & General Purposes Committee for the year to 31 July 2012 were:

Mr A MacMillan Douglas OBE (Chair)
Mr J Burt (from 16 December 2011)
Mr D Dorward
Mr E Frizzell CB
Mrs W Grant
Mr C Grethè

Mr W Mohieddeen
Dr J Rees (from 27 January 2012)
Professor S Olivier
Mr I Simpson (from 25 November 2011)
Professor N Terry
Mr I R Wilson CBE (until 31 December 2011)

The Estates & Campus Services Sub-Committee oversees all matters relating to the Estate Strategy and to the maintenance, review, development and renewal of the University's property, services, fixtures and estate. The members of the Estates & Campus Services Sub-Committee for the year to 31 July 2012 were:

Mr E Frizzell CB (Chair)
Mr K Cargill (resigned from Sub-Committee 18 April 2012)
Professor S Olivier

Mr W Mohieddeen
Mr I Simpson
Professor N Terry

Corporate governance statement *(continued)*

The Health & Safety Sub-Committee oversees all matters relating to the safety and health of staff, students and other persons within the University environment. The members of the Health & Safety Sub-Committee for the year to 31 July 2012 were:

<i>Mrs S Stewart (Chair)</i>	<i>Professor R Lloyd</i>
<i>Professor A Adya</i>	<i>Dr G Lund</i>
<i>Mr M Black</i>	<i>Mr J McKinley (until 29 September 2011)</i>
<i>Mr G Burke</i>	<i>Miss E McPhee</i>
<i>Dr P Collier</i>	<i>Mr W Mohieddeen</i>
<i>Mr D Dalziel</i>	<i>Professor S Olivier</i>
<i>Mr P Forte (from 29 September 2011)</i>	<i>Dr C Ozveren (from 30 May 2012)</i>
<i>Mr F Greig (from 30 May 2012)</i>	<i>Professor J Palfreyman (until 31 December 2011)</i>
<i>Mr C Grethè</i>	<i>Mr C Rae</i>
<i>Professor S Hotho</i>	<i>Dr A Samuel (until 30 May 2012)</i>
<i>Mrs J Boath (nee Hunter)</i>	<i>Mr I Simpson</i>
<i>Mr A Ingles (until 14 March 2012)</i>	<i>Mr R Smith</i>
<i>Mrs S Jeffrey</i>	<i>Mr M Turpie</i>
<i>Professor S Keates</i>	<i>Ms Y Wharton</i>
<i>Professor N Terry</i>	<i>Dr Nia White (from 1 January 2012)</i>

The Equality & Diversity Sub-Committee is responsible for all aspects of the University's equal opportunities policies and procedures and reporting thereon. The members of the Equality & Diversity Sub-Committee for the year to 31 July 2012 were:

<i>Mr J Nicholson (Chair)</i>	<i>Dr K Oduyemi</i>
<i>Mrs S Baillie (from 5 April 2012)</i>	<i>Mr S Patterson (from 14 October 2011)</i>
<i>Dr Y Deeni (from 20 December 2011)</i>	<i>Mr T Peile (from 15 May 2012)</i>
<i>Dr C Fraser</i>	<i>Mr C Rae</i>
<i>Mr C Grethè</i>	<i>Dr A Samuel (until 23 January 2012)</i>
<i>Mrs M Guild</i>	<i>Mr R Smith (from 17 April 2012)</i>
<i>Ms VC LaForce (from 16 March 2012)</i>	<i>Mrs S Stewart</i>
<i>Mr A Milne</i>	<i>Mrs M Weldon-Johns (until 16 March 2012)</i>
<i>Mrs M Oduyemi</i>	<i>Mr A Winter (from 12 January 2012)</i>
<i>Mr W Mohieddeen (until 14 October 2011)</i>	

The Governance Committee's purpose is, *inter alia*, to consider and bring forward recommendations in relation to issues relating to good practice in institutional governance. The members of the Governance Committee to 31 July 2012 were:

<i>Mr K Cargill (Chair: resigned from Committee 18 April 2012)</i>	<i>Mrs S Scott (from 16 December 2011)</i>
<i>Mr N Hawkins (Acting Chair from 14 February 2012)</i>	<i>Mr I Simpson</i>
<i>Mrs L Martin CBE (until 16 March 2012)</i>	<i>Professor N Terry</i>
<i>Mr W Mohieddeen</i>	

The Remuneration Committee, which met five times in the financial year with an aggregate attendance level of 91%, comprises lay core members of Court and considers and determines the levels of salary and terms and conditions of service of senior staff. The members of the Remuneration Committee for the year to 31 July 2012 were:

<i>Mr N Hawkins (Chair)</i>	<i>Mr E Frizzell CB (Vice-Chair)</i>
<i>Mr K Cargill (resigned from Committee from 18 April 2012)</i>	<i>Mr A MacMillan Douglas OBE</i>
<i>Ms S Scott (from 18 September 2012)</i>	<i>Mr D McLaren</i>

Corporate governance statement *(continued)*

The University Court, through its Governance Committee, carries out regular reviews of its effectiveness. A full effectiveness review was undertaken in session 2007/2008 and a follow-up review - focussing on those areas that had previously been identified as requiring enhancement - was undertaken in session 2009/2010. The next full effectiveness review was scheduled for session 2012/2013. However, in light of concerns raised in 2011 about the robustness of the University's governance arrangements, Court decided to bring forward the scheduled review by one year and to use an external consultant for this purpose. This review took place and was conducted by a consultant working under the auspices of the UK Leadership Foundation for Higher Education. A report was presented to Court at its meeting in June 2012. The overall conclusion was that the University had an effective governance structure with a strong working relationship between the Court and the University's Executive. A number of recommendations were made to support the further enhancement of the structure and arrangements and Court accepted these in full. The Governance Committee has been invited to oversee the implementation of the recommendations.

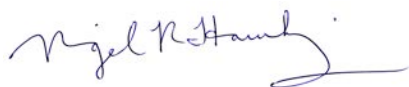
There were no changes to the other significant commitments of the Chairman of the Court during the year.

The strategic development of the University involves development of a strategic plan; initially produced by the management group, then approved by Senate, Finance People and General Purposes Committee and, finally, by Court. Court holds regular conferences at which strategic development issues are discussed and receives regular updates on implementation of objectives. In the year to 31 July 2012, Court received updates from the senior management of the University on the implementation of the Strategic Plan 2011-15.

Going concern

The University Court considers that the University has adequate resources to continue in operation for the foreseeable future.

Signed by



Mr Nigel Hawkins

Chairman, University Court

The University Court would like to express its thanks to all those who have served on Court or as members of Committees of Court during the course of the year.

Responsibilities of the University Court

In accordance with the Further and Higher Education (Scotland) Act 2005, the Court of the University of Abertay Dundee is responsible for the administration and management of the affairs of the University, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Court is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education, The Further and Higher Education (Scotland) Act 2005, Scottish Funding Council Accounts Direction and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the Court of the University of Abertay Dundee, the University Court, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University will continue in operation. The Court is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Court has a responsibility to:

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

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

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Court;

Responsibilities of the University Court (*continued*)

- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance, People and General Purposes Committee; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Court. The Internal Audit team provides a report of 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.

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

The officers and members of the Court who held office at the date of approval of the Annual Report and Financial Statements confirm that, so far as they are each aware, there is no relevant audit information of which the University's auditors are unaware; and each officer and member of the Court has taken all the steps that he/she ought reasonably to have taken as an officer and member of the Court to make himself/herself aware of any relevant audit information and to establish that the University's auditors are aware of that information.

Independent auditors' report to the Court of the University of Abertay Dundee

We have audited the group and parent institution financial statements (the "financial statements") of the University of Abertay Dundee for the year ended 31 July 2012 which comprise the Statement of Principal Accounting Policies, the Consolidated Income and Expenditure Account, the Statement of Historical Cost Surpluses, the Consolidated Statement of Total Recognised Gains and Losses, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Court and auditors

As explained more fully in the Corporate Governance Statement, the Court (who are also charitable trustees for the purposes of charity law) are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Court in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Court; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent institution's affairs as at 31 July 2012 and of the group's income and expenditure, recognised gains and losses and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice (SORP) on Accounting in Further and Higher Education; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Independent auditors' report to the Court of the University of Abertay Dundee (continued)

Opinion on other matters prescribed in paragraph 39 of the mandatory requirements attached to the Scottish Funding Council's Financial Memorandum with the University of Abertay Dundee

In our opinion, in all material respects:

- funds from whatever source administered by the parent institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation and any other terms and conditions attached to them; and
- funds provided by the Funding Council have been applied in accordance with the Financial Memorandum and the mandatory requirements attached to the Financial Memorandum.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the Operating and Financial Review is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept by the parent institution; or
- the parent institution financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
14 December 2012

PricewaterhouseCoopers LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Notes:

- a) The maintenance and integrity of the University of Abertay Dundee website is the responsibility of the Court; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of principal accounting policies

Basis of Preparation

These financial statements have been prepared in accordance with the statement of recommended practice (SORP): *Accounting in Further and Higher Education* and in accordance with applicable Accounting Standards in the United Kingdom. They conform to the Accounts Direction for Scotland's colleges and universities published by the Scottish Funding Council.

Basis of accounting

The accounting policies selected follow the principles laid out in FRS18 and have been applied consistently in dealing with items considered material in relation to the financial statements. The financial statements are prepared on a going concern basis, as well as on an accruals basis and using the historical cost convention, as modified by the revaluation of endowment investments, fixed asset investments and land and buildings. They have been prepared using the principle of "substance over form".

Basis of consolidation

The consolidated financial statements include the University and its subsidiary undertakings for the year ended 31 July 2012. Income for the year is included in Other Operating Income and expenditure is included in Other Operating Expenses in the Consolidated Income and Expenditure Account. The Balance Sheet reflects full consolidation. The accounting policies for the University have been applied uniformly for the group. Any intra-company balances have been eliminated upon consolidation.

The University has taken the exemption allowed from preparing its own income and expenditure account, and instead discloses only the consolidated income and expenditure account.

The financial statements of the Group do not include those of the University of Abertay Dundee Students' Association on the basis that the University has no significant influence over the Association's policy decisions.

Recognition of Income

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

Fee income is stated gross and credited to the income and expenditure account over the period in which the students are studying. 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 together with any related contributions towards overhead costs; any payments received in advance of such performance are recognised on the balance sheet as liabilities.

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 against the order received 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.

Income from short-term deposits is credited to the income and expenditure account on a receivable basis.

Statement of principal accounting policies (*continued*)

Taxation

The University is a charity within the meaning of Part 1, chapter 2, s7 of the Charities and Trustee Investment (Scotland) Act 2005, and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Institution is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 287 CTA2009 and sections 471, and 478-488 CTA 2010 (formerly s505 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.

The Institution 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.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent they are regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Tangible Fixed Assets, Capital Grants and Depreciation

Land and buildings are stated at cost or 1994 valuation less accumulated depreciation. All other categories of fixed assets are held at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Finance costs which are directly attributable to the construction of land and buildings are capitalised as part of the costs of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Following the introduction of FRS 15, the University has followed the transitional arrangements to retain the net book value of land and buildings which were revalued in 1994, and does not intend to carry out regular revaluations of these assets in the future. The main element of the cost of the buildings capitalised was funded from grants provided mostly by government which are treated as deferred capital grants. A Revaluation Reserve was created for the excess of the 1994 valuation over original cost. These amounts are released to income over the expected useful life of the assets. Grants in relation to subsequent land and buildings purchases are treated as deferred capital grants and released to income over the expected useful life of the land and buildings.

Equipment, furniture and coherent packages of equipment costing £10,000 or more have been capitalised and depreciation charged in accordance with agreed rates, except for research assets funded through specific external grants, where the threshold is £50,000. Any related grants are treated as deferred capital grants and released to the income and expenditure account over the expected useful life of the equipment.

Straight-line depreciation has been provided from 1 August 1994 at the following rates:

Buildings	2% of cost or valuation
Equipment – general	20%
Equipment – computer/specialist	33%

The depreciation charged in respect of revalued buildings for the year to 31 July 2012 has been transferred from the Revaluation Reserve to the Income and Expenditure Account.

Statement of principal accounting policies *(continued)*

Fixed Asset and Current Asset Investments

Fixed Asset Unlisted Investments are included at cost, except where there is evidence of a permanent diminution in value.

Current Asset Investments, which are entirely in the form of listed securities, are included in the Balance Sheet at the lower of their original cost or net realisable value.

Endowment Asset Investments

The heritable property and investments that form part of Endowment Assets are included in the Balance Sheet at market value, apart from the property held by the University which has not been revalued since 2004.

Stocks

Stocks of catering supplies are valued at the lower of cost or net realisable value on the basis of first in first out (FIFO). Where necessary, provision is made for slow-moving stock.

Cash Flows

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable if they are in practice available within 24 hours without penalty. Liquid resources comprise assets held as a readily disposable store of value. They include deposits, government securities and loan stock held as part of the University's treasury management activities.

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates 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.

Financial Instruments

Financial Instruments are recognised on the balance sheet when an obligation is identified and released as that obligation is fulfilled. Cash, debtors, creditors and borrowing are held at cost. Measurement of investments is discussed above.

Accounting for Charitable 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.

Charitable donations which are expendable with no restrictions placed on the University by the donor on the application of the donation are recognised as in the income and expenditure account during the year of receipt.

Statement of principal accounting policies *(continued)*

Endowment Funds

Where charitable donations are restricted to a particular objective specified by the donor or where the capital element must be maintained, these are accounted for as an endowment on the balance sheet. There are three main types:

Unrestricted Permanent Endowments – the donor prescribes that the capital element of the donation must be maintained but the income earned thereon is expendable with no restriction placed on its application by the University.

Restricted Permanent Endowments – the capital fund is maintained and the income thereon must be applied to a purpose specified by the donor.

Restricted Expendable Endowments – there is no requirement to maintain the capital element but the income received is only expendable against the objectives specified by the donor.

Where donations must be applied to the purchase and / or construction of tangible fixed assets then these are recognised as a deferred capital grant on the balance sheet.

Pension Schemes

The two principal pension schemes for the University staff are:

- (i) The Scottish Teachers Superannuation Scheme; and
- (ii) The Tayside Local Government Pensions Fund.

Amounts charged to the income and expenditure account are calculated with actuarial advice and represent a proper charge to cover the accruing liabilities on a continuing basis. The Funds are valued by actuaries as indicated in Note 25.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Maintenance of Premises

The University has a policy of carrying out routine corrective maintenance, which is charged to the Income and Expenditure Account as incurred. Major alterations, repair and/or maintenance works are met from recurrent grant.

Consolidated income and expenditure account for the year ended 31 July 2012

	<i>Note</i>	2012 £000	2011 £000
Income			
Funding body grants	<i>1</i>	18,021	20,676
Tuition fees and education contracts	<i>2</i>	9,984	10,087
Research grants and contracts	<i>3</i>	1,017	894
Other operating income	<i>4</i>	4,557	4,661
Endowment and investment income	<i>5</i>	585	736
		<hr/>	<hr/>
Total income		34,164	37,054
		<hr/>	<hr/>
Expenditure			
Staff costs	<i>6</i>	(22,041)	(22,578)
Other operating expenses	<i>7</i>	(8,870)	(9,513)
Depreciation	<i>8</i>	(1,238)	(1,554)
Interest payable	<i>9</i>	(100)	(109)
		<hr/>	<hr/>
Total expenditure	<i>8</i>	(32,249)	(33,754)
		<hr/>	<hr/>
Surplus after depreciation of fixed assets			
		1,915	3,300
Loss on disposal of assets		(63)	(5)
		<hr/>	<hr/>
Surplus after depreciation of fixed assets and disposal of assets			
		1,852	3,295
Surplus for the year transferred to accumulated income in endowment funds		13	50
		<hr/>	<hr/>
Surplus for the year retained within general reserves		1,865	3,345
		<hr/> <hr/>	<hr/> <hr/>

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

Statement of historical cost surpluses for year ended 31 July 2012

Surplus for the financial year	<i>20</i>	1,865	3,345
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount		107	107
		<hr/>	<hr/>
Historical surplus for the year		1,972	3,452
		<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of total recognised gains and losses
for the year ended 31 July 2012

	<i>Note</i>	2012 £000	2011 £000
Surplus after depreciation of assets and disposal of assets		1,865	3,345
Endowment income released for year	<i>12</i>	(13)	(50)
Appreciation of endowment asset investments	<i>12</i>	3	61
		<hr/>	<hr/>
Total recognised gains relating to the year		1,855	3,356
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves and endowments		20,088	16,732
Total recognised gains relating to the year		1,855	3,356
		<hr/>	<hr/>
Closing reserves and endowments		21,943	20,088
		<hr/> <hr/>	<hr/> <hr/>

Balance sheets
at 31 July 2012

	<i>Note</i>	Group 2012 £000	University 2012 £000	Group 2011 £000	University 2011 £000
Fixed assets					
Tangible assets	<i>10</i>	33,046	33,046	34,093	34,093
Investments	<i>11</i>	25	25	25	25
		<hr/>	<hr/>	<hr/>	<hr/>
		33,071	33,071	34,118	34,118
 Endowment assets	 <i>12</i>	 996	 996	 1,006	 1,006
Current assets					
Stocks and work in progress	<i>13</i>	31	31	23	23
Debtors	<i>14</i>	2,900	2,900	1,492	1,517
Investments	<i>11</i>	6,695	6,695	6,145	6,145
Term deposits		72	72	432	432
Cash at bank and in hand		8,223	8,223	6,008	5,983
		<hr/>	<hr/>	<hr/>	<hr/>
		17,921	17,921	14,100	14,100
Creditors: amounts falling due within one year	<i>15</i>	(9,388)	(9,388)	(7,731)	(7,731)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		8,533	8,533	6,369	6,369
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		42,600	42,600	41,493	41,493
 Creditors: amounts falling due after more than one year	 <i>16</i>	 (1,800)	 (1,800)	 (1,950)	 (1,950)
 Provisions for liabilities	 <i>17</i>	 (2,515)	 (2,515)	 (2,548)	 (2,548)
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		38,285	38,285	36,995	36,995
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Represented by:					
Deferred capital grants	<i>18</i>	16,342	16,342	16,907	16,907
Endowments					
Restricted	<i>19</i>	996	996	1,006	1,006
Funds and reserves					
Income and Expenditure reserve	<i>20</i>	17,342	17,342	15,370	15,370
Capital Revaluation reserve	<i>20</i>	3,605	3,605	3,712	3,712
		<hr/>	<hr/>	<hr/>	<hr/>
		20,947	20,947	19,082	19,082
		<hr/>	<hr/>	<hr/>	<hr/>
Total funds		38,285	38,285	36,995	36,995
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

These financial statements on pages 14 to 37 were approved by Court on 14 December 2012 and were signed on its behalf by:

N. A. Seaton

Professor Nigel Seaton
Principal & Vice-Chancellor

Nigel R. Hawkins

Mr Nigel Hawkins
Chairman, University Court

Wendy Grant

Mrs Wendy Grant
Head of Finance

Consolidated cash flow statement
for the year ended 31 July 2012

	<i>Note</i>	2012 £000	2011 £000
Cash inflow from operating activities	22	2,493	3,042
Returns on investments and servicing of finance			
Income from endowments		32	28
Income from current asset investments		238	199
Other interest received		63	30
Interest paid	9	(100)	(109)
Cash inflow from returns on investments and servicing of finance		233	148
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets		(329)	(4,947)
Capital grants received		-	2,431
Endowments expenditure		(45)	(79)
Cash outflow from capital expenditure and financial investments		(374)	(2,595)
Management of liquid resources			
Sale of current asset investments		1,260	1,676
Purchase of current asset investments		(1,607)	(1,788)
Cash outflow from management of liquid resources		(347)	(112)
Cash inflow before financing		2,005	483
Financing			
Repayment of loan		(150)	(150)
Cash outflow from financing		(150)	(150)
Increase in cash	24	1,855	333

Notes to the financial statements

1 Funding body grants

	2012	2011
	£000	£000
SFC Recurrent grant :		
Teaching Grant	15,330	17,098
Research Grant	831	898
Non-recurrent grants	1,554	2,349
Deferred capital grants released in year:		
Buildings (note 18)	177	157
Equipment (note 18)	129	174
	18,021	20,676
	18,021	20,676

2 Tuition fees and education contracts

	2012	2011
	£000	£000
UK student fees	7,120	6,797
EU student fees (excluding UK)	998	1,267
Non-EU student fees	1,777	1,955
Other fees	89	68
	9,984	10,087
	9,984	10,087

3 Research grants and contracts

	2012	2011
	£000	£000
Research councils	177	126
UK charities	316	317
UK government	282	125
UK industry	71	64
EU	16	51
KTP	143	190
Other	12	21
	1,017	894
	1,017	894

Notes to the financial statements (*continued*)

4 Other operating income

	2012	2011
	£000	£000
Residences and catering	1,244	1,105
Other income-generating activities	440	413
Other grant income	476	356
Releases from deferred capital grants	259	255
Increase in value of Current Asset Investments	-	229
Other income	988	1,072
Student centre	1,150	1,231
	4,557	4,661
	4,557	4,661

5 Endowment and investment income

	2012	2011
	£000	£000
Income from endowment asset investments (note 19)	32	28
Income from current asset investments	238	199
Gain on disposal of current asset investments	252	479
Other interest receivable	63	30
	585	736
	585	736

6 Staff numbers and costs

The average number of persons employed by the University during the year, expressed as full time equivalents, was:

	2012	2011
	Number	Number (restated)
Senior management	12	11
Academic Departments	199	202
Academic Services	61	62
Research grants and contracts	37	36
Administration	98	96
Premises	57	62
Other	32	28
Catering and residences	12	12
Student Centre	38	36
	546	545
	546	545

The comparative staff numbers have been amended to reflect the University's classification of staff numbers within direct support teams.

Notes to the financial statements (*continued*)

6 Staff numbers and costs (*continued*)

Staff costs for the above persons:

	2012	2011
	£000	£000
		(restated)
Senior management	1,666	2,075
Academic Departments	10,067	9,877
Academic Services	2,069	2,160
Research grants and contracts	1,151	1,291
Administration	3,519	3,630
Premises	1,430	1,517
Other	1,201	1,072
Residences and catering	297	307
Student Centre	641	649
	22,041	22,578
	22,041	22,578

The comparative staff cost have been amended to reflect the University's classification of staff numbers within direct support teams.

Classified as:

Wages and salaries	18,089	18,577
Social security costs	1,393	1,384
Other pension costs	2,559	2,617
	22,041	22,578
	22,041	22,578

Costs of higher-paid employees:

Remuneration paid to the Principal / Acting Principals during the year including salary and other taxable benefits

2012

<i>Professor N Terry</i>	245	-
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2011

<i>Professor B King (1/08/2010-30/06/2011)</i>	-	230
--	---	-----

<i>Professor S Olivier (29/01/2011-3/03/2011)</i>	-	21
---	---	----

<i>Professor N Terry (4/03/2011-31/07/2011)</i>	-	72
---	---	----

Employer's contribution to pension

2012

<i>Professor N Terry</i>	28	
--------------------------	----	--

2011

<i>Professor B King (1/08/2010-30/06/2011)</i>	-	30
--	---	----

<i>Professor S Olivier (29/01/2011-3/03/2011)</i>	-	3
---	---	---

<i>Professor N Terry (4/03/2011-31/07/2011)</i>	-	11
---	---	----

	273	367
	273	367

Notes to the financial statements (*continued*)

6 Staff numbers and costs (*continued*)

Remuneration, excluding employer's contributions to National Insurance and superannuation schemes, paid to other staff:

	2012	2011
	Number	Number
£70,001 - £80,000	6	5
£80,001 - £90,000	1	2
£110,001 - £120,000	1	1
£120,001 - £130,000	1	-
£140,001 - £150,000	-	1
£160,001 - £170,000	1	-

Expenses payable to the Executive Team of the University for out of pocket expenses were as follows:

	£000	£000
Travel costs	1	2
Accommodation	-	1
Subsistence	1	2
	<u>2</u>	<u>5</u>
	=	=

During the year ended 31 July 2012 compensation arrangements applied to two senior members of staff (2011 – three) earning in excess of £70,000.

Compensation for loss of office exceeding £100,000 was paid to one member of staff during the year. (2011 – two)

	£000	£000 (restated)
Compensation	225	533
	<u> </u>	<u> </u>

The terms for the compensation for loss of office were negotiated on an individual basis and were approved by the University Court.

7 Other operating expenses

	2012	2011
	£000	£000
Residences and catering	544	582
Equipment and consumables	2,010	1,748
Books and periodicals	405	436
Scholarships prizes and other endowment expenditure	32	28
Property costs including utilities	832	864
Repairs and general maintenance	666	490
University of Abertay Dundee Students' Association	163	148
External auditors' remuneration – external audit	41	38
External auditors' remuneration – other services	-	15
Internal auditors' remuneration	40	41
Diminution in value of current asset investments	50	-
Travel and staff training	612	564
Professional fees	570	1,465
Advertising, marketing and public relations	324	232
Administration costs	461	620
Other expenses	1,352	1,492
Student Centre	768	750
	<u>8,870</u>	<u>9,513</u>
	=====	=====

Notes to the financial statements (*continued*)

8 Analysis of expenditure by activity

	Staff costs £000	Depreciation and impairment £000	Other operating expenses £000	Total 2012 £000	Total 2011 (restated) £000
Academic departments	10,573	7	668	11,248	11,033
Academic services	2,069	15	1,052	3,136	3,116
Research grants and contracts	1,151	3	546	1,700	1,935
Residences and catering	297	174	544	1,015	1,056
Premises	1,430	913	1,699	4,042	5,053
Administration	4,679	-	1,813	6,492	7,850
Other	1,201	21	1,880	3,102	2,202
Student centre	641	105	768	1,514	1,508
Subsidiary companies	-	-	-	-	1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	22,041	1,238	8,970	32,249	33,754
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The depreciation and impairment charge has been funded by:

	2012 £000	2011 £000
Deferred capital grant released	565	586
Revaluation reserve transferred	107	107
General income	566	861
	<hr/>	<hr/>
	1,238	1,554
	<hr/> <hr/>	<hr/> <hr/>

9 Interest payable

	2012 £000	2011 £000
On bank loans Repayable wholly or partly in more than 5 years	100	109
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (*continued*)

10 Tangible fixed assets

	Freehold land and buildings £000	General equipment £000	Computer specialist equipment £000	Total £000
(a) Group				
<i>Cost or valuation</i>				
<i>At 1 August 2011</i>				
Valuation – 1994	16,104	-	-	16,104
Cost	25,768	2,434	2,516	30,718
Additions at cost	84	82	89	255
Disposals at cost	(90)	(28)	(2)	(120)
	<hr/>	<hr/>	<hr/>	<hr/>
<i>At 31 July 2012</i>				
Valuation – 1994	16,104	-	-	16,104
Cost	25,762	2,488	2,603	30,853
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2012	41,866	2,488	2,603	46,957
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated Depreciation</i>				
<i>At 1 August 2011</i>				
	8,536	2,169	2,024	12,729
Charge for year	826	104	308	1,238
Eliminated in respect of disposals	(27)	(28)	(1)	(56)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2012	9,335	2,245	2,331	13,911
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 July 2012	32,531	243	272	33,046
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2011	33,336	265	492	34,093
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (*continued*)

10 Tangible fixed assets (*continued*)

	Freehold land and buildings £000	General equipment £000	Computer specialist equipment £000	Total £000
(b) University				
<i>Cost or valuation</i>				
<i>At 1 August 2011</i>				
Valuation – 1994	16,104	-	-	16,104
Cost	25,768	2,432	2,516	30,716
Additions at cost	84	82	89	255
Disposals at cost	(90)	(26)	(2)	(118)
	-----	-----	-----	-----
<i>At 31 July 2012</i>				
Valuation – 1994	16,104	-	-	16,104
Cost	25,762	2,488	2,603	30,853
	-----	-----	-----	-----
At 31 July 2012	41,866	2,488	2,603	46,957
	-----	-----	-----	-----
<i>Accumulated Depreciation</i>				
<i>At 1 August 2011</i>				
Charge for year	8,536	2,167	2,024	12,727
Eliminated in respect of disposals	826	104	308	1,238
	(27)	(26)	(1)	(54)
	-----	-----	-----	-----
At 31 July 2012	9,335	2,245	2,331	13,911
	-----	-----	-----	-----
<i>Net book value</i>				
At 31 July 2012	32,531	243	272	33,046
	=====	=====	=====	=====
At 31 July 2011	33,336	265	492	34,093
	=====	=====	=====	=====

Buildings with a net book value of £22,486,000 and cost of £25,502,000 have been funded mostly from Treasury sources. Should these particular buildings be sold, the University would either have to surrender the proceeds to the Treasury or use them in accordance with the Financial Memorandum with the Scottish Funding Council.

Notes to the financial statements (*continued*)

11 Fixed asset and current asset investments

	2012	2011
	£000	£000
Fixed Asset Investments		
Unlisted investment		
At 1 August	25	25
	<hr/>	<hr/>
At 31 July	25	25
	<hr/> <hr/>	<hr/> <hr/>

Unlisted investments are included at cost less provision for permanent diminution in value. The cost of these were £25,000 and no diminution in value is deemed necessary. The investment is in CVCP Properties plc.

	2012	2011
	£000	£000
Current Asset Investments – listed securities		
At 1 August	6,145	5,324
Additions	1,557	2,017
Disposals	(1,007)	(1,196)
	<hr/>	<hr/>
At 31 July	6,695	6,145
	<hr/> <hr/>	<hr/> <hr/>

The market value of the above current asset investments is £7,833,267 (2010/11 £7,304,752). Court members believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements (*continued*)

12 Endowment assets

	2012	2011
	£000	£000
At 1 August	1,006	995
Appreciation on disposals/revaluation (note 19)	3	61
Disposal of endowment assets – reduction in balances held	(13)	(50)
	996	1,006
	996	1,006
At market value:		
Fixed interest stocks (listed)	-	-
Equities (listed)	822	819
Land and property	130	130
	952	949
Balances held by the University	44	57
	996	1,006
	996	1,006

The land and property included above relates to a property that was donated to the University. This property was revalued at 31 July 2004 on the advice of a firm of chartered surveyors.

13 Stocks

	Group	University	Group	University
	2012	2012	2011	2011
	£000	£000	£000	£000
Stock	31	31	23	23
	31	31	23	23
	31	31	23	23

14 Debtors

	Group	University	Group	University
	2012	2012	2011	2011
	£000	£000	£000	£000
Trade debtors	409	409	602	602
Debts due from students	26	26	42	42
Due from associated companies	-	-	-	25
Other debtors	-	-	12	12
Prepayments and accrued income	2,465	2,465	836	836
	2,900	2,900	1,492	1,517
	2,900	2,900	1,492	1,517

Notes to the financial statements (*continued*)

15 Creditors: amounts falling due within one year

	Group 2012 £000	University 2012 £000	Group 2011 £000	University 2011 £000
Bank loans	150	150	150	150
Trade creditors	1,138	1,138	880	880
Other creditors	2,680	2,680	2,770	2,770
Social security and other taxation payable	449	449	619	619
Accruals and deferred income	4,971	4,971	3,312	3,312
	<u>9,388</u>	<u>9,388</u>	<u>7,731</u>	<u>7,731</u>

16 Creditors: amounts falling due after more than one year

	Group 2012 £000	University 2012 £000	Group 2011 £000	University 2011 £000
Bank loans	1,800	1,800	1,950	1,950

The above represents a secured bank loan used to part-finance the construction of the Student Centre, with a repayment period of 20 years commencing on 1 July 2005 and a floating interest rate linked to LIBOR. The finance costs in the year relating to this loan have all been charged to Income and Expenditure Account. The University has granted a standard security over the Student Centre property and a floating charge over the whole of its assets.

The above bank loans are repayable as follows:

	2012 £000	2011 £000
In one year or less	150	150
Between one and two years	150	150
Between two and five years	450	450
In five years or more	1,200	1,350
	<u>1,950</u>	<u>2,100</u>

17 Provisions for liabilities

	Pension Costs £000	Other £000	2012 £000	2011 £000
At 1 August 2012	2,548	-	2,548	2,603
Expenditure	(163)	-	(163)	(159)
Revaluation adjustment	(161)	-	(161)	104
Additional provisions	-	291	291	-
	<u>2,224</u>	<u>291</u>	<u>2,515</u>	<u>2,548</u>

The provision is for enhanced pension benefits to former members of staff. The valuation of the pension provision has been updated at 31 July 2012 with a valuation carried out by an independent firm of actuaries. Other provisions includes the likely settlement of funds in relation to costs in relation to overseas students.

Notes to the financial statements (*continued*)

18 Deferred capital grants

	Funding Council £000	Other grants £000	Total £000
Balance at 1 August 2011			
Buildings	7,610	9,133	16,743
Equipment	160	4	164
	<hr/>	<hr/>	<hr/>
Total	7,770	9,137	16,907
	<hr/>	<hr/>	<hr/>
Cash received			
Buildings	-	-	-
Equipment	-	-	-
	<hr/>	<hr/>	<hr/>
Total	-	-	-
	<hr/>	<hr/>	<hr/>
Released to income and expenditure account:			
Buildings (note 1)	177	255	432
Equipment (note 1)	129	4	133
	<hr/>	<hr/>	<hr/>
Total (note 8)	306	259	565
	<hr/>	<hr/>	<hr/>
Balance at 31 July 2012			
Buildings	7,433	8,878	16,311
Equipment	31	-	31
	<hr/>	<hr/>	<hr/>
Total	7,464	8,878	16,342
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Endowments

	Restricted 2012 £000	Restricted 2011 £000
At 1 August 2011	1,006	995
Appreciation of endowment asset investments (note 12)	3	61
Income for year (Note 5)	32	28
Expenses for year	(45)	(78)
	<hr/>	<hr/>
At 31 July 2012	996	1,006
	<hr/> <hr/>	<hr/> <hr/>
Representing:		
Scholarship funds	69	67
Prize funds	102	103
Other funds	825	836
	<hr/>	<hr/>
	996	1,006
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (*continued*)

20 Funds and reserves

	Capital Revaluation reserve £000	Income and Expenditure reserve £000	Total £000
At 1 August 2011	3,712	15,370	19,082
Surplus for year	-	1,865	1,865
Revaluation transfer for year	(107)	107	-
	<hr/>	<hr/>	<hr/>
At 31 July 2012	3,605	17,342	20,947
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 August 2010	3,819	11,918	15,737
Surplus for year	-	3,345	3,345
Revaluation transfer for year	(107)	107	-
	<hr/>	<hr/>	<hr/>
At 31 July 2011	3,712	15,370	19,082
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 Capital commitments for the group

	2012 £000	2011 £000
Contracted but not provided for	542	102
	<hr/> <hr/>	<hr/> <hr/>

22 Reconciliation of consolidated surplus to net cash inflow from operating activities

	2012 £000	2011 £000
Surplus for the year	1,865	3,345
Interest receivable (note 5)	(63)	(30)
Interest payable (note 9)	100	109
Income from current asset investments	(238)	(199)
Depreciation charges	1,238	1,242
Impairment charge	-	312
Profit on disposal of current asset investments	(252)	(479)
Appreciation of endowments	3	61
Appreciation on disposals/revaluation of endowment asset investments	(3)	(61)
Decrease in balances held by the University of endowment asset investments	13	50
Decrease / (Increase) in value of current asset investments	50	(229)
(Increase) / Decrease in stock and work in progress	(7)	5
(Increase) / Decrease in debtors	(1,408)	1,570
Increase / (Decrease) in creditors	1,731	(2,019)
Decrease in provisions	(34)	(54)
Release of deferred grant (note 18)	(565)	(586)
Loss on disposal of fixed assets	63	5
	<hr/>	<hr/>
Net cash inflow from operating activities	2,493	3,042
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (*continued*)

23 Reconciliation of net cash flow to movement in net funds

	2012	2011
	£000	£000
Increase in cash in year	1,855	333
Cash used to decrease liquid resources	(347)	(112)
Cash outflow from debt financing	150	150
	1,658	371
Change in net funds resulting from cash flows		
Other non-cash change	897	933
	2,555	1,304
Movement in net funds in the year		
Opening net funds	10,485	9,181
	13,040	10,485
Closing net funds	13,040	10,485

24 Analysis of changes in net funds

	At 1 August	Cash flow	Other	At 31 July
	2011	£000	non-cash	2012
	£000	£000	change	£000
			£000	
Cash in hand	6,008	2,215	-	8,223
Term deposits	432	(360)	-	72
	6,440	1,855		8,295
Debt due within one year	(150)	150	(150)	(150)
Debt due after one year	(1,950)	-	150	(1,800)
Current asset investments	6,145	(347)	897	6,695
	10,485	1,658	897	13,040
	10,485	1,658	897	13,040

Notes to the financial statements (*continued*)

25 Pension costs

The two principal pension schemes operated for the University's staff are the Scottish Teachers' Superannuation Scheme (STSS) and the Tayside Superannuation Fund (TSF). Both schemes are of a defined benefit type and are subject to independent actuarial valuations using the projected unit method. This determines the contribution rates payable by the University.

The latest actuarial valuation of the STSS received from the Scottish Public Pensions Agency (Formerly the Scottish Office Pensions Agency) is as at 31 March 2005. The valuation reveals assets of £18.5bn and liabilities of £19.5bn resulting in a deficit position of £1bn equating to notional investments. The valuation assumes that the rate of return will be 5.3% and that earnings will increase by 1.0% pa. The employers' contribution was 14.9% throughout the year. The employees' contribution was 6.4% throughout the year. Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the above scheme is accounted for as if it were a defined contribution scheme.

The last actuarial valuation of the TSF (as at 31 March 2011), was based on assumptions of a nominal 6.9% return on investments, a 5.0% rate of increase in salaries and a 3.0% rate of increase in pensions. The valuation revealed a market value of assets of £1.9bn. It also revealed liabilities of the fund of £1.9bn, indicating a net deficit in funding of £35.8m. Employer contributions changed during the financial year from 18.5% to 18% from 1 April 2012 and employees contributions were variable based on salary. Because the University is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits', the above scheme is accounted for as if it were a defined contribution scheme. In addition to the Pension Schemes outlined above the University has also given commitments over the years to provide enhanced pension benefits to staff members. A valuation of this commitment was carried out in 2012. The valuation was based on assumptions of a 6.0% return on investments and a 3.6% rate of increase in pensions. The valuation revealed a total liability in respect of these enhanced pension arrangements of £2.2m.

25 Pension costs (Continued)

During the year to 31 July the total cost of these pension arrangements for the University was:

	2012	2011
	£000	£000
STSS	1,176	1,187
TSF	1,341	1,394
USS	42	36
	2,559	2,617
Total pension cost	2,559	2,617

Notes to the financial statements (*continued*)

26 Childcare and other student support funds

	Childcare Fund £000	Discretionary Fund £000	Total 2012 £000	Total 2011 £000
Balance brought forward	-	1	1	1
Allocation received in year	212	269	481	425
Expenditure	(210)	(272)	(482)	(425)
Funds transferred	(2)	2	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	-	-	-	1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Funding council grants are available solely for the students; the University acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

27 Lease obligations

	2012 £000	2011 £000 (restated)
<i>Commitments under non-cancellable operating leases expiring:</i>		
Land and buildings		
Within one year	24	24
Between two and five years	-	-
Over five years	145	145
	<hr/>	<hr/>
	179	179
	<hr/> <hr/>	<hr/> <hr/>
Other		
Within one year	-	-
Between two and five years	13	7
	<hr/>	<hr/>
	13	7
	<hr/> <hr/>	<hr/> <hr/>

28 Post balance sheet events

There have been no significant post balance sheet events which would lead to adjustments or require disclosure within these accounts. On 19 October 2012, Add Knowledge Limited was dissolved at Companies House.

29 Contingent liability

There are no contingent liabilities at 31 July 2012.

Notes to the financial statements (*continued*)

30 Subsidiary Undertakings

The University owns 100% of the issued share capital of ordinary shares of Add Knowledge Ltd. The principal activity of the company is software development. The accounting year end for Add Knowledge Ltd is 31 August. The company has not traded for several years and was dissolved on 19 October 2012.

The results are included in the consolidated accounts. All other subsidiary companies are dormant.

31 Related parties

Due to the nature of the University's operations and the composition of the University Court being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of University Court may have an interest. All transactions involving organisations in which a member of the University Court may have an interest are conducted at arm's length and in accordance with the University's financial regulations and normal procurement procedures.

Professor Nicholas Terry, who was Acting Principal & Vice Chancellor during the year is a director of the company Design Dundee Limited (DDL). This company is involved with driving the Victoria & Albert (V&A) Project in Dundee. There have been no financial transactions between the University and DDL during the year (2011 - £nil).



UNIVERSITY
of
ABERTAY DUNDEE

University of Abertay Dundee
Bell Street, Dundee, Scotland DD1 1HG

t: +44 (0)1382 308000

f: +44 (0)1382 308877

web: <http://iserv.abertay.ac.uk>

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